



DEVELOPMENTS & TRENDS

Europe

Strategic approaches to
improve social security

2016



Europe: Strategic approaches to improve social security

Developments and Trends 2016

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Preface

This *Developments and Trends* report has been prepared to mark the occasion of the third Regional Social Security Forum for Europe, organized by the International Social Security Association (ISSA), hosted by the Swedish Pensions Agency and held in Stockholm, Sweden from 18 to 20 April 2016. This regional report for Europe supports continuing endeavours to better understand and address the key challenges facing ISSA member organizations in the different regions of the world.

The report identifies three main issues for discussion: challenges related to sustainable and adequate social security provision; the embracing of administrative improvements for social security programmes and systems; and the value-added of social security interventions for national social and economic agendas.

The purpose of this report is twofold: first, to synthesize and interpret the most important recent developments and trends in the region and, second, to provide the key background document for the Developments and Trends Session of the Regional Social Security Forum for Europe. The discussions during the Regional Forum will provide an opportunity for all of us to build on the findings of this report and to debate its messages.

I hope that this report will serve as an inspiring stimulus for our discussions and encourage you all to contribute actively, before, during and after the Regional Social Security Forum for Europe in Stockholm. The outcome of these discussions will be carried forward to the World Social Security Forum to be held in Panama.

Hans-Horst Konkolewsky
Secretary General

Executive summary

This *Developments and Trends* report looks at the advances in, and the challenges of, designing, financing and delivering adequate and sustainable social security in the region of Europe.¹ Home to some of the world's oldest social security systems, the region's policy-makers and social security administrators are actively responding to an increasingly challenging external environment – a situation defined by societal pressures, such as demographic ageing, the increase in chronic diseases and evolving working patterns, and exacerbated by the lasting effects of the financial and economic crisis of 2008/2009. The national responses highlighted in this report show the inventive approaches adopted in benefit programme design and delivery to meet these complex challenges. Through implementing structural and parametric reforms, backed up by professional administration and management, social security systems in the region continue to play fundamental roles in mitigating risk across the life course and in supporting the goals of social cohesion and economic growth.

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The evidence presented in the chapters of this report affirm the link between comprehensive social security coverage, the positive social and economic impacts of social security programmes, and the requirement for the efficient and effective administration and management of social security bodies. These three facets are key elements adopted by many ISSA member organizations directed at strengthening the link between what social security programmes provide and meeting the different and evolving needs of covered populations across the life course.

For the countries of ISSA's region of Europe, which take great pride in their comprehensive systems of social security, the focus of policy discussions on social security coverage increasingly reflect this outlook regarding the need to adjust existing systems to the evolving needs of individuals. The report sets out key trends that highlight this re-evaluation of the objectives of social security systems, involving a greater awareness of the identified needs of different population groups and developing dynamic responses to best meet these. These include:

- A focus on the **adequacy of benefits** and doing so on the basis of a broader role for social security and a wider conceptualization of adequacy. This means looking at what elements of a benefit or service are valued – for example, the cash value of benefits, but also wider

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

administrative aspects which underpin benefits provision, such as accessibility, flexibility, simplicity and information – and to what extent the different aspects of benefit provision – for example, return to work measures or health promotion – take into account and impact positively on individual capacities to confront life-cycle risks.

- The use of **smart targeting** – within a universal system – as a response to meet the specific needs of vulnerable population groups. Such responses reflect policy-maker recognition of growing inequality in “inputs” – household wealth, employment status, health status and household income, amongst others – which social security systems are increasingly being asked to address as part of a holistic approach to ensuring opportunities and social protection across the life course.
- **Multiple stage intervention** aligned with different phases of the life course. This holistic approach to social protection and individual development involves acting with a range of stakeholders and giving greater policy priority to prevention and reintegration measures. Examples include active-ageing measures to increase labour participation rates at older ages, the earlier and targeted use of employment measures for younger workers and other priority groups, such as people with disabilities, promoting mechanisms to improve the health status of older citizens and to better manage the associated long-term care burden, and proactive measures to reduce exposure to risk and to increase individual and household well-being.
- **Flexibility in benefit provision** has emerged to reflect the acknowledged different income and health care needs, household situations, and employment status of the population. One example is the promotion of flexible retirement ages that permits combining the receipt of pension income and income from continued labour participation. Another example is the development of multi-channel service delivery.
- **Labour force activation measures** to facilitate stable and tailored participation in the labour force across the life course are being aligned with proactive measures to facilitate the return to work of jobless people in receipt of social security benefits. Particular attention is being given to the needs of unemployed youth and the long-term unemployed.

The low growth rates in many European economies – where GDP per capita is generally still at approximately the same level as 2009/2010 – not only means that needs remain high but that financial resources are increasingly constrained. The report shows that questions about the sustainability of provisions is ever present, but increasingly is being considered more widely than was traditionally the case. Although notions of financial sustainability remain key, political and public support is also a measure of long-term sustainability and this can only be secured with adequate social security provision. As a result, policy decisions

regarding the design and financing of benefits are increasingly being taken only after first considering the impacts on both intergenerational and intra-generational equity.

Therefore, the measures found in this report which relate to social security provision typically exhibit the need to balance the inseparable and longer-term dual goals of adequacy and sustainability. At the same time, cash benefits and health care systems have generally shown themselves to be adaptable to shorter-term pressures – for example, to respond to the increase in migrant flows into Western Europe in 2015 and 2016 and, in some countries, to meet austerity-driven reductions in some benefits and support mechanisms.

That strengthening the social and economic roles of social security systems leads to positive impacts for societies is increasingly recognized by policy-makers and populations alike. These positive impacts can include improved employability, higher productivity, poverty alleviation, reduced inequality, higher consumption, less severe shocks through counter-cyclical interventions, better functioning of the labour market, improved health status, and support for social stability and cohesion. Moreover, positive impacts tend to lead to additional positive outcomes: the successful increase in effective retirement ages in a number of countries has immediate positive financing implications for systems and also improves the future retirement income of workers and their social inclusion and personal well-being. In turn, this can have positive impacts on health systems where having access to employment and social networks is a key factor in health status at older ages.

Despite this recognition, two key challenges lie ahead: the need to more accurately assess and quantify these positive impacts, and to better design and deliver social security systems so that the identified positive impacts can be maximized. All of this has to be undertaken in the context of changing external trends including, most notably, relatively more fragmented labour markets in many countries, an ageing population, health challenges (such as the increasing incidence of non-communicable diseases), stubbornly high youth unemployment and, as the OECD has warned recently, increasing levels of inequalities.

Social security systems are more consciously investing in, safeguarding and further developing human capital not least to help support improvements in countries' economic productivity and capacity. This is especially important in the context of an ageing population. An example is the design features of partial unemployment schemes that help keep workers in the workplace in times of economic downturn by avoiding lay-offs, but which can also include health initiatives, child care support and long term-care support, all of which facilitate and provide the possibility for unpaid caregivers to look for and stay in remunerated work.

Changing patterns of work, the increasing incidence of non-communicable diseases, migration flows, and evolving family structures all require that social security systems adapt. In this respect, a challenge for the roles of social security systems are for these to be perceived as comprehensive, which includes ensuring that the vulnerable in society receive appropriate support. Targeting is appropriate in certain cases and ideally this should be in the form of “smart” tailored benefits and services; for example, where resources are directed where most needed while seeking to combat exclusion.

The role of social security programmes in facilitating improved employment and health outcomes is being used more systematically to partner the fundamental role of ensuring income security – this is not only a more financially-sustainable approach in the longer term, but is more likely to strengthen public support across all income groups.

A consequence of developing broader social security system interventions is the heightened need to administer and communicate effectively all benefit entitlements. Also required are agile management processes that optimize coordination and collaboration with other stakeholders and ensure the efficient use of resources. Through “innovation” leading to service improvements and reductions in operational costs, institutions clearly demonstrate to decision-makers their commitment to excellence in the management of their operations and further reinforce that modern social security institutions are effective and efficient. A specific example is the development of integrated electronic service platforms that offer more accessible and tailored services to scheme members and at the same time facilitate processes, reduce operational costs and prevent fraud and error (see Chapter 2).

Management structures which are lean and work in partnership with other institutions and are innovative can make significant positive differences to perceived outcomes for beneficiaries. Where information is provided in an interactive way, using Internet and social media effectively and involving directly the beneficiary, studies show that this is particularly well received. This process, together with the intelligent use of data analytics, is conducive to the smart targeting of benefits and services.

