

General Report: Topic III

NEW FORMS OF SOCIAL PROTECTION IN LIGHT OF STRUCTURAL CHANGES

AGEING OF THE POPULATION,
CHANGES IN FAMILY STRUCTURES, MIGRATIONS,
BUDGET PROBLEMS, CHANGES IN IDEOLOGIES AND POLICIES

CARLOS HERNANDEZ CONTRERAS

Content summary ¹

INTRODUCTION

1. **Common and historical challenges of Labor and Social Security Law**
2. **Problems and challenges for social security in the XXI century**
3. **Identification and classification of aspects that affect social security**
4. **Population ageing and budget problems**

I.- POPULATION AGEING AS A CHALLENGE FOR SOCIAL SECURITY

Generalities

1. **Causes of population ageing**
 - A.- New family structures
 - B.- New role of women in the work market and society
 - C.- Economic development and urbanization
2. **Active policies for population ageing**
 - A.- Population *ageing*. Possibilities of reversion
 - B.- Demographic and economic policies
 - C.- New policies of social security already in practice

II.- BUDGET PROBLEMS:

INSUFFICIENT PENSIONS AND SOCIAL EXCLUSION. HEALTH SERVICES

Generalities

1. **Social security in pursuit of solidarity and universality**
 - A.- The problem of insufficient pensions
 - B.- Universality
2. **Health services, the great dilemma of social security**
 - A.- The problems of health services in developed countries
 - B.- Health services in poor countries

¹ Carlos Hernández Contreras is a member of the Dominican Republic Bar Association since 1991 and founding partner of the law firm *Hernandez Contreras, Herrera & Asociados* (www.hernandezcontreras.com.do). He is a professor of the Pontifical Catholic University Madre y Maestra, PUCMM (www.pucmm.edu.do), General Director of the Institute for Labor Studies–Dominican Republic (www.institutoestudiosdeltrabajo.org.do), and Vice-president of the International Society of Labor and Social Security Laws for the North-American and Caribbean region (2006-2009) (www.asociacion.org.ar/ISLLSS/).

Acknowledgement:

The realization of this general report has been possible thanks to national reports provided by the associations members of the ISLSSL detailed below:

I.- NATIONAL REPORTS SUMMITTED BY ISLSSL ASSOCIATIONS MEMBERS:

1. GERMANY, **Prof. Dr. Ulrich Becker**, LL.M (EHI), Munich, General Director of the Institute Max-Planck for International and Foreign Studies at Munich; **Prof. Dr. Franz Ruland**, ex Professor of Law Faculty at the University of Hannover; y **Thomas Neumair**, Asistente de investigación Research Assistance in the area of Social Security in the Institute Max-Planck for International and Foreign Studies, Universidad de Hannover.
2. ARGENTINA, **Jorge García Rapp**, Asociación Argentina de Derecho del Trabajo y de la Seguridad Social.
3. AUSTRIA, **Prof. Dr. Wolfgang Mazal**, Department of Law and Social Security Law. Austrian Institute for Family Studies, University of Vienna.
4. AUSTRALIA, **Prof. Terry Carney**, Professor of Law, University of Sydney, y Gaby Ramia, Senior Lecturer, Graduate School of Government, University of Sydney, Australia.
5. BRASIL, **Prof. Milton Vasques Thibau de Almeida**.
6. COLOMBIA, **Carlos Hernán Godoy Fajardo** y **Diego Felipe Valdivieso Rueda**, Godoy Córdova Abogados, Bogotá, Colombia.
7. CHILE, **Prof. Ximena Gutierrez Rosa**, Profesora Titular de Derecho del Trabajo y de la Seguridad Social. Facultad de Derecho, Universidad de Chile.
8. SLOVENIA, **Prof. Dr. Grega Strban**, Faculty of Law, University of Ljubljana.
9. RUSSIAN FEDERATION, **Prof. Elena Machulskaia**, Secretary of the Russian Association of Labor and Social Security Laws.

10. FINLAND, **Ilari Kallio**, Assistant of Labor Law, University of Helsinki.
11. ISRAEL, **Amir Paz-Fuchs**.
12. JAPAN, **Takashi Araki**, Law Professor, Universidad de Tokio.
13. NEW ZELAND, **Emma-Jayne Turner**, LLB Victoria University of Wellington, and Law Clerk, Simpson Grierson.
14. POLAND, **Arkadiusz Sobczyk**, Jagiellonian University, Poland.
15. CZECH REPUBLIC, **Dr. Petr Troster** y **Dr. Vladimír Vorisek**.
16. DOMINICAN REPUBLIC, **Carlos Hernández Contreras**, Professor of the Pontifical Catholic University Madre y Maestra y **Maribel Batista Matos**, Chief of the Legal Department of the National Confederation of Trade Union Unity (Confederación Nacional de Unidad Sindical, CNUS).
17. SWEDEN, **Prof. Vicki Paskalia**, Professor of the University of Estocolm.
18. URUGUAY, **Jorge Ubaldo Seré**, **Héctor Babace** y **María del Lujan Charruti**.

The autor of this general report wants to express his gratitude to all colleges that have contributed with their national reports.

II.- OTHER SOURCES:

Other them national reports we also consult studies and papers of other countries to had a global perspective of the subject, among them we should mention:

- INDIA, CHINA, TANZANIA, EL SALVADOR y BENIN. For a general visión of social protection in those countries we consulte *Seguridad Social para la mayoría excluida. Estudios de caso de países en desarrollo*, published under the direction of **Wouter van Ginneken**. International Labor Office. Ginebra, 2000.

- UNITED KINGDOM and ITALY. For a general visión of social protection in those countries we consulte *Los sistemas de seguridad social de los estados miembros de la Unión europea*, published under the direction of **Danny Pieters**, Ministerio de Trabajo y Asuntos Sociales y la Tesorería General de la Seguridad Social de España. Madrid, 2004.
- FRANCIA. For a general visión of social protection in those countries we consulte *Droit de la sécurité sociale*, de **Jean-Jacques Dupeyroux, Michel Borgetto, Robert Lafore** and **Rolande Ruellan**, *Droit de la sécurité sociale*, Editions Dalloz, Paris, 14° edition, 2001.
- ESPAÑA. We consulte *Curso de Seguridad Social*, bajo la dirección de **Alfredo Montoya Melgar**. Thomson – Civitas. 3° edición, 2005.
- ESTADOS UNIDOS. For a general visión of social protection in those countries we consulte *Social Security and Medicare. The Complete Idiot's Guide*, de **Lita Epstein**, 2° edición, New York, 2006, and the oficial Website www.ssa.gov.

