

Social Security Quo Vadis?

*Interviews with social security administration CEOs
in 15 Western European countries*

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Foreward – Quo Vadis?

On behalf of the IBM Global Social Segment, I am pleased to publish this report, “Social Security, Quo Vadis,” by Professor Danny Pieters and Professor Paul Schoukens.

Quo vadis is a Latin phrase meaning “Where are you going?” It should come as no surprise that Pieters and Schoukens ask a fundamental question of social security administrators, “Where is social security going in the 21st century?” To answer this question, the authors identified a series of trends that emerged out of interviews with some 70 CEOs of social security administrations in 15 Western European countries, viz., Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Spain, Sweden, and the United Kingdom, all EU member states before the recent rounds of enlargement, except Greece. Norway, a member of the European Economic Area, was also included.

Pieters and Schoukens identified 12 areas for detailed investigation:

- i) The fundamental faith in social security
- ii) The interaction with democracy
- iii) The need for security and reform
- iv) The need for more interaction and more joined-up working
- v) Intergenerational solidarity
- vi) Working without social protection
- vii) The impact of migration
- viii) The activation policy
- ix) The question marks relating to financing and privatization
- x) The need to manage a growing number of complaints
- xi) The need for internal restructuring of social security administrations
- xii) National social security in a larger world

Pieters and Schoukens presented their findings at IBM's International Social Security Forum held in Rome in October 2006. IBM is publishing the full report to facilitate the debate on the future of social security within the global social sector community.

Publishing this report continues a series of initiatives in which IBM has collaborated with the European Institute of Social Security (EISS). These initiatives include a Master Program for Social Security, three extensive surveys of the evolving use of the Internet by European social security organizations, a report into the relationship between taxation and social security in selected European countries and an annual Social Security Academy to continually update IBM professionals on social policy trends and directions. IBM and the EISS plan to continue their collaboration in the area of social services and social security thought leadership. We trust that this report will provide new and valuable information and insights to public executives around the world who are engaged in improving and transforming the delivery of social services and social security to their citizens.

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Highlights

This report presents results of interviews with 70 social security administration CEOs from 15 Western European countries who were asked about their personal views concerning the future of social security.

Introduction

This report presents the trends that emerged out of interviews with some seventy CEOs of social security administrations¹ in 15 Western European countries, viz. Austria (AUT), Belgium (BEL), Denmark (DEN), Finland (FIN), France (FRA), Germany (GER), Ireland (IRL), Italy (ITA), Luxemburg (LUX), the Netherlands (NED), Norway (NOR), Portugal (POR), Spain (ESP), Sweden (SWE), and the United Kingdom (GBR). This means that all EU member states before the last enlargement were involved, except Greece. Norway, a member of the European Economic Area, was included as well.

The interviews took place between May 2005 and June 2006; interviewers were Prof. dr. Paul Schoukens* and Prof. dr. Danny Pieters, both of the University of Leuven. The names of the CEOs who were interviewed can be found in Annex 1. It was agreed, however, to keep the contents of the views expressed by each of the interviewees confidential. When a country is mentioned in the text, that does not imply that all or most interviewees agree with the statement, but merely that one of the interviewees from that country expressed him/herself in this way. The interviews lasted in average about one and a half hour.

Each CEO was asked about his/her personal views about the future of social security in the short and middle long term (next 3 years/ next 12 years). The uniform format according to which the interviews were carried out can be found in Annex 2.

¹ Exceptionally, we also interviewed heads of research groups working for social security administrations or having an overall view on social security. When we did so, it was on instigation of CEOs in that country.

* For the interviews in Luxemburg, Paul Schoukens was replaced by Bernhard Zaglmayer, also working at the University of Leuven.

It may be important to stress from the start that the present report only tries to summarize the main statements and opinions expressed by CEOs. It is not a study of all the topics mentioned, nor does it give a positive or negative evaluation of the opinions and statements that were expressed. However, we believe that the exercise is, nevertheless, very meaningful, as it reflects thoughts of the very privileged witnesses of social security: the CEOs of social security administrations.

In the report's final remarks, we shall highlight those elements that, in our opinion, should deserve further follow-up, taking into account that the selected items may not have been given sufficient attention in research or policy development recently. Thus, the report should help social security research institutes, especially our European Institute of Social Security and the Research Unit Europe and Social Security, to develop a program of research activities addressing not yesterday's or today's problems, but those felt to become (more) important in the future.

Some general outcomes of the interviews

The interviewers insisted upon getting the personal views of the interviewed CEOs. However, in a number of cases, CEOs referred to official positions taken by their institutions. This might be explained by the fact that their personal opinion and the statements issued by the institutions they work for coincide.

We could also realize that most of the interviewees refrained from making statements about social security sectors they are not in charge of, concentrating on the future of those social security areas for which they bear responsibility.

Another finding was that, although the interviewers always made a distinction between the short run (four years) and the middle-long term (twelve years), most interviewed did not make such a distinction when expressing their views on “the future.” Some CEOs preferred to make “forecasts” on the future, rather than to express a personal vision on how social security could or should evolve.

We have tried to classify the main results of the interviews under some six headings which partially relate to the way the interviews were formatted:

1. Determining factors
2. Covered population and granted benefits
3. Financing of social security
4. Administration
5. Foreign and international influences
6. “The message” of the CEO



Highlights

The demographic issue encompasses the growing number of elderly (prolongation of life expectancy) and the shrinking numbers of children born (de-nativity).

1 Determining factors

In this chapter, we include all kinds of factors that, according to the interviewees, may influence the future of social security. We include both life and societal factors and determining legal, political and ideological factors.

1.1 Demographic problems

1.1.1 Less green, more grey

In all countries, the demographic issue was mentioned as being important. The demographic issue encompassed, in the first place, the growing number of the elderly (prolongation of life expectancy) and the shrinking numbers of children born (de-nativity). In other words: less and less green, more and more grey!

Yet the importance of the demographic challenge differed between the various countries: some countries were hit more and sooner than other. In some countries, the feeling prevails that the necessary measures have already been taken, whereas this is not the case in others.

It appeared that the demographic data and evolution were rather different in each country, so the issue itself and the related reform varied as well.

In certain countries, the demographic problems will evolve later than in most other countries, due to specific features (NOR, ESP, POR, IRL, LUX).

In Spain, e.g., the present situation is relatively good: there are not too many new pensioners as a consequence of the poor birth rates during civil war (1936- 1939). However, the demographic crisis will hit the country with full intensity within some five years from now. Yet it requires quite some effort to explain to the population that, although today budgetary reserves exist, the pension system will nevertheless have to be reformed drastically in order to safeguard its future. Moreover, the incorporation of new groups into social security after the fall of the dictatorship will create a supplementary burden in a few years (ESP).

Highlights

A majority of CEOs from the North of Europe estimated that the impact of population ageing on the pension system was mostly under control.

In Portugal, the demographic problems appear somewhat later than elsewhere. However, the Portuguese social protection system is younger and weaker than the systems in other European countries. The point of departure is different; the consequences of the demographic problems might hence be bigger. On the one hand, Portugal cannot decrease very much the level of protection – at least if it does not want to push too many people into poverty. On the other hand, Portugal is facing huge financial challenges to keep the system running as it is now. A CEO remembered, however, not to forget that, at the end of the day, ageing is a social problem with financial consequences and not a financial problem with social consequences (POR). In Spain as well, social protection has not kept pace with the quick economic development of last decades (ESP).

Also Ireland still has a favorable demographic situation. The population will remain rather young in the near future and economically the country is booming. Moreover, Ireland is currently attracting young immigrants. The worsening demographics will arise later than in the rest of Europe. Maybe the most worrying is the growing need for health care and care services (IRL).

A majority of CEOs from the North of Europe estimated that the impact of the ageing of the population upon the pension system was mostly already under control, as the necessary and comprehensive reforms of the pension system had been carried on during recent years (SWE, FIN and also GER and LUX).

Nonetheless, a number of them insisted on the finding that a series of small ad hoc adaptations of the existing pension system showed to be insufficient and that comprehensive reforms were the only adequate solution. At the same time, they stressed the importance to make the population understand the reforms (SWE, also AUT). Consequently, more comprehensive reforms were also often the product of a larger parliamentary initiative, associating the opposition; moreover, social partners were also implicated in the reform process (SWE, LUX).

Highlights

The demographic phenomenon of “less green, more grey” will challenge social security systems, especially in their health care and care schemes.

1.1.2 More need for care

When the demographic issue is raised, the old age pensions are referred to in the first place. Yet, an important number of CEOs insisted on a broader scope. Even when the pensions are under control, the demographic phenomenon of “less green, more grey” may challenge in an important way the social security systems, especially in their health care and care schemes.

The need to develop a substantial care or dependency insurance and/or care services was then mentioned (DEN, IRL, AUT), as well as special unemployment benefits for elderly unemployed people (pre-pension arrangements) (DEN).

Some countries will have to raise the number and quality of care services drastically (IRL). As for the health care system, the containment of the rising costs was mentioned (GER). One CEO linked this issue to the concern of the extremely bad health situation of young people. This will probably originate a growing number of diseases, leading the CEO to suggest that in the future health insurance will have to stimulate people to live more healthily (e.g., engaging in more sports, among other things) by providing rebates in the health premiums for those who live healthily (GER). Other CEOs expressed the opinion that not ageing as such is problematic, but rather keeping the elderly fit and coping culturally with their growing potential. One CEO invites to look positively at ageing: we should take into account that the elderly have a lot of (free) time that could be addressed in a much more useful way in our society than we do today. In doing so, we will keep the elderly better integrated in society (ITA).

Highlights

Although in all countries the demographic problem was recognized, some CEOs warned to keep “an open vision on the future,” one of them calling for prudence when dealing with studies trying to estimate the cost of the ageing population.

1.1.3 Open vision

Although in all countries the demographic problem was recognized as such, some CEOs warned to keep “an open vision on the future.” One of them calls for prudence when dealing with studies trying to estimate the cost of the ageing population. Often these studies use fixed parameters for their calculations, whereas reality is much more complex. The real impact of new phenomena like new diseases or the further growth of monoparental families is difficult to predict. Also, in the past, economists often turned out to be wrong with their predictions and doom scenarios about the social protection and especially the pensions (ESP, FRA).

Finally, the demographic problem may also present a diversified picture as it does not affect the whole country in the same way, but rather some regions or groups of the population. Some Nordic countries, e.g., are facing the additional problem of regional demographic distortions. The maintenance of a decent social infrastructure in the North is increasingly problematic. People are more and more moving south, especially to the southern cities and abandoning the northern parts of the countries. Consequently, guaranteeing equal treatment for all socially insured becomes problematic, e.g., for those living in isolated regions of the North. It implies an ever-growing interregional solidarity, which may be increasingly questioned in the future as people in the south will become second- or third-generation internal migrants and consequently lose the emotional bond with the region of their roots (FIN). Some initiatives are also taken to relocate certain administrative tasks of social security to the North (FIN, NOR).

In the Netherlands, we were confronted with a particular approach to the demographic issues in the broad sense that was very much living among the interviewed CEOs and that stresses the expected shortage of workforce. As in other countries, Dutch social security CEOs stated that the solution to the demographic challenge is economic growth, but they immediately linked it to the question: will there be enough workforces to maintain that economic growth?

Hence, the Dutch CEOs insist that in the future people will not only have to remain longer on the labor market, but even to develop a comprehensive new approach to social protection, viz., the life-cycle vision. In the latter, a differentiation is being made between the various life stages of people:

- 0-25y: the study period
- 25-45y: the experiment period
- 45-65y: rush hour
- 65-80y: stopping to work but still very active to play a role in society
- 80y and plus: guaranteeing the quality of the end of life

The benefits and services should be built around those different stages of life and hence should be different in their particular design. For each life stage, collective agreements (CLA) could be made: a CLA on employability, a CLA on care (for people working, whose children get ill e.g.), a CLA on elderly people, etc.

A last remark on demographic issues concerns the special arrangements for the social security of farmers. When such special schemes apply, the interviewees agreed that they would probably be increasingly state supported; it seemed an acceptable way to support the national farmers (FIN).

1.2 *Immigration*

One very important phenomenon, considered to be especially relevant for the nearby future of social security, constitutes the growth of migration, especially immigration into the European countries.

Some Nordic countries considered the possibility or even the need to tackle the demographic problem by allowing more immigration. At the same time, however, immigration was considered to be quite problematic from a political and cultural point of view: would it not alter (even more than is already the case) the desired homogeneity of the country (FIN, NOR)?

Highlights

Immigration should not be seen as a solution for the demographic problems because once immigrants are integrated they also refrain from having many children.

Similar voices were to be heard in the South, CEOs warning that immigration should not be seen as a solution for the demographic problems (ESP, POR). Once immigrants become integrated, they refrain from having many children as well. Moreover, the immigrants starting to work now will also retire within 20 to 25 years and hence will be part of the ageing problem (ESP, POR). Furthermore, immigrants, and especially regularized illegal ones, will often be entitled to benefits, whereas they did not contribute and pay taxes for an equivalent period as compared to other workers in average (ESP). Yet, some CEOs also stress that the process of immigration – both legal and illegal – will probably not stop. The population has to be informed that immigration is still likely to increase.

A specific problem constitutes the irregular immigrants. Large regularization campaigns pulled a considerable number of them out of the irregular circuit (ESP). Regularization operations may thus bring illegal workers “above water” and include them into social security, both as far as benefits and contributions are concerned (ESP, POR).

Furthermore, immigrants may have very diverse perspectives: some of them wanting to stay in the country and make a new life there, others having the ambition to return to their home countries (or to “move up” to other states). These different attitudes will create problems for the social security systems: how to answer these different aspirations (ESP)? One also warned for problems arising from an increased use of family reunification: family members coming over from abroad will also rely upon the social security system (ESP).

In Ireland, immigration is important but of a recent date. Policy makers still have not been able to set out the basic lines of the immigration social policy to be followed. Migration into Ireland has been growing tremendously in recent years, partially due to the booming economy. It is to be expected that within some years around 10% of the population will consist of immigrants, which is a rather new phenomenon for a country like Ireland, which has always been very homogenous. A multicultural society is something new for Ireland. The policies

to measure and deal with these new immigration issues are slowly starting up. The country is still exploring what would be the right number of immigrants and how they should be integrated in the best possible way. One of the key questions obviously is what Ireland will do with the immigrants when the Irish economy deteriorates (IRL)?

In Luxemburg, the experience with immigration is already considerable. The demographic situation in the country is seen as maybe less critical than in other EU countries, due to a migration flow of younger people from neighboring countries like France, Belgium or Germany. On the one hand, this migration covers the demand of entrepreneurs looking more and more for well-educated persons under the age of 30. On the other hand, more people are entitled to benefits in case a social risk occurs, which leads to increased expenses on the social budget. This is mostly the case in the field of sickness/health care and unemployment. The already well-established migration flows from Portugal would have led to some forms of “social tourism,” as Portuguese nationals migrate to Luxemburg, take up work for a short period, and then use their right to social benefit. A proportionally high percentage of unemployment benefit beneficiaries are Portuguese nationals (LUX).

In Austria, the importance of a better integration policy was mentioned in the context of the issue of illegal immigration (AUT).

Highlights

There are fundamental changes in the family – how to deal with newly constituted families, successive partners, children placed in families, co-parenthood, etc.

1.3 Changed family patterns

CEOs of various countries drew the attention to the fundamental societal changes related to family life and their impact on social security. How is social security in the future to deal with newly constituted families, successive partners, children placed in families, co-parenthood, etc. (GBR, IRL, BEL, LUX)?

The entry of women on the labor market certainly constitutes another factor of importance for the future of social security (ESP, FRA, POR, AUT).

In order to allow women to take their place on the labor market, especially the Latin countries of Europe stressed the importance of taking measures to reconcile work and family life. If something has to be done about the very bad evolution of the birth rate, this is a top priority. Policies need to be developed that allow both partners to work and have a real family life, allowing the raising of children (ESP, FRA, POR). These policies should avoid having any discriminatory effect: women must not be pushed back in the role of caring housemother (ESP). This may lead to an increased need of day care facilities (POR). Moreover, the number of mono-parental families will steadily grow, causing specific and even more complicated problems regarding the combination of work and the raising of children (ESP).

Yet, a number of women have not been professionally active – this was unusual in former times – and they made their choice for family life more than twenty years ago (ESP). Especially among migrants, women are (again) rather inclined to stay at home to raise the children (ESP).

Highlights

CEOs say that national economies will have an impact on the future of social security much more than demographic trends.

1.4 Unemployment and the overall economic situation

Some CEOs insisted that the demographic trends as such were not so much alarming, the real crucial issues laying somewhere else.

In this way, many CEOs expressed the view that much more than the demographic trends, the evolution of the national economy will have an impact upon the future of social security (FIN, SWE GER, NED, ESP, FRA, POR, AUT).

The way in which they see the situation differs, though. Some considered pension reform to require a minimal economic growth (FIN, GER, NED); others were of the opinion that even in case of a bad economic evolution, the pensions would theoretically be sustainable, as they would follow the downward trend of the economy. They agreed however that in such a case, the question was not so much the financial and technical sustainability, but rather whether the population would accept a negative growth of the pension amounts (SWE).

