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Report

Coping with the crisis: Managing social security in uncertain times

The ISSA Crisis Monitor Project

International Social Security Association, Geneva, 2012

Coping with the crisis: Managing social security in uncertain times

ACKNOWLEDGEMENTS

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Executive summary

The ISSA Crisis Monitor project was tasked with monitoring the impact of the financial and economic crisis on social security and subsequent responses by social security administrations around the world. This report draws together the analysis from this project and makes the following key conclusions:

- *Social security organizations responded well to the challenges posed by the global financial and economic crisis.* Despite major pressures on fiscal capacity and service delivery mechanisms, social security systems have demonstrated their effectiveness in providing a social and economic buffer in times of crisis.

- *Countries best able to diffuse the crisis' impacts were those that already had comprehensive social security systems in place*, confirming the vital role of social security as a social and economic stabilizer. Schemes already operating provided policy-makers with immediate responses to respond to the crisis and to offer adequate protection to those affected.

- *The crisis demonstrated that social security often comes at no additional cost to society but is integral to its smooth and successful functioning.* It reduces poverty and inequality and contributes to social cohesion, whilst also representing an investment in human capital, unlocking the productive capacities of individuals and advancing economic development.

- *Social security's positive role is increasingly recognized.* In the wake of the crisis, the societal role of public social security is viewed much more positively; indisputably, it is seen as an essential collective tool to mitigate the effects of increasing social and economic inequality, as well as ensuring income replacement. At the international level, a broad political consensus has formed around the high priority of extending social protection to all (e.g., through the UN's Social Protection Floor Initiative (ILO, 2011a)).

- *The crisis has created an uncertain context for social security.* Calls for austerity and fiscal consolidation threaten to reduce the resources devoted to social security, undermining its mandate of reducing inequality and poverty. In this context, many crisis-ridden countries are responding by radically circumscribing their social spending, generating heightened uncertainty surrounding the prospects for future social investment.

- *Social security must be reinforced, not weakened.* Social security systems which have been weakened financially by events since 2008 will still be expected to respond to future crises. There is a strong case for continuing investment in social security in the wake of the crisis and maintaining it in good economic times. Indeed, largely flouting the trends among many high-income countries, middle-income countries such as Brazil, China and South Africa are taking preventive action and expanding their social security coverage. Further debate about social security priorities is important.

1. Introduction

The impacts of the financial and economic crisis continue to reverberate around the world, reflecting a new climate of unprecedented uncertainty and instability. The International Labour Organization has warned that the cooling global economy risks derailing the recovery and pushing the world into a double-dip jobs recession and triggering an outbreak of social strife unless governments take urgent action to stimulate employment growth (ILO, 2011b). Growth has now slowed in the major advanced economies and some countries have re-entered recession. Limited signs of recovery have been job-weak (ibid). Moreover, a number of other concerns loom large, including rising income inequality, the intensifying debt crisis in the Eurozone and the perceived need to cut national debts and deficits; the recent historical trend of low or no wage growth in spite of productivity gains. Furthermore, there has been a significant increase in the number of discouraged workers, a category which does not feature in unemployment figures (ILO, 2010g). Concerns also linger over the lack of progress that has been made in reforming the financial system (Torres, 2010), the same system that provoked the crisis in the first instance. Consequently, there is no certainty that the financial sector will not deliver further shocks. To many, "recovery with a human face" is still a distant goal.

In this environment of heightened uncertainty, social security administrations must be ever mindful of the possibility of future financial and economic shocks, and a protracted labour market crisis. There is a need to equip themselves with tools to anticipate and respond to these shocks in dynamic and innovative ways. Through this publication, the International Social Security Association (ISSA) aims to support these efforts by documenting concrete country experiences and suggesting a way forward.

In responding to a perceived need for a practical product to enhance members' capacity to deal with financial and economic crises, this publication is consistent with the *ISSA Good Governance Guidelines for Social Security Institutions* (ISSA, 2010t), which seek to ensure that social security institutions respond to crises in "accountable, transparent, predictable, participative and dynamic" ways. In April 2009, in the midst of the financial crisis, the ISSA's "Seminar on Social Security in Times of Crisis: Impact, Challenges and Responses", organized in collaboration with the International Labour Organization (ILO), laid the groundwork for the ISSA Crisis Monitor, an in-depth project tasked with monitoring the impact of the crisis and the responses by social security administrations around the world. In addition to this publication, the Crisis Monitor project included a comprehensive member survey; up-to-date coverage of the crisis on the ISSA website[1] (e.g., crisis "snapshots", feature articles, good practice reports and expert opinion briefs); 21 individual country case studies; and ongoing monitoring of the performance of members' social security funds.

[1] See <http://www.issa.int/financial-crisis>.

In line with the ISSA's strategic vision to "promote dynamic social security as the social dimension in a globalizing world through supporting excellence in social security administration," this report is envisaged as a tool to enable social security administrations to take appropriate preventive, reactive and proactive measures to limit their vulnerability to crises, while also supporting the daily activities of social security administrations in a post-crisis world.

Dynamic social security refers to social security systems that are accessible, sustainable, adequate, socially inclusive and economically productive, and that are based on performing, well-governed, proactive and innovative social security institutions. In line with the nature of the ISSA as an association of social security institutions, the vision of promoting dynamic social security ties social security improvements to the capacities and performance of these institutions.

2. Assessing the impact of the crisis

In 2008, the value of the world's stock exchanges fell by 47 per cent, representing a loss of USD 29.4 trillion, or about half of global GDP (Shutt, 2010). According to the ILO, the crisis caused world production to contract by 2.2 per cent in 2009. This contraction was associated with a large increase in the number of unemployed people worldwide. Despite some positive signs, job recovery is looking less robust, and unemployment is still high. Some 80 million jobs need to be created over the next two years for global employment to return to pre-crisis levels. Yet at the current rate, it would take at least five years for employment in developed countries to return to pre-crisis levels (ILO, 2011b). This is not unusual, given that the labour force participations of rates countries impacted by the 1997 Asian financial crisis still have yet to return to pre-crisis levels (ILO, 2009b, 2009c). The prospect of a protracted labour market crisis will have serious implications for social security.

Currently, the employment prospects in many countries have worsened significantly, with unemployment in the G20 countries hovering around 8-10 per cent (The Economist, 2011). Many millions of people have entered inactivity or long-term unemployment between 2009 and 2011. Long-term unemployment is in turn associated with more intractable challenges, such as greater social exclusion, widespread inactivity, increased informality and loss of skills, not to mention a decline in human capital, diminished trust and social cohesion and increased mental health problems. Like unemployment, underemployment has increased significantly, raising concerns that many discouraged workers may permanently detach from the labour market, while vulnerable employment and working poverty also went up sharply from 2008-2009 (ILO, 2010f). Higher levels of unemployment will continue to constrain social security revenue from contributions while simultaneously requiring continuing increases in benefits expenditures. Clearly, the current historical juncture represents some extremely challenging times for social security (see Box 1).

Box 1. Reflecting on the crisis: Key challenges for social security

- Increasing unemployment and poverty have led to higher benefit expenditures, with a commensurate loss of contribution revenues and a drawing down of reserve funds.
- Increased investment in active labour market programmes and other responses, often as part of stimulus programmes, pushed the financial and administrative capacities of social security institutions to their limits.
- Social security systems and governments face diminished capacity to tackle longer-term challenges related to ageing, changing family structures and urbanization.

Backed by international financial institutions, many countries have introduced important policy interventions to support economic growth and cushion the negative impacts of the crisis on employment and household income flows and consumption. Not all countries, however, have had the necessary fiscal space to permit these particular crisis responses. In the poorest countries, the impacts of the global recession have compounded existing challenges, including rising food and fuel prices, where many enjoy little or no social protection or public support. As a consequence, in addition to the estimated 1.44 billion people with an income of less than USD 1.25 per day (Khanna, Newhouse and Paci, 2010) — the official extreme poverty line —, the crisis has slowed the pace of poverty reduction. Estimates suggest that the recent crisis pushed 64 million more people under USD 1.25 a day by the end of 2010 (World Bank, 2011). In terms of extreme poverty, the regions impacted most have been South Asia, South-East Asia and sub-Saharan Africa (ILO, 2010e). Clearly, these challenges place an additional strain on the capacity of social security institutions to respond in kind.

For many social security systems, recent patterns of higher expenditures and lower receipts, together with pressure on reserves, have necessitated the revision of actuarial valuations. In some instances, these immediate fiscal pressures move forward significantly the expected date at which scheme funds are projected to be depleted, whereas previous calculations were largely based on reduced dependency ratios based on population ageing alone.

More generally, it is now apparent that many of the exceptional public policy and economic stimulus initiatives introduced to respond to the crisis (e.g., bank "bailouts", tax reductions for employers or special unemployment allocations to laid-off workers) will have a longer-term impact on public finances. As a result, currently inflated levels of public debt look increasingly set to limit future public expenditures, including for social policy. In many countries, especially in Europe, the recent surge in fiscal spending has already translated into spending cuts and fiscal austerity, at times provoking social unrest and, at the very least, deep uncertainty.

In this climate, a strong and dynamic response by social security institutions is critical for minimizing the impacts of the crisis on citizens and preserving the integrity of the institutions themselves.

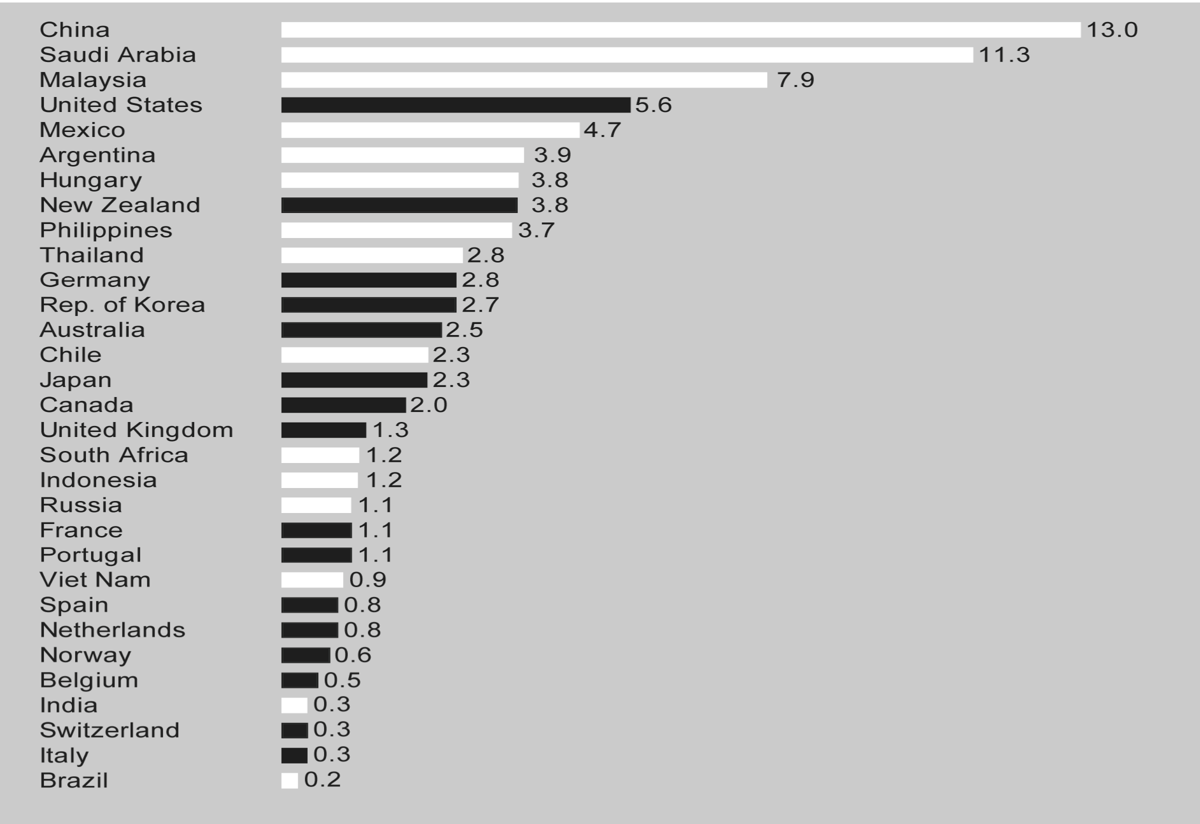
3. Responding to the crisis

3.1. General government responses

The unprecedented nature of the crisis compelled governments to make broad changes in institutional arrangements and take exceptional fiscal stimulus measures. While there is some controversy over how these stimulus packages were spent, without them, and in particular without social security acting as an economic and social buffer, the most severe crisis since the Great Depression could well have had far more wide-reaching consequences.

