10-15 Sept 2007
MOSCOW

International Social Security Association
Association internationale de la sécurité sociale
Asociación Internacional de la Seguridad Social
Internationale Vereinigung für Soziale Sicherheit

ISSA • AISS • IVSS
1927-2007

WORLD SOCIAL SECURITY FORUM
29th ISSA General Assembly

DEVELOPMENTS AND TRENDS: SUPPORTING DYNAMIC SOCIAL SECURITY

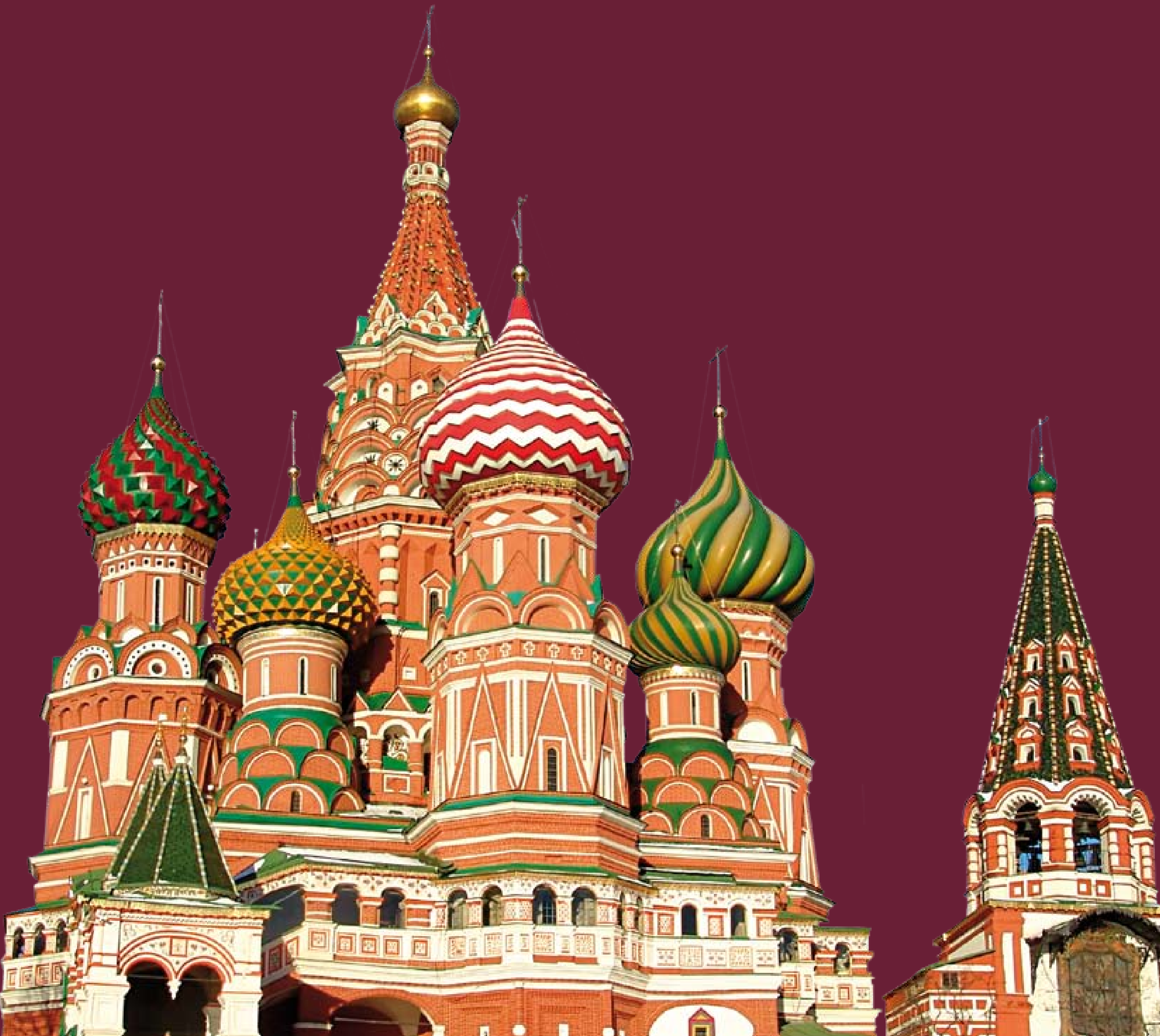


Table of contents

First published 2007

Also published in:

French: ***Développements et tendances: Une sécurité sociale dynamique***

Spanish: ***Evolución y tendencias: Una seguridad social dinámica***

German: ***Entwicklungen und Trends: Für eine dynamische soziale Sicherheit***

Acknowledgements

Acknowledgements are due to the Report's authors: Valentina De-Luigi, Dmitri Karasyov, François Kientzler, Marie-France Laroque, Roddy McKinnon, Ariel Pino, Rienk Prins, Aviva Ron, Roland Sigg, Alexandra Van Neyen, and Stefan Zimmer.

In drafting the report, the authors have drawn upon a wide variety of information sources. Not least amongst these are the ISSA's information service *Social Security Worldwide* (www.issa.int/ssw) and the ISSA's Documentation Centre. We are indebted to our member institutions and national correspondents who, through various means, provide us with topical information, empirical evidence, and examples of policy learning and good practice. Taken together, all of these elements contribute to the continuous development of the ISSA's knowledge base and without which the production of this report would be a far more difficult task to accomplish.

Acknowledgements are also due to the ISSA Secretariat for bringing this report to fruition: the Development and Trends Steering Group (Octavio Jiménez-Duran, Richard Levinsky, Roddy McKinnon, Jens Schremmer, Roland Sigg, and Patricia Weinert); Birgit Rochet-Jäger for administrative support and technical supervision; and Thérèse Goetschmann for technical assistance.

Printed in France

Preface

This publication - *Developments and Trends: Supporting Dynamic Social Security* - has been prepared to mark the occasion of the International Social Security Association's (ISSA) first World Social Security Forum, 10-15 September 2007, in Moscow.

In accordance with the ISSA's mandate to cooperate in the promotion and development of social security throughout the world, this publication brings to the fore significant developments and trends in social security.

In keeping with the wider strategic objectives of shaping a new ISSA, this report represents one more important tool for international transfer of knowledge and the sharing of good practice. With an emphasis on seeking to better meet stakeholders' needs for access to substantive and succinct information, the topics presented here provide significant international empirical evidence and illustrative country case studies. Importantly, the findings also reiterate a newfound confidence in social security by drawing attention to the vital social and economic roles played by social security systems the world over.

Specifically, present-day developments reveal that social security administrations are now more systematically following an agenda based on integrated, proactive, and forward-looking policy choices. And all around the world, social security administrations continue to seek improvements in organizational and financial performance, with the objective of better extending social security to all. With the aim of building accessible and sustainable social protection systems – which not only provide protection, but also encourage prevention, and support rehabilitation – these innovations firmly underline that social security has a major role to play in better ensuring socially inclusive and economically productive societies.

However, the innovative nature of many of these changes has created a demand for an equally innovative conceptual framework to help social security analysts and practitioners better recognize and follow these developments. To this end, the ISSA has developed a new conceptual framework called *Dynamic Social Security*. In addition to providing a context the analysis of this report, the framework will facilitate the ISSA ongoing work in identifying and analyzing trends, and communicating knowledge about current and emerging developments in social security.

Through all aspects of its work, and by harnessing innovative conceptual tools such as the *Dynamic Social Security* framework, the ISSA is helping address the often complex challenges facing social security by further developing its already significant knowledge base and by continuously improving the delivery of high quality information to its global membership.

It is my wish that the recent developments and trends in social security identified and presented here will make a positive and important contribution in this regard.

The ISSA Secretariat under the supervision of Yannick D'Haene, Director of the Social Security Observatory, prepared the publication. Richard Levinsky was responsible for the project management. Birgit Rochet-Jäger provided administrative support.

Hans-Horst Konkolewsky
Secretary General

Supporting dynamic social security

Roland Sigg[1]

Rising to the challenge

Social security everywhere is facing many challenges.

In the current context of economic globalization, governments and enterprises are under heavy pressure to reduce labour costs, including social contributions that are often perceived as a threat to competitiveness. The labour market is becoming increasingly precarious – particularly as a result of the development of the informal sector – which means that workers are becoming increasingly vulnerable. The so-called traditional family is being replaced by a variety of structures. Migratory movements are increasing in intensity and leading to even more social diversity. And demographic ageing as the result of longer life expectancy and lower fertility rates is an increasing reality in many countries. These changes are having an indisputable impact both on society in general and on individual life-courses, and are contributing to the emergence of new needs and risks. They also raise questions concerning the sustainabliity of social security systems subjected to such pressures and their ability to rise to meet the challenges they face.

In developing countries, the lack of social security coverage continues to be a major challenge. A large part of the population is excluded. Even for those who have access to social protection, the effect of the benefits provided is often limited. Urbanization and industrialization are undermining traditional solidarity networks. This means that those in need may no longer be able to fully rely on such networks for help. Globalization is also accelerating the growth of the informal economy, which is occupying an ever-increasing proportion of urban labour.

Can social security rise to these myriad challenges?

The report presented at the ISSA General Assembly in 2004 noted a newfound confidence in the ability of social security to respond to these challenges (Sigg, 2005). It is a fact that numerous reforms have been introduced in recent years in many countries and in all branches of social security. Such changes, which are reported regularly by the ISSA in its *Social Security Worldwide (SSW)* information service, confirm that social security has understood the need to anticipate changes whenever possible and to respond proactively in order to better ensure the well-being of populations.

Social security is now increasingly implicated in discussions on how to eliminate poverty in the world, whether through the definition of a "global social floor", as suggested by the International Labour Organization, or through implementation of the United Nations Millennium Development Goals. This confers a new legitimacy on the activities of social security institutions at the dawn of this 21st century.

Frequently, social security is accused of failing to introduce reforms which could better ensure its own sustainability. This report includes numerous examples that show, on the contrary, that social security institutions are acutely aware of the challenges confronting them and are adjusting accordingly.

[1] The author is a member of the General Secretariat of the International Social Security Association. He would like to thank Volahanta Rahaingoarivony for her contribution to the writing of this Introduction.

Dynamic social security

The developments and trends presented in this report bring to light a number of important observations.

The universal trend is towards a broader concept of social security and what it should comprise. Social security has changed radically in recent years; its role is no longer limited to income redistribution and to providing adequate benefits for minimum well-being and the fulfilment of basic needs. The concept of social security has widened and become more proactive, and is now aimed at better providing prevention measures and protection for individuals against life-course risks, while at the same time maximizing their productive potential and capacities in order to make them less vulnerable to these risks and to facilitate their social integration. This innovative approach illustrates what the ISSA calls "Dynamic Social Security" (McKinnon, 2007).

The main objective of Dynamic Social Security is to create sustainable and accessible social protection systems based on integrated, proactive and innovative policy responses. This approach focuses not only on providing protection, but also on better encouraging preventive measures and facilitating work reinsertion in order to construct socially inclusive and economically productive societies. Another key element is that the ongoing political and social legitimacy of social security programmes is seen to be increasingly dependent on these being delivered in an efficient and effective manner.

Sustainable social security. The issue here is the need to respond to demographic ageing and globalization, two of the main challenges currently facing social security. A social security system that is not sustainable will be unable to respond to the longer-term needs of the population, to enhance benefits, or to extend protection. Many of the measures introduced in this context concern adaptation to evolving labour market realities. Thus, extending the active working life (see chapter 8), whether by making (early) retirement schemes less attractive or by introducing incentives for older workers to remain active, represents one important policy avenue to help strengthen the finances of social security schemes. Generally speaking, providing support for work reinsertion (see chapter 2) for various population groups, whether they are unemployed or receiving sickness or disability benefits, is a way of increasing employment. And it should also help bolster resources. Moreover, promoting work reinsertion may also reduce dependence on social benefits, which, in turn, should also help to reduce expenditure. More recent developments show that this same approach can also be applied to work accidents and occupational diseases (see chapter 1).

Accessible social security. Access to social security should be universal. However, the reality worldwide is far from this. As defined by the ISSA, one of the objectives of Dynamic Social Security must be to extend coverage. The introduction of non-contributory pension schemes (see chapter 5) is one feasible way to extend coverage and reduce poverty among vulnerable population groups, and not least among the elderly. Although pensions and health care are seen as the top priorities for extending coverage, developments are occurring in other branches too; such as the introduction of unemployment insurance in low- and middle-income countries. The development of more accessible social security often implies that schemes be more integrated. Reducing coverage segmentation can help lead to financial savings as well as improving the quality and accessibility of the benefits provided (see chapter 9).

Improving performance to ensure adequate benefits. Social security administrations and schemes have made major efforts to enhance all aspects of their performance. Risk management is an essential tool to improve administrations' governance (see chapter 4), particularly to facilitate change and ensure that the best possible services are provided for users. In the health field, better access to health care means more efficient deployment of resources which are often limited (see chapter 6). Rationalizing health expenditure goes hand in hand with the introduction of quality control measures in order to guarantee maximum efficiency. Improving the performance and governance of pension schemes is essential to ensure adequate benefits (see chapter 7), particularly in countries where old-age insurance is based mainly on individual account pension schemes. This may mean reviewing the architecture of a system – as in some Latin-American countries that have introduced "re-reforms" in order to further strengthen contributory and/or non-contributory old-age insurance.

Supporting preventive and proactive approaches. Dynamic Social Security should not be seen merely as a means of providing protection after a contingency has become a reality. Today, increasing emphasis is being placed on prevention in order to help reduce risks, as a means to invest in individuals, and thus nurture the development of human capital. The transformation of sickness insurance schemes into health insurance (see chapter 6) is a further step in this direction, involving investment in health measures in order to reduce the need for curative care. Such investment often focuses on promoting healthier lifestyles. It also involves strengthening patients' rights in order to transform the traditional hierarchical relationship between doctors and patients into a partnership. The trend as regards employment policies (see chapters 2 and 8) is towards work insertion rather than compensation, through the implementation of rehabilitation and training measures at the onset of a work disability and before the award of a disability pension. Activation policies of this kind are based on the idea that work is the best way to ensure security and that the individual has an obligation to look for work. In this vein, the case management method (see chapter 3) is an increasingly popular tool, particularly for returning the long-term unemployed and disabled persons to suitable employment.

*
* *

Social security has a long tradition of evolving to new challenges. In the face of demographic ageing and globalization, as well as technological innovations and changing family structures, social security must continue to evolve. The road that lies ahead is likely to be long, and there are no simple solutions. Some reforms may well prove problematic. In this context, and faced with an ever-increasing need for social security, the ISSA can make a unique contribution to the improvement of social security outcomes based on social justice. The concept of Dynamic Social Security proposed by the ISSA is rooted firmly in the observed ability of social security institutions to anticipate social change, to respond to new challenges and to manage their various programmes efficiently and effectively. The Dynamic Social Security concept provides a framework to support the development of more adequate and more extensive social security. Ultimately, the goal remains one of extending social security to all.

Social security is a prerequisite for more equitable and sustainable development. It is a vital element in enabling societies to rise to meet future challenges. In a context of globalization and demographic ageing, it is also an essential factor for the development of more equitable national economies as well as being a vital component of social cohesion and national and international stability.

Suggested reading

ISSA. 2007. *Social Security Worldwide (SSW)*. ISSA Information Service. Available free of charge at www.issa.int/ssw.

McKinnon, R. 2007. "Dynamic Social Security: A framework for directing change and extending coverage", *International Social Security Review*, Vol. 60, No. 2-3.

Sigg, R. 2005. "Social security and change: the case for confidence" in Levinsky, R. et McKinnon, R. eds. *Social Security: Toward Newfound Confidence*. Geneva, International Social Security Association.

Occupational diseases: New and emerging challenges for social insurance?

Stefan Zimmer[1]

Introduction

Occupational diseases are a risk that has been covered by social security systems throughout the world for several decades. They cannot be labelled per se as "new" or "emerging". However, two new trends are challenging social insurance systems around the globe, particularly insurance against occupational injuries and diseases. One trend is the increase in "new" or contentious diseases that are difficult to attribute to the workplace (such as work-related mental disorders). Second, the expanding scope of coverage of social insurance is leading to more insured risks – formerly left uncovered – in the "informal" sector. Claims for compensation for diseases with long latency periods by formerly uncovered workers might build up a large financial burden for occupational insurance systems in the near future, most of all in currently developing countries.

Definition

The definition of occupational diseases varies according to jurisdiction, bearing in mind that "occupational disease" is a legal and not a medical term (see Box 1).

Box 1. ***What is an occupational disease?***

Generally, such chronic ailments that are known to occur in a given body of workers in a given industry at a rate significantly higher than occur in the general population are labelled "occupational diseases". These also include diseases that are only known to occur among workers in a given industry and nowhere else, such as black lung disease (pneumoconiosis) among coal miners. In these cases where work-related factors are the only cause of a disease, its acceptance as an occupational disease generally does not cause any problem.

Causes of occupational diseases may be very complex. In many cases, work-related factors incrementally increase the risk of disease together with other factors that are not work related. Work-related factors also often aggravate an already established disease. It is this complex multi-causality of occupational diseases which makes them not only difficult to recognize and record, but also highly difficult to prevent. Also, experts claim that "new" or "contentious" occupational diseases pose a significant challenge to workers' compensation systems around the globe.

[1] National Federation of Industrial Employment Accident Insurance Funds, Germany.

Data

According to the latest estimates by the International Labour Office (ILO) for occupational accidents and diseases, there are globally about 2.2 million work-related deaths annually (ILO, 2005). By far the largest share of work-related fatalities is made up of fatal diseases: between 1.7 and 2 million deaths per year. Global statistics and estimates of this kind are methodologically questionable, but are probably the only possible way to come close to appreciating the reality of occupational diseases today. At least they give an idea of the magnitude of the problem. They do not, however, offer any information as to what kinds of occupational diseases are most prevalent in various countries. The concept of occupational diseases and the method of recording them depend on legal and administrative decisions in each country. This makes comparing national statistics on occupational diseases difficult, if not impossible. What might be a commonly recognized disease that tops the national statistics in country A, might not be recognized as an occupational disease in country B, even though it claims a similar number of victims. From a comparison between the national statistics on occupational diseases in countries A and B, an uninformed reader might draw the impression that country B provides a healthier working environment with regard to the specific disease – simply because no cases are recognized and compensated.[2] Consequently, figures from workers' compensation insurers show that in different countries very different occupational diseases top the claims statistics (see Table 1). It would be a great error to draw any facile conclusions from these data on the reasons for the prevalence of particular diseases. Whether or not one country recognizes relatively more cases of hearing loss than another might simply be a result of different legal and administrative conditions – and not of more workers exposed to noise.

Table 1. *Claims for occupational diseases, selected countries*

Country	Most frequent claims	Second most frequent claims
Argentina	Hearing loss	Respiratory diseases
China, People's Republic of	Pneumoconiosis (officially 80 per cent of all occupational diseases)	Acute and chronic poisoning
Germany	Skin diseases	Back diseases and hearing loss
Korea, Republic of	Musculoskeletal diseases	Pneumoconiosis
Portugal	Hearing loss	Diseases attributable to other physical factors
Russian Federation	Respiratory diseases	Musculoskeletal diseases
Sweden	Musculoskeletal diseases	Diseases attributable to chemical substances
United States	Sprains, strains (including occupational injuries)	Back injuries and diseases*
Zimbabwe	Respiratory diseases	n.a.

* Claims including occupational injuries.
Sources: Munich Re Group. 2002. *Occupational diseases: How are they covered under workers' compensation systems?* Munich, Munich Re; Eurogip. 2002. *Occupational diseases in 15 European countries*. Paris, Eurogip; ISSA Technical Commission on Insurance against Employment Accidents and Occupational Diseases. 2006. *Seminar III: Respiratory Diseases in Asia – Proceedings.*

First challenge: Recognition and compensation of "new" occupational diseases

The term "work-related disease" marks a broader concept than that of "occupational disease" since it refers to all diseases where work is a contributory cause (see Box 2). This concept combines work-related and non-work-related factors.

[2] Regardless of whether a disease is accepted as work-related or featured on a national list, a number of other factors also come into play, such as under-reporting, poor diagnostic capabilities or deficient recording practices (see Zimmer, 2004).

