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Demographic changes and social security: Challenges and opportunities

**Summary report of the project “Demographic changes and social security:
innovations, good practice solutions and lessons learnt”**



Demographic changes and social security: Challenges and opportunities¹

Summary

Tomorrow's world, of which we already see glimpses, runs the risk of remaining unequal and without question older and more urban. It is also richer, with increasingly less stable family structures, increasing pressure from migration and deep-seated changes in the way people live. It will be a world of disparities, but one in which demographic challenges to social security will continue to converge. This report draws on the work of the Technical Commissions of the International Social Security Association (ISSA) and current best practices that have been identified. It summarizes in table form the challenges and responses that social security institutions and schemes have implemented or proposed. The general message is that social security can demonstrate, as has been recognized, that it is not simply a cost factor but instead represents a viable social investment. It needs to be recognized that demographic trends are embedded with uncertainties, therefore social security policies and instruments will increasingly play the role of agents of change and not merely reactive tools. By contributing to economic growth and social well-being, a dynamic social security system is in itself an essential contribution towards meeting population challenges. These challenges are not simply burdens for social security; they also represent an opportunity for social security to demonstrate its effectiveness and efficiency.

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¹ This Report was prepared by Julien Damon, ISSA consultant, as part of the work programme of the ISSA Social Security Observatory.

A world of changes

Demographically the world is characterized by both common trends – among which ageing is foremost – as well as extremely diverse challenges, which are largely a function of the level of development and cultural differences. The current changes already impact on social security. Further into the medium- and long-term, these changes represent significant challenges that require better understanding in order to address them, not to mention to transform them into opportunities. A dynamic social security system, such as that outlined by the ISSA, is undeniably a buffer against crisis. It is also a general framework for envisaging a future without slowing recovery and, in the longer term, laying the groundwork for a more harmonious world.

The work of the ISSA Technical Commissions throughout the triennium 2008–2010 followed the principal population changes and set them against the challenges that they pose for social security working within a dynamic social security framework.

While all the trends concern the future, they already impact the present in concrete terms. At stake is no less than the grand designs for balance and the underlying philosophy of social security, as well as its day-to-day administration, information systems and human resources. In long-lived societies, professions involved in consulting, mentoring, actuarial work, training and management are all being challenged to evolve.

A synthesis of the ISSA's work on demographic challenges

This report deals with demographic changes worldwide and the challenges they pose for social security everywhere, albeit with varying intensity. It is based on contributions of the Technical Commissions of the ISSA and on various good practices identified, evaluated and presented in the ISSA Social Security Observatory.²

Social security experts and administrators have analysed broad trends, emerging trends, inertias and changes in depth as regards both their current manifestations and potential consequences. The objective here is to concisely present the main factors and dynamics at play in order to link them to the concerns, initiatives and perspectives of social security institutions.

This report therefore presents the results of an exhaustive review of the studies and surveys of the eight Technical Commissions which, for the first time, have been working under a common theme, namely “Demographic changes and social security”. It aims to provide visibility and coherence to this approach and its results by synthesizing all issues attached to the theme of demographic changes, both broadly and in-depth.³ In concrete terms, this report brings together the preoccupations and observations of demographers with those of social security managers and administrators, taking into account initiatives by the latter. The report is a framework which seeks to establish the magnitude of the problem and the fundamental questions involved, which are analysed along the three main axes which form the basis of a dynamic social security system:

- the promotion of a preventive approach for social security;
- the design of a social security system that always favours work;
- the desire to protect the population throughout all stages of life in long-lived societies.

² www.issa.int/fire/Observatoire/Bonnes-pratiques.

³ This is based, mainly, on the recent International Labour Office (ILO) Report, *Employment and social protection in the new demographic context*, Geneva, 2010.

Technical Commissions and dimensions of the project “Demographic changes and social security: innovations, good practice solutions and lessons learnt”

Prevention (in all fields)	Activation (for employment)	Protection (throughout life)
Special Commission on prevention.	Employment and unemployment insurance policies.	Statistical, actuarial and financial studies.
Family benefits.	Insurance against occupational accidents and diseases.	Social security investment funds.
Insurance against occupational accidents and diseases.	Family benefits.	Invalidity – old age – survivors’ insurance.
Health and sickness insurance benefits.		Health and sickness insurance benefits.

In the interest of avoiding arbitrary selection of cases and country experiences, this report primarily presents mega trends in the major demographic changes that have been identified, first in terms of their dynamics and then in terms of strategic adaptations and proposals for social security systems.

Identifying seven major demographic changes

The first task was to identify major demographic changes through the main concerns and observations of the Technical Commissions.

It is important to note that the trends that have been identified do not stand in isolation. On the contrary, they are all linked and interdependent, which calls for a greater integration of problems and policies.

The breakdown into seven trends permits a view of the present and future economic, social and technical challenges facing social security. These seven trends logically progress from the most general (ageing) to the remaining six in order to indicate each one’s influence on the others.

- **Ageing**, found in all countries albeit at different levels, is undeniably the central challenge. In purely mechanical terms, understanding the ageing challenge is essential since it weighs heavily on social security systems’ accounts, priorities, philosophies and organization. To a certain extent, it condenses other changes already in progress (whether regarding health, intergenerational balance or family evolution). Though often described as a burden, ageing can become an opportunity for social security, provided certain reforms and adaptations involving the various social security schemes and instruments are introduced, whether they be pension scales, the type of health establishments available or even actuarial methods.
- Hand in hand with ageing come **changes in family structures** (increases in the number of households, declining fertility rates, increases in the number of separations and new families formed). Here, the challenge is to revise those family schemes that are already in place, supporting the creation of adequate tools to handle situations wherever needed and justified. Such family changes create new opportunities for developing a new social security approach that is adjusted to new social realities and which, in particular, enables the stimulation of employment.

