

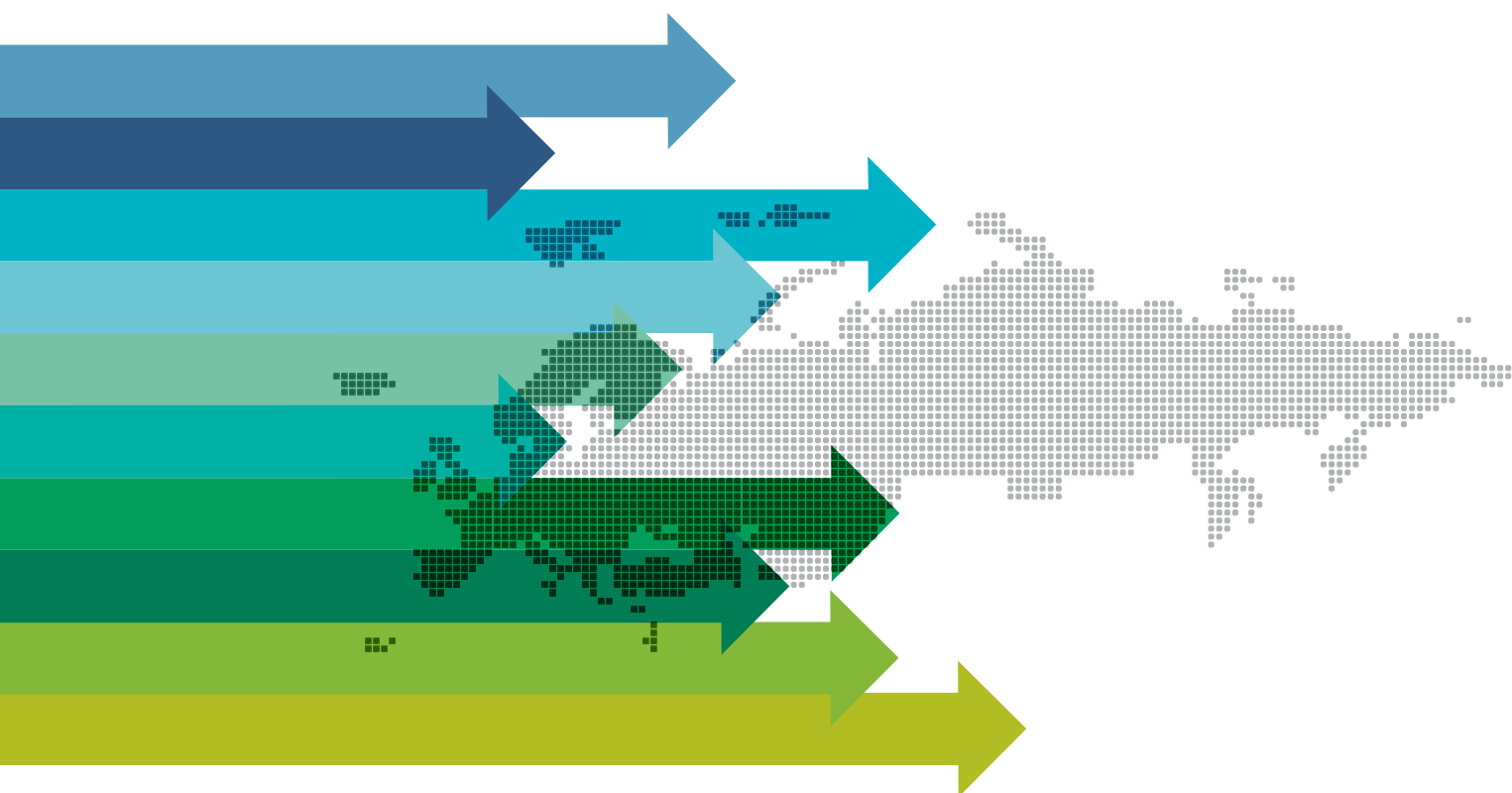


issa

INTERNATIONAL SOCIAL SECURITY ASSOCIATION

10 GLOBAL CHALLENGES FOR SOCIAL SECURITY

EUROPE



10 GLOBAL CHALLENGES FOR SOCIAL SECURITY

EUROPE

The International Social Security Association (ISSA) is the world's leading international organization for social security institutions, government departments and agencies. The ISSA promotes excellence in social security administration through professional guidelines, expert knowledge, services and support to enable its members to develop dynamic social security systems and policy throughout the world.

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The report is available in electronic format: www.issa.int.

Photos: iStockphoto.

Design: www.paprika-annecy.com

Also published in French, German, Russian and Spanish.

ISBN 978-92-843-2231-2

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FOREWORD

Global levels of social security protection are at an all-time high and coverage continues to improve. Based on strong political commitment and excellence in administration, social security is transforming lives and shaping societies in all regions of the world.

The global community that makes up the membership of the International Social Security Association (ISSA) is committed to sustaining and further extending social security protection in line with the objectives of the United Nations Sustainable Development Goals for 2030. To reach these ambitious objectives, we need to understand more fully the challenges that confront us and develop appropriate responses.

This is the reason why the ISSA has prepared this report, which spotlights ten of the most important challenges that confront social security systems. The report considers these challenges from the perspective of the ISSA's member institutions in Europe.

The ISSA member institutions in Europe have determined the sequencing of the ten challenges in the report by order of importance. I thank all of you for taking the time to complete the survey that has produced this insight and other valuable data.

Labour markets and the digital economy is ranked the top challenge for member institutions in Europe, with population ageing ranked second. The third-ranked challenge is the technological transition, closely followed by health and long-term care.

These top-ranked priorities reflect that the region of Europe is well advanced in the global technological, labour market, demographic and epidemiological transition, which presents challenges for the design, financing and policy priorities of social security systems. These issues require urgent attention and how countries can best respond will be one important point of discussion at the ISSA 2019 Regional Social Security Forum for Europe.

Besides facilitating a better understanding of the rapidly changing context for social security, this report provides interesting examples of innovative responses by ISSA member institutions to adapt to the identified challenges.

The underlying international context of uncertainty reaffirms the necessity of comprehensive social security systems. Nevertheless, to respond to current and future challenges requires the further development and sharing of innovations, good practices and solutions by social security institutions. To support these aims, the ISSA is your privileged platform and partner.

I hope you will find this report stimulating and inspiring, and that it will further strengthen your engagement in our unique Association.

Marcelo Abi-Ramia Caetano
Secretary General

INTRODUCTION

In 2016, the International Social Security Association (ISSA) published a ground-breaking report *Ten Global Challenges for Social Security*, prepared for the World Social Security Forum in Panama. The analysis presented in this follow-up report focuses on Europe and incorporates feedback provided by ISSA member institutions in the region regarding the most important challenges they face.

| CAPTURING THE OPINIONS OF ISSA MEMBER INSTITUTIONS

To understand more fully the relevance of the ten global challenges facing national social security systems for ISSA member institutions in Europe, the ISSA surveyed its members in the region. The ordered presentation in this regional report of the ten global challenges is derived from institutions' survey responses. Respondents also provided valuable input with regard to the most significant internal and external challenges they confront in respect of the emerging digital economy.

The survey responses from ISSA member institutions in Europe give a unique insight into the reality of social security administration in the region, and the nature of the challenges institutions face.

| RANKING THE PRIORITY CHALLENGES

The survey results rank "labour markets and the digital economy" first, followed by "population ageing", then "the technological transition". The challenges of "health and long-term care", "inequalities across the life course" and "higher public expectations" are ranked fourth, fifth and sixth, respectively. Closing the coverage gap is ranked seventh, while the "employment of young workers", the "protection of migrant workers" and "new risks, shocks and extreme events" are ranked eighth, ninth and tenth, respectively.

In a context of uncertainty and economic, demographic and technological change, the three top-ranked challenges identified by respondents confirm the continuing primacy of protecting people across the life course. The expectation is that ISSA member institutions will continue to call upon new opportunities to extend adequate and sustainable coverage and quality services to economically active and non-active populations. Importantly, these responses are already being adapted to the needs of workers engaged in the emerging digital economy.

The world's population is ageing, with a rise in both the number and share of older people. Increasing life expectancy compounded by declining fertility rates will have far-reaching consequences for social security systems. The political drive in Europe to guarantee minimum acceptable living standards for the ageing population and to extend access to quality health and long-term care services to all, will require innovation in social security administration.

Increasing life expectancy is not always accompanied by a corresponding increase in healthy life expectancy. Such outcomes often reflect underlying inequalities in societies.

Addressing such inequalities should go hand in hand with meeting public expectations for improved service delivery and realizing improvements in well-being.

Despite comprehensive legal coverage in a great many of the region's countries, some population groups still do not have effective access to adequate coverage. For some countries, a particular challenge is to better cater to the needs of self-employed workers, digital-platform workers and workers engaged in rural and informal economies. The needs of young workers in the transition from education to the world of work is a further challenge. The heightened risk of external shocks and extreme events suggests that social security systems should consider risk more broadly.

| THE IMPACTS OF THE DIGITAL ECONOMY ON SOCIAL SECURITY SYSTEMS

The survey responses draw attention to the impacts of the digital economy on social security systems. At present, it is not fully clear what the implications of digital platforms and increased automation and robotization will be for the region's diverse labour markets. However, the risk of labour market distortion is real.

As for the impacts on social security systems, changing labour markets and increases in non-standard forms of employment may erode the financing base of contributory social security programmes, heightening the pressure placed on constrained fiscal resources. Yet, new digital platforms also present an alternative means to create new forms of employment. They also permit to deliver quality services, to better monitor the contribution histories of employers and workers, and identify and register workers and thus maximize and ensure effective social security coverage.

With the shift to the digital economy, the needs and expectations of insured persons and beneficiaries will change. Social security programmes must evolve, but should do so while protecting the rights of workers and covered populations.

Looking at the internal impacts of the digital economy on social security administrations, the priority challenges are to automate business processes and leverage data to provide coherent and coordinated coverage. Other priorities are to develop human resource capacities in response to changing job demands, the adoption of new service delivery models, and to invest in, and enable the integration of, new technologies.

These new insights concerning the challenges facing social security administrations in Europe will help guide the identification and development of appropriate responses. Future regional surveys will permit the ISSA to track the development and success of national and regional responses to the identified ten challenges facing social security worldwide.

Each chapter of this report addresses one challenge only. All chapters are structured to first present the broader regional context, to then explain the nature of the challenge for social security systems, and then to offer concrete good practice examples of how ISSA member institutions are innovatively responding to the challenge. To complement the narrative, each chapter concludes with data infographics.

CHALLENGE 1





Labour markets and the digital economy

The emerging digital economy is reshaping the world of work. The emergence of digital work platforms, artificial intelligence, the increasing automation of production, the digitalization of work processes and the expansion of the Internet of Things are transforming the economies of Europe. New opportunities and risks present challenges for social security legal frameworks while also putting into question the financing and delivery models of social security systems.

The development of a high-speed network, coupled with big data and mobile devices, has led to the rapid growth of the platform economy, a moniker used to describe the gig economy, the sharing economy, the on-demand economy and various forms of atypical work. The services provided by such platforms enable the matching of demand and supply, with low barriers to entry and low transaction costs thereby creating new opportunities for workers both in the digital and the physical world.

In parallel with these unprecedented opportunities lie new challenges. Major disruptions will occur as sectors of work and business activities evolve and possibly even disappear, while others are created. The future necessitates a better educated, better trained and digital savvy workforce. At present, there is a degree of uncertainty about how this will

translate in terms of new and emerging social protection needs for populations. But it is beyond question that social security systems must adapt.

| THE CHALLENGES OF THE CHANGING WORLD OF WORK

There remains a general lack of precise data on the impacts of the emerging digital economy on employment, as well as on social security coverage and financing. Nevertheless, the challenges are real.

Many national jurisdictions consider platform workers as self-employed workers. As a result, platform work may not be covered mandatorily by social security. Rather, coverage may be voluntary, often private. The status of platform workers may sit uncomfortably with respect to the conventional demarcation of ►►

self-employment and employment: from one perspective, such work is akin to self-employment, since it is the worker who decides when to work and whether to accept a task, but from another perspective it is employed work since the worker depends on the platform infrastructure to generate the tasks and manage administrative aspects. Thus, with the updating of labour law often not keeping pace with labour market evolution, we have witnessed the emergence of a new hybrid category of worker that eludes most conventional labour regulatory frameworks. In some national jurisdictions, this definitional gap may permit economic actors to side-step national labour codes, occupational safety and health legislation, minimum wages and social security.

In the absence of a clear status, it has been left to tribunals to arbitrate the different interpretations, in a piece-meal fashion, which is not conducive to meeting the need to provide equitable access to adequate protection for all workers. Only once an employer-employee relationship becomes legally established does mandatory coverage under applicable social security programmes become possible.

Most platform workers welcome the increased flexibility in working hours, however this is counter-balanced by lower levels of job security and uncertainty in earnings. It would appear that very few workers can earn a living exclusively from platform work. Moreover, the many micro-tasks performed by platform workers, which may engender a low density of contributions, may not translate into a sufficient employment history for the purpose of meeting social security programme eligibility or the accrual of adequate future entitlements.

A decline in salaried formal employment, with a respective increase in more flexible and individualized forms for work, could challenge the financial framework of contributions-financed social security programmes. While there is an immediate impact on the funding base of the scheme, there is also a potential secondary impact later. The increasing gap in coverage could translate into a future higher demand for tax-financed social assistance, in effect leaving the financing problem to the next generation of tax payers, one that will already carry the burden

associated with a higher dependency ratio of retirees to workers.

To complicate things further, the fiscal residence of the platform can be elusive, making it difficult to assess and collect what would appear to be extra-territorial contributions as well as the application of national labour and social security laws.

| RESPONDING TO THE DIGITAL ECONOMY

A fundamental – but sometimes contested – issue is the clarification of the legal status of platform workers, decisions about which impact access to social security protection. Other practical measures to increase the effective coverage of platform workers have been taken by some European governments, particularly through the exchange of information between the tax authority and social security institutions. This is the case in Belgium, and also in Slovakia concerning some self-employed workers. In France, the contribution collection agency (ACOSS) can request income data from platform workers. New formal partnerships may be established with the platform itself. For example, in Switzerland, a digital platform has opted to collect and transfer the social insurance contributions of its workers.

At the institutional level, for contributory schemes reliant on payroll deductions there is a need to find ways to collect contributions and provide adequate coverage. Social security administrations should actively enforce the full payment of social security contributions. The *ISSA Guidelines on Contribution Collection and Compliance* and the forthcoming *ISSA Guidelines on Error, Evasion and Fraud* are useful tools with an abundance of illustrations and good practices on the latest techniques in this respect.