Some calculated that in order to keep the social security system sustainable, an economic growth of at least 3% a year is needed (FRA). It remains questionable, however, whether such a steady growth will continue the coming years and decades. If not, more reforms of the social security system, and especially the pension system, will be necessary. In order to avoid the public resistance that is very likely to emerge against such reforms, it is essential to explain the need for change in a broadly understandable language (FRA).

Some of the CEOs emphasize that the overall economic situation is more determining for the unemployment figures than voluntaristic measures to curb unemployment. Some CEOs find that both the social security systems themselves and the people protected by them need to realize that the labor market has fundamentally changed: one cannot expect to make one's whole career only in one, or few, full-time jobs. Small and temporary jobs are a reality that is better to be taken into account (AUT, GER). As we mentioned earlier, in the Netherlands the possibility to find enough workforce is considered to be the economic success factor par excellence (NED).

Where slow economic development and unemployment go hand in hand, it is obvious that the social security system will be in danger. Therefore, it is important to activate as many people as possible (FRA, POR, AUT). The combat against unemployment can, moreover, not be separated from the fight against poverty. Some are worried over the structural hard core of unemployed people which seems to exist (SWE). Not all people however can easily be reactivated (invalid or handicapped people, women having children at their charge, etc.). In the opinion of some CEOs, the activation policy should focus on the following groups:

- Women, so that they can combine their professional activities with their having and raising children (FRA, NED, ESP)
- Young people, since too many of them do not gain access to the labor market (LUX)
- The younger elderly, in order to keep them longer at work (FRA, also POR)

The attention of other interviewees focused on the hidden unemployment and the need to activate much more the work incapacity and invalidity schemes (SWE, GER). Also the continuing structural mismatch between offer and demand on the labor market is raising concern. This mismatch is linked to inadequate education (too many people with low education or too many with university degrees) (FIN, LUX), to insufficient geographic mobility (regions

with high unemployment and regions where vacancies cannot be filled) (FIN), to the difference between in-work and out-of-work incomes being too small (FIN, SWE), as well as to a decline in work ethics (especially autochthonous people who no longer are prepared to take up certain jobs) (SWE). Also the cultural resistance to (female) employment in certain groups of immigrants is mentioned as a major problem (SWE, DEN, NOR, NED). Targeted schemes may be useful: learning the language and providing adapted and qualitative education can be mentioned here. It may result in a high degree of participation to the labor market by groups usually underrepresented on the labor market, such as Islamic women (NOR, DEN). Yet, targeting may also mean creating special social security schemes or arrangements that focus on those groups not accepting the work ethic values of their host country, as was the case with a special assistance benefit for persons (women) not wanting to enter the labor market (this “scarf-benefit” being lower than the usual social assistance) or measures against accumulation of family allowances for more than two children (DEN).

Other CEOs stressed the important changes in the possibility to predict social security future. When social security systems were installed in the 19th century, western societies had closed economies, employment levels were more or less stable, and the redistributive effects of the system were known and, to a certain extent, even predictable. Now, the picture has changed drastically, the future prospects being less clear, economic prospects even rather “fragile” (FRA).

Highlights

To combat working without social security registration, the following factors are crucial:

- ***Transparency of the system – not declaring leads to the loss of benefits later***
- ***Cooperation between various social agencies***
- ***Strengthening peoples' awareness of social security***
- ***More controls to identify the free riders***

1.5 Working without social security coverage

1.5.1 Black and grey work in general

When questioned about the importance of black and grey work, CEOs were often hesitant to give their views. The overall impression was that, of course, the country is confronted with black and grey work and that it affects in a distinct way different sectors of the labor market. Furthermore, many observed that measures had already been taken, but that more could probably be done. In nearly all countries, the interviewed CEOs declared needing better data. Furthermore, it was striking that regularly CEOs in one and the same country were having quite different appreciations on the extent of black and grey work in their country. Often black and grey work were also linked to legal and especially illegal immigrants. Let us now look some more in detail.

There was a rather important inconsistency between the visions of the CEOs within the same country as to whether a large or rather a limited number of persons were working in the black or grey economy, i.e., without being registered for their income/work with the social security authorities (SWE, NED, BEL, GER, IRL, ESP, FRA). This might be explained by the fact that in absolute figures the number of black workers (both nationals and illegal foreigners) may be limited, but that their number may be relatively important in certain sectors (hotels, restaurants, cleaning and other small services for private households, etc.), so important even that they may risk to push regularly working persons out of the market. Also, even if the number of fraudulent workers is low, some cases may reach public attention in such a way that they cause major public and political upheaval (SWE).

Moreover, a more general discomfort with the changing morals in society can be felt in the opinions that were expressed; from culturally homogenous societies of rather strict Protestant ethics with highly valued honesty to a culturally more differentiated society with declining ethics (SWE, NOR). Simultaneously, the high degree of social control has disappeared and has not been replaced by a developed public anti-fraud system.

Combating black and grey work is seen as a major challenge in Austria, Italy and Portugal, and also in France, though in the latter country the numbers involved might be rather low according to the persons that were interviewed (AUT, ITA, POR, FRA). In Belgium, Germany and Spain, the phenomenon is supposed to have been considerably reduced in recent years (BEL, GER, ESP).

In order to combat working without social security registration, the following factors are identified as being crucial:

- *Transparency of the system.* When the persons concerned are aware that not declaring or under-declaring professional income, will lead to the loss or a reduction of benefits later, they will be less inclined to defraud the system (ESP, ITA, POR). At the same time, registering work should be made easy for the workers and their employers (AUT, BEL). The quality of the service (and controls) by the administration need to keep pace with the general IT and e-evolution (BEL).
- *Good cooperation and exchange of data* between the various social security and other (e.g., tax) administrations (both centrally and locally) are crucial to combat all forms of hidden labor (BEL, GER, ESP, ITA, POR, IRL). A smart use of IT and e-technology (e.g., e-insurance cards) could be helpful in this respect (AUT, BEL).

- *Strengthening the population's awareness of social security* should prevent people from undermining it through black and grey work. In this context, it was stressed that even if black and grey work may be rather limited in quantity, it has nevertheless to be tackled as it is a cancer to social security (FRA).
- *More controls are needed* in order to increase the chances to identify the free riders (FRA); also targeted controls, focusing on high risk groups, and resulting in highly efficient controls (POR). Again, the control and inspection services should dispose of the most recent tools to perform their tasks and not get behind most recent evolutions (especially in IT) (BEL).

The phenomenon of black and grey work is also often related to the small and medium-sized enterprises that have difficulties coping with competition and want to save on their labor costs (ITA, POR, NED).

Finally, outside continental Europe, not so much the non-registration of work(ers) gets attention but rather the use of false applications and the combination of benefits with undeclared work (benefit fraud) (IRL, GBR).

Highlights

Generally, illegal labor migrants constitute larger percentages of those working without (full) registration with the social (and tax) authorities, than do indigenous people.

1.5.2 Work by illegal immigrants

In many countries, CEOs linked the issue of black and grey work to the phenomenon of illegal immigration (SWE, DEN, NOR, ESP, POR, FRA, NED, IRL, GER). Only exceptionally, a CEO refuted the idea that immigrants would take a bigger part in defrauding social security than the autochthonous people (FRA). In Great Britain, the issue was touched upon indirectly by referring to the growing problem of identity fraud.

Generally, illegal labor migrants constitute by far larger percentages of the total of people working without (full) registration with the social (and tax) authorities, than autochthonous people. This is not surprising as persons who are not allowed to stay or work in the country are more or less bound to take up black work.

Most countries do not provide social insurance benefits to illegal foreign workers; the latter do not qualify for social security affiliation, as they are not staying (universal insurances) or working (professional insurances) legally in the country. Nevertheless, even illegal people will sometimes be entitled to some social benefits, especially to health care, family allowances and social assistance. In such case, they obviously cause costs for the social security systems, whereas in principle they do not contribute to the financing of social protection (since they do not pay social contributions nor direct taxes).

1.5.3 Working in a country with foreign social security coverage

Sometimes, foreigners may work in a country without being socially insured there, as a consequence of them being posted or living (and also working) in another country, than the one in which they are (or should be) socially insured. This seems to worry CEOs in an increasing way, as it seems to open the doors for all kinds of malpractices.

Many CEOs pointed towards workers coming legally to the country and working there legally as posted workers with the social protection of the sending country, e.g., Poland, a Baltic country or another new EU member state of Central Europe (SWE, DEN, NOR, FIN, NED, BEL, FRA, AUT, IRL). These workers have wages and social security protection of a much lower level than those prevailing in the countries where they actually work. Hence, they are very often perceived as unfair competitors to the domestic workers. On the other hand, the presence of these posted workers might reduce the need to call upon black work (NOR, FIN, DEN, IRL). Especially problematic is the situation when persons cross the border to neighboring “old” EU states to work there (AUT).

Normally, posted workers (and workers coming to work from across the border) have social security coverage, being lower both in terms of costs and in terms of benefits than the one in the country of work. It is however not certain that these workers do effectively have social insurance in their country of origin (AUT).

1.5.4 Legally working without (full) social security coverage

Various CEOs expressed their concern that an increasing number of persons (who did not defraud the system, nor are immigrants) are not, or not enough, protected by the social security system, while legally working in the country. This situation is due to their irregular labor pattern or to all kinds of provisions “freeing” some groups of workers from social insurance.

Traditional work patterns that form the fundamental basis for our social security (and especially pensions) tend to erode. People have irregular careers (and even irregular lives). One is not a worker from the beginning till the end of one’s career anymore: people stop working in order to make world trips, to raise children, to study. Next to that, they change jobs and professions more often; they become self-employed, work part-time, do small jobs. The system,

though, is still based upon the full-time employment as worker. It will have to take more into account these irregular paths. The consequence of the present evolution is that the workers concerned will face bad social protection, especially unsatisfactory pensions. This will not only become a problem for themselves, but also for the social security schemes, especially the pensions schemes, and the state budget as such, as these persons will more often apply for minimum benefits or social assistance (GER, AUT).

However, people often do not deliberately choose irregular careers, but have them forced upon them. Some workers may (legally) be constrained to work under less favorable social security coverage than normal. Instead of hiring salaried workers (with good protection, hence costing more), one enters into contracts with these workers on a self-employed or semi-self-employed basis (ITA).

The situation may become really vicious as some groups of workers (small jobs) may be freed from social insurance, thus not having to pay any contributions (GER, AUT). This is in the end bad for those workers, as they will not receive any income replacement when they are facing a social risk. It is also negative for the state and the social security systems, as these persons will very often still benefit of (some) health care coverage and social assistance, thus creating costs usually avoided for socially insured people (as they contribute for insuring themselves) (GER, AUT).

A specific problem relates to people combining various small jobs, whose income out of each of these small jobs remains below the social insurance level, the total however not. Such workers combine several of these small jobs without declaring the total amount of their income. Hence they stay outside social insurance. Sometimes, it is difficult for the system to avoid these fraudulent behaviors (GER).

Highlights

The risk of generational clash is real as younger generations will not be willing to support the elder and other non-active groups of the population.

1.6 Declining social morals / Solidarity issue

1.6.1 Intergenerational solidarity (both ways)

According to some of the interviewed CEOs, another point that calls for attention is the intergenerational solidarity. Some warned for the danger that younger generations will not be willing to support the elder and other non-active groups of the population any more (FRA); others stressed that the younger generations have been affected inequitably by recent social security reforms (ITA, NED). Pension reforms have preserved the rather generous benefits for the present older generations, but have cut down severely those of the coming generation (the pensions now, e.g., being strictly related to the contributions paid in). This kind of calculation is disadvantageous for people with an irregular career, i.e., a large part of the workforce. When the current generations, which are fully insured in the renewed pension scheme, will start to retire, they will suddenly be confronted with the scope of the pension reform. The risk of a clash of generations is thus real (ITA). On top of that, growing individualism may result in future younger generations being more reluctant to show solidarity with the future old (= present young) generations (NED).

1.6.2 Benefit fraud

Cheating the social security system is not restricted to black work only. Some CEOs, e.g., were worried about the phenomenon of the same person obtaining twice or even more the same benefit (e.g., in different cities) or the same person getting an unemployment benefit and a sickness benefit at the same time (SWE, NOR), which calls for a better information exchange between the different social security administrations.

If people do not see the link between their working and contributing on the one hand and their benefit on the other, they might increasingly opt for unemployment. Therefore, some CEOs call for more proportionality between contribution and benefit levels (SWE, NOR, DEN) as well as for curtailing the accumulation of benefits going to the same family (DEN), where especially the accumulation of family benefits was limited, to the detriment mainly of allochthonous families).²

² Allochthonous is the opposite of autochthonous which means originating where found, indigenous. Allochthonous in this context means people who are not indigenous to the country where social security entitlement exists. The term is not synonymous with immigrant or foreign as there are people who may have been born in a country but due to race or background may not be considered autochthonous.

Highlights

The decline of social ethics is linked to a lack of understanding of the essence of social security within larger parts of society – it is a system of solidarity implying that one is not only to receive but also to contribute.

Also the cost of certain services, e.g., housing services, should be made more visible (GBR). In this way, people can better understand what benefits social security provides them with. People, e.g., do not know what their rent actually costs, as housing benefits are directly paid to the landlord (GBR).

1.6.3 Lack in understanding the solidarity basis (“social contract”) at the fundament of social security

The decline of social ethics is seen as being linked to a phenomenon that quite a number of CEOs in Northern Europe qualified as most worrying: the lack of understanding within larger parts of society of the very essence of social security: a system of solidarity implying that one is not only to receive from social security, but also to contribute to it. It was striking to establish that a larger number of heads of social security administrations experienced this to be one of the major challenges for the future: make that the socially insured again understand the very essence of social security, viz., a system of solidarity in which everyone not only has rights, but duties and responsibilities as well (DEN, NOR).

In the Netherlands, the same idea is translated into the call for a new “citizen’s contract.” In such a contract, government has to make very clear to the citizens what their rights and duties are with regard to social security. “We have to explain again what social security is about” (NED).

Yet, the duties of socially insured persons should not be focused upon too much either. Emphasizing the negative aspects (increasing pension burden, growing health care costs) may lead to a loss of public support for the system, in the sense that some citizens will start asking themselves what they have been paying contributions for (NED).

Highlights

Increasingly, people are dissatisfied with the benefits they receive and demand better protection in some countries, especially in the area of health.

1.7 *Rising expectations and demands*

Expectations and demands from social security are reported to be rising in many countries. This tendency concerns the substance of the social protection provided and the benefits granted as well as the administration of social security. Sometimes, expectations and demands even conflict among each other, making reforms more difficult. In a number of countries, the rising expectations and demands have resulted in more appeals and court cases. Let us examine subsequently each of these phenomena.

1.7.1 *Contents of the social protection*

Many CEOs observe a changed attitude towards the social security system. We already pointed out that the socially insured increasingly see their position towards social security as that of a beneficiary and not so much as that of a partaker in a solidarity system. But there is more. Several CEOs stress the ever more demanding attitude of socially insured people as well as their sometimes unrealistic expectations towards the system. Yesterday's pensioners very often lived during their active lives in rather poor or basic circumstances, and were somehow "grateful" for the pensions they received. Increasingly, people now are dissatisfied with the level of the benefits they receive. However, they are equally reluctant to pay more taxes and social contributions in order to level up the benefits (SWE, NOR, DEN, ITA, FRA, POR).

The demand for more and better social protection is in some countries especially focused upon the social health care system (ITA, FRA, POR, AUT). Increasing expectancies may, e.g., relate to the "hotel" function in case of hospitalization or to the inclusion of "alternative medicines." People also expect better information. If health care insurers compete within the social security system, such demands may lead to the broadening of the health care package, sometimes even by measures increasing the subjective, but not the objective, quality of the health care (GER).

The generations of persons reaching the age of retirement have great expectations as well. A new pensioner nowadays wants to enjoy life. He/she needs to maintain his/her previous standard of living to a large extent in order to be able to fulfil his/her expectations after retirement (IRL). However, the take-up of voluntary second and third pillar pension schemes as well as the levels of the latter are nowadays not of the kind to allow a majority of the actual active generations to realize their dreams once retired (IRL, ITA).

Today, people are used to high-quality individualized services and are sometimes considering social security services and benefits as being too standardized (SWE, NOR, DEN, NED, GBR).

Moreover, they want more freedom of choice within the system. In a certain way the “consumer” society reflects itself in the relation between the citizen and the social security system. Sometimes, social security responds to these trends by viewing the socially insured person more and more as a “client” (FRA, NED, GBR). The evolution where citizens want to be treated more individually and have more freedom of choice in the social security system, leads, in a somewhat contradictory way, to a more complex system in which transparency is lost and consequently the public support for the system gradually decreases (FRA).

Some CEOs question however the capacity and willingness of large sections of the population to make choices in social security (SWE, NED).

A specific problem for the Nordic countries with their universal social coverage results from the trend of people going abroad for some years and then coming back to the country, expecting that the same entitlements will apply as for people who always stayed in the country and contributed to social security (SWE).

