

Dynamic Social Security: Securing social stability and economic development

DEVELOPMENTS AND TRENDS GLOBAL REPORT 2010



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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Dynamic Social Security: Securing social stability and economic development

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GLOBAL REPORT 2010**

International Social Security Association
Geneva, 2010

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Preface

This Developments and Trends report – *Dynamic Social Security: Securing social stability and economic development* – has been prepared for the World Social Security Forum, organized by the International Social Security Association (ISSA), and hosted by the Department of Social Development of the Republic of South Africa, in Cape Town, South Africa, 29 November to 4 December 2010.

An important objective for the International Social Security Association during the triennium 2008-2010 has been to promote the strategic vision of Dynamic Social Security – to promote accessible and sustainable social security on the basis of high-performing administrations and tailored programmes. Through innovative measures that provide protection, encourage prevention, and proactively support rehabilitation and (re) integration, the goal is to extend social security coverage to all. Necessarily, to build more socially inclusive and productive national economies, social priorities must be matched by requisite and sustained political will.

Recent tumultuous events in the global economy have confirmed the integral role of social security provision as a social buffer and an economic stabilizer. However, levels of public debt have grown and the financial health of many social security programmes has weakened. Regardless, in an international context defined by the increasing globalization of markets and accelerating population ageing, the need for effective and efficient social security programmes led by an enabling State has never been greater.

This is the broad challenge that confronts all ISSA member organizations in all regions.

The evidence of the recent period demonstrates clearly that a growing number of national developments and trends correspond with the objectives of Dynamic Social Security. I am in no doubt that it is on the basis of further concerted movement towards the realization of Dynamic Social Security that national social security administrations will be able to position themselves successfully to address the challenges that lie ahead and to deliver greater social protection to populations.

Hans-Horst Konkolewsky
Secretary General

CHAPTER 1

Introduction

The aim of this global report is to present a selective overview of developments and trends in social security during the triennium 2008-2010. The data and analysis presented here represent a natural continuation of the work prepared on the occasion of the International Social Security Association's (ISSA) first World Social Security Forum in Moscow in 2007, and of the work comprising the four-volume series of regional Developments and Trends reports completed to accompany this triennium's Regional Social Security Forums¹ held in Kigali, Manila, Warsaw and Brasilia.

An important objective of this triennium is to offer a new approach to observing and learning from the key challenges facing ISSA member organizations in the different regions of the world. To support this objective, the ISSA has developed and documented an innovative strategic framework: "Dynamic Social Security".² Inspired by the positive evidence of good practice and innovation in the design and delivery of national social security programmes, the purpose of the framework is twofold. First, it permits policy-makers, practitioners and analysts to observe and map the development path of social security systems in various contexts. Second, it seeks systematically to help guide improvements in the programme design and operational performance of ISSA member organizations.

The broad aim of the framework is to support the development of accessible, sustainable and high-performing

social security administrations and programmes. The pursuit of this aim goes hand in hand with the multiple requirements that social security systems should provide protection, encourage prevention, and proactively support rehabilitation and work (re)integration. The longer-term aim is that the progressive and sustained realization of the elements that comprise Dynamic Social Security should contribute to better achieving socially inclusive and economically productive societies. Ultimately, the aim is to provide social security for all.

In this way, Dynamic Social Security is fully consistent with, and complementary to, the global "social protection floor" initiative of the International Labour Organization (ILO) and the United Nations (UN).

Resources permitting, a prerequisite for realizing the longer-term aim of Dynamic Social Security is the need in many countries for heightened and sustained political will. Globally, that only 20 per cent of the world's working-age population has full access to adequate social security and about one-third is without access to any health care coverage (ILO, 2010a) suggests that it cannot be otherwise.

In practice, the reality of political economy is often one where policy priorities are defined by shorter-term imperatives and implemented on the basis of what can be done rather than on the basis of a longer-term vision of what ought to be done. Furthermore, unanticipated

1. The International Social Security Association designates its member organizations to one of four geographic regions: Africa, the Americas, Asia and the Pacific, and Europe. The regional distinctions in this report follow this practice.

2. See McKinnon (2007) for the seminal work on the conceptual framework. See also Sigg (2007), McKinnon (2009) and ISSA (2007, 2008, 2009, 2010a, 2010b).

events – such as natural disasters or economic crises – that intervene in the national policy environment may impact existing imperatives, which necessarily will lead to a change in, or a reordering of, immediate policy priorities. When this occurs, and although the longer-term objectives may remain unaltered (e.g. extending access to social security coverage), the pursuit of objectives will, as a matter of necessity, first have to take into account the change of context.

Most evidently, the global macroeconomic context has evolved significantly since 2007, with a major financial crisis and then an economic downturn having impacted the global economy. For many countries' social protection systems, in 2008 in particular, this led to a drop in the value of national social security and pension funds. Increasing levels of unemployment and poverty have led to higher expenditures by social security programmes on insurance benefits and tax-financed assistance, with a commensurate loss of contribution revenues and a drawing down of reserve funds and/or increasing debt. Furthermore, falls in aggregate demand have reduced governments' tax receipts. Although countries have been impacted differently, for many countries all these impacts have been felt (Pino and Yermo, 2010).

Government-directed, and International Financial Institution-endorsed, policy interventions to support levels of economic growth and to cushion the negative impacts of the crisis on employment levels and household income flows and consumption, have been important in many countries. Not all countries, however, have had the necessary fiscal leeway to permit this particular crisis response. In the poorest countries, the impacts of the global recession have compounded existing problems created by rising food and fuel prices and by economic underdevelopment more generally. In many instances, individuals and their families, often without any form of social protection or public support, have had no recourse other than to cope. As a consequence, it is estimated that in addition to the 633 million people in 2008 who were living and working in poverty with income of less than

USD 1.25 per day,³ a further 215 million workers were at risk of poverty in 2009. The regions likely to have been impacted most are South Asia, South-East Asia and sub-Saharan Africa (ILO, 2010b).

As we arrive at the end of 2010, global economic recovery and exit from the crisis remains slow and uncertain. Despite signs of recovery in global markets, in many countries unemployment is not falling. Higher levels of unemployment continue to restrain social security income from contributions while simultaneously requiring ongoing increased expenditure on benefits. For many social security systems, recent patterns of higher expenditures and lower receipts, as well as a depletion of reserve funds, have necessitated the revision of actuarial valuations. In some instances, this may move forward significantly the expected date at which scheme funds are projected to be depleted, a possible future eventuality that heretofore had been calculated largely on the basis of reduced system dependency ratios resulting from population ageing alone.

More generally, it is now apparent that many of the exceptional public policy and economic stimulus initiatives introduced from 2008 to respond to the crisis' impacts (e.g. bank "bail outs", tax reductions for employers or special unemployment allocations to laid-off workers) will have a longer-term impact on national public finances. As a result, currently inflated levels of public debt look set increasingly to limit future public expenditures, including for social policy. In many countries, especially in Europe, the recent period of higher fiscal spending has already translated into spending cuts, and in some cases has contributed to an environment of fiscal austerity. The scenes of protests against proposed public spending cuts and adjustments to reduce the generosity of social security systems witnessed, for example, in France, Greece and Spain in 2010 are likely to be repeated elsewhere as fiscal purse strings tighten.

An unexpected but most welcome dividend of the recent period has been the appreciation accorded to

3. The World Bank defines USD 1.25 as the international poverty line at 2005 purchasing power parity (ppp). USD 2.00 is the median poverty line for developing countries at 2005 purchasing power parity (ppp). For any given country, the median poverty line corresponds to the amount of per capita income or consumption expenditures that separates the poorest half (the very poor) of those living below the national poverty line from the less-poor half of the officially poor.

comprehensive public social security systems in contributing to managing the negative social and economic impacts of the crisis. Previously, in some quarters, it was common – albeit without justification – for social security to be portrayed as a hindrance to economic growth and global competitiveness; the insinuation being that social security systems were a cause of economic ills, rather than a source of remedy. In this most recent instance of major global financial and economic turmoil, social security could not be blamed, thus finally laying to rest the argument that social expenditures are an economic handicap (Euzéby, 2010).

Yet, this broad acceptance of public social security provision as an unrivalled social buffer and economic stabilizer, as integral to maintaining social and economic stability, has come at the higher-than-expected cost of a deep weakening of the finances of many social security programmes and of inflated levels of public debt. With financial institutions now chastising governments over their high levels of debt and with there being a threat that credit ratings will be downgraded as a result, governments are being pushed to reduce public debt and expenditures. In many cases, cuts to social security benefits, and the reform of pension systems in particular, are to be prioritized as a source of savings.

On a positive note, it is important to underline that the crisis stimulus packages introduced in a number of countries have actually contributed to the further extension of social security provision (e.g. Brazil, the People's Republic of China).

As stated, the global economic downturn has not impacted all countries to the same degree or in the same manner.⁴ From a global perspective however, unemployment has risen, less attention has been given to the issues of work reintegration, occupational safety and health and “decent work”, and poverty levels have risen. This has been so even in countries thought to be weakly integrated into the global economy, and as a consequence thought to be largely immune to the worst

of the crisis' impacts (McCord, 2010). To make matters worse, all of this is occurring in a more generalized demographic environment of population ageing⁵ that is already forcing many social security and long-term care systems to address rising costs and, as one response to this, to seek ever-greater gains in efficiency in all their operations.

It is evident that the crisis has had a major bearing on the nature of recent policy reform and innovation in social security. For instance, the recent period has borne witness to the upward reform of statutory pension ages (e.g. Brunei Darussalam, Greece), the extension of poverty alleviation measures (e.g. Brazil, South Africa) and proactive initiatives to keep individuals in work and off unemployment benefits (e.g. Australia, Germany). In all regions, a majority of surveyed ISSA member organizations have reported adopting measures to stabilize and restore social security programme finances (Orton, 2010). Even with a return to stronger economic growth, in a context of population ageing the pressure for a growing number of countries to pursue similar reforms is likely to continue.

Despite the challenges presented by the combined impacts of slow economic growth and accelerating population ageing, a further positive message to emerge in the recent period for social security systems is that those countries that were best able to manage the crisis' social and economic impacts were those that had comprehensive social security programmes already in place (Bonnet, Ehmke and Hagemeyer, 2010). These programmes not only provided policy-makers with immediate responses to help sustain aggregate demand but with a greater choice of instruments with which to reach out, sometimes selectively, to different population groups at risk. Of course, it has also been possible for innovative social security measures to be introduced in countries without comprehensive provision.

Generally, however, in the absence of comprehensive social security provision, policy responses can only

4. For instance, GDP growth in 2009 was above 5 per cent in countries such as the People's Republic of China, India, Indonesia, Ethiopia, and Nigeria.

5. Population ageing expresses that the median age of a given population is rising; in relative terms, a greater proportion of the population is “elderly”. Demographic ageing expresses declining rates of fertility and increases in longevity, with the latter element often including a reduction in the period during which individuals are incapacitated in later life (i.e. a compression in morbidity).

ever be less immediate and less encompassing, leaving a greater number of individuals vulnerable to the risk of falling into poverty.

The current period is more than just a story about social security's role in responding to the crisis, of course.