Fiscal stimulus packages varied in size as a proportion of GDP, and close to 90 per cent of the total global stimulus packages came from G20 nations. Some packages represented significant proportions of GDP (see Figure 1). For example, the People's Republic of China announced the biggest total package, equivalent to 13 per cent of GDP, followed by Saudi Arabia (11.3 per cent), Malaysia (7.9 per cent) and the United States (5.6 per cent). According to ILO estimates, such fiscal stimulus measures amounted to around 1.7 per cent of world GDP in 2009 (ILO, 2009c), or an average of 1.4 per cent of each country's GDP.

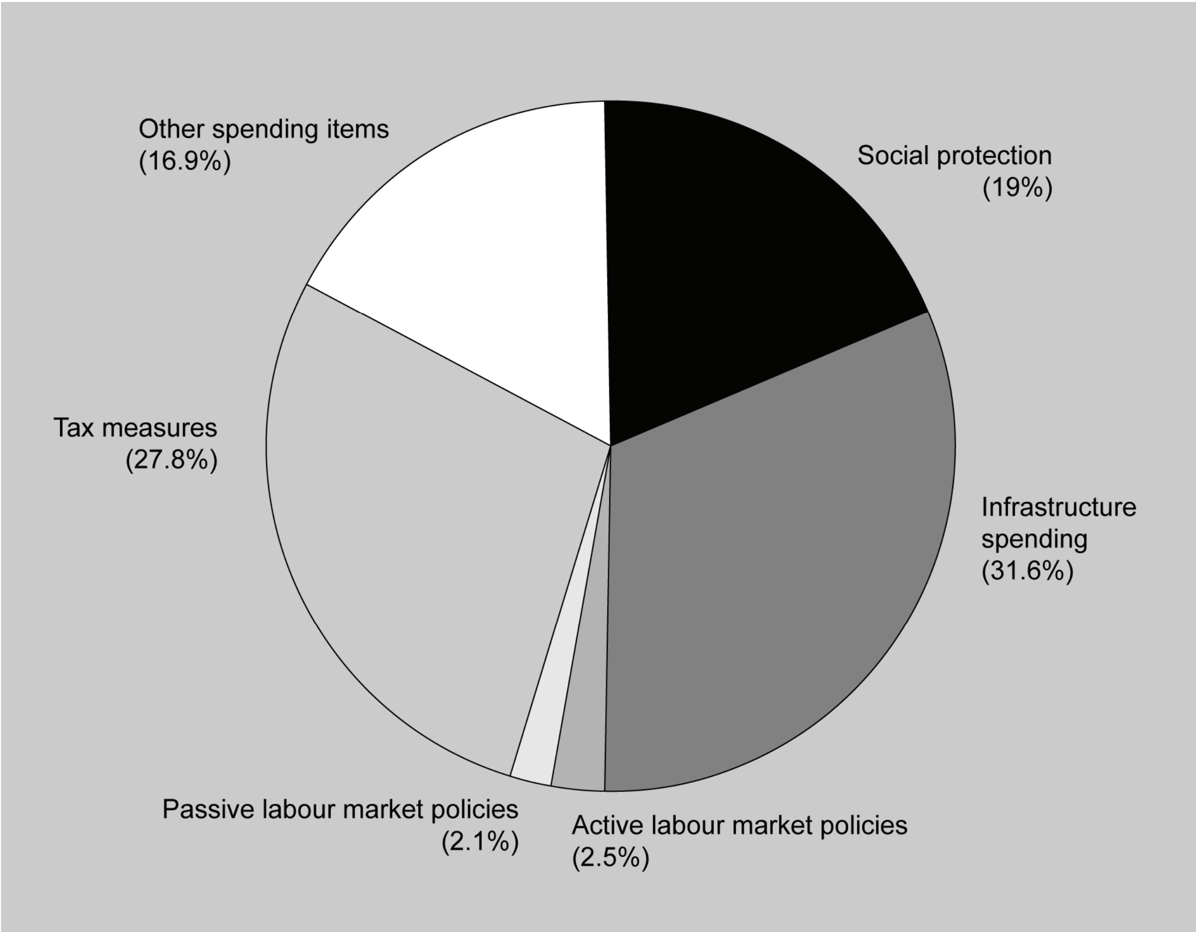
Figure 1. ***Total fiscal rescue package as a percentage of GDP in 2009***



Notes: Developed economies are indicated in black; developing and emerging economies, in white. Time frame of spending varies for each country. The GDP in 2009 was estimated by using 2008 GDP and IMF growth forecasts for 2009 (March).
Source: ILO (2009c).

Social security expenditure represented a smaller proportion of the total spending of national fiscal response packages. However, the relatively low share of overall spending dedicated to social security arguably masks the large multiplier effects of social security expenditures, especially in times of crisis. According to a 2010 ILO report, social protection spending represented an average of 21.5 per cent (including active labour market policies) of total national fiscal stimulus spending packages put in place in G20 countries to respond to the crisis (see Figure 2).

Figure 2. ***Composition of fiscal stimulus measures in G20 countries (percentage of total package spent on different spending categories)***



Sources: ILO (2010h).

Table 1 clearly shows a selection of countries and the share of national stimulus packages devoted exclusively to social security spending. The share varied significantly and reflected differing priorities, programmes and institutional configurations worldwide. Social security played a significant role in stimulating economic recovery while softening the impact of the crisis. Indeed, the crisis provided an excellent opportunity for social security to demonstrate its indispensable role for social policy and crisis-response measures.

Table 1. ***Share of stimulus devoted to social security in select countries (% of GDP)***

	Social security spending as percentage of stimulus package
Australia	41.0%
Germany	30.5%
South Africa	24.2%
Russian Federation	18.4% (ILO, 2010d)
United States	12.9%
Brazil	2.5% (ILO, 2010c)

Source: Khatiwada (2009).

Given the mixed composition of stimulus packages, it is important to consider other features in terms of the extent to which they complement or detract from the efficacy of social security responses by shaping the wider parameters in which social security was compelled to operate. For example, tax cuts, which increased the spending power of low- and middle-income households, may have bolstered income from social cash transfers. Other macroeconomic measures restored public confidence, stimulating aggregate demand and maintaining liquidity in the economy.[2] Such measures undoubtedly kept many workers in employment and in turn helped sustain contribution income to social security programmes. Thus, this publication considers a number of macroeconomic measures that directly and indirectly complement social security. Other measures likely worked against the interests of social security but are nevertheless included in the interest of painting a clear picture of available tools and the overall policy environment. Social security institutions, often in tandem with other relevant institutions, ultimately assemble their own bundles of policy and administrative responses.

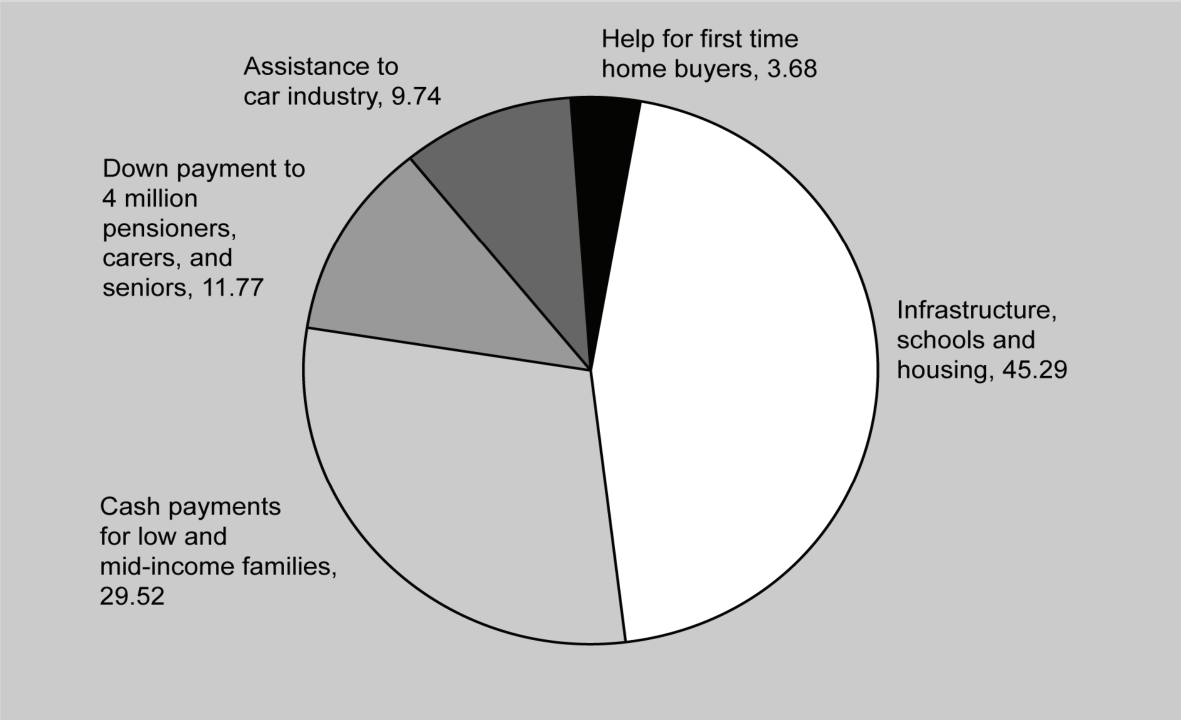
[2] There is a wider but less frequently-voiced concern that the debate on how best to exit the crisis is too heavily focused on restoring economic growth, where growth is assumed to provide the best indication of social health and prosperity. Arguably, such a focus fails to adequately address ecological sustainability or redistribution issues.

Box 2. Australia's successful income-led response to the crisis (ISSA, 2010b)

Australia's response to the crisis was multi-faceted, combining stabilization of the financial sector, extension of safety nets for the most vulnerable and labour market measures to stimulate job creation and prevent long-term dependency. The country's ability to avoid recession is credited to the underlying strength of the economy, the continuing demand for commodities and, perhaps most importantly, swift and decisive mobilization of resources to address the crisis.

For example, fiscal stimulus measures were introduced early and in stages to respond to the changing nature of the crisis, beginning with the Economic Security Strategy announced in October 2008 (USD 10.3 billion), followed by the Nation Building and Jobs Plan, a more substantial stimulus package in February (USD 41.6 billion). From a social security perspective, it allocated as much as 41 per cent of its stimulus package to social transfers.

Composition of the fiscal stimulus package in Australia in 2008 (%)



Source: Khatiwada (2009).

All told, the "Nation Building– Economic Stimulus Plan" is worth USD 52.1 billion (5.3 per cent of GDP) and focuses on five key areas:

- Social assistance for targeted groups through one-off cash payments to low- and middle-income groups, particularly pensioners and cash constrained families.
- Supporting consumption through support for homebuyers.
- Infrastructure expenditure on housing, schools and roads as well as a national broadband network.
- Skills, training and job-search assistance to provide 711,000 qualification commencements over five years and to create 76,000 new jobseeker places over 2008-09 and 2009-10.
- Fair Work Act of 2009, which facilitated industrial relations.

There is a growing acknowledgement of social security's important social and economic roles. As a result, social security administrations and the values of risk-pooling solidarity they represent may have emerged politically stronger. However, in the face of fiscal cutbacks, uncertainty remains as to how social security budgets will be impacted. While these decisions will inevitably be difficult, social security institutions must continue to highlight the necessary role of social security not only in times of crisis, but as an integral ingredient for the smooth functioning of society on a day-to-day basis. Clearly, social security was part of an integrated national crisis response in a number of countries. Coordinated national stimulus packages and the general stabilizing effect of social security softened the impact of the crisis. And arguably, had spending on social security been higher, the impact could have been even greater.