- Ageing and changes in family structures are, in part, both causes and consequences of **changes in the labour market**. All over the world, there is a need to better support the progress in women's participation (among other things to equalize conditions for men and women); to better address the ageing of the working population and to foster young people's entry into the labour market, which is currently very difficult. New work-related illnesses – stress, burnout, etc. – must also be taken into account as negative factors. Today, social security is no longer considered a barrier to employment because it is increasingly linked to other policies, particularly those dealing with unemployment. On the contrary, it falls to social security systems to demonstrate that they are a powerful motor for individual independence and decent jobs for all. In long-lived societies human capital (developing, maintaining and transferring it) is crucial. Moreover, social security is fundamental for investment in human capital, employability and productivity.
- **Urbanization** refers not only to an increase in the number of persons living in cities (who will constitute the majority on the planet in future). It also covers a radical transformation in lifestyles that allows every inhabitant to be connected and informed and goes hand in hand with fundamental changes to the family described above. Living in a city provides increased possibilities to connect to information networks and to services. Above all, the urbanization of lifestyles, without bringing about a total homogenization, leads to comparisons across contexts and a possible standardization of situations and solutions, particularly with regard to health care and the extent of social coverage. Thus, urbanization is a formidable asset for those social security bodies and institutions that are able to optimize their resources and efforts. However, this same urbanization also brings with it new challenges; for example, some have identified links between urban life, conurbations and potentially greater chronic health risks.
- The expansion of urban lifestyles, associated with an increase in life expectancy, produces a **life-cycle desynchronization**. Everywhere, the frontiers defining the life stages of youth, working life and retirement are becoming more tenuous and porous. This blurring of the lines is reflected in three commonly articulated demands; firstly, that work be truly remunerative (manifest as the struggle against insufficiently remunerated work in rich countries and better consideration of the informal sector in developing countries); secondly, to allow senior citizens to remain in or return to the labour market; and finally, to improve young people's access to work. Allowing a particular group of non-workers (e.g., young people, older persons and very old persons) to swell in numbers is one of the major risks to the equilibrium of social programmes. In a long-lived society the social security system must offer conditions for life-long protection as well as foster life-long training, allowing for collective integration into the labour market and individual self-realization. All salaried workers should benefit from available training to help them preserve their employability and maintain enterprise competence. An appropriate environment should be created for senior citizens in particular. Life-long apprenticeship is a critical tool with which to confront the constant evolution in working conditions, including new machines, loss of interest and extension of working life, etc. From this point of view, initial and ongoing training should be adapted to the various types of apprenticeship in the various age ranges for optimal efficiency. Training must make it possible to acquire and put into practice those habits and attitudes that favour prevention, made possible and encouraged by the working culture in the enterprise.
- In a world that is becoming more interdependent every day, the questions of **migration** and the mobility of populations are highly controversial, whether we consider the most disadvantaged in search of a better life or the most talented for

whom universities and enterprises compete. On this particular subject, it would not be useful simply to prolong past trends; rather, it is vital to tackle the problems and find solutions. Due to the global increase in population (2 to 3 billion more people over the next 40 years), coupled with persistent development inequalities and climate problems, populations will experience greater mobility than ever before at the national, regional and international levels. Social security has a role to play here: first, with respect to bolstering efforts at collaboration and cooperation among social security systems and schemes (particularly in a world where networks are often disconnected from national realities); and second, in terms of standing up for its principles and its achievements, which, if extended, can contribute to preventing geopolitical disturbances.

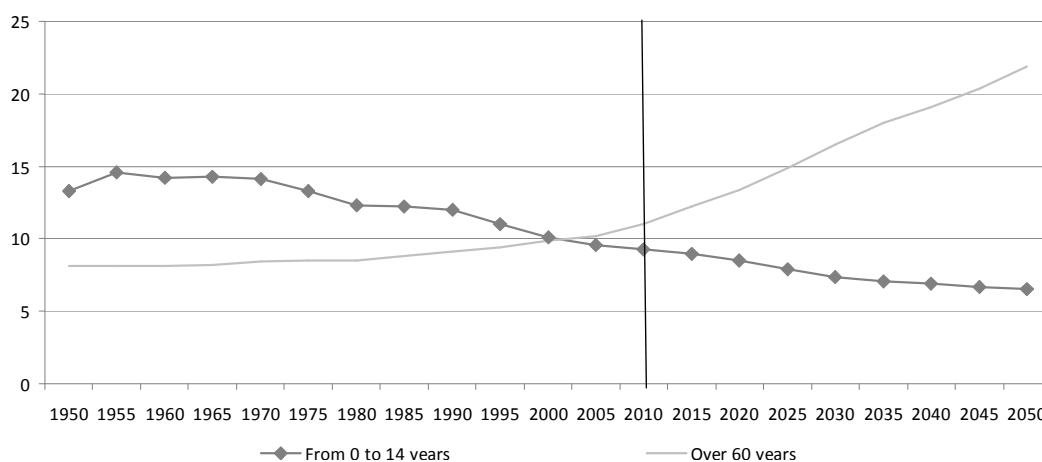
- Linked to other demographic challenges and visible worldwide, **changes in social structure** are having and will continue to have an extended impact on the equilibrium, structural interaction and priorities of social policies. The decline in monetary poverty – the first Millennium Development Goal (MDG) – masks persistent situations of extreme deprivation, and not only in terms of food poverty. This progress, however unequal according to each geographic region, is in itself impressive and gives rise to other significant transformations, such as the emergence of middle class. In a world of increasing inequalities, the growth of the middle class is both a great challenge and a great opportunity for social security. Health and social assistance priorities must continue to be met while working toward the goal of coverage for all, supported by all, using tools such as social insurance. Social security must continue to make progress in a more populated world that is richer overall, but which nevertheless displays stubborn disparities. New demands on social security must be met by new proposals without abandoning first principles.

This framework outlining the seven trends underlines the fact that demographic challenges impact how social security systems are organized, as well as their financing, philosophy and day-to-day management.

Seven major challenges for social security

Ageing around the world as the central challenge

Number of persons aged 0 to 14 and persons over 60 throughout the world (in percentage)



Source: United Nations (UN).

Ageing is a challenge everywhere

The world median age in 2010 is 29 years (20 years in Africa, 28 years in Latin America, 29 years in Asia and 40 years in Europe). In 2050 it will be 38 years (29 years in Africa, 42 years in Latin America, 40 years in Asia and 47 years in Europe). This trend is the result of increased life expectancy, which is in part due to the performance of social protection schemes, together with a decline in fertility. It does not simply correspond to an increase in the number of older persons; rather, it reflects a global change in equilibrium across all age classes.

Consequences and challenges for social security

Ageing challenges have been widely documented: powerful constraints on finances; increased expenditure relative to assets; threats to the viability of old-age insurance schemes; and increased dependence of older people. Even if ageing is a risk in the short term (at least financially), it also represents good news, both for the populations concerned and because it presents an opportunity for social security systems to innovate and adapt to long-lived societies.

