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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Social Policy Highlight

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Europe: Enhancing the sustainability of comprehensive social security systems

In the Europe region, the challenging economic and demographic environment is impacting social security systems and administrations in different ways. Over the last five years the outlook in many countries has altered. Current challenges include addressing an increased demand for benefits, not least for unemployment protection, a fall in contribution revenues linked to lower employment rates and stagnating wage income, a relative rise in the numbers of younger and female beneficiaries, and widening demands for cost savings and improved efficiencies in administration. At the same time, the longer-term financial challenges for health care and pension systems stemming from Europe's ageing population remain. In spite of this, ISSA evidence of development and trends from the region suggests that social security administrations are well placed to offer effective, dynamic and thus sustainable responses. As this *Social Policy Highlight* concludes, the overall outlook is one of measured optimism that the strong tradition of comprehensive and sustainable social security systems in Europe will be safeguarded.

Hans-Horst Konkolewsky, ISSA Secretary General

Addressing the challenges

Across the Europe region, economic, financing, labour market and demographic conditions present important challenges for social security administrations. Nevertheless, the region's administrations remain characteristically dynamic and capable of effective responses. Above all, the recent period reveals that much effort has been expended on safeguarding the comprehensiveness and sustainability of social security systems. This is one of the main findings presented in a new report by the ISSA: *Europe: Enhancing the sustainability of comprehensive social security systems*.

This issue

- Spotlights the evolving challenges confronting Europe's social security systems
- Discusses innovations to support administrative excellence and safeguard European social security
- Outlines how social security and labour market policies can together produce coherent outcomes
- Advocates a more effective mix of social security's protective, proactive and preventive roles

As the report details, four distinct but interdependent sets of developments have been observed in the region in the last three years:

- Effective responses to the negative impacts of the extended economic downturn on the roles and capacities of social security administrations have been put in place.
- Social security and labour market policies have been increasingly aligned to achieve coherent national policy goals in the current context.
- A greater movement has been made toward realizing a more effective and sustainable mix of the protective, proactive and preventive roles of social security systems, not least to strengthen the positive impacts of social security on health, employment and the empowerment of individuals.
- Specific measures have been adopted by social security administrations to facilitate the implementation of these measures and to move toward administrative excellence.

Key facts and figures

- In 2010, the population of the ISSA's Europe region was close to 800 million, of which over two-thirds live in urban areas.
- In 2010, over 20 per cent of Europe's population was aged 60 or older. By 2030, this will rise to nearly 30 per cent. In Western Europe, the world's oldest region, the respective figures are over 24 per cent and over 32 per cent. In 2010, 4.2 per cent of the European population was aged 80 or older.
- Coverage levels for social security and health care are generally considered to be universal. Policy concerns for social security benefits in particular relate to questions of the adequacy of provisions and growing levels of income inequality and poverty in some European countries.
- On average, Western Europe spends around 25 per cent of GDP on public social security, of which the majority, around 18 per cent, goes to cash benefit programmes and the remainder to health. The respective figures for the countries of the Commonwealth of Independent States (CIS) are around 14 per cent of GDP, with 10 per cent for cash benefit programmes and the remainder for health.
- In some European OECD countries, levels of total social spending as a proportion of GDP increased between 2007 and 2012. In many, real expenditure has risen at least by 6 per cent. Part of the explanation for this growth has been a fall in GDP growth combined with higher demand for unemployment benefits. In only two European OECD countries has real public social spending dropped: in Greece by 14 per cent and in Hungary by 13 per cent.
- In the Euro area, total employment is 3.5 million lower than before the crisis, with close to 19 million people officially unemployed. The long-term unemployed (i.e. those unemployed and looking for work for 12 months or more) account for 42 per cent of the jobless. Some countries in Central and Eastern Europe (non-EU) and the CIS have reduced unemployment, but rates often still remain in double figures. Albeit with wide national variations, some 12.7 per cent of all young people (aged 15 to 24) in Europe are currently neither employed nor in education or training.

Social security in the context of the crisis

A major contextual element of recent developments in Europe is, without doubt, the crisis. When talking of the crisis in the context of Europe, the issue is not limited to the precise events of late 2008 and immediately thereafter. Rather, it is one of Europe being caught in a dynamic and enduring economic downturn, the exit from which remains difficult to predict. In this setting, national social security systems continue to be affected negatively, but in a non-uniform manner, owing to the varied influences and impacts of shorter- and longer-term factors.

