INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Strengthening the security in social security

CONFERENCE ON THE ISSA INITIATIVE
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OPENING ADDRESS
by
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« WHEREVER IS A MAN, THERE CAN BE DONE WELL »
( Seneca, « De vita beata », 24,3)

1. TRADITIONAL INVOCATION
Chief Leonard George Burrard First Nation

Chief,

Your invocation will certainly bless our discussions and the result of this important conference.

You were giving us a flavour of the richness of your culture.

I was happy to find a receipt of wisdom from your people and I quote :

« The greatest power given to a man is the power to save his brothers. This power is at the centre of your mind, like the hub is at the centre of the wheel. Please meditate in the centre of yourself beyond your thoughts and desires, so this power will become conscious and will be your force. »

Reading this, Chief, I would be delighted to know more about your people and about your culture. Thank you.

2. GREETINGS
Honourable Madame Minister,

On behalf of 378 social security institutions in 148 countries - this is ISSA - I express my sincere gratitude for honouring our Conference with your presence and sharing with us your vision on the future of social security.

Three years ago, the ISSA Initiative was born here in Canada. The significant and lasting contribution of the successive Assistant Deputy Ministers Mr Rainville, Rabinovitch and Migus and of our most watchful Treasurer Mr Tamagno is essential to many activities of ISSA. We thank you for making them available for our Association.

The constant effort in promotion and development of social security in Canada may not surprise the audience: Canada was, along with Denmark, the only country which could stabilise or even reduce inequality over the past two decades. This was achieved primarily through fiscal policy and social
transfers indicating that with political will, nothing is inevitable about inequality increasing with rising incomes.

Kildare Dubbs was absolutely right when saying, and I quote: «Canada is a society, rather than a nation».

Thank you again, Madame Minister.

3. «CIVILISATION SUFFERS INEVITABLY BECAUSE OF INJUSTICE AND THE GOVERNMENT IS IN TURN AFFECTED BY THE CONSEQUENCES»
(Abd-er-Rahman IBN KHALDUN (1332-1406))

Global poverty is shockingly deep and widespread and it has become clear that poverty means more than the lack of income: it includes exclusion and powerlessness, insecurity, lack of services, and lack of control over one’s future.

Some social trends in industrial and developing countries are not sustainable. There are still 1.2 billion people living on less than $1 a day. The average income in the richest 20 countries is 37 times that in the poorest - a ratio that has doubled in the past 40 years.

Inequitable access to opportunities and resources have caused social exclusion within and among nations. Everywhere, the worst affected are children, women and the elderly.

How can productive work and a good quality of life be provided for the 3 billion people now living on less than $2 a day (and the 3 billion people likely to be added to developing countries by 2050) in socially sustainable way?

If this vision of a world - a world without poverty - is to be realised by mid-century, sustainable growth is the key. But growth is not enough.

Ensuring economic growth requires to promote the effective and efficient utilisation of existing resources, so are energy, natural, human and technological resources. Improvements to create, protect and use those assets have received increasing attention.

The existence or creation of those assets forms the richness of a country. Their exploitation creates growth, and efficient exploitation influences the amount of growth. It’s an evidence, however, that important debt service, mostly in developing countries, and war or civil strife are critical obstacles to growth as well.

The amount of growth required to reduce poverty depends on a country’s level of inequality - the more unequal is the distribution of income, the fewer are the benefits of growth to poor people.

The welfare and well-being state can minimally be denoted as a state system of institutionalised solidarity, with redistribution and equity being the key elements. It is a matter of social security arrangements - by means of social transfers - and of fiscal policies.

Thus social and human development depend on growth coupled with redistribution. In turn, fruits of growth to redistribute depend on social and human development.

Indeed, social development is not an optional extra to economic development: it is an essential component of balanced economic development. Social development cannot be funded in a society where wealth is not being created and there can be no redistribution where there is nothing to
distribute. Economic development that does not go hand in hand with social development will result in serious problems sooner or later.

Social security functions are not a burden for our economies. On the contrary, they are a productive factor.

The promise of a social welfare that is equitable and economically efficient and competitiveness are perfectly compatible. Indeed, competitiveness is not only a matter of costs, it is also linked to a country’s capacity to innovate, to develop new products or new production techniques. These capacities mainly result of the quality and the motivation of its human capital.

A well-performing social security system creates a « social capital », a social cohesion which is ultimately a source of improvement of a nation’s productivity. Social security contributes to economic growth by increasing labour productivity.