Another approach is to consider broader, more diversified sources of finance. This could include through general taxation or VAT. For example, the European Parliament is discussing a draft motion that calls for the most sophisticated autonomous robots to be classified as “electronic persons”. The draft motion argues that such robots should be linked to a fund established to cover their legal liabilities and

calls for owners of robots to be made liable for paying social security contributions with respect to these.

These approaches to financing, which are wider than traditional contributory mechanisms, could further enable social security programmes to redistribute income and address income gaps. This might make possible the establishment of Universal Basic Income (UBI), a policy approach that has attracted interest from across the political spectrum, albeit for differing reasons. For the Left, UBI is a tool for social equality, while for the Right, it is seen as a possible mechanism to facilitate a reduced role for government, by transferring a degree of responsibility for income and labour market risk to the individual. Despite a number of UBI pilot projects in Europe, unresolved issues include whether such an approach is affordable and sustainable as well as the possible impacts on productivity, employment and entrepreneurial behaviour.

Access to social security coverage for all workers must be improved and criteria made more flexible to permit and incentivize the affiliation of self-employed, freelance and non-standard workers. These are not necessarily new challenges, but the need to address them appropriately is now more pressing. The European Union (EU) initiative on access to social protection for all workers including

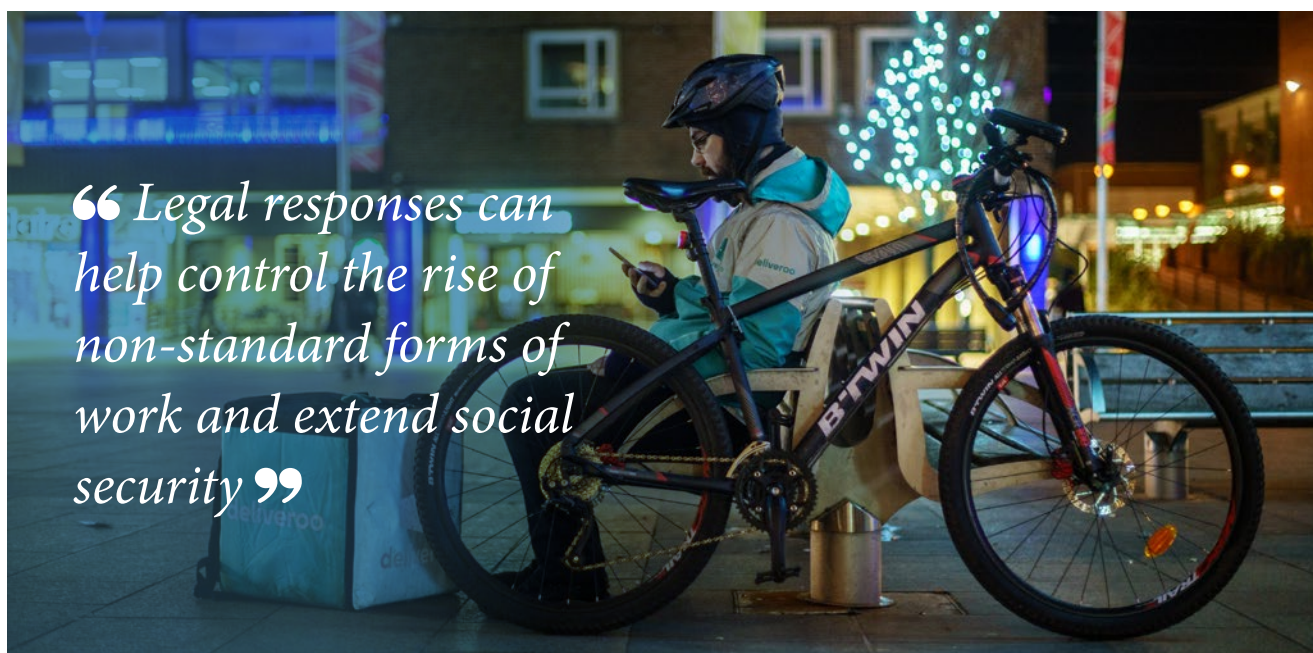
the self-employed, part of the European Pillar of Social Rights, seeks to address the challenge that nearly 50 per cent of workers in the EU in non-standard work and self-employment have inadequate access to social security and public employment services.

Outside the EU, the Swiss National Accident Insurance Fund (Suva) and the Swiss Federal Pension Fund (PUBLICA) have decided that companies providing app-based taxi services should be considered an employer and should pay social security contributions. The reason is that, in Switzerland, a taxi driver who fully depends on jobs provided by the operational headquarters of a company is not legally self-employed.

As is commonly the case for self-employed workers, several countries have opted for voluntary schemes to extend social security coverage to non-standard workers. But as for all voluntary schemes, these are at risk from the adverse selection of members: the workers with the highest risks have the biggest incentives to join, making risk pooling difficult. All the evidence suggests that voluntary coverage can only ever provide a partial answer.

Also, the development of parallel social security schemes for different types of workers risks incentivizing employers to seek to reduce costs by changing employment contracts that place ►►

“Legal responses can help control the rise of non-standard forms of work and extend social security”



workers in less costly schemes that offer weaker levels of protection. In this sense, categorizing new forms of work as standard employment, as is the case in Austria and Italy, underlines that legal responses can help control the rise of non-standard forms of work and extend social security.

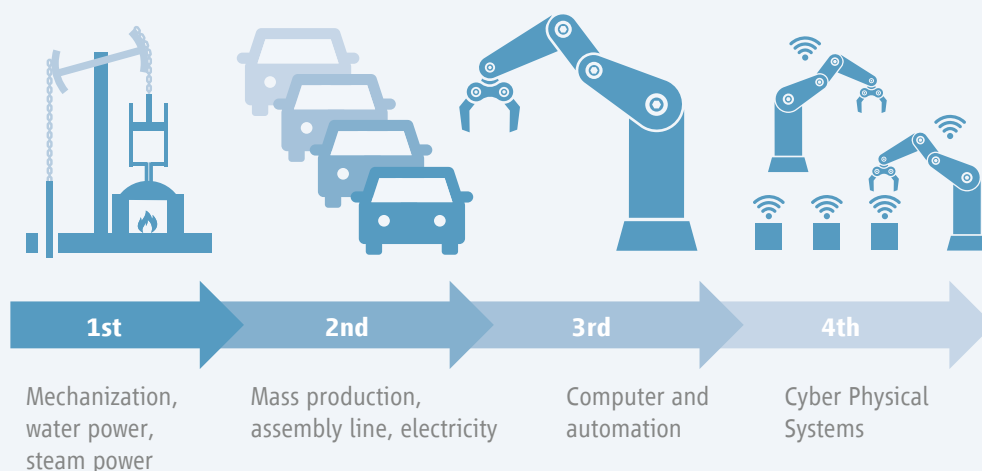
In Italy, it was previously the case that self-employed contractors who performed services for a limited number of clients paid lower contributions for the notional defined contribution pension scheme, which led to lower pension benefits and offered no unemployment or sickness benefit coverage. These lower non-wage labour costs led to a growth in self-employed contractors. Italy has since increased contribution rates (which will finance more adequate benefits) and witnessed a decline in self-employed contractors.

New forms of work, organized through digital platforms, reveal that work in the modern economy is often individualized. A strong regulatory framework as well as instruments for international coordination are required

to mitigate the risk of a lack of collective representation in this new environment. These should also help prevent a race to the bottom, ensuring adequate protection for all. To seize the opportunities – and mitigate the risks – workers must be more knowledgeable, adaptable and creative.

New technologies permit a greater number of repetitive tasks to be automated, leaving greater leeway for workers' human judgment and dexterity in completing complex tasks. This is a positive message. Nevertheless, this also underscores that people must be equipped with the capacity to adapt to a changing world. For workers, this involves skills upgrading across their careers, and the coordination of general and vocational education is essential in this respect. In Belgium, the government has earmarked 18 million euros over three years for digital skills training projects. At the EU level, the Skills Agenda is a central plank of EU-wide skills upgrading. ■

THE FOURTH INDUSTRIAL REVOLUTION



Source: Willis Towers Watson (2017)

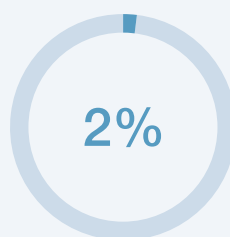
LABOUR MARKET OPPORTUNITIES IN EUROPE



1 million

Projected EU labour market demand for IT specialists in 2020

Source: Friedrich-Ebert-Stiftung (2016)



A small proportion of the EU adult population earn most of their income through platform work

PRIORITIES OF ISSA MEMBERS

Member institutions that consider the labour market situation to be a priority challenge

World **65.8%**

Africa **79%**

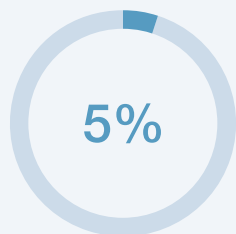
Americas **71%**

Europe **70%**

Asia and Pacific **55%**

Source: ISSA global member survey (2015)

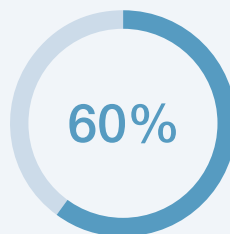
THE FUTURE OF WORK



of current jobs

Only one in twenty of existing jobs are likely to be fully automated using current technologies

Source: www.mckinsey.com (2017)



of occupations

By mid-century, about 30% of the tasks associated with 60% of occupations may be automated

CHALLENGE 2





Population ageing

Population ageing is a reality in Europe, albeit with national and sub-national variations. To ensure the financial sustainability of social security programmes and to adequately meet the needs of all people in ageing societies, national systems of social security are complementing their protective roles with strengthened investments in health, employment, family benefits and empowerment. An accompanying aim is to put in place coordinated and tailored social security measures that provide seamless support to people in all stages of their lives.

The populations of Europe are ageing, with low and declining fertility rates and the share of persons aged 60+ growing. Moreover, the structure of the older population is changing, with a continuing increase in the proportion of persons aged 80+. In Southern and Eastern Europe, the pace of demographic ageing will be unprecedented. Population projections assume that fertility across Europe as a whole will continue to decline in the next decades, moving towards an average rate of around 1.5–1.7 births per woman – well below the 2.1 births per woman necessary to maintain current population levels.

Population decline in some countries is therefore foreseen, driven in part by the emigration of a portion of the younger population. As a result, the average median age for Europe will rise

from age 38 to closer to age 50. Yet, in some countries there has been a relatively slower pace of population ageing, for instance in France and Germany. This has been influenced by positive net immigration. Also, in France at least, family benefits and policies may also partly explain the relatively good demographic profile.

To highlight the implications of these demographic trends, in Italy, with 1.35 births per woman, the size of the population aged 65+ is already greater than the population younger than age 15. In general, projections suggest that the share of the European population aged 65+ will continue to increase until mid-century at least, rising from 20 per cent in 2005 to 30 per cent in 2050. ►►

THE CHALLENGES OF AGEING

Population ageing will alter the demand for adequate and sustainable social security and healthcare and also lead to relatively reduced levels of contributions and increased social expenditures. To ensure the levels of public finance that are increasingly needed to help finance many contributory social security programmes, national authorities should promote policy initiatives that support national economic output, increased productivity, improved public health indicators and higher levels of formal labour force participation.

Social security systems must thus be adapted to the evolving needs of all population groups. Progressively more flexible life courses and increased labour market mobility present challenges for the future adequacy of many old-age retirement schemes in particular.

In turn, to meet the challenge of satisfying public demand for intergenerational equity as well as high service quality, the provision of income security and needed care for growing numbers of older persons must be balanced with investment in younger generations.

In many national labour markets, the gap in formal employment rates between men and women is narrowing. This should make a contribution to stronger labour output in ageing societies and provide the basis for further economic development and growth as well as the greater empowerment of women. It will also make an important contribution to the sustainability of social security systems, including pension schemes. In all these important regards, increasing the size of the economically active population is important.

Across the region, population ageing combined with low rates of economic growth, increasingly precarious labour markets, low levels of wage growth and budgetary restraint are likely to see the risk of poverty in old age heighten. In turn, access to quality healthcare may not be universal or equally spread. With ageing populations, care challenges are likely to intensify both for informal family care and formal care systems. As a strategic response, primary and curative healthcare must be accompanied by a strategy of prevention and rehabilitation.

RESPONSES TO AN AGEING WORLD

Pension systems. In view of the ageing-related sustainability challenges posed to pension systems, increases in retirement ages have been implemented in Russia in 2019, with others announced in Armenia and Italy. National conditions matter. While in the Netherlands there are no current plans to raise the age of retirement above age 65, France is progressively raising its pension age, from age 62 to age 67.

The importance of informal employment in a number of European countries is another key factor, as is the uncertainty in some jurisdictions considering the legal nature of the work relationship conducted through digital platforms. The nature of the coverage extended to self-employed workers is a long-standing issue. In Germany, for example, most self-employed workers are not covered by compulsory pension schemes. In the Netherlands, a majority of self-employed workers oppose their mandatory inclusion in social security retirement coverage.

To address pensioner poverty, a common response is to provide at least a basic income for all people of pension age. Universal solutions, such as in the Czech Republic where the rate of poverty in old age is now one of the lowest among European countries, may be increasingly considered. Norway has increased contribution rates, ostensibly to ensure adequate and sustainable pensions.

Healthcare systems. Investments in reducing health risk factors and in improving access to healthcare are essential. Many countries are strengthening action to support health promotion and the early detection of risk factors, as well as improving access to well-structured and coordinated healthcare services.

Specific developments in healthcare systems that help respond to the complex challenges of ageing include programme streamlining to reduce inefficiencies, a greater focus on prevention and health promotion, and offering adapted services for persons with chronic conditions, non-communicable diseases or long-term care needs. Belgium and Denmark, for instance, have developed strategies to

improve awareness of the health impacts of hypertension, particularly for the elderly. Higher awareness is expected to increase demand among the older population for treatment. Poland has also improved access to diabetes treatment, a common need for older people.

Caregiving. An increasing number of elderly people will require care. As one response, offering contribution credits to unpaid carers might be considered. The French pension system provides a credit to women for raising three children or more, which suggests that a similar mechanism for elder care is feasible. Such an approach could help support people's care needs and strengthen the income security of the carer when she or he reaches retirement. Good practice suggests that home-based care and ageing-in-place policies should be supported.

Intergenerational equity, gender and family policy priorities. Responses to the challenges of how public expenditures are distributed among different age groups vary. Across the region, there is no single model for the distributional role of social security programmes. Such choices and outcomes are determined by national policy priorities. In the United Kingdom, the distribution of public finance is directed more towards the needs of children than of the elderly. In spite of this, levels of child poverty are actually increasing. In Greece, Italy, Portugal

and Spain, a higher proportion of public finance is directed to the elderly.