INTRODUCTION

1.- The common and historical challenges of Labor and Social Security Law

Both Labor and Social Security Law are disciplines that throughout their respective trajectories have been faced with social, economic and ideological challenges, almost always simultaneously.

Indeed, since the beginning of the so called “Industrial Legislation” of the XIX century – which included labor and social security legislations-, it had to make its way by proclaiming its emancipation from Civil Law and establishing its necessity in the industry and in the particularities of worker-employer relationships. Governments observed with skepticism the emergence of this new discipline, and many authors affirm that many of the first labor laws enacted, as well as the social security established by Bismark in Germany during that century were actually an attempt to undermine the growing socialist current of that time.²

Labor and social security laws overcame these challenges after consolidating itself throughout the XX century. The decisive role of the International Labor Organization (ILO) as well as the political and warlike events and ideological struggles (communism – capitalism) strongly influenced in the development of labor and social security legislation of most countries in the world.

² “In addition to offering protection, the labor laws of the moment sent the workers the bismarkian message that their defense had to come from the State and not for the unions, whose predominant ideology, anarchist or communist, could not but inspire distrust to the current power.” (Arturo Bronstein, *50 años de Derecho del Trabajo en América Latina*, Page 28. Rubinzal – Culzoni Editors, Buenos Aires (Argentina), 2007. Likewise, Jean-Jacques Dupeyrou, Michel Borgetto, Robert Lafore and Rolande Ruellan, *Droit de la sécurité sociale*, Page 26, Dalloz Editions, Paris (France), 14th edition, 2001.

Despite the fact that during the XX century the laws regarding social security experimented its greatest consolidation, said century was not exempt from challenges and threats for these disciplines. From the last quarter of the XX century, a new trend arises in Europe, which later extends to the Americas and the rest of the world; it is called *flexibility*, which advocates for a *deregulation* of labor relations.³ During this same period (especially since the 1990s) the countries' economies opened themselves to international commerce and free trade agreements and proliferate to this day. Labor legislation and social security systems are no longer seen nor applied as mere local norms but are appreciated in comparison with the "social costs" of other countries, potential competitors.⁴ Lastly, the introduction of new technologies in the industry and in telecommunications revolutionized the classic form of labor execution of the mid and early XX century, which resulted in new forms of jobs (part-time, at home, tele-work, subcontracting, etc.) and an *informal* economy under which work, services and even companies, are developed, apart from labor legislation and social security.

2.- Problems and challenges for social protection in the XXI century

With the first decade of the XXI century almost over, events show that both Labor and Social Security Law have inherited the problems of the past century, to which the new millennium challenges are to be added.

³ The *flexibility* is a tendency according to which the labor and social protection legislation, by establishing minimum standards in favor of the workers and social costs derived from labor recruitment, becomes an obstacle for free capital investment and development of industry and commerce. Those who advocate for *flexibility* also argue that the rigidity of work norms and social costs derived from labor recruitment and social security exacerbate unemployment, and in order to avoid this result, its a *deregulation of* the so called "work market" is needed.

⁴ About this effect in labor relations, see Arturo Bronstein, *International and Comparative Labour Law. Current Challenges*, Page 25. Palgrave MacMillan and International Labor Organization, ILO, 1st edition, Geneva (Switzerland), 2009.

Among the challenges presented by the XXI century, there are some common to both disciplines, although they may not have the same importance or in any case may cause a different effect according to the purposes that each field of law pursues. On the other side, there are challenges, threats and events that only concern social security, which will be studied in this report.

The problems that affect social security in different countries across the planet are the same, but some of these challenges are of high relevance in some countries and almost insignificant in other countries or regions. For example, the problem of population ageing is of the highest priority in Europe and Russia, and of little importance in Sub Saharan Africa. On the contrary, deficiencies in social security management and epidemiological diseases or HIV-AIDS constitute a challenge in some Latin American countries and for social security in Africa, respectively, while it does not represent a problem for Western-European countries.

During the first nine years of the XXI century, important world events have taken place and studies of the same importance have been carried out with the purpose of identifying the principle challenges and problems that currently affecting and that in the future will affect the social security systems. Among these, the following are highlighted:

- In the year 2001, the 89th meeting of the International Labor Conference dealt with the topic of Social Security: topics, challenges and perspectives.⁵
- In the year 2002 the International Labor Organization presented the study named “*Social Security. A new consensus*”.⁶
- In 2001, the International Social Security Association (ISSA) drafted an ample report about the *Evolution and tendencies of social security 2001-2004. Towards a*

⁵ VI Report, *Social Security: topics, challenges and perspectives*. International Labor Conference, 89th meeting, 1st edition, Geneva (Switzerland), 2001.

⁶ *Social security. A new consensus*. International Labor Organization (ILO), Geneva (Switzerland), 2002.

renovated trust, and later in 2007 held a World Forum in Moscow about the *Evolution and tendencies: a dynamic social security*.⁷

- In April 2002, the Second World Assembly about Ageing was held in Madrid and in September of the same year the Ministerial Conference about ageing of the European Economic Commission, and the Asian-Pacific Seminar were simultaneously held, as a follow-up of the Action Plan about Ageing in Madrid, held in Shanghai, China.
- The United Nations, on their part, through their Economic and Social Council prepared in 2001 a *Report about the world social situation*,⁸ but it has also permanently created its *UN Programme on Ageing*, as branch of the Economic and Social Affairs Department of said organization.⁹

The doctrine resulting from such events, forums and studies have identified a heterogeneous quantity of aspects (some may be qualified as challenges, others as problems, while some are simply unclassifiable) that in some way affect the present and future of social security, i.e.: population ageing, changes in family structures, migration, financial sustainability, changes in politics and ideologies, adequacy of social benefits, quality of institutional management, coverage-exclusion of the population, globalization, technological innovation in information and communications, privatization, deregulation, unemployment, tax evasion, informal economy, women in the labor market, etc.

In the following, we will seek to identify and at the same time classify the different elements and aspects that presently condition the analysis of any study concerning the changes that are affecting social security in today's world.

⁷ World Forum in Social Security, 29th General Assembly of the International Social Security Association, ISSA, *Evolution and tendencies: a dynamic social security*. Moscow (Russia), 2007.

⁸ *2001 Report on the World Social Situation*. Economic and Social Council, Substantive session for 2001, United Nations publication.

⁹ United Nations Programme on Ageing: <http://www.un.org/esa/socdev/ageing/>.

3.- Identification and classification of the aspects that affect social security

The different regimes of social security around the world are facing problems of financial sustainability, namely scarcity of resources to meet the objectives of social security: coverage of social risks, without exclusions.