Highlights

Some social security CEOs stressed that people are generally satisfied with the current level of service or that they feel that in recent years considerable progress has been realized.

1.7.2 Treatment by the social security administration

Perhaps even more than the contents of the social security schemes, the ways people are dealt with by the social security administrations are being criticized by the persons concerned, viz., the socially insured, the employers and the benefit recipients.

Here again, the quality of services to be provided by the social security administrations is expected to reach the quality level of (similar institutions of) the private sector (such as banks, commercial insurers, etc.) (GBR, IRL, SWE, NOR, DEN). More efficiency on the side of the administrations, less effort from the side of the employers and the socially insured should be the result (GBR, IRL). Still, some CEOs stressed that people are generally satisfied with the current level of service (IRL, GBR) or that they feel that in recent years considerable progress has been realized (BEL, FRA, POR, ESP) or projected (ITA), improving the administrative procedures in order to make life easier for employers and socially insured persons.

Some CEOs also report a change as to how people want the administrations to deal with their expectations. They are expecting much more quick responses, via easy communication channels such as telephone, e-services and other electronic means (GBR, BEL).

More individualized attention of the social security administration is being expected (IRL).

Very often, all these increased expectations and demands towards the social security administrations need to be met within shrinking social security budgets. In order to achieve this, much hope is vested in the introduction of IT and e-government (IRL). This can, however, lead to staff redundancies in the social security institutions, or more often, to a mismatch between the present staff's education and skills (mainly executive work) and the staff needed in the future (IRL, BEL). Drastic internal restructurings may be needed, but are often confronted with serious trade union and political resistance (BEL). The use of

IT should also take into account the specificities of the target groups, e.g., it might be less suited for elderly social security beneficiaries (BEL).

People also expect to be able to understand the social security system and especially the decisions that concern them (NOR). Undoubtedly, IT has allowed the mastering of complex procedures in a client friendly way, but more and more citizens want also to be able to check the outcome themselves (NOR). Younger generations want more and individualized information, but seem less prepared to do an effort themselves to understand the sometimes complex social security system (AUT).

The social security administrations are also increasingly expected to help their “clients” making the right decisions as to the organization of their lives (e.g., concerning question when to stop working). In order to do so, administrations may provide simulation tools, helping their customers to find out themselves what the most appropriate decisions are. Some countries are currently considering introducing such tools for social security aspects of career interruptions (e.g., going back to school) or for retirement arrangements (BEL, GBR). In this way, social security administrations, e.g., dealing with old age pensions, will liaise with the socially insured persons well before the latter qualify for a benefit (GBR).

These simulations are becoming especially relevant in situations where people are expected to make informed choices, e.g., on supplementary coverage (e.g., of old age income) (BEL).

Highlights

In the Netherlands, a new “citizen’s contract” or “citizen’s social insurance policy” outlines what citizens’ rights and duties are with regard to social security.

1.7.3 Reform

Very often, CEOs complained about the excessively complex social security system, calling, in other words, for drastic simplification (NED, GBR). Indeed, social security legislators regularly make the mistake of wanting to regulate every possible problem with which every possible group of persons might be confronted in the future. The result is a very complex legislation, sometimes even ending up in being contrary to the original policy goals pursued (NED). On the contrary, simplicity leads to clarity and, in turn, makes people understand better their rights and duties (GBR). That idea is being taken to its final consequences in the Dutch idea of a new “citizen’s contract” or “citizen’s social insurance policy.” This contract will outline in a clear and succinct way what the citizens’ rights and duties are with regard to social security (NED).

Although demands on the social security system and its administration increase, the general public seems to be reluctant to any kind of substantial “change in the system” as well. They consider their social rights as granted but at the same time they are less willing to pay into the system for other people (FRA).

A specific problem for reforms taking advantage of modern technology seems to stem from an excessive use of privacy protection rules, resulting in blocking all kinds of new measures (linking data, e.g.) that could substantially improve the service to the socially insured. One should rather look at the objective of privacy protection and build in trustworthy third parties (such as a crossroads bank), rather than to exclude IT and e-government from whole areas of social security (management) (BEL).

1.7.4 Number of appeals and court cases

The number of appeals against decisions of social security administrations and even against new social security legislation is reported to increase (ITA, POR). In some countries, the increasing number of appeals is related to reforms carried out recently, and against the results of which people started protesting spontaneously or in an organized way (NED, GBR, GER). Furthermore, one court decision may lead to a whole series of new complaints (BEL). Sometimes, the competent judges appear to lack sufficient knowledge of, or proximity with, social security, which may lead to judge made social policy not in line with the general social security policy of the state (POR). The important number of social security cases pending may also upset the normal operation of social security administration (ITA).

1.8 Public and private actors

1.8.1 Political decision making

The influence of the ruling political parties differs very much between countries. Government changes seem to affect the main (reform) features of social security only marginally in some countries. This is the case in Northern Europe (DEN, SWE, NOR, FIN, NED, also BEL and AUT). Political power changes are also less important in Spain, as the country has a policy to try to achieve consensus with the main social and political actors (including oppositional) in order to plan the social security reform. This approach resulted in the Toledo Pact and its follow-up and gives a stability to reforms across government changes. CEOs in France, Portugal and Italy very often link their vision on the future of social security to the country's political configuration in the coming years. The same goes for their vision on whether or not social security reforms in the direction of more privatization are promoted (ESP, POR, FRA).

Highlights

Privatization and competition have been recent political and ideological buzzwords; however, most CEOs do not expect important changes in the coming decades.

In Belgium, the somewhat paradoxical position was heard that major reforms would indeed require broad consensus among both the political and the social partners, but at the same time could only be realized when a strong and determined political leadership would put its full weight behind a courageous reform plan (BEL). If such a reform would not be realized in a more or less nearby future, the total erosion of the existing system and its de facto replacement by private arrangements could occur (BEL).

In the United Kingdom, important reforms were pushed through parliament by the majority against the opposition; when the majority changed, the reforms were overruled. This “jumpy” social security legislation should no longer prevail in the future as major reforms, especially for pensions, are felt to require consensus (GBR).

In the Netherlands, recent reforms have marginalized, probably for a substantive period of time, the role the social partners can play in social security (NED). Whereas social partners and political decision makers were very close in the past, recent political changes in Austria have resulted in giving more margin to the social security administrations in preparing important social policy orientations (AUT).

1.8.2 Privatization trend

Privatization and competition certainly have been political and ideological buzzwords in the recent past. However, most CEOs interviewed do not expect important changes in the coming decades (SWE, NOR, FIN, DEN).

Some reforms have been carried out in the recent past (e.g., in Sweden for the pensions), but no major trend towards privatization is really considered to be likely for the income replacing benefit schemes. The trend to develop private coverage on top of the statutory social protection will probably continue (DEN). An increased calling upon private service providers, e.g., in the care and health care areas, is however considered possible (NOR, SWE, DK). Such also corresponds to the above mentioned more demanding character of the socially insured, wanting an individualized approach and more possibilities of choice (NOR).

In the same sense, life-cycle arrangements, as conceptualized in the Netherlands, may call for more implication of the private sector. Apart from that, though, privatization seems to have reached its limits in the Netherlands, although the drastic privatizations that already have been realized are not expected to be turned back (NED).

In Germany, further steps towards more involvement of private actors and more (and as well fairer) competition between health care insurers are expected (GER).

Some CEOs do not exclude that activation (SWE, DEN, for the incapacitated also AUT) and even labor mediation in general may be privatized in the future (SWE, DEN, also NED).

Where the private sector fails to meet the people's needs, the public sector may be further developed, e.g., in the area of long-term care arrangements (IRL).

The question whether or not more private actors should be introduced in social security is in some countries mainly related to the various political ideologies: hence, the political power relations will determine whether or not social security reforms in the direction of more privatization are promoted (ESP, POR, FRA). In general, however, these countries remain attached to a broad public coverage of social risks (ESP, POR, FRA).

Highlights

Most interviewed CEOs expressed the view that central authorities would maintain their positions in social services.

1.9 Decentralization vs. centralization

1.9.1 Centralization vs. devolution and decentralization

The countries that were examined obviously differ in character and therefore also diverge in the distribution of competencies in the field of social security. Most interviewed CEOs (of central social security administrations) expressed the view that central authorities would maintain their position (ITA, ESP). In some countries, even more centralization is expected to take place (NED, POR). On the other hand, the local level could become more important than the regional level in the future, especially in relation to the activation of people (NED, GBR).

Nordic countries have traditionally left some social policy competencies with the lower geographical entities (municipalities or regions). This results in an ongoing tension between the central level and these geographical entities, especially in the area of health care, where local autonomy is most important. Whereas central authorities want to obtain more grip on the local policies, among other things, in order to maintain some equality between citizens nationwide, the basic feature of the local autonomy is not fundamentally challenged. Local authorities are, however, often merged in order to obtain more effective levels of policy and administration (DEN, SWE). In any case, a better co-operation and delimitation of competencies between the central and local level is often required (also AUT).

In some counties, more social security competencies could be transferred to the regions as part of a larger constitutional reform (BEL, ITA). Services and prevention sometimes being regional competencies, the emphasis put on prevention and activation may also enhance the regional competencies (BEL).

1.9.2 De facto differentiation of social security in various regions

In some countries, concerns were expressed about to the diverging ways national legislation was applied, even by national social security administrations, throughout the country. Sometimes important differences appeared, e.g., as the implementation of social security legislation was “more relaxed” in the southern part of the country (ITA, ESP, BEL).

In Great Britain, it was stressed that although social security is uniform across the country, one should analyze the sometimes important differences between life in the city (especially in London) and on the countryside, and consequently the greater differentiation in social security these differences might call for (GBR).



2 Covered population and granted benefits

2.1 Covered population / poverty

2.1.1 Integration of special groups into general social security

It is felt by some that one has to address the challenge of integrating special (more privileged) groups, especially the civil servants, more into the social security system applicable to the other workers, although such reform will raise a major debate (ESP, POR, FRA, BEL).

In some countries, existing gaps in coverage of certain groups of persons will be removed, especially within the health care scheme (GER). The introduction of basic, universal schemes, complemented by private supplementary benefit schemes, may facilitate the extension of coverage to groups that have been excluded up to now (GER). More problematic remains the issue what to do with health care claims by illegal immigrants (GER).

2.1.2 Self-employment

Some CEOs advocate an equal treatment of self-employed people and wage earners, pleading for an extension of the coverage of the self-employed, e.g., by considering also occupational risk insurances (BEL). The pressure to include self-employed persons in a more comprehensive social insurance system may increase as the number of self-employed people is growing (GER). Yet, such reform may also imply an increase in the level of contributions to be paid by the self-employed (GER).

In some countries, a concern was expressed about the adequate social coverage of the self-employed, especially in old age, as they mainly remain excluded from all kinds of collective arrangements for the wage earners (NOR, DEN). This was even more the case where existing social insurances specifically intended for self-employed people were abolished, the self-employed being referred completely to the private insurance sector (NED).

Highlights

Various CEOs addressed means testing to allocate social benefits, but it is difficult to identify clear lines as to this issue, even within one country.

The increasing problem of drawing the borderline between wage earners and self-employed people was mentioned as well (FIN).

In some countries, the merger of schemes covering different groups of self-employed people is in the forefront of attention (FRA, ESP).

2.1.3 Targeting benefits

Various CEOs addressed the question of using means tests to allocate social benefits. It is however extremely difficult to identify clear lines as to this issue, even within one country.

At least, some concern is expressed about the need to streamline the various means tests used within social security, as well as to bring those into line with the tax credits (GBR). The same concern is heard in relation to the administrative cost of running means tested schemes (AUT). A larger labor market participation of especially women is expected to reduce de facto the impact of means-tested schemes, to the benefit of pure social insurance arrangements (IRL). Also the redistributive effect of means testing is questioned, as the means-tested benefit does not always end up where it should. Much depends indeed on how the declared income can be controlled (AUT). People may also have problems with the legitimacy of means-tested schemes: they pay much but receive little or nothing in return (AUT).

Yet, some CEOs expressed the belief that the non-contributory social pension schemes, although providing benefits that are sometimes too low, have helped to contain poverty within the targeted groups, especially the elderly. Overall poverty, especially among the younger sections of the population, is however growing (ITA, ESP).

More in general, serious concerns were expressed as to growing income gap between the rich and the poor (NED, GER). In the future, higher income differences may have to be accepted in society as well as in social security

Highlights

In general, CEOs do not consider the non-take-up of benefits as a major issue.

systems. Due to the shortages of labor forces on the labor market, skilled people will be very much in demand. Their income might rise considerably (NED). At the same time, people with lower education may face very irregular careers, resulting in poor social insurance (GER).

Worse is even the fate of the many people whose employability is extremely low and who nowadays often receive unemployment benefit, invalidity benefit or most often social assistance (NED). Some people are even not employable at all: what to do with them? Should one create “artificial” jobs for them? Some of the jobs that people who are less or hardly employable can take up, are cheaper done abroad; should they be subsidized then? Some people can work but are not able to take care of themselves. Are we going to mingle into their private life too? And to what extent? The government has to emphasize people’s own responsibility, but cannot simply abandon people either (NED).

2.1.4 Non-take-up and automatic delivery

When dealing with the personal scope of social protection schemes, one should also ask the question whether the people described as beneficiaries of a certain benefit, do actually receive that benefit. Do they claim it, or do they miss the benefit they are entitled to (because of all kinds of reasons), as they simply not ask for it?

Generally, CEOs do not seem inclined to consider the non-take-up of benefits as a major issue, with the exception perhaps of France, where the non-take up of social security benefits, and in the first place family allowances and social assistance, causes major concern (FRA).

Sometimes, it is advocated to tackle the non-take-up of benefits by automatically delivering the benefit to those who are entitled, i.e., by doing away with the requirement one has to apply for a benefit. That is of course

easier for certain benefits than for others, as the administration may or may not have access to all relevant data to determine whether a person qualifies for a benefit or not. For example, it seems easy for old age pensions or child allowances (NED).

CEOs seem, however, by a large majority opposed to automatic allocation of benefits and thus to lifting the requirement that benefits have to be applied for (FRA, ESP, POR, IRL, GBR, NED, BEL, AUT). According to some of them, requiring an application would also be more in line with stressing that social security is about rights and duties (NED).

Other solutions are preferred in order to tackle non-take-up phenomena. Maintaining the application requirement, many CEOs also advocate that the social security administrations should stay close to their potential beneficiaries, helping them with claiming the benefits they are entitled to (AUT, NED, BEL). Administrations could be stimulated to adopt a more friendly, efficient and customer-oriented attitude, e.g., by visiting the pensioners rather than waiting for their visits (POR). It may also mean creating multiple channels of contact and application, including setting up call centres, Web-based applications, etc. (GBR). The administrations should become client-centred, not benefit-centred, allowing, e.g., to re-direct applications to the wrong administration automatically to the right one (GBR).

In France, the general line of thought is more to simplify the schemes rather than to invest considerable amounts in better information of the targeted groups (FRA).

Non-take-up may proceed from lack of knowledge or a stigma attached to claiming a certain benefit. Moreover, if a benefit is too small, beneficiaries may not bother to claim it (GBR), even though the combination of several of such benefits may constitute a substantial sum of money. Some people may also prefer not to claim benefits as they fear that the benefit assessment may intrude too much into their private lives and, e.g., disclose non-registered work they are performing (IRL).

Highlights

The existence of various benefit schemes not caring too much about each other produces less desired effects, not only in terms of administration, but also from a policy perspective.

2.2 Interplay between different schemes and administrations

Many CEOs deplore the deficient cooperation or even communication between the various social security administrations. If tax authorities play a role in social protection, the interrelation between social security and tax administrations especially calls for concern (GBR).

The existence next to one another of various benefit schemes not caring too much about each other, produces less desired effects, not only in terms of administration, but also from a policy perspective (FIN, DEN, NED). Even if the administrations themselves are liaising and cooperating optimally (e.g., through a crossroads data bank), that does not imply that the schemes they are administering are well-coordinated (BEL).

Reforms often fail to take sufficiently into account the effects they have on the other areas of social protection. Comprehensive reforms of social protection are hindered by a multiplicity of competent authorities, both national, regional and local. One minister is often only concerned about the benefit schemes under his/her authority, neglecting the interplay with other departments (FIN, DEN). When one social insurance is radically being reformed, while others remain unaltered, this may lead to undesired, or at least unforeseen, consequences (GER, NED). One should indeed keep in mind that in reality all schemes are linked to each other, e.g., health care and pensions (GER, IRL) or unemployment schemes and pensions (GER). A change in the financing structure of one scheme may also affect that of another. For example, in order to address the problem of too low unemployment benefits, the contributions

the unemployed have to pay may be reduced. This, however, may immediately result in a deficit in another scheme such as the pensions (GER). The privatization of one scheme may also have an impact upon the other (not privatized) schemes, which should be properly taken into account (GER). Furthermore, local authorities should be more aware of the role they too have to play in the activation efforts of the central social security administrations (SWE).