Potential strategic innovations and proposals

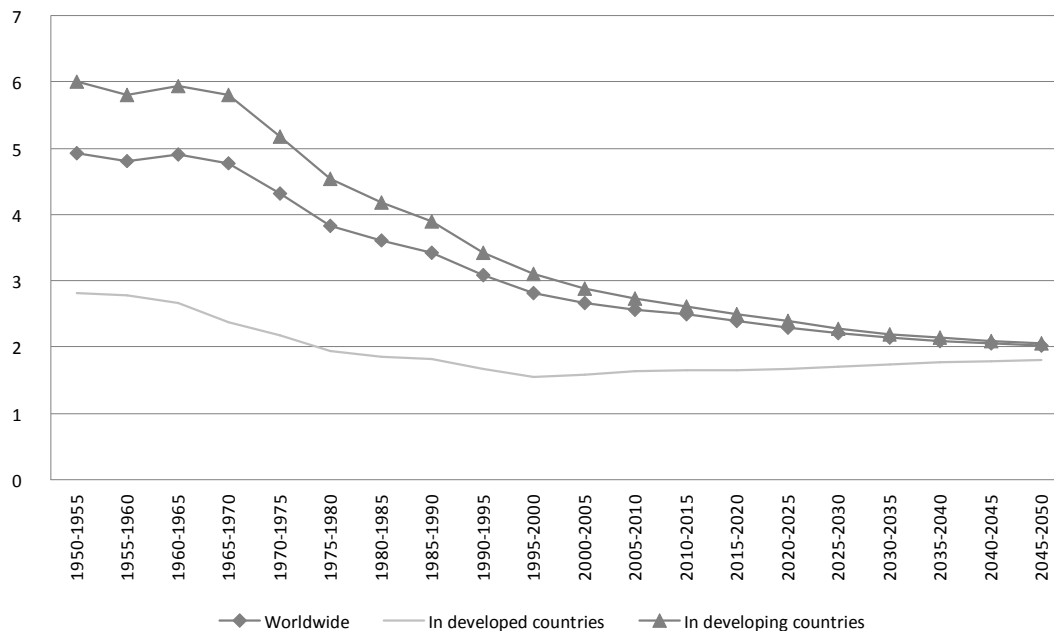
- Ageing is leading to a rethinking of pension scheme parameters and structures all around the world. Since ageing creates tensions with regard to generational equity, it requires responses from and adaptations to all systems, including, for example, youth and senior citizen employment and restructuring of health and retirement systems.
- Countries have reacted to demographic trends and social policy problems by reforming their systems. They have often reinforced the link between contributions and benefits, for example by increasing the number of years of contributions required to obtain a full pension or raising the retirement age in response to increased life expectancy.
- Ageing calls for reinforcing the links between population projections and economic projections, both statistically and strategically. Social security institutions must carry out exhaustive actuarial analyses as part of their work. Actuaries not only have technical expertise, which they use to evaluate the actuarial health of systems; given their systemic vantage point, they are also uniquely positioned to consider social security systems as parts of a whole. Developing national actuarial training should be encouraged, and actuaries should be included in all stages of social security work from design and administration to monitoring and governance.
- An international survey by the Office of the Chief Actuary of Canada examined automatic adjustment mechanisms for retirement schemes and found that several countries utilize this mechanism to attenuate the impact of increased life expectancy on the viability of systems.
- There is certainly no single solution as regards the best pension system. The concept of optimal financing varies from one country to another and can focus on stabilizing contribution rates, redistributing revenues or encouraging savings.
- Valid policies for adapting to ageing are those that focus, on the one hand, on the capacity of individuals and households to make the necessary adjustments (through

professional activity, saving or private transfers), and on the other hand, the capacity of institutions to support and bring about the necessary modifications in individual behaviour.

- Adaptations to employment and social security policies must aim for life-long training, guaranteeing a minimum coverage and promoting a culture of prevention in the labour market in terms of health and safety. In this sense, age limits should not give rise to policies that are too distinct since, as can be noted in certain brochures, “prevention has no age limit”. Early interventions in such matters are to be supported by all branches in all social security systems.
- Social security must be driven by a culture of prevention in all its components, objectives and methods of implementation in the labour market and in other sectors.
- Finally, the ageing challenge calls for an in-depth revision, which has already begun, of fragmented social security systems, making sure to maintain a multi-dimensional and multi-risk approach.
- Extending the working life is key to the success of many pension reforms. Achieving this requires that people be healthy and well-trained, making prevention and life-long learning highly important.
- Population ageing creates an increasing need for long-term care services and protection against related costs, and countries are beginning to pay more attention to this important risk.

Converging trends in family structures

Number of children per woman



Source: UN.

Smaller and more unstable families

As the global demographic transition moves forward, households are undergoing changes brought on by factors such as ageing, the “grandpa boom” (which in reality is a “grandma boom”) and new models and roles for families. The family is ageing and shrinking. Increasing rates of divorces and separation – which affect different countries in different ways – are reported everywhere and lead to the growth of single-parent households, with large repercussions for wealth distribution and poverty.

Consequences and challenges for social security

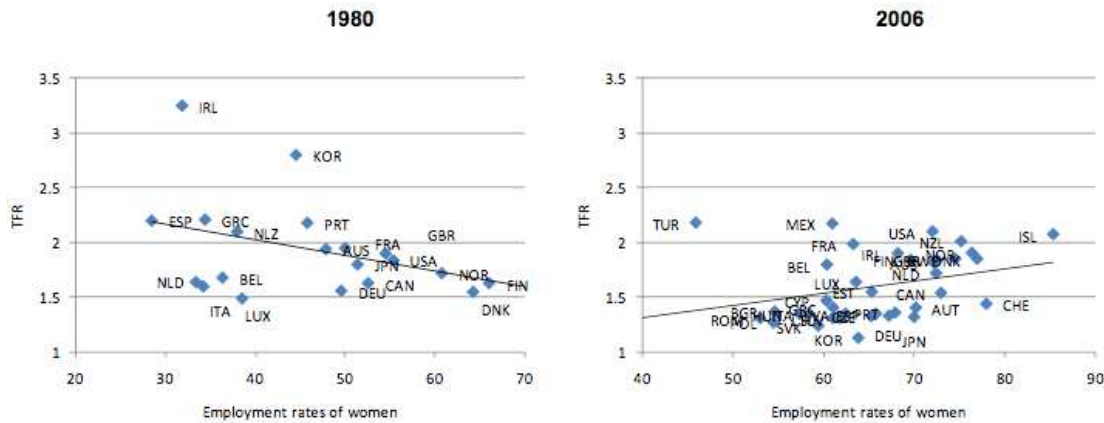
Various forms of solidarity between generations, informal and/or organized, are put to the test in long-lived societies and by the emergence of remodelled families. Habits and traditions are overturned as the status of children (fewer but more prized) and women (aspiring everywhere to more equality and work) change. Adaptation is necessary where family policies are in place, and where they are merely latent, their necessity becomes even clearer (especially for reducing child poverty). The desire to reduce family poverty and increase the level of education for children makes it imperative to reinforce co-ordination between health and employment policies.