Ensuring that stimulus packages complement social security

Fiscal measures

In response to the crisis, most countries took macroeconomic measures to ensure a quick return to stability and economic growth. These fiscal stimulus packages were designed to restore credit flows and stimulate aggregate demand They also contained "pump priming" measures which increase government expenditures and/or reduce taxes to stimulate consumption and productivity.

Key measures	Practical examples
Support to financial institutions and stabilizing the financial sector	**Denmark:** Beyond the bank bailouts in October 2008 and February 2009, the Danish government provided support to other major financial players, such as pension funds and insurance companies. In 2009, they released a 30year inflation-indexed bond targeted at domestic pension funds and insurance companies. This move avoided the forced sale of mortgage bonds owned by pension funds in depressed markets. The OECD applauded the move for its ability to manage risks associated with the payout phase of pensions and annuities, and to stabilize the mortgagebond market (ISSA, 2010d).
Support currencies with financial aid	**Southern Cone countries:** These countries made liquidity injections into national currencies and pursued austerity measures in the area of operative expenditures. The intention was to generate more fiscal space in order to be able to implement emergency measures (ISSA, 2010p).
Modify company and corporate taxes	**Singapore:** Reduced the corporate tax rate to keep the country competitive (ILO, 2009a).
Modify income taxes to stimulate consumer Spending	**UK:** Launched a permanent increase in the personal income tax allowance for basic rate taxpayers, resulting in a tax cut of USD 215 per year beginning in 2009-2010 (Khatiwada, 2009).
Modify consumption taxes to stimulate aggregate demand	**Indonesia:** Introduced sector-specific measures, but the primary stimulus was in the form of reduction in VAT and import duties and tax waivers for sectors that are expected to generate the strongest boost in domestic demand: labour-intensive industries, agribusinesses, import-substitution industries, export-oriented manufacturers and businesses that support infrastructure construction (ILO, 2009c). **United Kingdom:** The Government provided a 2.5 per

	cent reduction in the Value Added Tax (VAT), effective for 13 months (from 17.5 per cent to 15 per cent) from 1 December 2008 to increase consumer spending and boost consumer confidence (Khatiwada, 2009). The VAT was later raised to 20 per cent in January 2011.
Reduce or freeze prices of key resources: Reduces the financial burden of consumers and business	**Mexico:** Froze gasoline prices and reduced the price of liquefied natural gas (Ibid.).
Other possible measures: • **Quantitative easing:** The use of monetary policy to stimulate the economy when interest rates are low. New money is pumped into the financial system. Money is not really printed but created electronically by increasing the credit in its own bank accounts • **Modifying interest rates:** Could have a whole host of effects, including increasing credit lending again in the economy, supporting mortgages repayment, etc.	

Business relief

A number of countries actively intervened to assist enterprises that were hit particularly hard by the crisis. These interventions were intended to help them weather the storm and stimulate their recovery in order to assist the wider economic recovery.

Key measures	Practical examples
Targeted financial support to key or struggling industries	**Canada:** USD 7.2 billion deployed to support sectors, regions and communities; including targeted funding for the auto, forestry and manufacturing sectors, as well as support for clean energy (ISSA, 2010c). **Latvia:** Greater state activism, whether through short-term bank bailouts or business stimulus packages (e.g. the Action Plan for Economic Stabilization and Growth Revival Programme of Latvia and the Action Plan to Improve the Business Environment) (ISSA, 2010i).
Financial support to small- and medium-sized businesses: Usually in the form of cash injections and subsides	**Argentina:** Tax credits offered to firms that invest in capital goods and infrastructure, with a significant part targeted at small- and medium-sized enterprises (ILO, 2010b). **New Zealand:** USD 352 million relief package for small- and medium-sized businesses (the largest proportion of businesses) in order to improve the business environment. The package includes: • an expansion to the export credit scheme; • expansion of business advice services and a prompt-payment requirement for government agencies; • Wholesale Funding Guarantee and Retail Deposit Guarantees for the banking system; • in the May 2010 budget, the government introduced a tax reform package designed to boost growth by improving incentives to work, upskill, train and save (ISSA, 2010j).
Tax cuts and exemption from value-added taxes to support trade and work incentives	**New Zealand:** 11 tax cuts costing USD 335 million over four years (ISSA, 2010j). **People's Republic of China:** Direct tax cuts for 9 industries (e.g., steel, telecommunications, automotive), support and development of high-tech and service

	industries and removal of loan quotas on commercial lenders (ISSA, 2010a).
Increased access to credit	**Republic of Korea:** Increased financial support for SMEs by USD 37 billion, in the form of loans and credit guarantees, primarily outside the country's planned fiscal package (ISSA, 2010n).
Other possible measures: • **Making tax obligations more flexible** • **Enhancing public credit guarantee schemes and loans provided by government financial institutions** • **Support for exporters and labour-intensive industries**	

Expansion of new sectors

To generate a sustained recovery, many governments seized the crisis as an opportunity to open up news areas of productivity and economic growth.

Key measures	Practical examples
Investment in emerging industries and technology and development of green jobs: Aid the transition to energy efficiency and develop a new arena of job creation	**Republic of Korea:** The Green New Deal Job Creation Plan, intended to lead to an eco-friendly economic recovery and employment creation, ultimately allowing the country to "leap forward in this time of crisis". The Plan aimed to improve the use of the nation's four major rivers, constructing dams and other water management facilities, developing green transportation networks and clean energy technologies, building 2 million green homes and creating more than a million green jobs (ISSA, 2010n). **United States:** the American Recovery and Reinvestment Act includes Training Grants for Green Jobs and Emerging Industry Sectors (ISSA, 2010r). **Japan:** Tax incentives for businesses using energy saving and efficient facilities and plants (ISSA, 2010g).
Subsidies and tax incentives for companies using new (green) technologies: E.g., tax cuts on materials and freezing/reducing costs of key natural resources	

Active labour market policies

One way to provide income security at times of crisis is to enable successful job search. There are a number of ways to facilitate the successful reinsertion of the unemployed back into the labour market, thereby reducing the future burden of the long-term unemployed on the economy and social security systems.

Key measures	Practical examples
Greater training/re-training, re-skilling, educational initiatives: To help the (newly) unemployed rejoin the labour market	**Denmark:** In January 2010, a political agreement was reached on establishing adult vocational training centres (VEU centres) targeting low-skilled adults and improving coordination with providers of general adult education (ISSA, 2010d). **Republic of Korea:** Internship programmes for jobless graduates (Khatiwada, 2009).
Increase minimum wage	**Brazil:** Increased the minimum wage by 12 per cent as of February 2009, affecting 45 million workers (Ibid.).
Tax incentives for SMEs to hire more workers	**France:** Employers with fewer than 10 employees were not obliged to pay social taxes for each new employee hired in 2009 (Ibid.).

	Republic of Korea: Tax exemption and extension on tax submission periods for employers who maintain their workforce (ISSA, 2010n).
Financial support to unemployment services	**New Zealand:** The ReStart assistance package provides job search support and additional financial assistance for people who have been made redundant. ReStart provides temporary assistance for up to 16 weeks, or until the recipient finds another full-time position (whichever occurs first) (ISSA, 2010j). **Sweden:** Increased resources for employment services for the unemployed (job coaching, training, and skills development) (ISSA, 2010v).
Employment services for marginalized and vulnerable groups	**United States:** the American Recovery and Reinvestment Act includes: employment services and training, adult employment and training, dislocated worker assistance and national emergency grants, health professions training programmes, job corps, Native American and senior community service employment programmes (ISSA, 2010r).

Expansion of infrastructure

Another way to exit the crisis in a sustained and job-rich manner is to expand forms of infrastructure deemed necessary to address both immediate and future economic growth.

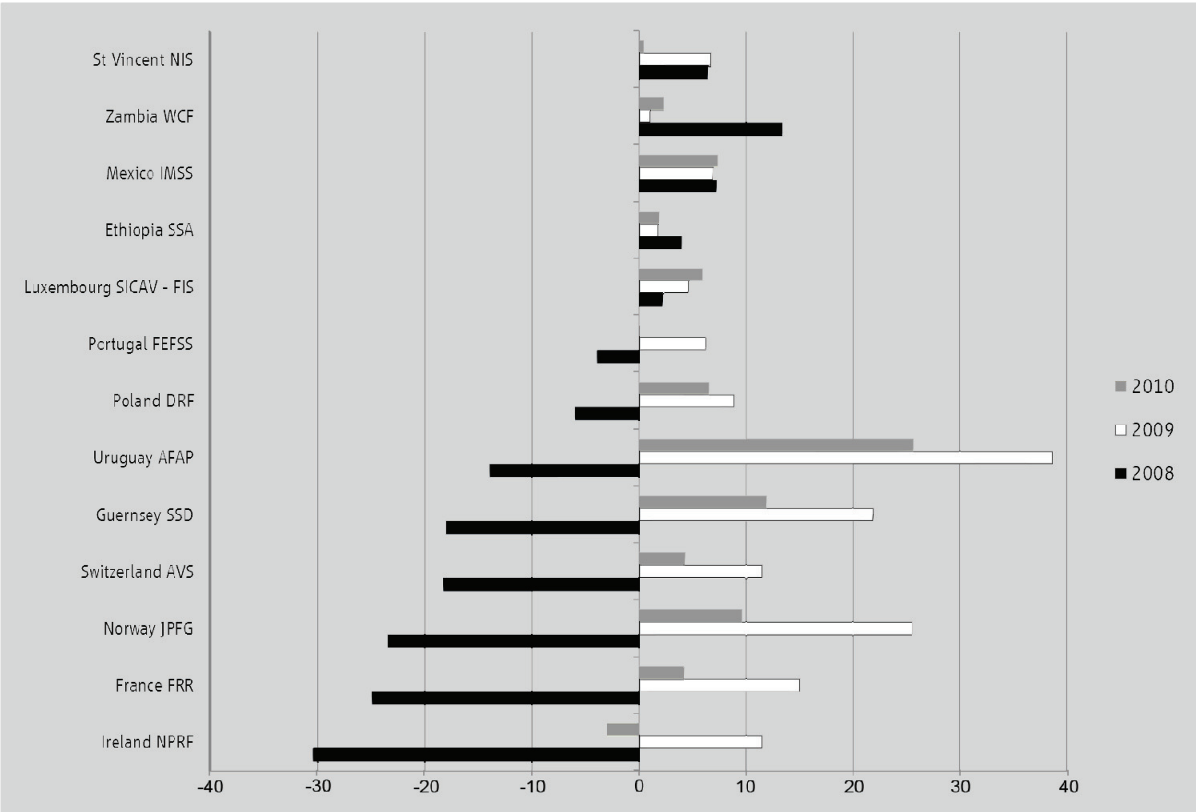
Key measures	Practical examples
Targeting community infrastructure while creating jobs	**Australia:** The Nation Building and Jobs Plan (see Box 2 above) (ISSA, 2010b).
Construction of transportations links, hospitals, schools, electrical grids, waste systems	**Peoples' Republic of China:** Public spending on goods and services, included speeding up rural infrastructure construction; accelerating the expansion of railways; airport constructions; upgrading power grids; greater spending on health and education in rural areas; and enhancing the construction of sewage and waste treatment facilities (ISSA, 2010l).
Renovation and greening of existing infrastructure: Providing tax incentives for infrastructure development in particular areas (for rural, vulnerable communities)	**Canada:** Through its 2009 "Economic Action Plan", expanded and accelerated infrastructure spending through modernizing and greening federal buildings. As part of its stimulus package it invested USD 7.5 billion on building or renovating social housing to both create jobs and improve the quality and energy efficiency of 200,000 social housing units. This included: • A renovation tax credit providing an estimated 4.6 million low-income earners, seniors, persons with disabilities and Aboriginal Canadians funding for energy retrofits; • USD 385 million allocated over two years to building and renovating affordable housing in Aboriginal Canadian communities (ISSA, 2010c).

3.2. Fund management and programme financing

The crisis significantly reduced social security revenue and reserves. Revenue flows were impacted by a reduction in the number of contributions received (for example, lower numbers of contributing employed workers and reductions in contribution rates) as well as falls in investment income on assets held. Reserves held by administrations were also badly affected and most asset classes suffered falls in value.