Overall these factors have contributed to a weakening of the financial health of social security systems and heightened the difficulty for these systems to achieve fully their objectives. Reforms undertaken, sometimes as a part of austerity measures (driven in some instances by requirements to satisfy conditions for European Union fiscal stability or, in a more general sense, to reduce sovereign debt levels in response to market pressures), have shaken public expectations about the roles of social security systems and the ability of some of these to provide adequate benefits.

For social security administrations, the shadow of the crisis is apparent in two distinct ways. First, for many administrations, the recent period has aggravated short-term financial challenges that are combining with longer-term challenges such as population ageing, the increasing costs of pensions, health care and long-term care provisions, mismatches between worker skills and employers' workforce requirements, and evolving family structures.

Second, social security administrations have had to adapt and transform their operating methods, often in innovative ways, to respond to the evolving needs of populations and their increasing expectations for quality public services. Indeed, in a positive way the present difficult environment is prompting administrations to reappraise their performances. For many administrations, with the financial purse strings now pulled tighter and, yet, being confronted by new policy and organizational challenges and heightened demand to address income poverty, social insecurity and the needs of increasingly mobile workers and migrant populations, the overall message is that further change is required. The questions to be addressed are: what are the changing roles and objectives of social security systems and, perhaps more important, how should these be achieved in an efficient and cost-effective way?

An increasing focus on employment and earlier proactive interventions

An issue of great concern is unemployment. Many European countries are confronted, on the one hand, by stubbornly high rates of long-term unemployment and, on the other hand, by unprecedented – in some cases, catastrophic – levels of youth unemployment. The crisis has exacerbated this longer-term structural issue. But successful responses have emerged: social security systems are increasingly working with other stakeholders to ensure that coherent responses, in addition to offering protection against economic insecurity, take into account proactive and preventive measures to support people to enter or return to work and access vocational (re)training.

Positive responses of social security administrations and policy-makers to support and empower working families have contributed to increasing female labour force participation rates in many countries in the region. By encouraging and facilitating part-time working and also an improved work-life balance, wider employment aims which also support system sustainability can be put into place while respecting other demands of workers. These demands include more time spent with families, for training and sabbatical opportunities and, for some people, leisure activities.

Social security systems supporting “unpaid” productive activity

To support those providing unpaid care-giving activities, the old-age pension systems of Guernsey, Ireland, Jersey, Malta, Norway, and the United Kingdom provide either credited contributions to the pension system for specified care periods or disregard such periods when calculating the annual average contribution that is used in the pension benefit calculation. Measures to expand childcare facilities, as in Germany, to encourage and facilitate the parents of young children to return to work offers a further proactive measure to support choice in the work-life balance.

The recent period has underlined that social security benefits and services are not simply reactive ex-post responses to risk events. Social security systems equally encapsulate ex-ante proactive and preventive roles. The current realization is that all these roles need to be given much higher emphasis and be pursued in a more balanced and effective manner.

Paradoxically, this realization comes at a time when recession in some countries threatens to lead to cut backs, including in investments in prevention measures which may negatively impact, for example, safety and health at work. And this may coincide with increased work intensity and pressure, which can lead to a higher frequency of some types of accidents and a worsening of the psychosocial conditions and well-being of workers. Yet simultaneously, because of higher levels of unemployment, workers may be more reluctant to express demands concerning safe and healthy working conditions.

Clearly, however, an increasing focus on preventive and proactive interventions not only reduces health risks and employment-related risks, but ensures that the magnitude and consequences of such events is diminished when they occur. The increasing evidence of the measurable positive impacts of such activity – what the ISSA refers to as the “return on prevention” – in relation to work injury prevention, return-to-work programmes, healthy workplaces and, indeed, supporting healthier lifestyles indicates greater acceptance for the fuller and more coherent application of social security system’s protective, proactive and preventive roles.

Administrative excellence: Doing more with less

Increasing scrutiny of the roles played and the measurable goals achieved by social security systems is a natural consequence of the current difficult economic juncture: more attention is being given to the need for social security administrations to “do more

with less”. Specific examples include the use of e-services, organizational restructuring, and greater coordination and, sometimes, the integration of public agencies. Coordination is also increasingly taking place between the social security institutions of different countries, with a view to better satisfying the needs of increasing migrant populations.