This is a problem that affects all social security systems, both in developed and developing countries. Notwithstanding the fact that it is a common problem, in some countries financial unsustainability may be caused by problems entirely unrelated to the original causes of budget problems of other countries. For example, while in Japan the population ageing is a serious and decisive factor, in the countries of Sub Saharan Africa this factor is practically non-existent, and the costs of health, diseases such as HIV-AIDS, and the quality of institutional management are simultaneous factors that make the regimes of social security unsustainable.

The international community has identified the principle factors that have been affecting social security systems. There are related and spontaneous factors (changes in policies and ideologies) and circumstantial and eventually manageable factors (migrations, privatization and institutional management), but there are also sociological factors and in progressively increasing (population ageing, informal economy, globalization, new family structures); lastly, there are unpredictable or uncertain factors (health costs, new diseases, new technologies).

Changes in policies and ideologies have had their incidence in social security systems, and a clear example is that of the countries of Eastern Europe, that once the Cold War was over, they adopted reforms inspired in the Chilean model of individual capitalization. Another recent example is Argentina, who two decades ago reformed its pensions system adopting individual capitalization, and then reverting the situation by nationalizing the pension funds.

These changes most certainly impact social security of a country. However, we must not catalogue them as constant and threatening challenges to social security system. In any case, they represent direction changes in the way of granting social security to a given population, which eventually will affect or improve the social security system.

On the other hand, there are factors that today and during the last years have determined the viability or unsustainability of social security systems of some countries, which is a result of the decision or the behavior or the system's administration. For example, a series of Latin American countries (Chile, Peru, Bolivia, Colombia, El Salvador, Dominican Republic) decided to privatize (totally or partially) the administration of pension funds and the provision of health services; Canada and Spain have decided to open their economies to immigration with the clear objective of, amongst other, counteracting the population ageing. Instead, in the Sub Saharan African countries, the quality of the of the social security administration has significantly impacted the destiny of social security.

As observed, immigration, privatization and institutional management are factors that, like changes in policies and ideologies, mark the direction of social security systems. However, all of them are factors that result from political will; consequence of State decisions or of the social security administration.

Next, it is necessary to comment other aspects and factors that have also had a decisive influence in the fate of social security, but have a different cause. We are talking about factors created by society itself and its rhythm of evolution; and when we speak of society we refer not only to people from certain countries, but to the entire world population.

Population ageing, informal economy, globalization of economies and new family structures are relatively recent factors that became tangible phenomenons, subject to studies

during the last quarter of the XX century, and their effects are not only ongoing but are also in a growing state, and at least the first two are in a degree of threat for social security systems.

These factors have not been decided nor programmed by States' social policy, nor are they a consequence of social security systems' management. It's about social phenomenon as a consequence of man's modern life, which contrasts with traditional life schemes; they are also a consequence of new values prevailing in modern society.

To these challenges others are added, which are a consequence of modern life and its effects are reflected directly in the management costs of social security systems, and for this reason worry just as much as the first. We refer, on one hand, to the costs of health (pharmaceuticals, hospital facilities and medical attention, new risk of senile dependence), and the costs derived from epidemiological diseases, HIV-Aids, etc., and on the other hand, the ones derived from the introduction of new information and communications technologies.

Population ageing, informal economy, globalization of economies and new family structures constitute spontaneous manifestations of a new global society. Inversely, health costs and new technologies are factors that social security administration need to and must apply in the management of social security.

Both groups are challenges that social security faces in the procurement of its goals of offering effective social security for everyone. The Doctrine largely agrees that vis-à-vis all these factors and challenges, an ideal model-recipe of social security fitting all countries or even regions does not exist, but according to the preponderance of one or more factors in a given country, social security measures considered appropriated will be applied, judging from experience in other countries or regions, and in any case after weighing the reality of the society of the country in question.

4.- Population ageing and budget problems

Among all the factors and challenges that social security systems face, two have actively and worryingly caught the attention of academic circles and institutional management, as far as the XXI century goes: population ageing and financial sustainability of social security.

These two topics are in fact intertwined and one relates to the other: moreover, they are not isolated, by addressing any one of them one necessarily has to deal with the others mentioned above.

This is another why we must analyze new forms of social security in light of these two factors. Later on we will observe that population ageing holds intimate relation with changes in family structures, thus conceiving social policies on migrations –amongst other motives- taking into account population ageing.

Something similar occurs with budget problems. As we said at the beginning, social security systems have become unsustainable because of factors such as health costs, introduction of new technologies, poor institutional management, etc. Consequently, these topics will be focused when studying budget problems.

First Part:
**POPULATION AGEING AS
A CHALLENGE FOR SOCIAL SECURITY**

Generalities

Population ageing is an undeniable reality affecting every country in the planet. *“The world is experiencing a demographic transformation with an unprecedented scope. Global ageing is not a transitory wave as the baby boom many countries experienced in the 1950s, nor is it the baby bust experienced in the 1930s decade. It is, however, a fundamental and unparallel demographic shift in the history of humanity.”*¹⁰ *‘When this revolution has started its course’* – noted by the experts on ageing Alan Pifer and Lydia Bronte in 1986- *‘the impact will be at least as powerful as that of any great social and economic movement from the past’.*¹¹

Among the analyzed countries, the following is verified:

AVERAGE AGE AND POPULATION OF COUNTRIES IN 1950, 2010 Y 2050				
Region and country	1950	2010	2050	Decline*
<i>Europa</i>				
Germany	35.4 (68,376,000)	44.3 (82,057,000)	51.7 (70,504,000)	2010
Poland	25.8 (24,824,000)	38.2 (38,038,000)	51.0 (32,013,000)	1997
Italy	28.6 (46,367,000)	43.3 (60,098,000)	50.5 (57,066,000)	2020

¹⁰ Richard Jackson, Neil Howe, Rebecca Strauss and Keisuke Nakashima, *The Graying of the Great Powers. Demography and Geopolitics in the 21st Century*. Center for Strategic & International Studies. Global Aging Initiative. www.csis.org. May 2008.

¹¹ Alan Pifer and Lydia Bronte, *Introduction: Squartin the Pyramid*, in *Our Aging Society: Paradox and Promise*. W.W. Norton, New York (United States), 1986.