The annual incidence of non-fatal work-related diseases has been estimated by the ILO to be 160 million. British and Finnish surveys on self-reported work-related illnesses came to the conclusion that 7.3 and 8.3 per cent, respectively, of those employed report annually one or more work-related illnesses that caused absence from work. This would mean in the world population – assuming that workers are not healthier in other parts of the world – that between 184 and 208 million workers suffer from work-related diseases (ILO, 2005).

Box 2. *What are work-related contributory causes?*

In general, workers who are exposed to substances in the workplace that can cause lung diseases, are at a much greater risk if they also smoke. Work-related contributory factors, such as poor ventilation, closed-in working areas or heat, can further increase the risk of disease, as can non-work-related contributors, such as outside air pollution or other environmental factors. In order to prove a disease to be work-related (e.g. in a compensation claim for an occupational disease), identifying and separating work-related from non-work-related factors may be very difficult, or sometimes impossible. Therefore the definition of dose limits or thresholds is of utmost importance. However, establishing a threshold is scientifically challenging. Lung cancer may be caused by a number of work related and non-work-related factors (e.g. smoking or even susceptibility). In Germany, for instance, thresholds have been defined for only two substances as work-related causes for lung cancer (asbestos and polycyclic aromatic hydrocarbon). Thresholds for other factors (quartz dust, arsenic, chrome, nickel) have yet to be established. The potential concurrence of different carcinogenic substances (syncarcinogenesis) further complicates the identification of a causal link to exposure at work and is therefore a current subject of research.

The World Health Organization (WHO) estimates that 37 per cent of low back pain, 16 per cent of hearing loss, 13 per cent of chronic obstructive pulmonary disease, 11 per cent of asthma, and 8 per cent of injuries are related to work. Musculoskeletal and respiratory illnesses are among the most common types of work-related diseases. It is seldom possible to prove that these illnesses arise solely from work. Consequently, countries vary greatly in their respective method of addressing these illnesses. Passive smoking (which is, for instance, recognized in Denmark as an occupational disease), carpal tunnel syndrome, post-traumatic stress, depression and a few other potentially work-related ailments currently dominate the debates on new occupational diseases in many countries, particularly in the European Union (see Table 2). According to surveys on working conditions by the European Foundation for the Improvement of Living and Working Conditions (Eurofound), throughout the past 15 years consistently fewer workers in Europe consider their health at risk because of their work. However, looking at some specific job hazards, especially those affecting psychological well-being, the actual exposure to work-related risks has either remained stable (stress) or increased (fatigue, headaches).

Table 2. *Percentage of European workforce with health affected by work*

	1996 (EU 15)* %	2000 (EU 15)* %	2001 EU candidate countries (CC 12)** %
General health and safety risks at work	29	27	40
Backache	30	33	34
Stress	28	28	29
Overall fatigue	20	23.2	41
Headaches	13	15	20
Sleeping problems	7	7.9	9

Source: www.eurofound.europa.eu/ewco/surveys/index.htm

* EU 15: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, United Kingdom.
** CC12: Bulgaria, Cyprus, Estonia, Lithuania, Latvia, Hungary, Malta, Poland, Romania, Slovenia, Slovakia, Czech Republic.

Occupational safety and health experts confirm a trend towards an increasing share of illnesses attributable to psychological distress among work-related diseases. A survey of work safety experts in Germany in 2004 concluded that whereas 31 per cent of ailments are physical in nature, 43 per cent are psychological. Only five years ago, the proportions were the reverse.[3]

Despite a broad consensus on the emergence of work-related mental disorders, the question of how far they should be compensated as occupational diseases is answered differently in national jurisdictions. Countries recognizing psychological distress as an occupational illness – Belgium, Denmark, Italy, France, Portugal and Sweden – saw an increase of claims in recent years (see Table 3). In other countries there is no consensus on possible causal attributions of cause and effect.

Table 3. *Work-related mental disorders compensated as occupational diseases*

Country	1996	1997	1998	1999	2000	2001	2002	Total
Belgium	0	0	0	0	0	0	2	2
Denmark	3	9	8	18	11	38	32	119
France	0	0	0	0	2	6	6	14
Italy	0	0	0	0	0	0	12	12
Portugal	No data	No data	14	24	27	21	19	105
Sweden	55	39	39	77	99	148	177	634

Source: Eurogip. 2004. *Work-related mental disorders: What recognition in Europe?* Paris, Eurogip.

To make things even more complicated, the recently intensified debate over new occupational illnesses is driven not exclusively by scientific factors but also by social and political aspects. The particular interests of various stakeholder groups (trade unions, employers, medical practitioners, lawyers), as well as lifestyle trends (wellness) and the possibilities of mass media dissemination play an important role. Some scholars even assume that the emergence of so-called "new diseases" is per se the consequence of the introduction of new technologies at the workplace.[4] This leads to the question of whether it should be assumed that these "new" or contentious diseases disappear and reappear following technological change.

The terms "new" or "emerging" occupational disease are used for very different kinds of illnesses throughout the world. Outside the European context we find that, in developing and developed countries, different categories of work-related illnesses are posing the greatest challenges today. Results from an ISSA survey in 2003 show that the main challenge in Zimbabwe with regard to occupational diseases is posed by pneumoconiosis, followed by anthrax and lead poisoning. In Rwanda, the main challenge is silicosis, which also affects 37 per cent of miners in Latin America. In the Syrian Arab Republic, cancer diseases are seen as the biggest challenge for the next decade. Cancer is also expected to be one of the biggest challenges in Argentina, as are back pain and occupational diseases related to psychological factors. In Japan *karoshi* (cases of suicide as a consequence of harsh working conditions) – which occur in a good economy as well as in a bad one – have become a major concern, especially for the higher echelons of management (Zimmer, 2004).

Despite the fact that in the European Union and Japan the focus of attention regarding "new" diseases seems to be on work-related mental disorders, it would be wrong to believe that stress, burnout and depression were

[3] www.iga-info.de/pdf/reporte/iga_report_5.pdf.

[4] See Ericson, R.; Doyle, A. 2004. *Uncertain business: Risk, insurance, and the limits of knowledge.* Toronto, University of Toronto Press. This hypothesis leads to interesting and quite provocative questions. For instance, are carpal tunnel syndrome and mouse finger – as concomitant symptoms of frequent work at the computer – in fact totally new phenomena? Or are they rather a reaction to new technologies of the digital age, just as "telegraphists' cramp" could be interpreted as a reaction to new technology in the late 19th century?

only relevant to highly industrialized or high-income countries. Neuropsychiatric conditions are in fact the most important causes of disability in all regions of the world, accounting for 37 per cent of Years of healthy life lost as a result of disability (YLD) among adults aged 15 years and older. According to a study on global disease and risk factors between 1990 and 2001, depression is the leading cause of disability for males and females around the globe. The same study reveals that "more than 85 per cent of disease burden from nonfatal health outcomes occurs in low- and middle-income countries, and South Asia and Sub-Saharan Africa account for 40 per cent of all YLD".[5] These countries are generally the very same countries with the lowest rates of workers covered by accident insurance – which poses another challenge.

Second challenge: Covering the informal sector

As a legal term, "occupational disease" applies only to compensatable diseases caused by work. In order to be compensated for any ailment caused by work, a worker by definition has to be covered by a workers' compensation or accident insurance scheme. With respect to compensation, diseases caused by work in the informal (thus uncovered) sector usually do not appear in national statistics on occupational safety and health. Workers in the informal sector normally go without coverage and compensation. However, in many countries they make up by far the largest share of the national workforce (see Table 4).

Table 4. *Workers' compensation system coverage, selected countries*

Pakistan	Egypt	Bangladesh	India	Venezuela	China	Thailand	Colombia
2.3%	9.11%	10%	10%	12%	12.3%	15.7%	31%

Source: BIT, 2006.

While international studies estimate the informal workforce in industrialized countries to be rarely larger than 10 per cent of the total working population, it may reach 70 per cent in the developing world, sometimes even contributing the larger share to gross domestic product.[6]

It is often repeated – and flavours almost every presentation by international social security experts – that probably 80 per cent of the global population lives without adequate social coverage. Many countries are working hard on expanding their coverage, including in the field of social accident insurance. The People's Republic of China, for instance, was already covering 90 million workers in the year 2006 (20 million more than only two years previously) and it aims at covering 140 million by the year 2010. Among the officially covered 90 million workers are 19 million rural migrating workers, a small fraction of what makes up the largest share of the informal sector in China.[7] The rapid expansion of coverage is good news for workers, both in the formal and informal sectors. But this growing potential of future claims is also challenging the compensatory capabilities of the social security system. China has to reckon with a growing number of claims for compensation for occupational diseases, especially by workers who until recently have not fallen within the scope of the system. Given that lung diseases have already become the most frequent occupational diseases in China, and bearing in mind that some of them may have a long latency period (even spanning decades), it is very likely that in 10 or 20 years time workers who are currently exposed to dust in coal mines or to asbestos in shipyards will file claims for occupational diseases. Therefore, provisions must be made today in order to build adequate reserves for future claims.

[5] Lopez, A.D. et al. 2006. "Measuring the global burden of diseases and risk factors, 1990-2001", in Lopez, A. et al. (eds.). *Global burden of disease and risk factors*. Washington, DC, Oxford University Press and World Bank.

[6] Rosenstock, L.; Cullen, M.; Fingerhut, M. 2006. "Occupational health", in Jamison, D.T. et al. (eds.). *Disease control priorities in developing countries*. Washington, DC, Oxford University Press and World Bank.

[7] The number of rural migrant workers in China is estimated to range between 140 million and 190 million people.

China's situation – with many millions of migrating and informal workers – exemplifies what might be the greatest challenge for workers' compensation systems with regard to occupational diseases in the forthcoming decades. In order not to be caught unprepared by rapidly growing volumes of claims, occupational insurance systems, especially in developing and transitional countries, should take the necessary precautions today. The most important element, which will also produce the greatest cost saving, is prevention.

How to answer these challenges?

Preventing diseases with long latency periods is a difficult undertaking. You may learn about a disease only many years after people first contracted it. This applies, for instance, to diseases caused by exposure to asbestos (see Box 3).[8]

Box 3. *Asbestos*

Workers exposed to asbestos have increased chances of getting two principal types of cancer: cancer of the lung tissue itself and mesothelioma, a cancer of the thin membrane that surrounds the lung and other internal organs. These diseases do not develop immediately following exposure to asbestos, but appear only after a number of years. Three decades may pass between initial exposure to asbestos and the appearance of related disease symptoms, triggering a public health time bomb in all countries where workers are still not protected from asbestos. It is estimated that about 100,000 workers around the world die each year as a result of asbestos exposure in the workplace. Despite the devastating effect it has on the lives and health of people and the looming economic threat it poses, approximately 2.5 million tons of asbestos are still manufactured each year.

Today, we know how many lives could have been spared and how much money could have been saved by earlier and more rigidly implemented preventive measures against asbestos exposure. How can we identify and avoid a new asbestos-like problem in the future? Does nanotechnology perhaps conceal similar, as yet undiscovered hazards for workers as asbestos did? Will the growing share of work-related mental disorders build up an equally large claims potential? As mentioned above, some countries recognize stress and burnout as occupational illnesses, others do not. Irrespective of this, in the European Union the social partners at the national and international level have agreed on measures for preventing such illnesses.[9]

In various countries, where certain risks are not subject to insurance coverage, the same insurers may, nevertheless, have a mandate to engage in preventing these very same risks. It can be deduced that prevention "pays" even in these markets, since it contributes to averting greater expenses to the society. In Germany, for instance, accident insurance carriers are obliged by law to try to prevent all work-related health risks, including risks not legally qualified either as "occupational accidents" or "occupational diseases".[10] This also benefits other insurances, such as retirement and general healthcare insurance, since – as a result of effective accident insurance prevention – fewer workers fall ill or seek early retirement. Also, through a system of rebates and premiums, insurers are able to motivate employers to take prevention seriously. An investment in safer workplaces by the employer – subsidized by lower contributions for occupational insurance – can be beneficial for both workers and employers. Even young or newly reformed

[8] See ISSA Special Commission on Prevention. 2004. *Declaration on asbestos*. Beijing (available at: www.issa.int/pdf/GA2004/2DeclarationAsbestos.pdf).

[9] The framework agreement on work-related stress was signed in 2004 by European trade unions and employers' federations (see ec.europa.eu/employment_social/news/2004/oct/stress_agreement_en.pdf).

[10] German accident insurance carriers are obliged by federal law to "prevent occupational accidents, occupational diseases and work related health hazards with all suitable means" (see www.hvbg.de/e/pages/praev/index.html).

occupational insurance systems adhere to this strategy, as the example of the People's Republic of China shows. The bottom line is that linking prevention to occupational insurance compensation enables effective mechanisms, which not only reduce accidents at work and occupational diseases but also provide an incentive for employers to boost preventive activities in an enterprise. Thus, prevention not only "pays", but it even pays double. It is the most suitable strategy to cope with the growing challenges posed both by "old" and "new" occupational diseases around the world.

Conclusions

"New" or contentious diseases are an emerging threat to occupational insurance systems around the world.

- International surveys show that the share of work-related mental disorders is rising.
- More countries are allowing compensation for mental disorders as occupational diseases.
- The concurrence of work-related and non-work-related factors leading to these illnesses causes problems in their causal attribution to work-related and non-work-related hazards, and in the definition of exposure thresholds.

The expansion of coverage of social insurance leads to the inclusion of formerly uncovered risks.

- Workers exposed to health hazards in the informal sector will, once covered, be able to file claims for compensation for occupational diseases.
- Occupational insurance systems have to prepare, today, by building adequate reserves and, most importantly, by intensifying preventive measures.

In summary, prevention is the best strategy – and maybe the only strategy – to cope with both challenges.

- Occupational insurance providers can play an important part in fostering enterprise-level prevention.
- Companies that perform well in terms of occupational safety and health can be granted rebates on insurance contributions.
- The insurance provider gains on the return on investment, in the form of less compensation being paid.
- For employers, workers and insurers alike, prevention pays.

Suggested reading

ILO. 2006. *Occupational safety and health: Country profiles*. Geneva, International Labour Office, www.ilo.org/public/english/protection/safework/worldday/products06/report06_profiles_en.pdf.

ILO. 2005. *Decent work – Safe work*. Introductory report to the XVIIth World Congress on Safety and Health at Work. Geneva, International Labour Office, www.ilo.org/public/english/protection/safework/wdcongrs17/intrep.pdf.

Munich Re Group. 2002. Occupational diseases: *How are they covered under workers' compensation systems?* Munich, Munich Re, www.munichre.com/publications/302-03056_en.pdf.

Zimmer, S. 2004. "Problems and challenges of statutory accident insurance schemes related to occupational diseases: Reporting, recording and statistics", in ISSA 28th General Assembly 2004*, Proceedings,* www.issa.int/pdf/GA2004/2zimmer.pdf.

Rising disability benefits: In search of innovative polices

Rienk Prins[1]

Introduction

Although adequate and comparable data on disability are lacking cross-nationally, disability is a growing issue. In developed countries, surveys and social security statistics show a growth in benefit dependency rates. In developing countries, although data sources are poor, it appears that the proportion of the total population with disabilities is being underestimated. As countries develop, improved data will increase the rate of detection of disabilities and enhance insight into the phenomenon.

Disability is a crucial problem for society: it excludes people from full participation in society, training and employment, and increases their dependency on social security and care. Whereas in the past disability was mainly considered as being a medical condition related to an individual, for several years now a *social understanding of disability* has been applied. This social understanding of disability makes a distinction between impairments and disabilities, the latter being the consequence of societal failure to recognize and accommodate differences in people. Moreover, disabilities are related to attitudinal, environmental and institutional barriers in society.

In developing countries, a major underlying cause of disability is poverty, related to nutritional deficiency, as well as war-related causes (e.g. landmine explosions) and traffic accidents. A growing cause is the increasing number of people with HIV/AIDS. Disabled people are particularly vulnerable to HIV and AIDS, but they mainly lack access to information on protection or the provision of services. In many developing countries, HIV/AIDS is viewed as a disability because of the discrimination against people living with HIV and AIDS (Thomas, 2005). HIV/AIDS campaigns only rarely include the needs of people with disabilities.

People with disabilities in developing countries face several barriers, such as poor access to education for children with disabilities, and lack of access to training, employment and health or rehabilitation services, including supportive devices. In the development of roads and public transport systems, the needs of people with disabilities are often not taken into account. People with disabilities are also disadvantaged in terms of access to information and communication. Finally, substantial social barriers are created as a result of negative views and prevailing attitudes, in which people with disabilities are considered as helpless and as having no capacities to develop.

Dimensions of a growing phenomenon

The World Health Organization (WHO) estimates that 10 per cent of any population will be disabled. Statistical data and survey research suggest that the proportion of the disabled population is lower in developing countries, but this may be an artefact of difficulties in data collection and detection systems. Insights into the prevalence of disability are, however, restricted by many factors. Definitions and classifications differ across countries, leading to a wide variation in statistics. In particular, developing countries face considerable constraints in their efforts to get reliable information on the scope, types, causes and regional distribution of the problem.

[1] AStri Research and Consultancy Group, Netherlands.

Notwithstanding, *the scope of the problem will increase*. The world is facing a demographic transition, and more people will reach old age, which often brings more impairment. Also, social security statistics for many developed countries show an increase in benefit dependency because of disabilities. Levels and growth rates may vary considerably (Kemp, Sunden and Bakker Taurits, 2006). A recent six-country analysis of trends in disability benefit receipt demonstrated (for the year 2002) a moderate increase in entrants (per 1,000 insured) in the Belgian, Canadian, German and Swiss disability pension programmes, whereas the Netherlands and Sweden showed substantially higher growth rates (Prins, 2006).

A feature of rising dependency on disability benefit is the semi-permanent character of the phenomenon. The problem is not only that inflow rates are increasing, but also a common phenomenon in developed countries is the very small numbers of people *leaving disability benefit programmes* (OECD, 2003). In many countries, only the youngest age groups of benefit recipients show (moderate) outflow rates. The major cause of recipients leaving disability pension schemes has a demographic background, namely reaching statutory pension age.

Not only the volume of impairments is increasing, but also their *pattern is shifting*. In developing countries, trends are away from infectious diseases and towards chronic diseases, which bring increased limitations and increasing dependency (Thomas, 2005). In many developed countries, a related pattern shift is visible. In some countries, in the diagnostic patterns of new recipients of disability benefits or pensions, disabilities related to mental health problems now comprise the largest proportion in inflow statistics, rather than the musculoskeletal disorders. This phenomenon is connected to changes in health conditions, as well as to organization and conditions of employment. Currently, mental health problems leading to disability benefit dependency are one of the core challenges to disability benefit programme administrators and prevention policies.

Social security and disability

Social security programmes or social safety nets play an important role with regard to disability: they may reduce or alleviate poverty and contribute to prevention. They may be provided as social insurance schemes (e.g. disability pension programmes), publicly funded transfers (e.g. family allowance), in-kind provisions (e.g. assistance devices) or livelihood programmes (Mitra, 2005). For developing countries, a more feasible solution may be the creation of “disability inclusive” social safety nets. In this approach, the question is how mainstream social safety nets can be designed and implemented in such a way that people with disabilities are not excluded. Consequently, the dimensions of physical accessibility, communication and social accessibility, coverage, and impact on poverty and inequality are covered.

The rising numbers of disability pensioners are considered to be a challenge for two reasons. First, they are an economic burden for society, as public expenditures rise in an unbalanced way, because of early and long-term receipt of benefits or pensions. Second, inflow into benefit programmes has consequences for the labour market, as workers leave their jobs before statutory pension age. The social security system should address this phenomenon by means of a more active social policy, which has to meet two potentially contradictory goals: disability policies should provide compensation for loss of earning capacities, but also should provide integration into employment (Marin, Prinz and Queisser, 2004; OECD, 2003). The report of the Organization for Economic Cooperation and Development (OECD) concludes that passive compensation is no longer sufficient; benefits should be connected to labour integration programmes which encourage people to participate in economic and social life.

Measures in both strands of policy have been implemented to address the rising numbers of people entering and staying in disability benefit or pension programmes: strategies to *adapt or reform social insurance programmes;* and those aiming at *strengthening labour market reintegration*. A substantial reform of the disability benefit scheme has taken place in the Netherlands. Until 2006, the scheme provided benefits in the case of full or partial loss of earnings. The new scheme only awards disability benefits to people who have no residual work ability. Those with a partial loss of work capacity no longer qualify for disability benefits and primarily have to rely on their employers to stay in employment, in combination with support measures.