In order to arrive at a comprehensive view of social security, some CEOs advocate to re-think social security around groups of people concerned, like children, the active and the elderly (IRL), or around the five “stages of life” of the Dutch life stages’ approach described earlier (NED). Some even ask if social security administrations still exactly know what the social risk to be covered really is (BEL); or whether the measures taken are still coherent with the general objectives of the social policy that is pursued (NED). Some even fear that whole schemes already existing for many years would be threatened, such as labor accident insurances (BEL, GER, AUT). Also, the very character of certain social risks would be changing drastically in the nearby future, e.g., the professional diseases. Traditional professional diseases may not exist anymore within twenty years from now. Moreover, mono-causal professional diseases will disappear too. More attention will have to go to prevention. The whole risk of professional disease and the corresponding social security scheme may have to be reviewed (BEL, AUT).

Again, if tax arrangements play a role in social protection, it is essential to make them coherent with the policy pursued in social security (GBR). It is, e.g., very disturbing if means tests in social security and in tax law differ too much (GBR).

Highlights

Unemployment benefits and pensions are usually the first schemes to be activated.

2.3. Activation of benefit schemes

The interviews with the CEOs showed that the issue of activation of benefit schemes was not very much present in the Latin countries visited, whereas in the Nordic countries it has been in the frontline of reform. Also in the Netherlands, activation of benefits was a crucial objective of recent reforms (NED).

Unemployment benefits and pensions are usually the first schemes to be activated (DEN, SWE, NOR, FIN, LUX). Some CEOs feel that still some work needs to be done as far as the activation of the pensioners is concerned. Activation should not only imply that people retire from the labor market later (NED), but also that pensioners are invited to stay professionally active in one way or another (NED, IRL).

CEOs usually point to the work incapacity schemes (especially long term) as the next steps towards more activation. It is perceived that too many people are receiving incapacity of work benefits whereas they are in fact unemployed (in a hidden way) (FIN, DEN, NOR, SWE, NED, GER). More and better rehabilitation services should bring more people receiving an invalidity pension back to the labor market. In the Netherlands, the invalidity benefit schemes are being drastically reformed in order to reach that aim (NED).

One CEO also expressed the view that the voluntary one- or two-year breaks between the end of education and the beginning of working life, which are becoming popular among youngsters wanting to “explore the world,” should also be discouraged (DEN).

In general, CEOs consider activation of benefits especially needed not only for the elderly or the invalids, but also for women, immigrants, low skilled people, lone parents and families with a large number of children (NED, GBR, IRL). For many of those groups, the crucial issue is being able to combine having and raising children on the one hand and earning sufficient money for themselves and their families on the other hand (NED, GBR, IRL, AUT). Today, some people simply do not go to work because they cannot afford the expensive child care (AUT).

CEOs also repeat that people should never be better off not working and receiving a benefit, than when they are working (the so-called “unemployment trap” or “benefit” trap) (GBR, IRL, AUT).

More in general, activation of benefit schemes may also result in a decreasing importance of the benefits in cash and an accrual of benefits in the form of services, tailored to fit the beneficiary’s individual capacities and needs (NED). Such services include, e.g., rehabilitation, re-training, continued education, child care, etc. (NED, IRL, GBR).

A few CEOs put into perspective the drive for activation, observing that it is hard to realize an activation policy when vacant jobs are lacking (BEL GER). However, others referred to the future lack of workforce to justify and strengthen the present activation of benefits measures (NED, AUT).

Highlights

Pension reforms nearly always included efforts to raise the (real) pension age and seek to promote funded or defined contributions schemes, directly or indirectly, at the expense of the statutory compulsory pay-as-you-go pension schemes.

2.4 Old age pensions

2.4.1 Pension reform

In many countries, the problems of the old age pensions have been or will be countered by important pension reforms. These reforms nearly always included efforts to raise the (real) pension age and seek to promote funded or defined contributions schemes, directly or indirectly, at the expense of the first tier, being the statutory compulsory pay-as-you-go pension schemes.

Most Nordic countries have recently and considerably reformed the old age pensions: an increased proportionality between contribution and benefit was aimed at, the real pension age was raised, early retirement is being discouraged, etc. Consequently, no important new changes are expected. However, an important issue remains: although reforms are often introduced with large majorities in parliament, the population may quite often not understand the full impact of the reform, as this impact will only appear after some years (SWE, FIN).

Preferential pension arrangements, including a lower pension age, to the benefit of some groups, especially civil servants, are often felt to be inequitable; but it is also agreed that to do away with them is extremely difficult and politically hazardous (ESP, FRA, BEL). Apart from the issue of inequality, the need is felt to harmonize more the schemes covering distinct professional groups (employees, self-employed people, civil servants) (AUT). More generally speaking, the problem of the exaggerated complexity of the various pension arrangements within one country was mentioned. However, one realized as well that unifying or harmonizing various existing systems will require additional funding, which again constitutes a major obstacle to such an operation (FRA).

Highlights

There is some consensus that in one way or another the retirement age will rise over the coming years to 65, 68 or even more.

2.4.2 Pension age

There is some consensus that in one way or another the retirement age will rise over the coming years to 65, 68 or even more. Yet, the actual ways to realize that differ very much from country to country, as does the demographic, social and political situation in the various countries.

In some countries, the real retirement age does not differ so much from the official retirement age (ESP, POR), whereas in others the considerable gap between official and real retirement age causes major concern (ITA, FRA, BEL). The low economic growth always pushes the elderly workers out of the labor market first, increasing all kind of forms of early retirement (POR). In another country, the excessive productivity required from the workers is seen as a reason to stop to work well before the retirement age (FRA). Sometimes real policy errors were made in a recent past, such as allowing new categories of elderly workers to retire earlier (ESP). Sometimes, the debate on the raising of the age of retirement has not been really started yet, although it is felt to be unavoidable in a nearby future (POR).

2.4.3 First tier and non-contributory pensions

Notwithstanding the trend to develop especially the second and third tier pension arrangements, CEOs also perceived some evolutions in the area of the non-contributory and first tier pension arrangements.

Firstly, the relation between the contributory pension and the non-contributory or minimal pensions called for divergent remarks in a number of countries. In some countries, it was expected that the difference between the social pension (not labor-related basic pension) and the contributory pension will diminish (ITA, POR). In Spain however, the dependency upon non-contributory pensions is expected to decrease, as more and more people will retire who have had a relatively good income out of their (last) professional activities and hence will be entitled to a relatively good contributory pension. This evolution is also linked to the phenomenon that in recent years the under-declaration of income has decreased, as workers became more aware that under-declaration affects their later benefits (ESP).

In some countries, the minimum pension amounts are still considered to be rather low (ESP, POR), whereas in another country the pension reform is expected to lead to an insufficient coverage of the old age risk in the future (ITA).

In France, recent pension projections offer a less troublesome perspective in terms of financing the system because people's professional careers are becoming less coherent and prosperous (more interruptions due to unemployment, sickness, etc.) than, e.g., 10 years ago. As a consequence, the contributory pensions that will have to be paid out, will also decrease.

The Portuguese social security scheme is rather young. Many of the elderly have pensions calculated on irregular and/or short professional careers; by definition they are not sufficient to live a life in dignity. The government started to raise the minimum guaranteed pensions, but this again might endanger the system's financial sustainability in the long run. In order to cope with that challenge, the conditions of the contributory pensions have been tightened (e.g., longer insurance periods; use of the average and not the best income of the last years). Resultantly, the pensions (pension amounts) start to converge: higher minima, lower income-related pension amounts (POR).

In some countries, one is convinced that the population should know better how the statutory pension scheme is functioning. The proper logic of the pension insurance needs to be explained; the pension administration needs to communicate with the future pensioner, well before the retirement age, e.g., by giving him a forecast on his pension entitlements (GER, BEL).

Highlights

A most frightening problem is that people do not take up non-mandatory second and third tier arrangements, as they were expected to do, resulting possibly in insufficient coverage for the old age risk.

2.4.4 Developing the second and third tiers

Many CEOs pointed at the problems related to the promotion of capitalized second and third tier pension schemes.

It can be called remarkable that from a country with a longer experience of funded pension arrangements, the message comes that defined contributions-schemes are felt to be too risky and that in the future preference should be given to defined-benefit-schemes, as people understand these schemes (and their outcomes) better (GBR). In another country, it was stated that a pension scheme based upon repartition can handle better the worsening demographics; capitalization (especially when wildly organized) is too dangerous and cannot resolve the demographic problem (AUT).

Perhaps the most frightening problem is that people do not take up non-mandatory second and third tier arrangements, as they were expected to do, resulting possibly in insufficient coverage for the old age risk. In Italy, it was observed that the actual working generation has to pay in heavily to cover the generous pensions actually paid. At the same time, they should pay for additional pension coverage in order to constitute a decent pension for themselves later. Most people do not do so because they do not have the financial means or do not pay attention to it as retirement is still far away. Moreover, the construction of a (decent) pension is more and more left to the individual initiative, which leads to a growing individualism in society. Solutions are now being explored through the creation of additional pension schemes at company level. Whether this will be sufficient to bridge the growing income replacement gap remains to be seen (ITA). Also in Ireland the take-up of second tier pension arrangements is considered far too low. When one reckons that the first tier only provides a fixed benefit, one realizes that those pension benefits will never satisfy the growing expectations of the future generations (IRL).

Some CEOs propose to tackle the low take-up of second tier pension arrangements by making these funded schemes compulsory for all those who now qualify for adhering voluntarily to them (IRL, BEL). This makes of course the borderline between first tier and second tier thinner; some already start to speak of tier 1bis in this case (BEL). In some countries, CEOs insist on convincing the employers to provide their workers with good second or third tier pension products, or at least not to change their commitments in this area too often (GBR, IRL, BEL).

However, when one is compelled to join a second tier arrangement and one has the choice between various products, another problem may rise. Indeed, especially in the Nordic countries, CEOs expressed quite some concern about the multiple options (e.g., various pension funds) the reforms introduced, without the citizens having enough knowledge and information to make a really informed choice. Will people that made a less advantageous choice accept the consequences, viz., less old age income than the ones who opted for a more successful system (SWE)?

Some CEOs question whether the population will accept, at that moment in future, the de facto reduction of pensions that might be the consequence of, e.g., bad economic results (SWE, FIN).

Also, the increase in administrative cost that seems to go together with some reforms, as well as the increased complexity of the total income one can expect in old age, call for concern (SWE, DEN). In Great Britain, a mandatory personal savings account scheme should do away with the flaws of the current second tier pensions (GBR).

Highlights

Both the increasing number of women on the labor market and the growing phenomenon of non-married couples call for questioning existing survivor benefit schemes.

2.4.5 More proportionality between contribution and pension

Some pension scheme reforms (already realized or only planned) also aim at (re-)establishing the proportionality between contribution and pension benefit (SWE, FIN, DEN, and AUT). Sometimes, this is also advocated as re-affirming the “insurance principle,” entailing that benefits are more related to the earlier earnings and thus to the contributions paid in, and that they are calculated preferably over the whole carrier and not only over a limited number of best years. Pension amounts should also be adaptable to the life expectancy at retirement age. Furthermore, the cases in which periods during which one has not worked are assimilated to periods of work, should be restricted. In any case, such periods should be covered by contributions, paid by the person concerned or someone else (AUT, LUX). Yet, an exception seems to be necessary for periods of raising small children, which should be assimilated generously to working periods (LUX), also, be it in a different context (GBR).

Moreover, in order to cope with the rising costs of pensions, some other, more punctual, measures are considered, such as adapting the indexation mechanism (ESP), disregarding 13th and 14th months in the calculation of the required work and contribution records (ESP), using additional redundancy payments in order to constitute additional pension coverage (ITA); or reducing the tax rate on the income pensioners may have out of work they still perform (POR).

2.5 Survivorship benefits

Both the increasing number of women on the labor market and the growing phenomenon of non-married couples call for questioning the existing survivor benefit schemes (BEL, ESP, LUX, NOR). According to some, its abolition is to be considered in the long run (ESP, NOR). Yet, it is believed that the abolition of the survivor pension schemes is not to be expected in a nearby future, as it meets important popular and political resistance (NOR) and there still is a generation of women depending upon their husbands and thus upon the widow pensions (ESP).

Highlights

Long-term work incapacity or invalidity schemes are especially under scrutiny: too many people are today receiving incapacity of work benefits whereas in fact they would be (hidden) unemployed persons.

In the more immediate future, good solutions should be found in order to meet the consequences of divorce (LUX) and non-marital cohabitation (BEL). The extension of the right to the survivorship pension (also for the ex-spouse after divorce) some years ago is considered as a policy error today (ESP).

In countries where a minimum pension prevails, the individualization of pension rights after a possible abolition of survivor pensions may lead to an important increase in pension expenditures (LUX).

Today, the introduction of a means/income test for beneficiaries of a survivorship pension is also being considered (ESP).

2.6 Incapacity for work benefits

Earlier, when dealing with “activation of benefits,” we have seen that many CEOs put the incapacity for work benefits today in the frontline of the activation effort.

Especially long-term work incapacity or invalidity schemes are under scrutiny: too many people are today receiving incapacity of work benefits whereas in fact they would be (hidden) unemployed persons (FIN, DEN, NOR, SWE, NED, GER, AUT, LUX). In some Latin countries, the abuse of invalidity schemes for covering the risk of unemployment is reported to have decreased over recent years and does not call for substantial concern in the future (ITA). Yet, in certain cases, e.g., due to weather conditions (draught), many people (in agriculture) cannot work, resulting in a rise in claims of incapacity for work benefits (ESP). In the past, many people got recognized as invalids and are now receiving invalidity benefits as well. To remedy this situation, linking the invalidity pension amount to the number of years worked is being considered, as well as transferring the assessment and control of the work incapacity from the doctors of the health administration to the medical doctors of social security itself (ESP).

Highlights

The core question is not to what extent a person has lost his capacity to earn, but rather which earnings he can still realize and how much work capacity he still possesses.

More and better rehabilitation services should bring more people that are currently receiving an invalidity pension back to the labor market. The perspective from which the persons concerned are assessed is even being changed. The core question is not anymore to establish to what extent a person has lost his capacity to earn, but rather which earnings he can still realize and how much work capacity he still possesses (NED, DEN). In the Netherlands, the invalidity benefit schemes is being drastically reformed with that particular aim (NED). It was also reported how important it is to translate the activation measures and the related suppression of benefits in the right way to society and especially to the persons directly concerned. A Dutch CEO was of the opinion that such a drastic reassessment of the incapacitated could have been presented in a much more acceptable way. Persons receiving benefit, were suddenly declared capable to work, as if they had been cheating the system before. A more positive approach would have been to confirm that they are indeed (partially) incapable to work, but at the same time indicate that they still can perform certain kinds of (adapted) work. People would have better understood such an approach (NED).

In the Nordic countries, the policy to activate work incapacity benefit schemes finds support both with trade unions and employer organizations, but some CEOs doubt whether the activation measures to be taken will effectively result in a higher degree of re-entry in the labor market (FIN, SWE). In some other countries, the rehabilitation of invalid persons, or in other words the activation of the work incapacitated persons, seems to remain a mere good intention, the corresponding services still lacking to a large extent (ITA, POR). In Belgium, there is a lack of confidence that the politicians will have the courage to take the necessary measures in order to promote the activation of the invalids (BEL).

Certain CEOs warned that the rehabilitation measures supporting adapted work places for people with reduced ability to work, should not be perverted by artificially transforming ordinary jobs into supported rehabilitation jobs: a person is dismissed from his job but takes it up again later as a subsidized “flex-job” (DEN).

More in general, a concern was expressed concerning the rehabilitation of (the growing number of) people with mental health disorders (FIN, AUT). More money needs to be invested into rehabilitation, also psychological rehabilitation. This means the development of more sophisticated techniques than the actual ones (AUT).

Short periods of sick leave raise concerns with the employers; social partners agree that action has to be taken to combat abuse of sickness benefits (NOR).

As far as the professional risk insurances are concerned, i.e., labor accident and professional disease schemes, we already pointed out that their very existence is sometimes questioned (see “Interplay between different schemes and the related administrations”). Yet, it is sure that the character of these insurances is to change in the future, stressing more prevention and rehabilitation. Creating safe working environments becomes priority number one, which should mean that less attention and money go to the cash benefits (BEL). Yet, it is also being observed that the benefits paid out by these insurances have a kind of damage compensation character as well, meaning, e.g., that also very low cash benefits for minor health damages may make sense (BEL). Moreover, a CEO observed that the professional disease insurance may be called upon in the future to step in as a kind of ecological risk insurance.

This is illustrated by the example of asbestos-caused cancer. At this moment, this is one of the most important professional diseases affecting workers in a number of industries. But also other people than the ones who have been working in the particular industrial sector which dealt with asbestos, can be affected by this disease. The coming years, in a growing number of cases, industries will be held responsible for asbestos that affected private people. Probably, this will lead to a kind of “objective/faultless responsabilization” of the industry concerned (without it being necessary that the victim has to prove the fault), which will have to be insured. Here is a future for social security, because this kind of coverage is best done by a public service/public social insurance (BEL).