Slovenia	27.7 (1,473,000)	41.7 (2,025,000)	48.7 (1,954,000)	2025
Austria	35.7 (6,936,000)	41.8 (8,387,000)	48.5 (8,515,000)	2040
Spain	27.7 (28,009,000)	40.2 (45,317,000)	48.2 (51,260,000)	
Czech Republic	32.7 (8,925,000)	39.6 (10,411,000)	46.2 (10,294,000)	2030
Finland	27.7 (4,009,000)	42.0 (5,346,000)	44.8 (4,445,000)	2030
France	34.5 (41,832,000)	40.1 (62,637,000)	44.8 (67,668,000)	
Sweden	34.3 (7,014,000)	40.9 (9,293,000)	43.2 (10,571,000)	
United Kingdom	34.6 (50,616,000)	39.9 (61,899,000)	42.5 (72,365,000)	
<hr/> Asia - Pacific				
Japan	22.3 (82,824,000)	44.7 (126,995,000)	55.1 (101,659,000)	2008
China	23.9 (544,951,000)	34.2 (1,354,146,000)	45.2 (1,417,045,000)	2035
Russian Federation	25.0 (102,702,000)	38.1 (140,367,000)	44.0 (116,097,000)	1996
New Zeland	29.4 (1,908,000)	36.6 (4,303,000)	43.1 (5,349,000)	
Australia	30.4 (8,219,000)	37.8 (21,512,000)	42.9 (28,724,000)	
Israel	25.5 (1,258,000)	29.7 (7,285,000)	39.1 (10,649,000)	
India	21.3 (371,857,000)	25.0 (1,214,464,000)	38.4 (1,613,800,000)	

Las Américas				
Argentina	25.7 (17,150,000)	30.4 (40,666,000)	40.4 (50,943,000)	
Brasil	19.2 (53,975,000)	29.0 (195,423,000)	45.6 (218,512,000)	2050
Chile	22.2 (6,082,000)	32.1 (17,135,000)	43.1 (20,657,000)	
Uruguay	27.8 (2,239,000)	33.7 (3,372,000)	42.5 (3,637,000)	2050
United States	30.0 (157,813,000)	36.6 (317,641,000)	41.7 (403,932,000)	
Colombia	18.7 (12,000,000)	26.8 (46,300,000)	39.0 (62,877,000)	
El Salvador	18.5 (2,200,000)	23.9 (6,194,000)	37.6 (7,882,000)	
Dominican Republic	16.6 (2,427,000)	25.0 (10,225,000)	37.5 (13,441,000)	
África				
Benín	24.2 (2,050,000)	18.4 (9,212,000)	27.2 (21,982,000)	
Tanzania	16.9 (7,650,000)	17.5 (45,040,000)	24.8 (109,450,000)	

* This column indicates the year in which population decrease has initiated or will initiate. In other countries, the projections do not register any population decline until the year 2050.

Source: UN World Population Prospects: The 2008 Revision Population Database, <http://esa.un.org/unpp/>

This phenomenon entails on one hand the increase of the average age of people and, on the other hand, the decline in countries' population. Both effects are in progress, in all countries, although it is obvious that some nations are affected by a more accelerated process, be that of ageing (case of Japan) or population decline (case of Russia). The Sub Saharan African region is the "youngest" in the planet, which does not mean that its population will not age or

decrease, but that the effects of the phenomenon will be felt during the second half of the XXI century.

In global terms, the average age in developing countries will be 26.8 in 2010, rising to 7.8 years from its lowest in 1960, while in developed countries the average age will reach 39.7 in 2010, increasing 8.8 years since 1960.¹²

Furthermore, the growth rate of the global population has continued to decline, reaching an annual rate of 1.18 per cent (1.37 per cent in developing countries and 0.34 per cent in developed countries) during the 2005-2010 period. Since 1960, the fertility rate (the number of children born per woman) has decreased from 5 to less than 3 (from 6 to 3 in developing countries and from 2.7 to 1.6 in developed countries). Finally, at the beginning of this year the number of countries with fertility of or under the level of replacement of 2.1 children per woman reached 64 countries.¹³

All of this is transmitting pressure to social security systems, in synthesis: a) more resources are needed in medical attention for an older population; b) systems must pay a greater quantity of senior pensions; c) *senile dependence* as a new social risk arises and commits the systems to pay its coverage; d) since contributions from the young are insufficient for paying senior pensions –because in the end, there are less and less young people in societies- it is necessary to establish specialized taxes for social security, which generates pressure over social security systems, governments and the population that pays these taxes.

Aside from the effects of social security, there are those who argue that ageing and population decrease aims to produce a decrease in the economic growth of nations, as a result

¹² UN World Population Prospects: The 2008 Revision Population Database, <http://esa.un.org/unpp/>

¹³ Same source as quoted in footnote above.

in a change in older peoples' preferences; changes that will reflect themselves in lower levels of consumption; in a tendency towards saving in rather than investing, etc.¹⁴

Population ageing is a fact and a reality, and after verifying that it is certainly affecting all social security systems conceived at a time in which this phenomenon was unthinkable, certain conclusions have been reached in relation to the causes of its origine(1). Moreover, some policies have been proposed and even implemented for mitigating its impact on social security systems (2).

1.- Causes of population ageing

For doctriners, there are no doubts that population ageing is a direct consequence of 1) a falling birth rate, and 2) increase of longevity. In other words, the problem is that fewer children are born and older people prolong their lives.

But this proof is not sufficient for finding a solution to the issue, it's not even enough for understanding the problem, essential for adopting remedies and implementing policies required by social security systems in order to maintain their financial sustainability unaffected.

Nevertheless, in relation with these two factors (low fertility – long longevity) studies show that between these two, the factor that really determines population ageing is low birth rate. Both factors contribute to an increase in social security costs, but the first one is more intimately linked to the cause of the phenomenon, which is what interests us at this time.

¹⁴ Richard Jackson, Neil Howe, Rebecca Strauss y Keisuke Nakashima, *The Graying of the Great Powers. Demography and Geopolitics in the 21st Century*. Center for Strategic & International Studies. Global Aging Initiative. www.csis.org. May 2008.

Certainly, the same studies, as well as the conclusions we have reached in the elaboration of this report indicate that a low birth rate is a consequence of the following changes in society, especially after the last third part of the XX century:

- A. New family structures.
- B. New role of women in the work market and in society.
- C. Economic development and urbanization.

Hereinafter, we will observe that the causes of population ageing and decrease are successively intertwined, so that changes in the classical foundations of family have to do with the new role of women in the work market and in society, a result of the vertiginous development and exchange held by the economies of the countries of the world.

A.- THE NEW FAMILY STRUCTURES

When we speak of “new family structures” we refer to new types of family as opposed to the classic family nucleus composed by a father, a mother and several children, which commonly share the greater part of their lives. *“Its not about judging if said [family] evolutions are positive or negative. It is about, firstly, detecting them and evaluating the policies aimed at regulating family evolutions.”*¹⁵

Presently, family structures have significantly evolved; a phenomenon experienced by all regions and countries in the world. Families composed of a single mother with her children (or even a single father) are increasingly frequent, resulting from divorce, death or abandonment of the father; couples with only one child or partners without children; unions of same sex couples; fragmented families; etc.