Disability pension reforms in the Nordic countries are also characterized by measures *focusing on stricter gate-keeping and extensive activation policies*. In Sweden, a new benefit has been introduced for young disabled people. It aims to support the coping abilities of the individual and prepare him or her psychologically for entry into the labour market. The Finnish pension reform stresses the right to vocational rehabilitation and early intervention, by assessing the functional capacities of the individual. These reforms, as well as those in other countries, are all based on the viewpoint that the main approach in disability management should focus on residual ability, which should be strengthened, instead of emphasizing the incapacity.

For several decades, international, national and regional efforts have been made to address the circumstances of people with disabilities in developing countries. Despite these efforts, the situation has changed only slightly, and many challenges remain to be faced. Although people with disabilities constitute a substantial proportion of the poor, poverty reduction programmes often do not include them.

Policies in developing countries to address disability

In *developing countries* various good practices and innovative approaches have been introduced. In many countries, numerous agencies and organizations have emerged over the past decade in urban and regional areas, trying to address the needs of people with disabilities. Also, national coordination committees, as well as regional networks and national forums of self-help organizations of people with disabilities are being developed in various countries. Community-based rehabilitation, inclusive education and empowerment have become core components of models of good practice.

An important role is played by *supranational programmes*, such as the Second Asian and Pacific Decade of Disabled Persons 2003-2012. This programme includes regional policy guidelines for action towards an “Inclusive, Barrier-free and Rights-based Society for Persons with Disabilities”. The programme emphasizes the core role of self-help organizations of people with disabilities, and related associations of “agents of change” comprising family or parents. These are considered to be the most qualified and best equipped to assess policy needs and the implementation of policies.

Basic principles in the fight against disabilities are the eradication of poverty and hunger, as well as the provision of education, which is considered to be the basis for the development of people with disabilities. In addition, gender equality, the reduction of child mortality, and combating HIV/AIDS and other diseases should be part of the work on disability.

Disability management

In several developed countries, a range of measures and policies have been introduced or pilot tested with the aim of altering trends in social security dependency among people with disabilities. Some lessons can be drawn from experience, in particular in EU countries. These are outlined below, and the list is not exhaustive.

Two prominent measures are vocational training and adaptation of tasks at the work site. *Training* is very common for specific categories of people with disabilities, such as individuals with visual, hearing or learning disabilities, who apply for a job. For other categories, especially those with non-specific disabilities, there seem to be fewer training programmes. This is especially the case for individuals with mental health disabilities. Vocational training is often part of a multi-faceted programme ("trajectories") comprising other instruments and facilities. *Adaptations at the work site* may be provided to individuals with disabilities by public employment services or social insurance agencies. Costs of adaptations, in general may be low: ergonomic adaptations needed to allow access to the work site or use of equipment are not necessarily expensive. The most common adjustments applied are adaptations of working hours, followed by ergonomic adaptations.

A contextual factor that aims to stimulate employers to employ individuals with disabilities is anti-discrimination *legislation*. For example, the Americans with Disabilities Act (United States) and the Disability Discrimination Act (United Kingdom), as well as the promotion of "diversity policies", may make employers aware of the need to amend the requirements of particular jobs. Employers may need to adjust job requirements to ensure that they are not in conflict with regulations. Otherwise, they may fear lawsuits from employees who feel discriminated against in recruitment, career promotion or working conditions. Critics, however, argue that anti-discrimination legislation as such may not have enough impact on employers' recruitment behaviour. The system should also have some incentives (e.g. bonuses, subsidies) to stimulate employers to offer jobs and thus improve the chances of employment for people with disabilities.

In various EU countries, attention is increasingly being focused on the design of strategies to support individuals on disability benefit because of *mental health problems*. Measures to deal with work incapacity attributable to mental health problems are still at the development stage and can be grouped into three categories (Prins, 2006). First, for *early identification* of workers and groups who are at risk of disability pension dependency because of mental health problems, screening techniques (on social insurance data) or employee checklists (provided by occupational physicians) have been developed. Second, work resumption measures comprise a wide variety of tools, for example a "work resumption guideline" for employers and employees (the Netherlands). In the United Kingdom, pilot studies have shown that the *case management approach* is the most promising to prevent claims for long-term disability benefit. The approach comprises a central worker who facilitates and steers communication between the employee with mental health problems and the employer or supervisor. Third, *administrative measures* applied by social insurance administrators include the development of specific assessment guidelines for the evaluation of mental health problems (e.g. the new Belgian evaluation guidelines for chronic fatigue syndromes). The review of guidelines may concern not only eligibility for a disability pension, but often also the assessment of the need for rehabilitation measures.

In several countries, innovative measures are being tested to address social inclusion and labour market participation of people with disabilities. For example, in Finland, Germany and Norway so-called "social firms" have been introduced: firms operating under market conditions, in which a substantial part of the staff consists of individuals with disabilities (in Finland, a minimum of 30 per cent). In Germany, in the field of retailing, a chain of supermarkets has been started on this basis. Although these initiatives are relatively new, the initial results are encouraging.

A second innovative development is the introduction of *client- or demand-driven rehabilitation*: individuals with disabilities receive a voucher or "personal budget" for spending on vocational rehabilitation or job search activities. In such models, administrators have a moderate role: the client is empowered to develop a rehabilitation or job-search plan himself or herself, acquire the services, and so on. Experiences in the Netherlands (with the "person bound reintegration budget") and the United States (with the "ticket to independence") have been promising. In the Netherlands, there was a nationwide rollout of this provision: the placement rates of people using the vouchers were better than those of existing rehabilitation schemes.

A comparable approach, albeit under more difficult circumstances, can be found in the promotion of *self-help organizations* of people with disabilities in developing countries. Because of the lack of accessible infrastructure and provisions, local nongovernmental organizations and clients take the initiative in approaching employers and trying to find jobs for people with disabilities.

Outlook

In many countries, measures to address the growth in benefit dependency are still under development; in other countries, there are already several years of positive and negative experiences. Measures which *focus on gate-keeping, tightening the criteria and adapting the disability assessment methods*, and which try to restrict the inflow in benefit schemes have shown effects in some countries (e.g. the Netherlands). However, it should be realized that under these new schemes and methods, people with disabilities may be forced to rely on other benefits (e.g. unemployment benefit, social welfare), if there is no longer an employment contract.

Measures to stimulate *leaving the benefit rolls* seem to be more complicated. In certain cases, benefits have been stopped as a result of reassessment procedures that evaluate clients in the light of new, stricter eligibility criteria (see Box). Activation measures, focusing on "pathways to work" (United Kingdom) or providing "rehabilitation benefits" (Finland), show promising outcomes. However, tightening standards or reassessing of recipients in the light of new eligibility criteria may not fully solve the problem. Claimants who no longer quality for disability benefits may have to rely on other benefit programmes – while their health condition and employment situation remains unchanged.

Box. *Reassessing benefits in the Netherlands*

Disability benefit recipients under the age of 45 years have been re-evaluated in the Netherlands, according to the stricter eligibility criteria of the new benefit programme. About 35 per cent of reassessed recipients lost their (full or partial) disability benefit. At that moment, two-thirds of them were out of employment. Despite rehabilitation and employment measures, one year later only 20 per cent had found work; the others had to apply for unemployment benefit and social assistance.

In countries of the European Union, these schemes are implemented in the context of the *promotion of mainstream policy for social inclusion* and employment. Measures that encourage employment of people with disabilities are increasingly becoming part of general policy towards all vulnerable groups in the labour market. Consequently, people with disabilities have to compete more openly with other categories of jobseekers, such as the older unemployed, lone parents or immigrants and people from ethnic minorities. Belgium and the United Kingdom, for instance, have taken several steps in this direction. As a consequence, all measures are not only accessible to people with disabilities, but also to people from these other categories. This may restrict the use or impact of these measures for people with disabilities.

Suggested reading

Kemp, P.A.; Sunden, A.; Bakker Taurits, B. (eds.). 2006. *Sick societies? Trends in disability benefits in post-industrial welfare states*. Geneva, International Social Security Association.

Marin, B.; Prinz, C.; Queisser, M. (eds.). 2004. *Transforming disability welfare policies: Towards work and equal opportunities*, "Public Policy and Social Welfare", Vol. 29, Aldershot.

Mitra, S. 2005. *Disability and social safety nets in developing countries*, Social Protection Discussion Paper, No. 0509. Washington, DC, World Bank.

OECD. 2003. *Transforming disability into ability*. Paris.

Prins, R. 2006. "Mental health problems and disability pensions: trends and measures in a cross-national perspective", in *Journal of Public Health*, Vol. 14, No. 6, pp. 371-375.

Thomas, P. 2005. *Disability, poverty and the Millennium Developments Goals: relevance, challenges and opportunities for DFID, Disability KaR*. London, United Kingdom Department for International Development.

Activation and reintegration of unemployed persons through case management

Alexandra Van Neyen[1]

Introduction

Case management as a concept is not new, but the widespread use of its terminology and its application in a wide range of fields are quite recent.

Confronted with persistent and long-term unemployment over the past decades and rising expenditures for benefits, considerable changes have taken place in several industrialized countries to offer more proactive employment services in order to prevent long-term unemployment. The individualized approach to unemployed persons, with a bigger emphasis on their rights and duties, was first developed in the United States in the early 1990s.

Case management has been adapted to a wide range of settings, for example community care for elderly people, people with disabilities and hospital patients, as well as insurance related matters and other areas of public policy.

This chapter first gives a definition of case management in general and then focuses on the trend towards using case management within unemployment insurance systems.

A definition of case management

An internationally acceptable definition of case management, although it focuses on the health sector, was published by the Case Management Society of America in 2004 in its National Standards of Practice for Case Management: "Case management is a collaborative process of assessment, planning, facilitation and advocacy for options and services to meet an individual's (health) needs through communication and available resources to promote quality cost-effective outcomes."

The principles that underpin case management are individualized service delivery based on comprehensive assessment to develop a specific case or service plan. The plan is developed in collaboration with the client and reflects the client's choices and preferences. The goal is to empower the client and ensure that he or she is involved in all aspects of the planning and service arrangement in a dynamic way. Another important goal – on the organizational level – is to provide effective and financially accountable services based on specified and desired outcomes.

So case management is very different from the traditional "passive" approach of clients within the social security sector, where the focus is on benefit schemes and standard services without consultation or active participation of the client.

[1] National Employment Office, Change Management Team, Belgium.

Case management for unemployed persons

The majority of unemployment insurance systems began to take steps in the second half of the 1990s and at the beginning of the 21st century to "activate" their policies. Besides reintegration into the labour market through activation and better individual guidance, there rests a bigger responsibility on the unemployed because it is their duty to actively look for work. This active job search is monitored within the case management process. If insufficient results are obtained, the unemployed person may be sanctioned by the unemployment services by reduction or temporary or complete suspension of benefits. In fact, with case management, the culture of benefits is changed into a new approach centred on rights and responsibilities (see Box 1).

Box 1. *An active labour market policy in the United Kingdom*

The vision of Job Centre Plus – which was introduced everywhere in the United Kingdom by 2006 – clearly indicates a shift in the labour market approach.

Our vision is to deliver a single integrated service for all benefit claimants of working age – helping those who can into work and supporting those who cannot …

We aim to:
- promote work as the best form of welfare for people of working age, increasing the speed with which people move from welfare to work;
- change the culture of benefits to a new approach centred on rights and responsibilities;
- achieve a step change in our service so that we treat every customer as an individual and offer them support and services tailored to their particular needs …

And whilst our customers are looking for a job or are unable to work we will support them by:
- ensuring that customers who remain without work are provided swiftly, courteously and accurately with all the benefits to which they are entitled;
- working with partner organizations to provide a gateway for customers to access wider sources of help …

Source: www.jobcentreplus.gov.uk.

Institutional conditions

Case management fits into a trend towards closer cooperation between different actors in the labour market. The exact role of each actor and the distribution of competences have to be clearly defined. Case management implies some institutional adaptations, such as closer partnerships between the unemployment payment institution and placement agencies, or networking with third parties. This adaptation can take on many forms.

In some countries there has been a reform of the unemployment insurance system before introducing case management. In Germany, for example, Social Code II (better known as Hartz IV) came into force in January 2005 and this led to the merging of two systems (unemployment allowance and social welfare), and a consortium between the local employment agencies and municipalities.

In other countries such reorganizations have been presented under the banner of a "one stop shop". Generally such reforms have been proposed in order to achieve one or more of the following goals:

- increased system efficiency through reduced duplication of effort across programmes;
- easier access to services for clients;
- better matching of services with clients' needs.

An example of the one-stop shop approach is found in the Netherlands (see Box 2).

Box 2. *One-stop shops for jobs in the Netherlands*

In the Netherlands three institutions play a role in getting people back to work. These are:

- Central Organisation for Work and Income *(Centrale Organisatie voor Werk en Inkomen, CWI)*;
- Institute for Employee Benefit Schemes *(Uitvoeringsinstituut Werknemersverzekeringen, UWV)*;
- Municipalities administering the Welfare and Work Act.

Since 2002, the three agencies have developed a close form of cooperation, constituting a chain. In the chain, the CWI takes care of the intake and every customer who wants work or a benefit has the CWI as a one-stop shop. At the CWI, an assessment is made on the client's situation in terms of his or her distance from the labour market. In general, during the first six months of unemployment, the CWI is responsible for rehabilitation activities. If in this period the client has not found a new job or does not follow any kind of reintegration programme, the client is transferred to the UWV or the Municipal Administration of the Welfare and Work Act. The CWI does not provide benefits but collects data for the UWV and the Municipal Administration to facilitate their processes of assessing entitlements to benefits. The UWV and the Municipal Administration have their front offices in the premises where the CWI is housed.

Source: Breeuwsma, H. 2006. *Work before income in the Netherlands*. ISSA Study on Benchmarking in Case Management, Technical Commission on Unemployment Insurance and Employment Maintenance, International Social Security Association, Geneva.

A less close form of partnership is one in which each actor has a role (one does the intake and assessment, one defines the action plan, one does the monitoring and sanctioning, etc.) but there is no merged service and no one-stop shop. Each actor transfers the information on the case via structured data transmission so that the next actor has all the information he or she needs (personal data, professional experience, job efforts, etc.), according to the actor's competence in handling the case. This is the practice in France, where Assédic *(Association pour l'emploi dans l'industrie et le commerce)* assesses the risk for long-term unemployment during the client's registration as a jobseeker. This information is transferred to ANPE *(Agence nationale pour l'emploi)*, which conducts a personal interview, based on Assédic's information, to confirm or adapt the jobseeker's profile and to draw up the personalized access to work project.

In more extreme forms of case management, public employment services use outsourcing to offer appropriate services. In Australia, Centrelink – a public agency created in 1998 – refers clients to private, non-profit or public-sector "Job Network" service providers. This is a very flexible system in which unemployed people at a great distance from the labour market are assigned to a quasi-market of placement agencies that are in competition with each other.

Implementation of different tools

Effective case management, in whichever sector it is applied, involves systematic implementation of the following tools or steps:[2]

[2] www.freetogrow.org (Free to Grow, Mailman School of Public Health, Colombia University, New York).

1. **Segmentation.** To use the available case management resources in the most efficient way, most countries determine objective criteria to select the target groups to which case management will be applied; so case management is often applied to only a few selected groups within the total unemployed population.

   For example, case management may be applied to unemployed persons, under 25 years of age, who are entitled to unemployment benefits only for a certain period.

2. **Assessment.** This is a process for gathering and organizing information on the situation of the unemployed person (problems, risks, opportunities, strengths, goals). In this stage, a thorough assessment is made by the case manager to identify existing strengths on which the unemployed person can build and needs that should be addressed to help him or her back to work. The quality of the assessment hinges on the case manager's skills, the quality and the comprehensiveness of the assessment tool, and the relationship the case manager has been able to establish with the individual client. Segmentation and assessment are often referred to as "profiling" (see Box 3).

Box 3. *Profiling for better services*

Profiling has become a keyword in assessing jobseekers to prepare personal action plans and to evaluate the jobseekers' employability or job readiness. The term "profiling" is used in multiple ways. The European Commission distinguishes three ideal types of profiling that, in practice, are often applied in different combinations:

1) profiling as a diagnostic tool for the assessment of strengths, weaknesses and opportunities of unemployed persons to target labour market policies for reintegration – mostly based on an interview to detect technical and social skills in which the case manager uses strict guidelines and standard questionnaires;

2) profiling as a tool for customer segmentation and for the determination of individual assistance, depending on distance from the labour market and degree of autonomy in job search:
– rather than administrative rules on eligibility for benefits and the case manager's subjective assessment, the methods for allocating jobseekers to different action plans are based on personalized processes combined with statistically driven programme selection;

3) profiling as an instrument for the allocation of the employment agency's scarce financial and human resources:
– statistics and customer profile data are analyzed and used for the systematic distribution of resources; this approach is complementary to personal profiling and segmentation.

Source: Rudolph, H.; Konle-Seidl, R. 2005. *Development of profiling instruments as tools for a preventive approach to long-term unemployment*, Report on the European Profiling Seminar, Nuremberg.

3. **Goal setting and plan development:** A good assessment allows the case manager to assist the unemployed person in setting goals and developing a detailed plan covering the support and services needed and the actions to be taken. The setting of goals and development of the action plan are done in partnership between the case manager and the client.

4. **Identification and linking to services:** This is the central task of case management. The case manager assists the unemployed person in linking with the different providers of support and services identified in the action plan (e.g. placement agencies to find job offers, job search training, outsourcing to private firms for vocational training, etc.). Normally, case managers themselves are not service providers.

5. Monitoring. This implies the coordination of services so that the unemployed person gets what is needed. It includes helping the unemployed person to assess the appropriateness of the services and support, and to revise a plan that may no longer be effective. An additional element in this stage is to regularly check that the unemployed person is fulfilling the duties outlined in the action plan (e.g. level of participation in the programme, improvement of job-seeking skills, outcome of job searches, the development of self-employment capacities). In case of insufficient cooperation and effort, the case manager (or another department) can impose sanctions.

6. Disengagement. The case manager assists the person in disengaging from formal support when the goals are reached (finding a job and staying in work), while assisting him or her in building an ongoing plan for maintaining the progress made.

Lessons learned

Since the use of case management in unemployment insurance schemes is quite recent, and the approaches are very different and still evolving, evaluating its effects is complex. Finding reliable indicators to measure the outcomes is one of the biggest challenges. Nevertheless, countries such as the Netherlands and the United Kingdom with relatively longer experience of case management, evaluate it as a positive instrument. The feedback they get from clients, employers and unions is positive, and they present some of the highest employment rates in Europe:[3] in 2005, among people of working age (i.e. between the ages of 15 and 64 years), the employment rate in the Netherlands was 73.1 per cent, and in the United Kingdom 71.6 per cent.

Drawing on the experiences in different countries, a few recommendations can be made to ensure effective case management:

- A clear definition of the roles and competences of the different actors involved is needed; existing structures may have to be revised.

- There has to be a good balance between rights and responsibilities. The unemployed person has to be informed from the beginning about the right to individual support and guidance, and the duty for active job search (which has to be related to appropriate sanctions in the event of failure to fulfil that duty).

- The process of case management can be used to optimize business processes within a total quality approach, leading to more efficient and client-oriented services of higher quality; but the process should not become too bureaucratic.

- Case management has to be used in a dynamic way with revision of profiles and action plans at regular intervals.

- Case managers have to be all-rounders with extensive knowledge of the labour market and regulations, good relationships with partners, well developed social skills, and the ability to keep well documented case notes.

Ultimately, even if all of these recommendations are taken into account, case management can be successful only if the tools being used are accepted by all the stakeholders: staff, jobseekers, employers, unions and politicians.

[3] European Commission, *Employment in Europe* 2005.

Suggested reading

Eberts, R.; O'Leary, C. 2003. *A new profiling model for Michigan*. Upjohn Institute Working Paper No. 04-102, www.upjohninstit.org.

European Commission, 2006. *Approaches of public employment services to long term unemployment*. Directorate General Employment, Social Affairs and Equal Opportunities, Draft report from seminar in Budapest, 22-24 March 2006, www.europa.eu.

Georges, N. 2006. *Le profilage: outil statistique et/ou mode de coordination*. Working Paper No. 72. Paris, Centre d'études de l'emploi, www.cee-recherche.fr.

ISSA. 2006. Papers and conclusions of the ISSA International Experts Workshop on Case management "*Case management: A means to sustainable employment?*", Brussels, Belgium, 10-11 April 2006, Technical Commission on Unemployment Insurance and Employment Maintenance, International Social Security Association, Geneva www.issa.int/meetings.