Potential strategic innovations and proposals

- Reinforcing assistance provided to families requires improvements in facilities and services for children and greater equity with regard to the various family models.
- Among those innovations with a broader scope, conditional cash transfers enable the established objectives to be reached, particularly with regard to child poverty and schooling for children.
- Increased concern for the well-being of families and children is at the heart of strategies for combating poverty and for constructing viable and effective social security systems.
- Beyond individual monetary benefits, education services and initiatives that bolster health education and good child health are demonstrating their effectiveness. One example here is the fight against child obesity, a phenomenon that will have serious consequences for health and employability in the future. In this respect, it is important to introduce curriculum that specifically addresses social security in schools.
- The development of services and facilities for early childhood education and socialization requires the professional involvement of parents, better health monitoring of young children and improved equality in children’s conditions. Providing these kinds of facilities and services enables working parents to be more efficient throughout the world.

Wide-reaching transformations in the labour market

A positive future correlation between fertility and working women (in the Organisation for Economic Co-operation and Development (OECD))



Source: OECD.

Informal organisations and concerns with reconciling family life and work

Evolution in the labour market and the world of work is characterised by both evolution and revolution. Evolution holds in the increase that is difficult to track, of the informal sectors which, in developing countries, appears to account for the grand majority of workers. In the developed world, the problem of changes in the labour market is undergoing more of a revolution: up until very recently (which remains true, now, on average, at global level), high fertility levels were observable where the level of women working was low. In rich countries it is today in countries where the number of women working can be high that fertility in highest in relative terms.

Consequences and challenges for social security

These various transformations in the labour market justify two questions and two sources of innovation for social security. First, mainly in developing countries, the aim is to structure that which is informal, by attaching rights and contributions to work. Secondly, mainly in the developed world, one of the main subjects is to support policies and programmes that allow parents (mainly wives) to balance work and family responsibilities more effectively. Segmented complementary junior/senior employment policies must also be adapted to changes in the labour market and to the socio-economic conditions of workers and the unemployed with particular attention paid to long-term unemployment.

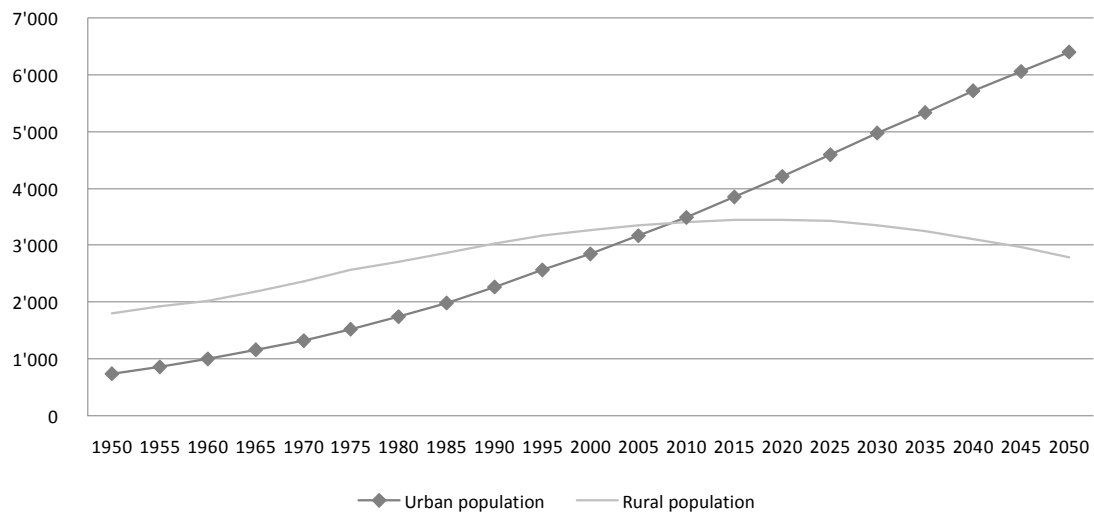
Identifying strategic innovations and proposals

- The effort made to limit the spread of informal sectors on the one hand and, on the other hand, to achieve a better work/life balance springs from a logical approach of social investment. Social security is “economic” in the sense that it makes it possible to improve living conditions, enables each person to fulfil ambitions and enables economic growth.

- Changes in the division of labour within the family require security systems to better adapt to the new organisation of households that have emerged particularly as a result of the implementation of parental leave or, where this is already available, its reform.
- Those approaches that integrate the three factors, human, organisational and technological, are the most suitable.
- New forms and new types of occupational illnesses, such as the development of stress are well recognised. Psychological disorders linked to work pressure are a growing risk. Treatment for such disorders requires a holistic approach for the individual needing, once again, co-operation and combining of efforts by the various social security sectors. At the same time, the risk factors for chronic conditions such as obesity or lack of physical activity lead to an increasing prevalence of chronic conditions. Cardiovascular diseases and diabetes, for example, lead to high and recurring health care needs and are important factors contributing to disability.
- The trends described in the developed countries (in Europe in particular) can serve as a basis for reflection for other regions of the world. They show that measures aimed at preserving the health and ability of older workers to work are both urgent and necessary. These measures must be put in place as soon as possible across all age ranges and social security branches. Prevention has a major role to play so that senior citizens today and those who are currently young remain active and in good health for as long as possible.
- Through adequate health check-up systems and appropriate health education and follow-up for identified high-risk cases, the number of future cases of chronic conditions may be reduced. This in turn means people's capacity to be active can be maintained.
- Physical and mental problems can be significantly reduced by redesigning workplaces and adapting the way work is organised. In parallel, preventive measures throughout the enterprise make the early detection of health risks possible, regardless of whether these are linked to individual or occupational factors. Enterprises can also offer health education programmes by collaborating with occupational health services, which also involve safety specialists, to encourage the individual to take responsibility for their own health. These policies must also include modules dealing with the insertion of handicapped individuals and long-term unemployed persons back into the labour market.
- A wide array of measures exist, ranging from free preventive medical monitoring for everything to do with occupational health risks and risk factor analysis, analysing absenteeism and even going as far as enterprise fitness and sport programmes and dietary advice or advice on addiction prevention.
- Youth unemployment must take priority in this strategy and sufficient funds must be allocated to this problem. Economic policy must be oriented towards job creation and the focus must be on the quality as much as on the quantity of jobs.
- Employment policies and unemployment insurance schemes can contribute towards employing more senior citizens by acting in three ways:
 - (i) measures aimed at keeping older workers in employment;
 - (ii) measures aimed at re-inserting older jobseekers; and
 - (iii) measures aimed at increasing the awareness of workers, employers and the population in general.