The results of such initiatives have been experienced directly by social security beneficiaries as part of increasingly “citizen-centric” service design and delivery platforms. Nevertheless, three points deserve closer attention. First, it is important that the mass of data available to social security administrators is used effectively. Second, data privacy and data security issues are becoming more important for populations, necessitating appropriate governance and management structures. Third, despite the high level of penetration of Internet in the region, there is still a sizeable proportion of the population who want to have a personal contact – i.e. visiting the “front desk” office or a direct-line telephone number – for some

or all of their social security needs. Generally, the widening use of ICT not only provides relevant information but facilitates better life outcomes, for example in employment outcomes, by helping to bridge demand and supply through real-time information.

In conclusion, the recent period has seen the environment in which social security systems operate become more complex and challenging. Uncertainty remains as regards the economic outlook, with short-term volatility in asset prices having marked the period. Relatively newer challenges, such as high levels of youth unemployment, peaks in migrant and refugee flows and anaemic economic growth rates, are now becoming more protracted longer-term phenomena. Such a context means that social security systems have had to innovate and respond both proactively and reactively to minimize risks. A judicious choice of both short-term measures and long-term responses has translated into both parametric and structural reforms. So while European society continues to change rapidly, social security systems have shown to be flexible. By aligning administrative adaptability with data analytics and good governance, the evolving nature of risks facing populations across the life course are being identified and addressed effectively. Supported by the ISSA's Centre for Excellence and ISSA Guidelines for Social Security Administration, social security administrations have the means and know-how to confidently meet the challenges of the future.

Social security coverage in Europe

The previous regional Developments and Trends report for Europe (ISSA, 2013a) addressed the period after 2008/2009 when the key effects of the economic and financial crisis were starting to significantly impact social security systems. The report focused on the need and importance of universal social security benefits to respond to the social and labour market effects of the crisis as well as to ongoing but evolving longer-term developments and trends. This current chapter allows a more considered review of the changes seen since the crisis in respect of coverage. Whereas the 2013 report highlighted a number of parametric changes to systems, the current period is marked also by structural changes and a fundamental debate about current and future levels of coverage as social security systems seek to develop responses that will remain effective even in the long term. Relatively high unemployment and low growth rates are likely to continue at least in the medium term, and social security institutions need to adjust to this reality while confronting challenging sustainability issues that are also linked to population ageing.

Currently, the nature of the coverage debate in Europe, the region most associated with comprehensive social security provision, is characterized by questions concerning the adequacy of benefits and how different benefits are provided over the life course. Such a debate takes a number of forms including whether a greater emphasis on the smart targeting of benefits should be favoured over uniform benefit provision and how best to evaluate “system” rather than “programme” adequacy. Of growing importance is the wider definition of adequacy – one that has moved away from a one-dimensional and time-bound money-metric assessment of benefits to integrate the increasing role of social investment-type policies and include an analysis of the societal distribution of adequacy outcomes. This debate is contextualized by increasing inequality in outcomes exacerbated by poorer labour market outcomes for those on below-median salaries. As part of the response in Europe, an increasing focus on prevention and citizen-centric measures with greater coordination across the actions of different stakeholders is understood to be a prerequisite for effective and efficient solutions to the challenges of adequate coverage.

Current status of coverage

In Europe, the question of coverage – and of the adequacy of coverage most specifically – is more nuanced than for other regions. With high levels of social spending and comprehensive coverage for the major risk contingencies common to most countries in the Europe region, critical policy attention is increasingly being directing towards considerations of the social

and economic impacts of benefits and services. In support of this, better data facilitates a closer monitoring of the positive impacts of social security interventions. More so than ever, assessments of coverage levels are being linked, on the one hand, to the management of information, to coordination with other stakeholders and to the design of effective planning tools and, on the other hand, to an analysis of the effects of different interventions. In addition, the trend is for greater emphasis to be placed on preventive measures which reduce risks, mitigate growing inequalities and are cost effective in ensuring that social security institutions meet their objectives over the long term.

Continuing adaptation of coverage

Data from the International Labour Office's latest global report on social protection confirms Europe's rich tradition and leadership as regards levels of access to social security cash benefits, medical care and services compared to other regions in the world (ILO, 2014a).

Given the comprehensive nature of European social security systems, it is rare to see new programmes introduced in the region. However, in the recent period, a number of fundamental structural changes and a shift in philosophy regarding the broader aims of social security programmes reflect that, in many cases, systems have re-evaluated their approaches to addressing risk.

One trend relates to designing multiple stage interventions focused differently on the emergence and then subsequent development of given risks. For instance, in respect of the challenges of youth unemployment, risk factors at all stages are identified and specific interventions put in place. Among others, these include tailored family support for vulnerable households and linking unemployment benefits to support for (re)-training. Many social security institutions are taking on an increasing role as key actors in helping to realize labour market policy objectives. One example relates to the wider policy considerations that go along with the design of retirement benefit systems: where the effective age of retirement is lower than the legal retirement age, then it is clear that increases in retirement ages should be accompanied by measures to support active ageing in the workplace. Also, flexible retirement ages – as found, for example, in Finland and Sweden – can be an effective approach to encourage the postponement of full retirement when aligned with appropriate labour market mechanisms.

Increased efforts in Europe to improve the social security protection of workers with relatively weak levels of coverage have also marked the period. Examples in this regard are to provide or increase benefits to those engaged in telework (Poland), self-employment (Malta) and to those without complete employment histories. Chapter 2 of this report covers administration and communication measures which must be put in place to support such policy measures.

Eligibility conditions for some contributory programmes have also been revisited to reflect the incomplete work histories of many workers (owing to periods of unemployment or unpaid caregiving, for example), while some programmes may have to further adapt to increasing flows of migrant workers. The substantial increase in refugee flows into Europe in 2015 and the need for appropriate social protection for refugee populations will also need to be addressed, which will require centralized coordination and, in all likelihood, innovative forms of collaboration between different actors (Box 1.1).

Other structural and parametric measures have sought to address another challenging reality: in view of the increasing fragmentation of working careers and of developments in labour markets, there is a mismatch between the levels of contributions required to gain access to “full” benefits and the ability of all workers to achieve such levels. This is occurring for a number of reasons, including a stagnation in real wages for those receiving below-median earnings, career breaks particularly for women (i.e. child rearing and family care responsibilities), a relative deterioration of the health status of lower socio-economic groups, and the growing precarity of employment status of many workers.

In part, the current situation can be better understood in the light of the policy responses taken in the immediate years following the crisis, including not only social security but

Box 1.1. *Refugees and social security coverage: The experience of Germany*

The German Federal Pension Insurance (*Deutsche Rentenversicherung Bund*) participates in the task of integrating refugees, which is a responsibility of the entire society. Germany accepted one million refugees in 2015 alone. Turkey is the only country in the European region where this number has been exceeded in recent years – the country has received more than 2 million refugees, most of which came from Syria and Iraq.

In practical terms, the German Federal Pension Insurance has seconded staff for the processing of asylum applications and is providing office equipment to the authorities concerned. Furthermore, a special team has been established to address refugee issues. This team structures various topics related to refugee matters, develops options for sustainable actions in cooperation with the other pension insurance institutions and coordinates the collaboration with other authorities. The German pension insurance institutions are considering organizing professional training sessions and internships to improve the career and employment prospects of young migrants. Moreover, existing facilities in the area of rehabilitation will be made available to refugees in a suitable way.

The scope of the financial consequences for the social security authorities is not yet fully foreseeable, however, the contributions-based pension insurance institutions do not expect additional expenditure in the short term – despite the continuing strong influx of refugees. Whether or not the stream of refugees will have a long-term positive effect on the German social security system and national economy will depend on the extent to which they can be successfully integrated into the labour market and society as a whole.

wider public policies. The immediate impact of the crisis in many countries saw a tightening of eligibility criteria, such as the number of years of contributory service required for a full pension, as seen in Spain for example, which has led to a wider variation in outcomes.

The recent period has seen many systems seek to reverse this trend and fill gaps in coverage and improve the overall adequacy of benefits, not least for working-age families, through a range of measures including:

- Strengthening family benefits and child care provisions. Examples include new child care investments and prevention measures in Bulgaria, the introduction of a birth grant for the second child in the Czech Republic, a support framework for parents following separation in France, a child supplement for low-income families in Malta, subsidized free lunches in Slovenia, and home-based child care support for employed mothers in Turkey.
- Unemployment benefits which reflect the realities of the employment market. Examples include facilitating job applications in Finland, increases in payment levels in Hungary and Sweden, and activation benefits for employers in Poland for those hiring unemployed workers. Measures specifically targeting the young and long-term unemployed are particularly noteworthy.
- Strengthening minimum retirement income provision and introducing minimum income schemes. While Finland plans to pilot a minimum universal and unconditional basic income paid to citizens irrespective of work history, and the Dutch city of Utrecht has launched a more limited pilot in January 2016 based on the same philosophy, other countries have developed their structures to guarantee minima for households meeting certain criteria and conditions (for example in Malta and Romania).