¹⁵ Nicole Prud’homme, President of the Frenche Caisse Nationale des Allocations Familiales. *Children in new family structures. The evolution of new family structures in the world and the adaptation of family policies*. Technical Report No. 19 inside the collection *The Essential of Social Security* of the International Social Security Association (ISSA), www.issa.int.

It is an undisputable fact that these new family structures have not been completely efficient in the fertility expected in families. It is not up to the State nor social security managers to object these new structures, but understand them with the purpose of laying out the most adequate social policies allowing the sprout of fertility, as well as financial sustainability in social security systems.

These changes in family structures are a reflection of a collective tendency in today's world. In regards, the following has been said: *"It may be that family partially arises from important and unconscious collective movements, which affects the margins of freedom of each of its members, which would explain its multiple forms. But the State if only for reasons of social cohesion, can not stop providing support to families. This can relieve them from numerous policies that are simply healing. In such sense, social security is required to incorporate this new social liberty, all throughout a family lifetime ."*¹⁶

These affirmations may be explained as follows: Family and society exert a mutual influence between themselves, as if it were a circle. The "unconscious collective movements" of society exert their influence in families, namely in their members; in turn, the "margins of liberty" that family transmit to each and every one of their members are equally affected.

¹⁶ Nicole Prud'homme, President of the French Caisse Nationale des Allocations Familiales. *Children in New Family Structures. The Evolution of New Family Structures in the World and the Adaptation of Family Policies*. Technical Report No. 19 inside the collection *The Essential of Social Security* of the International Social Security Association (ISSA), www.issa.int.

The new forms of social protection are bound to consider these changes in family structures similar to how Labor Laws have had to consider the extension of its field of action until reaching the so called “atypical jobs”.¹⁷

B.- NEW ROLE OF WOMAN IN THE LABOR MARKET AND IN SOCIETY

To talk about the “new” role of woman in the work market and in society does not seem correct, since female incursion in factories is a fact as true as the first labor laws of the end of the XIX century and beginnings of the XX century.¹⁸ However, it’s also true that the female incursion was initially limited, and it was after the Second World War that it widely developed. The mass of women in almost all the lines of economy (industry, transportation, commerce, politics, militia, etc.) and practically in all countries (shyly including the Muslim and African country) is a recent phenomenon, which has manifested itself in one or another country since the last third of the XX century.¹⁹

Together with this massive incursion in the work market, wome have acquired equal access to education and professional education as men. This has provoked, firstly, a postponement of marriage and/or children over professional education, and secondly, a commitment of economically providing for her family as a consequence of her work.

The aforementioned, in practical terms, is translated as follows: a woman in the 1950s, or before, will marry in her 20s; now she does it at her 30s. Likewise, that woman in the 1950s

¹⁷ About this extension of Labor Law, see Arturo Bronstein, *International and Comparative Labour Law. Current Challenges*, Pages 38-59. Palgrave MacMillan and International Labor Organization (OIT), 1st Edition, Geneva (Switzerland), 2009.

¹⁸ For example, we find that the French law of the 2nd of November of 1892 about the regulations of women and under-aged work; the Spanish law of 1900 about women and under-aged work; the Argentinean law No. 5.291 of October 1907 about the regulations of women and under-aged work; the Colombian law No. 48 of 1924 about boards-cribs and under-aged work; etc.

¹⁹ Incorporation of women in the labor world: 37.9% in 1990; 49.7% in 2002.

would start to form a family since her 20s, with high probabilities of bearing up to 4 children. Instead, the woman who begins her conjugal life at the middle or end of her 30s ends up bearing 1 or maybe 2 children.

To all of this one could add other factors, such as the possibility of having a better birth control rate, increase of single women raising children without the help of the father or her original family.

Regarding this new role of women, which unfailingly affects the birth rate drop, we must recall that it is not about judging this evolution as positive or negative, it's about detecting and evaluating the policies aimed to regulating the situation.

But in addition, we must say that female incursion in the labor market has been taking place during the last four decades and has shed a much more positive balance in society and humanity, with plausible results. Even more, we cannot consider that female labor incursion in the labor market as the cause of population decrease nor of its aging. It is simply one more fact, amongst others, that converge in this result.

C.- ECONOMIC DEVELOPMENT AND URBANIZATION

Presently, to speak of economic development does not refer to the boom that took place during the colonial empires of the end of the XIX century, much less the development experienced with the *Industrial Revolution* of the XVIII century. Today, economic development is a synonym of implementation of new technologies of information and communications, globalization and liberalization of economies for the commercial exchange of goods and services, decentralization and relocation of companies, urbanization of populations.

But economic development also exposes human relations to the implacable rules of market and economy. It is about invisible but perceptive “rules” –something like the electric current- that moves and drives societies and offer success to nations that obtain it. For these “rules”, labor relations are a “labor market”, social security is a “labor cost” and the people that work and produce are called “human resources”.

The economic development that humanity is experimenting at the moment ironically isn't creating a propitious environment for procreation and fertility, and as proof there are concrete results offered by numbers: In the last 50 years, the birth rate has decreased from 2.7 to 1.37 in developing countries and from 1.6 to 0.34 in developed countries.

The economic development that is taking place tends towards complexity and not facilitating the environment of the individuals, tends to cause stress, both at work and in family life, more tangible in urban zones, to which today's people are approaching as fast as they age.

Certainly, *“urbanization is the most visible product of economic development, it revolutionizes the structure and functions of the traditional family, leading to a greater individualization of its members” “...the urbanization phenomenon [is] the economic indicator that, possibly, affects evolution of family structures the most ”.*²⁰

“Numerous publications emphasize the existing link between the family model and urbanization. The most urbanized countries have fertility rates inferior to the rest of the countries. Contrasting developments may be observed between the city and the rural areas, where the access to collective infrastructures, schools, companies, hospitals, as well as access to

²⁰ Nicole Prud'homme, President of the Frenche Caisse nationale des allocations familiales. *Children in new family structures. The evolution of new family structures in the world and the adaptation of family policies*. Technical Report No. 19 inside the collection *The Essential of Social Security* of the International Social Security Association (ISSA), www.issa.int.

*modernity, is more complicated. The aspirations for children and the new and more egalitarian behaviors within couples transform these organizations, the balances and the family rhythms, as well as behaviors regarding fertility, particularly in younger middle-class urban generations”.*²¹

2.- Active policies against population ageing

A.- POPULATION AGEING. POSSIBILITIES FOR ITS REVERSION

If any positive result has been casted from the different forums, seminars and studies made during the last two decades regarding population ageing, it has been the ability of determining that it is an imminent fact yet not irremediable. The studies and policy-remedies that have already been put in practice in some countries and which, with all certainty, will be exercised in the next couple of years, shed some hope regarding the possibility of reversion of the current tendency.