In 2007, ISSA reported that, as of the end of 2005, social security administrations worldwide held assets of around USD 3.5 trillion (ISSA, 2007). Consequently, for some reserve funds, 2008 showed the most negative financial performance in history (see Figure 3). Social security reserve funds in high-income countries were the most affected and had negative performances in 2008 ranging from −30.6 per cent (Ireland) to −3.2 per cent (Denmark).

Figure 3. ***Nominal investment returns (%) in selected social security funds***



Source: ISSA social security funds survey and fund reports.

The financial crisis has also challenged the conventional investment wisdom that a strategy of asset diversification helps limit losses. In this crisis, when only a few asset classes avoided losses, diversification on its own failed to protect portfolios. The crisis revealed a high correlation between asset classes with both equities and fixed interest investments suffering large falls. Social Security funds with international exposure did not necessarily fare better with asset markets suffering falls in most countries; indeed, with significant swings in currencies, such funds found themselves exposed to mismatches between liabilities and assets held. Indeed, reserve funds that mainly invested domestically, in public or private debt (e.g., government and corporate bonds) and in some non-listed assets (including cash and some alternative assets), generally performed better than those with significant international holdings. Countries which benefited from this strategy included Belize, the British Virgin Islands, Mexico and Portugal. Denmark has also performed well in comparison with other high-income countries. This performance can be mainly explained by its noteworthy early reallocation of its investment portfolio towards assets classes other than equities, as well as its reallocation of foreign securities to national assets, which overcame pressure on the Danish kroner (see Box 3).

Box 3. ATP fund management

The Danish pension institution, *Arbejdsmarkedets Tillægspension* (ATP), succeeded in limiting its financial losses through the active management of its fund portfolio. The ATP reduced equities by 61.8 per cent and then hedged the remaining equity exposure. These were critical risk management decisions that led to the comparatively less severe –3.2 per cent return in 2008, much better than many funds in other OECD countries. Key elements of the ATP approach were:

- hedging uncompensated risks by hedging liabilities in separate portfolios;
- active portfolio management, with an aggressive reallocation of investment portfolios;
- running appropriately extreme risk scenarios to test the system's vulnerability in order to anticipate the impact of a crisis and therefore limit potential losses.

Sources: Heller (2009); ISSA (2010v); Orton (2009).

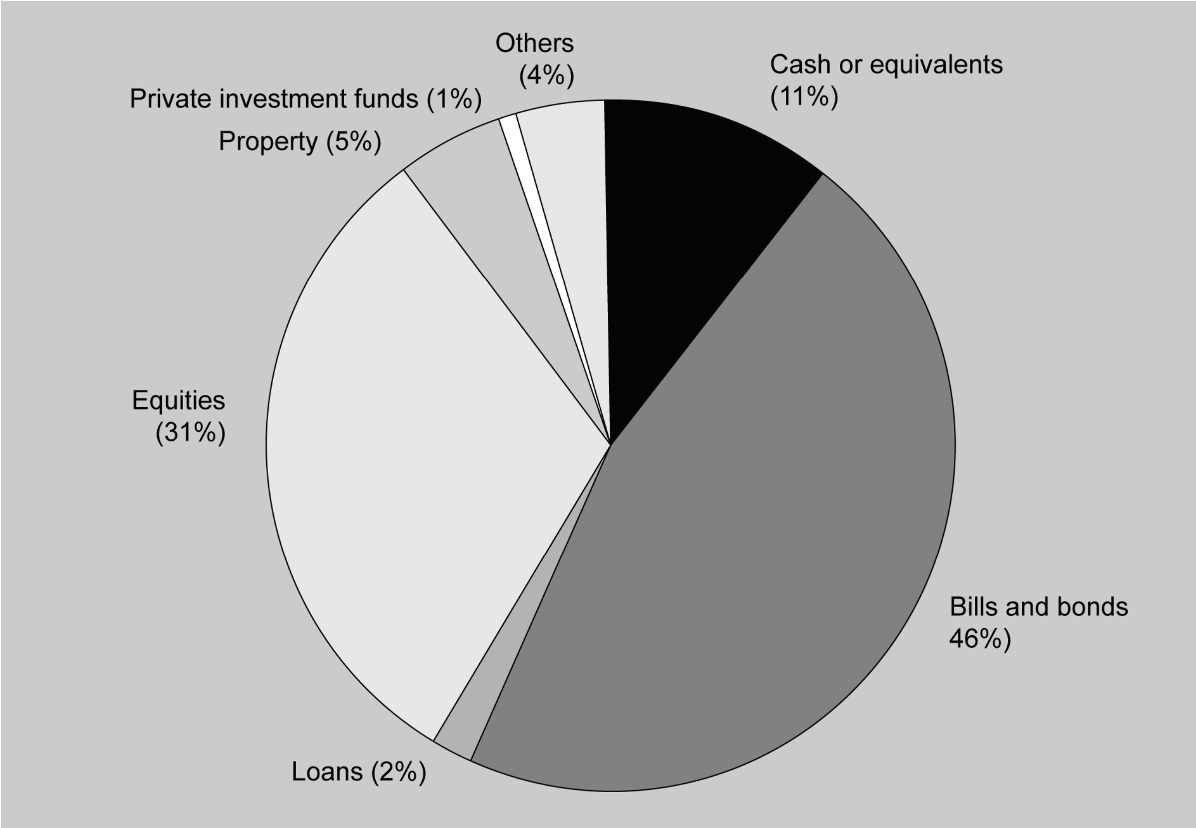
Asset classes

The overarching commonality across these high-income country funds is their exposure to equity risk, as shown in Figure 4. Bartram and Bodnar report that the market capitalization of global equities went from more than USD 51 trillion in October 2007 to around USD 22 trillion in February 2009, representing a loss of about 60 per cent. This loss in wealth is equivalent to about 50 per cent of global GDP for 2007 (Bartram and Bodnar, 2009) and hence explains the impact on social security funds.

The loss in value of equity holdings and the change in investment policy have been reflected in changes in the asset portfolios held by some reserve funds. Although some funds have changed considerably their asset allocation (for example, Guernsey's SSD increased fixed interest holdings from 5 per cent to 31 per cent of total assets from 2008 to 2010), the changes in asset allocation of larger reserve funds have been more gradual. Indeed some funds have increased equity exposure over the last two years — for example, Luxembourg, Nigeria and New Zealand — which may also reflect the type of fixed interest investments held and the size of domestic market investment opportunities.

Figure 4 shows average asset allocation for 25 social security funds at the end of 2010. This asset split has stayed relatively constant since 2008.

Figure 4. ***Average portfolio composition in 25 selected social security organizations end 2010***

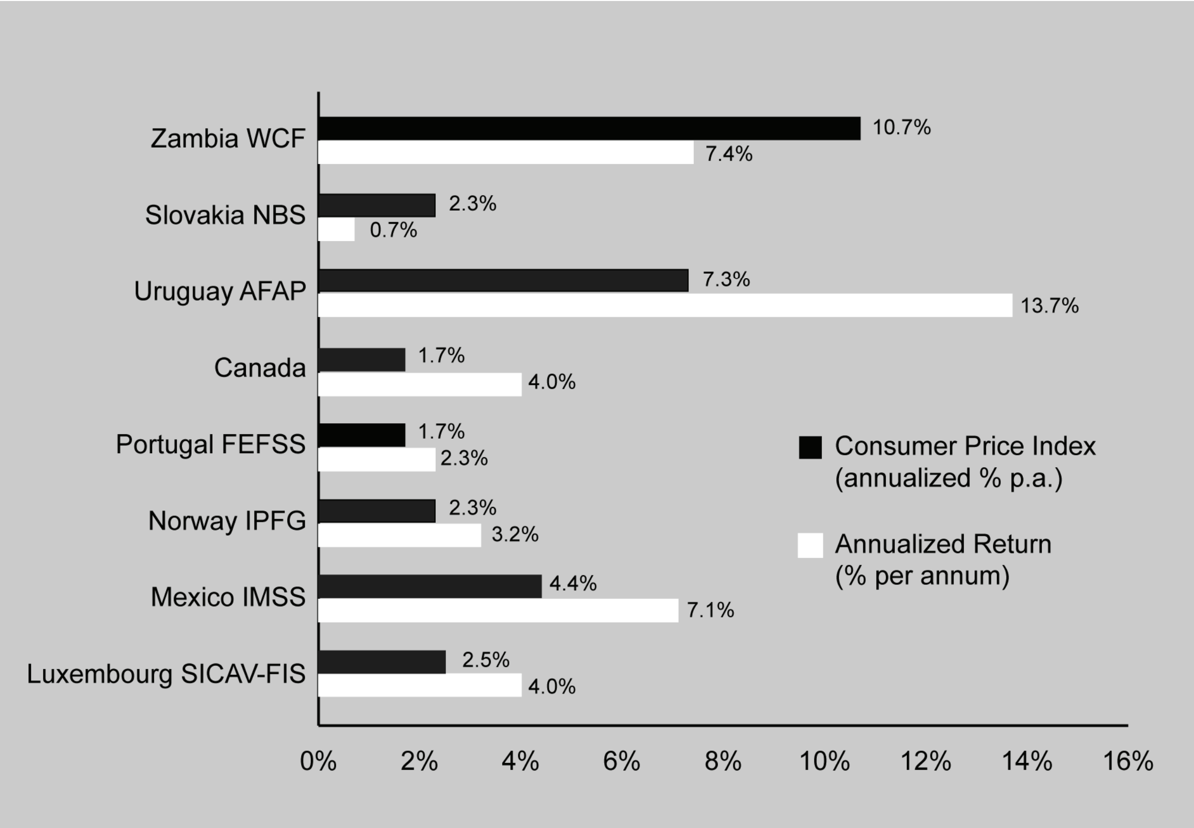


Source: ISSA social security funds survey and fund reports. Arithmetic non-weighted average of 25 social security funds at 31 December 2010.

In 2009, financial markets worldwide rallied significantly. The improvement of stock markets during 2009-2010, which reversed the negative trend of 2008, brought some relief to funds. According to the ISSA social security funds survey, most reserve funds reported strong positive returns in 2009 reflecting this rebound in financial markets. Although returns held up in 2010, in 2011 asset returns have once again suffered from the depressed economic environment and worries over government and banking sector debts. In the first 11 months of 2011, stock markets are generally down — sometimes significantly so — on levels seen at the start of the year. Coupled with falls in bond prices, returns are likely to be negative for many social security administrations in 2011.

It is important to highlight that the majority of reserve funds have not performed negatively when investment returns over a long period are taken into account. For example, since inception, the reserve fund in the British Virgin Islands has had an annual rate of return of 10.7 per cent; Finland, 4.9 per cent; France, 3 per cent; Ireland, 1.2 per cent; Norway, 4.81 per cent; and Portugal 3.94 per cent. Figure 5 below shows the average annual performance of selected funds over a five year period (2006 to 2010) compared with the evolution in the consumer price index over the same period.

Figure 5. ***Nominal investment returns (annualized per annum) on selected social security funds from 2006 to 2010 compared with changes in consumer price index***



Source: ISSA social security funds survey and fund reports. Consumer Price Index figures from OECD/CIA World Inflation.

The financial crisis has generated a situation in which several potential risks have actually materialized and governance failures have become visible, generating a growing concern for the financial soundness of social security and pension funds. Risk managers are reviewing their models to take greater account of so-called tail risks, or extreme events, which occur infrequently but can have devastating consequences. Stochastic modelling, stress-testing and other tools to simulate extreme negative events are increasingly being used (Pino and Yermo, 2010).

In short, a majority of social security administrations experienced financing difficulties as a result of the crisis. Most administrations that managed assets were affected by the crisis, especially in high-income countries. Low- and middle-income countries on the whole recorded positive investment performances. However, several additional points deserve mention. First, diversification failed to protect portfolios and, even more importantly, international diversification often worsened the situation by creating mismatches between liabilities and assets. Given the positive cash flows of many administrations, losses on assets held were often unrealised so that losses were not crystallised through the required selling off of assets. Most funds have not recovered to pre-crisis levels and investment of reserve funds will stay an important issue for most funds. The crisis illustrates the importance of good governance and risk management in social security schemes that include financing mechanisms that depend on the performance of capital markets.