The adequacy of benefits

Greater focus has been placed on the wider adequacy of benefit provision, a debate which touches on fundamental choices concerning what social security institutions in Europe should be doing and how they do it in order to meet their objectives. Given the often strict fiscal constraints on public finance, concerns over the longer-term sustainability of some contributory social security programmes, the difficult external economic environment, and increasing demands for, and higher public expectations about, social security provisions, one question to be seriously debated is whether there should be greater emphasis placed on the targeting of benefits? A different question is whether a minimum benefit should be paid to all? The rise of smart targeting using data analytics and a more holistic analysis of risk has proved effective in certain situations to facilitate policy-making and benefit design.

Difficult choices remain regarding the allocation of limited resources. All the same, there is increasing political recognition of the importance of providing adequate benefits for all and that the role of social security systems cannot be to provide minimum benefits only: a social security system providing poor benefits to the poor alone can only ever be a poor social security system. While measures of adequacy vary from country to country, it is notable that spending on income-tested cash benefits as a percentage of total public spending on cash benefits is still relatively limited in the countries of continental Europe, but more commonplace in Iceland, Ireland, Israel and the United Kingdom (OECD, 2014).

In terms of ensuring adequate coverage, this debate leads to two observations. First, there is a need to demonstrate the positive impacts and leverage effects of providing adequate benefits (see Chapter 3). Second, given that adequacy is a complex and dynamic multi-parameter concept, policy-makers and social security institutions must endeavour to ensure that all aspects of adequacy improve.

The ISSA adequacy project which defines and assesses adequacy on a multi-parameter basis reflects this growing move towards a more holistic view of the benefits and services provided by social security administrations (Brimblecombe, 2013; ISSA, 2015). Without doubt, the cash value of benefits is still central to the covered population's perception of adequacy. However, there is no one simple internationally comparable measure of the adequacy of such a benefit level (which may also vary over time) and beneficiaries also value the adequacy of other elements of provision, even if such appreciation is often implicit. Some examples of other aspects of adequacy are: the effectiveness and quality of social security administration; the ability to continue working while receiving benefits; receiving information to help retirement planning and decision-making and being well-informed about and having appropriate access to information on different benefit entitlements; the availability of support when looking for a job; and access to appropriate work opportunities if disabled. These and other considerations should be addressed; if they are, evidence shows that public support for social security programmes is likely to be stronger.

A number of institutions in Europe are taking into account this reality by looking at all elements of provision and, in particular, the interaction of their delivery with other benefits and stakeholders, most notably employers.

Vulnerable population groups present a set of challenges as regards ensuring adequate coverage. To address the special needs of vulnerable population groups, a number of recent reforms reflect the importance of increasing the adequacy of benefits and services, often in conjunction with activation measures such as active labour measures, rehabilitation and training. This is so because often the key barrier to successful social inclusion is access

to the labour market. Examples in this regard include health promotion programmes for older workers in Austria, more individualized job seeking support in Denmark, the use of performance targets by job centres in Germany, increased child allowances for self-employed women in Malta, and incentives for employers to hire older workers in Romania.

Changes to retirement and health systems

Retirement reform remains a key policy focus due to the perceived more direct and immediate impact on social security finances – nine European Union (EU) countries have reduced access for early retirement and six have increased normal retirement ages in the last three years. Other recent measures include changes to minimum pensions and pension increases. With the post-crisis period having also witnessed noticeable re-reforms in some private second pillar pension systems (in Poland and the Russian Federation (hereafter, Russia) for example, but most markedly in Hungary) which have reduced the role of defined contribution pensions, these specific reforms underline more generally for all countries that an important challenge is to ensure the adequacy of all pension “tiers” or “pillars”, not least to support their political sustainability.

6 Health care reform has also been widespread. Almost all countries have made structural changes to the management and delivery of health care services with a number (e.g. Czech Republic, Estonia and Finland) improving access to services for vulnerable groups such as the disabled, migrants and the poor. Other countries have enhanced patients’ rights (e.g. Poland, Portugal and Sweden). Ireland has ensured that children younger than age six and adults aged 70+ have access to free general practitioner care. The question of the adequacy of health care coverage is a constant one in decision-making concerning reimbursement for the use of health technologies and most countries have established processes involving an assessment of clinical evidence and an economic evaluation.

In a context of reduced public health spending in a number of countries – for the first time in 30 years – a greater emphasis placed on proactive and preventive measures is now deemed necessary to more adequately address public health and work-related health issues. For example, in Switzerland, an analysis of workplace deaths showed that over 60 per cent would have been avoidable if certain rules on occupational safety and health had been followed. Evidence at the mid-point of a ten-year programme to promote the application of such rules reveals an encouraging downward trend in fatal workplace accidents, illustrating an improvement in the adequacy of preventive coverage. More widely, the positive influence for workers and business of the European strategy for occupational safety and health is becoming a quantifiable reality.

Balancing universalism and targeting in coverage

The emergence of greater inequalities is a key challenge for European societies (OECD, 2015) and for coverage adequacy. Generally, there is a positive correlation between social expenditure levels and GDP. In turn, more equal societies and levels of economic growth are positively linked (ILO, OECD, World Bank and others). However, it is possible that higher social spending may not necessarily result in lower levels of inequalities; the provision of universal benefits is more likely to achieve this goal.

Beyond the observed “inequalities/positive discrimination” in the design of some social security programmes, inequalities in social security outcomes more generally may reflect increasing inequalities faced by individuals, most notably in the labour market (salaries, but also employment status), health and family status and exposure to risk factors. There is increasing recognition that effective social security responses need to take into account and, where possible, act to help redress structural inequalities in society and proactively support vulnerable groups.

One response is to raise the real wages of those on below-median incomes while supporting increased employment, which acts to improve benefit outcomes. It is observed that a number of countries have increased minimum wage levels in the last three years. Social security systems have a key role to play – with other stakeholders – in these areas and are particularly effective when working closely with employers, other branches of social security and different levels of government. Coordinated targeted measures at the community and household level are equally necessary, for example in supporting the return to work.

In practical terms, the organization of targeted responses requires decisions that take into consideration the institutional design and mandates of institutions (universal or sectoral; tax financed or contributory; national or local) and the different needs of different population groups across the life course. Responses may be in the form of specific schemes that take into account the characteristics of certain groups of the population or workers, which allows specialism to be concentrated on identified vulnerable groups and objectives to be more easily assessed. Integrated social security systems may allow better national coordination between social security branches, the national tax authorities (especially for calculating entitlement to income-tested benefits), and nationwide equity in access to benefits and services.

Challenges ahead

Social security systems must be capable of responding effectively to short-term challenges and adapting to the identified emerging and longer-term trends. However, at present, many short-term pressures are merging into medium- and long-term trends – many economies in Europe have only just returned to pre-2009 GDP levels and levels of youth unemployment

remain stubbornly high. Other short-term challenges – such as migration – are unpredictable in the medium and longer term, which means that the anticipatory and reactive measures of institutions (administration, management, financing and delivery of benefits and services) are both important. In 2015, the significant increase in migrants and refugees entering Europe has raised an additional question regarding budget allocations for social assistance programmes in the short term. A question to be anticipated may be the likely future adequacy of coverage under contributory social security benefits for workers with migrant or refugee origins, especially for those who have no formal records of previous employment in their country of origin and who commence contributing to one or more European social security systems later in their working careers. Therefore, owing to minimum contributory period requirements, in all countries where such a requirement applies, certain workers will fail to qualify for a minimum contributory pension.

8 A more basic issue is that when migrant and refugee populations are able to enter formal work it is important that social security coverage is provided and that their questions, for example, regarding the totalization of rights, portability of benefits and coverage of family members are appropriately addressed. Kyrgyzstan is one country with a public information strategy to better inform their nationals of their social security rights when working abroad, especially in neighbouring Russia. Such questions, of course, are equally relevant for EU nationals who have the right to free movement and to work in other EU states. While the EU has an excellent multilateral framework governing the mobility of workers and accrued rights within the EU, to ensure more adequate coverage it is important that bilateral agreements with non-EU states and countries outside of Europe generally continue to develop.

The ageing of Europe's population (those aged 65+ will increase from 18 per cent to 28 per cent of the population by 2060) remains a challenge over the longer term, but innovative active-ageing policies can help provide effective policy responses. Perhaps a greater hurdle to be crossed will be the health challenges arising from this longer life expectancy. Increases in healthy life expectancy have not been as great as life expectancy increases, resulting in an increasing number of years lived in poor health. This has implications for total health expenditure, including caring costs, and for health sector workforce planning (Box 1.2).