Urbanisation of populations and lifestyles

Number of rural and urban inhabitants worldwide (retrospective and projections)



Source: UN.

A mostly urban world population

While national definitions differ on what is urban, the trend is nonetheless well accepted. The majority of the world's population has been living in urban areas since 2008. This turning point in the history of humanity concerns developed countries, the very large majority of which are urbanised, and developing countries which will experience considerable urbanisation in terms of volume (more than two billion city-dwellers in Asia by 2050, more than one billion in Africa). The world's rural population will begin to decrease from 2020. It may, however, still form the majority in those countries that will experience the strongest urban growth. Not only will the number of urban dwellers increase, there will also be a spread and generalisation of an urban lifestyle with all its expectations and demands.

Consequences and challenges for social security

The immediate consequences in terms of management include the need to develop services (health services in particular) on hitherto unequalled scales. In terms of figures, the age of urbanisation implies an increase in slums which will pose serious problems for those that exist in such a context (i.e. weak facilities, poor governance). The proliferation of the urban lifestyle (which is unfavourable to the extended family) will also run in parallel with the growth in expectations regarding the quality and rapidity of services provided.

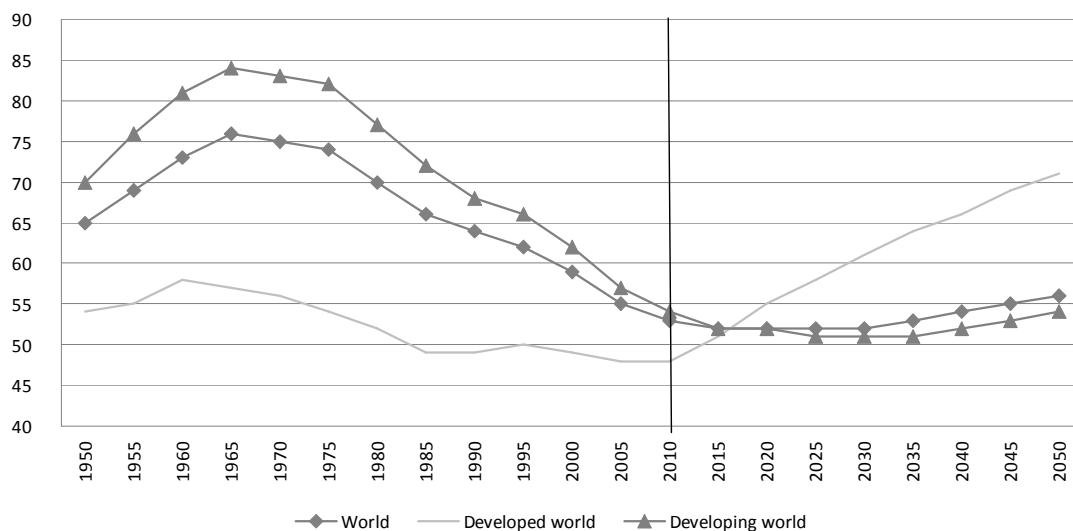
Potential strategic innovations and proposals

- Since the town serves as the launch pad for access to formal organisations and individual emancipation, social security will be urbanisation's positive buffer.
- Implementing innovative solutions to integrate the informal sector into the formal economy (formalising the informal).

- In organisational terms, conurbations make large-scale investments possible and economies of scale with regard to the organisation of services. Urbanisation in this sense will be accompanied by new organisations and a new management of social security bodies.
- Social security will have to concern itself with living costs and quality, giving rise to new services in connection with housing policies.
- Regarding risks covered, urbanisation will require care systems to be extended and developed to address factors and diseases that are specific to cities, such as obesity or low levels of physical activity.
- Finally, urban development cannot proceed without its necessary corollary: rural development. Hence the imperative need for a social security system which is certainly more urban but which retains the capacity to intervene in rural areas reinforced by ICT systems. In organisational terms, urbanisation demands the opening of new facilities, the redeployment of offices and means, with capacities that take advantage of economies of scale while retaining social security's original obligation to intervene in rural areas.

The unequal desynchronisation of life cycles

The evolution of demographic dependence ratios



Source: UN.

A world with fewer young people, more old people and, more significantly, more generations

The various world demographic trends viewed under the general phenomenon of ageing show the proportion of young people decreasing and that of older people increasing. Pressure on the respective resources for the various generations therefore increases automatically. Furthermore, with the improvement in living conditions (a favourable consequence of ageing) an increasing number of generations will now exist alongside each other. And it is life cycles that now require revision. The curve Youth (Y), Working Life (W), Old age (O) is no longer linear. It collides with potential unemployment, extended youth (through education)

and old age (thanks to retirement schemes and progress in health care). Numerous combinations can be imagined, all the more since the classic periods Y, W and O now share with a period A' for uncertainty about employment, with another period D for dependency of old people as well as with a period S (for senior citizens) characterised by the absence of work despite being completely able to work.

