

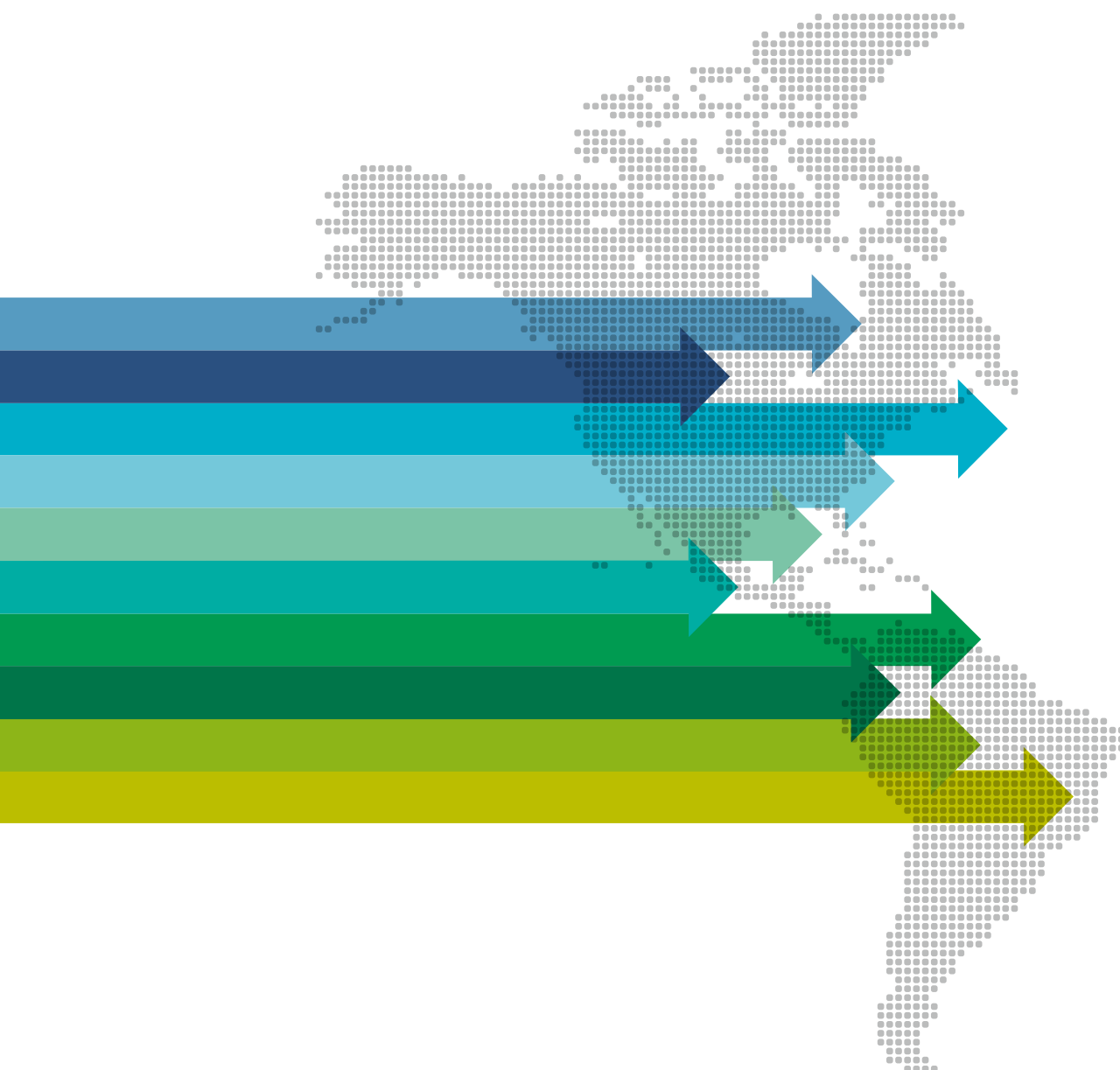


issa

INTERNATIONAL SOCIAL SECURITY ASSOCIATION

# 10 GLOBAL CHALLENGES FOR SOCIAL SECURITY

## AMERICAS





# 10 GLOBAL CHALLENGES FOR SOCIAL SECURITY AMERICAS

The **International Social Security Association** (ISSA) is the world's leading international organization for social security institutions, government departments and agencies. The ISSA promotes excellence in social security administration through professional guidelines, expert knowledge, services and support to enable its members to develop dynamic social security systems and policy throughout the world. The ISSA was founded in 1927 under the auspices of the International Labour Organization.

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# FOREWORD

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

The global community of social security professionals and experts that make up the membership of the International Social Security Association (ISSA) is committed to sustaining and further extending social security protection in line with the objectives of the United Nations Sustainable Development Goals for 2030. In order to reach this ambitious objective we need to better understand the challenges that we face and develop appropriate responses.

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

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

Population ageing is ranked as the top challenge for member institutions in the Americas, with health care challenges ranked second. The third-ranked challenge is the coverage gap.

These top-ranked priorities for action indicate first and foremost a widely shared demand for access to social security and health care programmes that are adequate and sustainable in the context of population ageing.

How countries can best meet this demand will be one important point of discussion at the ISSA 2017 Regional Social Security Forum for the Americas.

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

While the outlook for social security is a positive one, it is evident that to respond to current and future challenges requires the further development and sharing of innovations, good practices and solutions by social security institutions. And to support this, the ISSA is your privileged platform and partner.

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

*Hans-Horst Konkolewsky*  
Secretary General

# INTRODUCTION

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

## | CAPTURING THE OPINIONS OF ISSA MEMBER ORGANIZATIONS

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

With a response rate among ISSA member institutions in the Americas of 60 per cent, the survey gives a unique insight into the reality of social security administration in the region, and the nature of the challenges institutions face. Obviously, the particular relevance of each challenge, and the policy priority given to it, depends on regional and country specificities and constraints.

## | RANKING THE PRIORITY CHALLENGES

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

The world's population is ageing: practically every country in the world is experiencing a rise in both the number and share of older people in their population. Increasing life expectancy compounded by declining fertility rates will have far reaching consequences for social security systems. The political drive in the Americas to not only guarantee minimum acceptable living standards for the ageing population, but also to successfully extend adequate social security to all, will require innovation in social security administration. In many countries, this will entail new strategies to enhance service quality and to make programme financing robust. Reflecting this, the three top-ranked challenges identified by respondents in the Americas confirm the primacy of ensuring universal access to sustainable and adequate social security and health care coverage.

Increasing life expectancy does not always go hand in hand with a corresponding increase in healthy life expectancy. And although the region is moving towards universal health coverage, health costs continue to rise. With a commitment to the United Nations 2030 Sustainable Development Goals (Goal 3: Good Health and Well-being) and the progressive

implementation of improved access to affordable health care as part of national floors of social protection, the financing of health and long-term care systems will have to compete increasingly with other budgeted priorities. Policy responses will also be required to meet the growing demand in society for both formal and informal care providers.

Despite (near-)comprehensive legal coverage in many of the region's countries, some population groups remain more difficult to cover than others. A particular challenge is to better cater to the needs of many workers engaged in informal and rural economies. In a number of countries, tax-financed mechanisms as well as innovative approaches to contribution collection have played a pivotal role in bridging coverage gaps, yet inequalities and income insecurity persist. The extension of sustainable and adequate social security in the region requires a more holistic strategy that takes in account national demographic, social and labour market realities.

## **| THE IMPACTS OF THE DIGITAL ECONOMY ON SOCIAL SECURITY SYSTEMS**

The survey responses draw attention to the impacts of the digital economy on social security systems in the Americas. Across the Americas, it is not fully clear what the implications of increased automation and robotization will be for the region's diverse labour markets. However, the risk of labour market distortion is real. As regards the external impacts, the results reveal that changing labour markets and increases in non-standard forms of employment may erode the financing base of contributory social security programmes. In this regard, many social security programmes in the region will continue to depend heavily on fiscal resources. It is anticipated that the needs and expectations of insured persons and beneficiaries will change. In response, social security programmes must evolve.

With regard to the internal impacts of the digital economy on social security administrations, the priority challenge is the need to automate business processes. Other priorities are to develop human resource capacities in response to changing job demands, the adoption of new service delivery models, and the identification of and investment in new technologies and operating systems.

These new insights concerning the challenges facing social security administrations in the Americas are important, as they will help guide the identification and putting in place of appropriate responses. Future regional surveys of ISSA member institutions will permit the ISSA to track the development and success of national and regional responses to the identified ten challenges facing social security worldwide.

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



# CHALLENGE 1





## Population ageing

Population ageing is a reality in the Americas, albeit with national and sub-national variations. To ensure the financial sustainability of social security programmes and to meet the needs of all people in ageing societies, national systems of social security must complement their protective role with strengthened investments in health, employment and empowerment. The response requires better coordinated social security systems that protect and support people through tailored measures throughout their lives.

The populations of the countries of the diverse region of the Americas (the Caribbean, Central America, North America and South America) are ageing, with falling fertility rates and the share of persons aged 60+ growing. Moreover, the structure of the older population is changing, with a continuing increase in the proportion of persons aged 80+. Population projections assume that fertility across the Americas will continue to decline, approaching the replacement rate of around 2.1 births per woman necessary to sustain current population levels in all sub-regions by around 2040. As one measure to highlight the implications of these trends, in Canada the size of the population aged 65+ is already greater than the population younger than age 15.

In Latin America and the Caribbean, the speed of demographic ageing will be unprecedented.

By 2030 in Central and South America the population aged 60+ will be 2.5 to 3.5 times more numerous than in 2000. Projections suggest that the share of Latin America's population aged 65+ will triple mid-century, from 6.3 per cent in 2005 to 18.5 per cent in 2050. Meanwhile, Latin America's median age will climb from 26 to 40. As of 2050, Brazil, Chile and Mexico are likely to have an older population profile than the United States.

In comparative terms, the ageing process in Latin America and the Caribbean is two to five times more rapid than that of the United States. To a degree, the relatively slower pace of population ageing in the United States in recent years has been influenced positively by immigration patterns. Specifically, the average age of migrants tends to be younger than the domestic population and positive net ►►



immigration has helped counterbalance the country's low fertility rate.

## THE CHALLENGES OF AGEING

Population ageing will impact the demand for social security and health care and also lead to relatively reduced levels of contributions and increased social expenditures. To maintain the levels of public finance that are increasingly necessary to help finance many social protection programmes, it is necessary for public authorities to support national economic output, increased productivity and improved levels of formal labour force participation.

Faced with greater population ageing, the challenge is to ensure financially sustainable social security systems that continue to provide adequate levels of income security and services. In turn, to meet the challenge of satisfying public demands for intergenerational equity as well as high service quality, efforts to provide income security and needed care for growing numbers of older persons must be balanced with investment in younger generations.

All this must be achieved while also adapting social security systems to the evolving needs of all population groups. Progressively more flexible life courses and increased labour market mobility are challenges for the adequacy of many old-age retirement schemes in particular, which were often designed to reflect stable linear working careers and nuclear family structures.

In many economies, the gap in formal employment rates between men and women is narrowing. Facilitating higher rates of female employment should make a contribution to stronger labour output in ageing societies and provide the basis for further economic development and growth and the empowerment of women. It will also make an important contribution to the sustainability of social security systems, including pension schemes. In respect of these challenges, international experience shows that social security systems can actively support families to achieve a better and more productive work/life balance.

In spite of political commitment and the resultant increase in coverage across the region, access to adequate social security protection is

neither universal nor equally spread. For some of the region's less developed economies, population ageing may occur in the absence of comprehensive social security benefits and universal access to health care. The risk of poverty in old age remains a major challenge in some countries of the Americas. In all countries, care challenges are likely to intensify both for informal family care and formal care systems.

## RESPONSES TO AN AGEING WORLD

Current reform responses to ageing indicate an evolution of the core parameters of social security systems.

**Pension systems.** In view of the ageing-related sustainability challenges posed to pension systems, increases in retirement ages have recently been announced in a number of countries (e.g. Barbados, Colombia, Cuba, Dominica, and Saint Lucia). While in Canada there are no current plans to raise the age of retirement above 65, the United States is progressively raising its pension age, from age 66 to age 67. Brazil is considering wider pension system reforms, including raising the pension age. More generally, some social security benefits and services are being better targeted, not only to protect the elderly but to develop the human capital of, and future opportunities for, younger people.

There are concerns that rates of old-age poverty may increase as more workers, whose careers may have been predominantly in non-standard, low paid or irregular employment, approach retirement. For the Americas, the importance of informal employment in many countries' labour markets is another key factor. A common response is to provide at least a basic income for all people of pension age. Universal solutions, such as in Canada where the rate of poverty in old age used to be very high and is now one of the lowest among OECD countries, may be increasingly considered. In 2016, Argentina created a universal pension (*Pension universal al adulto mayor*) for people aged 65+.

**Health care systems.** Over and above supporting the well-being of all generations, investments in reducing health risk factors and in improving access to health care are



essential to create healthier, more inclusive and more productive societies. Many countries are strengthening action to support health promotion and the early detection of risk factors, as well as improving access to well-structured and coordinated health care services.

Specific developments in health care systems that help respond to the complex challenges of ageing include programme streamlining to reduce inefficiencies, a greater focus on prevention and health promotion, and offering adapted services for persons with chronic conditions, noncommunicable diseases or long-term care needs. Brazil and Mexico, for instance, have developed strategies to improve awareness of the health impacts of hypertension, particularly for the elderly. Higher awareness is expected to increase demand among the older population for treatment. Mexico has also improved access to diabetes treatment, a common need for older people. Such responses to the growing incidence of chronic health conditions are essential for well-being throughout life and to ensure accessible and sustainable health care systems.

**Caregiving.** An increasing number of elderly people will require full-time care. As one response, offering contribution credits to unpaid carers could be considered. Chile's pension system provides a credit to women for raising children, which suggests that the design of a

similar mechanism for elder care provision is feasible. Although public finance decisions will be determinant, such an approach could help support people's care needs and strengthen the income security of the carer when she or he reaches retirement. Good practice suggests that home-based care should be supported as this reduces the burden on institutional care provision and can offer significant psychological benefits.

***Intergenerational equity, gender and family policy priorities.***

Responses to the challenges of intergenerational equity – in other words, of how public expenditures are distributed among different age groups – vary. Across the region, there is no single model for the distributional role of social security programmes. In the United States the distribution of public finance is directed more towards the needs of children than of the elderly, while in Brazil, Chile, Costa Rica and Uruguay a higher proportion of public finance is directed to the elderly. Such choices are determined by national policy priorities and the overall design of the social security system.