Ensuring crisis-ready social security funds

Key measures	Examples
Dynamic asset allocation	In times of fluctuating markets, a static diversification strategy can leave funds exposed. Instead, investment managers can continuously alter their exposures to different risky asset classes, in search of the best risk-return trade-off. Such a dynamic process implies putting eggs in many baskets, but also constantly moving them from basket to basket. It also requires frequent trading and the use of active management. Ultimately, asset allocation must allow for alpha and beta drivers[3] either within bearish or bullish market conditions. This approach also allows fund managers to consider micro and macroeconomic conditions, as well as market developments.
Avoid overly complex assets	The risk associated with new and complex investment products, such as derivatives, is difficult to quantify. Social security funds must clearly understand *how* inclusion of such products in a portfolio will generate returns and increase risk in the portfolio. As a rule of thumb, funds should avoid complex assets if they cannot be adequately understood.
Portfolio division	The division of the total portfolio into two sub-portfolios contributes to achieving the fund's objectives. The typical portfolio division consists of a liabilities' hedging portfolio and an investment portfolio. This is particularly applicable to mature social security funds and has been adopted in Canada, Denmark and Portugal. Norway is considering this approach.
Absolute benchmarks instead of relative benchmarks	Relative benchmarks enable comparison of an investment portfolio against a meaningful benchmark. Alternatively, absolute benchmarks allow the measurement of progress towards a certain goal, which could lead to an asset allocation that has the ultimate objective of, for example, ensuring the long-term sustainability of the scheme and the increase of benefits following a specific rule.
Risk management and risk budgeting	As an alternative to portfolio design based on asset classes, some funds have invested their portfolios according to risk classes with different risk profiles. This approach challenges a fund to quantify its risk and accept that number. The fund's Board must approve the allocation of investment risk between the selected risk classes. By seeking diversification by risk and return streams rather than by asset classes, funds can better manage portfolio risk and achieve potentially superior investment returns. This is a common practice in Canada and Denmark.
Reducing asset over-concentration through asset pooling and swaps	Social security funds should not be overly concentrated in a single economy, country, currency, market, sector or much less a single company or single stock. Asset over-concentration is the antonym of asset diversification, which can be mitigated by the use of exchange funds and asset pooling. Exchange funds are limited partnerships where property rights are kept, and the performance of the assets exchanged is distributed among partners. Asset pooling is where different owners of assets put their assets together on an asset management platform for the purpose of gaining efficiencies in investment management.

[3] Alpha is a measure of the active return adjusted for the risk inherent in the portfolio (excess of return of the portfolio over its benchmark) generally associated to the excess of return generated by the asset manager. Beta is a measure of return adjusted for the risk associated with changing conditions in the wider market.

3.3. Benefit and coverage changes

The immediate concern for social security administrations following the crisis was the sharp increase in unemployment rates. Unemployment rose in virtually all advanced economies; for example by 50 per cent from 2007 to 2011 in OECD countries (OECD, 2011). Unemployment rates vary considerably across countries in the European Union, ranging from 3.9 per cent in Austria to 22.6 per cent in Spain in September 2011 (Eurostat, 2011). The national figures hide an even more dramatic youth unemployment picture; Europe wide, youth unemployment reached 21.4 per cent in the 27 countries of the European Union in September 2011 with Spain and Greece having nearly one in two in this age group unemployed. Youth unemployment has become a key driver of how social security has adapted to the crisis.

According to the ISSA crisis survey (Orton, 2010), all social security administrations in OECD countries, and 82 per cent of non-OECD countries, reported increased unemployment. Social security administrations were obliged to respond, resulting in depleted fund reserves, diminished social security income and increased expenditure on benefits. In spite of this threefold impact, governments and social security administrations generally reacted rapidly to these effects in order to avoid lay-offs and protect the unemployed. A number of measures were particularly targeted at reducing youth unemployment.

Enhancement of unemployment programmes was the main public intervention in the field of social security. Social security administrations adopted short- and mid-term measures to smooth income flows for the foreseeable future and stimulate spending. As Table 2 and Boxes 4 and 5 show, a range of specific measures were adopted worldwide to deal with unemployment. At the time of writing, many of these measures were still in place. However, many are likely to be modified significantly given that austerity, in the form of fiscal consolidation, is now the order of the day in many advanced economies.

Box 4. Flexible unemployment coverage: The example of Belgium's Partial Unemployment Scheme

In 2009, Belgium reinforced its existing Partial Unemployment Scheme. The scheme allowed employers to suspend employment contracts or introduce part time work. The aim of the scheme was to prevent layoffs, protect worker incomes and allow companies to adapt to reduced economic activity.

Conditions of the Scheme:

- Employers must prove that they are in difficulty (e.g. reduction in orders of at least 15 per cent).
- Employees are encouraged to undertake training.

The scheme delivered good results. There was a slower increase in unemployment than other OECD countries and an estimated 40,000 jobs were saved. However, it is important to emphasize that measures need to be well structured and monitored to avoid abuse. More effort is needed to ensure that training opportunities are fully utilized as take-up was low. And of course all of this must be underpinned by a careful consideration of whether these public finances are propping up declining industries to the detriment of new industries.

Source: ISSA (2010r).

Table 2. ***Unemployment insurance crisis responses in select G20 countries, 2008-09***

	Extend coverage	Reduce contribution	Increase duration	Increase benefits	Partial unemployment
Brazil			X		
Canada	X	X	X		X
France	X		X	X	X
Germany		X	X		
India			X		
Italy			X		
Japan	X	X	X		X
Korea, Republic of			X		X
Netherlands					X
Russian Federation				X	
Spain	X				
South Africa	X				X
Turkey				X	X
United Kingdom	X				
United States	X		X	X	

Source: ILO (2010a).

Box 5. Germany's stimulus plan for short-time work

As a response to the crisis, Germany extended its existing short-time work arrangements *(Kurzarbeit)* from 6 months to 24 months until March 2012. Government assistance was available to enterprises facing a temporary unavoidable loss of employment due to economic factors. Under this programme, employers could apply for short-term state assistance to top up the wages of employees who were working fewer hours. The Federal Employment Agency covered 67 per cent of the net wage losses suffered by the wage earner (60 per cent for childless workers), and employers were reimbursed 50 per cent of the social security contributions they made on behalf of workers. This could rise to 100 per cent if the reduced working hours were used for training.

The reduced working hours approach appears to have been successful in the short term by mitigating employment losses, since the ultimate impact of the crisis was less severe there than in other European countries. Germany is now once again one of the world's biggest exporters due in large part to its abundance of short-term workers. Arguably, when the recovery began and world export demand picked up Germany was able to quickly mobilize these workers, much faster than those countries which lacked access to a large pool of available skilled short-term workers. This enormous flexibility of the German labour market managed to operate on a reduced level of working hours and then to ensure an incredible demand by working overtime. Importantly, this approach also managed to stave off the possibility of workers being lost to the ranks of the long-termed unemployed, a group that is notoriously difficult to reinsert back into the labour market.

Source: ISSA (2010e).

Importantly, although the crisis was highly problematic for social security, it also provided an incentive to improve social coverage. In this regard, a number of countries seized the crisis as an opportunity. For example, South Africa extended coverage of its Child Support Grant (ISSA, 2009); the Russian Federation increased the adequacy of benefits, most notably pension benefits (ISSA, 2010k); Brazil extended benefits under its prominent conditional cash transfer programme, *Bolsa Familia* (see Box 6); and China has progressively extended several rural and urban social insurance schemes (see Box 7).

Box 6. Brazil extended benefits under the Bolsa Familia programme

Brazil experienced a sharp, but relatively short-lived recession. As part of an overall national stimulus package, the Brazilian government increased the value of cash benefits paid by 10 per cent under the country's conditional cash transfer, the *Bolsa Familia*, a high profile programme reaching around 44 million low-income people. The programme received 1.5 per cent from the Brazilian stimulus package. The explicit aim of the increase was to enable poor households to better cope with the additional hardship engendered by the crisis.

Moreover, the eligibility criteria for the programme were relaxed. Eligibility for benefits was increased from a monthly income of USD 71 to USD 82 (ILO, 2010c). This resulted in the programme covering an additional 1.8 million families so that today 12.8 million families are now covered (Secretaria Nacional de Renda de Cidadania, 2010).

According to a study by the International Policy Centre for Inclusive Growth (Soares, 2009), the transfer softened the impact of crisis in a number of ways, demonstrating how social security can fulfill its role as an economic and social buffer at times of crisis. These effects include:

- Generating reliable income flows, sustained household consumption levels and avoiding a decline in overall economic activity;
- Reducing negative impacts of the crisis on the nutritional intake of children;
- Maintaining school attendance and keeping children out of the workforce; and
- Potentially reducing the risks of increased levels of informal employment.

The existence of this important programme in Brazil prior to the crisis, and its subsequent expansion during the crisis, might help explain why Brazil is thought to have coped particularly well with the crisis. Clearly, having the institutional framework and capacity to ratchet up coverage and adequacy facilitates effective crisis responses when and where required.

Source: Soares (2009).

Box 7. Social security extension in China during the crisis

By the end of 2009, the Chinese government reported that the five Chinese urban social insurance schemes and two rural schemes had increased their coverage.

	Numbers covered 2010	Numbers covered 2008	Increase
Urban basic old-age insurance	257 million	219 million	38 million
Basic medical insurance	433 million	318 million	115 million
Unemployment insurance	134 million	124 million	10 million
Work injury insurance	162 million	138 million	24 million
Maternity insurance	123 million	93 million	30 million
Rural pension	103 million	56 million	47 million
Rural medical insurance	836 million	815 million	21 million

This represents an important extension of coverage during a time of crisis. Moreover, the measures related to lower contribution rates and deferred social security contributions payment have played an active role in reducing the burden of enterprises and maintaining employment. Even in light of its immense population size, China's strategic approach of progressive extension does leave some scope for replication, albeit at a smaller scale, even in low-income countries where resource constraints can be severe.

Sources: ISSA (2010a); ISSA (2010l).

At the same time, the crisis has compelled many countries to scale back their stimulus packages and to cut their social security spending. Greece stands out in this regard. Battered by international credit rating agencies and under significant pressure from international organizations like the EU, Greece was forced to pursue a fiscal consolidation programme that affects its level of social security provision. For example, the government underwent sweeping pension reform in March 2008, freezing pensions for three years, tightening conditions for early retirement, including increasing the retirement age for women from 60 to 65, and from 50 to 55 for mothers with children who are minors (ISSA, 2010f). In 2010, the United Kingdom introduced a number of significant reforms which prompted the IMF to warn that they could adversely affect the most vulnerable sectors of society (Reuters, 2010). Given the current climate of austerity, many countries affected by the crisis will likely consider curtailing benefits. Notably, constitutional guarantees of social security entitlements have insulated pension programmes in some countries from potentially harsh benefit cuts (see Box 8).

Box 8. The human right to social security maintained despite austerity

Given the perceived need for fiscal consolidation of national debts and deficits, many countries have begun to implement austerity measures. In spite of this significant pressure, the constitutionally guaranteed right to social security was preserved in some cases. Legally enshrining the right to social security can protect against the inclination of governments to cut benefits in times of crisis. Importantly, from a Human Rights perspective, constitutionally guaranteeing the right to social security means the principle of 'non-retrogression' is respected. From this perspective, states cannot use the economic damage caused by the crises to justify actions, omissions or backtracking that amount to violations of basic human rights obligations (United Nations, 2011).

Latvia
From 1 July 2009, old-age and service pensions were decreased by 10 per cent (70 per cent for working pensioners), expected to continue until 31 December 2012. Likewise, the early retirement pension was decreased by 50 per cent of calculated pension for persons who retired after 1 July 2009. However, in December 2009, the Constitutional Court of Latvia ruled against the changes, and pensions cuts were reimbursed in 2010.

Romania
In June 2010, the Romanian Constitutional Court ruled out a pension cut demanded by the country's government as part of a deficit-cutting financial austerity measure. Ministers had hoped to cut pensions by 15 per cent and wages by 25 per cent in order to qualify for an IMF loan.

Sources: ISSA (2010i); BBC (2009).