Highlights

In recent years, legislation has been introduced in Northern Europe to enhance activation; nevertheless, a larger hard core of long-term unemployed remains present.

2.7 Unemployment benefits

Recent years, many changes of legislation have been introduced in Northern Europe in order to enhance activation. Despite, a larger hard core of long-term unemployed people remains present. The situation is moreover worsened by the emergence of jobless economic growth which is often experienced (SWE, FIN, DEN).

Also the reluctance towards geographical mobility within the country makes that important percentages of unemployment in some regions of the country co-exist with high demands for labor forces in others (SWE, FIN). Furthermore, geographical mobility is hindered when both partners are working, and, even more, when recomposed families must be able to exercise effectively the right to visit children whose care has been assigned to the ex-partner (SWE).

Workfare initiatives are generally considered less desirable (FIN). The creation of tools to prevent unemployment (by retraining people before important layoffs) is getting more attention (FIN).

Not so much the period or the level of the unemployment benefits is expected to be decreased. Rather, some groups of unemployed people will be singled out, first and foremost the younger generations, to bar them from receiving benefits for long periods and to make more activation efforts (POR).

When efforts are made to complement benefit payments (“passive” measure) with “activation” measures, such as organizing job markets where employers and job seekers meet, it is stressed that doing so requires an important investment of time and personnel. Unemployed persons have to be invited, reminded and eventually sanctioned in case they do not show up (LUX).

Highlights

Because the costs of medical goods and services will always be more complex and more expensive, a major question will be whether to cover the whole health care package.

2.8 Health care and care

Nordic CEOs do not seem to be very concerned about the growth of care and health care costs, but rather about having sufficient care and also enough health care providers at disposal in the future, especially in the more remote and less populated areas of the countries (NOR, FIN). As health care and care are basically provided on the local or regional level, these levels must be empowered to make good arrangements with providers (FIN). Replacing this mainly service-based provision by a more insurance-based national arrangement is mostly rejected (FIN, SWE).

In some countries, CEOs suggested to spend less on health care (for the elderly especially) and more on long-term care in the future. The question was raised whether we really want to invest the highest amounts of money in the treatment of elderly in the future? Is that beneficial for society and for the dignity of the elderly? Maybe they are better serviced at home with simpler care than with sophisticated expensive care in a hospital or in residential care (IRL, GER).

2.8.1 Health care

In some countries, the exponential rise of the health care costs is a source of major concern (GER, AUT). Medical goods and services will always become more complex and hence more expensive. One of the major questions will be whether we will retain the ambition to cover the whole health care package. And if not so, which elements or criteria will be used to make decisions related to the coverage (what to cover? what not to cover? coverage to what degree? etc.) (AUT, GER).

Another question is whether countries operating a health insurance on professional basis will continue to do so or will move to a universal health insurance (GER). Maybe, more packages of health coverage should be designed, among which the insured (especially the self-employed) people could choose. Some treatments and medicines should be transferred more easily to the category of “luxurious” treatment for which the person has to pay more (AUT).

Highlights

The growing number of elderly in the health care system is a major challenge. The question is whether the majority will continue to pay the costs generated by a small percentage of old people.

The impact of the growing number of elderly upon the health care system is considered to be a major challenge for the future of social protection (FRA, ITA). The question is raised whether in health care, e.g., the majority will continue to accept to pay for the costs generated by a small percentage of mainly old people (FRA).

The problems faced by the health care systems and their financing are translated into various approaches in the different countries.

In France, the major concern is fighting medical over-consumption. People take for a minor health disorder medicines (often antibiotics) that are not suitable to cure the problem. In a way, the fundamentals of the health care system have been lost: one does not realize anymore which major goals this scheme should address. Another issue of concern is the growing unequal access to health care. The richer one is, the easier the access to the health care infrastructure becomes. This tendency should be stopped and reversed. Finally, the existing infrastructure (especially the hospitals) could be run more efficiently (FRA).

In Italy, health care delivery is said to need a more standardized approach. More transparency in the service provision is needed; a first step in this direction is the health care card that was recently introduced. Next to that, more has to be invested in the primary care, the health care today being too specialized. More and better ambulatory services are needed, as well as more grouped primary services. Prevention must get more attention as well (ITA).

In Spain, the challenges faced by the health care system are concentrated in some regions that simply cannot make ends match. The costs of health care in those regions are excessively high, due among others to:

- Family reunification (of immigrants) in order to get treatment for their family members
- The increase of fraud (e.g., contraceptives provided to elderly)
- The many EU nationals residing there and demanding health treatment (sometimes even abroad but on the account of the health care system of their Southern place of residence) (ESP).

In Ireland, one complained of the failing of the public/private mix in health care. In practice this means often that doctors are organizing their “private practice” after the hours working for the public health system (IRL).

All together, the interviewers were rather surprised that only one of the interviewed CEOs expressed his concerns about the exponential increase of health care costs resulting from the technological and scientific progress in medicine (FIN). This might be related to the fact that health care is organized, and also to a large extent, financed at a local or regional level, whereas the interviewed CEOs were active on the national level.

Highlights

The need to develop better care arrangements for the growing number of old people and for parents, wanting to both take up paid work and raise children at the same time, is seen as a major challenge.

2.8.2 Care

The need to develop better care arrangements for the growing number of (very) old people and for parents who want to both take up paid work and raise children at the same time is seen as a major challenge (FRA). Still, the need for care seems to be approached differently for children and for the dependent elderly.

As far as the former are concerned, the development of more and better day care facilities for children is the focus of attention (FRA).

Most attention went to the dependent elderly. In Germany, a care insurance is in place but is considered to be in need of a new financing. The CEO surprisingly mentioned the possibility of funding it through capitalization. Moreover, more and fairer competition was considered to be desirable (GER).

In the Latin countries, developing adequate services and housing for dependent elderly is being considered. As far as dependent people in general are concerned (elderly, also sometimes handicapped people), attention focused on the recognition of “care” as a new branch of social security as such (ESP, FRA, POR). Yet, much still has to be sorted out. Will one introduce a new (contributory) social insurance scheme or a new non-contributory arrangement (ESP and probably in the long run also POR)? Or will one concentrate on the development of care services and institutions, choosing in a first time for less invasive measures, such as incorporating some services in the social health care package or even voluntary care insurance (in a first phase in POR)?

The introduction of a care scheme raises a number of crucial questions concerning: the people to be covered (and the indication/measurement of their degree of dependency), the administration, the professionals active in the scheme, the institutions playing a role in the scheme (quality conditions, surface conditions, etc), the benefits to be listed, etc. Therefore, such an innovation calls for a broad public support. In any case, the care scheme seems mostly to be characterized by a mix of benefits, including the provision

of services, institutional care and family care services and home care. The package may also include tax alleviations to the benefit of the lowest incomes (ESP).

The introduction of a proper care scheme will produce positive effects upon the costs of other social security schemes (diminishing the burden upon the health care system; leading to the abolition of the compensation for loss of autonomy in the invalidity schemes) (ESP).

In Ireland, the need for more and better care for the elderly will probably not lead to the creation of a care insurance, as the latter would have to be financed out of new contributions. Such contributions would make the Irish economy less competitive. Therefore, Ireland is going for investing substantially more money into home care support, partly by transfers from the budget for residential care to that for home care, partly by raising the overall budget. All this will be coupled to a thorough rethinking of the whole sector of services to the dependent elderly (IRL).

As in Italy many providers of care services (to the elderly) appear to be foreigners (both legal and illegal immigrants), the growing need for care services is linked to the attraction of more immigration (ITA).

Also the better coordination between the health care (administration and services) and the care (administration and benefits) calls for special attention, especially when these are to be situated on different levels of territorial competence (ITA).

The need to keep pensioners fit and active is seen as an important contribution not only to their well being, but also to the containment of costs in health care and care (ITA, ESP, GER).

2.9 Family allowances

As far as family allowances are concerned, the introduction of more targeting to the low and low middle income segments, and thus the introduction of new means tests, is sometimes considered (FRA). Also the simplification of the actual myriad of benefit schemes is under consideration (FRA). The specific issue of child poverty also raises concern: should universal family benefits be supplemented by means tested benefits (IRL)?

The increasing number of mono-parental families is also questioning the existing family policy. Do we need to change our family benefit structures in order to take better care of these families? Do we need to stay as neutral as possible vis-à-vis the composition of families? Do we need to discriminate in a positive way some kinds of families (such as mono-parental families) (FRA)?

The relation between family policy through social security and family policy through taxation may call for reconsideration (NED).



Highlights

The major question in social security financing is how to raise additional finances without raising the labor cost.

3 Financing social security

3.1 Structure and level of sources of social security financing

The major question in social security financing is how to raise additional finances for social security without raising at the same time the labor cost. In other words, when confronted with financial problems, how to levy the burden upon labor?

The link between contribution financing and the labor cost was explicitly mentioned as a reason for trying to move to more budget-based financing of health care (AUT, GER) or not to introduce a contributory care insurance (IRL). Yet, it was also observed that one should not overestimate the effect of passing from contribution financing to (more) budget financing, as in the past such movements did not seem to have a substantial effect on the labor market (GER). Obviously, the budget is to a large extent financed out of income tax, which is mainly raised on the income out of work and the profits of the enterprises (GER).

As far as the importance of contributions vs. subventions from the budget as a source of social security financing is concerned, we found that some CEOs expected an increase in budget financing (NED, IRL, GER). Some fear that such an increase will reduce the insurance character of the social insurance (GER). It could also lead to a shift in power relations. In countries where budget financing is already important, the treasury has already occasionally blocked social reforms advocated by the social policy makers (GBR in relation with reduction of means testing).

Some suggested even that eventually a kind of trade-off will take place: if the employers (and employees) want to diminish their contributions, their role as social partners in the social security area will be (even more) reduced. If they want to have more power in the running of the social security system, they will have to pay a price for it, viz., higher contributions (NED).

Although most CEOs recognize that the social security system has financial problems and agree that the fiscal and parafiscal burdens upon labor should be levied, many do not expect dramatic structural changes in social security financing. Where alternative sources exist, these may be further used or even expanded, without however replacing contributions and state subventions (FRA, POR, BEL). In France, the idea of an “added company value” levy as an additional financing source is very much debated (FRA).

Some expect also more and more occasional measures that do not tackle the core of the problem, e.g., paying the benefit at the end of the month instead of in the beginning. Of course, such urgency measures can only be used once. Furthermore, contribution ceilings are expected to rise as well and probably more emphasis will be put on private coverage, e.g., through supplementary schemes that may be made mandatory or for which at least fiscal incentives will be provided (GER).

Other possible operations to address the financing difficulties include the collective capitalization (not the individual capitalization) replacing pay-as-you-go financing and replacing fixed social security benefits with a “franchise” approach, in which the state (probably the tax office) only intervenes if a person’s threshold for social costs exceeds the established ceiling (NED). It is also very difficult to address the financial problems seriously if the social security financing has become completely unintelligible; the social security financing thus has to be made more transparent (BEL).

As far as possible, the expenses of the social security system should be cut, rather than its finances raised (LUX). Attention should be paid to the containment of the administrative costs as well, not in the least of the private institutions playing a role in the administration of social protection schemes, such as pension providers (GBR). Operating means tests presents an important financial burden as well to be taken into account (AUT).

Generally speaking, Nordic CEOs are of the opinion that the cumulated tax and social security contribution rates have reached levels that can hardly be raised more. On the other hand, the feeling prevails that high levels of taxes and social security will not necessarily come under public attack, as long as people receive good (social security) value for their money (DEN). Complementary private (pension) arrangements with capitalization seem useful to take away the pressure for higher taxes. However, in so far as such arrangements get a beneficial tax treatment (making them partly or entirely tax deductible), this will narrow the taxable basis and thus lead to a pressure for higher levy rates (DEN).

The high levels of social security and taxes are also acceptable if they are matched by fairly proportional benefits. If the benefits are uniform and possibly means tested, the gap between income out of work (on which taxes and social security contributions are levied) and social security income replacement benefits is narrowed, in turn leading to “unemployment traps” and “poverty traps.” Some, therefore, suggest to reduce means testing and/or to make income replacement benefits more subject to the same tax and social security levies as income out of work (DEN, NOR).

Norway takes a special position in the financing discussion, as it disposes of large reserves resulting from the oil extraction in the North Sea. The problem is to explain to the population that they have to postpone the satisfaction of immediate needs in favour of saving for the coming generations. Another challenge is to maintain awareness that social security always operates in an environment with limited means and that choices remain necessary, even if, at the moment, the oil money suggests everything to be possible (NOR).

Highlights

Some countries want to constitute financial reserves in order to face the coming years' challenges, especially those resulting from the demographic evolution.

3.2 Providing for the future

Some countries want to constitute financial reserves in order to be able to face the coming years' challenges (especially resulting from the demographic evolution) (POR, ESP, IRL, BEL), although the money in the fund may have to be used immediately to cover the current deficit of social security (POR). Making a social security budget (projections) over longer periods of time (e.g., four years) is motivated in a similar way (FRA). Sometimes the constitution of reserves is considered hazardous as politics may too easily be tempted to use the "reserves" for satisfying immediate needs (AUT).

3.3 Incapacity to pay contributions

A special issue constitutes the incapacity to pay social security contributions, declared by some employers (often of small and medium-sized enterprises). These enterprises complain that they are suffering bad economic circumstances and hence that they are not able to pay the social contributions of and for their workers. Sanctioning these employers mostly does not offer a real solution. Instead, different kinds of measures can be developed to facilitate the payment of (part of) their social security debts (ESP, POR):

- Allowing to spread the duties over more years (e.g., five years)
- Taking guarantees on company assets when the debts still seem to be recoverable
- Solving the debts through the procedure of the "concordato"
- Applying favorable interest rates upon the accumulating debts
- Cutting parts of their debts (e.g., 50%)

In some countries, the administration in charge of managing the social security schemes differs from the one collecting the social security contributions. Especially if the latter is done by an administration having another main task (e.g., the tax administration), this might lead to a slower follow up or less attention for an efficient collection of contributions (NED, GER).



Highlights

Social security administrations are rarely ready to undergo substantial changes because of historical reasons and power struggles between various social and political forces.

4 Administration

4.1 *Structure of administration and interaction between administrations*

Historically rooted, product of a power struggle between the various social and political forces in place, the overall set-up of social security administration is rarely ready to undergo substantial changes. As a consequence, the CEOs who express the possible need in the future to merge some smaller social security institutions, doubt at the same time about the political feasibility of such operations (BEL, GER, AUT, LUX). An exception seems to be the major merger of social security systems for the self-employed and their administrations in France, aiming to join the existing funds and thus to simplify to a large extent the administrative procedures to be followed. Hence, it will become easier to start up self-employed businesses, leading hopefully in the longer run to a better economic performance in the country. At the end, the self-employed entrepreneur should have to contact only one “counter” for all social security issues. If this merger can be carried out successfully, it may function as an example to be followed by the rest of social security, i.e., also by the employees and civil servants schemes (FRA).

In the Nordic countries, the local entities in charge of parts of the social security administration are sometimes considered to be too small to cope with their tasks, calling for larger local entities. This raises the question of the optimal size of these local authorities and/or the centralization of certain tasks (DEN, NOR, FIN, also IRL).

Although some reforms envisaged by the CEOs are very much linked to the specific organization of social security administration in their own countries, one could say that a large majority of them do not foresee major changes in the administrative structure of social security. Yet, many CEOs stress the need to establish better co-operation between the existing social security administrations, running different but interconnected social security schemes.

In the Nordic countries, a closer cooperation between the people managing “active” and those managing “passive” social security benefits is felt to be particularly necessary (NOR, SWE). In other countries, the relation between the health care scheme and its administration, on the one hand, and the incapacity for work insurances and their administrations, on the other hand, seems to call for special attention (ITA, ESP, BEL).

As registration of socially insured people, inspection and control activities are concerned, a close co-operation between the various administrations involved is more than welcome (ITA, AUT).

The co-operation between social security administrations, especially also the smaller ones, may also be of a very practical nature, addressing common tasks, such as purchasing materials for the administration or the human resources management (BEL).

When the tax authorities fulfil tasks of social security administration, a good cooperation between social security administrations and tax authorities is essential. A number of CEOs wished to see this co-operation improved (POR, ESP, ITA, NED, GBR, AUT). Such an enhanced co-operation may furthermore improve the combat against social security fraud (e.g., by matching data and wages) (POR, ESP, ITA, AUT). Where tax authorities are in charge of collecting social security contributions, it is sometimes feared that they will be inclined to pay more attention to big tax fraud cases than to cases where people have not paid all the required contributions (NED).

Highlights

The roles of the social partners, employers' organizations and trade unions in the operation of the social security system are increasingly being questioned.

4.2 Relations with employers and socially insured persons

Efforts are being undertaken in order to improve the social security administration, not in the least in its relations with the employers and the socially insured, the latter being viewed more and more as “clients” (FRA, ESP). A common front office may be a tool in order to reach that goal (GBR).