Consequences and challenges for social security

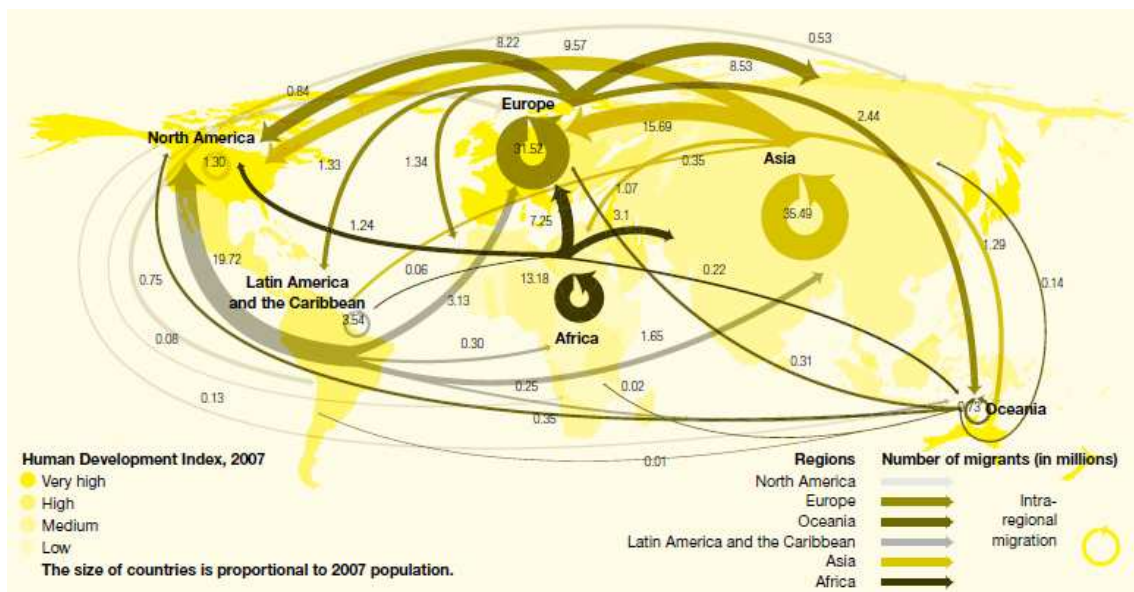
Brought into existence by the ageing phenomenon, the recomposition of life cycles presents a very significant issue. Characterised by an increase in the number of out of work people (young people and, above all, older people) as against the number of those in work, it calls for transformations that start at reforms that deal with age ceilings for employment and retirement ages. Above all they touch on new generational perspectives for avoiding (economic) conflicts between the generations and for ensuring that everyone has the opportunity to improve their human capital.

Potential strategic innovations and proposals

- The ideas come from three lines of reasoning: remove older workers later from work; let young people enter earlier; allow life-long training and prevention measures. Programmes that target the young (to help them enter employment) and senior citizens (to help them remain in work) together with a critical re-examination of early retirement schemes are steps in this direction.
- Potentially delicate and controversial reforms, which move towards making retirement ages more flexible, are viewed as interesting avenues to pursue.
- The development of information centres and training modules on intergenerational work, on managing the various generations that coexist in the labour market should make it possible to create a common culture on these questions.
- The intergenerational perspective in the developed world is that of life-long investment. In developing countries it is to ensure, as a minimum, primary education for all children so that they are able to go out into the world with a minimum amount of "start-up capital".
- Measures to keep older workers in employment: discourage early retirement; encourage the extension of an active working life (measures dealing with retirement age or pension amounts); investment in ongoing training, improvement in working conditions and workplaces as well as the general work environment, adaptation of working time. To achieve this, social security administrations must take an increasingly holistic view of the personal situation of individuals, going beyond legal criteria to carry out an assessment of an individual's personal conditions and environment with a view to developing appropriate prevention and reintegration strategies.
- Re-insertion measures for older jobseekers: rapid and intensive support for older workers who have been dismissed; support for employers to hire older workers.
- Measures to promote employing young people: payment of part of certain remuneration items by unemployment insurance schemes; information programmes; mobilisation of enterprises; internship programmes.

Migrations to come and movements to follow

Origin and destination of international migrants towards 2000



Source: United Nations Development Programme (UNDP), http://hdr.undp.org/en/media/HDR_2009_EN_Complete.pdf.

The global migrant map is going to change

In a world where flagrant inequalities constitute a significant incitement to migration, most movements are not between developing countries and developed countries, or even between countries. The number of international migrants represents 3 per cent of the global population. Out of a total stock of one billion migrants 740 million are “internal migrants”, 200 million are international migrants including fewer than 70 million (5 million a year) that move from a developing country to a developed country. Among the latter are 14 million refugees and 500,000 asylum seekers. All these figures are for past migrations. It is anticipated that those that are to come, given demographic, economic and climate changes, will be much higher.

Consequences and challenges for social security

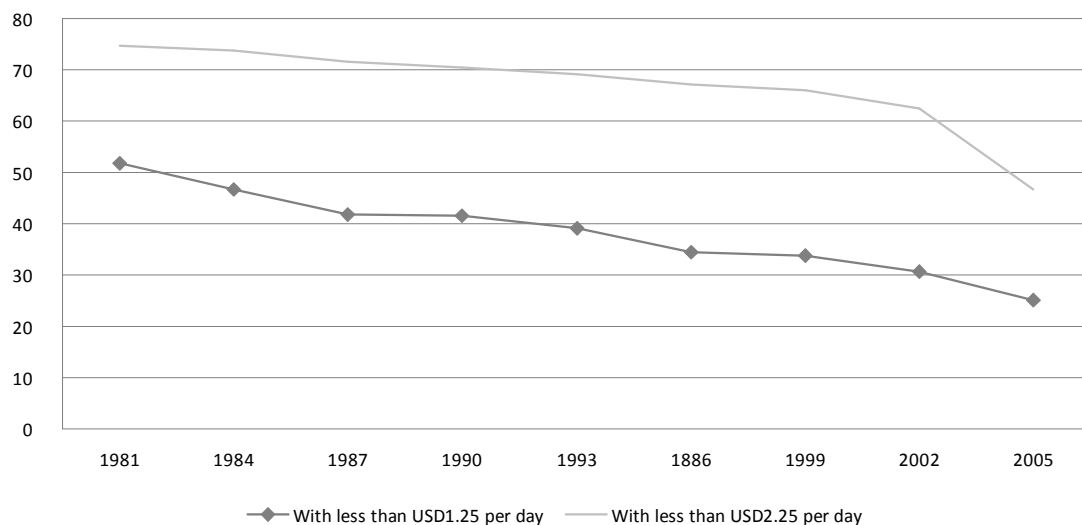
Increasing migration poses a challenge for social security systems on several levels. In national contexts, it is about social cohesion when populations move and diversify. In regional contexts, it is about social security institutions aligning and co-operating in efforts. In the international context, it is about equilibrium on a grand scale and great geopolitical risks that social security systems, working with increasing coverage, can contribute towards maintaining or even help to diminish (with regard to the question of high-risk migratory pressures).