The case of Brazil is noteworthy. Many Latin America countries have conditional cash transfers that are directed mainly to families with young children in the bottom income deciles. Despite their important role in helping to alleviate poverty and support the human



*“Protection must be complemented by supporting people, economies and societies through effective investments in health, employment and empowerment”*



capital of younger generations, as a share of total expenditures, the costs of such programmes may be relatively low. In Brazil for example, the relative size of the *Bolsa Família* budget compared with the pension system implies that this programme has little impact on the overall regressive nature of total social expenditures – which provide relatively more support to households in the formal economy.

The gender dimension of ageing requires particular responses, and some countries, such as Chile, have already initiated positive discrimination measures through the pension system. Women face a number of challenges during their active working lives relative to men that can impact negatively on future pension income. These include lower levels of employment, lower wages, more interruptions to career paths, limited access to certain employment opportunities (regardless of educational qualifications) owing to structural and cultural factors, higher levels of family care responsibilities, the single-earner design of some pension systems, the absence of gender-neutral annuities, and higher divorce rates.

***Employability and active ageing.*** More than simply adjusting scheme parameters, social security solutions must look holistically at empowering individuals, thereby limiting the need for benefits and services while supporting labour market participation, activity and productivity. Meeting the challenges of population ageing requires a stronger emphasis by social security systems on proactive and

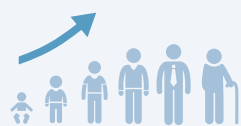
preventive measures. Protection must be complemented by providing support to people, economies and societies through effective and sustained investments in health, employment and empowerment.

Social security approaches can facilitate individuals to self-manage risk and navigate through an increasingly non-linear life course. Investing in education and supporting actions to better control health risk factors improves employability and reduces poverty risks. Social security measures that support knowledge and skills development can better enable productive activity and greater income security, which can help break patterns of intergenerational poverty.

The nature of social security systems is changing. Social security administrations have a major role to play in developing and delivering social investment measures that empower people to better mitigate health, income and employment risks. This does not imply leaving people to their own devices. To the contrary, the aim is to support system sustainability as well as adequacy in ageing societies, and to support people across the life course.

The policy lessons of national social security administrations whose covered populations are more advanced in the demographic transition will help those with younger demographic profiles select appropriate good practices when preparing responses to population ageing. ■

## THE POPULATION IS AGEING



**+ 21 years**

Average increase in life expectancy from 1950 to 2010 in Latin America and the Caribbean.



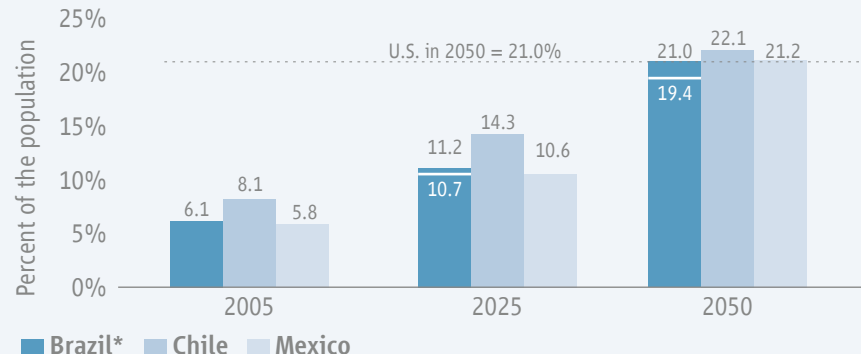
**x3**

The number of elderly in Latin America will triple by 2050

Source: Population Reference Bureau

## OLD-AGE DEPENDENCY IS INCREASING

The ratio of older dependants to the working-age population (15–64 years) is growing



\*The lower projection for Brazil is the UN medium variant; the higher projection is by CSIS and assumes a constant 1.8 fertility rate.

Sources: UN (2007); CSIS

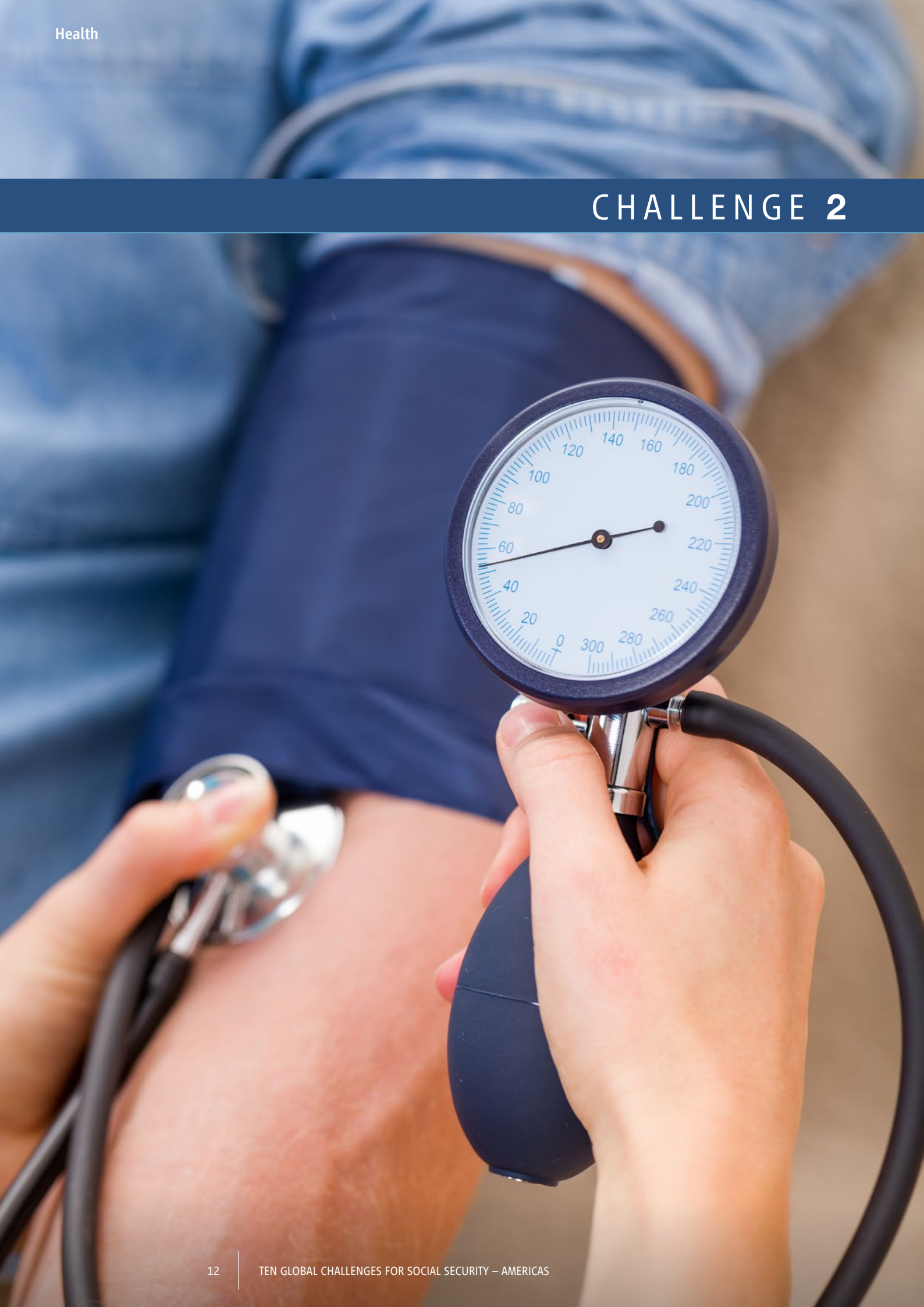
## PRIORITIES OF ISSA MEMBERS

Member institutions which consider demographic evolution is a priority challenge

World **61%**  
 Africa **79%**  
 Americas **71%**  
 Europe **70%**  
 Asia and Pacific **55%**

Source: ISSA global member survey (2015)

## CHALLENGE 2







## Health and long-term care

The health care risks and challenges facing social security and health care systems in the Americas continue to evolve. In spite of improvements in health, inequality in health outcomes remains a challenge. Though the region's population is ageing, the extent and nature of this process is uneven. In terms of health outcomes, the extra years of life gained are not necessarily all lived in good health. Achieving social protection systems' core objectives requires that health-related challenges are anticipated correctly, proactive and preventive responses are put in place, and appropriate benefits and services provided.

**T**aken as a whole, people in the Americas are generally living longer and in better health, with life expectancy at birth increasing from 69.2 years in 1980 to 76.1 years in 2011. However, the onset of chronic ailments associated with ageing can mean a longer life expectancy that is not necessarily accompanied by an equivalent longer life lived in good health.

Across the region, significant differences in life expectancy are found. The neighbouring countries of Chile and the Plurinational State of Bolivia (hereafter, Bolivia), for example, have a ten-year longevity difference; in 2010, average life expectancies were 79.2 years and 69.1 years respectively. For the Dominican Republic and Haiti, the comparative figures in 2010 were 76.3 years and 63.5 years, despite both countries sharing the same Caribbean island.

Poverty is prevalent, with an estimated 20 per cent of the region's population living on less than USD 2.00 a day. Poverty affects all sub-regions to some degree. In the United States and Canada for instance, an estimated 15 per cent and 11 per cent of the population, respectively, live below their national poverty lines. The persistence of inequalities directly translates into divergent health outcomes, with the wealthier living longer and in better health than lower socio-economic groups. End-of-life health costs for many people are significant and often include an extended need for full-time care.

Gender inequalities further aggravate health inequalities. Women continue to live longer than men and provide more unpaid caregiving support than men. Yet women have many unmet ▶▶

health needs, they may live longer in poor health, and tend to pay from 16 to 40 per cent more for health care than do men. Access to contraception remains a challenge, with from 9 to 39 per cent of adolescent girls in the region becoming pregnant or mothers. Inequalities in health care extend also to the discrimination and exclusion from health services of the LGBT community.

In addition to influencing the increasing number of years lived in poor health, noncommunicable diseases (NCDs) are the leading causes of illness and death, in 75 per cent of cases, with the first onset of symptoms for a third of cases occurring between ages 30–69. An emerging major public health concern is the recent very high rise in the number of drug overdose deaths as a result of the use of powerful synthetic opiates, especially in North America.

## CHALLENGES FOR SOCIAL SECURITY AND HEALTH CARE SYSTEMS

Overall, the Americas have seen progress in health outcomes in confronting the triple disease burden of communicable, infectious and noncommunicable diseases. In many cases, public health interventions are better addressing the incidence of communicable diseases and infectious diseases, although health emergencies and epidemics remain a major public health concern. One public health challenge in Mexico, Central America and South America is Chagas disease, which is a tropical parasitic disease spread mainly by insect bites. The significant growing burden of NCDs makes early detection and preventive programmes all the more important.

**Emergencies and epidemics.** The Zika epidemic and recent outbreaks of dengue fever and the chikungunya virus underline the risks to the region posed by the mosquito population and the need for sustained and integrated surveillance, prevention and control.

Prevention and control campaigns against malaria, cholera and helminthiasis involve immunization and deworming programmes for children, as seen in Belize, the Dominican Republic, Haiti, Honduras, Mexico and Nicaragua. These health challenges add to the health burden posed by NCDs, childhood diseases and maternal health issues.

### **Old enemies in communicable diseases.**

The region is achieving significant results in the fight against HIV, with greater access to antiretroviral therapy. An ongoing aim is the scaling up of preventive strategies, including the elimination of mother-to-child transmission. Tuberculosis (TB) continues to be a problem in Latin American countries, especially among the poorest communities living in urban slums. In spite of progress to stop and reverse the incidence of TB, the catastrophic frequent combination of HIV and TB, the emergence of drug-resistant TB, and the insufficiency of diagnostic capacities are protracting the fight against the disease. The return of some contagious disease has provided a new impetus to vaccination campaigns.

### **New enemies in noncommunicable diseases (NCDs).**

Cardiovascular disease, cancer, chronic respiratory disease and diabetes are the four leading causes of death and disability in the Americas. These health challenges will increase in the coming decades as the number of adults aged 60+ grows. Obesity is another influential health factor confronting all regions. NCDs impose an important economic cost too in terms of projected losses in national productivity.

## RESPONSES TO ADAPT HEALTH AND CARE SYSTEMS

Many health systems focus most resources on acute rather than chronic care. Similarly, many social security systems focus more on providing compensation for an assessed contingency, rather than addressing the underlying factors that contributed to the need for benefit provision. Positively, reductions in maternal, neonatal and child mortality rates have been achieved as a result of better education, better mother-and-child health care programmes, community capacity building, and access to skilled care during delivery.

A nascent trend is for health care and social security institutions to adopt innovative measures which anticipate future challenges. There is a growing realization that efforts to address health challenges, and NCDs in particular, will benefit from preventive approaches that include civil society, the private sector, community leaders, the media and other stakeholders.

Curtailing the escalation of costs is critical to the sustainability of health systems. To manage increasing costs, social security administrations and health ministries are adapting their use of strategic and high-cost health technologies and medicines, including through negotiating better purchasing arrangements for pharmaceuticals and medical supplies. And preventive measures should help reduce the need for expensive interventions and medication.

The training and development of medical staff to fill employment gaps is a critical strategic issue. Unlike the delivery of cash benefits, many medical and caregiving tasks cannot be automated and will face growing staffing requirements. Given that the overwhelming proportion of carers – both informal and formal – are women, addressing staffing issues is likely also to support measures to reduce gender and income inequalities. The growing demand for long-term care (LTC) will offer an opportunity for employment creation, not least among younger workers.

***NCDs require proactive and reactive responses.*** Many NCDs are preventable because the risk factors are well-known, such as tobacco use, alcohol and substance abuse, physical inactivity and an unhealthy diet. Given this fact, social security administrations and public health actors have essential roles to play in advocating for behavioural changes to foster better health,

including the improvement of diets for adults and children, and in expanding training for health professionals in the management of chronic diseases. Health actors must also help to better control rising social health expenditures.

Generally, tackling health risk factors related to lifestyle choices requires new approaches and calls for prevention and early intervention across different settings. The AUGÉ Plan (*El Plan de Acceso Universal de Garantías Explícitas*) in Chile aims to permit better access to health care. While this has improved access to high-cost interventions, other important interventions to enhance health promotion and prevent illness and risk factors still require further development.

Governments are leading educational campaigns to promote healthy lifestyles and using tax revenue to fund activities that reduce NCD risk factors. Globally, Mexico has one of the highest rates of death from diabetes, and the highest per capita soda consumption. Beginning in 2013, the government imposed taxes on sugar-sweetened beverages. Stricter requirements on food labelling and the advertising of food products were also imposed, especially those deemed unhealthy for children. To protect against the dangers of passive smoking, countries such as Argentina, Brazil, Canada, Chile, Columbia, Costa Rica, Ecuador, Mexico, Peru and Uruguay are adopting ►►



*“Efforts to address health challenges will benefit from preventive approaches”*

legislation to ensure smoking-free public places and workplaces.