Throughout the triennium, the ISSA has identified, synthesized and interpreted the most important recent developments and trends as these apply respectively to the regions of Africa, the Americas, Asia and the Pacific and Europe. These findings have been presented for each region in separate regional Developments and Trends reports (ISSA, 2008; 2009; 2010a; 2010b). The evidence of the recent period demonstrates that a growing number of national developments and trends correspond with the multiple objectives of Dynamic Social Security.

This evidence is found in all regions, although the relative emphasis placed on objectives varies among countries. In some countries, this can be seen in efforts to build high-performing social security administrations (for instance, but not exclusively, in countries of Europe and Asia and the Pacific). In others, the emphasis remains one of making social security more accessible (especially in countries of Africa, Asia and the Pacific and the Americas). While broad efforts to realize sustainable social security are common to all regions, proactive and preventive social security is most pronounced in higher-income countries, especially in Europe.

Using the distilled evidence of regional developments and trends, Box 1.1. presents the overarching policy messages for social security identified for each region. In turn, key regional policy conclusions and priorities are presented in Box 1.2. Among the policy conclusions and priorities, a number of shared themes emerge across the regions. For all regions, there is a commitment to improve social security provision. There is also an understanding that realizing such improved provision requires pluralistic institutional mechanisms underpinned by a strong role by the State. At all levels, improved governance is recognized as essential to ensure political legitimacy, public trust

and sustainability. Overall, there is an understanding that policy reform is increasingly complex, requiring careful planning and coordination backed by robust databases and policy-relevant analysis. In this regard, social security administrations occupy an unrivalled position, and policy-makers should look increasingly to the knowledge they can provide.

Not all themes are shared by all regions. Generally, this may be explained by differences in the levels of development of national economies and social security systems, as well as by historical and cultural factors. For instance, a shared theme particular to Africa and Asia and the Pacific is the emphasis given to the need for social security to contribute to national development strategies. A message that has come out most powerfully, but not uniquely, from the Americas is the importance of including social dialogue in social security reform processes, not least as a means of fostering social cohesion. The regions of Europe and the Americas highlight the importance of investing in family allowances to support human capital development and other objectives. In these same two regions reference is made also to the growing importance of individual responsibility. In Europe the message about individual responsibility is most strongly stated, with the suggestion that a change in individual behaviour across the entire lifecycle is required in order that Europe's social security systems remain sustainable in a context of demographic ageing.

For many national social security and health care systems, the focus of long-standing and continuing reforms is the need to extend coverage, to make social protection more accessible. This is especially so in low- and middle-income countries where a growing number of reforms seek to provide, at least, a minimum pension to a maximum number of elders. On the one hand, these developments reflect international commitments embedded in human rights discourse to reduce poverty and, on the other hand, reflect a growing weight of evidence that suggests that even lower-income countries should be able to afford to provide their populations with a minimum basket of tax-financed social protection benefits (Cichon and Hagemeyer, 2007). Reform to improve access to affordable health care coverage is

1.1. Overarching regional messages (2008-2010)

Europe: Social security systems should offer appropriate choices to enable benefits and services to be better tailored to individual needs. All stakeholders must be made aware of their responsibility to help ensure that social security remains sustainable.

Asia and the Pacific: Social security is integral to sustainable national development. Greater commitment, led by an enabling State, is necessary to develop integrated responses to achieve more equitable development.



The Americas: Social security is essential for achieving social cohesion and more equitable growth. Harnessing the wealth of diversity of social protection institutions and complementary financing mechanisms should offer a heightened potential to achieve this.

Africa: Social security is increasingly viewed as a vital component for achieving national development objectives. Greater effort is required to extend social security, offering opportunities for poverty alleviation and investment in human capital.

another important continuing trend, and is a recognized priority area for low-income families in particular. For individuals and families living in, or close to, poverty, and especially those who are without health care coverage, out-of-pocket expenditure on health care costs represent an important financial risk.

Of note, ongoing efforts to extend access to coverage in a small number of populous and politically-prominent developing countries raise the possibility that conventional perceptions about the nature of, and possibilities for, social protection provision may be evolving. For example, Brazil, India and the People's Republic of China, respectively, are currently influencing policy-thinking through the use of tax-financed conditional

cash transfers to alleviate poverty amongst targeted population groups (e.g. *Bolsa Familia*), the use of a broad range of micro-insurance, micro-savings and micro-pensions products for low-income earners and informal-sector workers (Bloom et al., 2010), and the use of a large-scale developmental-state approach to the rapid extension of comprehensive social security and health care coverage.

For other countries, especially in Europe (which, with over 20 per cent of the population already aged 60 or older, is the region with the highest average age), one important concern is to ensure the financial sustainability of existing contributory pay-as-you-go benefit programmes. The European Commission has projected

1.2. Key regional policy conclusions and priorities

Africa



- The first objective should be to build a solid foundation for all. Thereafter, more comprehensive benefits and services should be developed in line with enhanced capacities and evolving demand and priorities.
- Appropriate institutions and interventions should be based on African priorities and resources.
- Countries increasingly recognize the value of comprehensive, coherent and integrated approaches to social security embedded within national development strategies.
- Social security as a “means” and an “end” hinges on the improved governance of social security administrations. Good governance starts with leadership, particularly in mobilizing the necessary political will, administrative and operational capacity, delivery and management systems, and mechanisms to coordinate and integrate diverse schemes serving a country’s population.

The Americas



- All individuals deserve, at least, a minimum level of social security coverage regardless of work status, place of residence, ethnicity, family situation, or gender. National social protection strategies need to adjust to the evolving nature of risks and values.
- Social security’s role is to meet the essential social and economic needs of individuals, families, and households and to ensure social cohesion and stability. Individual responsibility goes hand in hand with institutional social security; the one reinforces the other.
- Governance and administrative challenges must be addressed, and on the basis of social dialogue, the growth and scale of social security programmes must be reconciled with the requirement for political, social and financial sustainability.
- Successful pluralistic approaches to social protection hinge on close cooperation between mandatory social security systems and all other legitimate actors.

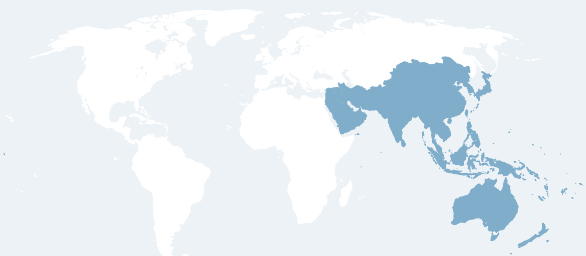
that the Total Dependency Ratio⁶ in Europe will decrease from 2.7:1 in 2009 to 1.4:1 by 2060 (EC, 2009). Of course, these figures assume that all people of working age are indeed in active employment. This is not the case now, and is unlikely to be so in future. Regardless, in the coming decades a smaller working-age population will have to support a larger inactive population. The issue of financial sustainability is therefore certainly an important one, but for all programmes in all regions there is equally a need to ensure that programmes are politically sustainable (legitimate and well governed) and socially sustainable (inclusive and relevant).

There are a number of developments and trends cited in this report that are relatively new. In some countries, predominantly in Europe, the rising costs of public pension systems have led to proactive reforms that seek to influence human behaviour, for example by weakening incentives that encourage early retirement. In Europe in recent years, such efforts to reduce early retirement have shown a degree of success. However, whether this trend will continue remains to be seen. In turn, health care reforms to promote a culture of primary preventive health care, which in all probability are also likely to be motivated by

6. The Total Dependency Ratio is calculated as the population aged 14 or younger plus the population aged 65 or older, divided by the population aged 15 to 64.

1.2. Key regional policy conclusions and priorities

Asia and the Pacific



- Social security systems are integral to the management of the social, economic, and political dimensions.
- Effective social security reform requires complementary reforms in other areas and should be integrated with broader national development goals.
- Improving the performance of social security organizations implies stronger governance and management, increasing professionalism, and policy-relevant analysis and decision-making.
- Public, private and private-not-for-profit sectors are complementary mechanisms for achieving national development goals, including more equitable growth and poverty alleviation.

Europe



- Reform is increasingly complex and must be undertaken in a coordinated and tailor-made manner to pursue multiple goals that are increasingly ambitious.
- Reform must ensure adequate protection for all against covered risks and seek improvements and equity in the quality of services delivered while also providing appropriate choices.
- Improvements in policy-making require improvements in data collection and, as regards the policy-design process, earlier and ongoing consideration must be given to the knowledge input to be offered by the social security administrations responsible for implementing policy.
- To ensure the financial health of all programmes in a context of demographic ageing and to enable the provision of quality and choice in benefits and services, all stakeholders have a responsibility to adapt their behaviour. In this regard, it is the responsibility of all stakeholders to proactively support the vital roles played by social security systems in society.

longer-term concerns over the rising costs of health care, may produce positive savings for other cash benefit programmes. Increasingly, for all social security and health care programmes, a shared imperative is to realize high-performing organizations that are capable of delivering quality services on a consistent and measurable basis. Reforms that improve the governance of all aspects of the administration and delivery of programmes act not only to improve the measurable efficiency and effectiveness of these programmes but should encourage greater transparency, and therefore public trust, in the organizations mandated to deliver them.

These cited examples of relatively new developments and trends illustrate a series of four cross-cutting themes that act to group all the trends and developments of the current period presented in this report (see Box. 1.3.).

These cross-cutting themes are derived from the Dynamic Social Security framework, and thus are a product of previously observed and continuing global developments and trends. They aim also to offer guidance to help direct the choices of policy-deciders as they search out solutions to the challenges of realizing improvements in the design and operational performance of social security organizations and programmes.

There is an element of uncertainty about the longer-term path of developments and trends in social security. This stems from the influences of all the many challenges that confront global development as well as from the immediate uncertainty about the pace and scale of future economic growth. Although uncertainty has been heightened by the recent period of global crisis, it is nonetheless something that would have existed irrespective of economic recession.

Regardless, social security must continue to evolve to ensure the development of more accessible, sustainable and high-performing administrations and programmes. For social security reforms of the kind sought by the ISSA to occur more systematically among ISSA member

organizations, the defined objectives of Dynamic Social Security must match or, at the very least, be consistent with national policy priorities. In this regard, sustained political will is no less important. As the main body of this report shows, in many countries, to a greater or lesser extent, all this may already be so.

This does not mean that more cannot be done, however. As the evidence of this report firmly underlines, social security administrations have an important responsibility to engage proactively in national policy debates as fully as their mandates will allow. In so doing, they can make a further positive contribution to the objective of realizing social security for all.

1.3. Cross-cutting themes

Accessible social security: This refers to legal measures to improve the scale (categories of persons) and scope (risk contingencies and type of benefits) of coverage under social security programmes and to measures that seek to remove all barriers to accessibility, be these institutional or geographic or those determined by gender, culture, or literacy.

Sustainable social security: This refers to measures to better ensure the financial, social and political sustainability of social security organizations and programmes.

High-performing social security: This refers to measures to improve the effectiveness of all technical and human aspects of operational performance and governance and to efforts to improve social outcomes, with the expectation that such outcomes be measurable.

Proactive and preventive social security: This refers to measures that seek to reduce the eventuality of a possible future risk, that seek to prevent an identified risk having a negative impact, and that seek to prevent the aggravation of a risk event that has already occurred.