To preserve or increase their competitiveness, countries with a high level of social expenditures would face the danger of reducing their social expenditures for the future and the developing countries with nascent security social arrangements should give up improving their schemes.

However, according to the competitiveness ranking of the IMD in Lausanne (International Institute for Management Development), coupled with the amount of social expenditures by the OECD countries, it appears that countries with a high competitiveness spend on average more on social security than countries with a lower ranking. It even appears that countries which spend most on social matters are also those with the best competitiveness ranking.

Social security may thus lead to an increase of competitiveness. One of the conditions is the efficiency with which the government offers social security, and its capacity to transform social contributions into a social added value.

The development of a social security system consequently is not about being in favour of or against competitiveness.

History teaches that prosperity and well-being are indivisible and must be shared if they are to be maintained and two generations - 50 years - are enough to eliminate all poverty and to move to a more sustainable development path.

How we deal with those issues over the next twenty years will determine how well the planet fares over the next generations. They are so urgent and pervasive that nothing less than a global commitment or coalition will solve them. They bring up the idea of burden-sharing, or global solidarity, for moral reasons, and for the sake of justice and balance.

In fact, Atkinson is absolutely right when he says : « The future of the welfare society is a highly political issue ». Indeed, it is about public choices and political will.

It is up to society to decide on the best way of ensuring economic growth and redistribution of its fruits.

Experience around the world shows that talented political societies in democratic systems can manoeuvre countries out of so-called reform traps and shift equilibrium paths. Countries in transition of the former Soviet Union show us an example of how important is the role of political choices. Effective policies holds the key to understanding why growth has been better in some transition economies than in others.

Eradicating poverty and providing a brilliant future for social and human development is much more a question of policy preferences at both national and international level.
4. FUNDAMENTAL SOCIAL RIGHTS

The quality of a social security scheme depends on the quality of social security rights.

The right to social security should become a fundamental human right. This right cannot be solely dependent on the goodwill of the authorities, and granted in an arbitrary manner. It should have the same quality as other civil and political rights given to citizens in that society.

The recognition of social rights, to be effective, needs for these rights to be enforceable. In other words, everyone should be able to complain to an impartial court asking for their implementation and compelling the state to enforce them.

Still other conditions are necessary to guarantee the effectiveness of social rights.

Social rights are introduced to support persons in need. Complicated administration and judication of legal claims limit access to social rights.

Many countries are aware of the complexity of social security systems, and many of them have already taken measures to rationalise existing legislation. Measures taken include, for instance, reduction of procedures to the strict minimum, decrease in the number of documents to be submitted by applicants for social benefits, decentralisation of decision-making, and computerisation.

Giving the beneficiaries the right to consult or to be informed of the content of their administrative files and the formal motivation of decisions refusing benefit can improve the relationship between social security institutions and their users and constitutes an important element of the guarantee of the right to benefit.

The State ought to be the guarantor of each citizen’s potential rights, so that everyone, whether or not he is supported by a special interest lobby, receives the benefits he is entitled to, that public institutions offer him a decent service, that clear answers are given to his questions, that his complaints are dealt with in a fitting way, and that obstacles, any lack of sense or maladjustments of the rules are eliminated.

5. PRIVATISATION OF SOCIAL SECURITY SCHEMES

Social security privatisation means that the delivery of social security benefits will be organised more privately in the future than it has been before. In principle this can be achieved by transferring state responsibility to non-state actors and by more closely involving the private sector in areas for which the State is still responsible.

There are three organisational levels in social security schemes where private elements can be incorporated or where state action can be replaced or supplemented by private action. Social security can be organised more privately in terms of its institutions, its administration and the payment of its costs.

If the State entrusts private institutions with the delivery of social security benefits, it has to meet its social responsibilities by laying down minimum requirements for carrying out this activity and by monitoring compliance with them. The State has to design the regulatory and supervisory framework applicable to the private sector. Without such a framework, the private sector can generate far-reaching imbalances.
Regulatory frameworks of social security schemes are of tremendous importance because these schemes severely affect people’s lives. In the case of pension schemes, an assessment of the system can only be made after a generation has completed its working and retirement period, which means after 70 years or more.

States have therefore imposed multiple technical, legal, social, tax and accounting constraints on private social security schemes to safeguard public interest and to protect consumers in areas too complex to protect themselves.