**Promoting wellness.** Many countries in the region are promoting health awareness by declaring a national wellness day. Activities organized in local communities in some Caribbean states include athletic competitions; food preparation classes; screening stations to measure weight, blood-sugar levels, and blood pressure; and medical referrals.

Other examples of health promotion include the ActNowBC multi-sectoral health initiative of the Canadian province of British Columbia, Argentina's National Health Strategy for the Prevention and Control of Non-Communicable Diseases (*Estrategia Nacional para la Prevención y Control de las Enfermedades No Transmisibles – ENT*), and community-level initiatives to improve diets and exercise in New York City. Important for these and other similar initiatives is the role of government leadership working in collaboration with civil society to achieve and sustain positive health outcomes.

**ICT and Mobile technology to promote equity in access to health care.** The use of mobile devices is improving equity in access to health care and boosting the impact of health campaigns.

Text messaging is becoming a ubiquitous part of health care services, particularly to monitor clinical attendance, maternal and neonatal health, and to reach people in geographically remote regions. In Haiti and the Dominican Republic, SMS enables difficult-to-access areas to receive real time information on water safety and disinfection. Costa Rica is implementing an SMS-based Health Messages System that helps people to stop smoking tobacco.

Mexico uses a telehealth platform that has proven effective in reaching vulnerable populations in particular. In Argentina, Guatemala and Peru, mobile phones are enabling access to preventive strategies to reduce blood pressure and prevent the deterioration of pre-hypertensive patients. In Paraguay, a mobile-based system supported by databases and web technology allows health personnel to monitor and prioritize suspected cases of certain diseases such as dengue, yellow fever and malaria. Nascent developments in

the region in e-health platforms are supporting improved coordination among institutions and better access to health care and clinical diagnoses for populations.

To address shortages in health care professionals, many countries are using e-learning technologies for training programmes. Argentina, Bolivia, Colombia, Panama and Paraguay, for instance, have piloted virtual education clinics that included self-teaching modules and case studies.

**Mental health issues are not a hindrance to active living.** Regional efforts to address the underlying causes of increasing numbers of mental health cases is part of the broader objective of social investment and active living and inclusion.

Countries are being encouraged to address the treatment of mental health challenges as a human rights issue. In practical terms, the Council of Ministers of Health of Central America and the Dominican Republic have established a virtual Suicide Observatory to collect information on suicidal behaviour. The aim is to enable more effective interventions to address identified risk factors.

**LTC responses must be effective.** Social security and health care systems are moving to support responses to LTC challenges that prioritize putting in place new legal provisions and financing. Currently, LTC needs are being met by both informal and formal provision. While informal provision will continue, formal provision delivered through the health system implies significant costs and the displacement of resources that might be better used in the treatment of acute care. Addressing the wider costs of informal care (including carers' health, productivity, mental well-being, and job opportunities), plus the lack of skills of informal carers, requires the development of innovative responses.

To guide social security administrations, tackling inequality in health outcomes involves not only the coordinated actions of many actors, but the coherent design of proactive responses and appropriate benefits and services. These must anticipate and prevent risks as well as meet people's needs correctly. ■



## HEALTH IS IMPROVING

### Evolution of life expectancy since 2006

	2006	2010	2016
<b>Global Americas</b>	74.8	76.2	77
<b>Latin America &amp; Caribbean</b>	72.5	73.7	75.2
<b>North America</b>	78.1	79.7	79.7

### Infant mortality decreased in the last 10 years, from 19/1000 to 13/1000 globally in the Americas

<i>Infant mortality rate (1,000 lb)</i>	2006	2010	2016
<b>Global Americas</b>	19	15.6	13.0
<b>Latin America &amp; Caribbean</b>	23.8	19.6	15.8
<b>North America</b>	6.7	6.6	5.9

Source: PAHO indicators (various years)

## THE GROWING NEED FOR LONG-TERM CARE

**\$3,730**

Per capita spending on health in the Americas in 2014

**77 years**

Life expectancy is 77 years globally in the Americas (2016)

Sources: WHO (2014); PAHO (2016)

## NCDS IN THE AMERICAS

**3.9 million**

deaths a year from NCDs

**3 out of 4**

people die of NCDs



of the premature deaths from cardiovascular disease are in the poorest populations

Source: PAHO 2016



## CHALLENGE 3







## Closing the coverage gap

In a world characterized by increasing inequalities, many countries in the Americas have witnessed improvements in social indicators because of improved access to social security. Such improvement is essential for socio-economic development, inclusive growth and political stability. Of importance, many countries in the region have opted for a paradigm shift: rather than waiting for labour markets to create a greater number of formal jobs and, thus, extend social security coverage, efforts to reduce informality in the economy are focusing first on extending the fundamental human right to social security coverage. In this process, there is a need to assure the sustainability of social security coverage and to make social security systems more robust to shocks. Countries should capitalize on their political commitments towards social security programmes and seek innovative strategies to widen and strengthen the financing base of programmes while also tailoring programmes to meet the needs of all across the life course.

Over the last decades the region of the Americas has witnessed many important reforms and is rightly viewed as a global leader in the development of innovative approaches to coverage extension. Despite the challenges posed by high levels of informality in many of the region's economies, political will

has enabled the Americas to make important progress in extending social security coverage. A further challenge, particularly for countries in the region that have already built comprehensive systems of social security coverage, is to ensure the adequacy of benefits and services and the sustainability of schemes. ►►

In general, the region is attributed with having population coverage of over 50 per cent for the important branches of pensions and health care, and continues to witness an extension in the scope of legal coverage. In large part, this progress can be accredited to the political resolve to achieve universal coverage and to ramp up administrative improvements, not least as regards innovative mechanisms for contribution collection.

## CHALLENGES FOR EXTENDING COVERAGE

A coverage challenge for the Americas remains to sustainably finance comprehensive social security programmes for all. In the first years of this century, political commitment and a relatively favourable economic environment in the Americas led coverage levels to grow.

But in many countries the continuing dominance of the informal economy has hindered a wider extension of national contributory programmes. In response, a number of countries have prioritized non-contributory health care programmes (e.g. Argentina and Colombia) and universal benefits (e.g. access to free public health centres in Argentina), while others have looked to conditional cash transfers and social pensions as tools to bridge coverage gaps. In other words, governments' apportionment of fiscal resources to finance coverage extension has been essential. Across the region, a heavy reliance on public finance to support coverage extension is therefore common – with policy priority often given to health care and income security, and to the needs of vulnerable families in particular.

However, in the current period, the goals of wider coverage extension and the need to ensure the sustainability and adequacy of existing contributory and non-contributory benefits are having to compete with other government priorities. Pressure on public finance has increased. It is in this context that alternative measures to consolidate and enhance the financial health of contributory social security schemes have also been sought.

Positively for contributory social security programmes, Latin American countries have made advances in some sectors as regards

reducing informal work (e.g. domestic workers). As one measure, non-agricultural informal employment in these countries fell from 50 per cent in 2009 to 47.7 per cent in 2012, albeit with national differences.

Where this trend coincides with a growth in formal employment, this should support the gradual extension of contributory social security schemes, boosting the financial and political sustainability of the entire social security system. Nonetheless, the region's labour markets continue to pose important challenges. The emergence of the digital economy and the rise of new forms of working practices and relationships draw attention to the evolving nature of the challenge of reaching out to "difficult-to-cover" groups.

Demographic trends indicate that the size of the elderly population will continue to increase. This will impact labour markets and care economies, creating a further financial challenge for the sustainability and adequacy of existing services and heighten pressure on support mechanisms. Dependent on the country context, trade-offs in coverage priorities may be required, with a shift in expenditure allocations across generations, perhaps away from younger families towards the elderly. Trade-offs may also be required as regards the equitable distribution of resources across different branches of social security (cash benefits, as well as in-kind benefits and services).

## COVERAGE EXTENSION RESPONSES

The region has developed a broad repertoire of responses to extend social security coverage. Coverage extension outcomes have been both vertical and horizontal, with more people not only covered but also covered for a wider range of risks. Countries such as Argentina, Brazil and Uruguay have seen the number of private-sector workers covered increase by between 60 per cent and 80 per cent in the last decade.

**Programme design.** Complementing contributory programmes with non-contributory programmes has become a common way to extend coverage, improve adequacy, address inequalities, and to target resources on prioritized population groups. For instance,

many countries in the Americas offer non-contributory social pension programmes alongside contributory old-age programmes. This is common in the region's more developed economies, which have greater institutional and financial resources to tackle identified coverage and adequacy gaps.


**Poverty alleviation.** Conditional cash transfer programmes (CCTs), pioneered in Brazil and Mexico in the late 1990s, are now widespread. These programmes tend to focus on working-age populations and families. Across the last decades, CCTs have spread to over 20 countries in the region and have covered over 130 million beneficiaries. CCTs have shown their effectiveness as tools to help realize lower poverty rates, reduce inequalities in society, empower women, and extend social security coverage. For example, the *Bolsa Família* programme in Brazil had reached over 50 million citizens by June 2016, and has helped lower the country's poverty and income inequality rates.

**Financing.** The region's use of innovative financing strategies for social security has been favourable to coverage extension. One example has been Ecuador's use in 2008 of a debt restructuring strategy. Another approach is the harnessing of tax receipts from the exploitation of national resources, as seen in Bolivia. Again in Bolivia, and also in Brazil, decisions to tap

into fiscal reserves, increase tax revenues and adopt a more accommodating macroeconomic framework have been important drivers for coverage extension.

**Accessibility.** Contributory programmes can also be redesigned to improve their accessibility. The use of the *Monotributo* system in Argentina, the *Monotributo Social* MIDES in Uruguay and the SIMPLES system in Brazil are three examples of programme innovation that permit the simplified payment of taxes and social security contributions by small employers and independent workers. These initiatives target the inclusion of informal workers specifically, and thus act to support the formalization of work and extend social security coverage. By means of an agreement between trade unions and employers and validated by the Secretariat of Social Security, Argentina also permits the postponement of the payments of contributions for agricultural workers until after crops have been harvested and income earned.

**Administrative design.** Administrative innovations and the use of modern ICT tools play a key role in the extension of social security coverage and improving levels of effective access. Such measures include but are not limited to: the implementation of one-stop shops, which provide information, register prospective beneficiaries, collect contributions and pay benefits; the development of a social ►►



“Coverage extension outcomes in the Americas have been both vertical and horizontal”

security e-governance strategy that accompanies the putting in place of national social security databases; and strategies to enforce interoperability between databases and the systematic dematerialization of social security processes and operations.

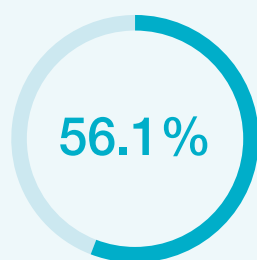
**Public information.** Knowledge about the roles and objectives of social security systems enhances public commitment to these. In 2007, Uruguay launched the “Know Your Rights and Obligations to Social Security” programme. The programme was designed to disseminate

knowledge about social security among pupils and students, with intended positive spill-over effects into society as a whole. Over the period 2007–2014, the number of people registered with the country’s social security system increased by 22 per cent.

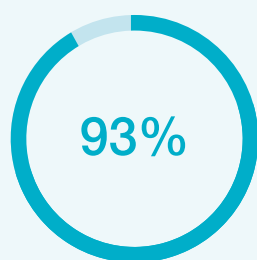
Similarly, focused efforts in the region to build commitment to a “culture” of social security should engender greater public trust and higher levels of compliance. Stronger coverage should be the outcome. ■

## GLOBAL SOCIAL SECURITY COVERAGE

## Old-age pension beneficiaries

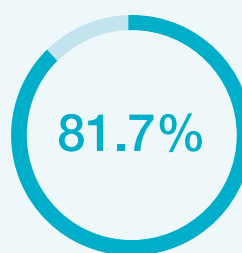


Latin America  
and the Caribbean

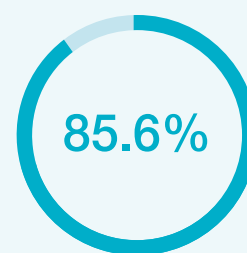


North  
America

## Extent of coverage in health

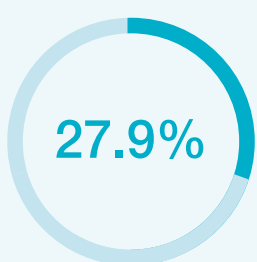


Latin America  
and the Caribbean

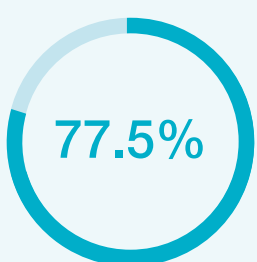


North  
America

## Active contributors, working-age population



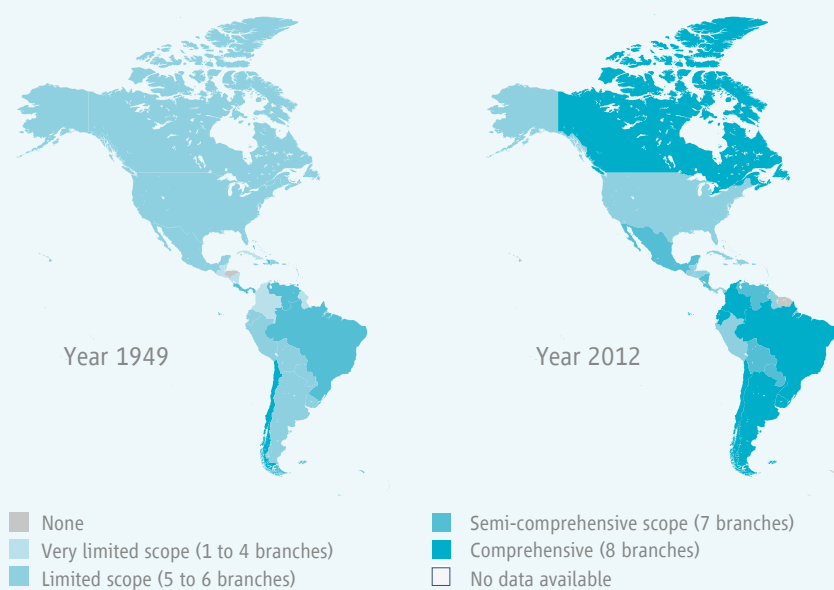
Latin America  
and the Caribbean



North  
America

Source: ILO (2015).

## TOWARDS UNIVERSAL SOCIAL SECURITY COVERAGE



Sources: US Social Security Administration / ISSA. *Social security programs throughout the world*. Data consolidated by the International Labour Office.

