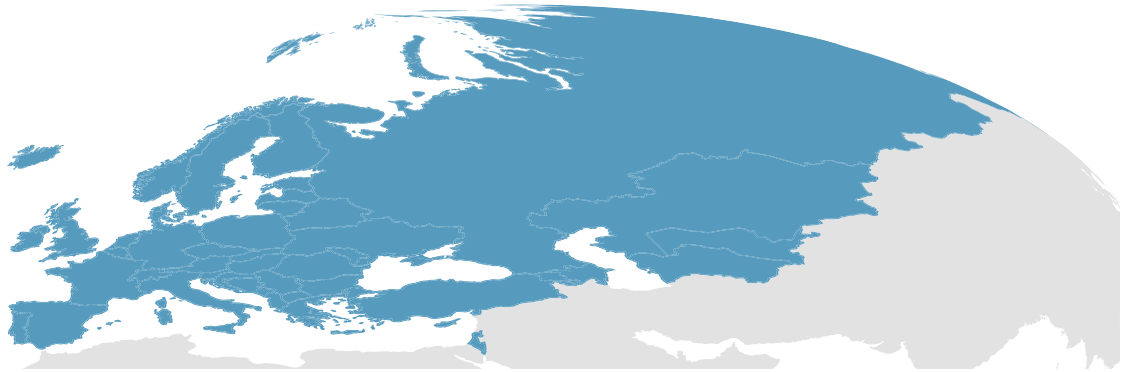




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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

# Highlight 04



## Europe's strategic approaches to sustainable and adequate social security

**A new ISSA regional Developments and Trends report – *Europe: Strategic approaches to improve social security* – offers a timely look at the core issues confronting the region's social security programmes and draws out key good practice responses to these. The report looks in detail at how Europe's social security systems are strategically adjusting to assure comprehensive coverage and innovating to develop state-of-the-art solutions to enhance administrative practices and deliver citizen-centric services. Such recalibration seeks to enable continuing positive socio-economic impacts for European countries, including supporting the inclusive empowerment of people across the life course.**

Drafted to accompany the 2016 Regional Social Security Forum for Europe, to be held in Stockholm from 18 to 20 April, the report looks at the advances in, and the challenges of designing, financing and delivering social security programmes that are adequate and sustainable.

The countries of the region of Europe<sup>1</sup> take great pride in their comprehensive social security systems. Yet, the recent period has seen the environment in which social security systems operate become more complex and challenging. This has dictated the need to recalibrate social security programmes to the evolving needs of European societies and people.

Continuing low growth rates mean that the need for social security interventions remains high in many European economies. And this coincides with financial resources being increasingly constrained. As a result, in some countries, the long-term financial and political sustainability of adequate social security provision has come into question. To address such questioning, policy decisions regarding the design and financing of benefits are increasingly being taken only after first considering the impacts on both intergenerational and intra-generational equity.

Across the twentieth century, social security interventions were fundamental to the rise of the so-called European welfare state; for all countries, social security has become an essential element of the modern social contract. To continue to fulfil this contract, countries are rebalancing the emphasis given to the protective, preventive and enabling roles played by social security systems. Importantly, social security systems are consciously investing in, safeguarding and further developing human capital to help support social inclusion and improvements in countries' economic productivity – the economic foundations on which to build and redistribute wealth in society.

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Social security programmes, beside their fundamental role of ensuring income protection, are now more systematically facilitating improved opportunities for employment and better health outcomes. The aim is to create greater financial sustainability and, by better supporting the evolving needs of people across the life course in a smart-targeted manner, to strengthen public support for social security among all income groups and generations.

This important change in perspective in Europe has been made possible by deliberate efforts to think outside the box. In terms of novelty, the emerging administrative solutions highlighted in the ISSA report are by necessity holistic, and are facilitated by greater coordination across government ministries and agencies, greater coherence in multi-stage policy delivery at the national and sub-national levels, and improved responsiveness among social security institutions as regards internal processes, programme implementation, and data sharing.

In addition to governance improvements, recent progress has been made possible by a new generation of information and communications technology (ICT), offering data analytics, tools and platforms to control all aspects of the internal performance of administrations, coordinate actions in pursuit of the effective and efficient realization of programme objectives, and communicate in an interactive and interconnected manner information and data. Of great significance is the observed strong movement towards citizen-centric services.

## Europe: Complexity and uncertainty

As the ISSA reports, the external context for social security organizations in Europe continues to be framed by a number of challenging elements: high unemployment in general and among youth in particular, demographic ageing, the growing incidence of non-communicable diseases, precarity of employment status of many workers, higher levels of population movements in some countries, growing levels of poverty and inequalities, and the lasting effects on public finance of the financial and economic crisis of 2008/2009, which in some countries takes the form of austerity measures.