Extending access to coverage

The majority of the world's population has no access to comprehensive social security coverage. As a basic human right, access to social security should be universal. In practical terms, and as the experiences of the recent period of global recession confirm, access to social security offers a variety of social, economic and political benefits that contribute to the realization of social cohesion and stability in societies. On this basis, to extend access to social security coverage is also to contribute to the enrichment of society.

Through the concerted efforts of the social security administrations and agencies that comprise its membership, the International Social Security Association (ISSA) is deeply implicated in efforts to contribute to the extension of access to coverage. In particular, the findings presented in this chapter draw heavily, but not exclusively, on the collective findings of the ISSA's major international study, "Examining the Existing Knowledge on Social Security Coverage Extension", completed in 2009.

There are three main dimensions to the concept of social security coverage. The first, and most important, dimension concerns the categories of persons covered: insured persons, insured persons' dependants, and beneficiaries. The other two dimensions refer to the scope of protection provided, such as for access to health care, old-age pensions, unemployment or work injury benefits, or family allowances; and to the scale of protection provided, which is related to the concept of adequacy (van Ginneken, 2010). Extending social

security coverage is also a question of identifying and removing barriers that may deprive individuals from accessing their legal entitlements, either in part or in full. Such barriers may, for instance, be institutional or geographic or determined by gender, culture or literacy.

Regional issues and challenges

In addition to a requirement for political will, the challenges of extending access to coverage often reflect a country's level of economic development and national specificities more generally. In spite of this, a number of broader policy issues and challenges are common to regional groupings of countries.

Africa

In middle-income African countries coverage levels extend to between 40 and 70 per cent of the population. Nonetheless, an emerging challenge for the pension systems of Algeria, Morocco and Tunisia, for example, is the financial sustainability of programmes. Although the exact nature of the challenges facing these countries differ, issues to be addressed include institutional fragmentation leading to high administration costs, problems with enforcing compliance with contribution payments, and the cost implications of population ageing and overly-generous pension benefits.

In low-income countries of sub-Saharan Africa usually not more than 5 to 10 per cent of the workforce is covered by mandatory social insurance schemes or national provident funds. The coverage that does exist is principally in the form of pensions provided to civil

2.1. Rwanda's national community-based health insurance scheme

Rwanda's mandatory social health insurance scheme is based on more than 400 community-based micro-insurance schemes, each linked to a local health centre. Contribution rates are kept low through subsidies in order to facilitate broad coverage, creating economies of scale for the scheme and the affiliated health care providers. The system has led to a surprisingly rapid increase in health care coverage. Micro-insurance delivered through mutual societies covered 7 per cent of the population in 2003, and this coverage rate rose to 44.1 per cent in 2005, and to 85 per cent in 2008. In addition, the use of health care has increased significantly and community support for the scheme has grown. The scheme is also reported to have improved the quality of local health care facilities by increasing the number of medical staff and the availability of medical supplies. Rwanda's experience may help inform learning in other countries, but two policy challenges remain: i) the need to expand the health care package covered by the scheme, and ii) the extent to which external funding will be needed in order to maintain and improve Rwanda's health care system as a whole.

Sources: Annycke (2009) and Samson (2009).

servants and employees of large (formal) private enterprises. Most countries in sub-Saharan Africa have difficulties in extending pension insurance coverage for three reasons: i) because formal-economy employment is not, or is hardly, increasing, ii) because informal-economy workers generally consider health care coverage to be a higher priority than pension coverage, and iii) because informal-economy workers have limited capacities to contribute to formal social security schemes. Tax-financed pension programmes, providing a small but regular cash benefit, represent one option to overcome this lack of capacity among many low-income and informal-sector workers to contribute, and help alleviate poverty among those who would have no social protection otherwise. Mauritius is one country which is working to extend coverage more broadly by integrating its tax-financed pension system with a contributory pension programme within a multi-pillar pension system framework.

A more important priority for low-income and informal-sector workers is often to gain access to affordable health care coverage. As a leading regional example, Rwanda has created a national community-based health insurance scheme that has successfully and rapidly extended affordable coverage (ISSA, 2008). Rwanda provides a good example of a scheme offering a tailor-made approach that has adapted benefit packages and contribution collection to specific local needs and capacities (see Box 2.1.).

Latin America and the Caribbean

The relatively slow development of the welfare state in Latin America and the Caribbean can be explained by a variety of factors, such as different philosophical/political views on the role of the State, the particularly late demographic transition, the persistent informality of employment and the relatively low capacity to collect taxes and social security contributions. Current developments are highly unequal, with the lowest-income countries having less than 30 per cent of employed persons affiliated to social insurance. In the middle-income countries, this figure is close to 50 per cent, and reaches up to 60 per cent in the relatively high-income countries (Uthoff, 2009).

There are a number of Latin American countries that have succeeded in improving affiliation to social insurance, such as Brazil (Ansiliero and Paiva, 2008) and Uruguay (Lagomarsino, 2009). Another noteworthy development has been the introduction of the so-called "*monotributo*" (unified monthly payment for tax and social security contributions) in Argentina and Uruguay. In Uruguay for example, self-employed workers in small-scale activities can affiliate in all local offices of the Social Insurance Bank (*Banco de Previsión Social*) and the Internal Revenue Service, with a single and unique form. Having registered, they then pay a single amount on the income generated from their activities and that counts as their contribution to social security and to taxes. More generally, Uruguay's notable recent

2.2. Rapidly increasing social security coverage in China, 2003-2009

Social security branch	Coverage in 2003 (millions)	Coverage in 2009 (millions)	Increase in coverage from 2003 to 2009 (%)
Pensions	168	249	48
Health care	189	1,235	553
Unemployment	103	127	23
Work injury	46	149	224
Maternity	37	109	195

Sources: Adapted from official sources.

success in extending coverage is often traced to the policies of a new government elected in 2005. By 2008, as the result of integrated policy reforms the number of workers contributing to the Social Insurance Bank had grown by over 35 per cent.

Across the region as a whole, efforts to increase coverage through (public and private) contributory arrangements generally have not been able to reach universal coverage. As a result, many governments have moved to using solidarity financing sourced through tax revenues to increase pensions (e.g. Chile, Costa Rica), health care (e.g. Colombia, Uruguay) and basic income coverage (e.g. Brazil), in particular for low-income workers in the informal economy (ISSA, 2010b).

Asia and the Pacific

Many countries in the region of Asia and the Pacific have experienced high economic growth, which has made it possible to increase coverage rapidly (Asher, 2009a). A number of countries have recently extended coverage to previously inadequately covered workers, including self-employed workers (e.g. Jordan, the Islamic Republic of Iran) and migrant and expatriate workers (e.g. Sri Lanka, United Arab Emirates). Other national reforms have sought to improve coverage for all citizens, including the elderly. This is the case in the Maldives, for instance. Significantly, major steps towards realizing universal health-care coverage have been taken in Thailand, the Republic of Korea and the Philippines (ISSA, 2009). Recent rapid progress in the People's Republic of China in extending coverage

across all branches of social security, and in particular to the rural population, deserves special mention (see Box 2.2.).

Prior to the crisis, in 2006, Bahrain became the first Member State of the Gulf Cooperation Council to introduce an unemployment programme. Also in 2006, Viet Nam introduced unemployment insurance for formal-sector workers. As yet, there is no analysis of how well these two schemes are performing. In response to the crisis, a few countries provided additional resources for health benefits (e.g. Philippines) and pensions (e.g. Bangladesh).

In spite of all these efforts, much more needs to be done to extend coverage. Notably, the impacts of the economic downturn have been most immediate and severe for informal-economy workers, who – even before the crisis – accounted for 40 to 80 per cent of the total workforce. Moreover, adequate health care coverage extends to only 20 per cent of the region's population of 4.1 billion individuals. This applies especially to the region's lower-income countries, where only around 5 to 10 per cent of the population has social security coverage.

High-income countries

In most high-income countries with mature social security systems, coverage is high – in terms of persons, contingencies and level of benefits. However, many high-income countries, particularly in Europe,⁷ have been hit hard by recession and rapidly rising unemployment. The duration of the recession – and of

7. Coverage is lower in most countries of Eastern and South Eastern Europe, where the transformation and, in some cases, the break-down of social security systems and a policy emphasis on economic reforms have often complicated the setting up of new and effective systems.

its consequences, including the pace of job creation in the recovery – is of crucial importance. It will determine whether the current flow of unemployment benefits is sustainable, as well as how much the long-term deficits facing pension systems will be inflated by this economic downturn.

High-income countries face a variety of challenges. The first is to increase personal coverage in countries where such coverage is low. In this regard, a notable health care reform has been achieved recently in the United States. However, the full positive impact of this reform on coverage levels is not expected to be realized until at least 2014. The second is to improve and extend coverage for new contingencies, in particular long-term care, for which the available coverage remains uneven across countries. Increasingly, this need is arising as high-income country populations continue to age. In Europe in particular, the challenge of population ageing is driving trends in some countries to provide greater financial support to families with children. This trend is often twinned with efforts to encourage and facilitate parents, and especially women, to enter the workforce. A third challenge is to maintain adequate coverage in the face of pressure for lower public spending and because of a trend towards a greater degree of informality in the labour market (Merrien, 2009). A fourth challenge is the need to contain the costs of social security and health care. In order to contain these costs as well as to improve benefits and individual choice, stakeholders are being encouraged to alter their behaviour, for example with regard to deferring retirement or returning to work, in better sharing care responsibilities within families, and – where appropriate – by relying less on expensive hospital inpatient treatment (ISSA, 2010a).

Policy priorities

Based on the evidence of the developments and trends of the recent period, the following policy priorities for extending access to social security are identifiable.

Extending health care coverage: Timely access to quality and affordable health care is generally the first social security priority for workers in the informal economy. It improves individual well-being, contributes to social

and economic development and has a high potential in preventing poverty. Ron (2010) shows that social security administrations have a clear value added in extending health care coverage through social health insurance.

Extending pension coverage through interlinking schemes: Pension coverage is generally a second key priority, and Asher (2009b) shows that social pensions or some form of social assistance are necessary to reduce poverty among older people in low- and middle-income countries. This can be best achieved in the context of a multi-pillared pension system adapted to the particular circumstances of these countries.

Extending coverage under unemployment schemes: Unemployment benefits constitute a key element in any comprehensive social security system. In view of the present employment crisis, and the use of unemployment programmes as a crisis response, the issue of unemployment protection is likely to become even more important in the years to come, particularly in middle- and high-income countries.

Establishing and extending long-term care insurance: In almost all countries the proportion of the frail and elderly population is increasing – along with the prevalence of chronic conditions and the need for long-term care. The establishment or extension of long-term care schemes is an important priority, because the financial consequences of the need for care can be substantial for individuals and societies.

Providing access to adequate social security coverage for migrant workers: Although migratory flows have increased in the globalized economy, many migrants (especially women) are not covered in either their country of employment or their country of origin. In particular, South-South migrants have virtually no social security coverage (Sabates-Wheeler, 2009). Migrants may also lose earned rights to benefits after moving to another country, often because of the absence of bilateral or regional social security agreements. Identifying solutions to extend coverage to migrant workers is therefore crucial and will benefit a highly vulnerable and growing group of the world's population.