## PRIORITIES OF ISSA MEMBERS

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

World **56 %**  
 Africa **87 %**  
 Americas **52 %**  
 Europe **30 %**  
 Asia and Pacific **55 %**

Source: ISSA global member survey (2015)



## CHALLENGE 4





## The technological transition

Information and communication technology (ICT) is playing a strategic role in the implementation of social security programmes in the Americas, enabling improvements in the performance and service quality of social security administration. ICT enables not only the automation of specific processes, but the transformation of operations and services, making it a strategic enabler of innovative solutions to respond to societal transformations and challenges. Three main axes of innovation in the Americas are Analytics and Big Data, Mobile technologies, and e-government.

**T**he United Nations E-Government Development Index shows that the levels of adoption of information and communication technology (ICT) by government institutions and for “digital inclusion” are both higher for the Americas than the world average. In addition to high and very high levels of e-government development in North American and most South American countries, important improvements have also been realized in Central American and Caribbean countries. These developments encompass public social security organizations and the manner in which they interface with covered populations.

ICT solutions facilitate the implementation of increasingly comprehensive and reliable social security systems. These enable the better coordination of individual programmes as well as the implementation of advanced service

delivery mechanisms. To improve outcomes, innovations in ICT extend the scope and impact of social policies while simplifying the delivery and enhancing the quality of services.

ICT supports user-centric services that better satisfy higher client expectations and also empowers users by enabling “self-service”, anytime and anywhere. It also facilitates the implementation of large-scale social programmes, such as those integrating different institutions while coordinating with others, even across national frontiers. ICT further strengthens the well-being of the population by fostering an effective application of social protection laws.

Across the Americas, ICT is enabling institutions to make great strides forward facilitating a wide application of advanced social policies. In this ►►

way, ICT is a strategic enabler of innovative solutions, particularly those based on inter-institutional integration, mobile services, Analytics and Big Data technologies. ICT offers tools for policy integration and supports sustainable development by strengthening governments' capacities to formulate and carry out comprehensive policies.

## | ICT-RELATED CHALLENGES

The intensive application of ICT presents a number of challenges for social security administrations. One is to ensure the quality and cost-effectiveness of ICT-based social security systems. Underestimating the complexities of large-scale social security projects and weak project management, which can lead to delays and overspend in budgets, are risks in the development of large ICT projects.

A second is the growing complexity of social security systems and the need to ensure quality service delivery, and how these factors in turn impact on the complexity of ICT systems. This requires the good management of complex technologies and systems, especially of interoperability and security technologies which are essential for safely interconnecting systems and institutions. This is particularly relevant in large integrated social information systems and inter-organizational interoperable systems that support conditional cash transfer programmes or international social security agreements.

Cybersecurity risks affect all countries and these grow with the intensification of data usage on web-based platforms. The risks of hacking, ransomware attacks, and the theft of personal data are universal and ever present. In addition, implementing ICT solutions requires social security administrations to ensure their compatibility with existing platforms, to deal successfully with legacy systems, and to generate internal skills in the use of new tools while also providing service quality and cost-effectiveness.

A third challenge is the lack of standardized ICT solutions for social security, the development of which would help reduce the risks mentioned above. Common ICT standards are essential for social security administrations and other public agencies, but these are incomplete or absent.

Overcoming the digital divide is a fourth challenge, not least for vulnerable people and marginal groups who are most commonly excluded from effective access to coverage. In spite of advances in the region, important gaps remain especially in rural and geographically remote areas. As for other regions, there is a generational gap too: older people are less likely to use online services.

A further set of challenges relate to ensuring data quality and data protection. These are required conditions for a reliable and compliant use of a growing volume of volatile and detailed data. As the usage of Analytics and Big Data grows, the protection of individual privacy becomes a critical factor. This must be guaranteed through adequate data privacy mechanisms that enforce Data Protection regulations, which already exist in most countries of the Americas. Data Management now constitutes a key discipline for modern social security institutions. Developments in this area consist of the implementation of Master Data and Decision Support systems.

## | ICT: STRATEGIC RESPONSES

**An administrative tool.** ICT is indispensable in the administration of social security systems. For the covered population, developments in ICT enable greater autonomy, flexibility and simplicity in accessing and verifying information and communicating with social security administrations. For those without adequate coverage, mobile ICT platforms support improved access to coverage.

ICT has improved the performance of social security administrations by lowering administrative costs through streamlined workloads, helping to reduce errors and identify fraud, and improving benefit adequacy by supporting contribution collection and the calculation and delivery of benefits. The progressive movement to "paperless" administration creates significant economies and can even support environmental policy objectives.

**A strategic enabler.** ICT is the foremost strategic enabler of innovative solutions in social security administration. The growth of shared information resources and operating platforms

permits the design of new organizational models based on multi-actor configurations.

ICT makes possible taking fuller advantage of very large databases generated through social security operations and the increasing wider usage of Mobile technologies among the population improves service design and quality.

The exponential growth in worldwide data use has given rise to Big Data. Advanced data processing and data analysis technologies are used for “customer profiling” and predictive analysis, and to extract other information from Big Data.

This so-called data-driven innovation (DDI), combined with Internet and mobile-based developments, can improve products, processes and organizational methods. It can also meet global social policy challenges, such as the health and social protection needs of vulnerable populations. In turn, advances in artificial intelligence (AI) could provide the background to increase the automation of social security e-services and the implementation of large preventive strategies.

**Mobile service delivery.** Mobile-based services are transforming the delivery of social security services in the Americas. Personalized mobile-based services, often including payment services, have been developed in a number of countries.

In Mexico, the “health” app, IMSS Digital, has been downloaded by more than 540,000 customers of the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* – IMSS). This application allows scheduling medical appointments and performing procedures and services that previously required the physical presence of users. Among users, 60 per cent are aged 18–40, and 21 per cent are aged 41–65, indicating a generational divide in usage.

In Uruguay, the Social Insurance Bank (*Banco de Previsión Social* – BPS) provides an app for paying the contributions of domestic workers. In Argentina, the National Social Security Administration (*Administración Nacional de la Seguridad Social* – ANSES) has developed the My-Anses-Mobile app covering benefits operations, while the national tax collection authority (AFIP) provides apps for managing the enrolment and paying of contributions, particularly to the *Monotributo* scheme.

An app developed by the Social Insurance Fund of Costa Rica (*Caja Costarricense de Seguro Social* – CCSS) enables customers to manage personal health-related information. Social security institutions in Brazil, Canada, Panama, Peru and the United States, among others, have also developed mobile-based services.

**Evidence-based policy.** The use of Analytics and Big Data – which refers to ►►

“ ICT enables greater autonomy, flexibility and simplicity in accessing and verifying information and communicating with social security administrations ”

tools and methodologies that help transform massive quantities of raw data into useful insights by detecting patterns, trends and correlations – is a success story for many social security administrations.

As a policy integration tool, insights derived from Big Data can help to assess the impact of sectoral policies and to support the development of cross-sectoral approaches, which require to address more complex issues than in a single sector scenario. Predictive modelling and computer simulations on Big Data may help to carry out these types of analyses. Furthermore, data analytics solutions are becoming economically viable due to the decreasing costs of storage and processing (e.g. cloud infrastructures) and with bandwidth becoming more available and less costly.

In Brazil, Dataprev, the public ICT service provider for social security institutions, has developed a strategy using Analytics and Big Data capabilities to improve social services by applying these technologies on databases.

In the United States, the Social Security Administration (SSA) has created an Analytics Center of Excellence (ACE), which aims to promote a culture of evidence-based policies and decision-making across the SSA through advanced analytics. An important objective is fraud detection in disability benefits, which is a complex undertaking.

Analytics is being used by many other institutions to tackle evasion and fraud. The Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* – IMSS) has carried out a comprehensive innovation plan, IMSS Digital, which comprises exploiting very large social security databases to tackle evasion and fraud as well as to improve the quality of the services. In Uruguay, the Social Insurance Bank's SISCAS system uses predictive analysis on very large institutional databases for detecting evasion and fraud in social security contributions and connecting such findings with field inspections. Similar initiatives have been carried out in Argentina and Canada.

**Digital administration.** It is evident that digital work processes and Mobile technologies offer new opportunities for social security administrations to improve the design, accessibility and quality of services and benefits.

The opportunities here include more efficient management processes, better communication and greater flexibility for benefit design and financing. Going forward, the key is how information technologies can be employed intelligently to add value to existing national processes. Mexico's State Employees' Social Security and Social Services Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* – ISSTE) has streamlined the procedure for granting appointments, ensuring the provision of health care services, and checking online eligibility, which has led to shorter waiting times and also to secondary benefits such as a better database of emergency contacts. The international coordination of social security administration is also benefitting from these same types of developments.

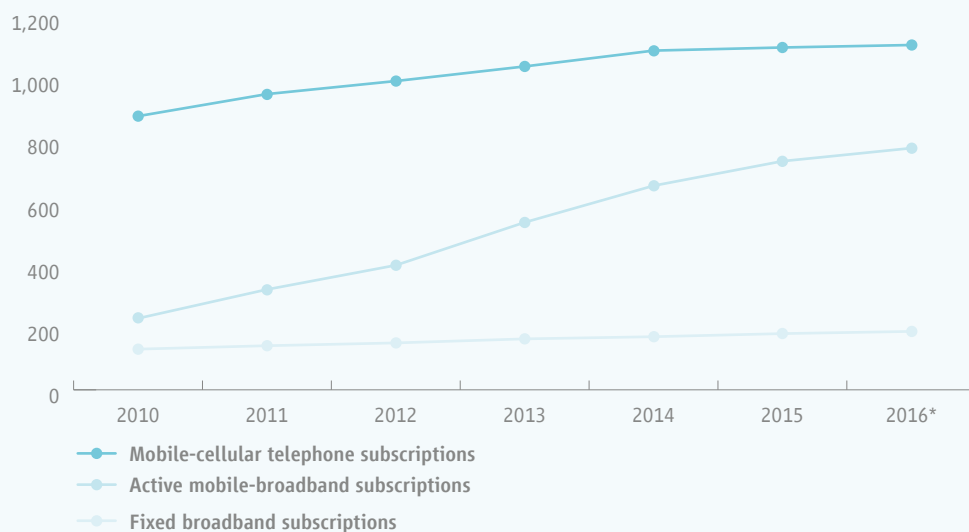
#### **Human resource management.**

ICT developments are impacting social security strategic human resource management and planning. These have reduced social security staffing needs, mainly through the implementation of automated systems and self-services. Yet, a successful ICT application requires skilled human resources not only for managing the ICT portfolio, but to define new, transformed processes and services that can take fuller advantage of ICT.

Decision-making activities related to policy and programme design, as well as case management and client services, require expert human intervention. There are also tasks, roles and decision-making in medical care for instance that cannot readily be replaced by ICT-based interventions. Technological innovation is unlikely to alter this fact soon. Socio-cultural characteristics also continue to make human contact important for service delivery. ■

## TECHNOLOGICAL TRANSITION

### Global ICT developments 2007–2016



Source: ITU (2016)

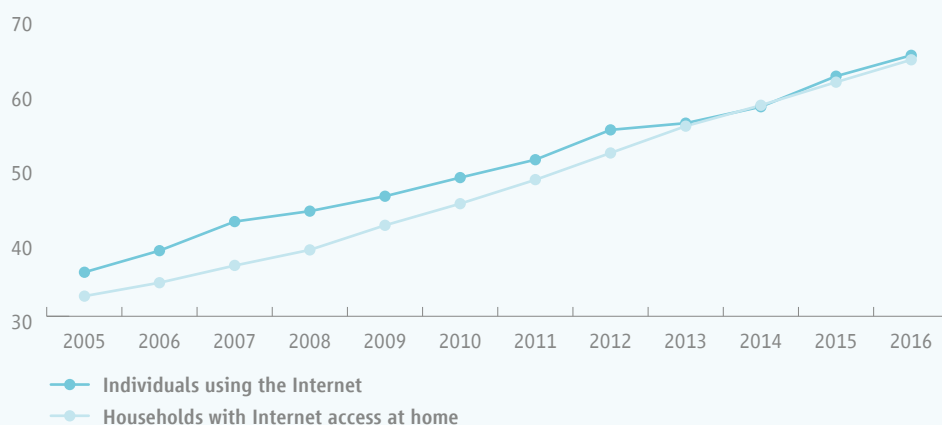
## PRIORITIES OF ISSA MEMBERS

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

World **76%**  
 Africa **80%**  
 Americas **79%**  
 Europe **75%**  
 Asia and Pacific **68%**

Source: ISSA global member survey (2015)

## DIGITAL TRANSFORMATION



Source: ITU Facts and Figures 2016

## LEVERAGING ON BIG DATA AND INTEGRATED INFORMATION SYSTEMS



### 11 countries

At least 11 countries in the Americas developing more than 44 Big Data projects relevant for official statistics, SDG indicators and other statistics needed for decision-making on public policies

Source: UNSTATS (2016)



### 5 countries

5 countries in the Americas have adopted policies or strategies to govern the use of big data (i.e. very large data sets) in the health sector

Source: WHO (2015)



### 8 countries

At least 8 countries in the Americas have implemented national Integrated Information Systems in the social security area

Source: ISSR (2016)



## CHALLENGE 5





## Employment of young workers

High levels of unemployment and underemployment among young women and men is a major challenge. The coordinated responses of social security administrations, public employment services, and education and training institutions can help improve employability and reduce levels of unemployment, underemployment and inactivity. To achieve these goals, social security systems are looking beyond their conventional role as providers of income protection. With estimates suggesting that only 28 per cent of the North American workforce and a mere 5 per cent of the Latin American workforce have access to unemployment protection, parallel challenges remain to extend social security coverage and expand formal labour markets.

**I**n many countries, young people (aged 15–24) represent 40 per cent of the total number of unemployed and present complex challenges for social security systems. More than for other age groups, younger workers have great difficulty in entering formal stable employment. And unemployment rates among young women in Latin America and the Caribbean are typically higher than for young men. For Latin America's youth who do find a job, six out of ten jobs are informal, with no contract, benefits or social security rights. In Brazil and Mexico, about 40 per cent and 60 per cent of employed youth work in the informal economy respectively.

Throughout Latin America, one in five of all people aged 15–24, or more than 20 million young people, are not in education, employment or training (NEET). In the United States in 2015, an average of 12.3 per cent of people aged 16–24, or close to 5 million young adults, were classified as NEET, with those living in rural areas particularly affected.

Despite these challenges, the incidence of youth working poverty has more than halved in Latin America and the Caribbean over recent decades, effectively closing the previous gap between youth and adults. In the last years, ►►



however, continuing further progress in this area has slowed.

## | LABOUR MARKET CHALLENGES AND YOUNG WORKERS

Across countries the policy priorities as regards unemployed workers vary. In situations of high unemployment and ageing populations a trade-off by social security systems may be necessary. The financial sustainability challenge facing a number of pension systems may favour older workers remaining in active employment for longer.