Developing countries also felt the effects of the crisis, although assessing the specific impact is difficult given that many developing countries suffer chronic challenges, including unemployment. According to the ILO, low-income countries

> *"share a triple constraint in the crisis: they are adversely hit through declines in global demand, remittances, Foreign Direct Investment and trade; they have limited access to foreign capital; and their scope of social security is very narrow: its coverage is limited to the minority in formal employment, and schemes providing income support in case of unemployment exist but rarely. In addition, many of these countries, in particular in sub-Saharan Africa, have already been*

> *facing mass poverty and underemployment well before the recent global economic crisis. It can be said that they face a permanent crisis of lack of income opportunities and subsequent poverty"* (ILO, 2010i).

The current crisis is likely to exacerbate existing challenges in the developing world by squeezing labour markets, increasing poverty and decreasing access to basic health care. It has compounded the effects of the earlier food and fuel price crises, also referred to as "the crisis before the crisis" (Stiglitz, 2009) or, now, the triple crisis (i.e., financial, food and fuel) (Addison and Tarp, 2009). Similarly, many aid-dependent countries will face new resource constraints as donor countries, facing their own fiscal challenges, seek to limit international development assistance. Undoubtedly, the crisis will take its toll and ultimately assume a significant human cost.

Even before the crisis, however, many developing countries were making substantial strides toward building stronger social security systems, and some have bolstered existing efforts of social security in the wake of the crisis. For example, Bolivia recently went against international trends and lowered the retirement age to 58 from 60 (and before 2009, 65), nationalized private pensions, and increased pension benefits (ISSA, 2011). To highlight but a few in sub-Saharan Africa, Rwanda implemented a national community-based health insurance scheme; the United Republic of Tanzania increased the minimum pension level; and Mauritius extended coverage by integrating its non-contributory and contributory pension schemes within a multi-pillar system (CAI, 2011).

Social security administrations in developed and developing countries alike will have to contend with the labour market crisis for several years to come, especially with regard to unmotivated workers and those who have exited the labour market on a semi-permanent basis. As the ILO suggests, jobseekers who have been "without work for more than one year run significant risks of demoralization, loss of self-esteem and mental health problems" (ILO, 2010h) and already a negative mental health impact can be observed (Orton, 2010).

Ideally, continued social security extension and augmentation would be the optimal outcome of the crisis. In practice, however, policy priorities are often defined based on what is feasible in the shorter term, rather than on what is desirable in the longer term. Thus, some might argue that the prospects for further extensions in coverage or benefit enhancements are somewhat dim. Nevertheless, countries used a wide range of measures to combat the negative impact on employment and resulting social hardship. Moreover, benefit strengthening and extension softened the impact, and the role of social transfers as economic and social stabilizers is now perhaps more widely accepted than ever.

Modifying benefits during crisis

Strengthening benefits

In countries with a more comprehensive social security system, it was possible to bolster the benefit level of existing schemes, either through automatic mechanisms, policy-induced changes, or both. In other cases, new benefits were added, softening the impact of the crisis.

Key measures	Practical examples
Increase social assistance payments for the most vulnerable	**Jordan:** In February 2009, the government launched a USD 424 million social safety net programme and increased benefits by USD 70 a month for those earning less than USD 420 a month. Some 440,000 Jordanians who were members of households not working for the government and earning less than USD 1,400 a year were eligible (ISSA, 2010h).
Provide financial support for specific areas of social security	**Philippines:** The government allocated an additional USD 22.2 million to expand coverage under the Philippine Health Insurance Corporation (PHIC) to 4.7 million families from the poorest 25 per cent of the population. Local government units and the PHIC would share in the annual premium of USD 26 per indigent household. By March 2009, 3.39 million of the targeted families were already covered (ISSA, 2010m).
Increase pension benefits	**Russian Federation:** An increase in the average social pension to the subsistence level was implemented in 2009. This involved an increase in the basic labour pension, and an 8.7 per cent increase to reflect the increase in the CPI. The government plan to increase the average labour pension by 46 per cent from 2009 to 2010, as a result of recognition of pension rights earned before 1 January 2002, plus 1 per cent for each year of work during the Soviet period (ISSA, 2010k).
Increase in-kind assistance	**US:** Increased food stamps by USD 20 billion (Khatiwada, 2009).
Extend period of coverage	**Brazil:** Prolonged unemployment benefits by two months for formal sector workers in crisis-affected sectors. This extension will reach around 103,000 people, or 20 per cent of the scheme's beneficiaries (ILO, 2010i). **Canada:** Granted five additional weeks of unemployment benefits, or up to USD 2,154 million more, while unemployed persons are looking for work (ISSA, 2010c). **United States:** Extended duration of unemployment insurance by 33 weeks up until the end of 2009 (ISSA, 2010s).

Other possible measures:
- **Increase unemployment benefits**
- **Increase child and family benefits**
- **Increase housing benefits**
- **Increase disability allowances**

One-off measures

Given the unprecedented nature of the crisis, some countries granted exceptional allocations, particularly in the form of special cash payments.

Key measures	Practical examples
Cash payments (to pensioners, unemployed and vulnerable groups)	**Australia:** One-off cash payments made to low- and middle-income groups, particularly pensioners and cash

	constrained families (e.g., payments to pensioners of USD 1,280 for individuals and USD 1,920 for couples) (ISSA, 2010b). **United States:** One-off payments under the Recovery and Reinvestment Act of 2009 of USD 250 to individuals who were eligible for Social Security and Supplemental Security Income benefits in any month between November 2008 and January 2009 (ISSA, 2010s). **Philippines:** An additional USD 11 to each SSS pensioner as a one-off subsidy in September 2008 (ISSA, 2010m).
Emergency in-kind transfers	**South Africa:** Emergency food relief to the worst-affected communities supported through partnership with the private sector, NGOs and community-based organizations (ISSA, 2010o).
Other possible measures: • **Payments for specific purposes as *de facto* subsidies (e.g., heating, housing costs, etc.).** • **Unconditional solidarity grants/payments to all citizen's until the crisis subsides**	

Easing qualifying conditions for benefits

Easing qualifying conditions, either temporarily or permanently, for benefit entitlements helped to extend social security coverage by permitting people who would otherwise fall outside of the eligibility criteria to qualify.

Key measures	Practical examples
Reduce stringency of eligibility	**Japan:** Relaxed eligibility requirements. This outcome was strengthened by the easing of the eligibility criteria which permitted more temporary workers to be covered. More than one million temporary workers were covered under unemployment insurance in April 2009; another 2.5 million were covered in April 2010 (ISSA, 2010g). **Sweden:** Temporary relaxation of eligibility conditions for unemployment insurance (ISSA, 2010v).
Other possible measures: • **Reduce minimum work qualifying periods** • **Reduce duration of contribution payments** • **Suspend active job search obligations** • **Reduce qualifying age** • **Permit temporary workers to be covered**	

Employment subsidies

Many governments subsidized employers to maintain employment levels and the employment relationship, stimulating aggregate demand by keeping workers in employment and ensuring against a loss of skills and demoralization, and adjustment to new labour market conditions.

Key measures	Practical examples
Social dialogue between government and enterprises	**Argentina:** Programmes to maintain employment levels and the employment relationship: the Crisis Prevention Procedures (*Procedimiento Preventivo de Crisis* – PPC) and the Production Recovery Programme (*Programa de Recuperación Productiva* – REPRO). The PPC was a space for negotiation and agreement between employers and employees assisted by government mediation. This space enabled the development of alternative measures to reduce working hours instead of losing jobs. In turn, the REPRO provided an economic benefit of about USD 150 over 12 months to employees of enterprises affected by the crisis. The number of beneficiaries of the REPRO

	increased from 22,846 workers in 2008 to 139,034 in 2009 (ISSA, 2010p).
Subsidized wage costs or tax deductions	**Japan:** Provided special grants for employers who actively hired unstable temporary workers aged 25-39 (ISSA, 2010g). **Italy:** The Italian Redundancy Fund (*Cassa Integrazione Guadagni*, CIG) intervened, upon request, when an enterprise was compelled to reduce or suspend the activity of workers due to 'transitory events' or 'temporary market strains". The CIG paid 80 per cent of the workers' wages and maintained social security coverage for the entire period (Council of the European Union, 2009). **Republic of Korea:** To support job-sharing efforts in the private sector, the government significantly increased the amount of the employment retention subsidy, amounting to USD 5.5 million, and came up with new support systems. Gave participating companies income tax deductions and financial support (ISSA, 2010n).

Tax measures

Relaxing income taxes to soften the impact of the crisis by boosting and smoothing individual and household income, and helping to stabilize aggregate demand.

Key measures	Practical examples
Tax bonuses	**Australia:** Implemented a variety of means-tested tax bonuses for low-income families, students, unemployed people in training and drought-affected farmers (ISSA, 2010b).
Tax relief to certain groups	**South Africa:** Provided tax reliefs for low- and middle-income earners to stimulate consumer spending (ISSA, 2010o). **Spain:** Granted a USD 545 yearly reduction in income tax (ISSA, 2010q).

Subsidized redistribution of working hours

Reduced working hours programmes, in which reduced hours were shared among employees, served to retain workers while maintaining consumer spending, social cohesion, workers' skills and motivation.

Key measures	Practical examples
Short-time work	**Hungary:** Employers were given the option of introducing shorter working hours in order to avoid redundancies. The employer was entitled to financial support to compensate the worker concerned for lost wages corresponding to working time during which he has not actually worked. The maximum subsidy rate was 80 per cent of the basic wage and corresponding contributions. The programme also offered the possibility of involving the worker in short-time work in training during working time that he has not actually worked, with a maximum subsidy of 80 per cent of the cost of the training, the duration of which could not exceed 12 months (European Commission, 2009). **Germany:** See Box 5 above.
Voluntary work sharing and subsidized redistribution of working hours through supplementary payments to employers	**New Zealand:** The Job Support (or nine-day fortnight) Scheme: The Ministry of Social Development makes a direct payment to employers to supplement the income of workers who have accepted reduced working hours by up to ten hours per fortnight for up to six months. From 27 April 2009, the Scheme was extended to include employers with 50 or more employees (ISSA, 2010j).

Reduction in contributions	
Governments tried to reduce the burden on companies squeezed by the recession by supporting employers' social security contributions through a range of measures. This ensured continued social security contributions for employees and more fiscal latitude for companies.	
Key measures	**Practical examples**
Delaying or reducing contributions	**Argentina:** Employers were granted reductions in mandatory contributions (75 per cent in the first year and 50 per cent in the second) for new or previously undeclared employees. The latter was expected to benefit up to 800,000 employees. As of September 2009, 169,000 contributors complied and 330,547 employees had been registered under the plan (ILO, 2010b). **Japan:** Reduced elderly health insurance premium for low-income citizens (Ibid.). **People's Republic of China:** The government allowed struggling enterprises to delay or reduce social security contributions for basic medical insurance, unemployment insurance and industrial injury insurance. In 2009, unemployment insurance funds alone spent some USD 3 billion on deferred or reduced social insurance contributions, contribution subsidies and post subsidies. This benefited 25,000 struggling enterprises, encompassing 7.4 million workers (ISSA, 2010l).
Cancelling or freezing contribution rates	**Canada:** Froze employment insurance rates at USD 1.73 per USD 100 for 2009 and 2010, their lowest level since 1982. (ISSA, 2010c). **Estonia:** All compulsory contributions to funded second pillar schemes were cancelled from 1 June 2009 to 31 December 2010. However, from 2010, members could voluntarily restart their contributions. From 2011, compulsory contributions will be restarted at 2 per cent (state) and 1 per cent (member), or half of the usual level. Contributions at normal levels of 4 per cent and 2 per cent would be reintroduced from 2012 (Council of the European Union, 2009).
Subsidizing contributions	**Greece:** As part of its National Action Plan on Employment (April 2009) the government will spend USD 390 million in subsidizing employers' social security contributions for four years when hiring young employees and provide specialized training for young people up to 25 years old and women (ISSA, 2010f).