Providing coverage for long-term care for growing elderly populations is likely to be increasingly challenging due to escalating costs and to changes in family structures which limit the availability of traditional support networks (see Chapter 3 for a discussion on gender issues and family benefit reforms). At present, only three countries in the region of Europe have instituted contributory long-term care insurance programmes: Germany, Israel and Luxembourg. Other countries, however, do have associated measures embedded

Box 1.2. Life-cycle health and employment challenges and responses

Evolving health patterns with increases in non-communicable diseases and mental health issues, family changes and increasing long-term care requirements are presenting significant challenges to social security institutions. Although the sustainability of retirement systems is being addressed by parametric changes in many countries, the approach to these health issues has seen the emergence of a more holistic, multi-stakeholder approach which seeks to address the causes as well as the symptoms. Efforts to reduce dependence and exclusion, measures to support informal and formal care mechanisms (e.g. by increasing retirement credits for caregivers), and preventive measures to improve health (e.g. healthier diets) have had positive impacts. The smart targeting of specific vulnerable groups through improvements in disability benefits (for example in Finland), measures to tackle child poverty and homelessness, and action on discrimination have generally had positive impacts on health across the life course. Inequality in mortality outcomes appears to have narrowed in some countries (e.g. United Kingdom) due in part to these measures. Given the cost of long-term care and the direct and indirect implications of non-communicable diseases, this policy area is likely to be a growing priority for social security institutions. Greater policy priority is also necessary regarding the strategic planning of the future health workforce.

in contributory disability programmes to help support those in need of care and their carers (e.g. United Kingdom and the self-governing British Crown dependency of Isle of Man). Generally, long-term care is one policy area where there may be great scope for horizontal extension in European social security coverage.

As regards the challenges ahead, a further issue is Europe's low average fertility rate – women have on average fewer than 2.1 children. The implication of low birth rates is that informal family-based care for elderly family members becomes more challenging; other societal changes, such as greater dispersion of family members and rural to urban population shifts, exacerbate the problem, leading to increasing demand on social security and health systems to fill the coverage gap and finance and deliver benefits and care. In short, there will be a widening gap between the supply, both formal and informal, and the demand for such support. Thus, giving greater priority to proactive interventions in support of healthy ageing and independent living in old age is important.

Conclusion

The trends of recent years highlight that policy-makers and social security institutions are seeking to be more effective in achieving coverage outcomes while using the same or, in certain instances, fewer resources. In some countries this has led to difficult decisions resulting in a reduction in the cash value of some benefits, while in other countries

greater preference has been given to a more effective deployment of ex ante preventive and rehabilitation measures – social investment in capacities – through a better analysis of data and working with other stakeholders. The realization of the broad role of social security and the value of different types of interventions to protect, prevent and enable is encouraging, as it will lead to even greater levels of interaction between social security branches as well as with other stakeholders and further develop a “social security culture”; Poland’s “classes with ZUS” project addressed at secondary school pupils being an example in support of the latter objective. Greater engagement with employers is important for facilitating the realization of the goals of labour market activation, which are linked with active-ageing policies and retraining initiatives that empower people and which in the longer run should help support higher fiscal receipts and social security contributions.

However challenges remain and in the current light of constrained financing sources – and, in many cases, stagnating resources – difficult decisions regarding the distribution of expenditures, particularly as regards the smart targeting of benefits, may be required. The use of preventive measures, especially for workplace safety and health issues and non-communicable diseases, has a role to play in improving the adequacy of social protection coverage. At the same time, measures that ensure the long-term financial sustainability of social security systems which are married to a consensual view of intergenerational equity that offer adequate protection across the life course should remain as a foundation to the underlying policy decisions taken.

Excellence in administration: A key condition for the social security of populations in Europe

Developments in social security systems in all countries and regions, including across Europe, are presently marked by a strong commitment to enhance the administrative dimension of benefit and service delivery mechanisms. On the one hand, this is due to greater demands being made of available resources, with identifiable constraints in many areas of public administration. On the other hand, it is due to the recognition that robust, well-governed social security systems are essential if the trust and compliance of all stakeholders is to be ensured. Generally, the efficient use of resources and the anchoring of robust organizations on the principles of “good governance” are seen to be crucial elements for the successful delivery of policy. The capacity to deliver social security benefits and services, irrespective of political will, is viewed as being linked strongly to the capacity of management and the quality of administration. This is why the aim of “excellence in administration” is no longer viewed as an option but as an obligation. In this vein, the evidence of recent developments and trends shows that many countries are innovating to build administrative solutions based on transparency and participation, underlying principles for sustainable social security systems.

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The ISSA defines excellence in social security administration in relation to the achievement of good governance, high performance and improvements in service quality. The ISSA Guidelines, which consist of professional standards for social security administration, assist social security institutions in working towards this objective. In Europe, as elsewhere, three key sets of factors influence efforts to improve the administration of social security programmes and systems:

- national and regional context;
- increasing expectations of citizens and workers;
- the operational mandate and capacities of the social security administration.

In turn, there is a widening trend for all social security administrations to adopt a similar value orientation, wherein:

- “Excellence” is increasingly seen as a guiding mind-set.
- “Excellence” is understood as an administrative “end” in the management of resources, and also as a “means” to engender citizen-centred service delivery and to achieve societal-level policy goals.

Core issues for social security administrations in Europe

From the design of social security programmes to the final delivery of benefits and services, there are a number of objectives that have to be addressed on the “journey to excellence”. To name but a few, these include:

- safeguarding the quality of information and the integrity of data;
- improving communications and offering client-centred service delivery;
- fostering education in support of compliance;
- delivering accessible services and information.

Such objectives give concrete form to the concept and principles of “good governance”. Good governance is essential for the effective development of public administration, and assumes a particular importance when addressing social security administration, a major point of interaction between States and their citizens. As defined by the *ISSA Guidelines on Good Governance*, principles such as transparency, accountability, participation, predictability, and dynamism should lie at the core of social security administration, being essential drivers for realizing the respect and trust of stakeholders and, more generally, the social, political and financial sustainability of social security systems.

These principles have been adopted, and now underpin the strategic choices being made, by decision-makers and senior managers of social security administrations in Europe.

Complex challenges facing administrative “excellence” in Europe

In a context where one of the few operational constants for social security administrations is the need for change, not least to build flexibility into performance, recent reforms across the region bear witness to systematic improvements to the governance, service delivery, strategic planning and performance management of administrations.

In this regard, a key role is being played by information and communications technology (ICT) to achieve efficiency gains and to facilitate citizen-centric service design and delivery (Box 2.1). ICT has multiple uses, including: the development of data mining software to help identify fraud and avoid error in social security benefits claims (e.g. Albania and Ireland); paying contributions and declaring employees (e.g. France); improving personalized and cost-effective citizen-centric services (e.g. Moldova and Netherlands); and enabling standardized country-wide data management platforms with interoperability capacities (e.g. Uzbekistan).

Box 2.1. Finland's KELA offers multilingual video-based remote access to services

Marrying the improved linguistic skills of administrators, wide public access to home computers with video cameras, and public demand across its increasingly linguistically-diverse client groups, Finland's social insurance agency, KELA, offers customers equality of access and a convenient way to resolve questions related to their social security needs.

Key points in remote multilingual (English, Russian, Sami and Sorani Kurdish) service delivery include:

- A KELA customer service specialist assists customers through a video connection, removing the need to travel to a KELA office.
- The service, which has been well received, has promoted equality of access among customers.
- Time slots are allocated for service responses according to language; e.g. Sorani Kurdish is available on Thursday afternoons.
- Use of the service is free to customers and requires no technical expertise; the only requirement is access to a computer with a camera and sufficient broadband capacity.

Source: <www.kela.fi>.

The most recent endeavours of European social security administrations to improve processes and services reveal that priority is being given in many countries to at least one of three broad areas of action. One area is to address issues of error, evasion and fraud, a second area has witnessed the development of a new generation of e-services, and a third relates to efforts to build more citizen-centred services.

Addressing the issues of error, evasion and fraud in social security

Building on a first generation of control systems, since 2010 a number of EU projects on tackling fraud and wider issues associated with undeclared work have been carried out. These have led to coordinated measures among social security institutions to exchange experiences and better address cross-border cases:

- Croatia: Improvements in the exchange of data concerning recently deceased persons.
- France: National cross-agency approach applying advanced ICT (data mining) to detect complex fraud cases in several branches, including contribution collection by the Central Agency of Social Security Bodies (*Agence centrale des organismes de sécurité sociale – ACOSS*) and family benefits by the National Family Allowances Fund (*Caisse nationale des allocations familiales – CNAF*).
- Italy: The National Employment Accident Insurance Institute (INAIL) is developing a Business Intelligence System to tackle contribution evasion and avoidance and offering support to increase vigilance to prevent fraudulent practices in contribution compliance.