In economies with younger demographic profiles there are often insufficient numbers of new decent jobs being created for large numbers of new job-market entrants. Good job opportunities for better educated young workers remain particularly rare in some countries in Latin America and the Caribbean – the alternative may be to accept low-return opportunities in the informal economy. Emigration may be the considered response by some, with a huge loss in potential for developing economies.

In terms of the overall stated willingness of youth to emigrate, Latin America and the Caribbean have some of the highest inclination in the world. Conversely, North America has the lowest inclination among youth to move abroad permanently.

The longer-term social security implications of high levels of youth unemployment and underemployment remain relatively under-discussed. For all workers, career gaps and periods in informal activity impact their acquisition of full contributory pension rights.

A further challenge for low-paid workers especially is that many pension schemes have reduced their redistributive role and tightened the link between individual contributions and future benefits. Shorter contributory periods and contributions paid on lower levels of earnings equate with less generous pension entitlements. Also, young people are important consumers for national economies, and their consumption patterns important economic drivers. Continuing high numbers of underemployed or unemployed

young workers act to limit economic activity and growth.

## | RESPONDING TO THE NEEDS OF YOUNG WORKERS

Benefits for the working-age population are typically co-financed by workers, as are most unemployment benefits. While it is important to encourage formal activity and to extend coverage, a co-financing approach penalizes those with fractured work histories, especially those who often transit in and out of work. A common response to all forms of economic insecurity is to provide tax-financed income support. But practice shows that such forms of support are less focused on workers and more commonly targeted on societies' vulnerable youngest and oldest populations.

In the Americas, as in other global regions, social security coverage is typically higher in more developed economies, though cuts in social budgets have also weakened some unemployment protection measures in recent years. While this may help incentivize job searches, it presupposes the availability of suitable work. Regardless, policy responses must take a more holistic approach to address the labour market and social protection needs of workers. To this end, all modern employment promotion and unemployment programmes should consider the specific needs of different groups of workers, in particular of younger women and men.

The actions of social security administrations in coordination with public employment and education and training services can help young people to complete their education and also ease the transition of young workers into professional training and further education or suitable decent work.

***Increasing school enrolment rates through conditional cash transfers.*** Conditional cash transfer programmes have effectively increased the enrolment rate for lower-secondary studies in a number of countries, such as Mexico. Similarly, school-based programmes to prevent pregnancy in a number of countries have worked effectively to reduce dropout rates among upper-secondary school students.



**Early and active interventions.** To tackle unemployment and address the mismatches between workers' skills and employers' demands, social security systems can push for early and active interventions, including (re)training and education across the life course.

In Canada in 2017, the National Research Council launched a youth employment programme for workers aged 15–30. This provides 6 to 12 months of funding support to small- and medium-sized enterprises to cover the salary costs of recently-graduated interns working on certain technology-related projects.

In the United States, the annual Summer Youth Employment Program implemented by some local governments provides students who intend to return to high school with work experience for up to 8 weeks during the vacation period. These temporary positions offer valuable experience in clerical, office, project, and/or maintenance support to young students before they graduate and seek work.

**Unemployment individual account schemes.**

In recent years, some Latin American countries such as Chile, Colombia and Ecuador have introduced schemes under which income protection is based on unemployment individual savings accounts. Under such schemes, workers accumulate savings in an individual account that is accessible once a period of involuntary

unemployment starts. Solidarity components that complement individual savings and provide insurance may be provided as individual funds are depleted.

As with the design of all unemployment cash benefit programmes, the necessary trade-offs of these schemes involve balancing the disincentives to actively seek work and the incentives to support the livelihoods of workers and their households as they transition between jobs. Important challenges for individual saving schemes are that they do not entail risk-pooling and solidarity, and for the benefits to be meaningful, high levels of individual contributions are required. For low-income workers, benefit levels under such programmes will always struggle to be adequate, and additional public support is likely to be required.

Ecuador has an unemployment fund (individual accounts) and a solidarity-based unemployment programme financed by the State, which subsidizes laid-off insured workers when the balance of the workers' individual account is less than twice his or her wage in the month preceding layoff.

Across the Americas, different approaches to financing unemployment benefits exist. For instance, in Brazil unemployment insurance is a non-contributory programme financed ►►



*“Policy responses must take a more holistic approach to address the labour market and social protection needs of young women and men”*

from general revenues through the Worker Protection Fund, while in Argentina and Uruguay the insurance is financed from a global contribution to social security.

***Investment in active labour market policies.*** Beyond income protection, younger workers frequently need to be helped by activation measures, such as skills (re)training, and such measures should have a gender dimension. Increasing importance in the region is being attached to active labour market policies, which can ensure the upgrading of workers' skills, improve the matching of workers' skills with available jobs and help promote productive employment creation. A number of unemployment insurance schemes make access to benefits conditional on the beneficiaries' participation in various training and activation schemes.

In countries such as Argentina, Brazil and Chile, expenditures on active labour market policies as a share of GDP are comparable with those of high-income countries. Also, Argentina, Colombia and Mexico have set up national networks to support the employability, training and skills development of young workers under the Global Apprenticeships Network (GAN). Important for the success of these endeavours is the active engagement of enterprises and employers who have a vested interest in hiring qualified young workers with the requisite skill sets.

***Taking a holistic approach.*** Good practice in developed economies suggests that coordinated programmes of cash benefits, activation measures, negative income tax instruments and progressive tax systems offer a pathway to tackle unemployment and poverty. The unemployment and underemployment challenges in developing country labour markets are frequently greater, and the structural nature of some of these make them more intractable. This is especially so in economies with large informal labour markets.

Of major concern is the growing and increasingly marginalized and vulnerable labour force working in precarious conditions without even basic social protection. Higher numbers of

underemployed but well-educated youth create particular challenges – in these circumstances, initiatives supportive of entrepreneurship, not least improved access to micro-credit schemes, could play a positive role. The objective must be to create decent employment opportunities offering a living wage for young – as for all – workers who are currently without jobs or training relevant to their needs and aspirations.

The experiences of many national social security administrations suggest that interventions should be multiple and staged in a manner that acknowledges the dynamic nature of risks. Social security administrations cannot meet the challenges alone. Apprenticeship systems that operate as an integral element of labour markets in some countries are viewed as a factor in lower unemployment rates among young workers. They help bridge the transition between education and work, while providing valuable employment and life skills. Such systems require national-level collaboration between employers, trade unions and governments, including the setting of wage levels and labour market regulations.

Many young women and men are without such aid and may be totally unsupported in job-search activities and reliant on personal networks. Opportunities are likely to come to those with more powerful networks, regardless of their professional and human skills or level of educational attainment. The greatest return from investments made in coordinating social security and public employment services will be for unsupported workers.

Leaving the uncertainties of global and regional economic cycles aside, to successfully increase employment among young workers, public policy is necessary to create an appropriately skilled workforce and the conditions that permit job creation. Also necessary is close collaboration and coordination among different public institutions and employers' and workers' organizations. ■

## YOUTH UNEMPLOYMENT



**20 million**

About 20 million of the young population in Latin America and the Caribbean don't work and are not following studies

Sources: ILO (2014); Rockefeller Foundation (2015)

**6.7 million**

Out-of-school and out-of-work youth in the United States (2015)

### Part-time employment rates of youth (age 15-24) by status in employment, 2012/13

	Wage and salaried workers	Own-account workers	Contributing family workers
<b>Latin America and the Caribbean</b>	9.3	34.7	51.4

Source: ILO (2015)

## THE NEED FOR NEW JOBS



**449,152**

Latin America will lack nearly half a million IT workers by 2019



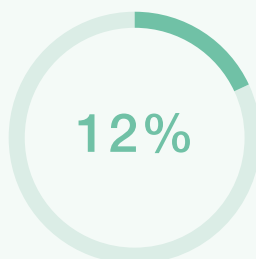
Informality among the young population in Latin America and the Caribbean

Sources: WEF (2017); ILO (2014)

## YOUTH UNEMPLOYMENT TRENDS



In Latin America and the Caribbean youth unemployment rose in 2016



Youth unemployment rate in the United States (2015)

Source: ILO (2016)



## CHALLENGE 6







## Inequalities across the life course

Inequalities in the Americas are many and act to constrain social and economic development. Inequalities exist, for instance, in relation to income, access to labour markets, and access to health care and services, and may be accentuated by gender, ethnic background or indigenous group, and between residents of rural and urban areas. Social security systems can and do make a positive impact by working on the drivers of structural inequalities in society as well as mitigating disparities in outcomes. When working with other stakeholders, social security systems are important instruments with which to strengthen social cohesion, facilitate economic growth, promote active inclusion and reduce inequalities in society.

**D**espite small reductions in inequalities across 2000–2010, the region of the Americas remains the most unequal in global terms although the situation varies throughout the region. This has negative consequences for economic growth and social inclusion, and also presents challenges as regards meeting the 2030 Sustainable Development Goals. Significantly, though inequalities between countries have generally reduced, within country inequality appears to be growing.

One key contributing factor to relatively high inequality is that a high proportion of tax take is levied via consumption taxes, with a relatively low proportion coming from income tax. The narrowness of the tax base, as well as the fact that ensuring high collection rates is challenging, has implications for the financing of social security programmes.

### | CHALLENGES TO SOCIAL COHESION

A cause, but also an effect, of inequality is the widening distribution of health status ►►

and mortality of the region's population. For example in the United States, for men born in 1930 those in the top 20 per cent of earners have a 5-year longer life expectancy than those in the bottom 50 per cent. For people born in 1960, the respective gap is some 13 years.

The heightening of precarity is a further challenge that stems from inequalities, with the most vulnerable groups increasingly marginalized. Younger generations are particularly at risk. Young workers are often faced with inadequate employment opportunities, there are high rates of teenage pregnancy, and poor levels of educational attainment. Between 1990 and 2012 poverty levels among children decreased less than for the rest of the population. Also, women may face continuing discrimination and unequal access to the labour market. Important levels of income poverty, particularly among indigenous and Afro-descendant communities, exacerbate such inequalities.

## RESPONSES TO SUPPORT SOCIAL COHESION

Social security systems can make important contributions to help address inequalities, but programmes and services need to be designed and financed in a way that most effectively addresses inequalities both in terms of inputs and outcomes.

This is most evident when set in the context of the region's large informal labour markets. It has been difficult – but not impossible – for social security programmes to cover informal economy workers effectively. To extend effective coverage, a dual approach is necessary. On the one hand, this involves developing universal benefit systems that offer adequate benefits that are supported by appropriate financing mechanisms. On the other hand, there is a need to better tailor approaches that ensure benefits are targeted at the most vulnerable groups, at those who are also most negatively exposed to unequal outcomes. The most vulnerable groups in society include the poor, women, indigenous groups, and the disabled.

In turn, while universal and targeted social security programmes are effective means to reduce inequalities, such programmes are

only part of the broader response. Social security institutions commonly work with other stakeholders in a wide range of public policy areas, from health provision to job training, education and care provision. Social security institutions can also play a direct role in improving country infrastructure through direct investment in projects, for example in housing.

Across the countries of the Americas, there are many sectoral and targeted interventions that seek to contribute to help reduce inequalities and to strengthen social cohesion.

**Targeted income security for the unemployed and for families with children.** The Basic Protection Project in Argentina has multiple aims, including increasing the effectiveness of the country's cash transfer programmes for unemployed workers and for families with children. This has involved improving programme designs and their transparency and accountability. Over the period 2008–2015 the number of participants doubled while the number of services increased nearly three-fold. Furthermore, since 2016, seasonal workers with at least three months' contributions in the last 12-month period are entitled to receive the country's contributory family allowances.

**Care provision.** Under Uruguay's 2015 Care Act, all children, persons with disabilities and elderly persons have the right to receive care. The state not only provides care services, but also guarantees the quality of these by providing training and regulation. In Mexico, the State Employees' Social Security and Social Services Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* – ISSSTE) offers equine therapy as a complementary therapy to standard techniques in the rehabilitation of a large number of chronic diseases, including physical disabilities such as cerebral palsy, spinal cord injuries, stroke, multiple sclerosis, as well as psychiatric and psychological disorders such as autism and cognitive problems. Significant medium- and long-term savings have been achieved.

**Anti-poverty payments.** In Costa Rica, where 6 per cent of the population live in extreme poverty, a government programme (*Puentes al Desarrollo*) provides grants to ensure households

have access to decent living conditions. Not only does the programme provide cash grants (over the last 30 years, close to 300,000 households have benefitted), but each family is assigned a social worker who establishes objectives for the family including for health, education and training.

**Indigenous population measures.** Indigenous communities show greater reluctance to access social security programmes in general, and health centres in particular, owing to the discrimination that they commonly experience. The Indigenous Health System in Chile trains indigenous nurses and doctors to better take into account the cultural characteristics of the country's indigenous populations. Bolivia has a Register of Traditional Doctors and Natural Therapists, the services of whom should be more attractive to indigenous population groups.

**Health.** Argentina's Ministry of Health is responsible for the *Plan Sumar* programme, which provides public health insurance to uninsured pregnant women and children younger than age 6. Its goal is to promote improvements in the coverage and quality of health services, giving priority to population groups with access to public health care only. Since its inception, the *Plan*, which is linked to a CCT programme, has incorporated 2 million children younger than age 5 and approximately 13 million people younger than age 65.

The programme provides financial incentives to health care centres to implement tracer interventions that enable free access to health services at the provincial level.

**Conditional cash transfer programmes.**

These programmes are widespread in Latin America and the Caribbean and have often filled gaps in provision or supplemented existing programmes. While the short-term impacts on poverty have tended to be positive, this varies according to coverage levels and the generosity of benefits as well as the supporting health, training and employment services available to the covered households.