Social security for migrant workers in Eurasia

In Eurasia, which covers essentially the former Soviet Union countries, almost 10 per cent of the population – 24 million people – is foreign born. Migrant workers make up an even higher percentage of the workforce. In Kazakhstan, nearly 21 per cent of the population is foreign born. In Eurasian countries, more than 60 per cent of the foreign-born migrant population is in the working-age group (aged 20–64), except Armenia (54 per cent); in the Russian Federation it is 78 per cent. The importance of social security for migrants in this part of the Europe region was first highlighted by a joint ISSA-International Association of Pension and Social Funds (IAPSF) Declaration on Social Protection of Migrant Labour and Globalization in 2005. In May 2012, a Framework Guidance Document on Social Security for migrant workers in Eurasia was presented. This defines the principles and guidelines necessary for enhancing migrant worker social security coverage.

As one element, movement towards e-services in social security administration offers scope for greater effectiveness and efficiency in delivery, and may help empower the users of social security systems. But the strategic development of web-based services must be balanced with the fact that even in Europe individual internet access remains far from universal. Significantly, traditional communication channels are often still the preferred choice of many clients, including among the most vulnerable.

To support endeavours to offer quality services and meet growing public expectations about these, more effort is going into empowering and better informing populations. Implicitly, these measures also reflect a rebalancing of public-private risk bearing and a requirement for individuals to take greater responsibility for managing risk across the life cycle. In seeking to empower people, the challenge is to ensure that all necessary information is provided and social security systems remain accessible to all populations using appropriately resourced service delivery platforms that meet the needs of all clients. Offering improved information also presents opportunities for empowering social security staff too, with positive effects for service delivery.

The current state of social security in Europe

Although the region’s countries are varied, since 2010 there has been a more notable variation in economic and labour market performance across Europe. For example, unemployment and particularly youth unemployment rates differ significantly and the perceived success of policy approaches to addressing this particular issue reflects a wide set of often longer-term interventions across a number of policy sectors. Overall, therefore, political, demographic, economic, social and cultural differences matter. Despite these, four common themes underpin the ongoing actions of the region’s social security administrations:

Source

ISSA. 2013. *Europe: Enhancing the sustainability of comprehensive social security systems* (Developments and trends). Geneva, International Social Security Association.

1. Having demonstrated their effectiveness in helping to mitigate many of the immediate downside social and economic effects of the crisis, social security systems continue to play the role of “shock absorber”. Nevertheless, to safeguard their ability to play this role in a sustainable and effective manner, the reform of many European social security systems is underway or envisaged.
2. By focusing on those most affected by the crisis – for example, young unemployed workers – social security systems not only help preserve human capital but offer a conduit to invest in future human capital development. At all times, social security systems help reinforce social cohesion by combatting the negative effects of social exclusion. Required are more tailored and holistic approaches to the many complex issues facing different sectors of the population, both in the workplace and non-work environments.
3. By introducing appropriate proactive and preventive measures to partner protective social security benefits and services, a greater focus placed on earlier interventions is expected to enhance the prevention and mitigation of downside risks. While such measures entail shorter-term investments in resources, the emerging evidence suggests quantifiable positive longer-term returns for workers, employers, the social security system and society.
4. As social security administrations move to revisit how they conduct their operations in the pursuit of administrative excellence, the appropriate use of state-of-the-art ICT is seen as one way to increase the quality of delivery and improve the information available to insured persons and citizens.

Looking forward

Many of the challenges facing European social security systems look set to remain for the foreseeable period. Financial constraints will continue to weigh heavily on administrations in the region. In turn, structural employment issues and the ageing of the population require appropriate reforms including tailored administrative and management responses, not least for those who require support to permit their active engagement in remunerated and non-remunerated activities. That said, the evidence from the region is that social security administrations are increasingly prepared and effectively governed to respond appropriately to these challenges and, by working with other stakeholders and with wide public and political support, the outlook is one of measured optimism that the strong tradition of comprehensive and sustainable social security systems in Europe will be safeguarded.

The **International Social Security Association (ISSA)** is the world’s leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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