The case of Russia is noteworthy. A maternity (family) capital lump-sum benefit is paid to support Russian families for the second child or more born or adopted. Many European countries have cash transfers that are directed mainly to low-income families with young children. Despite their important redistributive role in helping to alleviate poverty and support the human capital of younger generations, as a share of total expenditures the costs of such programmes may be relatively low. More generally in the region, a number of social security benefits and services are now better targeted to develop human capital across the life course. The French National Family Allowances Fund (*Caisse nationale des allocations familiales* – CNAF) good practice on “comprehensive family services” constitutes a practical illustration.

The gender dimension of ageing requires particular responses. Some countries, such as the United Kingdom, are investigating positive discrimination measures through the pension system. Women face a number of challenges during their active working lives relative to men that can impact negatively on future pension income. These include lower levels of employment, lower wages, more interruptions to career paths, limited access to certain employment opportunities (regardless of ►►



“Social security solutions must look holistically at empowering people”

educational qualifications) owing to structural and cultural factors, higher levels of family care responsibilities and programme design factors.

Employability and active ageing. Social security solutions must look holistically at empowering people, thereby limiting the need for benefits and services while supporting labour market participation, activity and productivity.

In the European Union (EU), the labour market participation of older workers is increasing. This may be driven by the need to augment pension entitlements and is facilitated by age-friendly workplaces and phased retirement. In Portugal, the removal of barriers to the continued labour participation of older workers is being pursued.

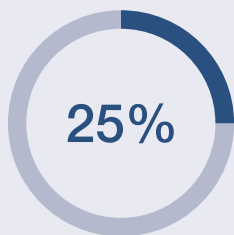
Meeting the labour force challenges of population ageing requires stronger proactive and preventive measures. Protection must be complemented by effective and sustained investments in health, employment and empowerment. One good practice example is the German Social Accident Insurance (*Deutsche Gesetzliche Unfallversicherung* – DGUV) initiative to design and implement a workplace-oriented musculoskeletal rehabilitation

programme. Belgium offers two good practice examples: the “back to work” programme of the National Institute for Health and Disability Insurance (*Institut national d’assurance maladie-invalidité* – INAMI), and the “active management of organizational restructuring” programme of the National Employment Office (*Office national de l’emploi* – ONEM).

While providing protection for all, social security measures can help people to self-manage risk and navigate through an increasingly non-linear life course. Investments in education and giving support to actions to better control health risk factors improve employability and reduce poverty risks. Measures that support knowledge and skills development can engender productive activity and greater income security.

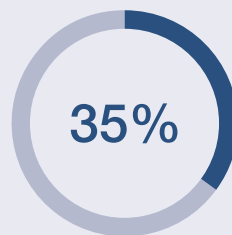
Regardless of demographic changes, social security administrations have a major role to play in developing good practices that offer adaptable measures to empower people to better mitigate health, income and employment risks. The aim is to support people in a seamless manner across the life course according to their needs. This requires an unprecedented degree of coordination amongst stakeholders. ■

AGEING TREND IN EUROPE



Proportion of Europe's population aged 60+ in 2017

Source: UN-DESA (2017)



Proportion of Europe's population aged 60+ by 2050

OLDER AND FEWER



+6 years

Life expectancy at birth in the EU increased from 75 years in 1990 to 81 years in 2016

Source: World Bank indicators



-25 million

Europe's population is projected to decline by 2050

Source: UN-DESA (2017)

DECLINING FERTILITY



1.6

The average number of births per woman in the EU in 2016

Source: World Bank indicators

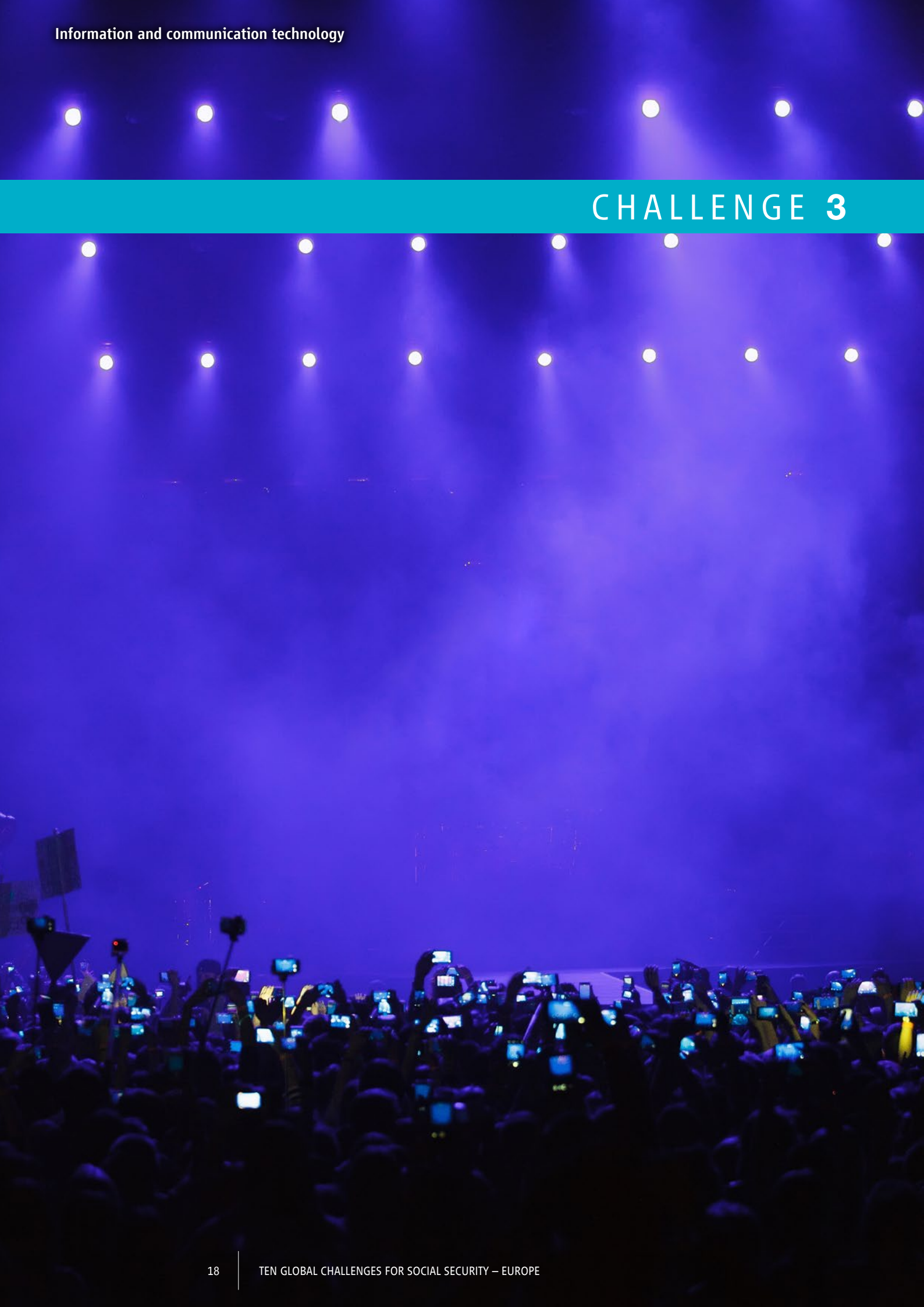


4

Only four European countries have had fertility rates above the replacement level during any 5-year period since the 1990s

Source: UN-DESA (2017)

CHALLENGE 3





The technological transition

Information and communication technology (ICT) plays a strategic role in the implementation of social security programmes in Europe, enabling improvements in the performance and service quality of social security administration. ICT enables not only the automation of specific processes, but the transformation of operations and services, making it a strategic enabler of innovative solutions. The main axes of technological innovation in European social security are advanced web portals with digital identity and personalized web-based customer services, e-government and inter-institutional cooperation, blockchain, analytics and big data, and artificial intelligence (AI).

Europe is a world leader in the adoption of ICT by government institutions. Similarly, ICT is a strategic enabler for the administration of European social security systems. Important ICT solutions in social security include e-government platforms to support inter-institutional integration, the provision of multi-partner services using blockchain, the use of analytics and big data technologies to identify and predict phenomena, and an emerging service delivery role for AI.

ICT solutions facilitate the implementation of increasingly comprehensive and reliable social security systems, which support higher levels of service quality through better inter-institutional coordination and advanced service

delivery mechanisms. The implementation of large-scale social programmes, perhaps involving the integration of different institutions, becomes more feasible, as does cross-institutional coordination, including across national jurisdictions.

By simplifying delivery and enhancing service quality, innovations in ICT facilitate user-centric, tailored responses offering the possibility of broadening the scope and reach and, thus, the envisaged positive impacts of social policy. ICT-supported user-centric services are also better able to satisfy higher public expectations for quality, while also empowering users by enabling self-service accessibility, anytime and anywhere. ►►

| ICT-RELATED CHALLENGES

Although offering great promise, the intensive application of ICT presents challenges and risks. These may relate to the cost and complexity of applying emerging technologies, meaning that operational, financial and reputational risks have to be assessed.

From an operational perspective, all systems are faced with cybersecurity risks and these grow with the intensification of data usage on web-based platforms. The threats of hacking and ransomware attacks – as occurred with the National Health Service of the United Kingdom – and the theft of personal data are universal and constant concerns.

Presently, there is a lack of standardized ICT solutions for social security administration. While the European Union (EU) is developing general ICT standards and frameworks, such standards are either incomplete or absent for social security systems.

Ensuring data quality and data protection are important objectives, increasingly so as the usage of electronic identification, big data and analytics grow. These objectives underpin the reliable and compliant use of a growing volume of volatile and detailed data. Technological advances enable data to be more easily managed and mined. This ability, in turn, acts as a further driver of innovation.

The protection of personal data is a concern, which must be guaranteed through appropriate data privacy mechanisms. The 2018 EU General Data Protection Regulation (GDPR) aims to harmonize data protection regulations in the EU, to protect EU citizens' data privacy and to reshape the way organizations across the region approach data privacy.

The wider relevance of GDPR is seen in the fact that social media networks are equally confronted by data security concerns and data protection breaches. For instance, in France, the National Old-Age Insurance Fund for Employees (*Caisse nationale d'assurance vieillesse des travailleurs salariés* – CNAV) deactivated its social media page expressly to protect users' data.

In spite of important advances in the region, the digital divide remains a challenge. An EU Directive (EU, 2016/2102) on the accessibility of websites and mobile applications of public administrations seeks to render these more accessible to all users, but in particular persons with disabilities.

| ICT: STRATEGIC RESPONSES

Advanced web portals. ICT is indispensable in modern social security administration. For instance, the use of advanced web portals with digital identity and personalized web-based services enables improvements in administrative processes and better customer services.

Web portals that permit mobile-based access and which can authenticate digital identities have been developed in a number of countries. The Social Insurance Institution (ZUS) of Poland uses such a system to manage client services for the registration of sickness certificates. The Norwegian Labour and Welfare Administration (NAV) has a system to facilitate the administration of cash sickness benefit claims. In Azerbaijan, the Ministry of Labour and Social Protection of the Population (MLSP) has implemented online personalized services for disability assessment and rehabilitation. In Belgium, the Auxiliary Unemployment Benefits Fund (*Caisse auxiliaire de paiement des allocations de chômage* – CAPAC) operates an advanced system for secured online transactions, wherein client identification and authentication is achieved using personal ID held on Subscriber Identity Module (SIM) cards.

E-government and inter-institutional cooperation. Many countries are developing systems of e-government. In Poland, the national e-government initiative is actively integrating social security services, while the ZUS has also developed integrated services with external institutions and ministries.

Azerbaijan has a streamlined single-window system – the Unified Subsystem for Electronic Application and Assignment of targeted state social aid (VEMTAS) – involving multiple institutions that assists low-income families when applying to receive social assistance benefits. The State Social Insurance Fund of Kazakhstan has inter-institutional services for

unemployment and health/disability benefits, notification of deaths as well as changes in beneficiaries' civil status.

To improve digital cross-border and inter-institutional services, the EU has a comprehensive e-government agenda. One goal is to modernize public administration through the adoption of ICT, including the Electronic Exchange of Social Security Information (EESSI). The EESSI aims to see conventional bilateral paper-based social security administration replaced by cross-border electronic exchanges, supporting coordination across the European Economic Area (EEA).

The EESSI does not cover all relevant data exchanges, notably death data. As regards this, to prevent the misuse of social security programmes, the Social Insurance Bank (SVB) of the Netherlands is piloting facial and voice recognition technologies to perform beneficiaries' proof of life.

Blockchain. Large-scale services involving multiple partners are being developed using blockchain technology. This technology enables to implement highly-secured distribution systems that retain the entire history of all transactions and which involve a large number of participants but which function without a central coordinator.

In Belgium, the health insurance paper-based information flow is being re-engineered as a blockchain application. In Estonia, new medical records and prescriptions will be administered at national level using blockchain. The blockchain technology will contribute to patients' empowerment and to medical transparency via traceable and secure online eHealth records that are accessible only to authorized individuals. To ensure data integrity and to mitigate potential risks, the blockchain technology is to be tested before becoming fully operational.

Analytics and big data. The growth of shared information resources and operational platforms has encouraged the design of new organizational models based on multi-actor configurations. Parallel aims are to take advantage of social security systems' sizeable databases and the widening usage of mobile technologies among the population. With the rise in big data, a new data-driven ICT revolution is taking place.

Advanced data processing and data analysis technologies are used for customer profiling and predictive analysis. This so-called data-driven innovation (DDI), combined with Internet and mobile-based developments, can improve seamless service delivery, products, processes and organizational methods.

The use of analytics and big data, which transforms massive quantities of raw data into ►►



useful insights by detecting patterns, trends and correlations, has been a boon for social security administrations. As a policy integration tool, big data analytics helps to assess the impact of sectoral policies and to support the development of more complex cross-sectoral approaches. Predictive modelling and computer simulations on big data can be used to conduct such analysis.

Analytics is being used by institutions to tackle evasion and fraud. In particular, discovery techniques are being applied in Belgium by the National Employment Office (*Office national de l'emploi* – ONEM) to treat unemployment benefits fraud, in France by the Central Agency of Social Security Bodies (*Agence centrale des organismes de sécurité sociale* – ACOSS) to deal with fraud in contribution collection, in Italy by the National Employment Accident Insurance Institute (INAIL) to address accidents insurance fraud, and in Spain by the General Treasury of Social Security (*Tesorería General de la Seguridad Social* – TGSS) for detecting complex fraud operations.