Extension of coverage	
Extension of social security to cover previously uncovered sections of the population is an important long-term goal, given that only 20 per cent of the world is adequately covered by social security. During the crisis some governments temporally extended coverage or made permanent gestures to extend social security as part of a longer term vision, while other extension programmes were *ad hoc*.	
Key measures	**Practical examples**
Extension of cash benefit and social assistance schemes	**Argentina:** To assist low-income families with children, the Argentine government created a new programme, *Asignación Universal por Hijo para Protección Social*, which consolidates the transfers currently provided through different social programmes into one major child benefit programme. In October 2009, the programme extended child benefits to unregistered workers earning less than the minimum wage, the unemployed, domestic workers and self-employed workers with very low incomes. It grants a monthly amount of about USD 47

	per child, divided into an unconditional component (ARS 144) and a conditional transfer (ARS 36) requiring that parents provide proof that the child is attending school and, in the case of children under 5 years, that the child has received mandatory vaccinations (ILO, 2010b). **Brazil:** Targets informal workers through extended access to the *Bolsa Família* programme. The government planned to extend the programme in 2009, which covered 11.1 million families at the end of 2008, to another 1.3 million families, and raised the income threshold determining eligibility from BRL 120 to BRL 137 per capita ILO, 2010i). **Jordan:** Provided targeted support for the most vulnerable groups; monthly minimum wage was increased from USD 155 to USD 211; and enhanced funding to the National Aid Fund (provides cash assistance and support for poor families) by USD 28 million. The Fund then provided monthly cash assistance to 12,335 new families, extending the total number of families covered in 2009 to 82,694 (or roughly 7 per cent of Jordan's total population in 2009) (ISSA, 2010h). **South Africa:** Extension of child support grants to continue to the age of 18. In the next three years, an additional two million children will benefit from this publicly funded unconditional cash transfer programme (ISSA, 2010o).
Extension of working time initiatives to previously excluded groups	**Austria:** Extended short-time working scheme to temporary workers (Council of the European Union, 2009).
Extension of pensions	**People's Republic of China:** Implemented a pilot pension scheme for farmers with government subsidies (under which the government committed to cover 10 per cent of rural areas by the end of 2009, benefiting around 10 million farmers over 60) (ISSA, 2010l).
Other possible measures: • **Introduction/extension of public employment schemes** • **Expansion of unemployment insurance coverage.** • **Extension of contributory social insurance to cover uncovered groups** • **Extension of age coverage of programmes** • **Extension of health coverage** • **Using increases in minimum wage to extend coverage** • **Target informal-economy workers** • **Change means-testing qualifications (i.e., monthly income)**	

Specific support to vulnerable groups

Many governments took measures that directly addressed the specific needs of particular vulnerable groups (e.g., women, youth, low-income groups, the poorly educated, the sick, etc.) who were disproportionately impacted.

Key measures	Practical examples
Specific jobs support and job creation measures	**Republic of Korea:** In 2008, the unemployment rate for youths aged from 15 to 29 was 7.2 per cent, more than double the overall unemployment rate of 3.2 per cent. Some 315,000 unemployed youths represented 41 per cent of total unemployed persons in the country. Youth unemployment was most serious among those aged 20-24 and those with a low level of education. The

	government carried out comprehensive short- and long-term measures for youths with regard to job creation, industry-academia cooperation and overseas employment (ISSA, 2010n). **New Zealand:** Youth Opportunities, a USD 107 million package announced in August 2009 providing employment and training opportunities for youths aged 16-24 up to the end of 2011. In particular, the Job Ops and Community Max initiatives subsidize the employment of low-skilled young people in business and community programmes. The initiatives aim to foster confidence and discipline, integrate young people into their communities, provide appropriate and relevant training, develop work skills and avoid long-term dependency (ISSA, 2010j).
Specific health assistance	**South Africa:** USD 120 million set aside to fight HIV/AIDS and increase the number of people on anti-retroviral treatment (Khatiwada, 2009).
Other possible measures: • **Employment training** • **Apprenticeships** • **Subsidized education and qualifications** • **Special social assistance cash transfers**	

Public works programmes

Public works programmes provide access to earning opportunities and can soften the impact of the crisis by smoothing income flows, stimulating consumer spending, maintaining social cohesion and contributing to infrastructure development.

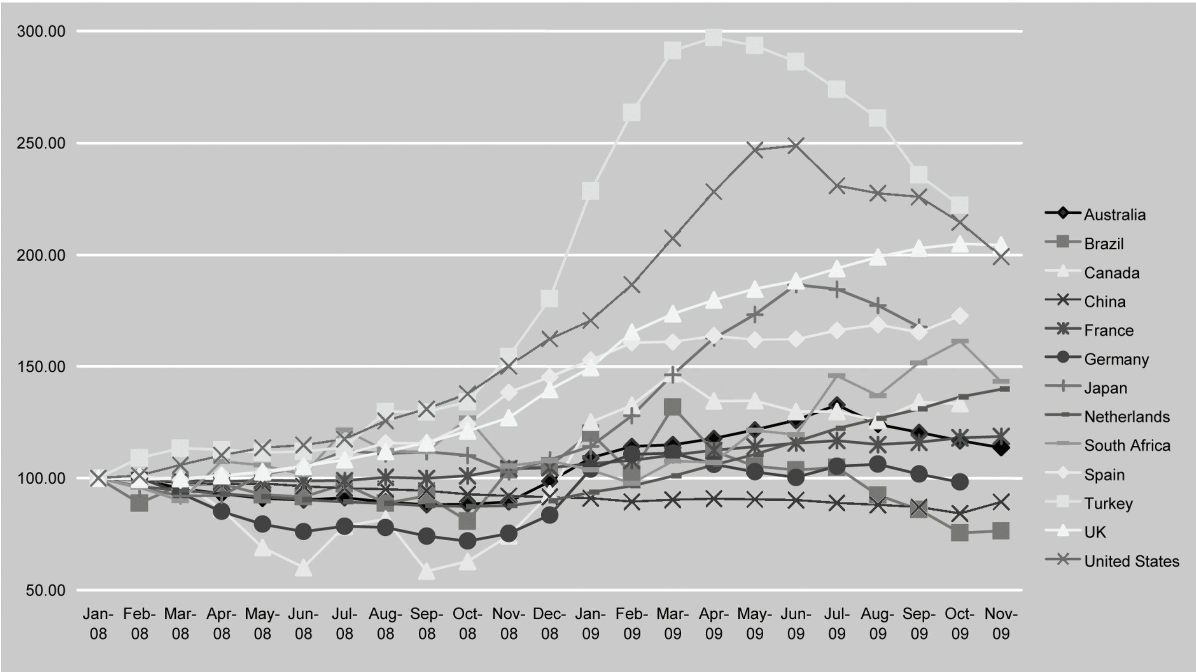
Key measures	Practical examples
Public works programmes: These may address specific priorities (e.g., community work, maintenance of public infrastructure), groups, or geographic regions	**Argentina:** Implemented several programmes aimed at improving employability. The "Plan of Public Works for all Argentineans" increased resources for infrastructure works. The 2009 budget estimated outlays of USD 8.5 billion, to which an additional USD 6.2 billion have been added (ISSA, 2010p). **Latvia:** Workplaces and stipend emergency public works programme to assist the unemployed not receiving unemployment benefit. Measure was co-financed by the European Social Fund and set up with technical assistance from the European Commission (DG Employment) and the World Bank. Implemented in September 2009 and set to end in 2011, the programme involves low-skilled, non-commercial community work such as cleaning, development and maintenance of public infrastructure and local social services with an allowance of USD 137 per month (around 80 per cent of the net minimum monthly wage) (ISSA, 2010i). **Philippines:** All government departments and offices were directed to mobilize available resources, at the level of at least 1.5 per cent of their operating budgets, for emergency job creation under the pro-poor Comprehensive Livelihood and Emergency Employment Programme (CLEEP). Up to May 2009 nearly 100,000 jobs had been created, and efforts were then reinforced to create another 700,000 before the end of the year (ILO, 2010i). **South Africa:** Extended its "Expanded Public Works Programme" to create two million full-time equivalent jobs for poor and unemployed people through the delivery of public and community services (ISSA, 2010o).

3.4. Administrative responses

The unprecedented increases in demand for social services constituted a considerable stress test for many social security administrations, particularly in the area of dispensing unemployment insurance claims. The upsurge in demand during the crisis called for administrative improvements in benefits provision and employment services, and in some cases, required recruitment of additional staff.

According to ILO estimates, many countries experienced a drastic increase in demand for unemployment benefits, placing considerable strain on the administrative capacity of social security administrations. As Figure 6 shows, unemployment claims more than doubled in a number of developed countries.

Figure 6. ***Unemployment insurance claims, 2008-09 (index January 2008 = 100)***



Source: ILO (2010a).

When demand for services and benefits increase, administrators must be poised to ratchet up their provision in a timely and effective manner. Failing to do this comes at a significant human cost. Delays can be painful for the newly unemployed or those in precarious circumstances, to whom a month or more without benefits could mean the loss of a home or serious stress on mental or physical health. It may also cause stress for the employees of the administration who deal with the public on a daily basis. In lower income countries, timely disbursement of benefits can play a significant role in the satisfaction of basic needs. Thus, an effective administrative capacity which can smooth and guarantee people's income in times of crisis is of paramount importance.

In the long run, lengthy and even short-term unemployment can have a detrimental impact on mental health, self-esteem and identity, and can lead to a corresponding deterioration of skills and general working habits. De-skilling and demoralization can lead to difficulties in re-entering the workplace. Here, employment services can play a key and active role in ensuring that periods of unemployment are as short as possible. In turn, income security programmes are essential for ensuring that jobseekers have efficient and effective access to appropriate labour market reinsertion programmes. Social security administrations which take such an integrated approach, one which combines income security programmes and employment services, are best able to redouble their efforts when and where required.

In line with the ISSA's guidelines for good governance in social security, administrations should aim to continually improve the effectiveness of all technical and human aspects of operational performance, with a view to improving measurable social outcomes. Clearly, in an era of fiscal austerity, administrations are being called to accomplish more with fewer resources, though priorities and resources will vary significantly from country to country. It may not be possible in the short term to make important but costly investments, for example in human resources, but the crisis can still provide an opportunity for administrations to prioritize and streamline their functions (see Boxes 9 and 10). In periods of austerity, social security institutions must be highly selective, concentrating resources in areas that promise to pay high dividends in the future in terms of responsiveness and efficiency.

Box 9. Crisis as an opportunity — US enhances administrative capacity

Throughout the crisis, the ISSA has consistently argued that while the crisis presented unquestionable dangers to the sustainability of social security, it also ushered in significant opportunities for the improvement of systems. Despite large and persistent fiscal deficits, the crisis actually enhanced the US Social Security Administration's (SSA) administrative capacity.

The administrative workload increased substantially as a result of the crisis. The SSA adjudicated over 500,000 more retirement claims in 2009 than in 2008, as well as over 200,000 more initial disability claims. To meet the growing demand for services, the American Recovery and Reinvestment Act (2009) provided the SSA with greater support:

- USD 1.09 billion (USD 500 million for the replacement of the National Computer Center (NCC)) and associated information technology costs;
- USD 90 million to issue payments;
- USD 500 million to process disability and retirement workloads, including information technology acquisition and research in support of such activities.

Source: ISSA (2010s); ISSA (2010b).

Box 10. Denmark's preventive approach cushioned the impacts of the crisis

Those countries with strong social security systems and fiscal positions going into the crisis are better poised to provide financial stimuli, including tax-financed social assistance initiatives, in response to a crisis.

Denmark exemplifies this point. Given Denmark's developed social protection system and the recent responsiveness of its automatic stabilizers, the country's administrative capacity to protect people was not damaged by the crisis. Specifically, the Danish government's labour market policies (e.g., strong activation, job search assistance, job-finding incentives, work experience and training programmes for the unemployed) were automatically increased during the downturn because they were indexed to the unemployment rate. Income policies were similarly straightforward: widespread, significant marginal tax reductions were administratively simple, and comparatively low pre-crisis poverty meant that Denmark was spared the added burden of introducing additional anti-poverty policies thanks to its existing universal welfare coverage. These policies, coupled with targeted financial stabilization policies and investments in social, education and health infrastructure, exemplify Denmark's dynamic response to the crisis.

Denmark was able to afford greater organizational and fiscal manoeuvrability to protect those most vulnerable and most affected by the downturn.

Sources: ISSA (2010d); ISSA (2010u).

Clearly, a range of options are available for ensuring that appropriate human resources, information technology and disbursement capacity are in place when crises hit.