Rudolph, H.; Konle-Seidl, R. 2005. "*Development of profiling instruments as tools for a preventive approach to long-term unemployment*", Report on the European Profiling Seminar. Nuremberg, www.iab.de.

UNEDIC. 2006. *Evaluer les mesures pour l'emploi – Expériences et pratiques internationales*, (eds.), Délégation aux relations institutionnelles et internationales. Paris, www.assedic.fr.

Risk management, a tool for managers

François Kientzler[1]

Introduction

The term "risk management" as employed in this chapter designates a management tool used by the managers of private enterprises or public administrations for the successful implementation of projects – also described as initiatives – involving operational or structural change. In 2006, the ISSA Technical Commission on Administrative Management, Organization and Methods, in collaboration with Accenture, carried out a study on innovative practices in risk management and the management of change. The study revealed that social security organizations are increasingly including risk management approaches in the implementation of change initiatives. The fact is that introducing change into public administrations and private enterprises usually involves a considerable number of risks.

This chapter defines some key concepts in order to provide a clearer picture of what "risk management" is. It provides examples of the implementation of this concept, and describes several aspects of risk management in the social security field. A first section relates the concept of risk management to change management, which in itself calls for a strategic approach and clear definition of possible objectives. The second section describes certain major risks associated with change initiatives, particularly in developing countries and during the implementation of projects involving information and communication technologies. The third section illustrates certain key stages in the process of risk management, based on examples and information provided by ISSA member organizations. The chapter concludes with proposals for the future.

Why do we need a risk management approach?

The main aim of using a risk management approach in social security organizations is to increase the likelihood that a project will succeed, to reduce the risks of error and failure, and to facilitate the reorientation, if necessary, of previously planned stages. Risk management can be defined as a systematic approach that facilitates the identification, analysis and response to foreseen and unforeseen events and problems which may arise during the implementation of a change project or initiative. Risk has negative connotations, but as we use the term here, in the context of administration and management, it becomes a positive factor. Even situations which could be described as failures may become success stories in the long run.

The risk management approach incorporates factors which facilitate the implementation of all change initiatives. It provides a global view of a project and helps to identify possible alternative methods and ways of implementation. It enables contingencies and risks to be taken into account in a structured and systematic manner. As contingencies and risks are identified, their possible impact on the introduction of a project can be predicted, as can their effects on the organization itself; in other words, on the organization's ability to provide a service and satisfy its clients, for example within the established time limits. The Social Insurance Fund of Nigeria, for example, was thus able to follow up and monitor the risks involved in a project concerning the payment of benefits, through constant review of the progress of the project and the participation all the units concerned (Osei, 2005).

[1] The author is a member of the General Secretariat of the International Social Security Association (ISSA).

No risk should be considered and accepted unless the chances of success are real and higher than the risk of failure. This implies good strategic analysis of the effects of any decisions taken. Why should a particular risk be taken into account? What is to be gained? What is the possible negative impact in the event of failure? What are the chances of success and the likelihood of failure? What are the alternative scenarios if implementation fails? A special risk management plan will make it possible to ensure that all the risks have been taken into account and to monitor their impact throughout the change process.

Methods for the identification, follow-up and evaluation of risks must be defined by senior managers and project leaders. Such methods enable the impact of decisions or planned scenarios to be foreseen, and help in taking any measures which may prove necessary to reorientate the project. Activities and resources must be managed, planned and monitored in such a way as to ensure that the impact of any risks which have been identified remains within limits that are tolerable and acceptable for all the stakeholders. The process of risk management should include (see Table) the identification of risks, their evaluation, the response which should be made in case of need, the follow-up of risks and their final evaluation. Each social security organization should introduce its own procedures for the evaluation, follow-up and management of risks. This process should be formally structured, regularly used and examined in the light of the follow-up. All those involved in a change project should receive regular updates on the progress of the project.

Table.

Step 1	+	Risk identification
Step 2	+	Risk assessment
Step 3	+	Risk evaluation
Step 4	+	Risk management strategies
Step 5	=	RISK RESPONSE PLAN

Source: Ministry of Social Development, South Africa (ISSA, 2005).

The major risks associated with change initiatives

Social security organizations develop in an environment which includes many risk factors associated with policies and programmes as well as with techniques and technologies. Policy decisions must often be implemented quickly and it is not easy for managers to resist the pressures brought to bear on both themselves and their staff. These risks include:

- **risks to do with the desired results of a new programme:** the target is not achieved and stakeholders can rapidly become dissatisfied;
- **political risks:** a change in government may lead to modifications in an ongoing project and in its implementation;

- **operational risks:** the risk that the innovation which has been introduced does not show results within expected time limits;
- **technological risks:** the risk that the technology does not work as intended;
- **financial risks:** the risk that the cost of the project may be higher than expected;
- **staff risks:** the risk that the career development of some of the staff may be placed in jeopardy.

Box. *Staff risks*

Staff constituted the major risk for the National Office for Employees' Family Allowances (ONAFTS) in Belgium (ISSA/Accenture, 2006) in developing its human resources master plan, because the primary objective of the plan was the well-being of staff. This risk was minimized by ensuring full participation of staff at all stages of the project, including the assessment stage. The main focus of the plan was on human resources as the key factor in the organization. The human capital of an organization is in fact its greatest asset and best guarantee of good service, particularly for an organization located in the social security sector.

In certain developing countries, the incidental risks affecting social security organizations are aggravated by risks of a permanent nature which affect the day-to-day management of activities. The risks associated with providing good quality service are increased because of the poor quality of the information available concerning members, frequent delays in the calculation of rights and payments, as well as fraud and non-payment of contributions. The result is a lack of financial resources and the incorrect payment of benefits. Breakdowns in the computer services and the lack of expertise to resolve them are also a frequent problem and one which is difficult to overcome.

Projects for the development and implementation of information and communication technologies face their own specific risks. A project to introduce a new application may be interrupted if a more advanced system is developed which has new functions. Too hasty an implementation may be a risk if it prevents time being taken to carry out a simulation or a pilot test. The data migration phases are usually considered as being of high risk, and all possible measures must therefore be taken to safeguard the old data. The Trinidad and Tobago National Insurance Board (ISSA/Accenture, 2006) paid careful attention to the risks involved, when weighing up the advantages of computerized services. The most important risks identified were those connected with the security and protection of data, the legal status of certain documents, and cultural acceptance of this new way of transmitting information. The General Organization for Social Insurance in Saudi Arabia (ISSA/IBM, 2004) transferred a thirty-year old ADABAS data base to an Oracle data base. Considerable efforts were needed to meet this objective; new labour legislation had to be taken into account, as well as the structures of the old and the new systems, and the need to streamline and update the data base, and to resolve problems arising from the use of special codes in Arabic in the old system, while the new system used standard ASCII formats.

The different stages of risk management

The identification and assessment of risks

The Swiss National Accident Insurance Fund (ISSA/Accenture, OM Study, 2006) set about identifying the risks involved in the implementation of its new case management project, before introducing the project.

A questionnaire was distributed to all units, whether or not they were likely to be affected by the project, in order to identify potential risks. The risks were listed, the probabilities of their occurrence were measured, and they were then ranked by category depending on their importance. Risk containment measures were defined and timetabled, and individuals were designated to follow up each risk category.

Integrated risk management

The National Employment Office in Belgium (ISSA/Accenture, OM Study, 2006) introduced a system for the analysis and management of risks in 2002, which is applied systematically. Risk management procedures have been incorporated into existing management tools and each person is responsible for the identification of risks affecting their particular sector. Risk assessment is based on the probability that the risk concerned will become a reality, and its possible impact on the achievement of objectives.

The risk management plan

In accordance with guidelines laid down by the Public Administration Secretariat, the management monitoring unit of the Mexican Social Security Institute (ISSA/Accenture, OM Study, 2006) has carried out a number of studies on the identification of risks, with special emphasis on two specific aspects. The first was the identification of risks of an operational nature, based on information from local branches. The second concerned the identification of risks that might involve corruption or a lack of transparency. A list of 48 operational risks was drawn up, which included all those requiring special attention because of their possible impact or high probability. In addition, 14 risks associated with corruption or a lack of transparency were listed; their definition was based on a survey which included the local branches of the IMSS, the Commission of the Public Administration Secretariat, and the internal monitoring unit. Both types of risk were included in the 2006 work plan.

The follow-up and monitoring of risk management

The Quebec Pensions Board, Canada, saw the follow-up and monitoring of risks as important stages in the implementation of their project for the renewal of service benefits (ISSA/Accenture, OM Study, 2006). Risks were followed up to ensure that the measures which had been identified were implemented at the appropriate time and that the risks were taken into account by those concerned. The risk monitoring stage provided information concerning the risks identified, their description and analysis and, of primary importance, led to the identification of further risks associated with the project. Each risk was examined during the monitoring stage, and the information collected during the follow-up stage was reviewed in order to define any action which might be needed.

Proposals for the future

An integrated risk management approach should be included in the planning stage of any project which may have an impact on the structure and operations of an organization, particularly its working procedures or staff policies. Senior managers must define acceptable levels of risk and include them in the overall strategy of the organization.

Risks must be analysed at the beginning of a change project, and the fact that risk factors may change as the project progresses, and that new risks may appear, must be taken on board.

All units should be consulted and made aware of the risks as the project progresses, not only those which are directly concerned but also those not necessarily expected to feel any effects. The risk monitoring plan should therefore be widely distributed throughout the organization.

Follow-up assessment and monitoring are essential stages in the introduction and implementation of innovation and change projects.

The effects of poor evaluation of the risks involved may go beyond the organization, to have detrimental effects on the outside environment, i.e. in political spheres.

Strong leadership is therefore essential for the successful implementation of any project; and a vital component of all projects is risk management.

Suggested reading

Daykin, C. D. 2005. *Risk management*, paper presented at the African Regional Conference, "Social security in the African context", 9-12 September 2005. Geneva, International Social Security Association.

Gartner Group. 2002. *Strategic Analysis Report*, Gartner Research, July 2002.

ISSA/Accenture. 2006. *Change management and risk management in social security*, Study of the Technical Commission "Administrative Management; Organization and Methods (OM)" of the International Social Security Association in cooperation with Accenture. Geneva.

ISSA/IBM. 2004. *Information and communication technology (ICT) social security project management*, Guide. Geneva.

Osei, K. 2005. "The experience of the Social Security and National Insurance Trust", paper presented at the African Regional Conference, "Social security in the African context", 9-12 September 2005. Geneva, International Social Security Association.

PMBOK Guide. 2000. *A guide to the project management body of knowledge*, Project Management Institute, Edition 2000.

Selwyn, J. 2005. *Risk management strategy*, Ministry of Social Development; South Africa. Geneva, International Social Security Association.

Tax-financed old-age pensions in lower-income countries

Roddy McKinnon[1]

Introduction

Analysis of recent developments in social security practices shows a small but significant trend toward the introduction of tax-financed old-age pensions in lower-income countries. Here, tax-financed old-age pensions refer to cash benefits delivered through universal and means-tested programmes. Although the origins of this trend are far from recent – some of the lower-income country examples date back to the early 1990s – it has only been in the past few years that detailed empirical evidence of these developments has come to light and the wider international significance of this trend has come to be more fully appreciated.

A significant trend

The observed trend in the introduction of tax-financed pensions in lower-income countries is significant in relation to the following ten points:

- As an essentially grass-roots driven trend, it confronts the accepted wisdom that the introduction of large-scale tax-financed programmes is fiscally and administratively feasible only in higher-income countries.
- It underlines that social security can be instrumental to the future realization of national development goals, rather than social security provision being dependent on a country first achieving a given level of development.
- It reflects a current international consensus that has "rediscovered" that social security has vital protective, proactive and preventive roles to play in balancing the different requirements of social and economic development.
- It promotes the view that even a small cash benefit paid on a regular basis can have a large positive impact on individual well-being and help combat social exclusion.
- It responds to the observation that older people are amongst society's most vulnerable; in developing countries in particular, traditional mechanisms of social solidarity are breaking down, while older people are frequently taking on additional responsibilities, such as caring for grandchildren orphaned by HIV/AIDS.
- It supports the view that targeting cash transfers on older people, especially in a context of limited state budgets, can also lead to wider welfare improvements for households and families as well as helping to develop local economies.
- It acknowledges that demographic ageing is a global phenomenon and that, increasingly, a greater number of the world's older people will live in less developed countries where, typically, the extension of coverage under conventional contributory social security remains low.

[1] The author is a member of the General Secretariat of the International Social Security Association (ISSA). The author thanks Maribel Ortiz for research assistance.

- It coincides with internationally-set goals to reduce global poverty levels.
- It mirrors a normative trend seeking to affirm that social security is a human right, as defined by the Universal Declaration of Human Rights, adopted by the United Nations General Assembly in 1948.
- In an era of increasing globalization, it lends a rejuvenated voice to the sexagenarian precept that "poverty anywhere constitutes a danger to prosperity everywhere".

Social security coverage in an ageing world

We know that most social security programmes are financed through contributions levied on earnings. We also know that the vast majority of programmes are social insurance programmes. Nonetheless, it is estimated that only 20 per cent of the world's population have access to adequate social security coverage. And in some countries, coverage levels may actually be declining.

Previous ISSA research has drawn attention to the collective influence that institutional, legislative and labour-market factors have on social security coverage levels. One conclusion is that realizing universal coverage under contributory social security programmes remains improbable for lower-income countries, at least in the medium term. This conclusion is doubly challenging.

First, of the many millions of people without adequate – or any – social security coverage, most live in lower-income countries. And the growth of informal employment, especially witnessed in lower-income countries, makes it difficult to see how coverage can be significantly extended – and quickly so – under contributory social security. With coverage under contributory social security innately linked to formal employment levels, it cannot be otherwise.

The second challenge stems from declining birth rates and rising life expectancy. At present, a higher proportion of older people live in more developed countries. However, in terms of longer-term trends, the proportion of older people is growing more rapidly in less developed countries.

Consequently, in the context of global demographic ageing, the coming decades will witness the overwhelming majority of the world's older people, aged 60 years or older, living in less developed, lower-income, countries. What is more, this global trend also extends to the oldest people, aged 80 years or older.

Thus, the implications are clear. Over the coming decades, those groups without adequate social security coverage will increasingly comprise older people, and especially older people in lower-income countries.

Tax-financed old-age pensions

Social security organizations are typically committed to searching out new ways to realize improvements in performance. This can relate to a better use of budget resources or better ensuring that those who should contribute do so. In turn, social security organizations also seek improvements in the delivery of benefits and services. But despite efforts to improve performance within many contributory social security organizations, labour market realities dictate that many workers and their dependants remain without adequate protection.

Furthermore, it is clear that improving the performance of existing contributory social security organizations cannot address the immediate cash income needs of those who are incapable of work or marginal to the labour market and who have no social security coverage. Most specifically, this observation applies to the growing number of vulnerable older people in lower-income countries.

As one response to this last observation, policy attention is focusing on the role of tax-financed old-age pensions.

Complementing contributory programmes

Ideally, tax-financed old-age pensions should play a complementary role alongside existing contributory social security programmes. Albeit with some national exceptions, globally, this has been the conventional role of tax-financed programmes in guaranteeing a minimum income. Clearly, for countries without contributory old-age programmes, the income-providing role of tax-financed pensions will be of greater significance.

The introduction of tax-financed old-age pensions is rarely neutral for existing contributory social security programmes. Consequently, the policy design and implementation of such programmes must not be blind to the possibility of undesired outcomes. This is especially so for social security in countries where formal employment in the more-fully regulated labour market may be the reserve of a minority and where, typically, social insurance governance structures and practices may be weakly rooted.

In such cases, and where eligibility to receive means-tested tax-financed old-age pensions is wide in scope, such as through satisfying a condition of residency or citizenship, and where there is insufficient differentiation between the cash benefit levels of contributory and means-tested tax-financed benefits, problems may arise. In these instances, the big losers may well be formal employment and contributory social security programmes. Workers may seek to opt out of the formal, regulated economy or evade the payment of social security contributions – in the belief that they will be entitled to near-equivalent means-tested tax-financed benefits in the future.

In response to all this, tax-financed programmes must be designed and implemented by taking into account the possibility of such pitfalls. No less important, programme design must reflect national social policy needs, as well as being cognizant of institutional and fiscal capacities to deliver on these needs. It is to these issues that we now turn.

Lower-income country evidence

A number of middle-income countries operate tax-financed old-age pension programmes. Amongst these, South Africa's means-tested programme has the longest history (starting in 1928), but is notable for having paid out discriminatory entitlements until the end of Apartheid in 1994. Mauritius' decision to provide universal tax-financed pensions to complement social insurance dates from 1950. Brazil's programmes can be traced to the early 1970s, albeit developing more fully following constitutional change in 1988. And Botswana's universal programme, which is the country's only social security old-age benefit, dates from 1996.

These middle-income country examples are relatively well known. Less well known are the experiences of lower-income countries. A factor in our general unfamiliarity with lower-income country examples is a relative lack of programme data. To contribute toward addressing this knowledge gap, the following section presents evidence from seven lower-income countries.

Programme design and delivery

Current good practice approaches to social security policy design and delivery argue that national specificity must be taken into account. With this in mind, it is of little surprise to discover that significant variety exists in the design, administration and delivery mechanisms of tax-financed old-age benefits in seven lower-income countries: Samoa, Namibia, Nepal, India, Bangladesh, Bolivia and Lesotho[2] (see Tables 1 and 2).

In three cases, Nepal, India and Samoa, the tax-financed pension operates alongside a national provident fund. In contrast, Bolivia's Bonosol pension programme, which after several years of uncertain existence was finally anchored by legislation in 2002, complements the mandatory individual account system implemented in 1997. Namibia's national pension is complemented by the newly-created Agricultural Retirement Fund that aims to cover nearly 50 per cent of the national labour force. The pension programmes in Bangladesh and Lesotho stand alone as these countries' only old-age social security programmes.

Table 1. *Tax financed old-age pension programmes in lower-income countries, 2006*

Country	Date of legislation	Pension-able age	Population aged 65 years or older	Eligibility	Monthly cash benefit (local currency)	Cash benefit equivalent (USD)[a]	Frequency of payment	Cost as % of GDP
Samoa	1990	65	4.6	Universal	WST100 (tala)	USD 37.87	Monthly	0.3[b]
Namibia	1992[c]	60	5.3[d]	Universal	NAD 300 (Namibian dollars)	USD 45.04	Monthly	1.9[b]
Nepal	1994	75	3.7	Universal	NPR 150 (rupees)	USD 2.03	Monthly	0.1
India	1995	65	5.3	Means-tested	INR 75 (rupees)	USD 1.62	Monthly	0.01
Bangladesh	1998	65	5.7[d]	Means-tested	BDT 200 (takas)	USD 2.90	Quarterly	0.03
Bolivia	2002	65[e]	4.5	Universal[e]	BOB 1,800 (bolivianos)[f]	USD 226[f]	Annually	1.3
Lesotho	2004	70	5.3	Universal	LSL 150 (maloti)	USD 22	Monthly	1.43

Sources: HelpAge International. 2006. Available at: www.helpage.org); ISSA. 2007. *Social Security Worldwide* (available at: www.issa.int/ssw); United Nations Population Division, Department of Economic and Social Affairs. 2005. *World Population Prospects: The 2004 revision population database* (available at: esa.un.org/unpp); Schleberger, E. 2002. *Namibia's Universal Pension Scheme*. ESS Paper No. 6, ILO, Geneva.

[a] Based on the US Treasury exchange rate for July 2006.
[b] Estimated figure.
[c] The programme's earlier roots stem from 1949 during the era of South African rule.
[d] Aged 60 years or older.
[e] Eligible persons must be born before 1 January 1974.
[f] Figures are annual amounts.

In Nepal, Samoa, Namibia and Bolivia, the pension is provided to eligible older persons as a right of citizenship. However, this requires that pensioners have documented proof of age and citizenship, which is often not the case. In Bolivia, for example, around 16 per cent of eligible older people do not receive a pension for want of identity documents (ID). However, in Lesotho, of the 3.6 per cent of the total population eligible, a significant 96 per cent of these receive the pension, equating to 72,000 people (HelpAge International, 2006). In Samoa, it is possible for a designated trustee to collect the monthly benefit on behalf of the beneficiary, but he or she must present personal ID as well as those of the beneficiary.