Lessons learnt

A general observation is that policy priorities to extend access to coverage depend on levels of political will, the specific socio-economic situation of a country and on the institutional structure of its existing social security system. Accordingly, defining strategies for extending access to social security and health care must always be approached on a country by country basis. However, extending coverage can also mean covering citizens who work abroad. In this vein, the development of welfare funds for migrants from Sri Lanka and the Philippines is noteworthy. The coverage of migrants may

also require bilateral or regional agreements among countries. One recent example in this regard is the development of a common legal framework to improve the social security of citizens of the Member States of the Gulf Cooperation Council, regardless of whether they are working in the Kingdom of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia or the United Arab Emirates. This last example confirms again that political will must be taken into account. On the whole, and on the basis of the recent evidence of extending and maintaining access to social security, a number of lessons can be presented (see Box 2.3.).

2.3. Lessons for extending access to coverage

- For all countries, the role of the State in the provision of social security is essential, including for the success of coverage extension efforts. The State and society have to muster political will, consensus and mobilization, and they also have to develop the resources and the capacity to extend coverage in an effective and sustainable fashion.
- Social security administrations are in the forefront of efforts to extend access to coverage. They have to maintain and improve compliance (Thiam, 2009) and they are involved in including difficult-to-cover groups of workers. Wide population coverage cannot be achieved without well-functioning contribution collection systems. In this regard, the ISSA's new Strategy on the Extension of Coverage will have an important contribution to make, which should complement the activities of the ILO/UN in the development of the "social protection floor". Although it is difficult to assess the precise level of non-compliance and evasion, it is an important problem, particularly in low- and middle-income countries, which has serious consequences for the adequacy of protection as well as the financial and social legitimacy of social security schemes. Some social security administrations are increasingly involved in social assistance benefit administration, as in the case of family benefits in Uruguay (Lagomarsino, 2009). Social security administrations are also increasingly involved in social policy development, so that social security is well coordinated with, and supportive of, other development policies.
- Reliable and comparable statistics on social security coverage are an important prerequisite for effective national and international policies to extend coverage. A positive step forward would be to define and instigate a global strategy to collect on a regular basis statistics on social security coverage.
- The key challenge for extension strategies is to reach the large groups of informal economy workers and their families, such as domestic workers, the self-employed, family labour, as well as workers with low skills and with precarious or no labour contracts, in sectors such as agriculture and construction. Migrant labour presents special challenges in this regard. Population groups can be reached through specific and tailor-made approaches that adapt benefit packages and contribution collection to their needs and contributory capacities. Recognition of the right to social security (as is the case under the Brazilian Constitution) is a powerful means to support extension efforts, in particular to groups that are vulnerable to poverty (Olivier, 2009).

CHAPTER 3

Ensuring sustainability

When discussing the multifaceted issue of the sustainability of social security, three fundamental but linked elements are readily identifiable: social security systems must be financially, socially and politically sustainable.

Financial sustainability refers to matching projected expenditure on all administration costs and benefit payments with projected revenue, including from individual and employer contributions, tax disbursements, investment income and reserve fund surpluses. As a further element, uncertainty about the financial sustainability of some contributory programmes is likely to imply a growing role for public finance. Social sustainability refers foremost to the need for participatory governance, wherein all legitimate actors can engage with the political economy of reform with the aim of influencing structural change in defence of, or to promote, their interests. Social sustainability also requires that social security programmes remain relevant to meeting the lifecycle risks and livelihood needs of populations. Both these aspects are perceived to contribute to strengthening social cohesion in society. Political sustainability talks to the institutional legitimacy of social security. Encompassing elements associated with the concepts of financial and social sustainability, political sustainability refers to the essential need to ensure the “good governance” of all aspects of the regulation and administration of social security programmes. For the ISSA, good governance is associated with the principles of accountability, transparency, participation, predictability and dynamism.

This chapter focuses on issues associated with the financial and social sustainability of social security only, highlighting recent evidence of developments and trends in these two areas. The issue of political sustainability is addressed in Chapter 4 in relation to the broader goal of creating high-performing social security administrations.

Financially sustainable programmes

Financial equilibrium in the long term is an essential objective of social security programmes. This requires proper consideration of social, institutional, demographic, economic, actuarial and financial aspects, which determine programme parameters as well as any eventual requirements there may be for reform. The short- and mid-term financial outlook must be carefully monitored also. This is so because the financial health of social security programmes can be challenged directly by adverse financial market fluctuations, when programmes are (partially or fully) funded, and by downside economic fluctuations, which reduce investment income, contributions and fiscal revenue whilst increasing expenditure on cash benefits and health care.

Over recent years, social security and health care programmes that have undergone reforms aimed at ensuring their financial sustainability have experienced changes in three main areas.

First, reforms have sought to match the income and liabilities of cash benefit programmes. This has been achieved through the extension of contributory

3.1. Ensuring the financial sustainability of benefit programmes

During the past five years, a large number of measures have been adopted to ensure the financial sustainability of social security programmes, some of which are:

- A gradual increase in retirement ages (Australia, Brunei Darussalam, Czech Republic, Denmark, Greece, Hungary, Malta, Thailand and Turkey).
- The reduction, elimination or adaptation of benefits (Australia, Denmark, Hungary and Norway).
- An increase in the period of contributions required to receive a benefit (Czech Republic, Greece, Malta, Micronesia, Spain and Turkey).
- An increase in the contribution rate and/or in the salary considered for contribution purposes (Micronesia and Thailand).
- A tightening of eligibility conditions for early retirement (Czech Republic, Denmark, Greece, Malta, Norway and Spain).
- The creation of Argentina's Integrated Social Security System in 2008, which witnessed the country's system of individual accounts being absorbed into the PAYG system, has been justified on the grounds of improving financial sustainability, with the capital accumulated in the individual accounts now converted into a Reserve Fund for this purpose.

In the last decade:

- Seven countries have introduced reserve funds to help social security programmes face future liabilities: Sweden (Swedish National Pension Funds, 2000); People's Republic of China (National Social Security Fund, 2000); Ireland (National Pensions Reserve Fund, 2001); New Zealand (Superannuation Fund, 2001); Poland (Demographic Reserve Fund, 2002); Australia (Future Fund, 2006); and Argentina (Reserve Fund of the PAYG System, 2007).
- Ten countries with mandatory individual account pension schemes (Australia, Chile, Estonia, Hong Kong (China), Hungary, Latvia, Mexico, Peru, Slovakia and Sweden) have introduced regulations for investment options, default investment strategies and freedom of choice. These initiatives aim to provide members with an improved risk-return combination during their lifetime, hence limiting the volatility of benefits and reducing the need for public intervention to guarantee a minimum level of benefit.

periods, increases in retirement ages, a removal of incentives for early retirement, increases in contribution rates, benefit reductions, amendments to investment regulations and the creation of reserve funds. Box 3.1. presents selected national examples of these different reform options. Of note is the recent preponderance of reforms of benefit programmes in Europe.

Second, health financing policies have been revised. Some reforms have focused on finding the appropriate balance for public-private partnerships as well as between preventive and curative expenditure. Others have sought to improve equity in financing and health care cost containment, without affecting coverage and quality. Another aspect of health financing reform has been the development of community and mutual health insurance.

As a third line of reform, in some countries reconsideration has been given to the choice of financing mechanisms, often through the more-integrated use of tax-financed components alongside contributory approaches.

The financial sustainability of social security programmes should not be viewed in isolation. It must be considered as an important component of broader human development and socio-economic progress. In this vein, government ministries operating in different domains need to recognize more fully that it is in their shared interest to coordinate their respective policy actions in order to ensure a comprehensive "social floor" capable of satisfying, at the very least, all basic needs. It is frequently observed that governments principally evaluate reforms in financial terms, with

3.2. Integrated reforms in Uruguay

In 2007, Uruguay initiated a broad national dialogue on social security, the results of which led to the adoption of a series of reforms: old-age pensions, health, family allowances, social assistance and the tax system. This integrated approach based on consensus allowed the Uruguayan government to set priorities and coordinate social policies. It also required that different areas of government and social security administrations discussed and revisited their mandates so as to ensure the adequate delivery of benefits, to build synergies and avoid working at cross-purposes. Despite the fact that the reform process was not straightforward, it showed that when strong political will exists and proposals are thoroughly analysed and discussed, integrated approaches in social security can deliver considerable added value.

their social impacts often left to a second level of analysis. This situation is unsatisfactory. However, it can be addressed by the inclusion in all policy discussions of all relevant government ministries responsible for matters of economy and finance, including the spending ministries/agencies that are responsible for programme delivery, from the outset of the reform process.

To ensure the financial sustainability of programmes, which should also help support efforts to extend access to social security coverage, integrated policy processes have become a common feature of social security planning and reform (see Box 3.2.). Such integration implies due consideration being given to the combining of contributory and tax-financed programmes, thus taking debates about the financial sustainability of social security beyond the conventional relationship between contributions and benefits. In fact, because tax revenue has become an important source of income for social security in many countries, for reforms to be effective they must take into account taxation structures and their variable nature. Simply put, the development of integrated social security programmes requires integrated policy approaches, including the reform of the

system of taxation, which should offer appropriate incentives to taxpayers and provide adequate tax revenue to finance social security programmes. Nevertheless, it is important to stress that current trends towards a greater degree of integration should not diminish the lasting importance of social insurance and the values of risk-pooling solidarity that it represents.

Ensuring adequate financing for health care protection presents specific challenges for many governments. Developing countries are in a constant search for additional resources to ensure the extension of adequate access to health care services. With costs rising, the financial challenges facing developed countries are no less important. The latest developments in health system design, mainly in developed countries, are oriented towards issues of long-term sustainability and to ensure efficiency and quality in light of rising health-related costs. Generally, current rising costs stem from a variety of factors such as an ageing population, the epidemiological shift leading to a higher prevalence of chronic diseases (and the growing need for care provision this entails) and new technologies and pharmaceuticals (see Box 3.3.).

3.3. Supporting the sustainability of health care systems

- In 2006, the employee's health insurance of Japan was reformed to ensure its sustainable and stable management. Measures were taken to limit the growth of health care expenditures, to introduce new health insurance legislation specifically for individuals aged 75 or older, and for the integration and reorganization of insurers.
- The Ministry of Health of Cambodia adopted the Strategic Framework for Health Financing 2008-2015, whose objectives are to prevent poverty linked to ill-health, improve the level of funding and quality of health care, and pave the way towards universal health insurance coverage.
- In its 2010-2011 budget, the Canadian province of Quebec included provisions to ensure the sustainability of its health care system. The province is proposing a new health care tax for each adult and charging a fee per visit, which would be deductible from income tax.