Although social spending as a proportion of public spending has generally remained high and stable across the region, social expenditure has fallen in some countries as a share of GDP following the higher levels of expenditure seen in the immediate post-crisis period.

Overall, the context can be characterized as one of greater complexity, not least because of the continuing uncertainty about the global economy. Other uncertainties include relatively newer challenges, such as high levels of youth unemployment and peaks in migrant and refugee flows, which are becoming more protracted longer-term phenomena. Typically, social security systems have shown to be agile in their responses to these.

## Key developments and trends

A number of key developments and trends are observed across the countries of Europe. The report suggests that the actions of many of Europe's ISSA member organizations are focused on the interconnected goals of ensuring comprehensive social security coverage, excellence in the administration and management of social security bodies, and maintaining the positive social and economic impacts of social security programmes.

In these efforts, ISSA member organizations are being assisted by the ISSA Guidelines, professional standards for social security administration provided through the ISSA Centre for Excellence. In the recent period, attention has been given to three broad clusters of developments and trends.

### Sustaining adequate benefits and services

Globally, Europe is associated with high levels of social spending and comprehensive access to social security cash benefits, medical care and services. All too often, however, Europe's coverage achievements are distilled down inappropriately to the cash value of benefits.

As the ISSA underlines, adequacy should be viewed through a wide-angled lens – there is a need to move away from a one-dimensional, money-metric assessment of benefits to take into account, among others, the added-value of effective administration and wider social investment-type policy outcomes.

Framed by this wider perspective, the adequacy debate in Europe is characterized by a number of common responses which seek to support coverage, strengthen the effectiveness and efficiency of benefits, and also facilitate inclusion and activity (see Box).

Strengthening adequate coverage in this manner supports improved employability, higher productivity, poverty alleviation, reduced inequality, higher consumption, less severe shocks through counter-cyclical interventions, better functioning of labour markets, improved health status, and social stability and cohesion. Coherent inter-ministry policy-making and coordination is helping to achieve these and other positive impacts.

Although the coverage debate in Europe is being positively directed by questions concerning the adequacy of benefits over the life course, a number of coverage challenges remain, some of which were exacerbated in the immediate years following the crisis.

## Common responses to support coverage and activity

- The use of **smart targeting** – within a universal system – as a response to meet the specific needs of vulnerable population groups which social security systems are increasingly being asked to address as part of a holistic approach to offering opportunities for activity and social protection across the life course.
- **Multiple stage intervention** aligned with different phases of the life course. This holistic approach to social protection and individual development involves acting earlier with a range of stakeholders and giving greater policy priority to prevention and reintegration measures.
- **Flexibility in benefit provision** has emerged to reflect the acknowledged different income and health care needs, household situations, and employment status of the population.
- **Labour force activation measures** to facilitate stable and tailored participation in the labour force across the life course are being aligned with proactive measures to facilitate the return to work of people in receipt of social security benefits.

The immediate impact of the crisis in many countries saw a tightening of eligibility criteria for some benefits. The recent period has seen many systems seek to reverse this trend and improve coverage for vulnerable workers and improve the overall adequacy of benefits, not least for working-age families. Measures adopted include strengthening family benefits and child care provisions (e.g. Bulgaria, Czech Republic, France, Malta, Slovenia, Sweden and Turkey), tailoring unemployment programmes and benefits to the realities of the employment market (e.g. Denmark, Finland, Germany, Hungary, Poland and Sweden) and strengthening minimum income protection (e.g. Malta and Romania).

### ICT delivery platforms and citizen-centric service design

The recent period bears witness to the adoption of ICT solutions not only to permit efficiency gains, but to offer interactive and accessible delivery platforms for benefits and services. A further important objective in many countries is to overcome institutional and administrative fragmentation, allowing better national coordination between social security branches, the national tax authorities (especially for calculating entitlement to income-tested benefits), and nationwide equity in access to benefits and services. Moreover, ICT-supported data mining and analytics also enable to better tackle errors as well as fraud and wider issues associated with undeclared work (e.g. Albania, Croatia, France, Germany, Ireland, Italy, Romania and Spain).

A further development is new generation e-services that commonly make use of e-government platforms and services, cross-agency approaches, the enabling of secured payment systems, building strong authentication mechanisms, and personalized customer environments (e.g. Azerbaijan, Belgium, Finland, France, Kazakhstan, Lithuania, Republic of Moldova, Netherlands, Poland, Spain and Uzbekistan).

In terms of positive outcomes, the widening use of ICT offers: real-time access to all legitimate stakeholders of relevant information; it permits administrations to be more responsive, and thus more efficient and effective in resource use and allocation; it assists communication objectives; and facilitates better life outcomes for the covered population, for example in better matching the profiles of jobseekers with employment opportunities.