- Romania: Reducing error, fraud and corruption through more effective data matching.
- Spain: Advanced ICT (data mining and analytics) is being used to detect complex fraud cases in the two areas of contribution collection and benefits claims.

New generation e-services

In a number of countries, a new generation of e-services has been implemented which incorporates one or more of the following features: the use of e-government platforms and services (e.g. identity management and control), cross-agency approaches, the enabling of secured payment systems, building strong authentication mechanisms (e.g. digital certificates), and introducing personalized customer environments. A number of non-EU and Eurasian countries have realized notable improvements in these areas, all of which contribute to supporting people across the life course and better enables data security and privacy, including Azerbaijan (Box 2.2) and Turkey.

Box 2.2. State Social Protection Fund of Azerbaijan

Azerbaijan's State Social Protection Fund (SSPF) ensures the effective management of its programmes through the application of ICT, covering:

- contribution collection;
- managing the financing and oversight of payments of labour pensions and benefits;
- managing a personal accounting system.

The SSPF has implemented a new generation of e-services leveraging governmental infrastructure through an e-Government intranet and operational platform. These e-services to insured persons and pensioners cover:

- providing information to insured persons, offering an opportunity to follow up and control personal accounts without restrictions;
- submission of applications for social insurance cards;
- providing comprehensive information to pensioners regarding pensions;
- pension calculator, to determine the pension amount payable. Personal records are maintained using individual unique social security numbers;
- citizens can submit applications and documents for pension payments and change the type of pension using e-services.

A further development is the provision of e-Services for insured persons, which mainly include:

- online registration of insurers and insured persons;
- e-services for the submission of reports on mandatory state social insurance;
- report sheets on benefits (maternity, childcare, childbirth, sickness and death);
- payment of contributions via online service.

These services are based on information systems covering 45 per cent of Azerbaijan's population. The Ministry of Labour and Social Protection also has an ongoing project on automating the eligibility validation processes for social assistance.

Kazakhstan is notable for its strategic national approach, “Kazakhstan – 2050”, which is progressively bringing together and extending all state information systems to provide public services across the life course, including for social security (Box 2.3). The development of value-added e-Services based on advanced technologies has also been witnessed in other countries of Europe, including Bulgaria, Finland, France, Lithuania, Poland and Russia.

Spain has developed the “*Tu Seguridad Social*” platform offering a private space for each citizen that provides comprehensive information on their personal social security situation. Offering the possibility to also direct personalized messages to citizens, the development of this platform has benefitted from extensive user consultations and tests both in terms of accessibility and content. This reflects the importance of developing platforms that are grounded on the real needs and literacy of clients, which is supported by the trend to citizen-centred services.

Many of the countries of Europe regard themselves as among the world leaders as regards many aspects of social security administration and look favourably on new technologies to support further improvements in service delivery and attain efficiency goals. Challengingly, sampled public opinion would appear to be less satisfied about the capacities of public service agencies to do so (Falk, 2015). Citizens who have experienced quick access to a variety of online goods and services in other sectors are increasingly expecting a similar ease of access and quality of service from public institutions, including social security administrations. The gap between heightened expectations and some experiences of service delivery poses a communication challenge in some countries.

Citizen-centred services and new models of service development

The development of ICT tools also facilitates the implementation of more integrated and citizen-centred services. Overcoming institutional and administrative fragmentation, these approaches aim to deliver integrated services based on the specific needs of individuals. Examples include approaches to communication and service delivery in Sweden based on the development of basic life situations that facilitate the provision of targeted information to customers and the development of more responsive services. In Ireland, the integration of employment and welfare services to overcome the previous need for unemployed persons to engage with multiple service points and organizations has led to a higher quality of targeted services and improved employment outcomes and has allowed for efficiency gains. Similar motivations have been behind recent developments in Switzerland, where processes of different institutions in the provision of accident insurance and return to work services were reformed to deliver a client-centred process, leading to higher client satisfaction and efficiency and effectiveness gains.

Box 2.3. *Kazakhstan's national strategic goal of a modern information society*

The “Kazakhstan – 2050” strategy is progressively implementing a modern nationwide ICT infrastructure that supports efficient public administration, facilitates socio-economic and cultural development and enables service interoperability and connectivity through a state-wide system of e-Government. The system provides a gateway to central and local government services and offers targeted support to employers, jobseekers, workers and families, including access to contributory and non-contributory benefits, to primary health care, to labour market services and to information concerning safety and health at work.

To better ensure the social protection of the population, a centralized data base, which is constantly updated, permits data exchange and provides essential online access to information and services for local administrators when dealing with benefit claims from citizens across the life course.

Integrated with the national banking payment system to enable benefit transfers, the State Centre for Pension Payments (SCPP) information system offers over 40 different public services related to social benefits and pensions.

When citizens apply for benefits, all claims are processed using fully automated information flows that take into account unique individual identification, confirmation of membership of the system, contribution records and entitlements to benefits, benefit calculation and indexation, and benefit delivery.

With the wide and expanding use of ICT across all aspects of social security administration, and with national interconnected data bases containing significant volumes of personal data, ensuring the appropriate governance of data integrity, data authentication, access control and personal identification is essential to the realization of the national strategy.

A focus on the client as the starting point for the development of services and service delivery processes is also driving social innovation approaches that favour the co-design of public services by clients. Two examples from France illustrate this important development. The National Family Allowances Fund (*Caisse nationale des allocations familiales* – CNAF) has organized meetings between civil society and volunteers from among the Fund’s employees to look at issues concerning open data and to offer proposals for service improvements and innovations. In the Insurance Scheme for the Self-employed (*Régime social des indépendants* – RSI), the representatives of insured persons on the management board have developed a new service to reflect the specific needs of self-employed persons who risk losing coverage due to economic difficulties.

This trend to citizen-centred services, including a strengthened voice for clients in service provision, reflects wider changes in the roles of social security administrations and their relations with the public.

Continuing improvements elsewhere of the design and delivery of social security programmes, not least as regards internal processes and service quality, are without question necessary precursors for more efficient and effective citizen-centric social security benefits and services (e.g. “MyPension” in Belgium).

Current trends also witness greater coordination between government ministries, social programmes and tax systems (for instance, “France Connect” in France and the “tax shift” fiscal reform in Belgium), heightened interconnectivity of public agencies at national and regional level (e.g. German Federal Pension Insurance’s “rvDialog” software system) and with employers for contribution collection (e.g. Azerbaijan’s Governmental Intranet; in Spain, the new functions of the General Social Security Treasury), and gradual movement towards a life course model that sees social security systems as part of a national strategy of social investment to support choice and active, independent living across the life course (e.g. Sweden’s extension of parental leave or the proposal to pilot basic income in Finland).

The support provided by administrations to promote more active and independent living across the life course has multiple service objectives. It seeks not only to reduce the potential for so-called “welfare dependency”, by promoting suitable labour market activity for those with a capacity to work, but seeks to strengthen the adequacy of income security. Greater contributory effort deriving from economic activity strengthens the financial equilibrium and sustainability of contributory programmes and bolsters earnings-related benefit income. Higher levels of taxable earnings and of disposable income increase the government’s tax take, thus supporting budget financed social expenditures.

By supplementing benefit income from social insurance and social transfers with the greater potential for individual income from employment, often supported by a progressive negative income tax mechanism (Gottlieb, 2015), this affords the possibility to individuals to direct a portion of personal earnings to complementary insurances and savings products, further supporting the greater financial security of households.

Of course, many of these objectives of more adequate and higher quality services are dependent on people having access to “decent” employment. And here lies the paradox – and the challenge – for European social security administrations.

If currently low levels of employment creation are not improved upon and sustained, then the potential improvements in well-being, which are expected to be achieved, in no small part through the efficiency and effectiveness gains of social security administrations and programmes (Box 2.4), may not be fully realized.

Box 2.4. Social security administration in the United Kingdom: Challenges and opportunities

Social security administrations are confronted with challenges imposed by fiscal constraint. In the United Kingdom, as in many countries, there has been a push to reduce the size of the national civil service and to reduce administration costs through efficiency gains and reforms. Large government departments are particularly affected, including the Department for Work and Pensions (DWP). This realignment of the United Kingdom civil service coincides with the strategic rolling out of digital online government services, which for the DWP and others has the important double objective to improve service quality and create financial savings (Freeguard et al., 2015).