In some of the countries examined in this report, cases of well executed and monitored policies with tangible results are observed.

For example, we observed that in the United States the current population of 317.661,000 with an average age of 36.6 will be in 2050 of 403,932,000 and the average age would barely have increased 5.1 years, which will be of 41.7. The case of the United States casts positive results both in population increase as well as in a relatively slow ageing.

The cases of Sweden and United Kingdom do not cease to be interesting, although their populations will not significantly increase from now to the year 2050, they will not decrease either. What is interesting about their case is that they exhibit moderate ageing, which must be

²¹ Nicole Prud’homme, quoted above.

attributed –if in effect they achieve it when the year 2050 arrives- to their social reforms and policies implemented in their respective social security systems.

In Sweden, the current average age is of 40.3 years and in the next 40 years it will barely rise to 2.3 years. In United Kingdom, the current average age is of 39.9 years and will only rise in the next 40 years to 2.6 years. But not only that, in Sweden, during the last 60 years (1950-2010) the population has aged 6.6 years, while in the United Kingdom, during the same period of time, it has aged only 5.3 years.

If we take the century between 1950 and 2050, the Swedish population would have only aged 8.9 years in 100 years, and the British population only 7.9 years in the same period of time, without a decline of their population.

If all of this is not convincing, it's sufficient to compare them with the ageing and population decrease cases of Japan, Poland and Russia that are currently suffering and will continue to suffer.. In 1950, Japan had an average age of 22.3 and for 2050, it will have increased to 55.1 years. Poland had an average age of 25.8 and will be of 51.00, when the year 2050 arrives.

The United Kingdom and Swedish case shown that even when the population stops being mostly young (0-25), society will be able to maintain their population ageing under control by applying the appropriate reforms and policies, , avoiding a population decrease.

In other words: The examples of these two countries show that notwithstanding the fact that in the year 2050 the world population will stop being mostly young (0-25) –the average age will be 38.4- it will still have the capacity of maintaining its population growth and, at the same time, a moderated ageing.

All of this is also an indication that we are not far from finding and applying adequate policies for reversing the tendency of population ageing. Everything seems to indicate that it is achievable. The only case close to this hypothesis –amongst the examined cases- is that of Benin, which experienced a rejuvenation of its population, when in 1950 its average age was of 24.2 years and today it has rejuvenated to an average age of 18.4 years.

Lastly, the case of the United States is still a reference point for other countries. It's the only developed country that combines a moderate ageing with a high population growth. It is not the case of France nor Australia, although not exhibiting rapid ageing (France, 4.7 years average age from 2010 to 2050; Australia, 5.1 years of average age from 2010 to 2050), are lacking a greater population growth.

B.- DEMOGRAPHIC AND ECONOMIC POLICIES

Numerous solutions have been proposed to alleviate the burdens that population ageing represents for social security systems and eventually reverse their course.

It has been said that *“the promotion of employment, together with economic growth, is the key for a sustainable social security.”*²² *Empirical evidence suggests that a reduction in the employment offer due to demographic transformations may be compensated, at least partially, through improvement in participation rates in the labor market, at least during the next 25 years”*.²³

It has also been suggested that as long as elderly workers do not retire early and women’s participation in the labor market grows, this could provoke a constant economic growth and consequently, a control for the rising costs of the pension systems.²⁴

In any case, this population ageing problem must be addressed with demographic policies but also with economic policies, from the State or from the social security administration.

This policy combination has been well presented by Richard Jackson and Neil Howe (in collaboration with Rebecca Strauss and Keisuke Nakshima).²⁵ Below we present a synthesis of

²² *Social security systems in light of ageing populations: Ten critical matters. An input from the International Social Security Association for the realization of the International Action Plan about Ageing.* Geneva, 2003.

²³ Peter McDonald and Rebeca Kippen, *Labour supply prospects in 16 developing countries, 2000-2050*, in *Population and Development Review*, Pages 1-32, 2001.

²⁴ Ignazio Visco (Chief Economist of the OCDE), *Paying for pensions: How important is economic growth?*. Center for Strategic and International Studies on managing the Global Ageing Transition: A Policy Summit for the Global Ageing Initiative, Zurich, January 22-24, 2001.

²⁵ Richard Jackson, Neil Howe, Rebecca Strauss and Keisuke Nakashima, *The Graying of the Great Powers. Demography and Geopolitics in the 21st Century*. Center for Strategic & International Studies. Global Aging Initiative. www.csis.org. May 2008.

this proposal regarding social protection (the other part of the proposal is of a geopolitical character, for which it is not exposed):

a) DEMOGRAPHIC POLICIES:

Answers that reduce demographic ageing

- ***Aids to balance women's children and work:*** The creation of policies that help women (and men) balance their work with their children must be key pieces for any effective pro-natal strategy. For example, the possibility of partial time jobs, the implementation of permits and complete days for child care; access to jobs and occupations with flexible schedules and hours, which allow the alternation of work and family life cycles.
- ***Awards for families that have children:*** Something that has had success in France is the per capita increase of money sums (or temporal tax exemptions) by number of children that a family has. Another approach could be the creation of incentives inside social security, reducing the payment of the contributions for the families raising children.
- ***Improvement of economic possibilities for young families:*** No pro-natal strategy will be successful unless the governments create conditions or establish norms that improve economic possibilities of young families. One of the major obstacles for the formation of families is the rising costs of raising a family and coping with the education of their children.
- ***A controlled and selective immigration:*** Immigration has shown to be an effective mean for mitigating the effects of low fertility rates.

b) ECONOMIC POLICIES:

Answers that maximize economic performance and mitigate negative impacts of any degree in ageing

- ***Reduction of the costs projected in senior pensions:*** A general strategy for minimizing the economic impact of demographic ageing must start with a reduction of the high costs of senior pensions in the distribution systems. For example, governments may raise the age of eligibility for senior pensions or may introduce *demographic stabilizers* relating and conditioning the benefits with the burdens. For health benefits, governments may control the costs by implementing *global budget cap* (budgets with global buffers) applied to health expenditures and establishing standard mandatory good-practice norms..
- ***Saving funds for retirement:*** To cover the often reduced senior pensions of the sharing regimes, it would be convenient to complement them with retirement funds of mandatory savings.
- ***Incentives for more prolonged labor lives:*** It is necessary to increase workforce, encouraging longer working lives in populations that inevitably will be older than its preceding generation. This also means encouraging educational formation throughout life and enabling all kinds of “flexible retirement” agreements.