The regulatory frameworks should answer three fundamental questions. They should ensure or enhance equity between all citizens, ensure or enhance the adequacy of the promised social security benefits and guarantee the financial security of these benefits and the invested assets. The financial security of social security schemes should be regarded as a critical element: beneficiaries should be protected against sponsor’s insolvency, insufficient funding of the plan because of improper technical and/or investment decisions and misappropriations by managers.

Next to regulation, supervision is essential. The more that is privatised, the more crucial is the supervisory role of government in ensuring that the private sector, in following its private interests, is also meeting the requirements of society as a whole.

Governments offer their citizens more individual choice in the context of privatising social security schemes. Citizens can choose among different providers or services or can choose to opt out completely from the social security scheme or can freely choose the composition of their individual package of goods and services.

Such a freedom to make choices can be dangerous for citizens while they do not always understand what their options are and what the consequences of the different possibilities are. Citizens necessarily need access to reliable and understandable information. Even when they have such information they will be uncertain with respect to both the future evolution of the quality and price of the product or service purchased and the extent of their future needs.

The privatisation of social security schemes is an immense undertaking and not always the best solution. Privatising social security schemes requires as much work and costs as delivering the services themselves. The State no longer has to regulate the delivery of the benefits, but it has to regulate the environment under which the institutions do deliver the benefits.

In addition, privatisation might endanger income protection, but, and this is even more important, it may ultimately endanger social integration and social cohesion. To the extent that privatisation leads towards a dualisation of income protection, the odds are that mechanisms of adverse selection will pop up again, leaving the bad risks uncovered.

In the longer term, privatisation may undermine the specific value basis of social security. Statutory social security scheme as we know them suppose some legitimising basis of solidarity. Not just a willingness to risk-pooling (and to the ensuing horizontal redistribution of an insurance scheme) but a willingness to enable solidarity in the sense of a redistribution of labour, or in the absence of that, of vertical income redistribution through elaborate transfer schemes.

It is evident that privatising social security schemes can bring probably less State with it, but certainly another State.

In any way, governments may not forget that they will always be involved in the delivery of social security, if only as a last resort. The State should always be the ultimate underwriter or financial guarantor of the schemes - both public and private.
Whatever decisions governments may take, they must be aware that the condition of being a public or private institution is not a decisive factor in determining the efficiency and effectiveness of the delivery of social security services. Good governance is.

6. « GOOD GOVERNANCE IS PERHAPS THE SINGLE MOST IMPORTANT FACTOR IN ERADICATING POVERTY AND PROVIDING DEVELOPMENT »

Kofi Annan

We obviously have a challenging agenda and nevertheless I feel a missing link.

Social security schemes are indeed only as effective as their administration. That is why good governance of social security arrangements is of an extreme importance. It is all about fairness, transparency, accountability and participation.

Governments should therefore regard the governance of social security schemes as a public trust of the highest order and must undertake it with utmost integrity, competence and professionalism at all levels. Only then the credibility and legitimacy of the social security schemes can be maintained and thus attain its immutable goal: social justice for all.

Applying elements of governance in the social security sector, is called social governance. Social governance embraces the institutional processes of consultation and decision making which determine the structure of the scheme, the institutional arrangements responsible for its administration, and the managerial and administrative functions which relate to the implementation and supervision of schemes. It goes from the conception of social security schemes to the installation of fitting institutional mechanisms and the management of particular institutions.

Good governance is undeniably not the responsibility of one sector alone, but is the responsibility of an efficient government, an effective civil society and a successful private sector. All parties should co-operate in improving and enhancing governance, because good governance is the basic prerequisite for the economic success of the country and for a human and sustainable development.

Each government should build social governance on his unique political, cultural and historical conditions.

In the coming months, I will focus specially on this issue by presenting a paper and enhancing the discussion.

I’m very grateful to our colleague and my friend Mr Jordan Hristokov from Bulgaria who was recently organising this debate among majority, opposition, social partners and civil society.

This concern is far from new: 2600 years ago, the Greek statesman and philosopher Soloon was writing a poem « Eunomia », which John Porter of the university of Saskatchewan wonderfully translated as: « Noble governance ».

Madame Minister, Dear Participants, Best Friends,

ISSA is trying to fulfil its constitutional goal: promoting and developing social security world-wide by organising this debate during this conference.

Thanks to our most appreciated hosts. Thanks for your participation here and daily commitment in your country.
That way we are realising the dream of the French philosopher Albert Camus who once said: « I would be delighted to be able to love both my country and justice ».

Our work is as vital as important. Workers and their families and the excluded the world over who have a right and deserve a sense of security, fairness, and peace of mind depend on us.