There are continuing efforts to improve the administrative effectiveness and efficiency of Europe's social security programmes, to do the "right things well", such as France's "*Emploi Store*", offering a unique digital service point for multiple labour market services, whose design called on the previous experiences of client-centred online social security service delivery in the Netherlands and Sweden. However, the fiscal consolidation that is impacting on some public budgets, including social policy budgets, creates a potential reputational risk for social security administrations.

Although social spending as a proportion of public spending has generally remained high and stable in recent years, social expenditure has fallen in some countries. OECD data shows that social spending as a percentage of GDP has declined since the height of the recent recession in Estonia, Germany, Greece, Hungary, Iceland, Ireland and the United Kingdom (OECD, 2014).

Conclusion

The commitment of social security administrations in Europe to continue to work towards, what the ISSA refers to as "excellence" in administration responds to the constant need to innovate and develop good practices that are tailored to the specific and varying challenges facing social security systems and covered populations.

With the developing support of practical tools provided through the ISSA Centre for Excellence, such as the ISSA Guidelines for Social Security Administration, the effectiveness and efficiency of resource management and the general capacities of social security administrations to deliver benefits and services can be expected to improve further.

Enhancing the positive social and economic impacts of social security systems in Europe

In common with countries in other regions, the countries of the ISSA's region of Europe are confronted with a number of important economic, social, labour market, health, geopolitical, demographic and public finance challenges. For Europe and for the countries of the European Union (EU) most particularly, there is comparatively greater access to data to facilitate analysis of challenges than is often the case for other regions. Such data and analysis is often produced as part of a strategic process of monitoring the performance of social policies. Comparative study reveals that despite common challenges, social security systems remain a national policy responsibility and consequently differing approaches are being taken to address the challenge of recalibrating public policy objectives in accordance with significant and long-term changes as regards resources and needs. These elements, which act to define the characteristic national features of what may be referred to as European welfare states, influence the manner in which different national social security systems in the region of Europe engender social and economic development.

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Notwithstanding the comparatively greater availability of data and analysis in Europe, a first key challenge in assessing the positive social and economic impacts of social policies is the lack of precise measures of these. A second is the difficulty of isolating the impact of one variable (social security programmes) on trends in poverty and inequality, labour markets and economic growth, for example, when a number of other variables (i.e. tax systems, public policies including health and education, and geopolitical flux) are also influential. Regardless, it is undisputed that social security systems do have positive social and economic impacts for individuals, families, communities and societies. To cite but a few examples, social security systems:

- Alleviate poverty by providing a basic protection floor.
- Provide income replacement in times of unemployment or inactivity, often in a counter-cyclical manner, to support the daily household consumption of goods and services, thus supporting local and national economic activity and employment.
- Facilitate the return to active employment/work through subsidies and cash benefits and rehabilitative health care, thus increasing the activity rate and reducing the risk of longer-term use of benefits and increasing programmes' contribution income and tax revenue.

- Support employers and workers, through subsidies and cash benefits and services, and investment in human capital, thus increasing opportunities, preventing unemployment, reducing (re)training costs, supporting job matching, facilitating structural economic transitions, and supporting “market confidence”.
- Support families with younger children through cash benefits and services, offering a better start in life in early childhood development, and promote gender equality and improved work-life balance for women and men alike.
- Provide preventive, curative and rehabilitative health care which supports the health status of the population, the employability of the working-age population, and the more effective uses of health expenditures.
- Offer an adaptable infrastructure, which is often inclusive of the social partners, for the administration and delivery of protective, proactive and preventive social and economic interventions that support human capital development and well-being across the life course, not least to facilitate increased employability and active living at all ages.
- Enable, through the build-up of social security programme financial contributions and reserves, access to funds for investments in infrastructure, subsidized housing and social services and other public goods. The investment of social security funds also supports the development of national financial services and markets, including investment strategies and products geared to Socially Responsible Investment.
- Contribute to societal stability by providing insurance against risk and redistributing wealth across and among population cohorts.

Most or all of such positive outcomes apply most readily to richer, developed economies with higher public social spending-to-GDP ratios and comprehensive social security systems. However, the evidence of the roles played by social security systems in Europe since 2008, and especially so in the initial years of the financial and economic crisis, suggests that the positive relationship between levels of public social expenditure and the attainment of immediate and longer-term social security system policy outcomes is more nuanced.

It is understood that social security systems have important roles to play in times of economic growth as they do in times of downturn.² Nevertheless, it is often only in times of crisis that this fact is fully acknowledged. This myopic tendency can be problematic. A lesson re-learned in the recent period is that those national economies that have comprehensive social

2. In times of economic slowdown, higher levels of social expenditure-GDP ratios can be, in part, a statistical artefact: as expenditure, for example, on unemployment and health care rises, this coincides with a decline in the rate of economic growth.

security systems that are supportive of employment maintenance and growth already in place are better able to implement effective and lasting crisis responses to cushion the negative social and economic impacts of economic recessions. In other words, the increase in spending on social security interventions, including benefits to workers and subsidies to employers, that is necessary in times of economic downturn is likely to be more effective in terms of preventing and alleviating hardship and proactively supporting economic recovery in the long run when such expansion builds on an existing comprehensive infrastructure of coherently integrated social security institutions, administrations and programmes.

Incontrovertibly, it is the development and sustainable expansion of the social security system in “good times”, in periods of economic growth, which permits effective and agile protective, proactive and preventive interventions in response to individual and covariate shocks, especially in periods of economic crisis.

Trends and challenges facing Europe

A number of key and interconnected challenges face European societies, the possible responses to all of which are touched upon, to one degree or another, by public finance constraints.

The crisis period immediately after 2008 witnessed engaged responses of social security systems, resulting in increases in public social expenditures in Europe (see ISSA, 2013a). Since then, however, as a policy response to continuing weak economic recovery, European governments have prioritized the consolidation of public finances. In practical terms, this has led to relative and, in some countries, even absolute reductions in public budgets, including for social security programmes, sometimes with negative impacts for those depending on social benefits.

Important among other challenges are demographic trends, employment and labour market trends, epidemiological trends, and growing levels of poverty and inequality. Albeit that the room for manoeuvre may vary from country to country, social security systems play an important role for societal strategies to address these. As such, expenditure on social security is an important investment, rather than a cost.

Demographic trends and challenges

In 2016, the population of the region of Europe is over 740 million, which represents around 10 per cent of the world population of close to 7.4 billion. Europe’s population is the most advanced on the path to ageing with a median age of 42 and 24 per cent of the population aged 60+. Moreover, 28 per cent of the current global population aged 80+ is

European, albeit that this percentage will decline as other more populous regions begin to age more rapidly. As discussed in Chapter 1, ageing European society is placing pension and health care provisions especially under increasing pressure, leading countries to seek reforms, while the growing demand for long-term care provisions represent a relatively underdeveloped social security policy area in Europe.

In the coming three decades a number of European countries will see their populations decline by more than 15 per cent, including Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Latvia, Lithuania, Republic of Moldova, Romania, Serbia and Ukraine. A key factor is the fertility rate, which in all European countries is below the full replacement rate of around 2.1 children per woman (ESA, 2015). Russia is one country that is encouraging higher fertility rates through public policy measures, including providing financial assistance (Maternity Capital Programme; this flagship programme was due to end in 2016, but has been extended until 2018) to mothers of at least two children. Positively, as part of a holistic approach aimed at improving social protection in various areas, including maternity, pension security, housing and education, Russia has registered a small natural increase in population over the last three years.

One argument in favour of supporting higher levels of migration into Europe is that this will help compensate for the expected loss of population due to low fertility (and, in some countries, also emigration), thus contributing to strengthened labour market activity and tackling labour shortages in certain sectors of the economy. However, the United Nations suggests that current rates of international migration into Europe will be insufficient for the population to remain stable: by 2050, with deaths exceeding births by a projected 63 million, and net international migrants projected at 31 million, Europe's population will fall by a projected 32 million (ESA, 2015).

The short-term cost implication of meeting the social protection needs of significant numbers of Syrian and other refugees settling in a number of European countries is a further issue for social security and health care systems. The German Federal Pension Insurance (*Deutsche Rentenversicherung Bund*) is an important example: in spite of being a contributory social insurance fund, it has been tasked by the Federal government to contribute to meeting the needs of new refugees. Additionally, Germany is also making available health care, prevention and long-term care services.

The longer-term impacts of Germany's responses to these current challenges, and the manner in which this extension of mandate for social policy agencies will be financed, will be instructive for other European countries in the months and years ahead. Increasingly,

debates in Europe are being framed by equity considerations, including the use of asset tests to access social assistance. However, in some countries, a tougher political stance on providing social security rights to non-nationals is being voiced.