3.4. Social sustainability and the role of social dialogue

Social dialogue has been established in several countries as a platform for discussion and agreement on social security reforms. In 1990, Spain started discussions that led to the adoption of the Toledo Pact, which was agreed by all major political parties and approved by the parliament in 1995. The Pact deals with proposed changes in the system of public, contributory and universal pensions, and provides the framework for reform discussions. In 2000, Kazakhstan adopted the Social Partnership Act, which provides a legislative framework for social dialogue by defining the nature of cooperation between the social partners, the structure of social partnership at all levels as well as principles, procedures and functions of tripartite bodies at national, sectoral and regional levels. Additionally, it established the National Tripartite Commission as a permanent forum of tripartite dialogue. More recently, the governments of Chile and Ghana created reform commissions, involving a wide representation from all social partners. In both countries, the commissions oversaw a thorough evaluation of the pension system that led to an agreed reform proposal, which was finally approved by their respective Parliaments. In Jordan, the Social Security Corporation (SSC) initiated a broad national dialogue that discussed reforms to the first social security law established 30 years ago. The Social Security Draft Law, which incorporated the result of this dialogue, was approved by the SSC's tripartite Board of Directors and the Cabinet of ministers, and adopted by the Parliament in 2010.

Since 2008, the global crisis has contributed to drawing greater attention to the question of social security's financial sustainability. Those countries with financially-healthy social security programmes, and which are therefore less dependent on public revenue, have shown to be capable of greater flexibility in pursuing responses to the crisis' negative social impacts. In countries where social security's finances have been less healthy and more dependent on public finance, post-crisis fiscal stress and inflated levels of public debt may now generate a trade-off between the re-establishment of a sound fiscal situation and maintaining social expenditures (Pino and Yermo, 2010).

The crisis has also brought to the fore the risk of tightly linking the financing of social security programmes with fluctuating financial markets. Almost all asset classes were affected by the crisis and social security and pension funds experienced a negative investment performance of up to -30.6 per cent in 2008. Despite the fact that 2009 witnessed an impressive recovery of markets and the investment performances of most funds have now rebounded positively after the negative shock, governance failures in fund investment are evident and there is a strong case for reviewing and updating risk management systems.

Socially sustainable programmes

A necessary pre-condition for the sustainability of social security programmes is that all social actors must accept social security as an adequate and appropriate institutional response to mitigate risk and satisfy social needs, regardless of the financing mechanism and system design. In this regard, for most countries the presence of social security programmes, and their ongoing reform, implies a consensus among all social actors.

In many countries, in order to maintain this consensus, the social partners (i.e. workers' and employers' organizations) are accepted as fully-fledged legitimate partners alongside government in social dialogue. In some cases, when appropriate, independent experts, representatives of retirees and other legitimate actors may also be involved. At the national level, government may be a full partner in social dialogue, or may play the role of facilitator. Social dialogue has become an important component of good governance in many countries and thus may be considered a necessary condition for the social sustainability of social security programmes (see Box 3.4.).

In particular, the involvement of the social partners in social security administration is common in a number of European countries and acts to help ensure the

legitimacy of reforms. The joint administration of social security schemes for employees occurs in Austria, France, Germany and the Netherlands. In Sweden and Denmark, trade unions administer unemployment insurance. The process of policy bargaining involves social insurance agencies in France and Italy, social security funds in Germany, and employment and social security agencies in the Netherlands (Berger and Compston, 2002). Many developing countries have adopted this approach (e.g. Burundi, Cameroon, Ghana, Guinea, Madagascar, Morocco, Senegal, United Republic of Tanzania, Brazil, Costa Rica, Mexico, Uruguay, India, and Jordan), permitting representatives of workers, employers and beneficiaries to sit on the board of social security administrations.

Nonetheless, a current concern is that the crisis has weakened the economic bargaining position of labour, thus diminishing the importance of social dialogue. Yet, from a broader perspective, the evolution of other major global trends, including demography, migration, labour markets, family structures, and climate change, as well as a crisis of paradigms, might present a political opportunity to reverse the current situation, to strengthen social dialogue in defence of social security programmes. In health care systems, for instance, a growing role for patient representatives and other civil society actors is

emerging. This would suggest that the accepted nature of what may constitute social dialogue is evolving. More generally, but no less important for its social sustainability, public perceptions of the positive role played by social security in mitigating many of the crisis' impacts have reinforced both the legitimacy of collective social security and the values of risk-pooling solidarity.

A final element to be taken into account when discussing the social sustainability of social security is that social security must be rooted in evidence-based, and thus transparent, policy-making. This requires that social policies are supported by solid, unequivocal feasibility studies and that government necessarily should occupy a leading role in the policy design and regulation process. Increasingly, social security systems are regarded as integral to the social, economic, and political management of countries. As a result, and as a facet of social security's financial and social sustainability, the role of government in the financing, management, and supervision of programmes can be expected to grow.

On the basis of all of the above, a number of policy conclusions can be presented on how to help ensure that social security remains financially and socially sustainable (see Box 3.5.)

3.5. Policy conclusions

- The crisis has underlined, unsurprisingly, that financially sustainable social security programmes are better able to adjust appropriately to mitigate the social risks presented by an adverse economic environment. In turn, financially sustainable social security programmes offer greater fiscal space to governments to pursue broader socio-economic development objectives.
- Guaranteeing the future financial sustainability of social security programmes may necessitate the greater integration of contributory and tax-financed social security programmes, which will require appropriately-designed taxation systems. In this regard, government leadership and commitment in the integrated design and reform of social security programmes and tax systems is essential.
- Social security administrations and/or the mandated bodies responsible for investments hold – and must assume fully – the fiduciary responsibility to guarantee the safety of member funds and should do so in a manner that is prudent and transparent, to ensure financial sustainability.
- Financial considerations alone are not sufficient to ensure the sustainability of social security. Social security must also be socially sustainable (as well as politically sustainable). In other words, on the basis of society-wide consensus social security must be perceived as a legitimate institutional mechanism that offers appropriate incentives to taxpayers and contributes positively to individual well-being, social cohesion and stability, and the development of requisite human capital.

CHAPTER 4

High-performing social security

To develop further the issue of sustainability introduced in Chapter 3, this chapter presents selective evidence of recent developments and trends from the wide-ranging field of governance – a broad aim of which is to contribute towards realizing high-performing social security. First, it addresses governance efforts to improve the quality of services provided by the staff of social security organizations and highlights some of the strategic human resource management challenges that social security administrations increasingly face. Second, recent thinking on the strategic governance challenges that accompany the use of information and communication technologies (ICT) is presented.

Among national social security administrations, governance practices may vary considerably. Generally, this diversity stems from differences in their political, socio-economic and cultural histories. In spite of these differences, the compulsory nature of social security imbues it with public trust, which should compel governments to ensure that programmes and services are financially healthy (financially sustainable), are capable of responding in an inclusive and appropriate manner to the evolving social protection needs of populations (socially sustainable), and are efficiently and equitably managed. Together, these elements contribute to the institutional legitimacy, and thus the political sustainability, of social security.

For all social security administrations, the adoption of a “good governance” framework should support the realization of organizational objectives, to ensure that social security systems remain appropriate for,

and responsive to, the evolving needs of individuals and society. In this regard, the International Social Security Association has developed Good Governance Guidelines (ISSA, 2010c). The development of the Guidelines is very timely: the recent period of crisis has served as a powerful reminder of the necessity of good governance, to ensure not only the financial but the social and political sustainability of all social security administrations and programmes.

In the Guidelines, the concept of good governance is associated with the principles of accountability, transparency, participation, predictability and dynamism. In practice, this means that programme administrators should, for example, be accountable for the achievement of the social security mandate; that measures are taken to guarantee the sustainability of programmes; that programme funds and investments are managed with prudence; that operating costs are kept at efficient levels; and that stakeholders are provided with adequate protection, quality service, and meaningful information and education to enable their effective participation in the programme.

Human resource management and service delivery

The management of human resources – hiring, training, mentoring, retaining, and compensating appropriately qualified and trained staff – is key to the successful governance of all organizations. An empowered workforce is a key driver of high-performing social security organizations: employees who perform to their full potential are more likely to contribute

positively to the key areas of risk management, change management and innovation.

Social security administrations are enhancing the skills of their workforce to provide more accessible, transparent, caring and efficient services. Through the effective use of leadership training, performance management programmes, standardized work flows, transparent systems of reward and recognition, and engaged communication, employees are being primed to provide quality services to covered populations and become proactive drivers for change in the organization.

Recent developments in this field are visible in all regions.

Africa: The National Social Security Fund (*Caisse nationale de sécurité sociale* – CNSS) of Gabon has combined the use of cultural and participatory management, together with the introduction of new information and communication technology, to bring about significant increases in efficiency in the payment of benefits and the collection of contributions. The Social Security and National Insurance Trust of Ghana has embarked on improving customer service by training employees to appreciate good customer service procedures and by establishing customer service centres and help desks in hub branch offices. The application of performance contracts in the management of its human resources has allowed the National Social Security Fund of Kenya to vastly improve service delivery. The Collective Scheme for Retirement Allowances (*Régime collectif d'allocation de retraite* – RCAR) of Morocco has adopted a Total Quality Management system that reinforces its client-focus, team spirit, local decision-making, participatory management and factual policy-making approach, at the same time as streamlining procedures and reducing interface issues. The National Pension and Social Insurance Fund (*Caisse nationale de retraite et de prévoyance sociale* – CNRPS) of Tunisia is implementing the necessary steps to secure the ISO 9000/2001 certificate to improve the quality of services provided to its members.

The Americas: The Mutual Association for the Protection of the Family (*Asociación Mutua de Protección*

Familiar – AMPF) of Argentina now conducts home visits by interdisciplinary teams to evaluate the impact of past decisions and define what future action may be required to help members cope better with functional disabilities. The National Institute of Social Security of Brazil (INSS) has implemented “Programmed Services” to cut the long queues outside social security offices and to improve the quality of client services. The Colombian Family Allowances Fund (*Caja Colombiana de Subsidio Familiar* – COLSUBSIDIO) works with the PRISMA University to develop staff skills, strengthen organizational culture, and improve the workplace atmosphere. The Mexican Social Security Institute (*Instituto Mexicano del Seguro Social* – IMSS) is implementing its Model for the Evaluation and Strengthening of Executive Skills for Competitiveness (*Modelo de Evaluación y Fortalecimiento de Habilidades Directivas para la Competitividad* – MEFHADIC) to improve the competence of its officers in nine areas, including change management, decision-making, effective communication, leadership and teamwork. The State Employees’ Social Security and Social Services Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* – ISSSTE) of Mexico undertakes house calls to facilitate health protection measures and prevention activities, and to enable doctors to assess the effects of patients’ treatment.

Asia and the Pacific: The National Pension and Provident Fund of Bhutan is enhancing its procedures to provide fast and quality services to its members. Indonesia’s Employees Social Security System (JAMSOSTEK) has introduced a Self-Regulating Quality Assurance System to solve the negative growth in its membership by re-engineering its business processes to provide quality health care services. The Social Security Corporation of Jordan has put in place a Corporate Performance Evaluation System that has increased the productivity of employees and the level of client satisfaction, and has reduced processing time for claims.

Europe: The National Office for Employees’ Family Allowances (*Office national d’allocations familiales pour travailleurs salariés* – ONAFTS) of Belgium sees its human capital as a major asset. Its human resources Masterplan focuses on its staff as both the

target population and the main actors. The National Social Insurance Institute (INPS) of Italy has initiated a Mobile Counter for Disabled and Elderly People to deliver home services and has introduced standardized work flows and its Common Assessment Framework to improve member services. The Swiss National Accident Insurance Fund (*Schweizerische Unfallversicherungsanstalt* – SUVA) has introduced a new case management system that has completely redesigned its claims management system by optimizing processes and including representatives of all customers and partners involved in the process.