Taking into account the possibilities for improved services offered by ICT, the changing needs and expectations of all clients vis-à-vis the use of ICT tools and platforms, and the operational constraints facing social security administrations, the emergence of integrated citizen-centric services is one of the most remarkable features of, what might be called, the new face of European social security. In some instances, this process has been facilitated by the active inclusion of clients in the co-design of public services (France and Spain).

To build further on these developments, three points deserve closer attention. First, the mass of data available to social security administrators should be used effectively. Second, data privacy and data security issues must be respected, necessitating appropriate governance and management structures. Third, despite the high level of penetration of Internet in the region, there is still a sizeable proportion of the population who want to have a personal contact for some or all of their social security needs.

### Investing in capacities across the life course

One common requirement for social security administrations is to make better use of tax payers “money” and of government’s limited resources. A further objective is to seek ways of making a coherent contribution to efforts to better tailor support for people across the life course.

Such so-called life-course approaches to social security may seek to advance professional activity, active and healthier living, lifelong learning as well as offer protection from life-cycle and labour market risks. Important elements here are proactive and preventive measures, not least amongst which are public health and work-related health interventions, which together seek to forward the goals of empowerment, rehabilitation and employability (including for older workers and for people with an assessed disability but a residual capacity for work). Given their societal importance, it is notable that almost all countries in Europe have made structural changes to the management and delivery of health care services. Naturally, life-course approaches should also seek to better reconcile the work-life balance, with greater investment in services and benefits that support children, parents and guardians.

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## Continuing challenges

In terms of challenges, major concerns include: the rise in long-term unemployment and mismatches between workers' skills and employers' demands, both of which signal an important need for earlier intervention measures, (re)training and education; a rise in in-work poverty levels, suggesting the need to more effectively co-ordinate cash benefits, negative income tax instruments and tax systems; and an ageing workforce, wherein the skills and attributes of older workers are often under-utilized, highlighting the need to better develop age-diverse workplaces.

Regardless of the scale of current migrant and refugee flows towards the Europe region, population movements underline the importance of social security agreements, to protect and render portable the accrued social security rights of workers and their dependants. As a first step, information campaigns are one way to better inform migrant workers of their rights (e.g. Kyrgyz Republic).

The ageing of Europe's population remains a challenge. Europe has a median age of 42, and 24 per cent of the population is aged 60+, and Europe is home to 28 per cent of global population aged 80+. Understandably, the costs of old-age pensions remain high on the agenda. Similar to other regions, pension reforms in Europe present far from coherent trends, particularly as regards the role of private defined contribution pension funds.

The health challenges arising from longer life expectancy are noteworthy: increases in life expectancy have not been matched by a similar increase in healthy life expectancy. This has implications for total and already rising health expenditure, including caring and long-term care costs, and for health sector workforce planning. Although fertility rates are below the replacement rate in the region's countries, and a number of countries are projected to see population decline by 2050, the Russian Federation has used social policies to help incite a natural increase in population.

Epidemiological trends in the region show a fall in premature mortality from cardiovascular diseases, cancer, diabetes and chronic respiratory diseases, but important negative health effects of immoderate alcohol consumption, tobacco use and obesity remain. Based on a life-course approach, there is scope for a greater role for preventive interventions and education – a shift being actively fostered, for example, by the *ISSA Guidelines on Workplace Health Promotion*.

In terms of possible new challenges, the development of new technologies and materials and changing patterns of production and work are likely to present new opportunities as well as risks. One outcome for European economies may be the greater potential to improve health and safety at work. Notably, as regards occupational accidents and fatal injuries, these are already on a downwards trend: a positive contribution towards the EU-wide initiative on workplace accident reduction.

## Conclusion

One of the few operational constants for social security administrations is the need for change. Positively, to ensure adequate coverage delivered through client-centred programme designs, recent reforms across the region of Europe bear witness to systematic improvements to the governance, service delivery, strategic planning and performance management of administrations.

Although difficult choices remain, there is increasing political recognition of the importance of providing adequate benefits for all across the life course. At the same time, the commitment of social security administrations in Europe to work towards, what the ISSA refers to as “excellence” in administration, responds to the constant need to innovate and develop tailored responses to the challenges facing social security systems and covered populations.

As the ISSA report concludes, supported by the ISSA's Centre for Excellence and ISSA Guidelines for Social Security Administration, social security administrations in Europe have the means and know-how to confidently meet the challenges of the future.

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1. The ISSA's region of Europe is identical to the International Labour Organization's Europe and Central Asia region.

## Source

ISSA. 2016. *Europe: Strategic approaches to improve social security* (Developments & Trends). Geneva, International Social Security Association.

For more information: [www.issa.int/europe/introduction](http://www.issa.int/europe/introduction)

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

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