Big data analytics can also provide insights for social programme evaluation and design by exploring across datasets, enabling a more complete understanding of the personal circumstances of clients and their needs.

Artificial intelligence (AI). The emerging use of AI technology is crucial for innovation and institutional transformation. AI aims to provide automated means to implement better and more proactive social security services. Finland's Social Insurance Institution (KELA) is currently undergoing a strategic transformation of its ICT platform and operational model to improve institutional capacity.

The experimental use of chatbots (a robot software capable of dialogue) has been launched by Belgium's CAPAC and Finland's KELA. Furthermore, CAPAC is exploring how to apply AI and deep learning systems to assist staff with case management decision-making on benefit claims.

The application of AI in public health can support clinical staff to improve the quality of medical services and reduce costs through personalized and predictive medicine. AI combined with big data capabilities holds a preventive potential to pre-diagnose illness and for the effective early detection of health risks.

Human resource management.

The strategic adoption of new technologies and the management and development of human resources should go hand in hand. The combined aim should be a smarter use of human capital facilitated by technological innovation. There are tasks, roles and decision-making in medical care for instance that cannot readily be replaced by ICT-based interventions. Technological innovation is unlikely to alter this fact soon. Socio-cultural characteristics also continue to make human contact important for service delivery. Decision-making activities, as well as case management and client services, require expert human intervention.

The intensive application of cutting-edge and emerging ICT is not without risks. Regardless, guided by a deep-seated culture of innovation, the widening adoption and innovative use of new technologies and the continuing value-added role provided by well-trained staff enhances service delivery and offers a smart approach to address emerging challenges. ■

DIGITAL TRANSITION IN EUROPE



>70%

European households
with a computer

Source: ITU (2018)



>70%

European households
with Internet

PRIORITIES OF ISSA MEMBERS

Member institutions that consider managing
innovation and technological developments to
be a high priority

World 76%

Africa 80%

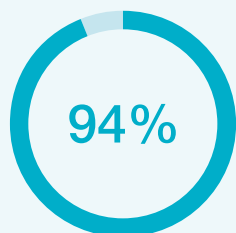
Americas 79%

Europe 75%

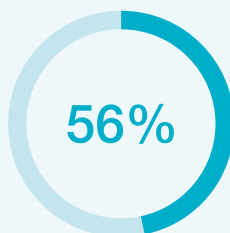
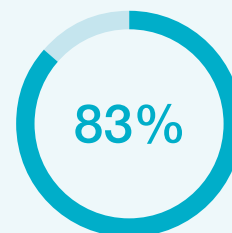
Asia and Pacific 68%

Source: ISSA global member survey (2015)

BROADBAND ACCESS IN THE EU

Most of the EU population
has access

Source: Friedrich-Ebert-Stiftung (2016)

Over half of EU households
have access

Most EU enterprises have access

E-GOVERNMENT IN EUROPE

Positive benefits of e-government

- ✓ Better public service delivery
- ✓ Wider access to social security
- ✓ Improved literacy
- ✓ Higher levels of financial and social inclusion



CHALLENGE 4



Health and long-term care

The health and long-term care risks and challenges facing social security and healthcare systems continue to evolve in Europe. In spite of improvements in health indicators, inequality in health outcomes remains a challenge. While the region's population is ageing, the extent and nature of this process is uneven. In terms of health outcomes, the extra years of life gained are not all lived in good health. Achieving social protection systems' core objectives requires that health-related challenges are correctly anticipated, proactive and preventive responses put in place and appropriate benefits and services provided. The challenge posed by a growing population of frail older people requires an urgent response, including consideration given to ageing-in-place policies.

Higher education levels, improved socio-economic conditions and healthier lifestyles, as well as progress in healthcare and medicine, have contributed to various health gains in most countries of Europe. Despite significant cross-country variation, the average life expectancy across Europe is 81 years (83.6 years for women and 78.2 years for men) in 2016. Gains were also noted in 2016 for life expectancy at age 65, with an average additional 20 years of life. Average healthy life years (HLY) is a measure of disability-free life expectancy and was estimated at 61.8 years for women and 61.4 years for men in 2014.

Regional maternal, infant and child health indicators also display progress. In 2017, the estimated average infant mortality rate in Europe was 4.7 per 1000 live births. The average under-five mortality rate was 5.6 per 1000 live births. The average for maternal mortality was 11 per 100,000 live births in 2014. While, on average, levels of child vaccination are high, nine countries are considered measles endemic.

In total, 30 per cent of the overall burden of disease in the region can be attributed to chronic disease caused by risky behaviours linked to alcohol, tobacco and diet. Added to ►►

this are health issues stemming from illicit drug use, the increased availability of unregulated psychoactive substances, and opioids prescribed as analgesics.

CHALLENGES FOR SOCIAL SECURITY AND HEALTHCARE SYSTEMS

New enemies in non-communicable diseases (NCDs). An estimated 50 million Europeans live with NCDs – circulatory diseases, cancer and respiratory diseases – which are the main causes of deaths in the European Union (EU). Among people younger than age 65, premature mortalities attributed to chronic diseases amount to more than 550,000 annually. This leads to a loss of about 3.4 million potential productive life years, which equates to a potential economic loss of 115 billion euros annually. In 2012, treatment for NCDs accounted for 80 per cent of healthcare costs.

Old enemies in communicable diseases. Annual HIV incidence is around 30,000 new diagnosed cases. In 2017, more than 2 million people living with HIV aged 15 or older resided in the region. Despite Europe having one of the lowest burdens of tuberculosis (TB) globally – with 290,000 new cases in 2016 – the number of new multidrug resistant TB cases is the highest.

Healthcare systems. Healthcare systems in Europe are curative-care focused with relatively less attention paid to prevention and health promotion. The services, whether financed by public or private insurances, always cover a defined, limited list of benefits. Complimentary mutual fund coverage and private insurance can be purchased to cover the cost-shared portion, to provide coverage for additional benefits or provide access to a broader range of providers.

Health financing. The region spends around 7.9 per cent of GDP on health. Among EU Member States, health occupies the second biggest share of government spending after pensions, with an average of 5.5 per cent as a share of GDP in 2015. Policy measures taken to address the financial and economic crisis of 2007/08 led out-of-pocket expenditure for

health care to rise to 27.6 per cent of all health spending in 2015.

Accessibility and effectiveness. Countries in the region have achieved various degrees of coverage for health services, with the uncovered population ranging from 5 per cent in Hungary to 20 per cent in Cyprus. For primary healthcare, universal coverage is not always achieved due to challenges such as geographical remoteness from medical centres, financial cost or waiting time. Across the region, average unmet health needs were 2.5 per cent in 2016. Contributory health insurance for pensioners is mandatory in some countries. This can result in increased unmet needs among those pensioners who are unable to pay.

Human resources for health. A shortage of health professionals in public systems is evident, particularly in the primary care sector and in rural areas. The number of doctors in the region was estimated at 3.5 physicians per 1000 population on average in 2014, with uneven distribution between urban and rural areas. The average number of nurses was 8.4 per 1000 population in the same year. The number of hospital beds has decreased as part of policies to reduce public spending on health following the 2007/08 crisis, reaching an average of 5.2 beds per 1000 population. Similarly, there has been a decline in hospital admissions, as well as a shortening of the duration of in-patient care.

Public health emergencies. Antimicrobial resistance (AMR) is a serious threat with an estimated 25,000 deaths annually. This is economically equivalent to 1.5 billion euros of extra healthcare costs and productivity losses. Air pollution is a major public health risk in Europe, estimated to be responsible for 500,000 deaths annually. Armed conflicts pose other challenges, such as the destruction of health infrastructures, and the additional burden placed on healthcare systems by the international migration of displaced persons.

| RESPONSES TO ADAPT HEALTH AND CARE SYSTEMS

Health system reform. The 2007/08 financial and economic crisis influenced the trajectory of health sector reforms in the region by cutting public spending. This led to wider variations in health indicators across countries, with significant inequalities in the social determinants of health. In 2010, 29 countries started to address these inequalities, more countries have since followed suit, reaching 42 countries in 2016.

EU Member States have reform agendas aimed at strengthening governance, controlling inappropriate services utilization, improving efficiencies, and ensuring quality of care. Patient-centred care models have been developed in many EU countries. For instance, Belgium has adopted a multidisciplinary group practice approach, with an assigned primary care physician as the case manager. Some countries currently measure quality performance based on a people-centred dimension. Slovenia has developed a similar multidisciplinary approach.

Primary and preventive care. Reform measures in many countries, but mainly in the countries of Central and Eastern Europe, have sought to develop and strengthen primary healthcare to respond to the challenge

of creating more effective and responsive healthcare systems. Around 15 countries, including Croatia and Estonia, have established primary care physicians as the gatekeepers for secondary care through a referral system.

In response to recent world epidemics, the region has taken many measures to control the transmission of infections and to prevent their spread. For example, the use of vector-control measures of the Zika virus during the outbreak in 2016. During the Ebola outbreak of 2018, Belgium, Germany, Italy and Spain issued advice against travelling to infected regions of the Democratic Republic of Congo. For HIV prevention, the region has the highest coverage globally of HIV testing and counselling for pregnant women and of using anti-retroviral therapy for pregnant women, as well as early infant diagnosis. To actively promote global action against AMR, the EU Member States adopted a One Health Action Plan in 2017.

Long-term care (LTC). Growing elderly populations, as well as rising incidence rates of NCDs, are driving higher demand for tailored healthcare services, products and infrastructure. At 23 per cent, Europe is the region with the second highest share of older people (aged 65+) – around a third of whom live alone. With a shortage of LTC workers, close to 30 per cent of the population aged 65+ reported unmet needs ►►

“National responses to the growing needs for LTC services vary”



for LTC, with marked inequalities in access to services for lower socio-economic groups.

National responses to the growing needs for LTC services vary. A few countries provide universal legal coverage, such as in Belgium, Denmark and Germany. In contrast, a 100 per cent legal coverage gap for LTC is found in Slovakia and Turkey. Norway and Sweden have formal arrangements for the elderly, allocating more than 25 per cent of their health spending to LTC. The Netherlands has a comprehensive LTC system, but has recently introduced reforms to control spending. In Southern and Central European countries, LTC has a very small share of health spending and is mostly provided informally. Some countries allocate hospital beds for LTC, such as the Czech Republic, Estonia, Finland, Hungary and Spain. Establishing sustainable LTC programmes is now under greater consideration in the region. A key strategic requirement to meet the evolving needs of an ageing population is the adoption of an ageing-in-place model, to reduce the use of health care facilities and limit the use of institutional care.

Technology and health. The use of information and communication technology (ICT) in the healthcare sector is expanding.

Access to medical technology for diagnosis and treatment has increased rapidly, particularly for CT scanners and MRI units. The prevalence of eHealth is growing with 70 per cent of countries having a national eHealth policy or strategy that regulates the use of ICT in the health sector by means of ethical frameworks, funding strategies and education. Many countries have reported changes to their eHealth systems. In 2016, close to 30 countries in the region reported having a national electronic health records system.

France is rolling out a telemedicine system, facilitating remote medical examination via videoconference, particularly for people in rural areas, and is generalizing the electronic prescription “e-prescription” as of 2019. In Estonia, blockchain technology is used as a component of its eHealth infrastructure to ensure data integrity with an audit trail.

At the EU level, the European Commission adopted in 2018 a proposal for a Regulation on Health Technology Assessment (HTA) to provide a legal framework for joint clinical assessments, joint scientific consultations, identification of emerging health technologies and voluntary cooperation. ■

LTC CHALLENGES



The proportion of the population aged 65+ with reported unmet LTC needs

Source: Scheil-Adlung (2015)



2.3 million

Shortage of LTC workers in Europe

HEALTH RISKS IN EUROPE



Tobacco smoking among adults is the highest for all global regions

Source: WHO (2018)



Alcohol consumption among adults in the region is the highest for all global regions



Levels of obesity are high in the region

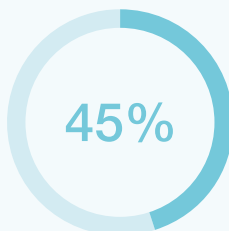
CARDIOVASCULAR DISEASES IN EUROPE



3.9 million

Number of deaths caused by cardiovascular diseases annually

Source: European Heart Network (2017)



Proportion of deaths caused by cardiovascular diseases in Europe



64 million

Disability-adjusted life years (DALYs) lost in Europe due to cardiovascular diseases

CHALLENGE 5





Inequalities across the life course

Social security systems are important for social cohesion and help address inequalities in society. Although tackling income inequality through the redistribution of income is one major objective, social security systems also help address other inequalities, such as between genders, in labour market opportunities or in access to healthcare and services. In addressing inequalities, social security programmes also enable people to mitigate risks and more fully realize their potential across the life course. To address all forms of inequality, interventions should be focused at different stages of risk, involve different stakeholders and be as proactive as possible.

Europe may be considered the region where inequalities are the lowest, in great part due to comprehensive national social security systems. That income inequality in Europe has fallen significantly over the last 25 years, in large part this is due to social security systems working with progressive tax policies. Nonetheless, in some of the region's countries there has been an increase in inequality in more recent years.

This shift has been accompanied by a perception of growing injustice in society. This is most clearly seen in relation to the observed trend towards an increasing concentration of wealth and political power. This trend presents a risk for social cohesion as well as for future

economic growth. In some countries, an outcome has been the emergence of a more populist political agenda.

| CHALLENGES TO SOCIAL COHESION

The factors driving inequality in society are varied. To effectively reduce and mitigate their impacts, an understanding of these different factors is important. One key driver is the changing labour market, which has led to an increasing variation in career paths and outcomes. Despite having a relatively low level of informal economy employment compared to other regions, there has been a relative movement away from traditional ►►

full-time salaried work toward part-time work, self-employment, contract work and short-term tenures.

This movement has particularly impacted the young. Recent data suggests that while close to 15 per cent of employees aged 20–64 in the European Union (EU) work on a fixed-term contract, the figure for youth (aged 15–24) is close to 45 per cent. At the same time, real wages have stagnated in the region and in some countries are lower than they were in 2010. The result is a shift in wealth from labour suppliers to capital owners, as expressed by a fall in the share of GDP accounted for by labour. This shift has very real implications for the adequate financing of social security programmes. In addition, housing costs and out-of-pocket healthcare costs have increased significantly, meaning that disposable income for many lower- and middle-income households is currently lower than it was ten years ago.

Other forms of inequality are no less preoccupying. Although the gender gap has closed slightly, unjustified differences in the treatment of women remain. In the workplace, discriminatory practices continue, such as lower salaries, as well as lower salaries than men for the same job, more precarious contracts, and the male dominance of senior level posts. This bias in favour of men translates into lower contributory pension entitlements and worse mental health outcomes for women on average. Positively, the redistributive design of many social security retirement systems plays an important balancing role here, given the high proportion of women represented among older pensioners (aged 80+). Currently in Europe there are around 23 million women aged 80+ compared to less than 12 million men.