In spite of these many examples, the governance objective of many social security administrations to orient staff to improve all aspects of service quality is set to be challenged by the impact of population ageing on the public-service workforce. In higher-income countries in particular, an ageing public-sector workforce will pose increasingly difficult strategic human resource management challenges for social security administrations. During the 1970s and early 1980s public-service employment grew rapidly in many high-income countries, and the social protection sector was one of the areas that grew most extensively. Many of the public-service employees hired during these years have retired or are soon to do so. As a consequence, social security administrations in many higher-income countries are set to lose significant proportions of their experienced staff across all grades over a relatively short period. Realizing necessary improvements in the quality of services, therefore, will depend on the strategic management of social security administrations' human resources and know-how, comprising not only managers but also, and more importantly for customer perceptions of service quality, middle-management and "front desk" clerical staff.

By 2020, the National Employment Office (*Office national de l'emploi* – ONEM) of Belgium is projected to lose 70 per cent of its senior managers and a third of staff in all grades. In the Republic of Ireland's Department for Social Protection, the majority of current senior management as well as middle management (i.e. those who would normally succeed retiring senior managers) will have retired before 2020. No less

than 54 per cent of staff of all grades will have retired by 2023. Among social security administrations, the United States Social Security Administration (SSA) has possibly the longest track record of efforts geared to addressing the human resources and service delivery challenges of an ageing workforce. Yet, the SSA's Agency Strategic Plan acknowledges that an acute challenge is how to address the loss of expertise as employee retirements gather pace.

As population ageing accelerates in all regions of the world, a similar situation is likely to be increasingly experienced by many other social security administrations. Generally, to ensure continuing improvements in the delivery of social security benefits there is a requirement for a more proactive involvement of social security administrations in efforts to hire and retain appropriately-skilled staff in sufficient numbers, and to then provide new staff with the necessary work experience, before the departure into retirement of significant numbers of current staff (McKinnon, 2010).

ICT as a strategic management tool

The good governance of service delivery in social security is not just a question of ensuring the quantity and quality of suitably trained and experienced staff. Clearly, service delivery is also a product of the appropriate use of processes and technologies. Over the last years, ICT has played a strategic role in the implementation of social security programmes. The application of ICT has enabled not only the automation of specific processes, but the transformation of operations and services, enabling improvements in the performance and service quality of social security organizations.

Four key areas of progress are identifiable. First, by enabling immediate access to, and the high-performance processing of, large volumes of information, ICT has contributed decisively to reducing delays in claims processing, as well as to improving the quality and transparency of these operations. Second, technologies have been crucial to the implementation of geographically-distributed services, ensuring their consistency by accessing homogeneous data validation and computation rules. Third, latest generation Web-based services enable access to services irrespective

4.1. Strategic planning and enterprise architectures

The United States' Social Security Administration (SSA) has developed a joint business-ICT modelling and planning approach, which also includes performance analysis. The SSA defines strategic and yearly plans, which combine goals and expected results for all the business and operative aspects. Plans also include measurable indicators. On an annual basis, the SSA evaluates the results by analysing goals and indicators. The modelling approach is based on three linked models: a Component Business Model, which outlines the main business functions; an Enterprise Business Process Model, which provides an overall framework for process modelling; and a Service Oriented Architecture, which focuses on the implementation of components and processes as reusable services. These practices have enabled the SSA to improve the quality and performance of its operations and the transparency of its activities and results.

of the client's location. Finally, such developments have been carried out by a large variety of countries and organizations, regardless of size and economic capacity.

However, in spite of encouraging results and the emergence of financially-accessible products, ICT application remains a matter of concern for social security organizations. It is widely recognized that the complexities of ICT systems are increasing, but they do not always fulfil business results or meet expectations. In addition, the rapid evolution of ICT products and their inter-relationship can impact negatively on the stability of business processes. These elements have led to worries about the cost/result balance, and have generated uncertainties about the best approaches to develop successful ICT applications.

In this context, the analysis of experiences enables the identification of a number of success factors in the application of ICT in social security.

One success factor is to develop a strategic and medium-term plan, involving both business and ICT areas, and defining the roadmaps for technology and applications. The benefits of this approach are manifold. On the one hand, it enables business projects to take advantage of new technologies as they become available and/or require further internal incorporation. On the other hand, from an ICT management point of view, such planning enables the anticipation of all technical, budgetary and administrative actions, as well as to associate these with strategic business goals. Furthermore, medium-term planning enables the

preparation of arrangements for the maintenance of business applications by addressing new user requirements and the evolution of technologies and, thus, uses business objectives to catalyze technological innovation. Key tools to perform this process of joint planning are business models, which specify the main organizational processes and information requirements and facilitate the building of bridges between core business and ICT (see Box 4.1.).

Another success factor is the use of standardized technologies and interconnectable, or "interoperable", products. This approach enables organizations to cope with the risk of technology dependency by promoting a controlled diversification of ICT products. For example, while using single-brand ICT products facilitates product interconnection it also increases the risks for organizations of remaining tied to such products. Consequently, using products of different brands that are interconnectable enables the organization to address the integration issue and reduces dependency on single brands. Furthermore, this approach also increases the capacity to deal with technological evolution, by enlarging the available options regarding the products that can be used in future.

Developments over recent years show some major trends in ICT application in social security. The first is the emergence of Web-based communication mechanisms to interact with social security customers. Nowadays it is difficult to find a social security organization without a Website, given that the implementation of customer services based on Web technologies constitutes a generalized trend.

4.2. Integrated systems in Saudi Arabia

The General Organization for Social Insurance (GOSI) of Saudi Arabia has implemented an integrated IT system to address increasing service delivery problems and administrative overheads. The integrated system also seeks to overcome difficulties experienced in upgrading the previous IT system, wherein implementing even the most modest of changes had proven challenging. The new system, SIMIS (Social Insurance and Management Information System), is a customized approach that GOSI developed in-house to administer social insurance programmes for the working population of Saudi Arabia. SIMIS also supports GOSI in various administrative functions, such as investment management, real estate management, etc. By managing all business (core and back-office) in a unified and integrated framework, SIMIS has allowed GOSI to integrate processes and other existing systems. More specifically, SIMIS has enabled a reduction in the transaction cycle time by around 90 per cent, while data accuracy has increased. Overall, SIMIS is helping GOSI to improve the quality levels of service, to improve the ratio between contribution income and administrative costs, and to improve administrative efficiency.

A second trend is the evolution of ICT use, from isolated and department-based systems toward integrated systems that are organization-wide. The benefits of information accessibility and quality, and of functional interconnectivity, have shown to justify the complexity of implementing organization-wide integrated systems (see Box 4.2.).

In spite of these developments, several challenges still impinge on the wider application of ICT in social security. Providing quality services to all covered persons remains an open issue, as customer heterogeneity prevents applying a “one-size-fits-all” approach. In turn, social security provision is becoming increasingly sophisticated and is often based on multiple organizations, which gives rise to new requirements and to new needs for more powerful ICT platforms. Generally, as these challenges demand the implementation of more complex and expensive systems, organizations are eager to re-use tried-and-tested solutions, which would allow for the reduction of risks and costs. Unfortunately, the lack of social security process standardization inhibits the sharing of ICT solutions.

To date, the overall role played by ICT in social security is a highly positive one, as it has performed a strategic function in the development of social programmes worldwide. In most countries, it is now unimaginable that social security programmes could be delivered without ICT. Nevertheless, there is still much to be done to keep pace with the ongoing development of

technology and the evolving, different needs of social security organizations and covered populations.

Conclusions

The experience of recent developments and trends presented in this and the previous chapter evidences ongoing efforts to build well-governed, high-performing social security administrations. In these efforts, and essential to the financial, social and political sustainability of social security administrations and programmes, a number of final observations on the role of governance can be drawn (see Box 4.3.). Recent evidence also underlines that the pressure to realize improvements in governance will increase: where governance standards are deemed insufficient (e.g. with regard to financial regulation and supervision), public trust in social security may be weakened.

4.3. Final observations

- An empowered, and thus proactive, workforce lies at the heart of high-performing and well-governed social security organizations. In the context of population ageing, an emerging challenge for maintaining the quality of client-oriented services will be to attract and retain appropriately trained and experienced administrators and managers in all posts.
- The broader social protection role played by social security administrations, including the increasing complexity of delivering tailored benefits and integrated services, dictates the wider use of ICT platforms. Inevitably, these platforms are becoming more complex and expensive, presenting new operational and governance challenges.
- On the basis of client-oriented staff supported by the strategic use of ICT, further improvements in administrative performance and in the transparency and accessibility of social security programmes can be realized. Together, these elements should increase the legitimacy of mandatory social security and support its political sustainability.

Proactive and preventive approaches

The conventional and dominant objective of social security, to compensate insured individuals in the event of the materialization of a covered risk, has broadened through the greater inclusion of proactive and preventive measures. Significantly, this trend has accelerated during the past years, especially in more-developed economies, and a number of new characteristics of proactive and preventive approaches can be observed.

This chapter will define briefly the scope of proactive and preventive approaches in social security and then present recent reform examples from across the different branches of social security. A second task is to outline the importance of integrated policy solutions and to present evidence of recent trends towards administrative reforms that seek to facilitate improved coordination and cooperation, conditions deemed necessary for the success of proactive and preventive approaches.

Proactive and preventive approaches in social security

Proactive and preventive approaches in social security are measures that seek to reduce the eventuality of a possible future risk, that seek to prevent an identified risk having a negative impact, and that seek to prevent the aggravation of a risk event after its occurrence. The common objective of these different approaches is often summed up as one of “investing in people”. The rise in importance of these approaches is rooted in addressing the contemporary challenge of rising financial costs that confronts social security and health care systems,

not least as a result of population ageing. This development also reflects societal changes, including the emergence of more flexible individual life-courses and employment histories and a movement away from traditional family patterns. In higher-income countries in particular, there are new demands for increased individual choice, with a corresponding heightened importance being accorded to individual responsibility.

Proactive and preventive social security approaches are targeted at a number of interrelated objectives (see Box 5.1.).

In order to achieve these objectives, proactive and preventive approaches are directed at mitigating, at the earliest possible stage, the major risk factors that affect individuals. These may be risks affecting health, employment status, earnings capacity, and employability, or which may lead to longer-term absences from the labour market and, in turn, social exclusion.

Individual risk factors are multidimensional and require the improved coordination and cooperation of social security organizations in the management of increasingly tailor-made and individualistic solutions. Proactive and preventive approaches, therefore, also require social security organizations to adapt and build new administrative capacities and to arm social security staff with the necessary skills set. At a societal level, they constitute an important factor in preventing and combating social exclusion and in promoting integration throughout the lifecycle.

5.1. Objectives driving proactive and preventive approaches

- Supporting employment.
- Improving health and reducing dependency.
- Enhancing empowerment and individual responsibility.
- Strengthening choice in social security.
- Supporting the sustainability of social security schemes.