[2] According to the World Bank classification: Bangladesh, India and Nepal are low-income countries with gross national income per capita of USD 875 or less; Bolivia, Lesotho, Namibia, and Samoa are lower-middle-income countries with gross national income per capita from USD 876 to 3,465.

Notably, Namibia has considered reforming its programme by introducing means-testing. In India and Bangladesh, eligibility already requires satisfying a test of means. In both countries, assessment of eligibility is undertaken at the local level. Because of the populous nature of the Indian subcontinent and high levels of old-age poverty, even strictly enforced means-tested programmes can have a large number of beneficiaries. For instance, with around 1 per cent of the population receiving the means-tested old-age allowance in Bangladesh in 2006, this nonetheless equated to over 1.6 million people.

More generally, but especially for lower-income countries with widespread poverty among older cohorts, the choice of means-testing over universal provision can be contested, not least because of the additional programme costs that its administration normally engenders.

Across the seven countries, the pension age varies considerably, from age 60 years (Namibia) to age 75 years (Nepal). Regardless, the percentage of the population of pensionable age in all countries is set to grow, and in some instances considerably, over the coming decades.

Table 2. *Tax financed old-age pension programmes: administrative structures*

Country	Name of programme	Benefit delivery mechanism	Administration	Other national old-age benefit programmes
Samoa	Senior citizens' benefit	Designated meeting places, often the house of the village chief or minister; or the Samoa National Provident Fund office	Senior Citizen Benefit Scheme Department (Samoa National Provident Fund)	Provident Fund
Namibia	National pension	A commercial company using "mobile" automated cash machines; designated post offices; or automated transfers to a bank account	Ministry of Health and Social Services	Agricultural Retirement Fund
Nepal	Old-age allowance	Village development committees	Ministry of Local Development	Provident Fund
India	Social assistance pension	Village councils and municipalities	National Social Assistance Programme	Provident Funds, Pension and Gratuity Payments
Bangladesh	Boishka bhata	Local branches of the government-run Sonali Bank	Department of Social Services (Ministry of Social Welfare)	None
Bolivia	Bonosol pension	Affiliated banks	Pension Fund Administrators	Mandatory Individual Accounts
Lesotho	Social pension	Post offices	Pension Department	None

Sources: HelpAge International. 2006. Available at: www.helpage.org; ISSA. 2007. *Social Security Worldwide*, available at: www.issa.int/ssw.

While the GDP cost of the basic benefits provided under these universal and means-tested programmes remains, in all cases, less than 2 per cent, these national programmes are financed on the basis of low tax to

GDP ratios. In Lesotho, for example, while the pension costs 1.43 per cent of GDP, this equates to 2.4 per cent of the national budget (HelpAge International, 2006). In part, this helps explain the generally high (and in Bangladesh, recently increased) age for eligibility and the relatively low cash value of benefits paid: to ensure financial and political sustainability by controlling costs.

Despite concerns about future costs, tax-financed old-age benefits represent cost-effective cash transfers for low-income countries. And notwithstanding their small cash value, they are important. In Bolivia, the Bonosol pension was the only cash income source for 50 per cent of recipients (HelpAge International, 2006). As a welfare instrument, these benefits cannot only improve pensioners' well-being, but that of the pensioner's family and household too. And local economies benefit from the trickle-down effects of this vital source of disposable income.

In all seven cases, benefits are delivered under the watchful eye of various national supervisory bodies and, typically, by creatively piggybacking on existing local institutional structures. Bank networks, for instance, are used to disburse pensions in Bolivia and Bangladesh, while Lesotho uses its post office network. In Nepal the disbursement role is filled by village development committees, while in India this is the role of village or municipal councils. In Samoa most benefits are disbursed at designated meeting places, often the house of the village chief or church minister. As its main delivery mechanism, Namibia uses a contracted company that transports "mobile" automated cash machines to designated locations on designated days.

Opportunities and challenges

The introduction of tax-financed old-age benefit programmes in lower-income countries is important. The current evidence of this trend highlights:

- the administrative and fiscal feasibility of such programmes, and
- where possible, the importance of piggybacking on existing institutional structures.

Nonetheless, due care must be taken in the design of these programmes, especially with regards to:

- strengthening formal economy employment, and
- strengthening contributory models of social security.

Despite these challenges, it looks certain that the trend in tax-financed old-age pensions will continue. To this end, the first step may be to introduce pilot projects and assess their impact. Thereafter, and possibly in partnership with specialized international and governmental agencies and nongovernmental organizations, successful pilot projects may gradually be scaled up to the national level.

The African Union's "Livingstone Call for Action" in 2006 provides evidence of the political will in many lower-income countries to develop cash transfer programmes. Moreover, with increased possibilities for channelling overseas development aid from high-income countries towards general budget expenditures of the recipient countries, more lower-income countries may be better able to afford extending tax-financed social security coverage to needy population groups, including older people.

To conclude on a pragmatic note, using tax-financed cash benefits as a means of realizing a rapid extension of access to social security can play an additional role by contributing towards political commitments to the United Nations Millennium Development Goal No. 1 to halve the proportion of people living in poverty (with income less than USD 1 a day) by 2015.

Suggested reading

HelpAge International. 2006. *Pension watch*, www.helpage.org.

ISSA. 2007. "Extending social security to all – Special issue to mark the 80th anniversary of the ISSA". *International Social Security Review*, Vol. 60, No. 2-3, www.blackwellpublishing.com.

Pal, K. et al. 2005. *Can low income countries afford basic social protection? First results of a modelling exercise*. Geneva, International Labour Office, www.ilo.org.

Willmore, L. 2001. *Universal pensions in low-income countries*. New York, Initiative for Policy Dialogue, Columbia University.

Extension of social health protection through cost control and consolidation

Aviva Ron[1]

Introduction

Cost and quality control linked to the provision of benefits are major challenges to the sustainability of social health-insurance schemes. This is particularly so when changing demography, disease and labour force patterns present new needs and patient preferences. Dealing with these challenges is crucial for the extension of both coverage and benefits. In low- and middle-income countries, the realization that the extension of coverage towards universality is lagging far behind expectations has led to attempts to cover the informal sector or populations that were previously excluded.

Efforts to deal with these concerns have led to reforms in long-established social security systems and helped determine the design of new schemes. New cost control measures have led to expanded rather than fewer benefits. Single national schemes have been created through mergers of hundreds or even a small number of schemes. To deal more specifically with the ageing of the insured populations, there have been moves to change the payroll contribution base and reduce reliance on traditional payroll revenues.

Cost control through new benefits

A development linked to both cost control and the rise in the prevalence of chronic disease is the extension of benefits. Rather than limiting benefits to cut costs, many social health insurance systems have added health promotion and prevention, as benefits to individual members and to their insured population at large or to specific vulnerable groups, with increased focus on chronic diseases. This shift reflects the proven effectiveness of health promotion and prevention in the two areas in which prevention was an integral part of health care: occupational health and the prevention of communicable diseases.

The ISSA has continued taking an active part in promoting this trend through the initiative launched with the World Health Organization (WHO) in 2004. To date, activities have included a WHO/ISSA consultative meeting on social insurance and health promotion, and a WHO/ISSA comparative research project analysing the health promotion activities undertaken by social insurance schemes in five countries.

The WHO/ISSA initiative has so far documented changes in the benefit packages and budgeting of promotion and prevention by social health insurance schemes, and the creation of new partnerships to deal with disease risks. Activities aimed at individual members focused first on secondary prevention, including screening for chronic diseases, and then on primary prevention to reduce the risk of these diseases developing at all. Educational campaigns carried out by the social health insurance schemes in Germany and the Republic of Korea focused on promoting health literacy and awareness. The efforts are aimed at reducing inequalities in access to care

[1] The author is a Social Health Insurance Consultant, World Health Organization (WHO).

and promoting more rational use of services, with emphasis on the appropriateness of care as well as costs. These efforts are based on information on use of services by the insured population. This information has also led to targeted campaigns among the more vulnerable populations at risk of developing chronic diseases.

The focus in Mexico has been on primary prevention, through the creation of supportive environments to reduce the risks of disease. In Finland and Thailand, tertiary prevention through rehabilitation and effective monitoring of the progression of disease have been emphasized. The new health promotion and prevention approaches include components aimed at shifting responsibility to individual members, not only to carry out early detection tests, but also reduce or eliminate the use of substances associated with disease and practise more healthy lifestyles through increased physical activity.

Children and youth have not been neglected in these preventive efforts. In New Zealand a new "Early Years and Family Start" package provides services aimed at improving children's health and education, focusing on teenage parents and their children. This initiative also follows the Canadian "Roots of Empathy" programme aimed at reducing violence and antisocial behaviour among young people. Apart from their health objectives, these programmes aim to reduce the chances of children becoming offenders as adults, or joining the long-termed unemployed.

Such preventive efforts have added value in integrated social security systems, as compared to stand-alone health insurance schemes. Expenditure on preventive care in one benefit branch – health care – will also yield savings in other branches of the same social security system, in particular in regard to disability and unemployment benefits.

Cost control through provider payment

Until recently, many social health-insurance schemes used co-payment by the patient as a means of controlling use. Studies have, however, shown that co-payments can deter patients from completing prescribed treatment, and there is now a shift away from co-payment. The control of use, and thereby the control of expenditures for health care, is sought mainly through provider payment mechanisms that aim to promote appropriate use and reduce the linkage between the volume of services, particularly those with high costs, and provider revenue.

There is increasing interest in changing provider payment methods from the conventional fee-for-service billing to mechanisms based on flat fees, such as capitation for each insured person and case payments for each admission. To reflect the services provided, case payments can be structured according to diagnostic-related groups for each admission. Most schemes still using fee-for-service as the main provider payment method have applied mechanisms to limit payments to specific providers. The mechanisms introduced by Canada and Germany over a decade ago, whereby caps were set according to practice averages for the same specialties, have now been applied in Japan, albeit on an experimental basis. Fixed-fee schedules are negotiated between the health insurance schemes and providers, and financial caps are applied to the earnings of providers whose incomes from insurance go above the set levels.

The newer social health insurance schemes, beginning with Thailand in 1991, and followed by Colombia, Belize and the Lao People's Democratic Republic in the past five years, have selected capitation as the major provider payment mechanism. This mechanism enables prepayment to providers for a defined list of members and for a defined list of health services over a fixed period. While this provider payment mechanism requires a less sophisticated claims review system than fee-for-service billing, quality assurance programmes need to focus on the prevention of under-servicing.

Box 1.

As a cost control and provider payment mechanism, capitation has gained increasing preference among both social health-insurance schemes and public health-care providers, who value the prepaid and regular revenue for a defined population, regardless of actual use by insured persons and without running after individual patients for payment. Over time, the schemes have made adjustments to the capitation payment, taking into account changing demography and caseloads as well as information system requirements for more sensitive provider payment methods.

Merging of schemes

In recent years there has been some merging and consolidation of schemes in countries that traditionally had a pluralistic social health-insurance system. The most significant merger occurred in the Republic of Korea, when 350 funds were consolidated to a single scheme covering around 48 million members, through the National Insurance Act of 2000.

The Japanese Government is now phasing in the consolidation of all social insurance schemes. In addition to the centrally administered system, Japan's first social health-insurance law mandated companies with over 300 workers to establish their own health insurance society. Recent reforms permit these companies to consolidate their insurance societies with those of other companies. In 2005, the Republic of Kyrgyzstan decided to have a single fund system, beginning with consolidation at provincial level as extension is expanded throughout the country.

The reduced administrative expenditure in single fund systems is an important factor in adopting this trend but was not the main reason for consolidation. The major reasons for the consolidated approach are the potential to reach maximal pooling, as well as maximal strength in negotiation with health-care providers.

Austria has not chosen the consolidation route but, in 2006, decided to establish regional government health-purchasing agencies to serve as purchasers of health care, acting on behalf of the funds. This decision is aimed at increasing negotiating strength without affecting the autonomy of the various health insurance funds. In the Netherlands, the Health Insurance Act implemented in 2006 ended the fragmentation of the population covered by various public and private, compulsory and voluntary health insurance arrangements. Previously, higher wage earners were not covered by the social insurance system but depended on private insurance for most health care. Now, all residents are covered by a single statutory regime. At the same time, the traditional choice of insurer has been retained.

Shifts in the approach to revenues

In several countries in Europe, there is growing concern with the adequacy of contribution revenues, linked to changing demographic and disease patterns. Retired (and non economically active) members generally contribute a percentage of pensions rather than a percentage of wages. Ageing of the insured population therefore means that an increasing proportion of the members make low contributions. Many countries have already introduced additional insurance arrangements for long-term care, but the ageing of the population also means an increase in years with acute care needs. To deal with this situation, the Netherlands has changed its revenue pattern. Whereas the entire contribution previously came from traditional payroll contributions, shared by employer and employee, now half the revenues come from this source while the other half come from flat rate amounts paid by each member. Germany too has very recently adopted measures to reduce the payroll component and added a flat rate amount to be paid by each member. To deal specifically with the needs for financing care of elderly people, France has increased contribution revenues by changing the contribution base. French workers will have to work additional hours (7 more hours of work per year); the employers' contribution to health insurance will be increased by 0.3 per cent while the tax on investment incomes has been raised from 2.0 to 2.3 per cent to provide additional funding for long-term care.

Extension of coverage

Social health insurance coverage in the developing world is still very low and has even decreased in recent years in countries going through shifts to market economies, such as the People's Republic of China, Mongolia and many countries in the former Soviet Union. Streamlining of the civil service and privatization of state owned enterprises have created a new excluded population. While social security systems may have been established for the formal economy, little has been done to promote registration of workers in the informal economy and thereby reach a situation in which the number of informal sector workers is insignificant, as in many developed countries.

The interest in extending coverage is triggered by political and equity concerns as well as the desire to reach broad pooling in each system. All governments want to reduce the risk of poverty, and it is now recognized that paying for health care is a leading reason for families falling below the poverty line. A newer issue is linked to the recent outbreaks of emerging communicable diseases. We know that when user charges are applied at public as well as private health facilities, a very significant proportion of the population may not use the services at all, or seeks care at a serious stage of illness and then may not continue treatment for financial reasons. Prompt medical attention is a crucial factor in the effective control of new emerging infectious diseases such as severe acute respiratory syndrome (SARS) and Avian flu.

Different approaches have been taken to extend coverage, with people in the lowest income group and informal sector as the main target populations. Over the past five years, several national social health-insurance schemes, such as in Columbia, Mexico, the Philippines and Viet Nam, have started using social assistance funds to purchase health cards for indigent families. This is an important shift away from using government funds to pay the providers directly for health services given to those exempted from user charges. Stigma and discrimination are reduced when poor people seek health care with the same health insurance card as contributing members.

A simple but neglected aspect of extending coverage is the inclusion of dependents of active and retired workers. Several Asian countries, such as the People's Republic of China, Mongolia and Viet Nam, began with health coverage of the worker only. New draft legislation in these countries calls for the inclusion of dependents, which would immediately increase the insured population to a significant extent and bring the countries closer to universal coverage.

This leaves informal economy workers whose incomes may not be stable but are above the poverty level. The Philippines is focusing efforts on extending coverage to informal economy workers in cooperatives and civil society associations, which can undertake registration and collect contributions for the group. Viet Nam has increased efforts to enroll the self-employed as well as workers in small enterprises by strengthening the district level offices of the national scheme and by allowing more flexibility in the payment of contributions. Over the past several years, the People's Republic of China has been giving priority to redeveloping health insurance for the rural population and has allocated local government funds as health insurance subsidies for the rural population.

Several developing countries encourage parallel development of compulsory social health insurance for the formal labour sector through existing compulsory social security schemes, while promoting voluntary community-based health insurance for the informal sector. The parallel development, now underway in India, the Lao People's Democratic Republic and many African countries, recognizes the difficulties that fledgling social security systems face in covering informal economy workers, who have no employer to share contribution costs and liability.

Box 2.

The promotion of community-based health insurance schemes also facilitates the extension of coverage in rural areas, in which the formal sector schemes have no activities. The process is sometimes risky in terms of the sustainability of small community schemes, but it does at least enable access to health care for the covered population and creates awareness regarding the benefits of prepayment or social health insurance. It is important to ensure linkages and coordination between the different schemes within a country, as with appropriate government regulation, coordination and technical support, these community-based schemes can eventually be merged into or with national systems. The joint study of the International Labour Organization (ILO), the International Social Security Association (ISSA) and the International Association of Mutuality (AIM) on linkages between statutory social security and community-based social protection mechanisms will point towards effective means of ensuring such coordination.

Conclusions

Reform does not always come about easily in social health-insurance schemes, partly because of the lack of documented evidence on the impact of changes and partly because of the reform process in complex institutions with tripartite representation. After the internal debate, major reforms generally require legislation, which can mean a lengthy parliamentary process. However, reforms are being implemented and usually with positive results. And without amending legislation, significant changes in benefits and provider relations can be introduced through research, analysis, and debate with internal and external partners. The review of the trends in this chapter demonstrates the importance of a forum for social health insurance schemes, as facilitated by the ISSA, to follow such developments and, in an environment of transparency, to discuss both problems and solutions.

Suggested reading

Carrin, G.; James, C. 2004. *Reaching universal coverage via social health insurance*. Geneva, World Health Organization, Health System Financing, Expenditure and Resource, www.who.int/health_financing/discussion_papers/en/index.html.

Goldman, D.P.; Joyce, G.F.; Lawless, G.; Crown, W.H.; Willey, V. 2006. “Benefit design and specialty drug use”. *Health Affairs*, Vol. 25, No. 5; rand.org/publications and www.healthaffairs.org.

Henke, K.D.; Schreyögg, J. 2005. *Towards sustainable health care systems*, www.issa.int/pdf/publ/henkeed2.pdf.

James, C.; Schremmer, J. 2005. “Recent policies in health service provision: A broader path towards sustainable health care systems?”, in *Social security: Toward newfound confidence*. Geneva, International Social Security Association, www.issa.int/pdf/publ/2DT.pdf (also available in French, Spanish, German and Japanese: www.issa.int.

Ron, A.; Bayarsaikhan, D.; Than, S. (eds.). 2005. *Social health insurance: Selected case studies from Asia and the Pacific*. World Health Organization South-East Asia and Western Pacific Regional Offices, ISBN 92 9022 239 5.

Wagstaff, A. 2007. *Social health insurance reexamined*. World Bank Development Research Group, World Bank Policy Research Working Paper No. 4111, Washington, DC.

Useful Websites:

European Network for Workplace Health Promotion: www.enwhp.org.

International Labour Organization: www.ilo.org and www.ilo.org/step.

International Social Security Association: www.issa.int.

World Health Organization: www.who.int/health_financing.

WHO/ILO/GTZ Consortium: www.socialhealthprotection.org.

Revisiting individual account schemes: Better integrating multipillar pension systems

Ariel Pino and Dmitri Karasyov[1]

Introduction

Building on information previously reported by the International Social Security Association (Schremmer, 2005), evidence is presented here regarding recent trends in individual account schemes in Latin America and the countries of central and eastern Europe (CEE) and the former Soviet Union (FSU).

In some countries, the evidence of recent developments adds further weight to the previously reported trend towards a fine tuning of the operations of individual account schemes. The objective of this process of fine tuning is, by and large, to improve the performance and governance of such schemes with the aim of better ensuring adequate retirement income for scheme members.

In a significant number of Latin American countries, however, recent trends reveal an important new development. And it is to this new development that the major focus of this paper will be directed. Broadly speaking, this new trend suggests that a process of serious revision is under way regarding the role that individual account schemes can – and should – play as part and parcel of increasingly integrated multipillar pension policy strategies. Although national differences carry an inherent warning against over-generalization, it is evident that fundamental questions are now being revisited as regards the relative capacities of individual account schemes vis-à-vis public social insurance administrations to satisfactorily provide adequate benefits for all population groups in an equitable and sustainable manner.

Reforms to date

Following the example of the 1981 Chilean substitutive reform, during the 1990s and subsequently a number of Latin American countries began to phase out their public pay-as-you-go defined benefit schemes (Bolivia in 1997, Mexico in 1997, El Salvador in 1998 and the Dominican Republic in 2006) or complement these schemes with mandatory individual accounts schemes (Argentina in 1994, Uruguay in 1996, Costa Rica in 2001). Other countries in the region (Peru in 1993 and Colombia in 1994) set up systems in which social insurance defined benefit schemes and mandatory individual accounts schemes compete for contributors (Mesa-Lago, 1996; Müller, 2003, p. 22).