While certain advances have been made in the treatment of people with an assessed disability, there is still widespread discrimination against those with mental health issues. Despite progress, the recognized link between being disabled and the risk of poverty remains. Racial discrimination (for example against Roma populations and certain migrant groups) continues, and there are increasing threats against previously acquired rights of the LGBTQ+ community.

| RESPONSES TO SUPPORT SOCIAL COHESION

Social security systems make important contributions to help address inequalities, but programmes and services need to be designed and financed in a way that most effectively addresses both the drivers and outcomes of inequality. The nature of risks is changing and social security institutions need to reflect this change in the ways they intervene.

Focus on universal benefits. While some schemes have introduced forms of targeting, conditionality and means-testing, the evidence shows that placing the focus on affordable levels of universal minimum benefits can be effective in meeting policy goals and administratively efficient. For example, a minimum fixed-rate basic pension provides important support for all, and also reduces inequalities. Targeted measures complement such a framework to provide additional relief that would otherwise be unaffordable were they universal. Recent experiments surrounding the introduction of universal basic income have been instructive in this regard. Although the affordability of this proposed approach remains hotly debated, the observed outcomes are supportive of the provision of adequate social benefits and a move away from means testing, which can sometime increase inequality, particularly if the administrative process is complex and arduous, social stigma is strong, and those who are most vulnerable and who have the most complex personal problems are further excluded.

Improving prevention measures, particularly for health. The origins of public health interventions in Europe lie mainly with public health prevention measures (e.g. improved sanitation, mass vaccinations, improving public hygiene, and anti-pollution measures, such as the Clean Air Act (1956) in the United Kingdom). Often, the development of health systems has since focused more on treating the symptoms while relatively overlooking the underlying causes, such as is the case for diabetes. Not only is such an approach unsustainable but it does not increase well-being in society and it exacerbates inequalities.

Working with other stakeholders. In a complex world, it is important that not only duplication of effort is avoided but that there is an alignment of incentives, and that stakeholders take on responsibilities where they have the required competencies. This means that social security administrations should work with employers and also NGOs, and should coordinate their actions with other government departments and local governments.

All nationwide, and in some cases cross-border, approaches to addressing social security policy questions should seek to be coherent and to treat all persons in an equitable manner based on decisions that are transparent and rights-based. This will increase trust in the social security system, thus strengthening its capacities to address inequalities and support social cohesion.

Focus on vulnerable populations. Client-centred social security programmes acknowledge that all individuals and population groups have specific needs. By more fully understanding the risk issues faced by individuals and groups, and by more fully identifying needs, appropriate responses can be tailored. National as well as EU legislative decisions concerning, for instance, benefit provision for part-time workers, paternity and maternity pay and leave, protecting migrant workers' accrued social security rights and ensuring the mobility of employees, seek to

overcome many of the structural inequalities found in society that further disadvantage vulnerable populations. Broader access to such forms of social security provision make society more inclusive of all population groups, thus strengthening social cohesion.

Financing issues. Without a robust financing base, providing adequate benefits to the population will remain a challenge. Given the stagnation of real wages, the significant shift in wealth over the last two decades from labour to capital, the emergence of digital mega-firms that can easily move profits to a lower tax environment, and even legal discussions concerning the coverage rights of digital platform workers, it is important to widen the financing base. Greater consideration should be given to the contribution that can be made by tax, sales tax or other specific and ring-fenced measures that better provide a counterbalance to the current tax optimization behaviour of some large enterprises, particularly the mega internet-based firms. Care must be exercised in the design of taxation measures to ensure they are not regressive, especially if the expense of reduced profits is passed on to the consumer by means of the higher cost of basic household necessities.

Childcare, housing and other areas of support. In many countries, the goal of achieving a fully integrated system of social ►►



policies, including those of social security, is work in progress. In the absence of such integration, national policy priorities will possibly dictate that certain policy areas for specific population groups may remain relatively neglected. When framed by the human right to social security, the relative neglect of one or more policy field, and thus one or more population group, translates into relative inequality with respect to fully realizing the right to social security.

At another level, certain social policies are simply inefficient as well as inappropriate for the needs of a modern economy. In the absence of affordable public childcare, the high cost of private childcare in some countries, for example, is not only an obstacle to, typically, mothers returning to productive full-time paid

employment, but it exacerbates inequality. For instance, it can result in lower earnings, lower social security contributions and lower future contributory benefits levels.

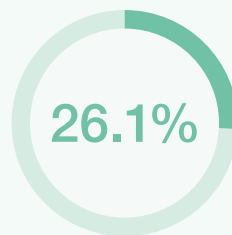
Housing is another policy area where social security has played a limited role in some European countries, but may increasingly be seen as a key driver of change. Indeed, with heightened attention being given to the poor quality of some private rented housing stock, the investment of social security reserve funds in social housing is a growing phenomenon in the region. To further contribute to reducing inequalities, to enable people to mitigate risks and more fully realize their potential across the life course, a major step would be to give all families with children access to affordable, decent housing. ■

INCOME INEQUALITY IN EUROPE



The wealthiest decile hold half of total wealth

Source: OECD (2017)



The at-risk poverty rate before social transfers

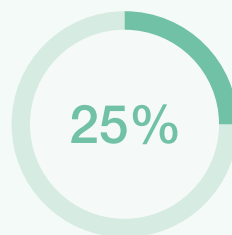
Source: European Investment Bank (2018)

INEQUALITY IN SOCIAL CAPITAL IN EUROPE



On average, wealthier children will score better in exams than children from a disadvantaged background

Source: OECD-COPE (2017)



Percentage of population who experience at least one form of poverty

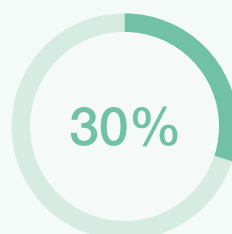
Source: The Borgen Project (2018)

GENDER INEQUALITY



On average, women across the EU earn less than men

Source: Eurostat (2018)



The EU average percentage of women in part-time work, compared to 8% of men

Source: European Commission (2018)

CHALLENGE 6





Higher public expectations

Social security administrations are an important face of government, especially in critical periods of people's lives. Public perception of social security therefore matters. With a continuing strategic shift to e-government, the advent of social media and greater public vigilance on matters of service quality, social security administrations are increasingly focused on ensuring quality in all areas of service delivery.

Many social security administrations pride themselves on being among their country's leaders in quality public service delivery. This has been made possible through adopting new technologies and by promoting innovation in business processes. Social innovation strategies are being used to solicit the views of beneficiaries, to shape personalized services to the needs of the individual.

To better meet public perceptions and expectations of service quality, social security administrations are thus seeking out new avenues to improve service quality and which position the user as the central focal point of all services. This has to be done by taking into account the resource constraints that can face public service delivery.

| PUBLIC EXPECTATION CHALLENGES

With social media increasingly being used to communicate and inform on matters of general public interest, social security administrations must be alert to the need to respond rapidly to satisfy public expectations. One important issue may be the perceived fairness of the system. Another is control over access to, and the protection of, personal information that is a requirement for putting into place a truly customized user-centric experience. Ultimately, a negative public perception concerning service quality can represent a major reputational risk for a social security administration.

The broader, complex challenge for social security administrations is the simultaneous realization of improved services, organizational cost efficiencies, increased positive feedback and higher levels of public trust. Satisfying these ►►

multiple goals should go a long way towards meeting higher public expectations.

| RESPONDING TO THE CHALLENGES

Know your clients. For social security administrations, a first requirement for the meeting of public expectations is to have good information about current and potential service “users”. Some countries have data platforms that provide comprehensive civil registration and vital statistics. Estonia is a world leader in this regard. Many others carry out regular surveys, polls, dialogues and consultations to gauge public opinion and expectations about social security services.

Based on consultations and survey feedback, Poland’s Social Insurance Institution (ZUS) has introduced new services within the framework of its Electronic Services Platform, including a new information portal that allows the filing of documents and claims, access to individual accounts, customer call centres for personalized services, and 24/7 self-service kiosks.

Engage with your clients. Focusing on the insured person and other clients as the starting point for the development of service design and delivery processes is a further important strategy. The aim is to encourage engagement and, in some cases, the co-design of public services by clients.

France is home to a number of interesting innovations in co-design. For example, questions concerning open data, service improvements and innovations have been addressed by the National Family Allowances Fund (*Caisse nationale des allocations familiales* – CNAF) through meetings organized between civil society and volunteers from among the CNAF’s employees.

French efforts to promote citizen-centred services, including a strengthened voice for clients in service design, reflect wider changes in the roles of many national social security administrations and their relations with the public and public agencies. France also exhibits the wider importance of policy learning based on international good practices. Its “*Emploi Store*”, which offers a unified digital service point for

multiple labour market services, is based on Dutch and Swedish experiences.

The Swedish Pensions Agency sends an annual statement to contributors to the pension system that summarizes their personal pension credits, gives an estimate of the national pension at different ages, and provides links to website services that explain how to maximize pensions for retirement.

Innovate and re-engineer. A further strategy to realize service quality improvements is to innovate and re-engineer business processes. Public administration in Finland is undergoing major systemic reform, prioritizing new types of management and operational models, as well as a shift in focus to address major life events such as childbirth, unemployment, divorce, ill health or death.

To cope with reductions in its operating budget, Belgium’s National Employment Office (*Office national de l’emploi* – ONEM) has responded with lean management techniques, e-government applications, increased digitalization, optimization of training and knowledge management, and teleworking. In Germany, health services are being digitized in response to the growing preference of patients to use digital records and online services, which enable to check medical bills and to send these to insurance providers.

Over the past years, France’s CNAF has been developing personalized and paperless services using internet-based technologies. Information is now more accessible to the public, including access to childcare facilities, automated information exchange with partners, and access to individual accounts.

Public services in Russia have been standardized, citizen access has been simplified, and one-stop-shops have been introduced that enable the filing of one request for multiple requirements, from birth certificates to pension forms.

Empower the organization’s workforce.

A highly empowered workforce is another strategy to build client satisfaction. Client satisfaction and employee empowerment are mutually reinforcing goals. Key factors that impact employees’ performance are training programmes, leadership training,

performance management programmes, reward and recognition, skills auditing, and internal communication.

During the 2008–2012 recession in Ireland, unemployment grew by 300 per cent causing transaction volumes with employment services to rise by a factor of six. Service delivery was fragmented, with multiple service points in three separate organizations. Fiscal constraints required an increase in service capacity with no additional resources. Reform measures merged the three organizations, business operations were streamlined, and local staff and managers were empowered to articulate and to take ownership of the service vision.

The German Social Accident Insurance (*Deutsche Gesetzliche Unfallversicherung – DGUV*) oversaw a paradigm change in the attitudes of staff and partners in the statutory accident insurance sector, permitting a move from reaction to intervention, from care to self-determination, and from direction to participation. This has given rise to pilot projects for peer counselling where, for example, amputees help amputees. It has also given rise to inclusion projects involving people with and without disabilities in the workplace and in educational institutions such as kindergartens and schools.

The *ParaSuva* project of Switzerland's Suva has enhanced the capacities of case management

staff to care for accident victims, especially those with para/tetraplegic trauma or cranial/brain trauma. Since these types of injury are relatively rare, it was extremely difficult for patients to receive specialist care. By dedicating the provision of care for such accidents to a comprehensive network of select experts and case managers, the Suva is able to guarantee specialist knowledge and treatment for those in need.

In Poland, ZUS introduced an integrated competence management system that aims to build staff competencies in customer-centric services, problem solving and decision-making abilities. The system makes use of creative motivational tools tailored to institutional and client needs as well as to staff expectations. Positive feedback has been received from clients and staff, the latter having welcomed the recognition that is now given to their opinion and work as well as the professional development opportunities that are now integral to the system.

Go electronic, go mobile, go online.

The implementation of more integrated and user-centred services is facilitated by the wider adoption of electronic and web-based platforms supported by well-trained staff. In 2017, the European Commission introduced a whole-of-region innovation with the launch of the Electronic Exchange of Social Security ►►

“Social security administrations position the user as the central focal point of all services”



Information system, a new IT platform that electronically connects the social security institutions of EU Member States plus Iceland, Liechtenstein, Norway and Switzerland. It will replace the current paper-based exchanges between social security institutions and will allow a quicker, easier and more secure exchange of information throughout the region and beyond. The near-term expectation is the full electronic exchange of social security data in a simple, speedy and secure way across much of Europe.

Digitalization is transforming social security administration in many countries. Electronic access to the accounts of insured persons allows a direct channel of communication between citizens and the social security administration. The National Social Security Institute (*Instituto Nacional de la Seguridad Social – INSS*) of Spain launched an online service platform *Tu seguridad social* through which citizens are able to access their contribution records and acquired rights including the simulation of future benefits. A similar platform has been established by the National Office of Social Insurance of Moldova.

In Turkey, the online submission of banking details through e-government enables beneficiaries to receive payments through their banks. This reduces waiting time and administrative work, and improves service quality for beneficiaries.

The electronic exchange of death data has been recently introduced in Bosnia and Herzegovina,

Croatia, Germany, North Macedonia, Montenegro, Poland, Serbia and Slovenia.

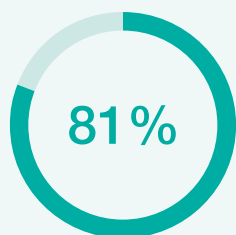
This is enabling social security institutions to either stop the payment of benefits or to provide new payments such as survivor benefits. It is also cutting down costs in areas such as the printing and posting of death certificates.

In a growing number of countries, there is a shift to the use of apps that provide easy-to-use and accessible services through mobile applications. In all cases, the aim is for reduced administrative costs, improved data control and higher user satisfaction.

Social security administrations continue to deliver on their service quality mandate. The sharing of good practices in the social security global community is stimulating an optimistic culture of innovation. Higher public expectations also demand that new responses are sought to improve services. The resource constraints that confront many social security administrations also act as an opportunity for progressive innovation.