C.- NEW SOCIAL SECURITY POLICIES IN PRACTICE

Many of these social security proposals and policies have been implemented in some countries, even in some countries analyzed in this report.

For example, in Israel, through two reforms, the first in 1995 and the second in 2003, a second pillar of social security was added over the existing distribution regime, administered by the *National Insurance Institute (NII)*, which gives a uniform, universal and mandatory pension

to all the countries' residents.²⁶ The second security pillar consists in pension funds managed by private corporations and insurance companies, but regulated by the governments. It's about *defined contribution* funds and their benefits which hold direct correlation with the contributions made. As of January 2008, participation in this second pillar is mandatory. To this, a third pillar of security is added, which consists of private accounts managed by insurance companies and private management funds. This third pillar of social security is completely voluntary.

The Israeli reform of 2003 introduced other changes, similar to those mentioned in R. Jackson – J. Howe proposal, among others: a) The retirement age was extended from 65/60 for men/women, respectively, to 67 years for men and women; b) tax exemptions available for pensioners that chose early retirements were canceled; c) pensions will be based on the salaries of the last 35 years, rather than based on the last salary; d) the management costs of pensions funds was increased to 6 per cent per year and 0.5 per cent over the total of all the savings;²⁷ e) with the purpose of increasing the profitability possibilities of pension funds, the mandatory portion dedicated to state bonds was reduced from 70 per cent to 20 per cent; f) contribution of employers-workers was raised from 17.5 to 20.5 per cent.

In the Swedish national report, presented by professor Vicki Paskalia explains in great detail the unique Swedish reform adopted in 1998 and gradually implemented as of January 2003. The new pensions system is supported in two types of pensions, an *income pension* and a *premiums pension*. The income pension is based on a distribution regimen and is fed by mandatory contributions up to 16 per cent of the retribution, while the premiums pension is based on the individual capitalization and is fed by 2.5 per cent of the contributions, thus, the

²⁶ According to Prof. Amir Paz-Fuchs's national report, the level of benefits of this basic pension is very low. Represents a 16 per cent of replacement rate for singles and a 25 per cent for those who have a partner, and it is well below the average of the majority of developed countries that is 30%.

²⁷ Prof. Amir Paz-Fuchs, in his national report, indicates that the increase for funds management will produce an estimated reduction of 12 per cent in the payments to pensioners.

insured can choose their preferred investment fund. The contribution total per person is of 18.5 per cent.

The pensions in the Swedish system are awarded based on total revenues of the affiliate during his whole working life. Regarding *income pensions* –which comes from the allocation regime- its amount is indexed annually using an index of economic adjustment that takes into account the average growth of incomes in society, consumer price index, and the prevision of the future annual growth in real average earnings. On the other hand, the *premiums pension* – that is individual capitalization- is not indexed annually since its growth is based on investment growths.

In Uruguay, professors Jorge Ubaldo Seré and Héctor Babace, in their national report, describe the reform introduced through Act 16713 of 1996, which resulted in a pillar structure very similar to that of Israel. The new law maintains a first level based on pay-as-you-go system, of which the Social Provision Bank is in charge of, and grants the right for basic pensions. A second level, also mandatory, is represented by individual capitalization accounts managed by Provisional Saving Fund Managers (AFAP), of the private sector. The third level is voluntary, here the person will be able to choose between an allocating system or an individual capitalization system.

The case of Colombia, widely described in their national report by doctors Carlos Hernán Godoy Fajardo and Diego Felipe Valdivieso Rueda, is very particular, as the allocation system prevails over the individual capitalization regime, not vice-versa; in addition, it does not establish the known system of social security pillars, one regime after the other.

As explained by Godoy Fajardo and Valdivieso Rueda, “*presently in Colombia there are two systems, the average premium solidarity system, with defined benefit (Art. 31 of law No. 100 of 1993) and the individual saving with solidarity system (Art. 59 of Act No. 100 of 1993).*”

Both systems are coexistent but mutually exclusive, which means that one person may not be affiliated to both systems” [...] “However, it is worth mentioning that in the case of the individual saving solidarity system , the affiliates have the possibility of contributing to the pure mandatory contributions, so they can improve the capital in their individual account and with that the expectations of a better pension”.

In Argentina, the pension system offers an interesting example in relation to transit through privatization. Firstly, the system was initially designed with one pillar, was public and based on solidarity; later, in 1994, it became mixed, with basic universal benefit guaranteed by the State in addition to a pension that could depend on a public or private system (individual capitalization), as an option of the interested party, because, when the insured did not expressly opt for the public system, they were automatically assigned to a private pension funds management, which was, henceforth, implicitly considered if the insured did not opt for the private system, allowing the migration from one system to the other and vice-versa every five years. Finally, in 2009, the private system was finally terminated.

Furthermore, the 2009 reform was actually designed to allow the State to seize the funds of the pension managers, which functioned under an structure in which the only ones that gained a lot of money with the privatization of pensions were the financial groups that administered the AFJPs and, in addition, the State forced the AFJPs to buy public debt emissions that the State never payed.

Second Part

BUDGET PROBLEMS: INSUFFICIENT PENSIONS AND SOCIAL EXCLUSION. HEALTH SERVICES

Generalities

In the first section of this report we examined a particular problem of social security, population ageing and its incidence in social security. It is a problem, that as we saw is present but its most grave effects are yet to come, and all the demographic and economic policies – examined also in the first section of this report- constitute remedies for mitigating or eluding what lies ahead, an aging of the world's population.

In this second part we will address a more present topic, more immediate, but one which has its bases linked with the beginning of social security at the end of the XIX century. It is the problems of financial sustainability in social security systems in their eagerness of achieving solidarity and universality.

In many parts of the world, in the last years of the XX century, social security systems have experienced certain difficulties. Some consider that the systems are too expensive, and that they undermine the processes of economic growth and development. Others refer to deficiencies in the level of protection and the amplitud of the coverage and they affirm that when there is an increase of unemployment and other forms of work insecurities, social security becomes ever so necessary.

In many countries, a certain discontent is manifested in regards to the social security administration and within the reform proposal, a revision of the role of the State is included, of the responsibilities of social interlocutors and the convenience of increased private sector participation.