But not all legislated reforms have been implemented, as in the cases of Ecuador (where legislation was enacted in 2001) and Nicaragua (law of 2002). In Ecuador, the law was declared unconstitutional by the country's Supreme Court. In Nicaragua, following its delayed implementation, the law was abrogated in February 2006 for fear that the deficit resulting from the implementation of the scheme would endanger the macroeconomic stability of the country.

[1] The authors are members of the General Secretariat of the International Social Security Association (ISSA).

In the CEE and FSU countries, mandatory individual accounts schemes have been introduced in Hungary (1998), Poland (1999), Latvia (2001), Estonia (2002), Bulgaria (2002), Croatia (2002), the Russian Federation (2002), the former Yugoslav Republic of Macedonia (2004), Uzbekistan (2005), Slovakia (2005) and Romania (2007). These reforms have introduced mandatory individual accounts schemes as key elements within multipillar pension systems. As such, they have followed a similar reform path to that originally undertaken in Argentina and Uruguay. In contrast, Kazakhstan made a full shift to a mandatory individual account scheme in 1998 and appears to have been inspired by the Chilean model. Lithuania stands apart from other FSU countries that have implemented reform in that it introduced an optional funded element in 2004.

Three countries – Armenia, Azerbaijan and Ukraine – are planning to introduce mandatory individual account pension schemes before the end of 2010.

Despite different socioeconomic, geographical and political contexts, it is possible to identify a number of challenges facing social security that underlaid and helped pave the way for public pension reform in Latin America, and in CEE and FSU countries. For instance, challenges related to:

- sustainability and fiscal insolvency of social insurance programmes;
- demographic change;
- concerns over the adequacy of pensions;
- poor coverage levels;
- contribution evasion;
- the growth of informal employment;
- evolving labour markets.

A pre-reform expectation commonly expressed in Latin America and in the CEE and FSU countries was that pension system reform involving the introduction of mandatory individual accounts would not only improve the social security of covered populations but would also have a positive impact on the development of the economic and financial sector. Economic growth would, in turn, encourage employment growth and reduce unacceptably high poverty levels.

The need to revisit the reforms

With Chile's reform now well into its third decade and other Latin American countries having entered their second decade of reform experience, enough time has passed for attention in a number of countries now to be directed at some of the perceived shortcomings of the pension reform outcomes. On the one hand, low coverage rates under mandatory old-age programmes remain an ongoing problem. On the other hand, governments are facing growing demands to expand the role of existing tax-financed social assistance benefits and better integrate such programmes with contributory pension systems in order to counter the problem of old-age poverty. Among other issues, such as the expansion of informal employment, these realities have put pension reform back on the political agenda.

Post-reform adjustments

With the realization that challenges remain with regards to the provision of adequate old-age pensions, a consensus has started to emerge among social and political actors in some Latin American countries. Today, it is increasingly accepted that pension systems involving individual account pension schemes require strong state intervention to better ensure that all necessary pillars are suitably integrated and complementary. As a consequence, the pension reforms undertaken in a number of countries in the 1980s and 1990s are now being revisited.

Of great significance because of their pioneering roles, Chile and Argentina are leading the way as regards reform.[2] In both countries, a committee of experts has evaluated and proposed alternatives to the "reformed" pension system. Significantly, and not least for historical reasons, in these two countries social dialogue has played a major role in permitting all voices to be heard in discussions.

As a result, in April 2007 Argentina "re-reformed" its pension system. Argentina is the first country in the world to implement a major reform of its system of individual accounts. The groundwork leading to the reform started with a reform proposal presented in 2003,[3] aimed primarily at extending coverage through a better distribution of the roles played by each component of the social security system. In turn, the proposal was complemented in 2005[4] with a thorough actuarial evaluation of the system.

The key aspects of the 2007 Argentine reform that emerged from the long process of consultation are:

- Introducing competition between the social insurance scheme and the individual account pension scheme – insured persons may now decide to change their affiliation to a given scheme every five years.
- Pension fund administrators must now cap the administration fee charged to members at 1 per cent of salaries.
- An automatic transfer to the social insurance scheme takes place for men aged 55 years and women aged 50 years whose personal accumulated capital is not sufficient to obtain an adequate benefit for old age.

The formal process of "re-reform" in Chile first led a committee of experts to present a reform proposal to the government at the end of 2005.[5] This proposal has since been transformed into a reform bill[6] and has been presented to parliament for consideration.

As proposed, the reformed Chilean pension system will be based on a three-component structure: a solidarity component; an individual account component; and a voluntary component. The aims of the reform proposal are: (i) to provide universal coverage; (ii) to raise the average replacement rate of pensions; (iii) to eliminate the risk of poverty in old age; and (iv) to maintain these objectives in the long term.

The key objectives of the Chilean proposal are to:

- create a solidarity component;
- provide mandatory coverage of self-employed workers;
- improve incentives for savings;
- introduce measures to reinforce gender equality;
- realize improvements in efficiency, transparency, security, and investment administration.

At present, three other Latin American countries are also engaged in discussions with regard to the future of their national pension systems.

A 2005 report by the Peruvian Superintendent of Banking, Insurance and Pension Fund Administrators analysing the current health of the individual account pension scheme found that the Peruvian pension system has a low coverage rate and is failing to meet the social security needs of many Peruvian workers. Following a process of social dialogue, a final reform proposal is being drafted. Like the Chilean case, the proposal is expected to add a solidarity component to the existing system.

[2] For more information on these and other social security reforms, see the ISSA information system *Social Security Worldwide*, particularly the *Reforms* database (free access) at www-ssw.issa.int/.

[3] Secretaría de Seguridad Social de Argentina. 2003. *Libro blanco de la previsión social*. Buenos Aires.

[4] Secretaría de Seguridad Social de Argentina. 2005. *Valuación financiera actuarial del SIJP 2005/2050*. Buenos Aires.

[5] Consejo Asesor Presidencial Para la Reforma Previsional. 2006. *El derecho a una vida digna en la vejez: Hacia un contrato social con la previsión en Chile*. Santiago de Chile.

[6] Government of Chile, Reform bill *(Mensaje)* No. 558-354 of 15 December 2006.

The key objectives of the Peruvian proposal are to:

- extend coverage;
- promote higher operative efficiency and a reduction in costs;
- improve benefits.

As a first visible step of the Peruvian reform process, some members of the mandatory individual account pension system have been allowed, since March 2007, to return to the social insurance system.

Reform is also on the agenda in Bolivia. In April 2007, the Bolivian Government initiated social dialogue with the aim of reaching consensus regarding a reform project proposing the nationalization of mandatory individual account pension schemes. If the reform is successful, responsibility for the schemes would be transferred to the national treasury, at the expense of current pension fund administrators.

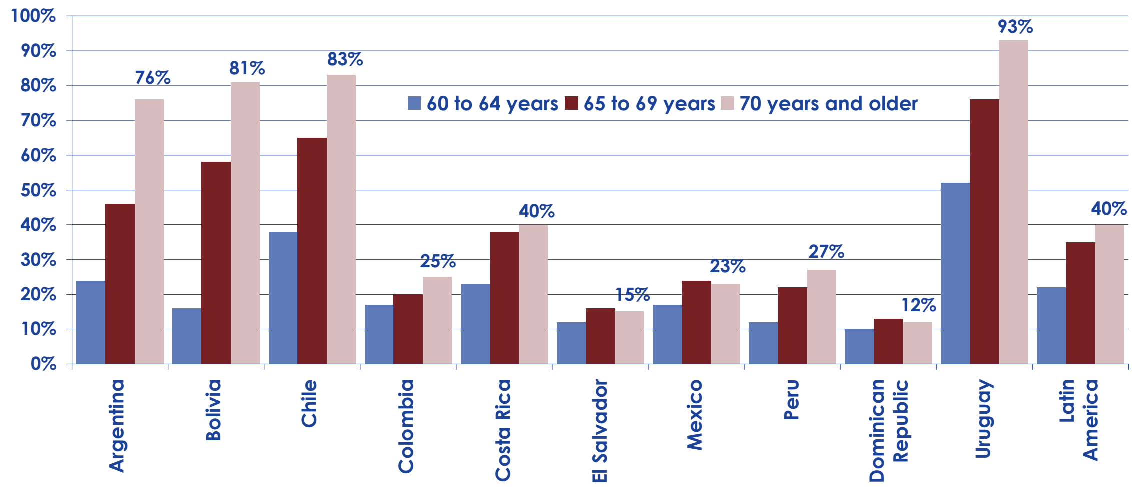
The government of Uruguay is also considering reforming its national pension system. Important issues in Uruguay are how to improve coverage and provide adequate benefits. Moreover, emphasis is being placed on the need to enhance the principle of solidarity and to give greater freedom of decision to individual account members. It is expected that a formal reform process will begin in 2007, which would also include a parametric reform of the public social insurance scheme.

It is important to underline that in all these reform proposals, including in the "re-reform" implemented in Argentina, the idea is not to abolish individual account pension schemes. Rather, the objective is to better define their role and relative size within the overall provision of old-age pensions.

From a wider perspective, the reforms or proposed reforms are seeking to achieve a better balance between the roles of contributory and non-contributory schemes, with the aim of extending adequate social security coverage to all workers and their dependants. A further objective is to achieve the improved coverage in a manner that is affordable and sustainable for government finances.

As Table 1 shows, poor coverage levels remain a major problem for Latin American countries that have introduced individual account pension schemes. Without improvements in coverage under contributory programmes, and a related improvement in the adequacy of benefits provided to those who are covered, the cost of financing adequate income security in old age will fall on governments. Therefore, it is in the interest of all stakeholders to improve the effectiveness and efficiency of contributory social security programmes, both private and public alike.

Figure 1. *Pension coverage (percentage) by age range, Latin American countries*



Source: CEPAL, 2006. *La protección social cara al futuro: Acceso, financiamiento y solidaridad*; Santiago de Chile.

Conclusions

Pension reform and "re-reform" in Latin America provide useful case studies to inform policy in other countries, especially in CEE and FSU countries where reforms of mandatory individual account schemes generally took place at a later stage. CEE and FSU countries are currently focusing on different aspects of reform. For example, Poland is focusing on investment liberalization and the capping of administration fees, Estonia and the Russian Federation on investment liberalization and Kazakhstan on the introduction of a state basic pension supplement for all citizens. Evidence from CEE and FSU countries shows that the fine-tuning of individual account scheme operations and structures continues. Similarly, in Latin American countries, the fine-tuning of benefit provision (in Bolivia in 2005) and investment practices (in Peru and Mexico in 2005) is ongoing. In this vein, collaboration within the International Social Security Association provides possible opportunities for further "good practice" knowledge transfer.

In recent years, a consensus on the role of individual account schemes has been reached by social and political actors. It is widely accepted that, in order to realize their social objectives, individual account schemes must be adequately complemented by public contributory or non-contributory pension benefits. To this end, major "re-reforms" have been conceived that treat individual account schemes as probably a good source – but not a sufficient source – of retirement income.

Suggested reading

Callund Consulting. 2004. *Protecting individual rights in privately managed retirement schemes: an international study*. Geneva, International Social Security Association. (Report of the *ISSA Initiative* "Strengthening social security", www.issa.int/engl/initiative/projects/2callund.pdf).

Mesa-Lago, C. 2006. "Private and public pension systems compared: an evaluation of the Latin American experience". *Review of Political Economy*, Vol. 18, No. 3, pp. 317-334.

Mesa-Lago, C. 1996. "Las reformas de pensiones de seguridad social en América Latina: Sistemas públicos, privados, mixtos y paralelos". *Estudios de la Seguridad Social*, No. 80. Geneva, International Social Security Association (Spanish only).

Müller, K. 2003. *Privatising old-age security: Latin America and eastern Europe compared*. Cheltenham, Edward Elgar.

Schremmer, J. 2005. "Recent policy trends in privately managed retirement provisions: What protection for individuals?", in Levinsky, R. and McKinnon, R. (eds.), *Social security: Toward Newfound Confidence*. Geneva, International Social Security Association.

The success of policies aimed at extending working life

Roland Sigg[1] and Valentina De-Luigi[2]

Introduction

Following several decades during which a consensus prevailed on encouraging early retirement, the challenge facing many industrialized countries is now one of how to succeed in keeping workers older than age 50 in employment. Extending the working life has become a strategic objective, particularly in the light of demographic ageing. The European Union and the Organization for Economic Co-operation and Development (OECD) have encouraged this new trend by publishing reports, making recommendations and sometimes setting specific targets (see Box 1).

Box 1. *Employment targets for older workers in Europe*

The increase in labour force participation of older workers is an integral part of the European employment strategy. In March 2001, the European Council of Stockholm set a target to increase the employment rate among workers aged between 55 and 64 years, in the European Union (EU), by 50 per cent. In 2005, eight of the 25 EU Member states had achieved this target.

The main reason for this change in policy relates to budgetary concerns facing industrialized countries, not least within the context of globalization. Countries face extremely high levels of expenditure on social security, and particularly their retirement and early retirement programmes. And in a situation of international competitiveness, stabilizing expenditure is a crucial objective. Another reason is linked to the sustainability of retirement pension schemes. Over the past 50 years life expectancy has continued to rise while birth rates have fallen. According to United Nations projections, by 2050, 26 per cent of the total population in the most developed countries will be older than age 65, and for every retiree there will be only two workers (in 1950, the ratio was one retiree to 10 workers; currently the ratio is one to four). Reforms are therefore essential in order to address a situation that will see more retirement pensions being paid and for longer. Finally, there is the question of economic growth. In a context of globalization, in order to maintain and stimulate growth, it is necessary to increase employment rates. Governments have understood that economically inactive workers aged between 55 and 64 years represent a significant underutilized work force. Nevertheless, in 2005, in the OECD area, only one out of two older people was in employment.

Older workers have thus been identified as a target for public interventions. Encouraging the recruitment of older workers and keeping them in employment improves public finances (public expenditures linked to early retirement decrease, whereas tax receipts increase), helps to offset the negative impact of ageing on economic growth, and increases the size of the working population.

[1] The author is member of the General Secretariat of the International Social Security Association (ISSA).

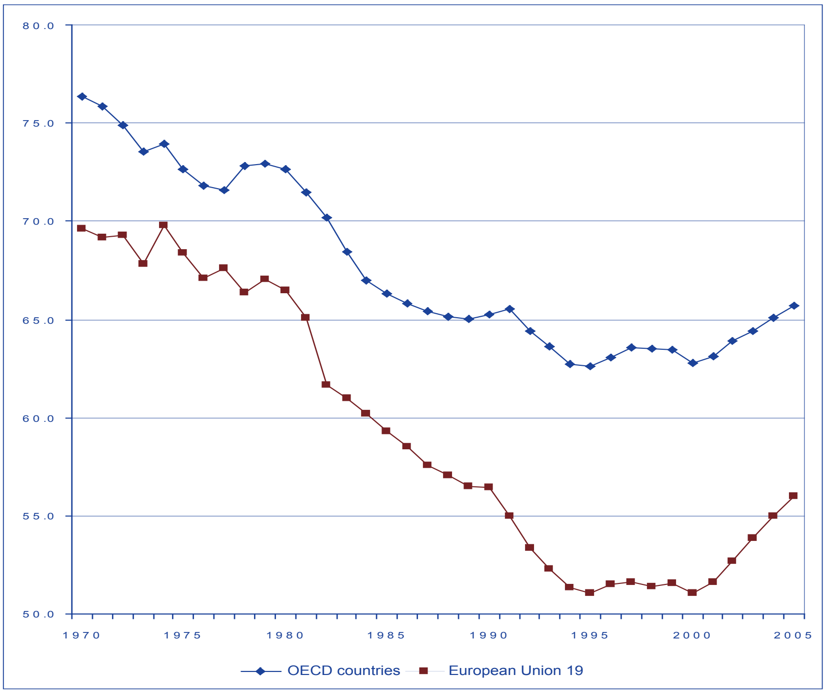
[2] Scientific collaborator at the Federal Office of Statistics; Neuchâtel, Switzerland and Consultant at the International Social Security Association (ISSA).

A reversal in trend

In the 1970s, almost 80 per cent of men aged between 55 and 64 years in all OECD countries were in employment. Since the 1970s, the labour force participation of older male workers[3] declined (see Figure 1), hitting its lowest point in 1995 (62.7 per cent). The fall in economic activity after the age of 55 is one of the most important phenomena of the past 25-30 years in all OECD countries (see Figure 2). The major reason for this fall is the widespread use of the possibility of early retirements; from the 1970s onwards, early retirement was perceived as a solution to employment problems (particularly youth unemployment) and was accepted by the social partners. In a number of countries in continental Europe, where social security schemes have been particularly generous, the labour force participation of men aged between 55 and 64 years was practically halved.

The decline in labour force participation among older workers appeared to be irreversible. However, from the mid-1990s onwards, a significant reversal in trend has been observed. This change in trend becomes apparent when the entire group of OECD countries is analysed (see Figure 1): around 1995, labour force participation starts to increase slightly, and continues to increase steadily from 2000 onwards. In fact, between 1995 and 2000, a total of 21 of the 30 OECD countries succeeded in increasing the labour force participation of male workers aged between 55 and 64 years (see Figure 3). This reversal in trend is particularly noticeable in certain countries (the Czech Republic, Finland, Hungary, the Netherlands, Slovakia), where labour force participation has increased more than 10 percentage points in the past decade. It is also significant in some countries within continental Europe where there had been a significant fall in labour force participation over a 25-year period (Belgium, France, Germany, Spain). However, in countries that experienced high rates of activity (Iceland, Japan, Switzerland), there has been no such reversal in trend, and they continue to have the highest rates of activity among OECD countries.

Figure 1. *Labour force participation of males aged 55-64 years, 1970-2005, OECD countries and European Union (19 countries)*

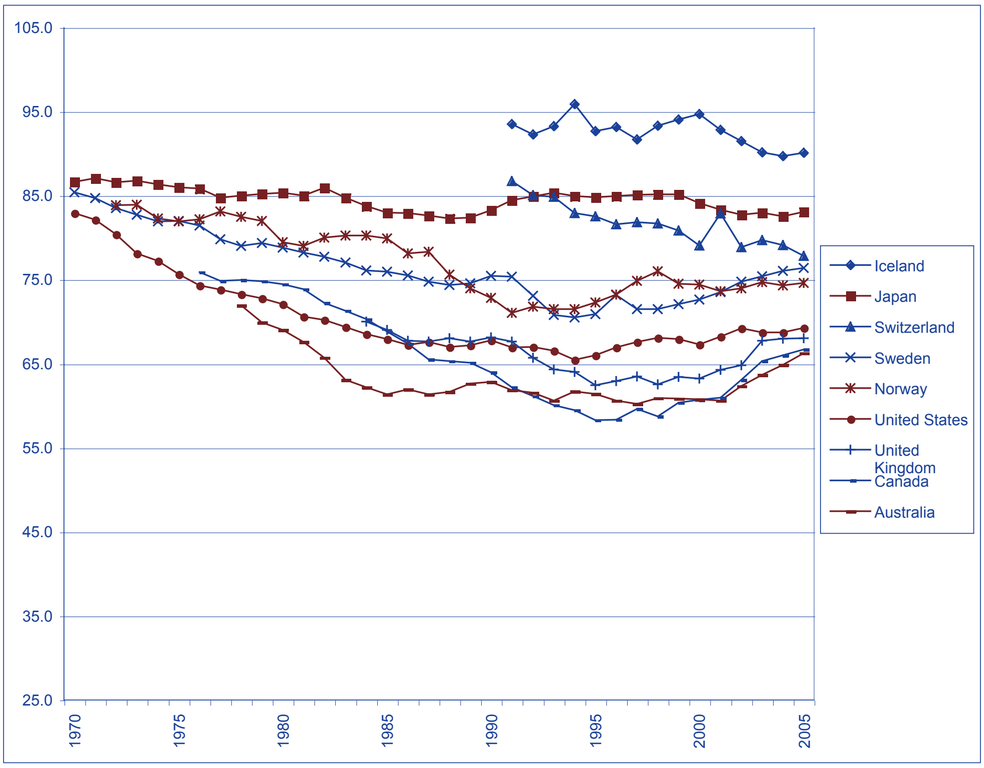


Source: OECD: Working population database.