To further enhance institutional knowledge and experience, social security administrations should systematically measure and evaluate the effectiveness of progress achieved and then fine tune their actions. A final set of actions is to communicate to the public what has been achieved and what will be achieved in future. In Sweden, the Social Insurance Agency's communication strategy was created precisely to inform the general public in this way. ■

DIGITAL NATIVES

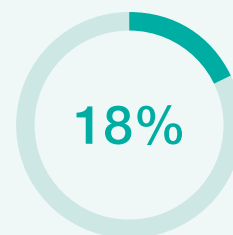


EU citizens who go online at least once a week

Source: European Commission (2018)



EU citizens submitting forms online to their public administration



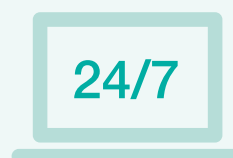
EU citizens using online health services

SOCIAL SECURITY GOING DIGITAL



ISSA member institutions providing information through web-based services

Source: ISSA (2018)



Belgium has developed real-time 24/7 services accessible to 99.98% of the population, enabling 1 million online messages daily

Source: ISSA (2019)

E-GOVERNANCE



E-governance is improving in the region

Source: Friedrich-Ebert-Stiftung (2016)

TOP E-GOVERNMENT PERFORMERS IN EUROPE



Denmark, Finland, Sweden

Source: Friedrich-Ebert-Stiftung (2016)

CHALLENGE 7



Closing the coverage gap

Social security systems providing comprehensive coverage are well established in Europe. While the scale and scope of coverage varies from country to country, effective coverage levels are generally very high. Coverage challenges across the life course remain, however. One challenge is the nature of the coverage extended to the non-active population, including young people, elders and the unemployed. A further coverage challenge relates to the growing ranks of workers whose economic activity is shaped by digital platform work. Attention must also be given to informal and undeclared work. A growth in self-employment relative to salaried work also presents challenges.

Close to 85 per cent of the population in the region has effective access to at least one social security benefit. As a key element of the social contract, the region's rights-based systems contribute to social cohesion, economic growth and political stability. Financed by contributions and tax receipts, and geared to multiple objectives such as income smoothing, insurance, redistribution and poverty alleviation, there is an expectation that these programmes should provide cradle-to-grave support.

Ensuring effective access to adequate social security protection for all requires financially sustainable programmes. Also required

are programmes tailored to changing demographic, economic and labour market realities. The region's social security systems are increasingly concerned by the challenge of adequacy, defined not only in monetary terms but also in terms of service quality and in relation to the evolving needs of clients across the life course. Significantly, the political philosophy upon which much of Europe's post-Second World War social contract was built is slowly evolving. A greater onus is being placed on individual responsibility, which influences perceptions concerning what is implied by the right to social security. Faced with this changing landscape, client-centred ►►

approaches to coverage that promote the importance of individual as well as collective rights and obligations are increasingly seen as a necessary strategic response by social security administrations.

| CHALLENGES FOR EXTENDING COVERAGE

In Europe, despite the comprehensiveness of social security systems, the International Labour Organization (ILO) estimates that the fundamental right to social security remains unfulfilled for around 15 per cent of the region's population.

Fiscal consolidation measures, evolving labour markets and, in some countries, a policy of austerity, have eroded some of the successes of the European social model and constrained the scale and scope of some existing coverage. A reorientation of the financing of some healthcare benefits has at times translated into increased out-of-pocket spending leading to financial hardship and barriers to access, with consequent lower effective coverage rates and rising inequality in access.

With the region being home to comprehensive and, at times, complex systems of benefits and services, incomplete coverage can also be explained by citizens and workers failing to claim the benefits to which they are entitled. In some instances, the social stigma associated with being a recipient of benefits can play a role. The non-takeup of benefits stands in the way to improved levels of effective coverage. This administrative challenge commonly receives less attention than those of evasion and fraud, which are more readily perceived as undermining the financial integrity of contributory programmes in particular.

Social security systems in Europe use multiple sources of financing, typically involving contributions from employers and workers as well as general tax income. Government subsidies can also play a role. In many countries in the region, privately managed individual savings instruments operate on a mandatory and voluntary basis requiring competent financial services and efficient markets. In practice, these constitute a privatized component of, or complement to, social security coverage.

In healthcare, Switzerland is distinct for operating a privatized healthcare system.

Different European welfare states can be understood in relation to the relative importance given to contributory and tax financing and to the kinds of benefits that these financing mechanisms provide. Yet, both these financing approaches are being challenged by a number of factors, including labour market shifts, unemployment, emerging global mega-firms, low-tax jurisdictions, the changing needs of ageing populations, new medical technologies, and restraints on public finance expenditure. While tighter control over social expenditure may negatively impact the cash adequacy of tax-financed benefits, in a context of low wage growth and slow economic growth, the adequacy of future contributory benefits, especially long-term benefits, for low-income workers is a further coverage concern.

| COVERAGE EXTENSION RESPONSES

Young people. Social security programmes in Europe are important inputs for building knowledge society. This implies the need for national economies to ensure a well-educated, skilled and sufficient workforce. Social security programmes are therefore playing an important role in investing early in the development of children and in facilitating the transition of youth into further education and stable employment.

The coverage extended to families with children comes in different forms, such as lump-sum cash grants, monthly allowances and in-kind benefits. To ensure that all entitled families receive benefits, innovative information and communication technology (ICT) tools increasingly facilitate this process. For example, the National Family Allowances Fund (*Caisse nationale des allocations familiales* – CNAF) in France, has adopted data mining solutions to identify eligible beneficiaries who have not applied for family allowances and related benefits.

Working-age population. There are a number of possible actions that can improve the effective coverage of the working-age population. For people who are not economically active,

this may include social innovation strategies that act upon the voiced needs of beneficiaries. This policy objective further shows how social security programmes have moved far beyond the traditional role of providing cash benefit support alone. Many social security administrations tailor individualized responses that support the proactive rehabilitation and, where possible, the reinsertion into economic activity of people who are excluded from the labour market. Emphasis is given in many countries to interventions that, as early as possible, support the return to work of people who are assessed to be job-ready. A bigger challenge for social security administrations is to tailor effective support for people who have complex personal problems and who are less ready to return to the job market.

Budgetary constraints have led to the use of outsourcing to the private sector by many social security agencies in Europe. While private-sector outsourcing may enable higher levels of effective coverage and a degree of client-centred services at a national level than would otherwise be the case, the quality of services – and thus of coverage – may become fragmented and variable, depending on the contracted partner.

Social security systems can positively support labour market policy by facilitating the transparent and regulated movement of international migrant workers. In addition to

EU-wide agreements, bilateral social security agreements are essential to ensure coverage for international migrants workers, who may provide necessary skills and services that are unmet by the national workforce. Over and above the important human rights and equity considerations, official measures to extend legal coverage to international migrant workers offer many benefits to the region's economies.

Older population. The adequacy of old-age pension programmes has become a common concern for many European countries. One important policy debate continues to be what role private individual account pension funds should play in social security. Multi-pillar pension systems involving private individual accounts have become a feature of European social security. This is especially so in Central and Eastern Europe. However, with some of these systems having now begun to pay benefits, a number of concerns have arisen. These include not only the relative monetary adequacy of the coverage provided, the gender dimension of earned entitlements, insurance against longevity risk (annuity markets), and the relative role of redistribution and solidarity, but also the sustainability of the systems in the face of financial and political challenges and uncertainties.

Improved coverage for the older population can be ensured without the need for policy reform, ►►



“Improved coverage can be ensured without the need for policy reform”

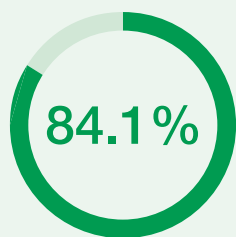
through administrative reorganization. In the United Kingdom, it was observed that following the death of a spouse the surviving spouse often faced seeing pension benefits suspended. In response, following a pilot, a centralized interagency and national “Tell us once” system was put in place. The new system now considers the decease of a spouse to be, only, a change of circumstances for the surviving spouse, rather than the end of entitlement that was made when living as a couple. The new integrated service thus ensures continuity in coverage for the bereaved.

While most countries have adjusted social security programmes to meet growing financial challenges, a further challenge centres on the evolving services and care needs of an ageing population. There is a trend towards the development of the continuum of care for older citizens, as seen in Israel and Sweden for example. With Europe’s population continuing to age, and with the question of affordable long-term care coverage becoming ever more pressing, the coordination of services and the implementation of ageing-in-place policies are essential.

Innovative programme design and the enabling role of ICT. The closer collaboration of social security and health institutions, often with other public agencies, continues in Europe. This is a trend seen from Azerbaijan to Norway. Multiple factors are driving this trend. One is the need to provide seamless and tailored coverage to people across the life course. This may require overcoming institutional inertia and breaking down professional silos. Another is to improve the use of existing resources. For all cases, this process has been rendered increasingly more feasible by developments in ICT.

Estonia is a world leader in using ICT to enhance interconnected 24/7 public service delivery with positive outcomes for effective nationwide coverage, including for family benefits, disability benefits, health care and pensions. More generally in the region, ICT developments are helping to extend effective access to healthcare, especially for people not living in urban centres or living distant from medical facilities. Developments in eHealth can help to overcome shortfalls in the numbers of healthcare personnel that in some communities are a serious constraint to timely and effective healthcare coverage. ■

COVERAGE IN EUROPE, BY POPULATION GROUP

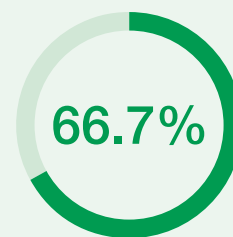


Population covered by at least one benefit

Source: ILO (2017)



Older persons with effective coverage



Vulnerable persons covered by social assistance

INVESTING IN THE FUTURE



16.5% of GDP

Average total social protection expenditure (excluding health) in Europe is high

Source: ILO (2017)



21

The number of countries in Europe that ensure universal protection for children

CHECKLIST FOR ADEQUATE CASH BENEFITS

- ✓ Covered population
- ✓ Cash adequacy
- ✓ Financially sustainable
- ✓ Support active living
- ✓ Support social cohesion
- ✓ Administrative adequacy

Source: Brimblecombe (2013)

PRIORITIES OF ISSA MEMBERS

Member institutions that consider extension of coverage to be a priority challenge

World **56%**

Africa **87%**

Americas **52%**

Europe **30%**

Asia and Pacific **55%**

Source: ISSA global member survey (2015)

CHALLENGE 8



Employment of young workers

High levels of unemployment and underemployment among young women and men is a challenge in Europe, with attendant risks for personal health and well-being as well as for national productivity and growth rates. The coordinated responses of governments, social security administrations, public employment services, social partners, and education and training institutions can help improve employability and reduce levels of unemployment, underemployment and inactivity. The regional trend is for social security systems to have moved beyond their conventional role as providers of income protection only.

In many countries, young people (aged 15–24) present complex challenges for social security systems. More than other age groups, younger workers have great difficulty in entering formal stable employment. This has high costs for individuals and society. Across the region, young people have a higher probability of being employed in the informal economy than do older workers. Over a third of all young workers (35.7 per cent) are engaged in the informal economy, while the corresponding figure for the region's entire employed population is around a quarter.

National differences remain important. In some countries, younger workers may be mainly active in the informal economy, while in others

they may often be inactive or unemployed. Of concern, many young people, especially women, are neither in employment nor in education and training (NEETs). Among Member States of the European Union (EU), the youth unemployment rate is more than double the overall unemployment rate (15.2 per cent compared to 6.7 per cent in November 2018), varying from 36.6 per cent in Greece to 4.9 per cent in the Czech Republic.

The 2007/08 global crisis affected employment rates for younger workers more than for older workers. In spite of recent labour market developments that have been positive for young people in the region, the youth employment rate in many countries remains lower than in 2008. ►►

LABOUR MARKET CHALLENGES AND YOUNG WORKERS

National policy priorities drive different responses to the common challenges posed by unemployment. In situations of high unemployment and ageing populations a trade-off by social security systems may be necessary. For instance, where policy priority is given to ensuring the financial sustainability of pension systems, this may be paired with efforts to encourage older workers to remain in active employment for longer. A challenge may thus be to balance this approach with different actions that also help younger workers to enter and remain in employment.

While the EU youth unemployment rate has dropped significantly in recent years, approaching pre-crisis rates, national rates remain high in some Member States. Though the EU rate was around 15 per cent in late 2018, it remains above 30 per cent in Greece, Italy and Spain. Furthermore, some countries have started to face increasing labour shortages, especially in Central and Eastern Europe. One factor in the growth in labour shortages is the out-migration of labour, especially well-educated youth labour.

In some countries, younger workers face numerous challenges to finding work. Key factors can include a divergence in qualifications and skills, limited geographic mobility and inadequate wage levels. Of further concern, high rates of youth unemployment often co-exist with the increased difficulties faced by employers in filling vacancies. In countries such as Moldova, about 30 per cent of young people are NEETs. In 2016, 11 per cent of those aged 18–24 throughout the EU were early school leavers.

For young workers to successfully enter employment, the attainment of higher levels of education is more important than ever, with higher levels of education tending to equate with a higher employment rate. Of note, work experience is equally important. Among EU Member States, the unemployment rate among young people leaving education without prior work experience (paid or unpaid and voluntary) was 15.7 per cent, while it was 8.1 per cent for

persons who had gained work experience while completing their studies.

While educational qualifications and work experience are necessary factors in labour supply, evolving labour markets combined with changing demand from employers can result in a skills mismatch. Young workers may not have the appropriate qualifications and experience for the jobs on offer. In other cases, some young workers may be over-qualified for the available job opportunities. With the continuing shift towards a knowledge economy, these observations underline the necessity to better co-ordinate and make more effective national labour market policies and the roles of public employment services and education systems. A re-orientation of education policy is required to equip workers with the right set of skills and to support lifelong learning and greater adaptability to the rapidly changing world of work.

Accompanying the shift to the knowledge economy and enabled by new technologies, there has been a rise in non-standard work in the region. Around one in ten of working-age adults are likely to have provided some work services in the collaborative economy through an online platform. However, only a small proportion of workers depend on platform work regularly as their main source of income from work.

One observed coping mechanism to deal with the changing nature of work is for workers to become self-employed. While this may help alleviate immediate household income needs, a challenge is that social security systems are commonly weakly oriented to the needs of self-employed workers. In over two-thirds of EU countries, self-employed workers either have no access or only voluntary access to unemployment protection.

The future adequacy of unemployment benefits for younger workers is a growing concern. At present, legal coverage for unemployment protection extends to over 80 per cent of the European workforce. But only around half of these workers are covered effectively. Irregular work histories and fragmented careers, recurrent periods of unemployment, shorter-term contracts, low levels of pay, and flexible work

practices all reduce the ability of workers to accrue rights to contributory unemployment insurance. Also, the rise in precarious employment puts at risk access to occupational safety and health measures and needed health insurance and, in the longer term, the adequacy of current workers' future pensions.

RESPONDING TO THE NEEDS OF YOUNG WORKERS

In global terms, the region of Europe has the highest percentage of workers with effective access to unemployment benefits (42.5 per cent, compared to a global rate of 21.8 per cent). Significantly, many European countries have also sought to expand the scope of protection provided under unemployment benefit schemes by combining cash benefits with measures such as skills development, training and active labour market policies.