Reform trends

While proactive and preventive approaches traditionally have been more readily associated with the field of occupational safety and health, they have been adopted in several other social security branches over the last decade. For instance, these include developments towards case management for long-term unemployed persons; efforts to reduce the number, and encourage the return to suitable work, of disability benefit recipients; changes to remove incentives to early retirement; or measures to encourage the extension of the working life of older workers.

Importantly, and based on evaluations of policy outcomes, the past few years have witnessed an acceleration of the trend towards proactive and preventive measures, the adoption of new innovative measures, and the implementation of such approaches across more social security branches.

Health care insurance schemes have strengthened their investment in health promotion and prevention and focussed on the early detection of disease to respond to an increasing prevalence of health risk factors and the increase in largely preventable chronic conditions, such as diabetes or cardiovascular diseases. In addition to participating in general health promotion programmes that are led usually by public health bodies, many social security health care organizations have found a niche by focussing their efforts on the early detection of disease, risk profiling and health promotion/prevention for defined groups of high-risk individuals. The objectives are to prevent disease, avoid unnecessary complications and associated suffering and costs, and empower persons to take better care of their health or manage their disease (see Box 5.2.).

For a number of years, proactive and preventive measures have existed to help prevent the entry of persons into long-term disability benefit programmes and to facilitate the reintegration of existing beneficiaries into the labour market. Current attention has expanded to include persons on sickness absence, which reflects a trend towards even earlier intervention. This shift is based on the recognition that the longer a person is away from work, the harder it is to reintegrate into the labour market, and the greater likelihood that the person will become a recipient of long-term benefits. It is based also on growth trends as regards the sorts of incapacity often associated with longer-term sickness absence, in particular the increase in mental health problems. As part of the measures taken, determining individual work capacity now is less strictly a matter of a medical assessment; rather it is becoming more a full assessment of the individual's personal situation. Interestingly, labour market instruments targeted normally on unemployed persons or those used to facilitate the reintegration of persons on disability benefits are being used now for persons in employment, but who are on sick leave.

In 2008, Sweden introduced a more active sick leave regime. The reform has created a system that stipulates defined time limits for undertaking certain actions that are directed at facilitating a return to work. It includes regular assessments of the working capacity by the responsible agency, which considers the effect of the incapacity on the individual in question, rather than using objective criteria only. Significantly, since 2010, there is collaboration with unemployment bureaus, which permits the targeting of persons with longer-term sickness absences and an assessment of their capacity to work in relation to other workers in the regular labour market.

5.2. Health care prevention and promotion

- *Increasing focus of social security health care schemes on defined risk groups:* In the Netherlands, individual prevention focussing on lifestyle changes for persons assessed with a high risk of developing a chronic disease is to be integrated into the health insurance benefit package. In the United Republic of Tanzania, the National Health Insurance Fund has begun to sponsor sports activities for insured members at high risk. Sometimes such measures are directly aimed at reducing health inequalities and at facilitating integration. This is so in Germany, where attention has been paid to long-term unemployed persons who are often at increased risk of disease. The Russian Federation is also using preventive measures to reach out to higher-risk groups.
- *Focus on early detection of disease and risk profiling:* New types of health check-ups that focus not only on identifying existing diseases but include the identification of personal risk profiles, as well as including active prevention measures and lifestyle counselling, have been introduced. In addition to ensuring the early detection of diseases, Austria reformed its health check-up system in 2005 to focus on the prevention of chronic diseases and the reduction of risk factors. The Employees' State Insurance Corporation in India introduced health check-up camps at workplaces, hospitals and dispensaries. New types of check-up systems have also been introduced in the Republic of Korea, the United Republic of Tanzania, Germany, Japan, Mexico and Thailand.
- *Greater recognition of the importance of prevention in new schemes:* Significantly, the ongoing trend towards the introduction and extension of social health insurance schemes in developing countries is accompanied by a greater recognition of the importance of prevention at the primary care level. New health insurance scheme initiatives and extension efforts in Mauritania, Gabon and Mali have explicitly included prevention measures in their regulations.

To curb the increase in the award of invalidity pensions, Switzerland decided to focus on sickness absences by introducing an early detection system targeting workers who have a continuous incapacity for work of at least 30 days or who, for health reasons, have been off work repeatedly for short periods during a year. The invalidity insurance authorities examine the personal situation of the insured person and determine which early intervention measures should be taken, including modification of the workplace, training courses, job placement, career advice and socio-professional re-skilling. If early intervention measures do not achieve their objectives and there is a risk of lasting incapacity for work, invalidity insurance authorities examine whether further rehabilitation measures, such as those usually applied to persons receiving benefits under the invalidity insurance scheme, should be taken.

The United Kingdom launched a pilot scheme in 2009 entitled the "Fit for Work Service", to help people on sick leave return to work more rapidly than would otherwise be the case. At an early stage in the sickness absence, coordinated support is given to employees assessed as at risk of spending long periods on sick

leave by a wide range of social security and local services. Case managers coordinate health and treatment, employability measures and wider support services, for example, to help settle debt, relationship, housing or employee-employer conflicts. Significantly, in April 2010 the medical statement, traditionally called the "sick note", was renamed as a "statement of fitness for work", or "fit note", which will focus on what an individual can do rather than on his or her incapacity.

Various other countries in Europe are focussing on early intervention during sickness absence, including Denmark, where the objective of a 20 per cent reduction in sick leave by 2015 was defined. Similar developments are found in Norway, the Netherlands, Finland and Liechtenstein.

New developments as regards proactive and preventive approaches can be observed also in unemployment insurance schemes, despite the fact that the trend to bring unemployed persons back to work through active measures is far from new. These new developments, which have been accelerated by the pressures on labour markets that have resulted from the global crisis, take

into account that a return to work is increasingly difficult for many workers, even after only a short period of inactivity.

First, case management and other approaches that tailor measures to individuals by taking into account their specific personal situation are being applied in more countries and cooperation among public institutions has been improved. Increasingly, personalized instruments are applied soon after a person first becomes unemployed, rather than after a period of long-term unemployment, a change which again reflects the recognition of the importance of early intervention. Sweden, for instance, has introduced measures that target workers who have just lost their job and those who have been unemployed for a short period only.

The second important development can be characterized as exceptional cases of early intervention – a trend towards efforts to prevent a person from becoming unemployed in the first place, in particular for those persons, such as younger and older workers, at risk of long-term unemployment and long-term exclusion.

Efforts to prevent unemployment have focussed on strengthening existing, or introducing new, measures to avoid lay-offs, by permitting employers in economic difficulty to reduce employees' working time, with the value of the employees' lost earnings compensated by unemployment insurance schemes. For example, Germany has extended the eligibility period for "*Kurzarbeit*" (partial-unemployment benefit) under which employees work reduced hours and receive compensation from the unemployment insurance scheme. Slovenia, for the first time, has introduced the partial subsidising of work and employers have to commit not to lay off employees as a condition of eligibility.

Other measures to prevent unemployment, such as maintaining and developing the skill levels of older workers to make the employment of this group more attractive, have been strengthened significantly. For example, in 2008, Poland adopted a programme to promote the employment of workers older than age 50. Among the measures taken are incentives for employers to maintain the employment of older workers, skill

development programmes, and measures for older workers who are in danger of losing their job. In Germany, promotion schemes for the further training of employees older than age 50 have been extended. Interestingly, the age of the target group for which measures exist has tended to increase. For instance, the Netherlands has reduced the level of social insurance contributions to be paid by employers on behalf of employees aged 62 or older – an age at which many persons in the Netherlands were already retired a decade ago.

Increased investment aimed at preventing long-term unemployment and reducing the risks of future exclusion is reflected also in the recent strengthening of measures to promote youth employment, in particular for young people with lower levels of educational attainment. In 2010, Belgium introduced a "Win-win employment" programme, under which younger workers without a higher educational degree can, during a period of up to two years of employment, continue to receive an unemployment benefit that the employer can deduct from the salary, thus reducing labour costs. The People's Republic of China has invested in internship programmes, special vocational training programmes for youth, and college graduates entrepreneurship guidance programmes. Germany, Ireland and Slovakia have adopted new measures also focussing on the employment of younger persons.

Greater efforts to prevent the risks of chronic poverty, poor health and social exclusion have become a feature of many family allowance programmes. By making the receipt of family benefits conditional on behavioural requirements, such as school attendance, undergoing health check-ups, or participation in vaccination programmes, a longer-term view of human capital formation complements the objective of combating child poverty. Recently introduced or extended programmes are found in the Americas in particular, for instance in Brazil, Costa Rica, Jamaica, Mexico and Uruguay.

It is noteworthy that even in those branches of social security where the importance of prevention has long been recognized, an increased focus on prevention is visible. A number of countries have recently introduced or strengthened prevention measures in work accident

5.3. Two levels of reform

- *Collaboration to provide more efficient and individualized front-line services:* An important administrative reform in Sweden has resulted, for example, in significantly improved collaboration between the social insurance agency that administers sickness and disability benefits and the public employment services. Working together, the staff of frontline services develop joint agency plans for each common client. This collaboration has been promoted through a funding mechanism under which the social insurance agency has been allocated financial means for spending on vocational rehabilitation measures for cash sickness beneficiaries, but which can only be spent in conjunction with the public employment services. The agencies are required jointly to plan their actions at all levels, as well as to report twice yearly on their cooperation.
- *Combining traditionally separated schemes and social services within one organization:* A comprehensive reorganization has taken place in Norway where the Norwegian Directorate of Labour and Welfare (NAV) has recently been established through the merging of the national social security insurance organization, the national employment service and the municipal social welfare system. The objective of this reform is to build a coordinated system that achieves enhanced performance in bringing people back to work through individually-adjusted measures that holistically take into account the individual's needs and requirements.

insurance schemes. For instance, the reform of the work accident insurance programme in Nigeria, approved by the federal government in 2010, includes a specific focus on prevention with a view to reducing the prevalence of occupational accidents and diseases. Belgium has continued work on promoting prevention with regard to employment injuries and occupational diseases – firms with a disproportionately higher assessed risk compared to other firms in the same sector now have to pay an additional flat-rate contribution to their insurance company, and the insurer allocates this amount to prevention. Colombia has increased attention on prevention by introducing a “Zero Accident Model”.

Finally, proactive and preventive approaches have been adopted also in the field of long-term care. In a 2008 reform of its long-term care insurance system, Germany introduced the ideas of prevention and rehabilitation. If activation and rehabilitation efforts by a care institution result in a person moving into a lower level of care support for a period of at least six months, the institution receives a bonus payment.

Increased cooperation and integrated administrative solutions

The described trends towards increased investment in proactive and preventive approaches, and a more holistic assessment of the personal situation and risks faced

by individuals, have led to increasing collaboration and coordination of social security both across branches and with other governmental and private organizations. In view of the multidimensional nature of risk factors and the complex situations facing persons at risk, the traditional institutional fragmentation and separation of risks between social security branches is becoming increasingly blurred. In this regard, two main levels of reform are presented in Box 5.3.