As a consequence of the more demanding approach by the socially insured, the social security administrations also have to adapt their attitude towards their clients in another way: a more strict and formal approach appears to be necessary just as a more elaborate motivation of the decisions taken (DEN). Sometimes, appeal institutions start developing pro-active interventions in order to maintain a uniform application of the social legislation over the whole country, tackling thus too soft-law implementation by some administrations (DEN).

4.3 Position of the trade unions and the employers' organizations

The roles of the social partners, employers' organizations and trade unions in the operation of the social security system are increasingly being questioned (ITA, FRA, FIN, DEN, SWE, NED, GER).

This evolution may be related to the changes in the social security financing system, where contributions have become less important and budget financing has increased (FRA). It may also result from other changes in the social security schemes (NED). More fundamentally, as “good governance” will become an essential issue in the coming years, one will have to examine again who are the real stakeholders in social security. For the moment, the social partners have an important position in the social security administrations. But can this position be defended for the future? Do they represent all stakeholders in society (FRA, GER)?

Highlights

Information technology (IT) is crucial for more efficient and less costly social security administration, but the whole social security administration, not just the schemes themselves, should be adapted to the potentialities of IT.

Some interviewed persons asked themselves whether the social partners could maintain their position in the social health care scheme, when that system would become tax financed (AUT, BEL).

Whereas in the Nordic countries, the unemployment insurance is traditionally in the hands of unemployment funds closely linked to the trade unions; more recently, some unemployment funds have emerged that are disconnected from the trade unions. If this phenomenon persists, it could weaken the position of the trade unions in the social security debate and even lead to questioning the presence of social partners in the management of social security (FIN, DEN, SWE). At the same time, however, it could also strengthen the trade unions' position as "defenders" of the unemployed against the unemployment insurance funds (SWE).

4.4 IT, e-government and need for data

The introduction of IT in social security administration affects all elements of proper administration: it can speed up the delivery of the benefit to the client, help to collect and store information on clients, facilitate the registration of workers as well as the collection of contributions, allow for better prognoses etc. In other words, IT is seen as crucial in the struggle for a more efficient and less costly social security administration (GBR, IRL, NED). Yet, it is important to stress from the outset that introducing IT should not be limited to the digitalization of paper forms. The whole social security administration, if not the schemes themselves, should rather be reformed and adapted to the potentialities of IT (NED, BEL).

The importance of IT is first seen in relation to a better service to the employers and the socially insured persons (ESP, IRL, POR, LUX). One should be aware though that a multiple set of contact channels may be the best solution, including next to interactive Web sites, e.g., also help desks or call centers (AUT, IRL, GBR). People should be addressed in a holistic way, which implies, e.g., that all people related to social security, like doctors, should be much more IT-driven than they are now (IRL).

Also, the right registration of work(ers) may be furthered by using IT. For example, in Portugal the administration invested in a system on line where people can make prognoses on their social security situation (by introducing the incomes they earn, contributions they pay, etc.). By doing so, people become motivated as well to disclose their income (transparency of the system). Furthermore, one can check whether the employer has paid his contributions (the day this system was introduced some 10,000 new enrolments were registered!). This certainly had consequences for reducing and tracking down black work (POR, also LUX). Also in Spain, IT has made it possible that a worker needs to be registered only once, registration having effects for the whole social security system (ESP).

Also in the Nordic countries, e-government and IT have become important features in the administration of all social security systems. However, the interconnection between the technologies used in the various central and decentralized social security institutions and administrations remains a major concern. The problem even seems to increase if also private actors (e.g., insurance companies, pension funds) administer parts of social security (FIN).

Yet, better and more transparent management, a reduction of the administrative workforce and lower administrative costs are expected to result from the introduction of e-government and IT in the social security administration (DEN, FIN, SWE, NOR). It remains an open question to what extent e-government will have an impact upon the relation between the socially insured and the administration (NOR). Very often, e-government and IT find their limits once a case is under judiciary review, both for legal and technical reasons (absence of recognition of electronic signature, appeal boards not sufficiently equipped) (DEN).

The introduction of e-government and IT confronts many social security administrations also with the need for a change in human resources. CEOs are sometimes worried whether they will be able in the future to find the adequate people to work in social security administration (which is sometimes already a problem now) (SWE, FIN, BEL, IRL, LUX). At the same time, the introduction of IT in social security administrations may contribute to employment in more remote areas of the country with high unemployment (SWE, FIN).

Some CEOs observed that social security administrations already dispose of a considerable amount of data, which could be used both to improve the administration of social security and for social policy goals (NED, BEL). Privacy protection rules that are too strict and formal, seem sometimes to constitute useless obstacles to progress, without really serving the privacy of people (NED, BEL).

Some CEOs expressed the need to dispose of more performing statistical tools, allowing them to intervene on a shorter notice to re-direct policy if needed. In general, it is felt that reliable figures and data will become more and more important, especially if administrations are considering measuring the impact of new or envisaged social policies. This will certainly affect the way the administrations operate internally, but also the way they connect with each other (NOR, DEN).



Highlights

A widespread opinion was that the “soft” EU social policy initiatives, including the Open Method of Coordination (OMC) in social security, did not have any substantial impact upon domestic discussions about social security reforms.

5 Foreign and international influences

5.1 European Union

The opinion was rather widespread that the “soft” EU social policy initiatives, including the Open Method of Coordination (OMC) in social security, did not have any substantial impact upon the domestic discussions about social security reforms (DEN, FIN, SWE, ITA, FRA, ESP, BEL, LUX, AUT also POR and IRL). It is only to the extent that the OMC documents provide information about foreign social security systems that they were sometimes perceived as useful. Yet, the workload for national administrations linked to making the OMC reports was generally considered too heavy, compared with the return received from the OMC operation (LUX). The focus should be much more on disseminating best practices than on developing concrete guidelines for the countries. Especially the presumed hidden agendas of the European Commission make countries nervous (IRL).

Only exceptionally, the documents produced within the OMC framework were valued more positively. This was remarkably the case in the only non-EU-member state visited (NOR). Also the European reports on social exclusion were said to have had some influence on the Irish national social policy (IRL).

The European Union does, however, not only produce soft-law documents, but also binding hard-law instruments, like the coordination regulation 1408/71. These are of course to be observed by all European Economic Area countries. Yet, CEOs report that, e.g., the coordination regulation often does have an impact upon the national social security systems themselves, going beyond the mere coordination, compelling more or less the states to adapt their national social security arrangements so as to avoid problems as a consequence of the implementation of the coordination law, not the least of the exportation principle (NED, NOR, SWE, ITA, FRA, ESP, AUT, GER, BEL, LUX).

In Nordic countries, this view went along with the feeling that the coordination mechanism was less fit for being applied to the (Nordic) universal social insurances. It is said to lead to much more problems with migrant workers than when coordination was ruled by the Nordic Treaty (SWE, DEN). The universal social insurance starts from the basic assumption of a close and long-standing relation between citizens and their society; yet this society today is faced with a growing number of immigrants, emigrants and other “moving” people (DEN).

Some CEOs expressed their special concern as to the impact of hard European economic law principles upon social security. They were mainly pointing at the principles of free movement of goods and services, and that of fair competition. (BEL, GER, LUX, FRA). Others were concerned whether the European Union would allow the maintaining of an own “Northern” agricultural policy (for the North of the Nordic countries) (FIN).

One CEO observed the schizophrenic approach often taken by national governments, (“shocked” when the Court of Justice takes a decision against the country’s social security system), whereas they could have known better when agreeing on the European level with the hard-law norms (AUT).

Some CEOs deplored that the European Union has not gone further (even when staying within its current powers) in developing hard law in the social security area, not in the least as far as the technical coordination and the exchange of data are concerned (NED, BEL). More in general, some CEOs expressed their concern about the declining positive attitude towards Europe they observe in their countries (ESP, FRA).

Some indicated that notwithstanding all the above, the impact of the (law of the) European Union remained more visible than that of the (legal instruments of the) Council of Europe and the International Labour Organization (GER, NED). Some asked for more cooperation between the relevant international organizations; especially as far as the collection of data and the reporting about the social security system were concerned (LUX).

Highlights

The impact of globalization and the growing mobility of people are important for the future of social security; for example, due to globalization, employers have to compete with other global players and may be tempted to delocalize production as the labor cost is too high.

5.2 Foreign influences

Many CEOs stressed that the debate about the future of the own social security system was first and foremost a domestic debate, with domestic arguments for and against reform plans. Of course, they realize that their countries are not islands and thus are part of a global economy (see next chapter); but when foreign examples were being invoked in the debate, they mostly concerned (geographically or culturally) neighboring states (SWE, DEN, FIN, NOR, AUT, GER, ITA, FRA, POR, ESP, LUX). In Britain, this meant mainly looking outside Europe, to countries like Australia, New Zealand, Canada and the USA (GBR).

5.3 Globalization and delocalization

In most countries, the impact of globalization and the growing mobility of people were mentioned as being important for the future of social security (POR, ESP, NED, AUT, IRL, FIN, SWE, DEN, NOR). In one country, the impact of globalization upon the small and medium enterprises was at the heart of the concerns (POR), whereas the pressure upon the workers and the social security system produced by the increase in flexibility demanded by a globalizing economy were mentioned in another one (ESP). Due to globalization, employers have to compete with other global players, and may be tempted to delocalize their production as the labor cost is considered to be too high. In order to compete, one might need to lower the social protection levels, if one cannot make up the difference with, e.g., China by having enough and better schooled working forces and a high degree of employment (NED, IRL, AUT).

In the Nordic countries, an outspoken trend could be discerned as far as the impact of globalization is concerned. This general trend can be summarized as follows. Indeed, some mainly industrial activities are being delocalized to the (Far) East. Sometimes, such cases receive much attention in the media and become the focus of political debate. Yet, the quantitative number of jobs lost due to delocalization is (still) rather limited. The overall evaluation is that

the Nordic countries, be it in different ways, have already had for some time open economies (FIN, SWE, DEN, NOR). One should, therefore, not so much try to stop globalization and delocalization, but rather try to develop more the services sector as well as some own “niche” industries (FIN). Some observe that together with their economic development, countries in the East will also be confronted with demands for more social protection. And in any case, in the Nordic countries it is felt that globalization makes it impossible to (further) raise the labor cost, already considered to be very high (FIN).

A special internal effect of globalization is the changed attitude of a part of the employers’ group. Traditionally, social security was built around some consensus between government, trade unions and employers’ organizations. However, a new type of employer, has emerged, viz., (mainly) multinationals, which is not so much interested in a partnership with domestic trade unions and which often waives the flag of possible delocalization. That obviously puts a strain upon the search for consensus in the reform of social security (FIN).

A specific concern was expressed about the impact of the global energy crisis, which may periodically lead to economic shocks, which the social security system will have to absorb (FIN).

In one country, the growing number of (elderly) foreigners taking residence and using the country’s social welfare services was mentioned as a special challenge (ESP). Sometimes, globalization is mainly linked to larger numbers of people moving around, emigrating and immigrating (GBR, NED). In a more globalized economy, one may face at home more migrants who often will have lower income or lower social security (due to shorter careers). The worldwide differences as we face them nowadays could become reflected within the domestic society (NED). On the other hand, some CEOs complain about the barriers to immigration, which could cause the loss of a lot of bright people and investments (NED).



Highlights

CEOs stressed that maintaining the present highly developed social security systems in Europe depends on preserving the fundamental values that underpin it, meaning that every man and woman who is fit take a job on the labor market.

6 The “message” of the CEO

At the end of the interviews, the CEOs were asked to deliver an overall message to the social security world, expressing their fundamental vision. By definition, this message could deal with all aspects of social security; consequently, it is difficult to give an overview. Moreover, the contents of most of these messages have already been dealt with in the previous chapters. We therefore restrict ourselves to “messages” that were repeated several times or that presented a more general character.

6.1 Faith in social security

Many CEOs expressed their faith in a highly developed social security in (Western) Europe, guaranteeing high levels of protection (FRA, ESP). CEOs in the Nordic countries did the same, be it that they expressed their fundamental belief in the Nordic social security model and the fundamental values of their own social security systems (DEN, SWE, NOR, FIN). Yet, many stressed as well that maintaining this system implies preserving the fundamental values underpinning it, meaning in the first place that every man and woman who is fit for it, take up a job on the labor market. The latter is threatened by a series of phenomena, the most important of which are:

- The persistence of a larger core of long-term unemployed people excluded from the labor market (NOR, SWE, DEN)
- The mismatch between education and available jobs (FIN)
- The resistance to Nordic labor morale of some allochthonous groups (DEN)
- The overall decline of social ethics and the difficulty of understanding what social security is about (SWE, DEN)

Also in Luxemburg, the value of their own social security system was stressed (LUX).

Highlights

As social security makes it possible for all people to live together in an inclusive society, social security administrations make democracy come true (or not) in their day-to-day contacts with citizens.

6.2 *Social security as the result of a social contract; need for a better understanding*

It is also perceived to be crucial to explain the basic solidarity logics of the social security systems to the younger generations (ESP, GER, AUT). Linked to their fundamental belief in their own social security model, several Nordic CEOs expressed the wish to simplify social security fundamentally, in order to make it possible for the people concerned to understand it and act correspondingly (SWE, DEN, also NED). In general, an effort is required to explain again what social security is standing for; social security administrations should improve their communication to that effect (GER, BEL).

6.3 *Social security as an essential component of a democratic society*

Social security is a pillar of the democratic society; thus, social security administrations are front-line soldiers defending (that guarantee of) democracy (AUT, BEL, NED). As social security makes it possible for all people to live together in an inclusive society, social security administrations make democracy come true (or not) in their day-to-day contacts with citizens. These administrations should be aware of their important role when they contact people (NED).

6.4 *Need for a sustainable financial and economic basis*

Whatever the importance we may attach to social security, no social security system can survive if it is not built upon a sane financial and socio-economic basis, observed some CEOs (GBR, NED, AUT).

Highlights

Social security should be built on and promote an active society with the motto: Employ people, if possible for economic reasons, if necessary for social reasons.

It was stressed that social security should be built upon and promote an active society. Social security should offer all people fair perspectives of participation in society. The motto should be: employ people, if possible for economic reasons, if necessary for social reasons. The basic income approach, that is sometimes advocated by social security researchers, is considered to be fundamentally contrary to the emphasis on linking social protection and the readiness to work. The importance of work should be emphasized in each social security system, in order to integrate people decently (NED, AUT). In this respect, some especially mentioned the need for a sustainable economic basis and a healthy financing (GBR, AUT).

6.5 Social security as a positive economic factor

Whereas safeguarding the social security system requires in the long run economic growth and more employment (FRA, ESP), social security should not primarily be seen as a cost factor, but rather as a productive factor. Indeed, a competitive Europe cannot afford the destruction of the security systems. The latter should not be perceived as an obstacle to our economies but as a condition for economic development and growth. One can only be more competitive with more (social) security. Workers, e.g., will be more productive when they feel more (socially) secure (POR, ESP).

6.6 Social security at the service of people, the weakest in the first place

Whatever social security reform is considered, policy makers and administrators have to keep in mind that social security, and they themselves, are at the service of the people, and in the first place of the needy (POR, ESP). In any case, a decent basic protection for all has to be guaranteed (IRL).

Highlights

Despite the improvement of the system and a better economy, some people are still living in difficult circumstances and should not be left behind.

One should always remember that even in societies that are economically prospering, there are always groups of people who cannot benefit of the wealth. Despite the improvement of the system and the better economy, some people are still living in difficult circumstances. These people should not be left behind. Such “gaps” in the system should continually be looked for. Where are those gaps? Where do we redistribute badly or adversely? These questions should always be kept in mind (IRL, NED).

The public system should be solid with regard to the basic coverage. The rest can possibly be filled out by the professional groups themselves. Anyway, when reforming, the profits must not be privatized while keeping the costs within the public system (AUT).

6.7 A more holistic view

Some CEOs advocated a holistic view on social protection (including health care). Today, policy makers and social security administrators work far too often in a fragmented way, neglecting to take into account what is going on in the adjacent fields of social protection (ITA). Some Nordic CEOs connected their strong faith in (their) social security systems and their call for simplification, with the need to move away from fragmented approaches and to examine the future of social security rather more holistically (SWE).

6.8 Attention for the younger generations

Some CEOs deplored that the current social security reforms in order to preserve acquired rights, were far too much at the detriment of the younger generations, thus endangering their commitment to the social security system (ITA).

Highlights

Politicians must take the important and necessary policy decisions, but should not mingle with the daily running of social security administrations.

6.9 Role of social partners

The role of social partners in the development of social security should be reviewed according to some CEOs. A broader vision to tackle the challenges of the future and a broader consensus seem required to bring to a good end needed major reforms (IRL, AUT).

6.10 Responsibilities of politics and administration

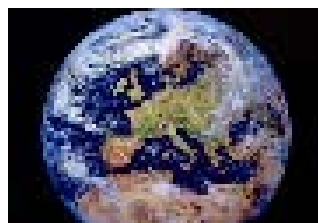
Politicians must take the important and necessary policy decisions, but should not mingle with the daily running of social security administrations. Administrations on the other hand will function best when they have a broad action freedom within the clear framework of policy decisions. They will then be accountable for the extent to which they have achieved the politically set objectives. In this way, both politics and administration can play their own role optimally, since at the end there is always a final responsible to account for what has been done (BEL).