Potential strategic innovations and proposals

- Social security mechanisms can support internal opening-up processes in countries where de facto restrictions on movements still persist.
- The future lies with international agreement systems in the context of reinforcing co-operation between member states of different regional bodies (European Union, Gulf Co-operation Council, Mercosur or *Ibéro Amérique*). Technically, such co-operation efforts concern alignment of rights or reciprocal standards for institutions.
- Defining and guaranteeing the portability and transferability of social rights and entitlements both with regard to internal movements and international migrations are technical and political fields that require further exploration.
- From an extremely practical point of view migrations constitute a key dimension in the organisation of services and human resources. The same applies to all the care professions (from crèches through all health professions to care for dependent old persons). From the simplest tasks to tasks requiring the highest qualifications, migration will bring about re-balancing movements between countries.

The global evolution of social structures

Reduction in extreme poverty (percentage)



Source: World Bank.

Reduction of poverty, maintenance of difficulties and inequalities, emergence of middle classes

In 2005 approximately 1.4 billion persons (equivalent of one person in four in the developing world) lived below the international poverty threshold of US Dollar (USD)1.25 per day. Poverty has been reduced, dropping from 52 per cent of the world's population in 1981 to 42 per cent in 1990 and down to 25 per cent in 2005. This proportion should be 15 per cent by 2015 despite an increase that, hopefully, will only be temporary as a result of the financial and economic crisis of 2008. This improvement – which should not mask stagnations or even setbacks to other Millennium Development Objectives – is accompanied by the emergence of

a middle classe. By 2030 it is anticipated that 1.1 billion persons in developing countries – 16 per cent of the world’s population – will belong to the “global middle class”, which amounted to 400 million persons in 2005. Let us stress here that the middle classes in developed countries are considered rich in relation to the global scale employed here. However, the development of a more middle class individuals must not conceal an overall increase in inequality at the global level.

Consequences and challenges for social security

The reduction of poverty, which is some distance from being eliminated, mainly concerns emerging countries. Social security has yet to achieve even basic levels in certain developing countries. Furthermore, in those countries where a middle class may have emerged, certain groups may remain marginalised, unskilled workers in particular. In short, findings of persistent serious social difficulties and inequality lead one to wish for investment that is better targeted. The emergence of middle classes is an opportunity to serve and protect better (thanks to tools that are more accessible, particularly social insurance schemes). The reduction of poverty is also a challenge to the legitimacy of support for a social security system that must continue to benefit the poor.

Potential strategic innovations and proposals

- Changes in social structures can lead to changes in priorities, between risks, between target populations, between geographic regions.
- The existence and growth of populations that have escaped from deprivation is grounds for an optimised deployment of ICT systems (@-services, applications on mobile telephones, etc.) which would enhance the performance of social security systems.
- On a political level, new social structures call for wider targeting, which may naturally differ according to the region, or even for the universal application of benefits and coverage (in health, for example) which had previously been reserved only for the poor. It is also very important to maintain the support to the social security protective action.
- From the point of view of inequalities, the growth in the risk of chronic illness is very unevenly distributed, most likely concentrating on the most disadvantaged and least educated. Health inequalities will probably increase and echo social inequalities and then reinforce those social inequalities in a vicious circle.
- To fine-tune in step with these social changes, social security must increasingly manage the funds it holds to match the situation. These serve as a guarantee that benefits will be paid and services provided. Once invested, they produce revenue that contributes towards the financing of these benefits and services. In many cases they also help schemes face up to temporary demographic tensions. The two basic aims to be achieved when investing social security scheme funds are: security (investments must help the scheme to meet its obligations in the most economical way); yield (investments must have as high a yield as possible within the limits of acceptable risk). The diversification of social security fund management portfolios must go hand in hand with the diversification facing populations and societies.

Summary: seven demographic challenges for a dynamic social security system

This table presents the conclusions and proposals that have emerged from the work of the ISSA Technical Commissions. The columns present the three dimensions for a dynamic social security system and the rows present the seven great demographic challenges identified in the studies. The possible strategic orientations and innovations in social security terms for each of them are presented.

Strategic dimensions for social security	Prevention (in all sectors)	Activation (for employment)	Protection (life-long)
Demographic changes			
Population ageing.	<ul style="list-style-type: none"> • Technological and organisational innovations for old age. • Spread of diversified solutions for pensions and health care. • Promoting information and innovations for health and safety at work. 	<ul style="list-style-type: none"> • Planning for labour markets to be more amenable to senior citizens. • Adapting occupational accident risk to an ageing working population, both for senior citizens and for young people, through training and human resource management. 	<ul style="list-style-type: none"> • Pension scheme reforms. • Support for expertise and implementation capacity in countries that do not have risk coverage. • Investment strategies, fund management and actuarial projections adapted for long-lived societies. • Creating long-term care systems. • Creating long-term care protection systems. •
Evolution of family structures.	<ul style="list-style-type: none"> • Priority given to the fight against child poverty (and its sustainable consequences). • Development, for schooling and infant welfare, of conditional monetary transfers. 	<ul style="list-style-type: none"> • Development of policies that provide better balance between work and family responsibilities. • Support for working women and aid to single-parent families. 	<ul style="list-style-type: none"> • Revision of the principle of social protection expenditure towards a social investment approach. • Development of reception facilities for young children. •
Transformations in the labour market.	<ul style="list-style-type: none"> • Development of flexible security mechanisms combining increased flexibility and reinforced protection. • Incentives to return to work. • Adaptation of educational and occupational training systems to the new requirements of the labour market. • 	<ul style="list-style-type: none"> • Shared knowledge schemes to help the poor. • Construction of profiling models for persons seeking employment. • Measures to promote the employment of young persons and senior citizens. 	<ul style="list-style-type: none"> • Stronger integration of contributory and non-contributory schemes. • Support for jobseekers and case management.
Urbanisation of lifestyles.	Reinforcement of health education and promotion of physical activities to reduce risks in connection with a sedentary urban life.	<ul style="list-style-type: none"> • Improved possibilities for supporting women who wish to take up an occupation. 	<ul style="list-style-type: none"> • Better organisation and greater integration of the informal sector.