Benefits for the working-age population are typically part-funded by workers' contributions, as are most unemployment benefits. Yet, there are growing numbers of unemployed workers, including younger workers, who are faced with difficulties in accessing contributory benefits because of their incomplete and fractured work-contribution histories. A common response to this is to increase the role played by

tax-financed income support. Italy has recently moved in this direction.

Tax-financed benefits tend to be less generous and the legal rights they accord less firmly rooted than contributory benefits. Eligibility to receive these benefits is also more likely to be conditional on behavioural changes on the part of the recipient, including a commitment to actively seek work or to accept job offers. Such a commitment is typically enforced by the threat of punitive sanctions or other disciplining measures. It is widely accepted that the threat of punitive sanctions has a positive effect on helping better-educated and job-ready workers return to work. Ironically, such sanctions appear less effective for those of working age who are most in need, and who have the most complex problems in returning to work.

The need to support the employment of younger workers is a strategic objective across the region. While an important number of programmes have been initiated at EU-level, country-level measures are also commonplace.

Azerbaijan, which has an internationally recognized track record in supporting youth employment, has a National Employment Strategy 2017–2030, and an Unemployment Insurance Law came into force in 2018.

In France, young people between ages 18–25, who were previously excluded from the Active ►►

“Sanctions appear less effective for those of working age who are most in need, and who have the most complex problems in returning to work”



Solidarity Income (*Revenu de solidarité active* – RSA) programme, now have access to unemployment protection.

Germany has extended access to unemployment protection to non-regular workers, while Austria has extended access by relaxing the eligibility conditions with regard to qualifying periods. Denmark has increased the duration of unemployment benefits from two to a maximum of three years. Countries with strategies to provide jobseekers and recipients of unemployment benefits with better access to training, retraining, certification, and job matching are the Netherlands, Portugal and the Russian Federation.

Many countries have introduced subsidized employment as well as credit provisions to incentivize employers to hire unemployed workers and to create jobs. Other countries, such as Estonia, have expanded job assistance and job counselling services to support workers in retaining their jobs.

Finland has merged the administration of social protection and employment services into a “one-stop shop” through a single window

service approach, thereby linking the delivery of social protection and employment services. The expectation is that a more integrated system will better address unemployment and poverty.

Apprenticeships and quality training placements designed to invest in young workers are further important policy elements. Apprenticeship systems, operating as an integral element of labour markets, are viewed as a factor in lower unemployment rates among young workers. Such systems require national-level collaboration between governments, employers, and trade unions, including for the setting of wage levels and labour market regulation. An EU-level agreement affirms that apprentices should be entitled to social security.

To support the employment expectations and meet the continuous learning needs of younger workers, the combined actions of government, social security administrations, public employment services, the social partners and education and training services present a way forward. On this basis, it becomes possible to envisage the successful transition of young people from schooling into professional training or continuing education and decent work. ■

YOUNG WORKERS IN EUROPE



The youth unemployment rate was more than double the total unemployment rate

Source: tradingeconomics.com (2018)



More than a third of young workers are in the informal work, compared to a quarter of all workers

Source: ILO (2018)

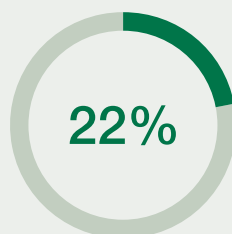
THE RISE OF PART-TIME JOBS



45.3 million

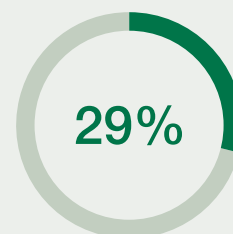
Number of people in the EU who worked part-time in 2016

Source: Eurostat (2017)



The percentage of jobs created in the EU in 2015/16 that were part-time

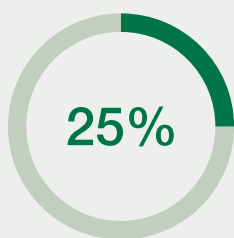
Source: ILO (2017)



The percentage of involuntary part-time workers in the EU who were working poor in 2014

Source: Eurofound (2017)

RISING SELF-EMPLOYMENT



The percentage of self-employed workers in the EU without employees who were working poor in 2014

Source: Eurofound (2017)



The percentage of self-employed workers in the EU at risk of having no access to unemployment protection in 2014

Source: European Commission (2015)

CHALLENGE 9





Protection of migrant workers

Formal efforts to address the social security challenges posed by migrant workers have a long history in Europe. The region's first bilateral agreement on social security was concluded between France and Italy in 1904. A greater number of mobile workers in the region has created a heightened demand for international agreements that acknowledge the need for the portability and safekeeping of workers' acquired rights. Despite this, it is not uncommon for discussions about migration to focus largely on questions of irregular and illegal migration flows and the arrival of forcibly displaced persons, refugees and asylum seekers. To refocus this debate, to protect the rights of workers, the region's social security administrations have an important role to play in helping to promote the right to social security for formal migrant workers.

Globally, internal and international migrants total around a billion people. As in other regions, current levels of labour migration in the region of Europe are high. Covering countries in Western, South and Central Europe and in Eurasia (comprising the former-USSR Eastern European and Central Asian countries, except the Baltic States), the development of social security mechanisms for migrant workers has advanced in different ways and at an uneven pace across the region. The development of regional trading

blocs, in particular the European Union (EU), plus the European Free Trade Association (EFTA), the Commonwealth of Independent States (CIS), and the Eurasian Economic Union (EAEU), have increased the possibilities for the economic mobility of workers.

The wide use of the Russian language as the lingua franca for business in many Eurasian countries has also played a role in facilitating the migration of workers. During the first decade of transition from the former Soviet command ►►

economy, rapid economic change provoked widening unemployment across some Eurasian countries. By the late 1990s demographic ageing and decline combined with emigration from Belarus, the Russian Federation and Ukraine had led to labour shortages requiring workers from abroad. In Kazakhstan, economic growth in recent years has outpaced the domestic supply of labour, leading the country to call upon the services of migrant labour.

The fundamental right of EU citizens to free movement to work within the EU has removed internal frontiers to migration. In Eurasia, migration is controlled and managed at the interstate level. Visa-free travel, established in the framework of the CIS (with the exception of the mutual visa requirement between Georgia and the Russian Federation), nominally means the free movement of citizens of the CIS through most of the borders of Eurasia. However, national laws require a permit for residence and employment in almost all countries of Eurasia. International migrant workers from outside the region pose additional administrative challenges for social security systems. For some countries, a particular challenge for the effective extension of social security coverage is that many migrant workers are engaged in the informal economy.

| MIGRATION IMPACTS AND CHALLENGES

Globally, most international migrant workers are men. Across Europe, however, women comprise just over half of all international migrants. Factors in this are the ageing of Europe's population and the development of global care chains. Consequently, many women arrive in the region to accept work as domestic helpers and caregivers. While all migrant work can result in positive remittance flows home, this type of migration may result in care deficits in care workers' countries of origin. Presenting a challenge for social security systems, domestic workers, who are predominantly female, comprise a significant part of the global workforce in informal employment and are among the most vulnerable groups of workers.

The International Labour Organization Convention concerning Decent Work for Domestic Workers, 2011 (No. 189), asserts that

domestic workers should enjoy conditions no less favorable than those in which other workers are generally protected by social security systems, including with regard to maternity protection. Seven countries in the Europe region have ratified this legal instrument; namely, Belgium, Finland, Germany, Ireland, Italy, Portugal and Switzerland.

There is an affirmed human rights' rationale to extend coverage and offer equality of treatment to migrant workers. In turn, there are many positive trade-offs for social security programmes and the economy of extending such coverage. Extending coverage not only ensures access to essential benefits and services, it enhances social cohesion, facilitates economic growth and strengthens public support for social security programmes. Moreover, efforts to formalize labour markets are strengthened, the potential for exploitation is weakened and mobility strengthened.

| SOCIAL SECURITY RESPONSES TO MEET MIGRANT WORKERS' NEEDS

Migrant workers are often net contributors to the national social security system. They also make a significant contribution to economic development and to addressing current and emerging demographic and labour market challenges. For these reasons, the EU, non-EU and Eurasian countries have a number of measures aimed at creating flexible reception mechanisms.

In the region, there is employer demand for workers with appropriate qualifications and skills. As one response, the EU is fine-tuning a migration scheme for the issuance of a special residence and work permit for highly skilled non-EU workers, called the EU blue card. Given the EU experience, a number of Eurasian countries have introduced similar measures for highly qualified workers. Azerbaijan, Kazakhstan and Russia, for instance, have simplified procedures for attracting qualified foreign labour.

Seasonal workers, who most commonly are engaged in the agriculture, horticulture and tourism sectors, are active in labour markets

in all parts of the Europe region. The Russian Federation is the major destination for migrant workers in Eurasia, including for seasonal workers, with close to 9 million temporary migrant workers from CIS countries alone. Annually, the EU economy hires more than 100,000 seasonal non-EU workers. These migrant workers often face demanding working conditions and the risk of exploitation, which can threaten their health and safety. This fact prompted the European Parliament and the Council in 2014 to adopt the seasonal workers Directive that affirms the conditions of entry and stay of third-country nationals seeking seasonal work.


A necessary social security response to important migration corridors between countries is for the respective countries to sign a bilateral social security agreement. Such agreements help verify the personal identity and eligibility of migrant workers to social security, and permit the calculation of entitlements and their portability. Not only do such agreements set down the rules regarding treatment, they enable coordination measures to support how the administration of cases is undertaken and how effective communication is made between different stakeholders.

Although there are hundreds of such agreements worldwide, the vast majority of these concern countries of the European Union

and Western Europe. To maximize the benefits of these agreements, as well as to minimize stress and to facilitate social cohesion, it is commonplace for social security systems to have public communication strategies to inform migrant workers of their social security rights and entitlements.

Bilateral agreements remain the most important international instrument to ensure the social security rights of migrant workers. The case of Moldova is noteworthy. It is estimated that over a million Moldovans have migrated to work across Europe, and beyond. Given the country's location at the crossroads of two geopolitical systems, the migration flows from Moldova are split into two major branches: to the CIS countries and to the EU. As a major source of migrant workers, Moldova has made considerable progress in protecting its citizens abroad, most notably through a number of bilateral agreements, including more than ten agreements with EU countries.

Regional coordination mechanisms and regulations to meet the multiple needs of migrant workers, as well as of national labour markets and social security systems, also occupy a place of importance. In the EU, coordination rules are based on five fundamental principles: equal treatment regardless of nationality, aggregation of periods of insurance acquired under different national systems, export of ►►



“EU experience and practice offer a wealth of legal, procedural and practical knowledge that can be called upon”

benefits within the territory of the EU, one single applicable legislation, and administrative cooperation and data exchange between social security institutions.

An important instrument to obtain healthcare services in the EU is the European Health Insurance Card (EHIC). Issued free of charge, the EHIC permits all those who are insured or covered by a statutory social security scheme of the European Economic Area and Switzerland to receive medical treatment in another signatory State.

Importantly for the wider Europe region, EU experience and practice offer a wealth of legal, procedural and practical knowledge that can be called upon to help shape approaches and responses to social security challenges in Eurasia. Labour mobility plays a crucial role in the regional integration of Eurasian economies, and the recent creation of the Eurasian Economic Union (EAEU) is a new important development to help meet the administrative, policy and practical challenges facing social security.

These challenges include a lack of administrative mechanisms to incorporate migrants into social security regimes; the need to ensure the portability of contributions and benefits; to resolve the problem of inadequate data and

information about existing national mechanisms and approaches; and the absence of a regional framework providing compatible standards and systems on expectations of coverage, mechanisms of portability, and the assessment and conversion of contributions and benefits.

A draft Agreement on pensions for workers of EAEU Member States has been prepared, based on principles similar to the EU rules for the coordination of EU pension systems. It is expected that this agreement will eventually replace the agreement developed in 1992 to streamline the provision of pensions in the post-Soviet countries after the disintegration of the Soviet Union.

Generally, and building on legislative measures adopted in Russia, there are growing efforts to strengthen the social security of migrant workers in the Eurasian region. In 2018, Kazakhstan hosted the Fourth Meeting of the Advisory Committee on Social Security, Respect for Pension Rights, Healthcare and Professional Workers of EAEU Member States. The agenda of the Committee meeting included issues of compliance with pension rights and healthcare. ■

MIGRANT FLOWS



Two main regional migration destinations are the countries of the European Union and the Former Soviet Union

Source: ISSA (2016)

~22 million

The number of non-EU citizens living in the EU, representing over 4% of the EU population

Source: Eurostat (2018)

9 million

The number of temporary migrants living legally in Russia

Source: Eurostat (2018)

1 million

With a national population under 4 million, the estimated number of Moldovans working abroad

Source: ISSA Good Practice database (2018)

MIGRANTS AND GENDER



Over half of international migrant workers in Europe are women

Source: migrationdataportal.org (2018)



Less than half of international migrant workers globally are women

Source: migrationdataportal.org (2018)

BILATERAL SOCIAL SECURITY AGREEMENTS



1904

In this year, Europe's first bilateral agreement was signed between France and Italy

Source: ILO (2012)