Regardless of the scale of current migrant and, also, refugee flows towards the European region and the underlying geopolitical and economic issues driving these, current migration trends into Europe highlight the growing need for social security agreements, to protect and render portable the accrued social security rights of workers and their dependants. This is relevant equally for migrant-sending countries from outside of Europe as it is for European countries that are not members of the European Union or the European Economic Area. In a similar vein, the further development and strengthening of social security agreements among countries of Eastern Europe and Central Asia is important. A related challenge for all European countries, of course, is that the movement of workers requires the availability of suitable jobs that coincide with workers' skills, competencies and ambitions.

Employment and labour market trends and challenges

The Eurozone countries emerged from the economic recession in early 2013 (ILO, 2014b). Despite this, the economies of Europe generally continue to make only slow recovery and unemployment levels remain high: around 5 per cent of the EU workforce (12 million people) has been unemployed for longer than a year (EC, 2015). Greece remains the country with the highest unemployment rate, at around 25 per cent. Significantly, the International Labour Office notes that younger workers (aged 25–34) have suffered more in terms of job losses than other groups (i.e. youth (aged 15–24) and older workers). Youth unemployment in those countries most affected by the crisis remains at unprecedented high levels: 51.8 per cent in Greece and 48.6 per cent in Spain (EurActiv, 2015). These figures underline that although job loss has stabilized, generally there is yet to be a significant upturn in job creation and hiring in European labour markets (ILO, 2014b). Of particular concern are the longer-term societal and social security implications, especially the future acquisition of full contributory pension rights, resulting from the extended exclusion from decent jobs of significant numbers of youth and younger workers.

There are other major challenges facing European labour markets that social security systems can more readily help to address, including: the rise in long-term unemployment and mismatches between workers' skills and employers' demands, which signal an important need for early-intervention measures, (re)training and education across the life course; a rise in in-work poverty levels, suggesting the need to more effectively coordinate national cash benefits, negative income tax instruments and the structure of tax systems (Gottlieb,

2015); and an ageing workforce that holds the potential to offer employers valuable social attributes and professional skill sets, but which are often under-utilized, underlining the need to better develop age-diverse workplaces, not least in the service sector.

As a response to ageing workforces, the advancement of a life-course approach to professional activity, active and healthier living, lifelong learning and social security protection, including greater flexibility in retirement policy, offers a possible integrated solution. For younger generations, efforts that reconcile family life and work are equally important in this regard. Greater investment in services and benefits that support children, parents and guardians are being prioritized in a number of countries, including Austria, Ireland, Sweden and the United Kingdom (Box 3.1).

Among European welfare states, policies influenced by a life-course approach remain to be more fully developed. Such policies, which seek positively to create and facilitate opportunities and to fully realize human potential, rather than to focus on people's relative incapacities, equally seek to shape attitudes and programme design with regard to those with disabilities. This is most clearly seen, for example, in the cases of the Netherlands, Sweden, Switzerland and the United Kingdom where people with disabilities but with a residual capacity to work are encouraged to return to suitable economic activity (OECD, 2015, p. 40).

The development of new technologies and materials and changing patterns of production and work, which when taken together are sometimes accorded the epithet of “industrial revolution 4.0”, are likely to present new opportunities as well as risks for employers, employees and social security systems. One projected outcome for European economies is thought to be the greater potential to improve health and safety at work, leading to a reduction in work-related accidents and diseases. Notably, as regards occupational accidents and fatal injuries, these are already on a downwards trend, not least as a result of an increased attention to prevention measures and the resulting higher frequency of health and safety risk assessments in the workplace.

Box 3.1. *Sweden: Trend setter in gender equality*

In 2016, Sweden extended its ground breaking take-it-or-leave-it “daddy quota” (parental leave for fathers) from a minimum of 60 to a minimum of 90 days' leave. The aim of this recent change to the policy first introduced in 1974 is to further strengthen gender equity in child care roles through enabling more women to remain in the workplace by proactively encouraging men to take leave periods. This approach is sometimes referred to as building equality of rights for women at work and building equality of rights for men at home.

Epidemiological trends and challenges

Epidemiological trends in the region of Europe show a fall in premature mortality from cardiovascular diseases, cancer, diabetes and chronic respiratory diseases. According to the World Health Organization (WHO), however, the negative health effects of immoderate alcohol consumption, tobacco use and obesity remain serious challenges (WHO, 2015). Based on the life-course approach to social security, there is clearly scope for a greater role for preventive interventions and education, orchestrated through social security and health agencies, to tackle non-communicable diseases (NCD), including mental health disorders and psychosocial risks, and other health challenges linked to lifestyle choices in European societies. Currently, chronic diseases are responsible for close to 90 per cent of all deaths in Europe and they typically consume over 70 per cent of health care budgets. In ageing Europe, with the vast majority of persons aged 65+ affected by chronic ailments, the financial sustainability of health systems may become a major concern.

Faced with such a concern, lessons from behavioural economics may offer insights to social security policy-makers and administrations on how to design incentives to encourage a cultural shift in favour of healthier living – a shift being actively fostered, for example, by the *ISSA Guidelines on Workplace Health Promotion*. A main barrier, however, will remain the externalities, such as affordable access to a healthier diet or opportunities for more physical activity, which social security administrations cannot address alone and which will require strategic society-wide responses.

The rising cost of health care generally is a challenge common to all countries. In the face of the multiple pressures associated with rising medical costs – linked to, for instance, new technologies and pharmaceuticals; the economic downturn, which has increased demand for health services but reduced tax receipts (public health budgets declined slightly in many countries between 2007 and 2012) and the impact of unemployment on the ability to pay social health insurance contributions and user fees; and population ageing, which increases the need for acute and long-term care – the question of how best to sustainably and adequately finance health care systems and strategically develop the health-sector workforce has risen high on the agenda.

As one response, the WHO report that countries are increasingly calling upon tax revenue to supplement contributions-financed coverage to better ensure access to adequate health care and positive health outcomes. The challenge regarding all of the above is whether a proportionately higher use of tax revenue in a period of fiscal constraint can ensure the effective delivery of quality health care for all and be financially equitable for all population groups.

Poverty and inequality

The observed growing levels of poverty and inequality in many European countries (OECD, 2015, pp. 24–25) are worrying. Estimates suggest that in European Union countries over 120 million people, representing nearly a quarter of the total population, “are at risk of poverty or social exclusion”.³ This helps to explain the importance of one of the headline targets of the EU’s “Europe 2020” strategy: to lift 20 million people out of the risk of poverty and social exclusion. Eurostat data also points to a risk of poverty after social transfers, which affects 17.2 per cent of the EU-28 population. However, these data mask a wide variation between countries, national poverty thresholds and affected population groups. Looking beyond the immediate human welfare dimension of these figures, there is growing apprehension that the design and adequacy of many contemporary European “welfare states”, including the manner in which current levels of redistribution are achieved through wage levels, public benefits and services and the structure of tax systems, may not be effective for a part of the population.

As the OECD (2015) report, a major factor in the rise of inequality and poverty stems from policy choices. Regardless of the effectiveness of social security administrations, and the initial “crises responses” of governments, the current climate of fiscal consolidation in many countries has weakened redistribution through the tax system and benefits and services. This reduction in redistribution, including through unemployment benefits, education and investment (OECD, 2015, p. 24), adds to the losses in household income that have occurred, most often as a result of job losses, since the end of 2007.

In spite of a greater acknowledgement of the positive potential of universal social security systems to support inclusive and more equitable social and economic development, increasing policy emphasis in many European countries is being placed on a more targeted poverty alleviation role, to direct resources to those deemed to need these most. While the objective is one of making better use of tax payers “money” and of government’s limited resources, the possible residualization of the welfare state – which not only encourages and, in certain policy areas such as pensions and health care, facilitates those with higher incomes (the middle classes) to opt for private benefits and services – risks weakening the social contract and thus the collective values of risk sharing, redistribution and solidarity. Swedish research based on European data suggests that greater targeting of cash benefits on low-income groups is not effective in reducing inequalities, a counter-intuitive observation referred to as the “paradox of redistribution” (Korpi and Palme, 2008). Social investment for all is one part of the needed response.

3. See Eurostat data <ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion>.

Any weakening of the social contract would impact negatively on perceptions of social cohesion and stability – objectives which inclusive social security systems are supposed to help realize. An additional concern is that this comes at a time when social cohesion and stability are already less firmly anchored in many European societies.