Strategic dimensions for social security Demographic changes	Prevention (in all sectors)	Activation (for employment)	Protection (life-long)
Desynchronisation of lifestyles	<ul style="list-style-type: none"> • Maintenance of the ability of older workers to remain in work (specific prevention plans). • Investments in ergonomics. 	<ul style="list-style-type: none"> • Specific measures to help young people gain access to the labour market and support for older workers. • Healthy mix of salaried employees. 	<ul style="list-style-type: none"> • Adaptation of teaching and training systems for long-life societies. • Development of more efficient and appropriate interventions for persons with or at risk of chronic conditions.
Migrations and movements	<ul style="list-style-type: none"> • Extension of coverage wherever this is required. 	<ul style="list-style-type: none"> • Better service and respect for migrants' rights. 	<ul style="list-style-type: none"> • Reinforced co-operation measures between countries and geographic regions.
Changes in social structure	<ul style="list-style-type: none"> • Diversification of social security fund management portfolios. 	<ul style="list-style-type: none"> • Informing target groups about their rights and interdependencies. 	<ul style="list-style-type: none"> • Increased ICT capacity to manage services and benefits.

Conclusion: the demographic challenges and crisis as opportunities

The seven trends adopted in this document allow for a well-founded presentation of the challenges for social security on the one hand, and, on the other hand, of its parametric or structural responses, regardless of whether they are already in place or simply at the planning stage. The seven challenges that are dealt with do not exist in isolation. They sustain many links of cause and effect. Above all, they are not the only ones. Other demographic changes with a powerful impact on social security have already been identified. All of these broad and diverse challenges do not have to pose such a threat. They can be usefully transformed into positive conditions and opportunities for change.

If demographic challenges are political and strategic subjects, so are administrative and management issues. A reconsideration of priorities, reforms already in place or to come, population transformations, all lead to a revision of how social security is organised and the professions it encompasses. The same applies, for example, to health professions and institutions, which will be more focussed on prevention. Functions will move from payment to reimbursement advice, which will also renew both the links and partnerships that exist between operators and the yardsticks for service and management quality. Social security institutions are increasingly proactive and are thus already at the forefront of the organisational and managerial changes made necessary by demographic evolutions.

Yet more challenges...

This report has therefore concentrated on seven demographic challenges which managers and administrators must face since they affect their accounts, their organisations and their perspectives.

The report could have mentioned other challenges that also arise out of demographic trends either already identified or emerging ones. The same applies to growing population diversification, which is not without sensitive questions or palpable tensions. Likewise, the change in the status of the child, a decisive legal and economic element accompanying changes in the family could have formed an additional consideration.

Add to this, environmental concerns, which naturally have and will have an impact on populations, their habitats, their level of prosperity and, in part, concerns about social coverage. Whether investing funds, managing risk, developing new fiscal mechanisms or even designing new collective insurance schemes, environmental concerns and realities will resemble social security subjects and directions more and more closely.

As a pillar and instrument of sustainable development (in both its economic and social components), social security cannot fail to be concerned by this question which is of the utmost importance for humanity.

All these challenges must not be viewed and understood simply as threats. They impose new trade-offs and capacities for change and increased capacities of collective intelligence. Since dealing with them properly requires co-operation, investment and renewal they can be understood and conceived of as opportunities for social security.

Dynamic social security as a decisive actor for change

This report views the challenges put to social security by a changing world positively. The analyses, observations, evaluations and proposals of the ISSA Technical Commissions, assembled in this way take the view that defeatism is inappropriate. On the contrary, all these challenges, although significant in terms of proportions and volume, can support, not naïve optimism, but resolute determination.

The central idea comes from a simple statement: dynamic social security does not give in to demographic challenges. On the contrary, it anticipates, prepares, proposes, and promotes, all the while protecting more effectively. A factor in demographic changes, dynamic social security becomes a pro-active actor in supporting these changes.

The general strategic lesson for social security resides in the desirable adoption of a resolutely forward-looking attitude. This does not only stem from a greater ability to imagine what is going to happen but from an ability to prepare for what is going to happen. In effect, the future is not just what is going to happen. It is also and, in fact, above all, what we decide to do.

Social security policies, institutions and mechanisms are not only instruments to react to challenges. They are actors who know those challenges better in order to support positive consequences and mitigate potentially negative effects. From now on, social security has passed completely from a repair approach to one of preparation, prevention and pro-activity.

Dynamic social security, according to the concept developed by the ISSA, can significantly contribute towards guiding change while still extending protection by co-ordinating more closely social security aims and activities with those of society and the economy.

Social security institutions and programmes will need to open up and collaborate in order to take account of and take charge of these challenges fully. If the world is changing social security's borders are also moving. Social security will be better able to display its modernity, its performance and its full legitimacy by acting more as a link with other policies, by placing the individual at the centre of concern, to improve their situation and reinforce their human capital.

The ISSA will play its full role in reinforcing the exchanges and co-operation between the ISSA Member Institutions, in the Technical Commissions but also between Technical Commissions to continue to exchange good practices and experience, to understand

respective situations more clearly and to face the future in a prepared and positive way. The dynamic model of social security is a general framework for preparing more effectively for the future, which is always uncertain and currently burdened in budgetary terms, to move towards the fundamental aim of guaranteeing adequate protection for all and to increase the links between the three interdependent subjects which are social cohesion, social coverage for the population and economic growth.

Annex

Technical Commission	Reports
Employment Policies and Unemployment Insurance	<ul style="list-style-type: none"> • Maintenance in employment and return to work of older workers. • Youth employment policies in North African and Middle Eastern countries. • Summary of findings 2008-2010.
Statistical, Actuarial and Financial Studies	- Summary of findings 2008-2010.
Family Benefits	<ul style="list-style-type: none"> • How to meet the needs arising from sociological changes in the family? The adaptation of family policies to changes in the family throughout the world. • Summary of findings 2008-2010.
Special Commission on Prevention	<ul style="list-style-type: none"> • Demographic changes in the world of work: Challenges for Prevention. • Summary of findings 2008-2010.
Insurance against Employment Accidents and Occupational Diseases	<ul style="list-style-type: none"> • Summary of findings 2008-2010.
Investment of Social Security Funds	<ul style="list-style-type: none"> • Reducing the Risk of Assets Over-concentration. The use of exchange funds, asset pooling and private equity funds in social security. • Summary of findings 2008-2010.
Old-age, Invalidity and Survivors' Insurance	<ul style="list-style-type: none"> • Pension design. How to ensure income adequacy in old age. • Summary of findings 2008-2010.
Medical Care and Sickness Insurance	<ul style="list-style-type: none"> • Adapting health care systems to trends in chronic disease: results of a comparative study by the ISSA Technical Commission on Medical Care and Sickness Insurance. • Summary of findings 2008-2010.