Improving administrative responsiveness	
Expansion of administrative capacity When the crisis hit, increased demand for benefits strained some social security systems. Governments were called to bolster their administrative capacity to disburse benefits in a timely and effective fashion.	
Key measures	**Practical examples**
Recruitment of additional case managers and delivery staff in benefits offices	**New Zealand**: Approximately 300 additional staff were deployed to increase job search assistance and seminars (ISSA, 2010j). **Canada**: Improvements to the administrative capacity of Service Canada were gradually introduced to speed up the processing and payment of benefits via hiring additional staff (ISSA, 2010c).
Injection of additional funds into benefits offices	**Denmark**: Increased funds for job centres to enable faster assistance from the employment services when enterprises announce lay-offs (ISSA, 2010d). **South Africa**: With a significant rise (49 per cent) in benefit claims and increasing demand for unconditional social assistance programmes since January 2008, the Department of Social Development found itself short of funds in 2009 and requested additional resources in order to cope with the situation (ISSA, 2010o). **United States:** See Box 8 above.
Extension of opening hours	**Canada**: Extended opening hours of unemployment insurance call centres (ISSA, 2010c).

Streamlining bureaucratic procedures	**Denmark**: Reorganized its Public Employment Service under a single local management catering for both insured and uninsured unemployed and benefit receivers (ISSA, 2010d). **Greece:** The New Social Security Law (April 2008) consolidated 133 institutions and branches into 13 institutions. Improvements in the quality of services through less bureaucracy and greater ICT investment were sought (ISSA, 2010f). **United Kingdom**: Government retrained 2,000 staff as employment advisers in a £1.3bn effort to support the rapidly rising number of unemployed people (Hencke, 2008).
Expansion and upgrading of ICT capacity	**Russian Federation**: Electronic services to the population were expanded to improve delivery during the economic downturn (ISSA, 2010k). **Thailand:** Government instructed provincial Social Security Offices to ensure the prompt payment of unemployment benefits to laid-off workers in accordance with the Social Security Act (ILO, 2009a).
More benefit offices	**United Kingdom**: Government opened 25 job centres in unemployment hot spots (Hencke, 2008).

Job alert systems

While it is important to address the immediate needs of the unemployed, governments also focused on policies to enable the swift re-insertion of workers into the labour market.

Key measures	Practical examples
Effective dissemination and communication of available jobs	**Denmark**: Established a national job alert system to offer support as early as possible. This also involved increased monitoring of labour market developments (e.g. number of announced redundancies, vacant jobs etc.), also on a regional level (ISSA, 2010d).
Suitable case management to identify appropriate job or training options for unemployed	**Greece:** The Manpower Employment Organization launched an "integrated employment programme" which provided retraining and assistance in re-entering the labour market for persons made redundant from enterprises in the worst affected areas (ISSA, 2010f).
Facilitating job search	**Australia:** The Productivity Places Program (PPP) provides skills, training and job-search assistance. Commenced in April 2008 as part of the "Skilling Australia for the Future" initiative, the PPP provided an additional 711,000 qualification commencements over five years. This figure includes USD 261 million that was injected into the PPP to create 76,000 new jobseeker places over 2008-09 and 2009-10 (ISSA, 2010b). **Canada**: In conjunction with the private sector, Employment Ontario organizes an annual National Job Fair and Training Export in Toronto and Montreal, drawing many exhibitors and up to 55,000 visitors (ISSA. 2010C).

4. Conclusion

The financial crisis affected social security schemes in a number of ways, most notably through diminished fund reserves and income and increased demand and expenditure on benefits. Throughout the crisis, social security has played a key role and must continue to do so moving forward.

In spite of the significant stress the crisis places on social security administrations, social security continues to play a crucial role. Social security has been an important component of the recovery to date, and it has helped maintain economic activity through restoring public confidence and stimulating aggregate demand by maintaining public consumption levels. Arguably, it has helped stave off social unrest therefore contributing to social cohesion and provided protection for some of the most vulnerable groups in society.

However, social security now finds itself on the defensive again in the face of continued economic uncertainty, the grim prospects of the future of global employment and austerity measures implemented by governments that have also contributed to the growing numbers of unemployed. And as a direct impact of fiscal consolidation, the scaling back of social spending will mark more difficult times ahead.

Moreover, there is evidence that the crisis has induced an unprecedented global decline in life satisfaction. In concrete terms, this has translated into greater pessimism about the quality of life, diminished confidence in the ability of governments to shape brighter and fairer futures, and potentially greater social unrest. According to the 2010 version of an ILO annual study there has been a worsening social climate which is explained by higher unemployment and income inequalities brought about by the crisis (ILO, 2010h). The current period of austerity is only likely to compound this situation. This earlier evidence has been confirmed by the 2011 version of the study. This more recent study features a 'social unrest' index highlighting global levels of discontent related to perceived economic inequality. The recent evidence shows an upsurge in popular anger in advanced economies such as those of the European Union. The study warns of a significant aggravation of social unrest in over 45 of the 118 countries surveyed (ILO, 2011b).

Faced with such prospects, the case for continued investment in social security administrations is strong — the recent crisis made clear social security's critical countercyclical role, not only in softening the impact of the crisis, but in ensuring a consolidated recovery in many affected countries.

Key messages

- *Social security organizations responded well to the challenges posed by the recent financial and economic crisis*. Despite major pressures on fiscal capacity and service delivery mechanisms, social security systems have demonstrated their effectiveness in providing a social and economic buffer in times of crisis. Although there has been a financial cost, social security's political and social sustainability has arguably been strengthened.

- Countries *best able to diffuse the crisis' impacts were those that already had comprehensive social security systems in place*, confirming the vital role of social security as a social buffer and economic stabilizer. Schemes operating in well-prepared countries provided policy-makers with immediate responses to help sustain aggregate demand and to offer adequate protection to those affected.

- *The crisis demonstrated that social security does not necessarily come at an additional cost to society but is* integral *to its smooth and successful functioning*. It reduces poverty and inequality and contributes to social cohesion and social peace, while also representing an investment in human capital, unlocking the productive capacities of individuals and advancing economic development.

- *Social security's positive role is increasingly recognized*. In the wake of the crisis, the societal role of public social security is viewed much more positively: indisputably, it is seen as an essential collective tool to mitigate the effects of increasing social and economic inequality. At the international level, a broad political consensus has formed around the high priority of extending social protection to all — e.g., through the UN's Social Protection Floor Initiative (ILO, 2011a).

- *The post-crisis context is highly uncertain for social security.* Calls for austerity and fiscal consolidation threaten to reduce the resources devoted to social security, undermining its mandate of reducing inequality and poverty. In this context, many crisis-ridden countries are responding by radically circumscribing their social spending, generating heightened uncertainty surrounding the prospects for future social investment.

- *Social security must be reinforced, not weakened.* Social security systems which have been weakened financially by events since 2008 will still be expected to respond to future crises. There is a strong case for continuing investment in social security in the wake of the crisis and maintaining it in good economic times. Indeed, largely flouting the trends among many high-income countries, middle-income countries such as Brazil, China and South Africa are taking preventive action and expanding their social security coverage.[4]

Another key point is that the countries that dealt with the crisis most effectively were those already in a healthy fiscal position prior to the onset of the crisis. Countries that have pursued a responsible countercyclical fiscal policy in the past — accumulating surpluses when the economy was healthy (and thus reducing or eliminating public debt) — have proven to be in a far stronger position to respond to a downturn and provide a fiscal stimulus that includes social assistance initiatives. Many of these countries had also been pursuing a tight monetary policy, again affording them greater leeway to loosen monetary policy in response to the crisis.

[4] This apparent shift in the momentum with regard to which are the pacesetter countries indicates that social security reflects as much political priorities as it does iron economic laws. The heightened attention to social protection in these countries likely reflects, among other factors, greater fiscal space (except perhaps in South Africa) as a result of robust economic growth and less severe impacts of the crisis, and broader discursive parameters with regard to social security (less of an emphasis on dependency and more on empowerment, and investment in human capital formation).

Perhaps most importantly, countries must be "institutionally ready", that is, prepared with strong social security systems in order to respond to crises effectively and swiftly. In essence, countries which invest *preventively* in social security are in a better position to respond *proactively* when a crisis hits. As Cichon argues (Cichon, 2010), having sufficient structures in place requires appropriate investment in social security infrastructure during good economic times (when fiscal space is more ample and permissive), so that countries can react when demand expands during more challenging times. In industrialized countries, basic systems of social transfers are already in place which act as automatic stabilizers, expanding precisely when demand for their services increases. However, countries that lack these structures are often forced to develop policies together in an *ad hoc* way, building institutional capacity at the same time as administering new benefits, often under very difficult circumstances. Although some countries clearly confront considerable resource constraints, all countries, almost without exception, can take small steps to build these basic social security structures. The experience of the recent crisis reinforces this very point, which has been consistently emphasized by the ISSA and ILO's campaigns on the extension of social security coverage.

Besides providing greater resilience to economic and social shocks, social security has a number of positive multiplier effects and can contribute to broader societal and developmental goals. First, the initial investment can become self-financing as it kick-starts a virtuous circle of development that will deliver future paybacks. Second, as an investment in human capital, social security can increase individual productivity and thereby unlock a country's full growth potential, paving the way to more advanced development. Finally, as an effective tool for redistribution, social security can reduce poverty and inequality and, in doing so, advance important goals of social cohesion and social peace.

Looking to the future, financing difficulties are likely to persist. The crisis put pressure on social security reserves, rendering social security administrations financially vulnerable and less capable of responding to subsequent shocks even in the medium term. Additionally, social security administrations continue to face a double burden, with lower receipts and higher expenditures. These difficulties are further compounded by the fact that many administrations have incurred higher debt, which threatens the financial resilience of social security programmes. In a broader context of demographic ageing, the crisis has revealed serious concerns about the sustainability of social security funds and their ability — in their current form and with existing investment practices — to continue to finance benefits in 20-30 years' time.

These difficulties will increase as long as unemployment remains high, implying higher expenditure on unemployment benefits and reduced levels of social security contributions. Continued high levels of expenditure could saddle generations to come with a significant debt burden and reduce the capacity of future generations to deal with major shocks/contingencies when and where they arise. In light of the debt and labour market crisis, many governments faced a genuine trade-off: maintaining levels of their recurrent social expenditures and short- to medium-term expenditures in support of extended provisions in response to the crisis, while keeping deficits as low as possible. Ultimately, for many countries mounting fiscal pressures has proved decisive.

Nonetheless, there is a compelling argument that taking preventive action now through continued social investment can be cost-effective in the long term. The ILO argues that the exit from the crisis must be income-led and job-rich. This argument is particularly pertinent to the labour market crisis since enabling those who have exited the labour market to re-enter productive employment at a later stage can prove extraordinarily difficult and very costly for the public purse. Moreover, the social and economic costs of reducing public spending levels would also involve increased human suffering and hardship, spiralling unemployment, lower consumption, reduced social cohesion and social unrest or even temporary destabilization of government as is so pertinently illustrated in Greece and more recently in Italy.

As mentioned earlier, the financial sector that is held largely responsible for precipitating the crisis has remained unchanged in the wake of the crisis; consequently, the threat of future shocks remains ever present. Given such uncertainty, social security administrations must remain watchful of the bigger macroeconomic picture in order to be able to continue to respond effectively. Ultimately, the key lesson from the ISSA Crisis Monitor project is that social security is not simply "the" unrivalled societal response to crises but rather is integral to the smooth functioning of societies on a day-to-day basis. Social security, as part of an integrated component of fiscal stimulus packages, played a key role in preventing social consequences which threatened to be more severe than those that followed the Great Depression of the 1930s and continues to pose some of the most significant economic challenges that have been experienced for decades

Perhaps at no other time has the notion of "dynamic social security" been more relevant. In addition to underlining appropriate reactive measures implemented in direct response to crisis, the experiences presented here highlight the importance of pursuing a proactive and preventive strategy for anticipating the implications of crises for social security systems. The same principles apply to other major challenges, such as demographic ageing, natural disasters and migration, which increasingly put pressure on social security systems. But just as social security proved indispensable for coping with the crisis, strengthening social security systems in an uncertain post-crisis world is imperative.

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