Therefore, an important communication role to be played by European social security administrations must be one of offering more vocal support to comprehensive social security systems that seek to retain universal core values and be inclusive, including, very importantly, the middle classes. OECD research shows, for example, that the design of child care systems that contribute most to poverty reduction are universal, with fees tapered according to household income and structure (OECD, 2015, p. 46).

The life-course model

The countries of Europe are generally considered to be among the world's leaders in the design and administration of social security systems, seeking innovative ways to ensure sustainable and effective administrations and programmes offering citizen-centric tailored benefits and services. However, the practical reality in Europe is more complex.

Current thinking underlines the importance of developing life-course models of social security protection which better make use of, and better balance, protective, proactive and preventive measures. Commonly, however, social security systems typically remain characterized by the dominance of reactive, income-replacement protective measures. The guidance provided in 2013 by the European Commission on the “Social Investment Package”, urging Member States to better promote the coherent linking of education, quality child care, health care, training, support for jobseekers and rehabilitation, should help further promote life-course models (Frazer et al., 2014).

This “package” should recognize also the necessary wider roles of occupational safety and health (OSH) interventions in investing in health, protecting the well-being of workers (Box 3.2) and in raising prevention awareness about the work-related and non-work related determinants of injuries. Finland is correctly seen as a pioneer in this regard. In Turkey, a pilot project has seen basic occupational health care activities incorporated in primary and community health care services.

Broader initiatives being pushed forward by the International Commission of Occupational Health and the European Network on Workplace Health Promotion, among others, suggest a growing trend in holistic approaches. The *ISSA Guidelines on Prevention of Occupational*

Box 3.2. OSH to support pension system financial sustainability

In Russia, a holistic approach to improving workers' safety and health and protecting the financial sustainability of the old-age pension system includes limiting the types of work that grant workers with access to early retirement while also increasing employers' contributions for workers who are legally entitled to early retirement, owing to their employment in conditions of work categorized as harmful or dangerous. The expectation is that higher contributions will incentivise employers to improve working conditions and reduce the number of workers that are legally entitled to early retirement, which will have a positive impact on activity rates and social security contribution income.

Risks, the *ISSA Guidelines on Workplace Health Promotion* and the *ISSA Guidelines on Return to Work and Reintegration* equally are playing a role in such person-centred holistic approaches to work and health.

A number of countries, principally in northern Europe, have moved further in advancing life-course models of social security protection. Interestingly, that more countries have not made more comprehensive moves in the same direction may be explained in part by an assessment of public opinion trends – the expressed needs of insured populations often remain centred on the role of income replacement in the event of “traditional” risk contingencies, such as unemployment and old age (Diamond and Lodge, 2014).

Moreover, the fiscal consolidation that has characterized government policy in many European countries in the recent period is a double-edge sword for life-course approaches focusing on social investment. Proactive and preventive measures seek to forward the goals of empowerment, rehabilitation and employability (including for older workers and for people with an assessed disability but a residual capacity for work) and are viewed positively as ways of preventing or reducing future costs and promoting independent living and economic activity. But these are not typically areas within which all social security administrations have wider experience and to achieve this will require additional or new dedicated investments and administrative reform packages sourced from already stressed public budgets. How to reconcile these two opposing forces remains a challenge.

In this respect, a study undertaken by SUVA in Switzerland has added weight to arguments in favour of such interventions. The SUVA study reveals that early intervention, underpinned by support from occupational health specialists, aids successfully vocational rehabilitation for incapacitated workers and realizes significant cost savings: successful reintegration two years after inpatient treatment corresponds to a very significant net benefit saving, measured as a cost-benefit ratio of 1:15.5. In turn, an updated study undertaken by the French Professional Agency for Risk Prevention in Building and Civil Engineering

(OPPBTTP) has re-asserted the increasingly understood fact that preventive measures are also good for enterprises, with a reported cost-benefit ratio of 1:2.2. This figure confirms the seminal findings of the ISSA's report: *Calculating the international return on prevention for companies* (2013b), a result that feeds positively into the objective of the EU-wide initiative on workplace accident reduction.

Policy outlook for social and economic outcomes

An important reform driver is the challenge of recalibrating public policy objectives in accordance with significant and long-term changes as regards resources and needs. As stated, social security systems in the region of Europe are, in international terms, comprehensive and generous and well governed and administered (see Chapter 2). However, they are also under pressure to respond to the evolving socio-economic reality. Although the fundamental structures of most national systems remain intact, the parameters of many benefits programmes are changing. In some countries of Central and Eastern Europe, pension system reforms have led to more profound changes with the introduction of private individual savings accounts. Hungary and Poland, however, are two examples where privatization has recently been reversed in full or in part.

Such recalibration or “re-reform” of pension schemes in Central and Eastern Europe has drawn attention to the stated social and economic objectives of market-oriented pension reforms – ostensibly, to improve the adequacy of benefits and the financial sustainability of programmes, to increase national savings rates, and to promote financial sectors and economic development (Altiparmakov, 2015). More recently, in 2014 Armenia introduced a mandatory individual account pension pillar; however its introduction has been suspended by a Constitutional court decision until 2017. The stated aims of the Armenian pension reform mirror those that heralded earlier reforms in the region, including in those countries which have since reversed their reform.

More generally, a number of comments can be made about current recalibration trends. Greater emphasis is being placed on the targeting of benefits and services on those identified as the most in need, while tax-financed provision is becoming relatively more important, including to subsidize contributory programmes. There is a tightening of the link between the value of contributions paid and cash benefits received, yet benefit rights accrued under many contributory programmes are becoming less generous. In parallel, also visible is the increasing engagement of social security systems in supporting greater individual capacity and empowerment. Not least, this is seen through the wider use of proactive and preventive measures to create greater socio-economic opportunities that facilitate individual autonomy by engendering greater individual responsibility. However,

this may lead to less emphasis being placed on the social goals of universality and adequate income protection. In all these trends, therefore, there are sources of tension that must be tackled.

Conclusion

The ISSA strategic concept of Dynamic Social Security promotes the vision of realizing improvements in social security through excellence in social security administration. Based in large part on the important evidence of European history, this strategic vision targets the higher-level goal of contributing to socially inclusive and economically productive societies. Given that the evidence of the development of social security in Europe was one inspiration behind the development of the concept of Dynamic Social Security, Europe is now confronted with two challenges. One is how to ensure the future financial adequacy of many of its social security programmes. The other is how to better ensure that protective, proactive and preventive measures are utilized effectively both in support of inclusive and more equitable economic growth and to meet the social needs of populations across the life course.

To push this agenda forward further, there is a strong case to be made for social security administrations to actively support, in accordance with their mandates, social security policy measures that contribute coherently to enhancing social and economic outcomes. Practical tools in this regard, which also promote the building of trust and confidence in social security systems, are the ISSA Guidelines for Social Security Administration.

To conclude this chapter, without doubt the developments and trends in social security in Europe paint a complex picture. The evidence of this chapter shows that policy-makers and social security administrations are confronted with, and have to make sense of, a number of important dichotomies as regards:

- Economic recession and fiscal restraint, which may negatively influence the realization of social security systems' positive social and economic goals, but may equally act to constrain the financial adequacy of, and access to, in-work benefits, which are required most in times of economic downturn.
- Uncertainty as concerns the health of the global economy, for instance, but certainty regarding patterns of demographic ageing.
- The need to respond to shorter-term as well as longer-term policy challenges, while some short-term issues have become more protracted, for instance, youth unemployment.

- Evidence of continuity in social security programmes, but also changes in the objectives that such programmes are meant to help achieve; for instance, activation and unemployment and disability insurance.
- Recent trends in old-age pension reform: some countries have opted for structural reform, while others opt for parametric adaptation.
- The “re-reform” and, sometimes, the re-nationalization of structural “privatized” pension reforms in some countries, while other countries move to bolster the role in pensions of the private sector.
- Continuing popular demand for reactive cash benefits to better ensure immediate income security, which runs counter to growing political demands for more proactive policies, not least preventive interventions involving behavioural changes among covered populations across the life course.

Set against these selected multiple factors as well as others, for social security systems in Europe to contribute actively to enhanced positive social and economic outcomes, social security policy goals cannot be pursued in isolation: they must be promoted strategically alongside a broad range of coherently applied policy actions – social policy, health, education, macroeconomic, labour market, etc. As a final comment, a coherent and integrated policy approach best guarantees success when guided by sustained political will, adroit leadership and well-timed interventions and implemented through effective and efficient administrations.

To this end, the continuing work of the ISSA’s Centre for Excellence as well as the practical adoption and application by ISSA member organizations of a broad and widening array of ISSA Guidelines for Social Security Administration augers well for the future.

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