For example, the *Tekopora* programme in Paraguay has rapidly expanded to cover 120,000 families in a short period, but there are still an estimated 230,000 families who remain uncovered. As regards longer-term outcomes, there appears to be inconclusive evidence of significant improvements in human capital. For such programmes to be effective they should have relevant transition routes for when the benefit is withdrawn, they should provide a better gateway to social security and be coherently aligned with other elements of training policies as well as incorporate better targeting for those in need (typically, young families or indigenous populations). ►►



“Social security systems can make important contributions to help address inequalities”

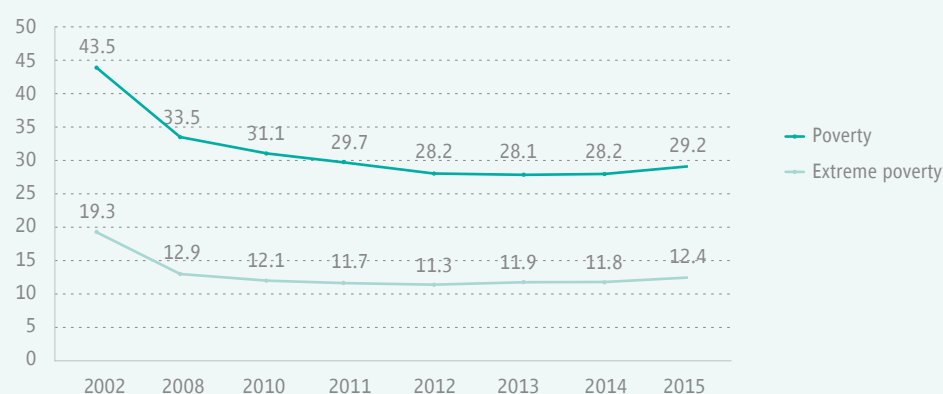


The *Brazil Sem Miséria Plan*, which addresses extreme poverty, brings together interconnected interventions in three areas: productive inclusion, guaranteed incomes (*Bolsa Família*), and access to social services. It allows beneficiaries of *Bolsa Família* to exit the transfer programme progressively as they start participating in specifically designed training and labour intermediation programmes, and allows the monitoring of the development of each individual over an extended period. The manner in which people are accompanied over time is important, as this permits to assess the lasting impacts of measures designed to address inequalities.

To address inequalities effectively in society, social security programmes should take into account different life-cycle risks and work with different stakeholders to develop responses. For example in Colombia, *Compensar* works with public and private entities in order to establish a network to promote access to social services and programmes, with the purpose of improving the population's quality of life. Such multi-actor initiatives require measures to avoid duplication of efforts and to optimize resources in the long term, while successfully targeting different population groups and different types of need. While programme design issues are very important, to be truly successful in the longer term, the root causes of inequalities must be addressed as well as their multiple effects. ■

## POVERTY IS DECREASING

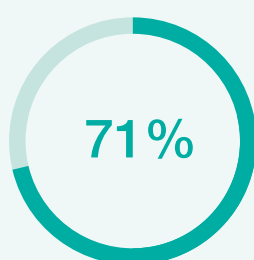
Poverty is decreasing amidst persistent inequality.



Source: ECLAC (2015)

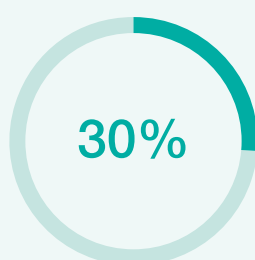
## INEQUALITIES ARE WIDENING

Inequality in wealth distribution

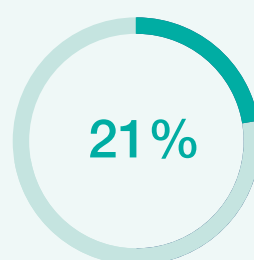


In 2014, 71% of the wealth of Latin America and the Caribbean belonged to the richest **10%** of the population

Inequalities in access to health care



Percentage of the population of Latin America and the Caribbean who lack access to health care due to economic reasons

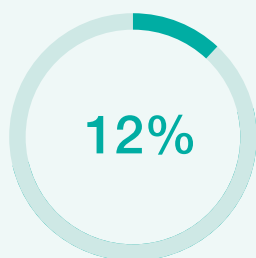


Percentage of the population of Latin America and the Caribbean who do not seek health care due to geographical barriers

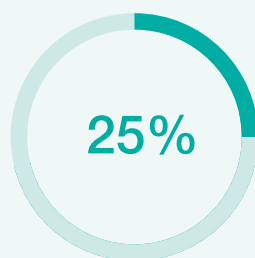
Sources: WEF (2016); openDemocracy (2016)

## GENDER INEQUALITY

Gender inequality in salaries and wages



The gender pay gap has shrunk in Latin America (1990–2014).



Women still earn up to a quarter less than men in Latin America (1990–2014).

Source: WEF (2016)

## CHALLENGE 7





## Higher public expectations

Public perception of social security is an important barometer for public administration. Social security administrations are an important face of government, especially in critical periods of people's lives. The advent of social media, the growing voice of new middle-classes in many countries, greater political momentum behind the human right to social security, and greater public vigilance on matters of service quality are driving social security administrations in the Americas to become more user-centred and quality conscious.

**I**n the Americas as elsewhere, many social security administrations pride themselves on being among their country's leaders in quality public service delivery. This has been made possible through new technologies and innovations in business processes.

To better meet public perceptions and expectations of service quality, social security administrations are seeking out new avenues to improve service quality and become more user-centred. This has to be done while remaining realistic about the resource constraints that can face public service delivery. The common thread is to have the user as the central, focal point of all services.

### | PUBLIC EXPECTATION CHALLENGES

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

The broader, more complex challenge for social security administrations is ►►



the simultaneous realization of improved services, organizational cost efficiencies, increased positive feedback and higher levels of public trust. Satisfying these multiple goals should go a long way towards meeting higher public expectations.

## | RESPONDING TO THE CHALLENGES

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

In Argentina and Uruguay, social security registries include domestic workers, making it easier for employers to pay contributions on behalf of their domestic workers. In Peru, the implementation of a standardized registry for nursing care has permitted significant reductions in waiting time at the National Cardiovascular Institute.

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

The South America region is a well-known leader in client engagement. In the late 1990s, Argentina, Brazil and Uruguay introduced the SIMPLES and *Monotributo* systems to simplify the payment of taxes and social security contributions for self-employed workers and informal businesses. Higher-income self-employed workers have looked on these developments favourably. A greater challenge for these countries has been to more successfully engage with and cater to the needs of poorer workers.

In Argentina, the Inter-Harvest Programme was introduced to support sugar workers between crop harvests. In addition to financial support,

access to jobs related to other crops and educational support for dependant minors led to the inclusion in the social security registry of heretofore uncovered workers. Similarly, the country’s Productive Recovery Programme is part of an active employment policy, which takes responsibility for paying a portion of workers’ monthly wages on behalf of companies that are assessed to be financially distressed.

In Belize the shift from a programme-based, transactional environment to a new people-focused service environment is reflected in an increasing use of e-services, while Argentina’s National Social Security Administration (*Administración Nacional de la Seguridad Social* – ANSES) has created a new channel of direct communication with citizens through social networks, with the objective of answering queries on social security programmes and benefits in an uncomplicated and rapid manner.

Despite the inherent appeal of digital services, social security service delivery and communication should use a wide variety of media.

**Innovate and re-engineer.** An important strategy to realize service quality improvements is to innovate and re-engineer business processes. For pension funds, “proof of life” is important to verify continuing entitlement to pension payments. In Mexico, pensioners were previously required to present in-person twice a year to prove they were still alive and entitled to pensions. Interoperable systems now allow proof of life to be verified and cross-checked with national registries. When a death certificate is registered, pension payments are automatically blocked, preventing payment error or fraud.

The distribution of the breastfeeding grant in Peru for the care and welfare of newborn children was overly burdened and delayed by administration and bureaucracy. By linking databases with the birth registry, payment can now be received within 72 working hours of the submission of the application. Previously the processing period averaged 76 days.

In Belize, a paradigm shift from a transactional, processing environment to a client-centric orientation has resulted in administrative efficiencies and cost reductions. To give

customers “voice” in the service process, this required changes in the work culture, infrastructure, business processes and technology to simplify administration. Significantly, this transformed clients from in-person service recipients to empowered e-service users. Similar types of improvements have been seen in Argentina, Chile and Colombia.

***Empower the organization’s workforce.***

A highly empowered workforce is another strategy to build client satisfaction. It is known that client satisfaction and employee empowerment are mutually reinforcing goals. Key factors that impact employees’ performance are training programmes, leadership training, performance management programmes, reward and recognition, skills auditing, and internal communication.

The Trust-Building Plan of Peru’s Social Health Insurance Institute (*Seguro Social de Salud – EsSalud*) pivots on the effective deployment of human and ICT resources to support service delivery. Covered patients previously had to wait an average of 432 days to be scheduled for a surgical procedure. In many cases, the waiting time aggravated the patients’ health conditions, drove up care costs and heightened the risk of complications. Teamwork complemented by adequate medical and technological infrastructure resulted in a reduction in average


waiting time to 90 days, with the trust rating rising from 50 per cent to around 70 per cent.

As one further example, in Mexico a flexible software facilitates health professionals to record vital medical information concerning overweight and obese patients who are participants in preventive and curative programmes. The software has tools for nutritional diagnosis, a calculator for protein and carbohydrate distribution, and monitors patients’ diets, significantly simplifying the programme’s monitoring tasks.

***Go electronic, go mobile, go online.***

The implementation of more integrated and user-centred services is facilitated by the wider adoption of electronic and web-based platforms supported by well-trained staff. In a growing number of countries there is a shift to the use of apps that provide easy-to-use and accessible services through Mobile technologies. In all cases the aim is for reduced administrative costs, improved data control, and higher user satisfaction. In Canada, a Retirement Income Calculator was transformed into a mobile-accessible application to give the public access to up-to-date information for retirement planning.

Until 2008, the MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela) used paper documents and conventional ►►



*“Online contacts saved 70 million hours of work – roughly equivalent to one year’s work for 28,000 staff working eight hours a day for six days a week”*

mail to support social security benefits. These procedures compromised efficiency and security, and generated high operating costs. An ICT system has since enabled the electronic exchange of information with digital certification among the member countries. This has progressively reduced the use of paper documents, shortened the processing time, and increased the reliability, security and confidentiality of information. A similar development is underway for the Ibero-American social security agreement, which currently applies to 11 countries but which may involve a further four countries.

The Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* – IMSS) is the largest social security organization in the Americas, serving over 70 million people through 6,000 medical units and branch offices. As a result of rising public dissatisfaction and the increasing complexity of operations, the IMSS Digital Strategy was launched to supplement its conventional physical offices and face-to-face services with alternative channels using digital services. The original 56 registration and collection procedures were reduced to 25, ten of which were digitalized. The IMSS website is now the most important service channel. Since 2014, 25.2 million service requests have been treated via Internet (17 per cent) and via telephone (29 per cent). The online contacts saved 70 million hours of work – roughly

equivalent to one year's work for 28,000 staff working eight hours a day for six days a week. An estimated 5.3 million help-desk hours have been freed up, with these resources re-channelled to face-to-face services. A new app, IMSS Digital, is expected to further improve the speed and quality of services.

Social security administrations continue to deliver on their service quality mandate. The sharing of good practices in the social security global community is stimulating an optimistic culture of innovation. A practical question for social security administrations is whether it is possible to constantly innovate? The likely answer is favourable – ever higher public expectations suggest that standing still is not an option. The resource constraints that confront many social security administrations also act as an opportunity for continuous improvement.

To meet the expectations of women and men for quality user-centred services, social security administrators should use their collective knowledge and experience. Social security administrations should systematically measure and evaluate the effectiveness of progress achieved and then fine tune their actions. A final set of actions is to communicate to the public what has been achieved and what will be achieved in future. ■

## E-GOVERNMENT IS PROGRESSING IN THE AMERICAS

### Digital inclusion and vulnerable groups



**2003**

**13 countries** had a one-stop-platform, and only 4 countries provided online transactions



**2016**

**32 countries** offer one or more single entry portal(s) on public information or online services

Sources: UNPACS (2016); UN e-government survey (2016)

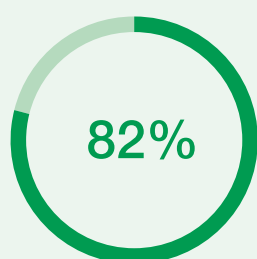
## E-PARTICIPATION

### Online services to vulnerable groups in the Americas

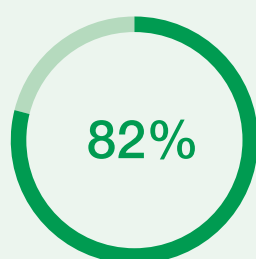
	Older persons	Immigrants	Women	Youth
<b>Oceania</b>	3	4	3	3
<b>Europe</b>	26	27	22	30
<b>Asia</b>	19	24	17	20
<b>Americas</b>	13	14	12	23

Source: UN e-government survey (2016)

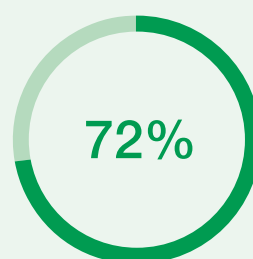
## PRIORITIES OF ISSA MEMBERS IN THE AMERICAS



Give priority to improving service accessibility and quality



Give priority to responding to evolving client/public demands



Give priority to strengthening public trust in the institution

Source: ISSA global member survey (2015)



## CHALLENGE 8



## Labour markets and the digital economy

Many economies are witnessing an increasing de-standardization of employment patterns, involving greater flexibility in working time, evolving work arrangements, and a break with the traditional linear life-course career path. The shift to the digital economy is expected to accelerate these trends, with many job categories at risk of being replaced by technology. Faced with this prospect, the financing, delivery and legal frameworks of benefit provision need to be appropriate and sustainable.

**T**he labour market challenges facing the countries of the Americas differ. In a very general sense, in much of North America formal employment has become more precarious, while in many Latin American and Caribbean countries a preoccupying concern is informal economy activity. In this context, the increasing use of robots and other technologies leading to the greater automation of work processes presents labour markets with a number of risks, but also potential opportunities.

Regardless of the process of technological transformation that is changing many economies, in the immediate term across the Americas, unemployment rates and levels of informal labour market activity are increasing. In 2016, the unemployment rate in Latin America and the Caribbean reached 8.1 per cent, the highest level in a decade. And the unemployment rate for young workers is more than three times higher than that of

adults aged 25+. Furthermore, real average wages in the region decreased by 1.3 per cent in 2015. If this dip becomes a protracted trend, the adequacy of contributory benefits as well as the financing of contributory social security programmes will be weakened.

A further contextual issue is population ageing: the region of the Americas is ageing relatively quickly, which raises a number of policy challenges. For instance, the working-age population as a share of the total population is expected to stagnate in Latin America between 2015 and 2040, and there are already over 100 million people aged 65+. Leaving questions about the emerging digital economy aside, there is clear policy advice on how to strengthen labour market activity in response to population ageing: countries should seek to increase female participation rates, support active ageing and introduce preventive health measures. ►►

## | THE CHALLENGES OF THE CHANGING WORLD OF WORK

A number of challenges will continue to, or increasingly, impact the labour markets of the Americas in the coming years. These include the automation of work tasks and the impact of robots on production processes, changing work patterns and an increase in non-standard work, and the stubborn resilience of high levels of employment in the informal economy. For social security programmes, questions are already being raised about the impact of these developments on the adequate financing of benefits.

For occupational safety and health (OSH) systems, there is a need to ensure the continuing protection of workers and to adapt OSH strategies to new ways of working and new types of workplaces or, indeed, new professions.