[3] The point of reference here is labour force participation of males, because the labour force participation of older women has only increased since the 1970s. In so far as women are concerned, the phenomenon of early retirement has coincided with the emergence of a new generation of female workers in the labour market. Interpreting the trend in labour force participation of females (and of the global rate, which comprises both males and females) is therefore more complex.

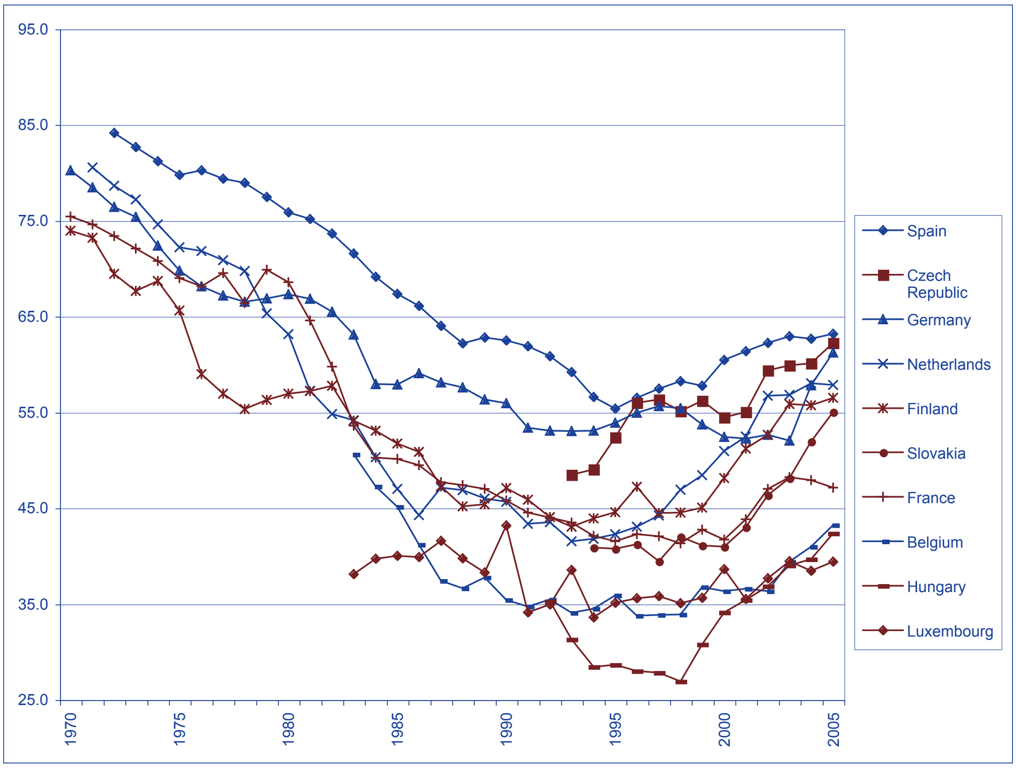
Figures 2a and 2b. *Labour force participation of male workers aged 55-64 years, in a selection of OECD countries that have registered an increase in older male workers since 1995*

2a.



Source: OECD: Working population database.

2b.

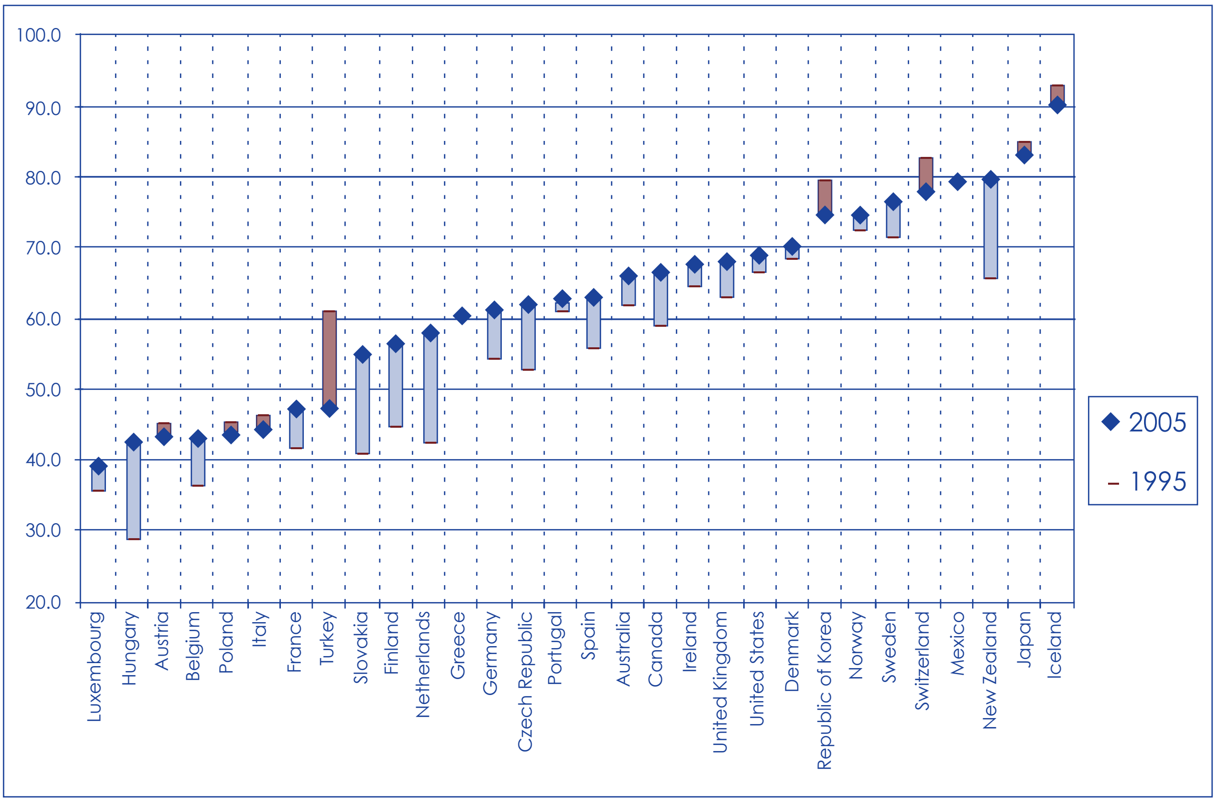


Source: OECD: Working population database

A change in trend is undoubtedly under way. Nevertheless, three aspects require highlighting:

- The size of the increase in labour force participation is dependent upon the initial labour force participation of a country: a "limited" increase of 2 percentage points for Denmark (where the labour force participation of older males is approximately 70 per cent) does not have the same significance as an increase of almost 14 percentage points for Hungary (where labour force participation is 40 per cent).
- There are still countries where, despite increased labour force participation, less than one older male in two is in employment (Belgium, France, Hungary, Luxembourg).
- Finally, despite the clear reversal in trend, the majority of countries have not succeeded in reaching the labour force participation levels of the 1970s.

Figure 3. *Changes in labour force participation of males aged 55-64 years, 1995-2005*



Source: OECD: Working population database

Explaining the reversal in trend

A change in trend is not a very common phenomenon in social security. Why, since the mid-1990s, have older workers been remaining in employment longer? One explanation frequently offered is the effect of economic growth. A strong economy increases employment opportunities for all workers (and, consequently, for older workers), whereas an economic crisis and high unemployment rates reduce the opportunity for workers to remain in employment, forcing them to take retirement.

Since mid-1990s, the majority of industrialized countries have experienced a period of relative growth, which could explain the increased labour force participation of older workers. Another potential explanation is the cohort effect: an increase in the population of one particular age group of older workers is likely to have an effect on the overall labour force participation of 55-64 year olds. In other words, an increase in labour force participation among the younger workers in the 55-64 age group will increase the overall labour force participation of older workers. A Eurostat study demonstrates that a 20 per cent increase in the employment rates of workers aged 55-64 years between 2000 and 2005 was attributable to the change in population age structure in Europe.

These two factors only partially explain the change in trend. Economic growth cannot sufficiently explain the more than 10-point increase in certain countries. And while there are undoubtedly some structural effects that are age-related, these differ from one country to the next in countries where there has been a significant increase in labour force participation among older workers. It is, therefore, necessary to look beyond these factors for the reasons behind this reversal in trend.

The first explanation is a change in attitude towards older workers. As far as public authorities are concerned, increasing labour force participation among older workers has a number of positive effects, the most important being a reduction in pension expenditure. Employers also seem to have realized that to release older workers prematurely costs the enterprise in terms of social planning. Also, it is difficult to replace older workers with younger workers.[4] Finally, there are strong indications that there is a significant change in attitude among older workers themselves. Reforms introduced to pensions systems no longer allow early retirement to provide a sufficient standard of living. Moreover, late entry into the labour market, resulting from longer periods of education and training, makes it more difficult to accumulate the required number of contributory years to be able to retire before the age of 60 years.

The second explanation behind this reversal in trend lies in the recent reforms introduced by countries. As will be seen, the increase in labour force participation has been encouraged by targeted public policies which have sought, in one way or another, to make it more difficult to take retirement and more financially viable to remain in employment.

Policies aimed at extending the working life

Policies introduced by enterprises to retain older workers can be split into three major categories: restrictive policies; incentive policies; and policies intended to promote a more positive image of older workers.

Restrictive policies

Restrictive policies are policies which target retirement pensions paid out by pension schemes to make them less generous. A frequently implemented policy has been to raise the retirement age, as in Japan, where the retirement age will rise from 60 to 65 years by 2030, and the United States, where the official retirement age will rise to 67 by 2027. Another way of reducing retirement pensions is to integrate the demographic factor into the pension calculation. For example, Finland, Germany, Italy, Norway and Sweden have introduced mechanisms that adjust pension rights to reflect increased life expectancy. Several countries are also in the process of adopting systems that take into account, when calculating pensions, the salary paid over the entire working life and not only the best or final salary (Austria, Portugal and Sweden, among others). The major objective of these reforms is to cap expenditure, but they also have a direct effect on retirement.

[4] Data presented in different studies demonstrate that there is a positive rather than a negative correlation between changes in the employment rate of young and older workers, which indicates that the two groups are not interchangeable. See OECD. 2006. *Live longer, work longer*. Paris, OECD Publications.

Other restrictive measures have specifically targeted early retirement systems. Several countries have withdrawn the possibility of taking early retirement or have made it more difficult to take (for example, Belgium, Denmark, Finland and Germany). A large number of countries have also made it more difficult to take *de facto* early retirement by curtailing access to unemployment benefits, disability benefits or long-term sickness benefits, which are often used as transitional payments leading to retirement pensions (Denmark and the Netherlands, among others).

Incentive policies

The objective of incentive or activation measures is to offer a framework that encourages older workers to remain in employment longer. A frequently implemented measure is one which introduces incentives for deferring retirement. For example, in Italy, until 2008, private sector workers who have the right to a full pension but who continue to work are exempt from paying basic pension contributions. Another way to encourage older workers to remain in employment is to introduce phased retirement, by means of a transitional period between full employment and complete retirement, which will allow workers to reduce the number of hours they work while at the same time enabling them to receive a compensatory pension. Austria, Norway and Spain have recently introduced phased retirement systems.

There are also activation measures that seek to improve working conditions or the training of older workers to enable them to access sustainable employment. In Australia, the objective of the National Occupational Health and Safety Strategy (in force from 2002 to 2012) is to reduce the number of occupational deaths and accidents. In France, the social partners concluded a national agreement in 2003 to increase the financial contributions by enterprises for occupational training.

Other incentive policies affect the labour market and frequently operate under the principle of "mutual obligations": older unemployed workers are obliged to actively seek work and, in response, governments provide them with employment services and career guidance. Australia, Canada and the Czech Republic have experimented with pilot schemes to increase older people's access to employment services, whereas Japan and the Republic of Korea have set up specialist agencies to help older workers back into employment. In the United Kingdom, the government programme to help unemployed workers aged 50 years or older provides individual counsellors and mentoring services to individuals who subscribe to the programme.

Activation policies also encourage employers to recruit older workers by subsidizing the salaries of older workers or allowing for a reduction in social security contributions. In Sweden, employers who recruit older workers on long-term contracts are entitled to a subsidy of up to 75 per cent of the older worker's salary. In Austria, employers are exempt from unemployment insurance contributions when they recruit a worker aged 50 years or older. Given that older workers find it more difficult to re-establish themselves in a career, some governments have imposed financial penalties on enterprises that dismiss older workers: the payment of a tax or increased social security contributions (for example, the Netherlands and Spain) or financial assistance to help workers find employment (for example, Belgium and the Republic of Korea).

Policies intended to promote a more positive image of older workers

A third type of policy challenges the stereotypical image of older workers. A frequently adopted measure is an information or public awareness campaign, such as the big media campaign launched in France in 2006 to change the image of older workers and to break definitively with the culture of early retirement. To complement these public information campaigns, codes of conduct have been introduced that specifically target employers and suggest good practice for age management in enterprises. In 1999, for example, the United Kingdom government published a *Code of Practice on Age Diversity in Employment* to assist employers in understanding the advantages of an older work force. Another way of tackling stereotypes is through age discrimination legislation. Currently, numerous countries have their own age discrimination legislation, following the age discrimination directive issued by the European Commission in 2000 that all EU countries are required to adopt.

Efficacy of national measures

An analysis of measures introduced on a national level reveals two major types of reform:

- The most common type of intervention has been to reform the pension system through policies that seek to cap expenditure by measures which are essentially restrictive and which have only a marginal impact on employment sector policies. This type of reform has been introduced in countries with substantial deficits in their pensions systems. These interventions enable labour force participation to be increased, and demonstrate that social security institutions are aware of the issues. However, they are insufficient to eliminate the obstacles to employing older workers.

- The second type of reform, which is much more ambitious and which has been introduced in a small number of countries only, seeks to trigger a real "cultural revolution" through a comprehensive employment policy that provides global support for older workers. Such reform encompasses both retirement and employment policies, and relies on the cooperation of the social partners. Countries which have followed this pathway have simultaneously introduced punitive, incentive and positive age-discrimination policies targeting workers, employers and the general public. This strategy, while more difficult to implement, appears to be more effective: countries that have implemented these policies have a considerably higher labour force participation of older workers (see Box 2).

Box 2. *Finland and the Netherlands: Successful comprehensive reforms*

Finland

In the mid-1990s, labour force participation of older workers in Finland was low, at around 40-45 per cent. The reasons for low participation were a series of factors related to both the economic recession of the 1990s and the opportunities for retirement offered by the social security system. However, between 1995 and 2005, labour force participation of men aged between 55 and 64 years rose by over 12 percentage points (see Figures 2(b) and 3). The rise in labour force participation was directly correlated with economic growth and, more importantly, as in the case of the Netherlands, with the comprehensive strategy introduced by the public authorities.

The principal intervention undertaken by the Finnish government, in cooperation with the social partners, was the introduction of a national programme to promote older workers (the national programme on ageing workers). The programme ran from 1998 to 2002, and its objective was to maintain the productive capacity of older workers, recognizing that older workers form an essential resource for the competitiveness of the country. The programme comprised some 40 measures, targeting both the general public and employers. These measures included an extensive information campaign to promote the advantages of employing older workers, amendments to occupational health and safety legislation, measures to promote vocational training, and actions to rehabilitate older unemployed workers. In 2003, the government introduced major reforms to the pension system in order to increase fiscal incentives for postponing retirement and reduce opportunities for taking early retirement. The measures adopted in Finland are interesting because they are simultaneously punitive, incentive and long term. They appear to have made extending labour force participation a more attractive option.

The Netherlands

The Netherlands recorded not only one of the sharpest drops in labour force participation of male older workers since the 1970s (from 81 per cent in 1971 to 42 per cent in 1993), but also the sharpest increase among OECD countries since 1995 (more than 16 percentage points). The fall in labour force participation is attributable to a generous social security system that has actively promoted early retirement through a range of pathways. The change in trend in the 1990s, while linked to economic growth, is the result of enterprise reforms that have sought to move away from collective insurance rights towards mechanisms that encourage labour force participation and prevent the loss of employment. Reforms started to be introduced in 1995 and involved a series of comprehensive actions which targeted employers, workers and the general public: anti-discrimination legislation, information campaigns, age-sensitive human resources management, promoting part-time working, withdrawal of early retirement options, and restricting access to unemployment and disability benefits. The Dutch approach has been marked by close cooperation between the public authorities, employers and trade unions. This has facilitated the drawing up of practical measures and a change in employers' attitudes towards older workers.

Opportunities and challenges

Extending working life, along with other measures, are essential in meeting the challenges of demographic ageing. An analysis of the reversal in trend in the labour force participation of older workers demonstrates that to successfully extend the working life, five objectives must be met.

- Countries must, first, envisage a comprehensive and integrated reform that will affect all aspects of social security (disability, unemployment, etc.) and beyond (labour market, training, discrimination, the working environment, etc.). Demographic ageing is a global problem and a response to this problem cannot be limited to changing the retirement system.

- Interventions could be punitive (to encourage workers to stay in employment longer) but, above all, should act as incentives. Where measures fulfill both these conditions, results are visible, not only in financial terms but also in the behaviour of older workers.

- It is important to have a long-term objective, in other words, to target not only the older workers of today but also the older workers of tomorrow. A new life-course approach should be adopted, which will enable work capacity and employability to be maintained throughout the working life.

- It should not be forgotten that older workers form an heterogeneous category in terms of profession, education, age group, health, family situation and remuneration. Consequently, policies which provide incentives to remain in employment should also provide exit strategies and safety nets.

- Finally, enterprises can play a significant role in encouraging older workers to remain in employment and in recruiting workers aged over 50 years. In future, it will be essential to rely on the cooperation of employers in conceptualizing and implementing policies.

An analysis of policies demonstrates that social security institutions have been dynamic in adapting to new social realities. In the majority of OECD countries, reforms have reversed the decline in the labour force participation of older workers. Much, however, still remains to be done. The majority of countries have yet to commit themselves to undertaking comprehensive reforms, and the global labour force participation of older workers is still very low.

Suggested reading

Guillemard, A.-M. 2003. *L'âge de l'emploi. Les sociétés à l'épreuve du vieillissement*. Paris, Armand Colin.

OECD. 2006. *Live longer, work longer*. Paris, OECD Publications.

Reday-Mulvey, G. 2005. *Working Beyond 60? : Key policies and practices in Europe*. New York, Palgrave Macmillian.

Integrated social security, dynamic social security?

Marie-France Laroque[1]

Introduction

The trend towards integration in social security systems has been visible for a number of years. Examples abound in all parts of the world, regardless of the institutional nature of social protection systems and the level of protection they provide. This raises a number of questions, which this chapter seeks to address. Should the trend towards integration be seen as a factor capable of making social security more dynamic, and therefore better able to address the challenges that confront it? How can integrated social security systems improve the effectiveness and governance of the administrations responsible for their management? Does integration present risks?

Different forms of integration

Analysis of the recent evolution of social security schemes reveals that the concept of integration has been applied to various types of situation. For instance, more integrated social security should lead to more uniform coverage of the population. In other words, it should lead to a less segmented system (based on socio-professional categories, for example) and to the suppression of special advantages accorded to certain groups under common law. It thus moves towards more uniform social protection for the population as a whole.

Integrated social security may also mean the inclusion within the same branch of risks that were previously treated separately, or that different risks are no longer so clearly distinguishable from each other.

Closer ties between social insurance and social assistance systems, or the merging of these systems, may also be seen as a form of integration. Finally, changes in how we define social risks can also often lead to the merging of administrative structures.

Less segmented social security

The merging of schemes

Whatever the age of a national social security system or the historical context which led to its development, several systems often co-exist, each one covering a particular population group. This socio-professional segmentation,

[1] The author is Director of the Regional Office for Europe of the International Social Security Association (ISSA), Paris, France.

created to cater for labour market particularities which no longer exist or are no longer justified, cannot easily guarantee equitable treatment. A division into several schemes has other disadvantages. It may not favour the long-term survival of schemes with a narrow demographic base. And the relative administrative complexity of segmented systems requires considerable investment in terms of information, computer technology, and legal and administrative coordination mechanisms in order to ensure that members who are covered by several schemes do not lose their acquired rights.