6.11 More EU involvement

Some CEOs expressed the view that the European Union should become more active in the social security area, including also the relation with taxation (NOR, FIN).

The EU should recognize the importance of social protection, which might imply more action in the social security area (ESP, NOR, FIN). This in turn means awarding additional competencies in the social field to the EU, in order to outbalance a European economic integration (ESP). The EU should also pay more attention to the interplay between social security and taxation (NOR, FIN).

On a more practical level, some CEOs insisted on the need to dispose of better data in order to develop the best possible social policy for the future. Only by knowing the system's strengths and weaknesses, can one develop a decent policy. Europe should be more involved in such an exercise (GER).



Highlights

Researchers have identified twelve items that call for privileged attention.

7 Concluding remarks by the researchers

Having reached the end of this report, we see it as our duty to highlight those statements and opinions about the future of social security that struck us most. In doing so, we do not have the ambition to provide a summary of what is already a summary of over 70 interviews!

We selected items on the basis of their importance, because many CEOs mentioned them or because they were especially original. We disfavored topics that already received much attention and privileged some items dealing with problems that are not so often fully articulated and that tend to have some “taboo” in them.

Our selection is thus a rather personal one, since other readers may find other statements and opinions more interesting. Nevertheless, most important remains that the reader may find in this report a stimulation for further reflection, for taking new initiatives, for better servicing the population.

As we had to restrict ourselves, we present hereafter twelve items that in our opinion call for privileged attention:

- The fundamental faith in social security
- The interaction with democracy
- The need for security and reform
- The need for more interaction
- The intergenerational solidarity
- Working without social protection
- The impact of migration
- The activation policy
- The question marks relating to financing and privatization
- The need to manage a growing number of complaints
- The need for internal restructuring of social security administrations
- National social security in a larger world

Highlights

Social security administrations should improve their communication, not only about practical questions but also concerning the fundamental values involved in social security.

7.1 Fundamental faith in social security

It was striking to see how many CEOs expressed their fundamental faith in social security. Social security is perceived as a treasure to cherish. At the same time, many insisted upon making clear to all what social security is about: solidarity between the weaker and the stronger. Solidarity also means that those who are socially insured are “participants,” with rights and duties, not mere consumers of social benefits. If social security is to be preserved, it implies also preserving the fundamental values underpinning it, such as the principle that every man and woman who are fit for it, take up a job on the labor market.

There seems to exist a fundamental need to explain these basic solidarity logics again to the population at large and especially to the younger generations and those having other cultural backgrounds.

It needs thorough reflection how to explain what social security stands for. Hence, social security administrations should improve their communication, not only about practical questions, such as applications for benefits and alike, but also – and perhaps even more – concerning the fundamental values involved in social security. This would imply a rather new communication strategy, next to and fundamentally different from the ones most social security administrations pursue now. Education, even basic school education, could be called upon. Old resistance against all kinds of school education concerning social security, must be overcome in this sense. But also other forms of creative education of the population may be considered, e.g., through informative TV programs but also through messages built into all kinds of entertainment (such as soaps).

While speaking out their faith in social security, many CEOs also mentioned the fundamental interaction between social security and economics. On the one hand, no social security system will survive without a sustainable financial and economic basis; on the other hand, social security should be seen as a positive economic factor as well. This interaction can be seen too as an essential feature of any social security system, which needs to be understood by, and thus made clear to, the population.

If people understand better what social security is really about, their expectations towards the contents of the schemes could become more realistic as well. When a person can perceive him/herself as a partaker, a participant in the social protection arrangement, he or she will better understand that one has to pay a fair, be it not minimal, contribution and/or that one is entitled to a fair, be it not maximal, benefit. Of course, citizens will continue to insist upon value for money. But when one understands social security, this “value for money” has to be evaluated at a collective level, not on an individual basis.

Furthermore, social security is not isolated from society at large and the prevailing trends in public opinion and culture. Younger generations want more and individualized information, but seem less ready to make an effort themselves to understand the sometimes complex social security system. Apart from the many other reasons to do so, such finding calls for a thorough simplification of the social security system. Certainly, many generations of social security experts and policy makers, of CEOs too, have urged for simplifying social security. At the same time, the systems have become more and more complicated, partly in order to create for every special case a specific solution. Simplification is today more than ever desperately needed, but can only be realized when the population understands the basics of social security and is prepared to move away from a consumerist approach.

Highlights

If democracy is not the dictatorship of the majorities of the day but also cares about the human rights of all, including weaker and the marginalized people, social security can indeed be considered a pillar of democracy.

Citizens ask value for money and they are entitled to do so, especially when it concerns the way in which social security administrations operate. Perhaps even more than the contents of the social security schemes, the way in which the social security administrations deal with persons is being criticized by the persons concerned, the socially insured people, the employers and the benefit recipients. Many countries have already made important efforts in this area; those efforts have to continue. The population is indeed entitled to a treatment by social security providing the same if not a better service than comparable private institutions, such as insurance companies or banks.

Together with focusing on the need for a better understanding of social security by the socially protected, the CEOs also insist that the socially insured have to be made aware of their roles as participants, having rights but also duties. More in particular, most CEOs seem not inclined to tackle the non-take-up of benefits by automatically delivering the benefit to those who are entitled to it, i.e., by doing away with the requirement one has to apply for a benefit. CEOs would rather like to inform and help the potential beneficiaries better with the filing of a benefit application. A creative exploration of the various channels to reach out to the potential beneficiaries is therefore appropriate.

7.2 Social security: A pillar of democracy / Democracy: a challenge to social security

Many CEOs consider social security as an essential component of a democratic society. Social security gives people more equal opportunities to participate in society; it makes an inclusive society possible. If democracy is not the dictatorship of the majorities of the day, but also cares about the human rights of all, including the weaker and the marginal people, social security can indeed be considered to be a pillar of democracy. Moreover, some CEOs stress that for the weakest the “face” of the state, of democracy in daily life, is very often the man or woman working for the social security administration. It is therefore important that social security administrations realize that they have to make democracy come true in day to day life.

Even when social security is being considered a pillar of democracy, democracy and social security are not always easy to combine. In parliamentary democracies, the various lobby groups will try to influence social security arrangements to their own benefit, not seldom leading to an ever more complicated social security. That complication in turn may then alienate people from the fundamentals of social security.

CEOs insisted that major social security reforms are best carried out after a broad consultation and with a broad majority, across majority and minority parties. Jumpy reforms with one government turning back what its predecessor had realized, are negative for social security. When reforms are introduced, they must be explained to the broad population, since the very success of the reform may depend upon it. In some countries, e.g., the problems faced in the old age pension schemes have been responded to by important reforms. These reforms often seek to promote funded or defined contributions schemes, directly or indirectly at the expense of the first tier, the statutory compulsory pay-as-you-go pension schemes. Yet it is necessary that the population understands what is happening, if one is not to be confronted, e.g., with a too low take up of the second and third pillar arrangements.

Just because social security is so important to people's daily lives, and thus to democracy itself, as well as because of the idea itself of social security providing (over time) security, plans to reform social security often face important social and political resistances. Hence, arrangements on which all experts agree that they have to be changed, remain quite often unchanged for many years. Preferential arrangements such as a lower pension age for certain privileged groups, e.g., are largely felt to be inequitable, but it remains politically and socially hazardous to do away with those privileges.

Highlights

It might be worth exploring a functional federalism with social security issues dealt with by separately elected assemblies that have greater stability than the general political structures.

This conservatism should not result in a certain fatalism, but rather incite to better education and information on social security. Moreover, statesmanship is required to gather sufficient forces in order to give a broad support to necessary reforms and leadership to implement them once they have been decided. In this context, one might raise the question whether the structures of our democratic decision making would not need some adaptation as far as social security is concerned. For example, since many countries already know forms of territorial federalism, why not explore functional federalism, whereby social security issues would be dealt with by separately elected assemblies, with a greater stability than the general political structures. To put it bluntly: governments usually do not last more than 4 years, political generations not more than 20 years, but a pension reform decided today will produce its main effects not earlier than 20 years later. This has to be taken into account as well when requiring political courage of politicians today.

The need to find adapted forms and channels of democratic decision making with regard to social security, is even more pressing as many CEOs reported that the role of the social partners – employers' organizations and trade unions – in the operation of the social security system is increasingly being questioned.

In a modern democracy, the principle of equality is considered to be very important. Therefore, unequal application of the same legislation in various regions may raise special concern and even undermine the solidarity foundations of the system.

A special problem rises when the judiciary decides to set aside (in concrete cases) some rules of a social security arrangement because they violate European, international, constitutional, or other superior law. Consequently, social security administrations are sometimes facing a dilemma in that they have the decision in that particular case to live by, but the litigious arrangement as such continues to exist. Should they apply the court's particular ruling to other similar cases as well, or should they stick to the still existing arrangement? This is a concrete problem in many countries and deserves some more attention, as not addressing it properly undermines the faith in social security and infringes another big principle of contemporary democracies, the rule of law.

Highlights

If social security is to stay, it will have to be adapted to today's social problems. For example, widow and widower benefits are expected to disappear and labor accident and professional disease schemes are being questioned as well.

7.3 If social security is to stay, it will have to change!

Social security is to a large extent still the answer that was given fifty years, sometimes a century ago to the problems of that time. Notwithstanding the fundamental attachment to social security and the “faith” in it expressed in the interviews, we are convinced that social security, if it is to stay, will have to be adapted in order to give proper answers to today’s major social problems and to those of the future. In a way the words of Giuseppe Tomasi di Lampedusa’s “Il Gattopardo” apply here: “Se vogliamo che tutto rimanga come è, bisogna che tutto cambi” (“if we want that all remains as it is, it is necessary to change all”).

This means that we have to reflect on the sense of maintaining certain social security schemes as such. Survivorship as a risk and the corresponding widow and widower benefits are expected to disappear in the long run, but starting the process of dismantling those systems remains politically very sensitive. The future of professional risk insurances, i.e., labor accident and professional disease schemes, is questioned as well. In any case, the character of these insurances is expected to change in the future, stressing more prevention and rehabilitation and extending perhaps to risks outside the working life as well, such as ecological risks.

If the social risks and corresponding arrangements are not questioned, their contents may call for revision. In many countries, e.g., the need is felt to redefine the package of health care services and products guaranteed by social security. In this context, we want to recall that only one of the interviewed

CEOs expressed his concerns about the exponential increase of health care costs resulting from the technological and scientific progress in medicine.

If social security is to be reformed, one of the reasons is also that a number of pre-conditions and pre-suppositions upon which the social security arrangements were built are not verified anymore.

Far too often, our social security still departs from the idea that the “normal” or “default” situation in life is that of one man and one woman married once and having together children they raise together. Not seldom one could add to that picture the man going to work outside the home and earning the money, his wife staying at home and caring for the family. This image, of course, does not correspond to the reality anymore, but often social security still considers other life patterns as a kind of “exceptions” to this “default position.” It is important for social security to take into account the fundamental changes in society and to construe social security arrangements in such a way that they reflect the present plurality. Many CEOs pointed in this direction when raising questions about how social security is to handle in the future the growing number of divorces and recomposed families, the phenomenon of co-parenthood, the sometimes important numbers of mono-parental families, etc. The following delicate question should be faced as well: does social security have to take a “neutral” stance towards these phenomena or is it to promote certain life patterns over others?

Highlights

Many CEOs stress the need to establish better co-operation between existing social security administrations that run different but interconnected social security schemes.

7.4 No social security scheme or system stands by itself

Nearly all interviewed CEOs expressed in one way or another their concern about the fact that social security schemes were seen in isolation from each other and from other social policy tools. Similarly, they complained that social policy makers were taking a similar narrow view and that the social security administrations hardly knew what was going on in other areas of social security and social protection.

Therefore, some CEOs advocated a holistic view on social protection, regretting that today far too often policy makers and social security administrators work in a fragmented way, neglecting to take into account what is going on in the adjacent fields of social protection.

The existence of various benefits schemes next to one another without being interested in each other produces less desired effects, not only in terms of administration, but also in a policy perspective. Even if the administrations themselves are liaising and cooperating in an optimal way, this does not imply that the schemes they are administering, are well coordinated.

Yet, the communication and coordination between social security administrations is considered still to need much improvement.

Of course, the most obvious remedy against bad interaction would seem to merge various social security institutions, especially the smaller ones. However, CEOs tend to be rather sceptical about the political feasibility of such mergers and expect no major changes in the administrative structure of social security. Hence, many CEOs stress the need to establish a better co-operation between the existing social security administrations, which run different but interconnected social security schemes.

Highlights

Information technology (IT) will make it easier to adopt a holistic view on social security, but it should not be limited to digitalizing paper forms; rather, the whole social security administration, if not the schemes themselves, should be reformed and adapted to IT.

The introduction of IT will make it easier to adopt a holistic view on social security. Policy makers and administrators will be able to weigh all ins and outs of intended social security reforms. Social security administrations will be facilitated not only to communicate with each other but also to benefit from each other's data. Never before, so many data have been stored and could be combined in order to develop better social policy and better social security administration.

The facts, however, force us to see some flaws as well. First of all, introducing IT should not be limited to the digitalization of paper forms. Rather, the whole social security administration, if not the schemes themselves, should be reformed and adapted to the potentialities of IT. Yet, this has often not even been initiated. Moreover, strangely enough, modern technology sometimes seems to hinder rather than to promote a good interconnection between various social security institutions. It is, therefore, important to develop national strategies "to make computers of various institutions talk to each other."

There are also external obstacles that should be looked upon. A problem for social security policy and administration, taking advantage of the possibilities of modern technology, seems to originate in an excessive use of privacy protection rules to block all kinds of new measures that will improve service to the socially insured substantially (linking data, e.g.). This is not plea for doing away with privacy protection, but rather for taking less formal and more effective measures which also allow citizens and society to benefit from the fruits of technological progress.

Highlights

It is appropriate to reflect on intergenerational solidarity from the perspective of the burdens put upon the younger segments of society as well.

Finally, a special remark needs to be made about the relations between the social security and the tax administrations. Social policy may in one way or another use taxation as a tool. Tax administrations may even be called upon to collect contributions or deliver benefits. Many CEOs signaled that when tax authorities are involved in shaping social policy or in administering social security arrangements, one should be attentive that the relations with other social policy instruments, such as the social security schemes and their own administrations, are being taken care of. More in general, some worries exist that tax authorities may not always set the same priorities as social security policy makers or administrators.

7.5 The generation solidarity and the discrimination of youth

In literature, the topic of the intergenerational solidarity has already been widely developed. Most of the time, though, the attention focuses on the question whether the future generations will continue to pay for the future pensioners, in a pay-as-you-go setting. Some CEOs expressed their concern on this point as well, but stressed even more that the present young and youngest generations must not be betrayed. Many social security reforms, especially of the pensions, that have been carried out recently or that are currently being envisaged, show extreme respect for acquired rights and also try to preserve all kinds of privileges of those still in working age but older than, say, 40/50 years. No reform should in any way harm them. Such an approach is not seldom paid by the younger generations, who are asked to maintain solidarity in order to preserve all these acquired rights and vested expectations and to take care of their own pension arrangement later (in second or third pillar arrangements). It would be appropriate to reflect on the intergenerational solidarity from the perspective of the burdens put upon the younger segments of society as well.

Highlights

Social security arrangements are linked to work, but non-registered (black work) and all kinds of under-registered work (grey work) are “cancers” on social security systems.

7.6 Working without social security protection

In one way or another, most social security arrangements are linked to work. In a typical Bismarckian approach, work is the key to social insurance. In other approaches as well, it is important for social security to know who is working (and thus not invalid, unemployed, etc.). Therefore, a major point of concern are the increasing numbers of people working in the country without being affiliated to social security.

A first cause of non-affiliation may be found in the irregular labor pattern they work under, or in all kinds of provisions “freeing” some groups of workers from social insurance. Some groups of workers (small jobs, some self-employed people) may be freed from social insurance: they do not have to pay any contributions (which may seem attractive) but are not receiving any social protection either. Whereas in former days, the exclusion of registration of some minor jobs might have been the bureaucratic cost of such registration, this cannot be upheld in times of IT and e-government.

A next category of workers not registered with the social security of the country is composed of workers posted from other states and remaining under the social security law of the sending country. National social security authorities finding people at work without being socially insured are often confronted with posting declarations and have to accept the situation most of the time. Whether the person concerned is indeed socially insured in the sending state cannot be checked and is maybe not of interest as no rights will be opened for him/her in the recipient state. In the sending state, however, it is equally difficult to control the situation of people not working on its own territory.

The consequence is often that the posted worker is (lawfully or unlawfully) not socially insured in the sending state. And even if he or she has been socially insured, such will most of the time open entitlements to benefits that are relevant in the sending state, but totally insufficient in the recipient state. For the recipient state, these posted workers often turn out to be cheap labor.