On the one hand, new technologies may render work safer, with certain exposure to specific risks diminished or even eradicated. On the other hand, working with new technologies and new machines and automated processes may also create new forms of physical and mental stress for workers. Of course, new digital work flows also offer new opportunities for social security administrations to improve the design, accessibility and quality of services and benefits.

***The “gig economy”, digital platforms and freelance work.*** There has been substantial growth of the “gig economy” in a number of countries in the Americas. While gig economy business models vary (i.e. collaborative and sharing versus intermediaries, etc.), and while they challenge existing business operations (e.g. taxis, libraries, etc.), these platforms create relevant employment and income opportunities through new forms of work and can even overcome personal barriers (e.g. mobility disabilities) and geographic constraints. It is suggested that “freelance” work is the fastest-growing component of employment in the evolving gig economy labour market, especially in the United States.

## | RESPONDING TO THE DIGITAL ECONOMY

The economic and employment outlook based on the likely impacts of digitalization is mixed. Though there may be opportunities for stronger economic growth and improved social well-being, other outcomes may be job losses and increasingly fragmented labour markets.

In North America, the expanding use of robots and greater automation has led to a reduction in jobs in some sectors. In such a period of economic transition, the aim of social security systems must be to ensure that unemployment insurance and jobseeker support is flexible enough to reflect evolving employment patterns. There is a broader need to also work closely with other agencies and employers to ensure appropriate (re)training and other jobseeker support.

### ***Sustainably financing social security.***

Social security administrations must address how social programmes will be adequately financed in future. For instance, labour’s share of national income in the United States has been falling since the early 1980s. Over the same period, capital’s share of national income has risen. The question of whether taxes should be levied on robots and other automated process to help finance social security programmes and to retrain and actively support workers to return to the workforce is now being seriously considered. More generally, and also because of population ageing, there is a need for a fuller debate on the correct balance in the use of contributions and tax revenues to finance social security programmes in an adequate and sustainable manner.

It is expected that more formal economy jobs, often in manufacturing but also in services, will be replaced with robots and other automated processes. Consequently, the structure of work will continue to change. While some countries have seen a small drop in formal employment recently, self-employed work has increased slightly. Of note, the quality of work for many workers has deteriorated. In total, some 134 million workers in Latin America and the Caribbean are in informal employment, nearly half of the working-age population. In the



coming years, the combined consequences may be greater precarity, worse health outcomes and increased inequality. These potential outcomes show why there is an identified parallel need for greater investment in preventive health care interventions.

**Supporting employment.** Social security institutions need to adapt by tailoring the design, delivery and financing of benefits to the evolving employment realities of the region. They can also take a more proactive role in accompanying changes in the labour market through supporting job training and working closer with employers to match labour market demand with an appropriately skilled workforce. In certain sectors – for example, in renewable energy, caregiving and other services – there are currently shortages of qualified workers.

The Americas have an identified shortage of long-term care workers for the elderly and insufficient numbers of childcare workers. It is significant therefore that the *Estancias Infantiles* programme in Mexico, although primarily aimed at ensuring childcare for women who wish to work, has additionally created 38,000 carer jobs in the last decade.

The design of social security programmes should adapt to increasingly fragmented labour markets. This must include social security regulations that facilitate the formalization

of the labour market and prevent employers from evading their responsibilities towards their employees. Increased collaboration across government ministries and the better enforcement of regulations is essential. This can be done to identify workers who have been declared incorrectly by their employers as self-employed, often to heighten the enterprise's competitiveness by avoiding social charges and regulations. In this regard, a number of cities in the United States now set down minimum social protection requirements for the employees of a ubiquitous app-based taxi service.

Other programmes may target young and vulnerable workers in order to improve their labour market insertion and activity. El Salvador's Temporary Income Support Programme (*Programa de Apoyo Temporal al Ingreso – PATI*) is one. Launched in 2009, it offers income support and training, especially to youth aged 16–24 and female heads of households living in poor urban areas affected by violence.

To support future employment rates, a further policy objective should be to continue to facilitate increasing female participation rates. When this can be paired with policies that actively seek to permit a healthy work/life balance for households, national productivity levels can be better sustained, not least in economies with an ageing workforce. ►►



*“The more flexible nature of working patterns in which many workers find themselves can be matched by the more flexible design of social security benefits”*



The financial sustainability of social programmes should also be strengthened.

**Supporting families.** One supporting policy to permit a healthy work/life balance for households is the provision of parental leave. In this regard, Canada has increased the flexibility of its parental leave scheme. Beneficiaries can now choose to receive one of two options: 12 months' duration, with the benefit paid at 55 per cent of salary; or 18 months' duration, with the benefit paid at 33 per cent of salary.

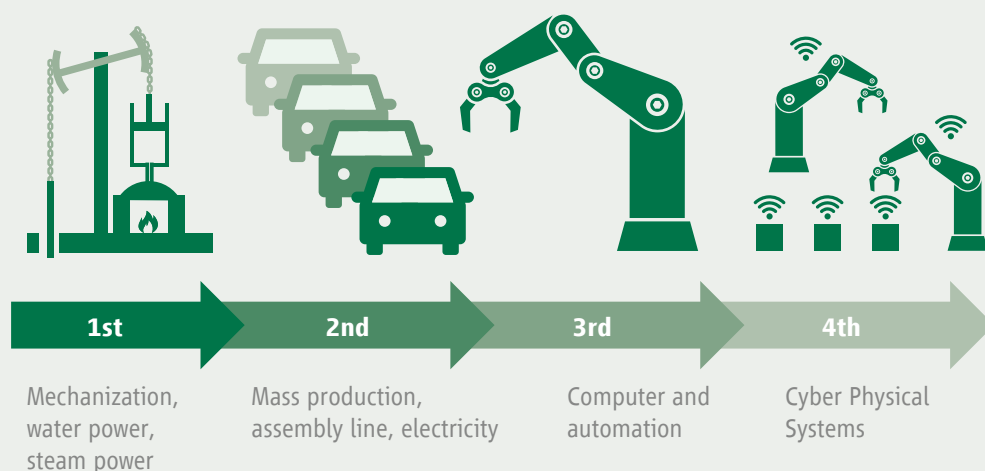
Without doubt, the more flexible nature of working patterns in which many workers find themselves can be matched by the more flexible design of social security benefits. Another supporting policy is the provision of accessible and affordable public childcare. Two Latin American programmes are *Estancias Infantiles* in Mexico and *Brasil sem Miséria* in Brazil, which positively support childcare, caregiving employment and the empowerment of women in the labour market.

Measures should reflect the digital divide in the region. In the Americas, about a third of the population is offline and in 12 countries less than half of the population is online.

There are a number of examples of the coordination of digital inclusion policy with social security policy which provide guidance in this regard. One such example is Uruguay, with the *Ceibal* programme of "one laptop per child" operating alongside social security education programmes. Another is Argentina's *Conectar Igualdad* programme.

Increasing digitization of the economy, like many trends, has positive and negative aspects, and it is only one external factor among many that impact on livelihoods. For social security administrations, an obvious positive aspect is the possibility for new, rapid service delivery platforms. Regardless, the challenge is to continue to offer seamless protection to all working populations in a time of significant labour market evolution. ■

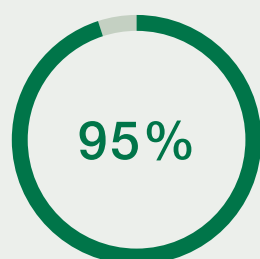
## THE FOURTH INDUSTRIAL REVOLUTION



Source: WEF (2016)

## THE FUTURE OF WORK

Digital technology and automation are transforming the world of work



of people in the United States believe they need new skills to stay relevant at work



Independent work on digital platforms is growing

Source: Accenture (2017)

## PRIORITIES OF ISSA MEMBERS

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

World **65.8%**  
 Africa **79%**  
 Americas **71%**  
 Europe **70%**  
 Asia and Pacific **55%**

Source: ISSA global member survey (2015)

## SELF-EMPLOYED AND FREELANCE WORKERS



**53 million**

More than 53 million people in the United States are now earning income from work that's not a traditional 9-to-5.



**1 in 3**

Workers are self-employed or freelance in the United States

Source: US Bureau of Labor Statistics (2015)



## CHALLENGE 9







## New risks, shocks and extreme events

In an uncertain global context, societies and economies are exposed to different and often unpredictable economic, societal, political, and environmental shocks and extreme events. Social security systems can absorb and attenuate the worst consequences of these and also act to reduce the frequency and severity of these risks. They therefore enable societies to recover more rapidly from downside impacts and to be better prepared for future events. In a world of growing uncertainty, social security programmes' roles in managing risk increasingly extend beyond labour markets and the life cycle.

**T**he Americas are particularly exposed to certain environmental, social, health and economic shocks. These shocks may come rapidly and unexpectedly or be slower forming and longer lasting. While there are a number of examples of social security systems anticipating and responding to these risks, arguably this movement is nascent. But with external shocks more frequently exacerbating the uncertainties associated with life-cycle risks, this trend is likely to become deeper rooted and gather momentum in the countries of the Americas.

To respond effectively to shocks, social security institutions should develop a strategic approach. In a phased manner, such a strategy should first entail a planning and preventive period to identify potential shocks and reduce their

possible impact. The next steps should be the delimitation of the institution's role during the shock itself and, thereafter, its follow-up role. Follow-up is important because although shock events may be short in duration, their negative impacts can be much longer lasting, and in some cases enduring.

### | NEW CHALLENGES FOR SOCIAL SECURITY

The number of natural disasters has increased rapidly in the region. In Latin America and the Caribbean, there were on average 19 natural disasters a year in the 1960s; in the decade 2000–2010, this had increased to 68 per year. Events such as hurricanes and resulting flooding ►►



can seriously impact the economic and health status of already vulnerable populations.

Environmental degradation, as a result of excessive or inappropriate human activity, can also combine with natural weather events to create shocks. Pertinent examples in this regard are flooding and landslides, which can seriously impact households and livelihoods. Economic and health shocks can also impact livelihoods, often requiring the rapid mobilization of targeted interventions. While the origins of health shocks and the distribution of health risks are often rooted in the local environment, growing global movements of people and goods increase the risk of the geographic movement of viruses and parasites. Economic globalization also heightens the risk of the global contagion of economic crises.

## | RESPONDING TO NEW RISKS

In spite of operational constraints and external pressures, social security administrations have shown to be capable of adapting to new and diverse sets of risks.

**Natural disasters.** Dominican Republic's *SIUBEN* is a database used for targeting social assistance and includes an Index of Vulnerability to climate shocks, which assesses the probability that a household will be impacted by climate-related events. It maps out the country according to climate vulnerability, making more efficient the targeting of future responses. As a possible contingency measure, in Brazil, the payment of certain benefits by the National Institute of Social Security is conceivable in the event of a crisis due to a natural disaster.

In Chile, a lump sum was paid to beneficiaries of the *Chile Solidario* programme affected by the 2010 earthquake. In Argentina there are examples of family allowances having been doubled in value to respond to natural disasters, such as flooding and, in 2011, the aftermath of a volcanic eruption in Chile which resulted in heavy ash falls across Argentina. Again in Argentina additional benefits were paid to beneficiaries of the child grant and social pensions following the drought of 2015. In Nicaragua free school meals were provided during the drought in 2014–16. In Trinidad and Tobago, recipients of social

pensions are eligible for housing support to rebuild properties affected by climate-related events. In Guatemala, a calamity grant is paid to beneficiaries of the conditional cash transfer programme in areas affected by a recognized emergency.

**Environmental risks.** The Brazilian government launched the *Bolsa Verde* in 2011, which seeks to eradicate extreme poverty (through income support) while tying entitlement to measures that seek to conserve Brazil's important ecosystems. Recipients who live in ecologically-sensitive areas of the country receive an additional payment that is made on the condition that they do not undertake activity that is harmful to local ecosystems, such as illegal logging. The programme also encourages the participation of beneficiaries in environmental social training.

Brazil is also addressing social and environmental needs through the *Bolsa Floresta* and *Bolsa Verde* programmes that support the extension of social security coverage. By the end of 2014, the *Bolsa Verde* programme covered over 73,000 Brazilians who received income in exchange for the maintenance and sustainable use of natural resources. Brazil employed the *Bolsa Família* database to implement the *Bolsa Verde* programme.

**Health shocks.** The region is subject to short-term, acute health shocks as well as longer-term changing risks (the growing occurrence of noncommunicable diseases, such as diabetes). As part of national responses, social security institutions are increasingly asked to play a role. While the Zika virus in 2016 deeply affected a number of countries, the lessons learnt – a focus on destroying mosquito breeding sites, identifying alternatives to pesticides, and creating access to better family planning advice – should be the basis for reflection on contingency planning and preventive responses for possible future health shocks.

Given that the financial costs related to controlling the Zika virus have been high, the experience of countries who focused effectively on preventive measures should be studied. A first step should be to expand health coverage so that all people have access to

information, necessary vaccinations and family planning. For example, Saint Lucia is developing a new strategic plan to expand health coverage to all, and has rolled out electronic health record systems that include syndromic surveillance and immunization records.

**Economic shocks.** Many of the region's economies are exposed to fluctuations in natural resource prices and the economic situation of countries can deteriorate quickly, with rapid rises in unemployment. The region was particularly hard hit by the global financial crisis of 2008–09, but a number of social security institutions implemented effective response measures. For example, in Mexico, *Prospera* increased benefits and coverage under its *Vivir Mejor*. This intervention was particularly successful in protecting those in the poorest decile, whose incomes would otherwise have fallen significantly.

**Shocks at the individual level.** It is also important to assess how systems respond to life changing events at the individual level. Chile's *Ficha de Protección Social* identifies vulnerable households and provides payments for certain contingencies (e.g. illness or accident) to ensure household assets are not depleted when earnings fall. The Government of Haiti, working with a consortium of NGOs, has established a replicable safety net system to reduce household

food insecurity and vulnerability while building resilience.

The question of when to use targeting or conditionality is an important one. Many institutions in the region use integrated databases with one point for all data and information requirements, such as Chile's *Ficha CAS* or Colombia's *SASBEN*. Yet, in times of crisis such mechanisms may work less well due to the difficulties of correctly assessing current household circumstances.

To focus benefits on those most in need, an interesting trend is the use of triggers and proxy measures to identify when payments should be made and to which groups of people. Such approaches can be relatively effective and also very efficient, as they avoid having to apply more in depth, costly and sometimes inaccurate targeting mechanisms.

Extraordinary payments made using a trigger include Chile's Disability Basic Solidarity Pension, which allows two additional payments during periods of high unemployment – specifically, when the national unemployment rate is 1 percentage point higher than the four-year rolling average.