Although the trend towards consolidation is not universal, it is apparent in a large number of countries. In some cases, schemes that cover different groups for the same risk may be merged, albeit without going so far as to provide a single scheme for the entire population. In 2006, for example, the Finnish Parliament adopted legislation to provide one law for all private-sector pensions. The new legislation replaced three previous Acts, but left in place the special pension schemes for the self-employed, agricultural workers, seafarers, and government and local civil servants. In Nigeria, the 2004 Pensions Reform Act set up a new contributions-financed individual-account pension scheme for salaried workers in both the private and public sectors. This scheme replaces the civil service retirement scheme and the Nigeria Social Insurance Trust Fund, which ran the contributory scheme for employees in the private sector. A national pension commission will coordinate the pension scheme. In Zambia, the pensions schemes for employees in the private sector, including agricultural workers, and employees in the public sector and the local authorities have been merged under the aegis of the National Pension Scheme Authority. Previously, in 2000, Zambia had merged the Pneumoconiosis Compensation Fund with the Workers' Compensation Fund, and harmonized legislation. As shown above, the trend most frequently involves the merger of schemes which previously provided separate cover for the private and public sectors.

Other countries are also eager to move towards universal coverage and are considering reforms involving the introduction of a single scheme for the whole population. In Ghana in 2004, for example, a presidential committee recommended the replacement of both the Social Security and National Insurance Trust, which covers workers in the private sector and certain civil servants, and the pension scheme introduced under earlier colonial legislation for civil servants. As proposed, all Ghanaians would have access to a new system administered by a single national body.

Another example is Tunisia, which in 2005 adopted an Act to restructure its sickness insurance system. The existing statutory schemes are to be replaced by a compulsory basic scheme and voluntary supplementary schemes, in order to provide a more coherent system of basic and supplementary protection. The National Sickness Insurance Fund *(Caisse nationale d'assurance maladie)* will be responsible for the management of both the new system and the scheme covering work injury and occupational diseases. Under certain circumstances, it may also administer supplementary schemes. The collection of contributions, however, remains unaffected by the reform. It continues to be the responsibility of the social security funds responsible, respectively, for the public and private sectors.

Closure of special schemes

The legislature may decide to close down schemes that provide special advantages for certain groups – for example, a lower retirement age or more advantageous methods of calculating retirement pensions – where these are no longer considered acceptable. In this vein, a pensions reform law in Colombia provides for the early discontinuance of the special schemes, with the exception of the one which provides cover for the armed forces. In Jordan, recruits who joined the armed forces after 2003 are covered by social security legislation instead of the Military Pensions Act. In Peru, the adoption in 2004 of a Pensions Act permanently abolished the special pensions scheme for new recruits to the civil service. In the late 1990s, Luxembourg integrated civil service pensions into the scheme providing pensions for the private sector, while continuing to respect certain particularities.

A variation on this theme is the absorption of one scheme by another. This approach is most frequently used to guarantee the future of retirement schemes whose demographic base has become or is becoming too narrow as the result of an insufficient number of contributors vis-à-vis beneficiaries. Widening the coverage pool can create problems, however, since more or less favourable rules may apply to the scheme that is to be absorbed. Careful actuarial assessments are required in order to maintain members' acquired rights while avoiding the creation of unacceptable differences between members joining the scheme before and after the reform, as well as between those belonging to the two different schemes. As a result, mergers frequently lead to the payment of compensation to address differences in entitlements. In France, where one of the characteristics of the system is the large number of juxtaposed retirement schemes, there have been several such mergers in recent years.

Combining risks within one branch

Policies aimed at encouraging workers to enter or re-enter the labour market after a period of sick leave, disability or inability to work may lead to a blurring of the traditional distinctions between sickness, disability and unemployment benefit programmes. The United Kingdom Pathways to Work programme is an illustration of this (see Box 1). Another example is the Swedish reform which abolished disability insurance, or rather included it in health insurance (see Box 2).

Box 1. *The reform of the United Kingdom social security administration*

In the United Kingdom, the Department for Work and Pensions was created in 2001 by merging of the old Ministry of Social Security with the Department of Employment of the Ministry of Education and Employment. The new ministry is responsible for employment, equality, benefits, pensions and child welfare.

In addition to introducing structural changes, this reform demonstrates the political search for a different approach to the employment issue. The aim is to introduce a one-stop shop for employment, advice on benefits, and welfare. The nationwide Jobcentre Plus programme is intended to provide: an efficient service to fill vacant jobs; a pensions service to provide information and assistance to current and future pensioners; and an efficient child welfare system. The introduction of this service replaced category-based benefits with a problem solving approach encompassing employment, replacement income in the absence of employment, and direct and indirect assistance in job-seeking.

Jobcentre Plus provides support for the Pathways to Work programme that was launched in 2003 and will be universally introduced throughout the country in 2008. The aim of this programme is to reintegrate a large proportion of those receiving disability benefits, the number of which has boomed over the past decade, into the labour market. The previous disability pensions and guaranteed income support have been replaced by an employment and assistance benefit that varies over time and according to the assessed working capacity of the individual involved. Beneficiaries are offered skills assessment, personalized follow-up and assistance. Their benefits are reduced if they fail to meet their obligations with respect to interviews and action plans. This programme reverses the traditional approach; the amount of assistance is no longer calculated according to the degree of incapacity of the beneficiary but on the beneficiary's residual ability to take up employment. The programme provides a mixture of benefits in cash and in kind.

Box 2. *Swedish social insurance reform 2003 and 2005: Clear and ambitious objectives concerning administrative structures and benefits administration*

In 2005, Sweden undertook a far-reaching reform of the administrative structure of its social insurance system. A single public body, the Swedish Social Insurance Agency (Försäkringskassan), has replaced the National Social Insurance Office (Riksförsäkringsverket) with its 21 independent regional offices. The reform had a number of aims: to ensure greater coherence in the processing of claims, through a more even-handed application of the legislation; to develop a public service culture in its activities; to strengthen monitoring and improve transparency; and to halve the number of days of compensated sick leave between 2003 and 2008.

This was not the first attempt to quasi-nationalize and merge social insurance funds but the impetus on this occasion came from an enormous increase in long-term sick leave.

The Agency faces many challenges. In terms of organization, it must smooth out the differences in administrative style between the previous administrations that have merged, and it must introduce a joint human resources policy. At the same time, it must review the way in which long-term sick benefits are handled, through a careful study of rights, and develop policies to help beneficiaries return to the labour market – thus also helping reduce social exclusion.

In 2003, disability benefits were combined with sickness insurance and more closely linked to loss of income. Unlike under the previous system, sickness benefits are now paid together with "activities benefits" for those younger than 30 years of age. The Agency proposes or coordinates activities to prepare beneficiaries to enter or return to the labour market.

Other countries such as Luxembourg and the Netherlands have also modified their disability insurance by introducing time-limited benefits, which can be partly cumulated with a salary or paid alongside rehabilitation benefits. The Dutch reform, in particular, blurred the boundaries between sickness and disability insurance by, in 1996, increasing an employer's obligation to maintain salary payments in the event of work disability from three or six weeks to 52 weeks. This period was increased, in 2004, to 104 weeks or even three years under certain circumstances. Alongside this, a further reform in 2006 partly disassociates the amount of the partial disability pension from previous salary. The effect of this change is to bring the disability pension closer to a guaranteed income, particularly for the unemployed.

In all industrialized countries that have special insurance for occupational diseases, the rapid growth of such diseases – and the difficulties in ascertaining the occupational nature of the causes of these diseases (in particular, certain types of cancer or stress) – provide food for thought on a possible change in the practice of providing different benefits depending on whether or not the insured risk has an occupational origin.

The fusion of social security and social assistance

In countries where Bismarckian principles underlie the social security system, the distinction between social security and social assistance is clear. But this is not always the case elsewhere. Specifically, several developments have led to confusion between these two concepts. On the one hand, means testing is being gradually applied to many social security benefits or benefit amounts may vary according to the beneficiary's income. On the other hand, to provide a better response to the needs of the population, combined services are increasingly being introduced that provide several types of benefit.

Germany has reformed its unemployment compensation scheme, and merged its social assistance and unemployment insurance to form a second, single unemployment benefits scheme *(Arbeitslosengeld II)*. This system is financed from taxation and replaces the previous contributory scheme. As a result of this reform, the right to social assistance has now been included in the Social Code.

Another recent example is the People's Republic of China where, in 2005, the scheme to provide guaranteed minimum subsistence income for employees in public enterprises who had been laid off was merged with the unemployment insurance scheme. Thus a social assistance programme and an insurance programme were merged to better ensure sufficient financial resources, not least since the insurance scheme did not have sufficient resources to cover mass lay-offs.

The Directorate of Labour and Welfare *(Arbeids- og velferdsdirektoratet)* was set up in Norway in 2006 to replace the National Insurance Administration and the Labour Market Administration. This is the first step of a process which is expected to lead, in 2010, to a joint service combining local social services with the national employment and social insurance services. The joint service will be present in each municipality and will provide social assistance, assistance to the unemployed, and social security benefits.

Combined management structures

Integration of structures

Albeit without modifying the regulations concerning benefits, a major reform in Germany in 2005 completely changed the structure of the country's pensions insurance and put an end to the historical distinction between schemes for white-collar and blue-collar workers. As a result, all those covered by social insurance are now part of the same insurance pool, although claims are processed by different funds. Within the framework of the reform, several schemes have been combined. At the federal level, the *Deutsche Rentenversicherung Bund (DRV Bund)* incorporates the Federal Insurance Institute for Salaried Employees (*Bundesversicherungsanstalt für Angestellte*) and the German Pension Insurance Association (*Verband Deutscher Rentenversicherungsträger*), while the *Deutsche Rentenversicherung Knappschaft-Bahn-See* combines the three former special funds for miners, seafarers and railway workers. The German regional funds still remain, but some have already merged and others will be combined. The law allocates insured people to these different organisms in the following proportions: 55 per cent to the regional funds; 40 per cent to the *DRV Bund*; and 5 per cent to the joint fund for miners, railway workers and seafarers.

In 2006, the Turkish Parliament adopted a reform merging the three main social security organisms: the Pension Fund for Civil Servants, the Social Insurance Institution for Workers in the Public and Private Sectors and the Social Insurance Organisation for the Self-Employed. It also adopted legislation to introduce a universal sickness insurance scheme, which will replace several separate schemes.

Slovenia is considering the creation of an autonomous structure to manage insurance for occupational risks. Occupational risks are currently covered by the Institute for Pensions and Disability Insurance and by the Institute for Health Insurance.

The Slovakian Social Insurance Agency, which manages social insurance, was in 2004 also made responsible for the management of the unemployment benefits programme. This programme was previously the responsibility of the National Labour Office.

Following the reform in 2005 that established a single public body, the Swedish Social Insurance Agency *(Försäkringskassan)*, the Swedish Government is now considering a merger of the administrations responsible for the management of the compulsory retirement schemes belonging to the first pillar, i.e. the individual notional accounts currently managed by the Premium Pension Authority *(Premiepensionsmyndigheten)* and the social insurance programme currently managed by the Social Insurance Agency *(Försäkringskassan)*.

This observed trend affects not only the management bodies supervised by the ministries, but also the ministries themselves (see Box 3).

Box 3. *Restructuring of social security administrations*

In 2005, Australia introduced a structural reform aimed at improving efficiency by grouping six agencies under the Department of Social Services: Centrelink; Health Insurance Commission; Child Support Agency; Health Services Australia; Commonwealth Rehabilitation Services; and Australian Hearing. The main objective was to increase the flow of Centrelink clients towards the Job Network, a national network comprising placement agencies for the unemployed, and to speed up procedures that support employees who are victims of work accidents.

In Norway, the responsibilities of the Ministry of Social Affairs and the Ministry of Labour have been combined and brought under the authority of a new Ministry of Labour and Social Affairs.

In Portugal, the new Ministry of Labour and Social Solidarity is responsible for all issues concerning employment, work, vocational training, social security and social action.

The introduction of joint administrative mechanisms

Without going so far as to merge administrative structures, the aim of certain changes has been to combine the administrative processes for different schemes. By better linking different schemes, such changes not only help pave the way for future mergers, but also simplify procedures for insured persons and contributors, and ensure a better service. In Colombia, for example, a single form was introduced in July 2005 for the payment of contributions by employers to public and private pension schemes, health schemes, occupational risk schemes, and apprenticeship programmes, as well as family allowance funds. This integrated procedure, and the administrative streamlining it has brought with it, should reduce the volume of unpaid contributions.

The French Social Scheme for the Self-Employed *(Régime social des independents (RSI))* provides another example. It comprises a merger of schemes, the grouping of management bodies and the introduction of joint administrative procedures with other schemes (see Box 4).

Box 4. *France: A symbolic and complex merger*

In 2006, the Social Scheme for the Self-Employed *(Régime social des independents (RSI))* was introduced in France to replace the two pensions schemes for artisans and shopkeepers, and the health insurance scheme for the self-employed. The reform did not change the status of the retirement and disability scheme for the self-employed or the social security scheme for agricultural workers, and thus did not aim to create a single scheme for all non-salaried workers. However, in a country where socio-professional status is still a fundamental aspect of the social protection system, it nonetheless constitutes an extremely significant development.

The creation of the RSI is an interesting example of multiple integration. In addition to merging the three schemes providing health insurance, and disability, death and retirement benefits, the plan is to transfer responsibility for collecting contributions from self-employed workers to the bodies which collect contributions from salaried workers. Compliance enforcement will be left in the hands of the RSI. The advantage of these arrangements is felt to be that they respect the particularities of an occupational group perceived as having social protection needs that differ from those of salaried workers, while making use of the greater resources of the salaried workers' scheme.

A qualified success

Increased administrative flexibility to make social security more responsive

It needs no repeating that the creation of a social security scheme that is accessible to the entire population is obviously desirable. Whatever the real level of protection provided, the fact that there is no a priori distinction between social groups confers a certain degree of stability and solidarity, while also avoiding or reducing the risk of unequal treatment. Merging schemes should help make rights and obligations easier to understand, and should also make schemes more financially sustainable.

An integrated social security system facilitates more sensitive management of policies in so far as it can offer a wider range of complementary means of action and achieve greater synergies between policies. It also makes it more difficult to implement policies with a single objective without taking into account the potential adverse side-effects that may occur elsewhere. For example, an attempt to consolidate the future of a retirement scheme by raising the retirement age would also have to take care not to increase the numbers of unemployed older workers, disability pensioners or people on long-term sick leave.

Finally, the centralization of decision-making and management structures should improve responsiveness, and better guarantee the coherence of decision-making in general.

More effective functioning

Consolidation within one administration body is not merely a source of financial savings. It should also improve the quality of the services provided by shortening the processes and reducing the risks of duplication or gaps. Communication and information technologies that facilitate the development of a one-stop shop can provide easier access to services for beneficiaries and help to ensure that they will receive all the benefits to which they are entitled.

One objective in restructuring the German pensions insurance scheme was to improve efficiency by including all those insured within a single structure, while maintaining a degree of autonomy on the part of the *Länder* and using the human resources available throughout the whole national territory. A further objective was to reduce operating costs by 10 per cent. Structural reform in Sweden also aimed to increase efficiency in processing benefit claims.

Risks and limitations

Alongside the numerous examples of scheme mergers, the grouping of administrative structures and the integration of risks, there are some examples which seem to indicate a move in the opposite direction. Romania, for example, has decided that, from 2006 onwards, certain cash benefits hitherto provided by the public pensions system should be managed and financed by different structures: the single, state-run National Social Insurance Health Fund; and the regional administrations for employment, social solidarity and family. As another example, Slovakia has split the previously unified pensions insurance system into two separate sections: old age and disability.

It is important to note that not all mergers have been unqualified successes. Some have encountered difficulties (see Box 5). A further risk is that legislative provisions may be changed where schemes are merged, which may lead to a reduction in previous levels of protection.

Box 5. *Problematic mergers: Austrian and Indonesian examples*

The merging of several schemes that provide cover for different population groups is not always a simple matter. In Indonesia, for example, the law on the national social security system, promulgated in 2005, required fairly lengthy preparation. The first plan was simply to merge the four existing schemes (PT JAMSOSTEK for the formal private sector, PT ASABRI for the armed forces and the police force, and PT ASKES and PT TASPEN for health insurance and pensions insurance for civil servants) into one national body. However, the parliamentary debate indicated that these schemes should be kept alive, although subject to the new legislation.

In Austria, the old age insurance schemes for salaried employees and workers were merged and placed under the authority of one management structure in 2003. A second reform, although prepared at length, has met with much greater difficulties. A merger between the Social Security Institution for Commerce and Industry *(Sozialversicherungsanstalt der gewerblichen Wirtschaft)* and the Social Insurance Bureau for Agricultural Workers *(Sozialversicherungsanstalt der Bauern)* has in fact been approved, but the new structure, the Social Insurance Office for the Self-Employed *(Sozialversicherungsanstalt der Selbständigen)* is having a hard time emerging. Its introduction was originally planned for 2006 but has been postponed to 2009 because of the opposition of the Austrian Medical Association *(Österreichische Ärztekammer)* to additional measures which affect existing agreements on medical tariffs.

The main risks inherent in the grouping of structures seem to be associated with size. The large size of a merged structure may constitute an obstacle to efficient management, despite that being one of the main objectives of the mergers. Also, the merging of covered risks may pose an entirely different problem. The standards laid down in International Labour Organization Convention 102 and the European Social Security Code are based on a "traditional" approach to the definition of risks. These standards may become irrelevant if certain risks are redefined.

Conclusions

The modern world is subject to extremely rapid changes, and their effects on the population are not always positive. Since social security is one of the most effective tools to remedy these adverse effects and care must be taken not to constrain its ability to adapt rapidly to new contexts. The main features of what the ISSA defines as Dynamic Social Security are integrated, practive and forward-looking policies that aim at building accessible and sustainable social protection systems that not only provide protection, but also encourage prevention and support rehabilitation. These policies are of vital importance in better ensuring socially inclusive and economically productive societies. The various forms of integration described in this chapter are one element of dynamic social security that will require careful attention in the coming years.

Suggested reading

Bockting, A. 2007. *Changes in the legislation of disability in the Netherlands*, document presented at the ISSA European Regional Meeting, "Inclusion in working life", Oslo, 15-16 May 2006, also available in French: *Changements dans la législation sur l'invalidité aux Pays-Bas* www.issa.int/fren/homef.htm; www.issa.int/engl/homef.htm; also available in German: *Veränderungen der niederländischen Gesetzgebung zur Erwerbsunfähigkeit*; www.issa.int/germ/homef.htm.

Council of Europe, Committee of Experts for social security (CS-SS). 2006. "Social security in Europe at the dawn of the new century". *Addendum to the ILO report, Réf. CS-SS (2006)3*, Council of Europe, Strasbourg; www.coe.int/t/dg3/socialpolicies/socialsecurity/default_fr.asp;
also available in French: "Sécurité sociale en Europe à l'aube du nouveau siècle".
www.coe.int/t/dg3/socialpolicies/socialsecurity/default EN.asp?

Dünn, S. 2006. Organizational reform of the statutory pension insurance in Germany, document presented at the ISSA European Regional Meeting, "Social security reforms: Empowering the administrators", Vilnius, 17-19 May 2006, also available in French: *La réforme de l'organisation de l'assurance pension en Allemagne*, www.issa.int/fren/homef.htm; also available in German: *Die Organisationsreform der gesetzlichen Rentenversicherung in Deutschland*, www.issa.int/germ/homef.htm.

Fort, C. 2006. "La prise en charge du handicap aux Pays-Bas", *Etudes et résultats, No. 468*, www.sante.gouv.fr/drees/etude-resultat/er468/er468.pdf.

Lender, A. 2006. *From 22 to 1. The new Swedish Social Insurance Agency*, document presented at the ISSA European Regional Meeting, "Social security reforms: Empowering the administrators", Vilnius, 17-19 May 2006, also available in French: *De 22 à 1. La nouvelle Agence suédoise de la sécurité sociale* www.issa.int/fren/homef.htm; also available in German: *Von 22 auf 1. Das neue schwedische Sozialversicherungsamt*, www.issa.int/germ/homef.htm.

Department for Work and Pensions (DWP). 2005. *Five Year Strategy – Opportunity and security throughout life*. London, DWP, London, www.dwp.gov.uk/publications/dwp/2005/5_yr_strat/pdf/chapter8.pdf.

Department for Work and Pensions (DWP). 2002. *Pathways to work: Helping people into employment. London,* DWP, www.dwp.gov.uk/consultations/consult/2002/pathways/pathways.pdf.

ISSA • AISS • IVSS
1927-2007

ISSA - Case postale 1
CH - 1211 Geneva 22
T. (+41-22) 799 66 17
F. (+41-22) 799 85 09
E-mail: issa@ilo.org

www.issa.int

Conception : 100WATT - 04 50 57 42 17