Recent developments in proactive and preventive approaches such as the trend to earlier intervention, a broader approach to address the specific situation of individuals as well as measures to improve cooperation, have led to significant changes to the mandate and services of social security administrations. In this regard, however, differences between countries remain significant and comprehensive changes such as the ones in Sweden, Norway and the Netherlands have not yet taken place elsewhere where fragmentation still hinders the more effective implementation of proactive and preventive approaches. However, a number of reform elements can be observed in almost all countries that invest in proactive and preventive approaches across different social security branches.

First, there is a changing relationship with clients (employers and covered persons), to include counselling

and other more personalized services. Second, there is a closer involvement of social security administrations in multi-sectoral partnerships and greater cooperation with other social security branches and public and private bodies. Third, the human resource needs of social security administrations are changing, with a move from more administrative to more technical and counselling profiles. Fourth, all the previous changes are contributing to new ICT, data, and administrative management tasks and challenges.

Conclusions

In view of the higher administrative costs involved in developing more personalized approaches to social security provision, and because of the strict budget caps

that are imposed on many social security administrations, it is likely that proactive and preventive measures will continue to target those individuals who are most at risk. While early intervention is crucial for the management of all risk, it is vital to direct what are often costly interventions at those individuals whose health or employability is most at risk. This identification and targeting of proactive and preventive measures to those most in need, with a view to applying them efficiently and effectively, will be one of the key challenges for social security in the future.

The described trends in proactive and preventive approaches lead to a number of key findings (see Box 5.4.).

5.4. Key findings

- The importance of health as a key factor for activity, employment and participation across the lifecycle is increasingly recognized in social security programme design.
- There is a growing understanding that any absence from work is detrimental for the individual. This has led to an acceleration of the trend towards proactive and preventive approaches, to interventions being applied earlier, as well as to calls for the implementation of proactive and preventive approaches across other social security branches.
- Proactive and preventive approaches are often directed at empowering individuals to manage risks themselves and to offer a greater degree of choice. This investment in individuals is increasingly accompanied by a discussion about the roles of individual responsibility and financial incentives and penalties.
- There is a growing realization that proactive measures to bring persons back to work involve a multidimensional and individualized social integration approach. Going beyond purely medical assessments or levels of formal education, the definition of work capacity and efforts to enhance employability increasingly take into account the broader personal circumstances of the individual. This implies that the coordination and cooperation of social security measures with other social security agencies and local social services are both more necessary and more commonplace.
- Significant administrative adaptations are often necessary for social security organizations to achieve successfully the transformation from being bodies that provide cash benefits based on objective criteria to bodies that assess individual risks with a view to developing an individualized counselling plan.

CHAPTER 6

Conclusions

Social security systems must adapt, and continuously so, in order to respond to an ever-changing world. Of course, there is nothing novel in this observation: social security systems have always demonstrated an important capacity to evolve.

Nonetheless, following the recent financial and economic crisis, the world has changed, and done so abruptly. The negative impacts of the crisis are portrayed often in economic terms first, but the broader social and political impacts have been no less important. Moreover, these impacts touch all regions of the world, and not just those countries that are supposed to be most heavily integrated into the global economy.

As a consequence, important aspects of social progress made globally over the last two decades have been dramatically reversed. For instance, although poverty was decreasing on a worldwide basis, it has increased again on a large scale, especially in many developing countries, as a result of the crisis. Pension schemes that were reformed to cope with the projected financial sustainability challenges posed by demographic change, but which must now contend with lower rates of economic growth, higher levels of unemployment and inflated public finance deficits, are again at risk. And among higher-income countries that implemented ambitious work reintegration schemes and which developed integrated plans to encourage older workers to stay longer in employment, these measures are now threatened because of higher unemployment rates among workers of all ages.

In turn, societal values about social security have evolved. In the 1990s and early 2000s, the legitimacy of the notion of solidarity, and of public social security programmes as the institutional means to achieve this, was often questioned, if not challenged directly. As a result, such questioning led social security programmes in a number of countries to be reformed radically, through the greater individualization of risk and the privatization of some programmes. In 2010, in the wake of the crisis, the societal role of public social security is viewed much more positively: indisputably, it is seen (again) to be an essential collective tool to mitigate the effects of increasing social and economic inequality.

Beyond these immediate observations, it is too soon to assess precisely the longer-term impacts of the recent period of economic turmoil. Foremost, there is uncertainty about future levels of economic growth. It is not clear whether the economy will continue to follow its recent recovery or whether the next phase of a “double-dip” recession lies ahead. Despite positive recovery signs during the last year, questions remain over the stability of the global financial system (IMF, 2010). If a new downturn were to occur, social security systems – many of which have been weakened financially by events since 2008 – would be expected again to respond. In all probability, and especially in cases where this coincides with high levels of public debt, some national social security systems would be less able to cope with the subsequent higher demand for benefits and services that a return to recession would create.

6.1. Key messages

- First, it is understood that social security organizations responded well to the challenges posed by the recent financial and economic crisis and public support for social security has increased. Although there has been a financial cost, social security's political and social sustainability has, in certain quarters, been strengthened.
- Second, the countries that were most able to manage the crisis' impacts were those that had comprehensive social security systems already in place, confirming the vital role of social security as a social buffer and economic stabilizer. In all likelihood, these countries are the ones that will be able best to cope with possible future crises.
- Third, addressing the challenges posed by growing uncertainty and instability requires new thinking. On the one hand, inspiration for new thinking can be taken from recent policy developments in a number of emerging economies. Increasingly, these developments look beyond the conventional design of social security provision. On the other hand, new thinking also involves adopting new patterns of behaviour, including giving greater consideration to the largely untapped potential of a proactive and preventive outlook.
- Fourth, it is becoming more common for social security systems to depend both on contributions and tax revenue to finance programmes. To ensure future financial sustainability, the integrated design and reform of social security programmes and tax systems is essential.
- Fifth, within a policy environment that is increasingly complex, the role of social security administrations is extending. More and more, this role involves offering explicit support to the policy-making process, placing greater emphasis on a holistic approach to the case management of beneficiaries' needs, and working in partnership with other agencies and services in both the public and private sectors.
- Sixth, Dynamic Social Security has proven to be a compelling concept to help understand the role of comprehensive social security systems as a response to the recent crisis, and for managing social and economic risks more generally. The pressure to make social security systems more efficient and effective – to be high-performing – has grown. The current juncture underlines that greater movement towards Dynamic Social Security, to help ensure more equitable societies, is required more urgently than before.

Over and above the current challenging economic outlook, the world continues to confront the challenges of multiple crises. As reported during the 2010 ISSA International Policy and Research Conference on Social Security,⁸ these other crises stem from developments such as technological innovation, climatic change, geopolitical tension, as well as population movements. The accelerating shift towards demographic ageing in nearly all regions of the world is another.

The current situation may therefore be portrayed as one of growing uncertainty and instability. The evolving nature of work patterns, family structures, demographic trends, environmental conditions, technological change, and societal values are all creating stresses to which social security systems must, to one degree or another, further adapt. To do so, social security systems must

show themselves to be innovative in their responses. The suggested pathway to address these multiple challenges is through building higher-performing and sustainable social security systems and through the wider adoption of integrated and proactive policy responses that seek to extend access to protection, support rehabilitation and encourage prevention. In other words, policy responses should be consistent with Dynamic Social Security.

In this regard, six key messages for social security worldwide can be identified (see Box 6.1.).

Looking beyond the significant impacts of the crisis, and in search of lessons that can be drawn from the developments and trends of recent years for social security administrations, a set of final observations can be presented.

8. For more information, see <<http://www.issa.int/rc2010>>.

To realize universal access to social security coverage, greater recognition must be given to the fact that social security is a human right. To extend coverage, which necessarily implies a strategic role for the State, social security administrations will be in the forefront of all policy implementation efforts. Decision-makers should seek to make the policy process inclusive of social security administrations, to listen to and benefit from the knowledge of their experience. For their part, and where possible, social security administrations should seek to engage proactively with the policy process.

Ensuring that social security programmes are financially and socially sustainable are two requirements for the healthy development of social security. At all times, social security must have the finances necessary to meet its objectives and, more and more, it must be capable of tailoring its actions to the heterogeneous and evolving social needs of populations. Alongside financial and social sustainability, the political sustainability of social security requires the realization of constant improvements in the governance of social security administrations. It is to be expected that levels of public trust in social security administrations will grow with improved professionalism and greater operational transparency. Trust should facilitate also a more open and inclusive discussion on the possible need for future reform to improve social security systems.

The improvement of health outcomes is essential for individual well-being and as a measure of the effectiveness of national health care systems. Through reducing levels of incapacity and requirements for care and support, it also contributes to the financial stability of many social security programmes and helps sustain levels of national economic growth more generally. For that reason, proactive and preventive policy measures involving multidimensional and individualized approaches, which emphasize the need for behavioural change to avoid or diminish identified health risks, are necessary. This is especially so in a context of population ageing. Increasingly, such developments are likely to require that social security administrations work alongside other agencies, and will demand a recalibration of many of their traditional roles and tasks,

necessitating that social security staff develop new skill sets and competencies. It is already possible to see the first signs of these changes in a number of higher-income countries.

In the years to come, further incremental changes in this direction are likely to occur in a growing number of countries. However, these future developments should not detract attention from the greater challenges that remain vis-à-vis high levels of chronic vulnerability and poverty worldwide.

To address all current and emerging social security policy challenges, this report has made a case in favour of policies that are consistent with the broad objectives of Dynamic Social Security. The report has underlined also that Dynamic Social Security will only become – and remain – a social policy priority if the objectives it represents are pushed forward by sustained political will at the national level.

To this end, social security administrations – ISSA member organizations – have two essential roles to play. The first is to advocate in support of the objectives of Dynamic Social Security within the framework of national policy discussions. The second is to implement policy with the aim of realizing measurable improvements in their own administrative performance and in terms of the scale and scope of social security protection accorded to populations.

In an increasingly globalized and instable economy, the need for concerted political will to ensure that social security is placed higher on the agenda of global policy priorities has never been greater. Achieving this represents a major political challenge.

The many millions of vulnerable people who have received social benefits in the recent period are a testimony to the essential role of social security. Looking forward, and as a means to complement and partner the broader efforts of the ILO and to help realize the UN Millennium Development Goals, there is an ever more pressing challenge to ensure that social security is extended to the many more who continue to live in chronic poverty.

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Dynamic Social Security: Securing social stability and economic development

Dynamic Social Security: Securing social stability and economic development identifies, synthesizes and interprets the most important recent developments and trends in social security worldwide. A major conclusion of the report is the positive role played by social security systems in ensuring social cohesion. In this regard, high-performing social security administrations must contribute more to efforts to extend access to appropriate and sustainable social security coverage. Only on this basis can further progress towards the vision of Dynamic Social Security and the goal of extending social security to all be achieved.

This Developments and Trends reports is designed to accompany and inform the ISSA's 2010 World Social Security Forum, hosted by the Department of Social Development of the Republic of South Africa, in Cape Town, South Africa. In combination with a recent series of regional reports on Africa, Asia and the Pacific, Europe and the Americas, this global report presents a new approach to better documenting, understanding, and learning from the key challenges facing ISSA member organizations in the different regions of the world.

The International Social Security Association is the world's leading international organization bringing together government departments, social security administrations and agencies administering social security. Globally, the ISSA has around 350 member organizations in over 150 countries.