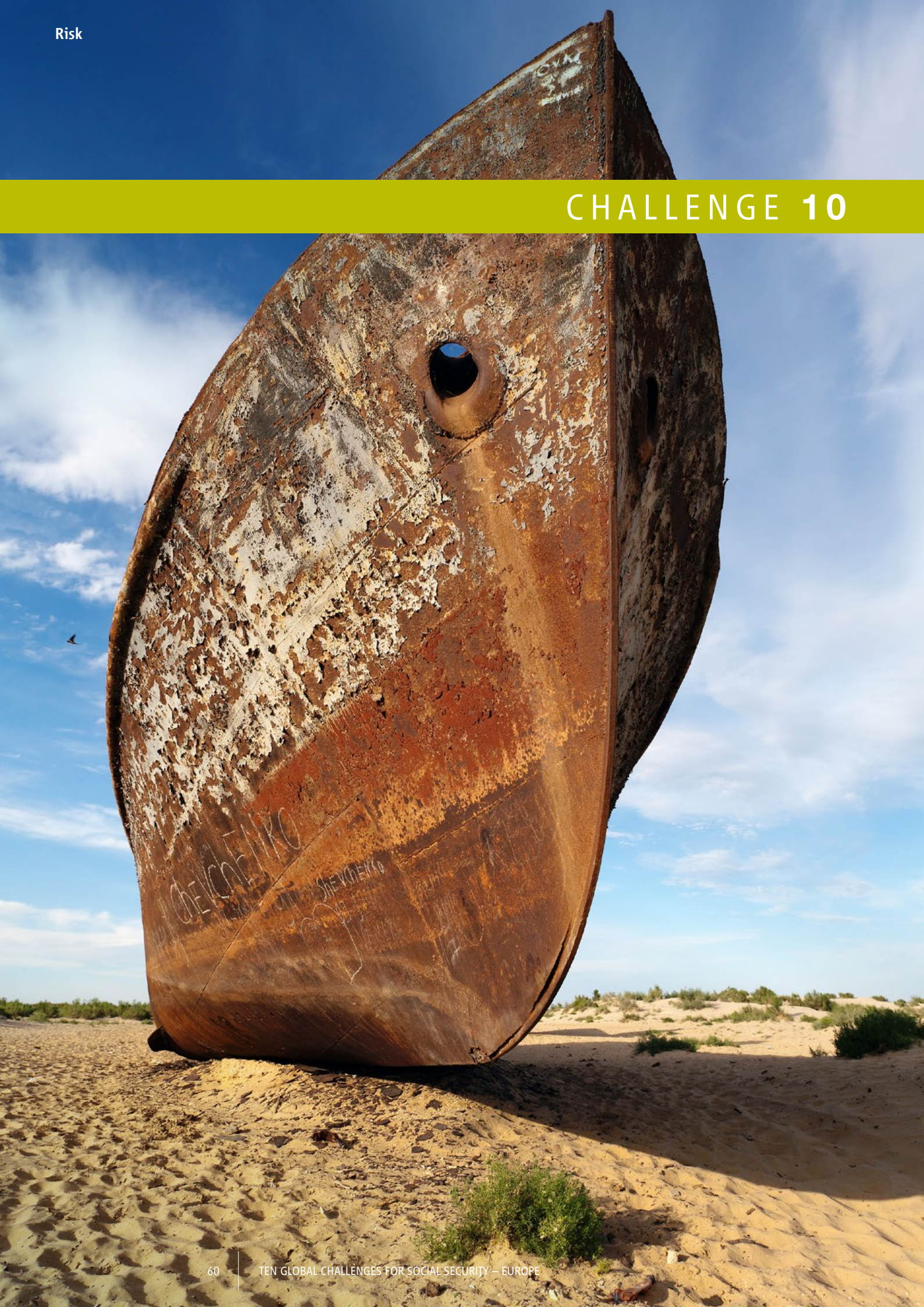


More than half

Globally, the majority of bilateral agreements include European countries

Source: ILO (2015)

CHALLENGE 10





New risks, shocks and extreme events

The context in Europe is characterized by uncertainty with societies and economies exposed to different and often unpredictable economic, societal, political and environmental shocks. Social security systems can absorb and attenuate the worst consequences of these and seek to reduce their frequency and severity. They also enable societies to recover more rapidly from downside impacts and be better prepared for future events.

Europe has always been particularly exposed to certain environmental, social, health, political and economic shocks. However, the frequency and severity of such shocks are perceived to be increasing. At the same time, new risks and sources of external shocks for social security systems are emerging. In response to this growing uncertainty, social security programmes' roles in managing risk increasingly extend beyond traditional reactive roles.

New risks and external shocks exacerbate the uncertainties associated with the conventional life-cycle and labour market risks covered by social security systems. To respond to these effectively, social security institutions should track these developments in a phased manner, first during a planning and preventive period to identify potential shocks and reduce their possible impacts. The next steps should be the delimitation of the institution's role during the

shock itself and, thereafter, its follow-up role. Follow-up is important because although shock events may be short in duration, their negative impacts can be much longer lasting, and in some cases enduring.

| NEW CHALLENGES FOR SOCIAL SECURITY

To prevent, manage and cope with risk events on a large scale, social security systems are key actors. In a global context of uncertainty, the continuing relevance and necessity of public social programmes rooted in the principles of solidarity, insurance and equity is unquestionable. This is confirmed by looking at a number of potential new risks and shocks facing the region's social security systems.

Climate change. The three hottest years on average have been 2015, 2016 and 2017, with 2018 expected to have continued this trend. ►►

In Central Europe, the temperature increases over the last 40 years have been double the global average. This has been associated with more extreme events, with deadly flooding in France, Italy and Spain as well as drought conditions in parts of Northern Europe, Switzerland and the United Kingdom. Generally, this has implications for economic activity and productivity as well as for the health and well-being of Europe's population.

Economic shocks. Despite a degree of economic recovery after the 2007/08 global financial and economic crisis, real wages in many countries still remain lower than they were in 2010. Across the period, household incomes have stagnated and the cost of essential goods have increased, leading to the relative impoverishment of middle- and lower-income groups. This has heightened the demands placed on social security systems, but has also negatively affected the contribution base on which social security is financed.

New emerging health challenges and shocks. The incidence of non-communicable diseases is growing in the region. One particular concern is the growing cohort of citizens aged 80+ who are frail and whose mental and physical health and care needs present mounting challenges to current social services and healthcare systems. A further trend, especially among younger cohorts, is a rise in mental health issues.

Labour market transformation. The increasing fragmentation of work, the evolving nature of labour markets and low rates of wage growth all negatively affect the financial equilibrium of social security programmes, the economic security of covered people as well as the well-being of individuals, families and households. Labour market shifts can result in fragmented and incomplete contribution histories and thus low levels of contributions upon which benefit entitlements are calculated. In some cases, low contribution density may result in workers being ineligible to receive rights-based contributory benefits. This will increase the demand made of typically less generous and often targeted tax-financed social assistance programmes. Increasingly, eligibility to social assistance benefits for most people of working age in the region is made

dependent on satisfying behavioural conditions, such as active job searches, the failure to comply with which is met often by sanctions.

Changing political environment. Higher and growing levels of societal inequality feed growing dissatisfaction among national populations. The impact of this changing environment may be at odds with the important principles that underpin much of social security in Europe: universalism, solidarity, redistribution and equity.

| RESPONDING TO NEW RISKS

In spite of operational constraints and external pressures, social security institutions have shown to be capable of adapting to new and diverse sets of risks, thus highlighting that innovation has become a critical operational attribute for quality service delivery.

Climate change. The region is particularly vulnerable for two reasons – the growing number of extreme events that have direct, short-term and often life threatening impacts (e.g. flooding) and those with longer-term impacts (degradation of health status, viability of the dominant business model, etc.). Institutional responses should reflect this shift. A number of institutions are considering rebalancing their portfolio of reserve fund investments with a move towards a reduction in exposure to economic sectors and companies whose business model is based on fossil fuels. Others institutions provide short-term help for people affected by storms, flooding and droughts.

Economic and financial shocks. Universal benefits are particularly important for equity and solidarity. In practice, by delinking employment-related conditions from the eligibility requirements to some benefits, risk is diversified and the most vulnerable population groups are more likely to be protected. Another issue is the investment management of social security reserve funds. For instance, a possible partial delinking of investment return from national economic growth, in favour of social investment such as national infrastructure projects, may be beneficial to reducing risk.

Health risks. The preponderance of non-communicable diseases in recent years in

the region can be considered a new risk but also a shock. Coupled with changes in family structures, this has direct cost implications for health systems and care provision. A number of preventive measures seeking to reduce risk through encouraging healthier diets, promoting reductions in toxic emissions and pollution as well as endorsing more physical exercise can be observed in the region. The use of earlier detection methods in healthcare is also found. While formal long-term care (LTC) provision is found in the region (Germany, for instance, has a model financed by social insurance contributions), Europe still lacks sufficient numbers of formal long-term carers. Some institutions are looking to address this staffing shortfall through appropriate investment strategies. In the absence of the coordination or availability of LTC services, regular formal care channels face an increasing workload. To complement formal care as well as to support preventive measures, the development of ageing-in-place policies is a priority.

Changing political environment.

The regulatory and institutional legal framework of a social security institution can robustly ensure a degree of independence and autonomy, irrespective of political changes at the national level. A number of ISSA Guidelines support institutions in this endeavour. For example, the *ISSA Guidelines on the Investment of Social*

Security Funds sets out the principal structures and responses to situations such as when certain investments are imposed on the social security institution's reserve fund. To counteract possible negative public opinion directed towards social security institutions, as well as to minimize the personal stigma associated with the receipt of some benefits, improved communication and positive messaging can strengthen public understanding and increase the perceived value of social security for the population.

Extreme event or shock. Effective and robust delivery systems are essential in instances where traditional infrastructure may be affected by an extreme event or shock. While e-services are important and can often be scaled up in crises, they are dependent not only on the supply of electricity but also on network security to prevent data loss and hacking. In the event of a loss of electrical power, other networks and channels are equally necessary. Mission critical infrastructures must therefore be the subject of rigorous business continuity planning and fail-safe approaches, including possible recourse – in extreme cases – to the use of methods and measures that, ostensibly, have been rendered redundant by technological progress.

The response to shocks and emerging risks must include a number of different coordinated measures and the involvement of a range of stakeholders. Responsibilities should be ►►

“Social security institutions have shown to be capable of adapting to new risks”



determined and goals identified from the outset. When shocks do occur, it is important that responses across networks avoid the duplication of effort and the unnecessary use of resources. Tailored ad-hoc measures may also be needed to respond to the specific impacts of shocks.

However, it is worth restating that effective responses to shocks will typically require a reactive element to address immediate needs and a preventive element to reduce future risk and mitigate the severity of impacts. ■

CLIMATE CHANGE AND EXTREME EVENTS

**3.4 million**

People affected by floods in Europe from 2000–2011

Source: WHO (2018)

**1,000**

Lives lost due to floods in Europe (2000–2011)

**>70,000**

Excess deaths in 12 European countries due to the 2003 heat wave

THE SCALE AND IMPACT OF RISK IS RISING

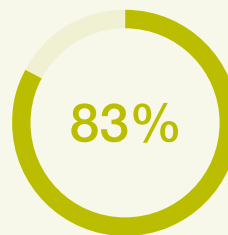
**2010→2016****EUR 12.8 billion**

Average annual economic loss caused by weather and climate-related extremes for European Environment Agency (EEA) Member States (2010–2016)

Source: European Environment Agency (2018)



Among EEA Member States, the majority of economic losses were caused by only 3% of all unique registered extreme events (2010–2016)



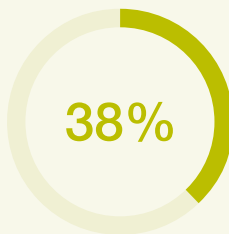
Natural disasters caused by weather and climate-related extremes (1980–2016) were responsible for the majority of monetary losses reported in EU Member States

CYBERSECURITY RISK IN EUROPE

**80 million**

Cyber-attacks in Europe in 2018

Source: ThreatMetrix (2018)

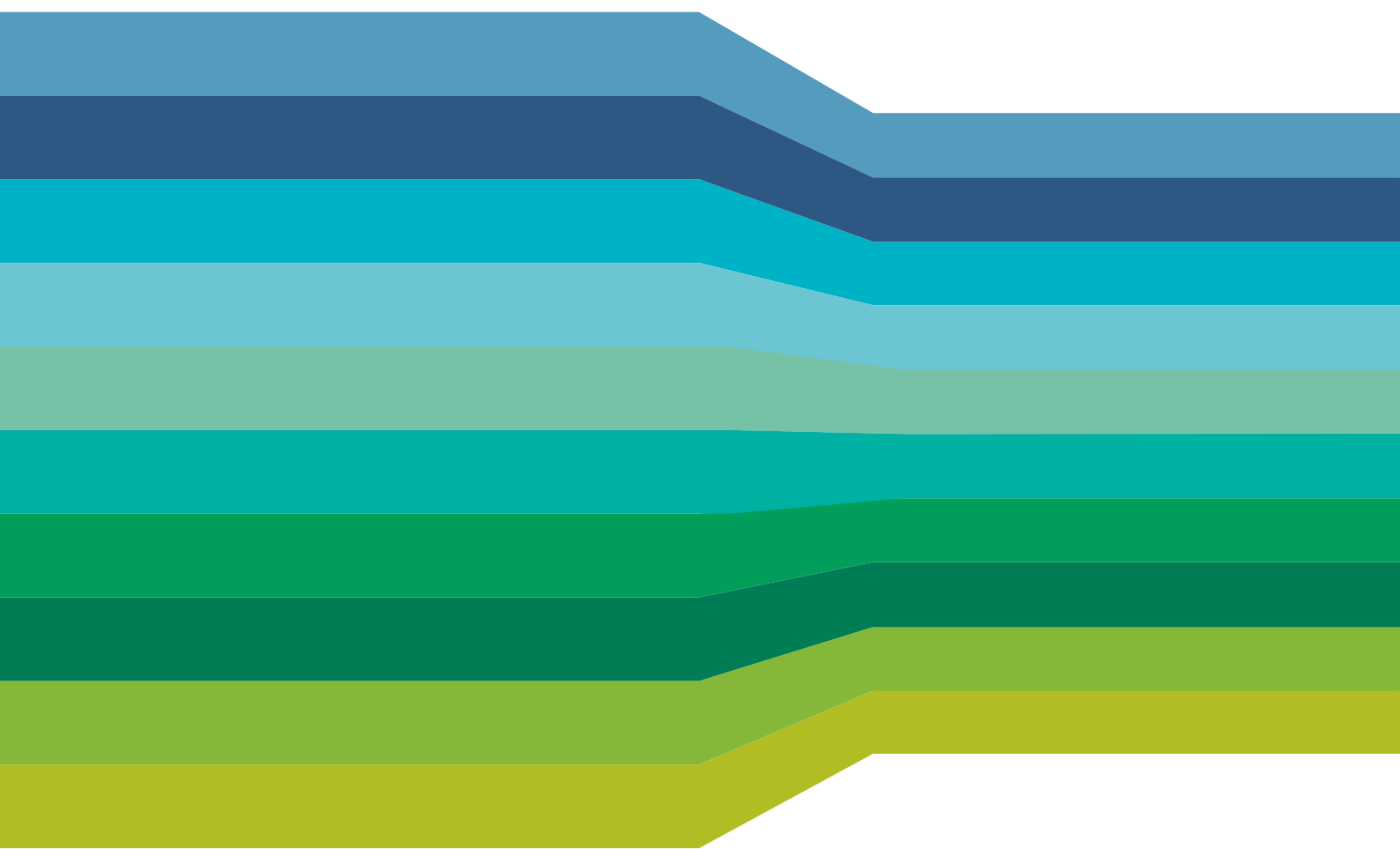


Proportion of global cybercrimes originating in Europe in 2018

**EUR 1.44 billion**

The cost of fraudulent card transactions in countries of the Single Euro Payment Area in 2013

Source: Europol (2018)



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