For social security administrations, there may be a need to adapt working practices. But there is also a need to better achieve core business ►►



“An effective preventive measure to mitigate “new” as well as conventional risks is simply to extend social security coverage”

objectives. Effective and robust delivery systems are essential as traditional infrastructure may be affected by the extreme event or shock. While e-services are important and can often be scaled up in crises, they are dependent on the supply of electricity. In the event of a loss of electrical power, other networks and channels are equally necessary. In Mexico, the *Programa de Empleo Temporal* uses public, private and community-based approaches to make payments.

To mitigate risks associated with shocks, it is also important to develop and expand national health, social and education networks. Often, the hardest hit areas are those that are the most remote and with the less developed infrastructures, for example a lack of health care professionals. When shocks do occur, it is important that responses across networks are coordinated to avoid the duplication of

effort and the unnecessary use of resources. Responsibilities should be determined and goals identified from the outset.

The response to shocks and emerging risks must include a number of different measures and the involvement of a range of stakeholders. Tailored ad-hoc measures will be needed and can respond to specific impacts of shocks. However, it is worth restating that an effective preventive measure to mitigate “new” as well as conventional risks is simply to extend social security coverage. Adequate and sustainable coverage is, by definition, an effective long-term shock absorber. For example, in Mexico, following high food prices and the riots of 2007, the Mexican government increased the *Prospera* budget and the number of beneficiaries rose significantly by 1 million. ■

## FOUR MAIN TYPES OF NATURAL DISASTERS, 1960–2015



Source: EM-DAT (2017)

## IMPACT OF NATURAL DISASTERS IN THE AMERICAS

Year average of number of natural disasters	Climate-related	All natural disasters
1960–1969	15.0	18.6
1985–2000	63.4	73.8
2000–2015	82.8	93.4

Source: EM-DAT (2017)

## NUMBER OF PERSONS AFFECTED BY NATURAL DISASTERS IN THE AMERICAS

1990 → 1999

**25 million**

(8 million climate-related)

2000 → 2015

**145 million**

(128 million climate-related)

Source: EM-DAT (2017)



## CHALLENGE 10





## Protection of migrant workers

Estimates suggest there are over 40 million migrant workers across North America, Latin America and the Caribbean – including over 20 million Latin American immigrants in the United States. The region's principal international migration corridors are South-South and, from a more global perspective, South-North. The South is usually defined as covering Central America, the Caribbean, South America and Mexico, while the North encompasses the United States, Canada as well as Europe. Across the Americas, access to social security protection remains weak for migrant workers, with many migrants working predominantly in the informal economy or in precarious jobs. Internal rural-urban migration is equally important, raising serious policy challenges in terms of public health, housing, education and informal labour markets which require responses. Success in meeting the public policy and social security needs of all migrant workers is an important component of realizing social security for all.

**M**igrant workers in the Americas face the same kinds of risks as other workers, requiring protection against unemployment, illness, disability, old age, maternity and survivorship. But they also face risks that stem from the act of migrating, which may further heighten their vulnerability.

The gender dimension of migrant workers also has to be considered by national authorities, according to economic sector, the quality of the job, levels of pay, exposure to health and safety risks, and the adequacy of social security protection. ►►

## | MIGRATION IMPACTS AND CHALLENGES

Migrant workers are an important economic resource – bringing skills and competencies that may be in short supply – and their effective integration in the labour market should be viewed as an investment. Apart from the economic benefits they confer, the average age of immigrants tends to be younger than that for the general population thereby lowering the average age of the population. This has positive short-term implications for the financing of social security systems and for public finance and will influence the investment strategy of social security reserve funds, possibly leading to greater investment in longer-term assets.

The long-term impact for social security systems depends on the proportion of migrant workers that stay in the host country; if, for example, 100 per cent remain, then the impact is the slowing of the ageing of the population. When any number of migrant workers return home, the financial impact on the social security system will depend on the benefits accrued by the migrant workers and the amounts paid out in the form of benefits.

For the migrant-sending country, the welfare advantages tend to revolve around the level of remittances transferred home, which have an indirect positive impact on the economy. In some cases, remittances from a host country may be greater than the levels of direct international aid paid from the host to the home country. Such remittances play an important stabilizing role in the economic development of home countries and are often the main source of foreign currency.

Yet remittances often come at the cost of trade-offs for migrant-sending countries. One trade-off stems from developments in global care chains and the manner in which they affect women particularly. With ageing populations, the increasing labour force participation of women, and the insufficient public provision of care in developed countries, there is a heightened demand for domestic workers and carers for children, the elderly and for those who are in poor health or disabled. Consequently, many women in developing economies are

leaving their own dependants to accept work as domestic helpers and caregivers in more developed economies. This results in “care deficits” in migrant-sending countries.

Of course, migrant workers also raise policy challenges for migrant-receiving countries. Salaries may be depressed by the offer of competitive migrant labour and questions of cultural differences and social integration have to be managed. As regards in-country migration, municipal authorities also have to manage increasing rural-urban population flows.

For social security administrations the practical challenges posed by migrant workers are many, but not insurmountable. The widening use of ICT in social security administration reflects its practicality in the exchange of information and data. For some countries, however, ICT costs can be prohibitive. Other challenges for migrants’ coverage include cross-country differences in social security concepts, terminology and practices, political and legal barriers, and data availability.

## | SOCIAL SECURITY RESPONSES TO MEET MIGRANT WORKERS’ NEEDS

In addition to an affirmed human rights’ rationale for extending coverage and offering equality of treatment, there are many trade-offs for social security programmes and the economy of extending coverage to migrant workers.

***Eligibility requirements, access and coverage.*** Extending coverage ensures access to essential benefits and services to help mitigate various risks. An immediate response to meet the needs of migrant workers is to relax eligibility requirements (e.g. move away from citizenship to residence criteria).

This should contribute to enhancing social cohesion, facilitate economic growth and strengthen public support for social security programmes. Broadly speaking, efforts to formalize labour markets are strengthened, the potential for exploitation is weakened, and mobility strengthened. Importantly, when their labour market activity is appropriately regulated, migrant workers



are often net contributors to the social security system.

National authorities are proactively developing appropriate responses. The government of Argentina has introduced a number of measures to promote registered employment and combat contribution evasion. The country's National Labour Regularization Programme enables temporary reductions for employer contributions for migrant workers and promotes the registration of workers. The Brazilian authorities are promoting regulated migration channels for workers from Haiti and granting around 2,000 migrant visas a month. Costa Rica requires that all foreigners residing in the country are registered with the Social Insurance Fund of Costa Rica (*Caja Costarricense de Seguro Social – CCSS*).

In recognition of the fact that many migrant workers are women, the Chilean authorities have taken important steps to enhance maternity protection for female migrant workers. Pregnant migrants residing in Chile have access to health services. The children of migrant workers can enrol in elementary and high schools.

**International agreements.** The main political responses to protect international migrant workers are bilateral and multilateral international social security agreements, which establish cross-frontier mechanisms to

extend portable coverage. For social security organizations, these agreements permit greater cooperation, strengthen administrative capacities and help exchange good practices. Worldwide, there are hundreds of such agreements, including in the Americas.

Social security agreements are based on coordination principles. These embrace equality of treatment, determination of applicable legislation, maintenance of acquired rights, maintenance of rights in course of acquisition, and the payment of benefits abroad.

Social security agreements ensure the portability of social security rights and therefore prevent the exclusion of workers from social protection coverage in both the home and host country, avoid the double payment of contributions in the same, and the totalization of years of contributions helps workers satisfy minimum eligibility requirements. Nevertheless, many migrants – most commonly, informal and rural economy workers – do not benefit from these types of agreement as they do not have any contributions paid in their home countries.

A majority of countries in the region have concluded bilateral social security agreements with neighbouring countries, as well as with countries outside the region. For instance, Brazil has established bilateral social security ►►

*“The main political response to protect international migrant workers are bilateral and multilateral international social security agreements”*





agreements with Cabo Verde, Chile, Greece, Italy, Luxemburg, Portugal and Spain.

The flagship multilateral agreement in the region is the Mercosur (*Mercado Común del Sur*) Social Security Multilateral Agreement, signed by Argentina, Brazil, Paraguay and Uruguay. This agreement recognizes rights, obligations and contributions to the pension systems of workers who work or have worked in one of the MERCOSUR countries. Coverage rights are also extended to workers' families. The operationalization of the MERCOSUR Agreement required the development of a joint database for MERCOSUR social security institutions, incorporating a Data Transfer and Validation System.

In turn, the 2007 Multilateral Ibero-American Social Security Agreement covers states in Central and South America together with Spain and Portugal. The Agreement applies to contributory benefits for old-age, disability and survivorship, and for work injuries and occupational diseases.

The CARICOM (Caribbean Community) Social Security Agreement protects CARICOM nationals' entitlements to benefits and provides equality of treatment when moving from one country to another. This enables insured persons who work in more than one country of the CARICOM to qualify for long-term benefits for which they may not have otherwise qualified. The Agreement, which is in effect in Antigua and Barbuda,

the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago, provides for the payment of old-age, disability and survivors' pensions, and death benefits.

A further sub-regional agreement to ensure the right to social security for migrant workers (while residing in another member state) is the Andean Instrument on Social Security, which applies to Bolivia, Colombia, Ecuador, Peru and Venezuela.

For social security administrations to meet the social security needs of migrants, robust identity management is essential and appropriate administrative and management measures are required – this is most effectively delivered under a bilateral agreement. To be effective, this can involve working with others stakeholders to support the identification and affiliation of migrant workers. Despite progress, globally, no more than one in five of migrant workers has the full protection and portability of their social security rights enshrined by an agreement signed between their country of origin and the host country.

Extending social security coverage to all migrant workers in the Americas will ensure that social security systems better contribute to the international objective of providing social security to all, while also reinforcing social cohesion and supporting economic growth at the national level. ■





## MIGRANT FLOWS



**63,722,714**  
**persons**

International migrant  
stock in Americas (both  
sexes) in 2015

Source: UN DESA (2016)

Caribbean		1,367,407
Central America		2,040,151
South America		5,826,431
Northern America		54,488,725

## MIGRATION AND SOCIAL SECURITY



**87+**

Bilateral social security  
agreements covering  
the Americas



**20+**

Countries in the Americas  
have legal provisions granting  
equality of treatment between  
nationals and non-nationals



**4**

Major multilateral social  
security agreements  
covering migrant workers

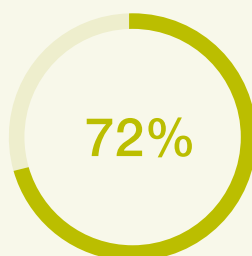
Source: UN DESA (2015).

## MIGRANTS MAKE A SIGNIFICANT ECONOMIC CONTRIBUTION



**+ \$70 billion**

Remittances of migrants to Latin  
America and the Caribbean



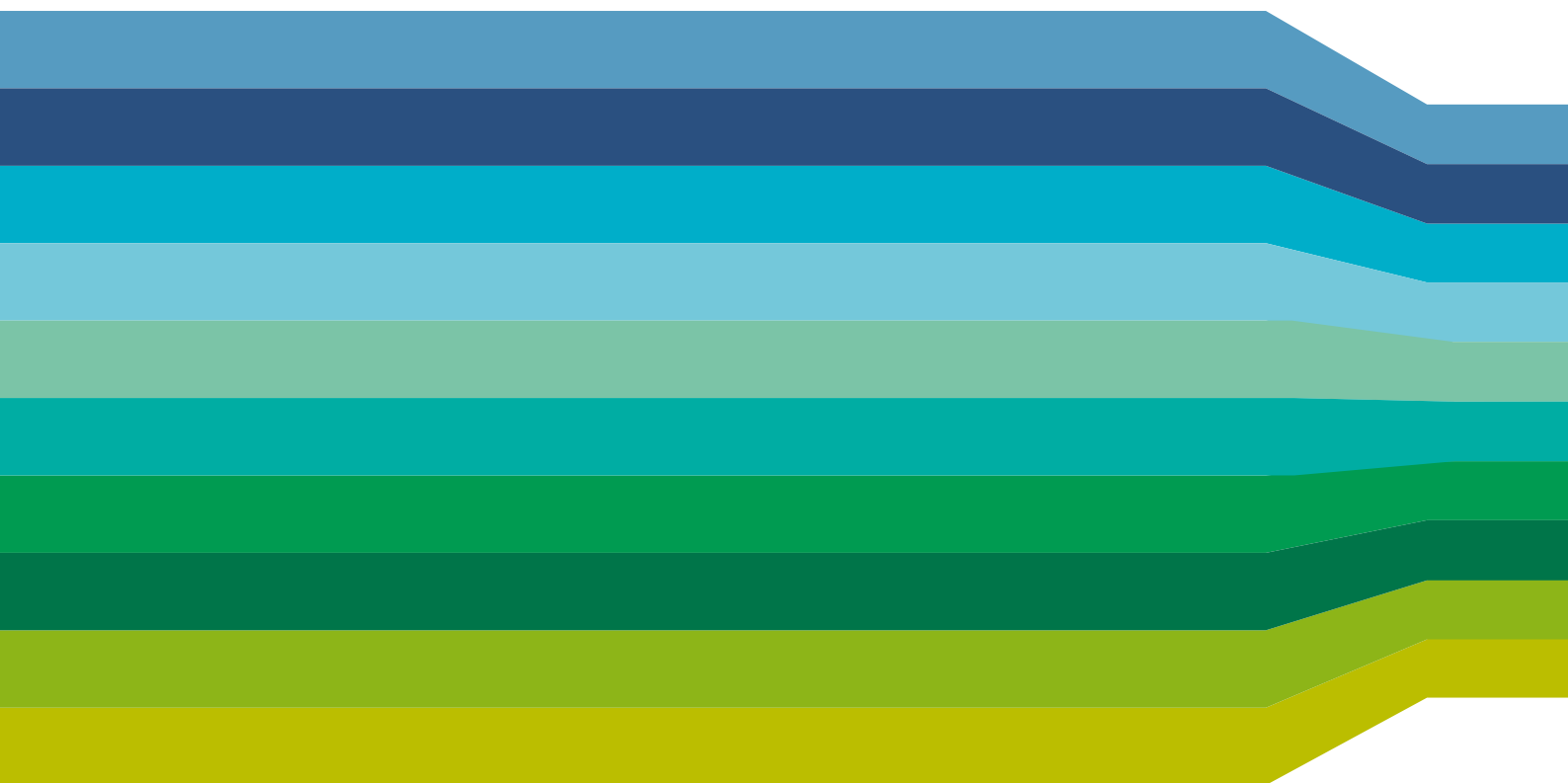
Percentage of migrants  
of working age  
(20–64 years)

Sources: World Bank (2015); UN DESA (2016)









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