Within the EU, some may believe that the posting directive may have solved these issues, but let us merely recall that this directive only applies to labor law, not to social security arrangements. Moreover, the control on the observance of the posting directive calls for much concern. For all social security aspects related to the phenomenon of posting, new approaches should urgently be developed. IT and e-government may provide good services in this respect, at least if national social security administrations really want to tackle the issue.

Finally, there is work that is completely non-registered (black work) and all kinds of under-registration of work (grey work). When questioned about the importance of black and grey work, CEOs were often hesitating in giving their views. The overall impression was that the country knows (to a larger or minor extent) black and grey work and that it affects in a distinct way different sectors of the labor market. Furthermore, many observed that measures had already been taken, but that more could probably be done. Often a link was made between black and grey work on the one hand, and legal and especially illegal immigrants on the other (see further). Moreover, some stressed that even if the phenomenon was not important in quantitative terms, it nevertheless needed to be addressed in order to maintain the logics of solidarity which constitute the basis (of the public support) of social security. They called it a real “cancer” for the social security system.

Highlights

What seems to be established in the eyes of most CEOs is that immigration will not solve the demographic problem, but at best postpone it.

7.7 Impact of accrued migration

All the countries that were visited have recently been facing to some extent an increase of migration. Most often, it means a substantial number of persons immigrating into the country; it may also mean an increasing number of persons going abroad for some years to work and/or live.

In most countries, social security policy makers and administrations have not been able to develop a comprehensive vision on what this migration will mean for the own social security systems. This should not be surprising, considering that some countries do not even have an overall political vision on migration. Yet, in social security the exercise needs to be taken up anyway.

What seems to be established in the eyes of most CEOs is that immigration will not solve the demographic problem. To the maximum, it will postpone it with some years. What seems clear as well is that immigration of larger groups of foreigners coming from another cultural background will raise some problems. These will have to be responded to by an increased effort to explain what social security is about and to integrate, e.g., the women of those groups on the labor market. The problems related to immigration can of course be overcome, but one has to be ready to see them in their full extent, in order to find adequate solutions.

Obviously, a major problem originates in the immigration of people who are not allowed to enter the country and/or to work there, the so-called illegals. The issue of black and grey work is obviously related to the presence of larger amounts of illegal labor migrants who are not allowed to work in the country and therefore alone already more or less bound to take up black work.

Highlights

Perception is that too many people are receiving incapacity of work benefits, whereas they are actually (hidden) unemployed persons.

A thorough reflection on what social rights should be recognized to the illegals and a consequent implementation of a well-designed (social) policy towards them are more than needed.

However, the perspective of the immigrants may be diverse: some of them wanting to stay in the country and make a new life there, others having the ambition to return to their home countries (or to “move up” to other states). These different attitudes of immigrants may ask for a diversified answer by social security. The same goes, of course, for those leaving the country.

7.8 Activation

In recent years, much has been said and written about activation. In a part of Europe, the attention for this phenomenon has also resulted in reforms of social security, especially in the areas of pensions and unemployment. CEOs indicate that in the next stage mainly the incapacity for work benefits will be tackled. It is perceived that too many people are receiving incapacity of work benefits, whereas they are actually (hidden) unemployed persons. In line with our selection of topics to discuss in these concluding remarks, we will limit ourselves to some remarks that may not belong to the mainstream talk about activation.

CEOs have expressed their worry about the continuing structural mismatch between offer and demand on the labor market. This mismatch is linked to inadequate education (too low or too academic), to a lack of geographic mobility (regions with high unemployment and regions where vacancies cannot be filled), and to a too small difference between in-work and out-of-work incomes. The need to improve child care facilities in order to reconcile better work and family responsibilities is stressed as well.

Highlights

If the core problems of social security are to be tackled, the financing issue will have to be addressed properly with creativity and courage.

Some CEOs added some other, not in the least a decline in work ethics. One should also pay more attention to the fact that geographical mobility is hindered when both partners are working, and, even more, when in recomposed families parents have to be able to exercise effectively their right to visit their children, the care of whom has been assigned to the ex-partner.

As far as the activation of persons who are work incapacitated is concerned, let us only recall the attention asked by one CEO for the rehabilitation of mentally or psychologically disordered persons. This may be one of the most challenging issues to medical and labor market experts in the coming years!

7.9 Questions of financing and privatization

Most countries face important challenges, if not real problems, in order to finance the social insurance and social assistance schemes in place. The major question is well known: how to raise additional finances for social security without raising at the same time the labor cost? In other words, when confronted with financial problems, how to levy the burden upon labor? Although most CEOs agree that the fiscal and para-fiscal burdens upon labor should be lowered, many do not expect dramatic changes in the structure of the financing of social security. Where alternative sources of financing exist, these may be used further or even expanded some more, without however replacing contributions and state subventions. Yet, if the core problems of social security are to be tackled, the financing issue will have to be addressed properly, with creativity and courage. The interviews show that this may lead social insurance systems to move in the direction of more proportionality between contribution and benefit. Equally crucial will be to tackle black and grey work, in order to set the income side of social security right.

The solution, often advocated, to “privatize” parts of social security and thus to take them out of the state or social security budget is also increasingly raising questions. Although privatization and competition have indeed been political and ideological buzz-words in the recent past, most interviewed CEOs do not expect important changes in the coming decades. As to the problems that were identified concerning privatized funded arrangements, let us mention only the following: people do not take up second and third tier arrangements as they were expected to do (from an economic point of view). Where the second tier arrangement is obligatory, one realizes that it is difficult to compel people to choose between different products if they do not dispose of adequate information to make their choices. Serious problems are to be expected when people who made a choice which afterwards appears to be less beneficial, will claim for compensation on the basis of the principle of equal treatment.

A special issue constitutes the incapacity to pay social security contributions declared by some employers (often of small and medium-sized enterprises). These enterprises complain that they are suffering from bad economic circumstances and that consequently they are not able to pay the social contributions of and for their workers. Sanctioning these employers does not often provide a real solution. Instead, all kinds of measures can be developed to facilitate the payment of (part of) the social security debts. Similarly, creative strategies should be developed in order to convince workers and employers who are still operating in the black and grey economy, to make the transition to registered work. Obviously, social inspection may and must be developed even further, but at the same time it is also crucial to create channels through which people may redeem themselves, without being confronted with too high sanctions.

Highlights

Social security administrations and social security judiciary institutions should consider setting up mechanisms to avoid different treatment of complaints and appeals throughout the country or by different administrations.

7.10 Managing growing number of complaints

Many CEOs reported a growing number of complaints and appeals. Sometimes they are linked to unpopular reforms and actions set up by all kinds of lobby groups. They may also be related to the changing mentality of the socially protected, who see themselves entitled to an optimal service and the best possible benefits. Sometimes, complaints or appeals may also be easy and cheap, resulting in some abuse. Occasionally, social security administrations having improved their service considerably, may even suffer most from an increase in the number of complaints. Whatever the cause of the accrual of complaints and appeals may be, the issue must be addressed in a more organized way, so as to set up a real management of complaint files and appeals. Otherwise, the normal business of social security administration may even get disturbed by peaks of complaints and appeals.

Additionally, social security administrations and social security judiciary institutions should consider setting up mechanisms in order to avoid different treatment of complaints and appeals throughout the country or by different administrations, resulting in an unequal implementation of the law. When, e.g., one local unemployment office rightly sanctions a refusal to take up a job, whereas in a similar case another office does not, the inequality will result from the fact that the person who is not sanctioned, will obviously not complain or appeal. Therefore, the central administration or even the judiciary may set up controls in order to identify administrations failing their duty to sanction.

Highlights

As a consequence of the increased service requirements and the massive introduction of IT and e-government, many administrators fear they have too many low-skilled workers and not enough adequate workforce, IT and other.

7.11 Need for internal re-structuring

CEOs in many countries were worried about the human resources in their institutions. As a consequence of the increased service requirements and especially the massive introduction of IT and e-government in social security administration, many fear to have too many low skilled workers and not enough adequate workforce, IT-people and other. Additionally, in some countries social security institutions were sometimes seen as public employment tools. Anyway, many CEOs feel that a radical internal restructuring of their organization, with corresponding staff adjustments, is needed. Yet, in order to carry out such restructuring one needs much sensitivity and ... much time. One cannot indeed risk a complete paralyzation of social security for some weeks as a consequence, e.g., of a strike. The human resources issue, nevertheless, is often very serious and needs to be addressed; creative solutions being very welcome.

7.12 National social security and the larger world

Nearly all CEOs affirmed that the social security debate is still a national debate and will remain so.

Of course, globalization has to be taken into account, but generally CEOs are puzzled about the real meaning of globalization for social security.

Good information about the best (and worst) practices in other countries is appreciated; the attention going primordially to the geographically or culturally neighboring states and their social security systems.

Highlights

To stay in charge of social security in one's own country, it is necessary to increase the possibilities of normative action of the EU; otherwise, the national social security logics will have to give way to the European economic logics.

Even topics that at first sight seem universal or at least valid for the whole of Europe, may materialize quite differently in various countries. For example, many CEOs mentioned the demographic situation as an important factor for the future of social security, sometimes however meaning very different things by saying so. Activation of benefits did not appear to be very much present as approach in the Latin countries visited, whereas in the Nordic countries or the Netherlands it has been the guiding principle of recent social security reforms.

The opinion was rather widespread that the “soft” EU social policy initiatives, including the Open Method of Coordination in social security, did not have any substantial impact upon the domestic discussions about social security reforms. EU hard law is of course being implemented, but CEOs complain of the indirect impact some binding norms have. The coordination regulations make that states set up all kinds of constructions to avoid certain effects of it, whereas in principle the coordination regulations should take national social security systems as they are and adapt them to each other as far as necessary to preserving the rights of migrant workers.

CEOs also complained that social security has to undergo the effects of the EU economic law principles of free movement of goods and services, and of the principle of fair competition, without the EU sufficiently taking into account the specificity of social security. Therefore, some advocated to give (more) competences to the European Union in the social security area, and especially relating to the social health care schemes, in order to be able to counterbalance the economic impact of the EU. If one wants to stay in charge of social security in one's own country, so the reasoning, it is necessary not to take away, but rather to increase, the possibilities of normative action of the EU. Otherwise, the national social security logics will have to give way to the European economic logics, as in the EU the European law has precedence over national law.

Highlights

We are convinced that, in the debate on the future of social security in each country and on the European level, the voices of the CEOs and of other “privileged witnesses” should be heard.

7.13 Outlook

We mentioned from the very beginning of this report that it was in the first place our intention to reflect the opinions of the many CEOs we interviewed. We did not give our evaluation about the statements expressed. In this last chapter of the report we merely gave a summary of those points which in our opinion deserve most attention.

Indeed, we are convinced that in the whole debate on the future of social security, both in each country and on the European level, the voice of the CEOs and of other “privileged witnesses” should more be heard. The European Institute of Social Security has made it one of its main ambitions to give the distinct groups of social security experts, academics, policy makers, judges and indeed administrators a forum to debate about social security. The present initiative should be seen in this perspective. We hope to be able to carry out similar exercises with social security judges and political leaders. Repeating this exercise in other parts of the world is equally attractive, as it might help us to reveal the typical features of today’s social security debate in Europe.

As for the authors, and indeed the whole European Institute of Social Security, the challenge is to take up the above enumerated twelve areas calling for special attention in order to develop corresponding research projects relating to each of them. In this way, we hope to make scientific research relevant for solving the problems we will face in a nearby future. To bring this ambition to a good end, we shall need the cooperation and support of many, not in the least of the CEOs.

Annex 1: Interviewees

Dr. Hans Jürgen Ahrens – AOK-Bundesverband, Germany

D. Francisco Javier Aibard Bernad – Tesorería General de la Seguridad Social (TGSS), Spain

Dr. Gerhard Aigner – Bundesministerium für Gesundheit und Frauen, Austria

Mr. Jacques Augustin – Régime Social des Indépendants (RSI/CANCAVA), France

Mr. Daniel Barr – Premiepensionsmyndigheten - Premium Pension Authority, Sweden

Dott. Luigi Bassani – Ente Nazionale di Previdenza per gli Addetti e per gli Impiegati in Agricoltura (ENPAIA), Italy

Prof. dr. Ulrich Becker – Max Planck Institut für ausländisches und internationales Sozialrecht, Germany

Dott. Maurizio Benetti – Istituto Nazionale di Previdenza per i Dipendenti dell'Amministrazione (INPDAP), Italy

Mr. Thomas Börner – The Ministry of Social Affairs, Denmark

Mr. Håkan Ceder – Socialstyrelsen - National Board of Health and Welfare, Sweden

Mrs. Alexis Cleveland – The Pension Service, United Kingdom

Mr. Erwin Dehlinger – AOK-Bundesverband Berlin, Germany

Mr. Michel Depoortere – Fonds voor Arbeidsongevallen (FAO), Belgium

Mr. Stephan Fasskammer - Deutsche Rentenversicherung Bund, Germany

D. Fidel Ferreras Alonso – Instituto Nacional de la Seguridad Social (INSS), Spain

Mr. Henk Fijn van Draat - Sociaal-Economische Raad, The Netherlands

Dr. Martin Gleitsmann – Wirtschaftskammer Österreich, Austria

D. Edoardo González López – Instituto Social de la Marina (ISM), Spain

D. Octaviano Granado Martínez – Secretariado del Estado de la Seguridad Social, Spain

Dottssa. Paola Grandoni – Ente Nazionale di Previdenza ed Assistenza dei Veterinari (ENPAV), Italy

Mr. Alain Gubian – Agence Centrale des Organismes de Sécurité Sociale (ACOSS), France

Mr. Jan Gysen – Rijksdienst voor de Sociale Zekerheid van de Provinciale en Plaatselijke Overheden, Belgium

Mr. Bjørn Halvorson – Arbeds- of Sosialdepartementet - The Ministry of Labour and Social Affairs, Norway

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Annex 2: Format of the interviews

The goal of this research is to establish what the CEOs of central social security administrations are worried about for the future of social security (administrations) and where they identify the main challenges they are or will be confronted with.

The interviews are structured according to a pre-established pattern. They address both the future of social security in the country, the positioning of the system in a larger (national, European and global) context, and the future of the social security administration, with special attention to the challenges in their own institution.

The interviews concentrate consequently on the following topics and questions:

Part 1: Social security in general (by itself, not its administration)

Part 2: Social security administration and the “business” of the interviewee’s social security institution

For both subjects, we ask the CEOs about:

- The major risks and challenges
- The main reform lines set out or to be set out in a nearby future
- The long-term reforms to be considered according to interviewee

The following topics may be touched upon:

- Determining life factors
- Determining legal, political and ideological factors
- Covered population
- Financing
- Benefits
- Activation and proactive labor market policy
- Position of the beneficiary of social security/employers, etc.
- Administration

Part 3: The social security institution and its social security area, as influenced by external factors

In this part, we explore which external factors might possibly influence the findings in Parts 1 and 2. In order to do so, we focus upon:

- The international and European environment
- The internal environments and policies outside social security, which may perturb the views expressed in parts 1 and 2, such as overall political factors

Part 4: The specific “message” the CEO would like to send out

About the authors...



Danny Pieters is Ordinary Professor for Comparative and European Social Security Law at the K.U. Leuven (Catholic University of Leuven), where he is also Director of Student Affairs. A former research fellow at the universities of Cologne and Strasbourg, Professor Pieters has also taught at the University of Tilburg (1986 through 1991). Since 1995, he has served as Secretary-General of the 400-member European Institute of Social Security, and, 1999, was elected to the Belgian parliament.

Professor Pieters is director of the Research Unit on European Social Security, the European section of the Institute of Social Law, which was founded in 1967 as part of the law faculty of the K.U. Leuven and which coordinates lectures and seminars related to social law. It has an extensive research unit exploring the actual themes in the field of comparative, European, and international social security (law), welfare law, and information technology in the field of social security. Professor Pieters has vast experience in training projects as well as research projects concerning social protection throughout Europe.

He acts as consultant for the institutions of the EU, the Council of Europe, and many national administrations and governments. He is program director of the Master in European Social Security, a multidisciplinary, multinational postgraduate study organized at the K.U. Leuven, which provides students an in-depth study of social protection.

In addition to several books and articles in the field of European and comparative social security law, Professor Pieters' bibliography contains more than 250 publications. He received his doctorate in law on a research theme related to the comparative analysis of the social rights embodied in European constitutions.

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Within the K.U. Leuven, Professor Schoukens works for the European section of the Institute of Social Law, organized as the Research Unit on European Social Security (RUESS). His teaching areas include European, international, and comparative social security law, and his research topics are related to comparative and European social security and include the social protection of atypical workers, healthcare systems, social welfare, and the relationship between e-technology and social security administration. Research projects have been carried out for the European Commission, the Council of Europe, and for several national institutions and governments.

Professor Schoukens is also involved in the organization of the Master in European Social Security and the Summer School on Social Security, where he is program director of a two-week course that gives the general introduction into social protection across Europe from a multidisciplinary perspective.

He is the author of more than 50 journal articles and is often invited to present papers at international meetings and conferences. Professor Schoukens earned his doctorate in law from the K.U. Leuven with research on the impact of European Union law on the social protection systems of self-employed persons.

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