One of the fundamental problems currently faced by social protection is that more than half of the world's population (workers and the families) are excluded from any type of social security. They are not covered by a contributive social security system or by tax-financed social assistance, while another important part is only covered in certain cases. In Sub Saharan Africa and in the south of Asia, the coverage of mandatory social security amounts between 5 and 10 per cent of the active population, percentage that in some cases is decreasing. In Latin America, the coverage is approximately established between 10 and 80 per cent and has particularly stalled. In the southeast and East Asia, the coverage may vary between 10 and nearly 100 per cent and in many cases it was increasing until recently. In the majority of industrialized countries (but not in all of them), the coverage closes to 100 per cent, although in some of these countries, specially in the former communist countries of Central and Eastern Europe, the degree of compliance has decreased in the last years.²⁸

The social security systems have been able to reach important groups in societies (the formal or regulated sector) but they still face problems in financing the benefits to these groups, and their financial vicissitudes are greater when attempting to extend its coverage towards the informal economy (2). The problem has become a dilemma in regards to health services, both in industrialized countries (with an already established infrastructure and appropriate personnel) as well as in developing countries, where everything is lacking and epidemics and pandemics abound (2). We will now analyze this whole problem.

1.- Social protection in pursuit of solidarity and universality

Solidarity and (later) universality gave rise to Social Security, and still mark and condition social protection. However, neither solidarity (they exist, for example, numerous special

²⁸ International Labor Organization, *Social Security: topics, challenges and perspectives*, 89th meeting of the International Labor Conference, June 2001, Report VI.

pension systems, called “*of privilege*”) nor universality are complete, since exclusions can still be very important and not only in lagging economies.

Moreover, due to diverse reasons (poor collection, few years of contributions, inflation unaccompanied by pension readjustment) the level of pensions may be well below a decent minimum. These factors have led the State to establish different forms of social palliatives, for example in the form of non-contributory pensions or diverse social programs or policies.

A.- THE PROBLEM OF INSUFFICIENT PENSIONS

The insufficiency of pensions is a problem resulting not only from budget deficits of social security systems, but also a consequence of social policies decided by the State in a given moment or during the development of a previsual system.

In effect, by establishing a pension system, authorities must decide first what type of pension they should grant their citizens and residents, a replacement or subsistence pension? This topic is actually a relatively old doctrinal debate reflected first in the report of William Beveridge to the British government, in 1942, proposing only a minimum pension as the State’s obligation.

“Here we find the demarcation line between ‘Beveridgean’ solutions, where benefits are flat rates, and the ‘Bismarkian’ solutions, where benefits are proportional to previous remunerations. In all countries, however, long term benefits (essentially retirement pensions) are financed in accordance with the distribution principle,²⁹ at least for the first pillar (the second pillar is frequently fixed under individual capitalization).³⁰”

²⁹ There are countries like Chile, and other countries from Latin America and former communist countries that used to belong to the former soviet block, that during the last two decades have adopted the regime of individual capitalization as first pillar. There are others (Israel, for example) that have established the individual capitalization regime as second pillar with notorious prominence over the distribution regimen.

“In the end, the amount of benefits [that is, pensions] vary much from one country to another: higher benefits given in a Scandinavian country are generally higher than those granted in the United Kingdom and in Ireland. The benefits linked to an income in the countries of the South [Europe] (at least for retirements) are higher (in terms of replacement rate in relation to income) than in other countries of continental Europe (where complimentary pensions are, however, more expanded). Nonetheless, the generosity of a benefit system also depends on the calculation formulas, the granting and service conditions, the fiscal norms, etc.”³¹

Currently, there are multiple tendencies and practices that seek to improve the pensioners’ situation, without detriment of the system and the collectivity destined to protect. These policies seek to directly improve pensions or at least improve the situation of the pensioners by creating marginal benefits. Naturally, they are subjected to the preexisting social security system. In this sense, the most common is the following:

- Establishing a multi-pillar social security where the retiree can receive three pensions, a government issued under the public distribution system; a private issued generally of individual capitalization, both of a mandatory character; and a third one, complimentary and voluntary. Europe, with a strong tradition of social commitment from the State, the first level is often the principal. However, other countries tend to distribute the load between the two mandatory pillars.
- Another tendency seeking sufficient pensions is to discourage anticipated retirements, with which the retiree opts for a much more reduced pensions, It

³⁰ Jean-Jacques Dupeyroux, Michel Borgetto, Robert Lafore and Rolande Ruellan, *Droit de la sécurité-sociale*, Pages 57-58. Editions Dalloz, Paris (France), 14th edition, 2001.

³¹ Jean-Jacques Dupeyroux, Michel Borgetto, Robert Lafore and Rolande Ruellan, see work referenced above.

seeks that workers prolong their working lives and continue to provide for system, ensuring a higher amount of pension.

- Another modality, not as expanded as the rest but attractive, is the promotion of agreements of “flexible retirements” which allow a retirement schedule.
- Lastly, the great majority of pension systems contemplate a series of benefits collateral to retirement, such as tax, rates and contribution exemptions, particularly to lower the cost of the retiree’s life.

All of what has been said refers to the individual, who had a regular and stable working life, which made him keep a pension. In the next section we will comment the case of those who did not have the opportunity of regularly contributing and therefore, in principle, lack a pension, but also the case of those who have simply been excluded of any type of social security.

B.- UNIVERSALITY AND SOCIAL EXCLUSION

One of the distinctive elements of social security is universality. In fact, universality is one of its principle guides, which starts from the premise that social security is for all and that nobody can be excluded. However, the reality of today’s world is that in developed countries, but much more in developing countries, informal economies are increasingly expanding.

In developed countries, those “excluded” from social security continue to be the few, composed by “undocumented” immigrants, unemployed nationals who have already exhausted all sources of social subsidies and benefits, among others (15% in Spain). However, the “autonomous workers” or “independent workers” are not necessarily included in this group.

In contrast, the reality is quite different in developing countries. It is estimated that in Latin America, 47 per cent of the economically active population belongs to the informal

economy (63 per cent in Nicaragua, 60 per cent in Peru, 27-50 per cent in Mexico, 24 per cent in Chile). In Africa, the percentage is greater: 80-90 per cent of the economically active population is presumed to belong to the informal economy.

The XV Work Statistics Conference of the International Labor Organization (ILO), of 1993, adopted the following definition: *“The informal sub-sector of economy is integrated by those who are not established in partnership that belong home sector, dedicated to the production of goods and services, with the purpose of generating employment or income for the people involved.”*³²

The units of informal economies (families and homes) work with a low level of organization, poor division of work and capital, poor skilled workforce and technology, where fixed assets belong to the owners and can be used indistinctively by their unincorporated company or by their homes, no formal guarantees in agreements exist, and transactions and debt can only be executed by the owner in his own name . According to more accurate estimates, only 13 per cent of the economically active population in Latin America is affiliated to a health insurance (public or private).³³

³² The informal sector is particularly heterogeneous. Nonetheless, the most recent studies tend to classify it in two sub-groups (and sometimes three):

1. **Informal subsistence workers:** People who work individually or alongside a family member; who often varies between the mobile or occasional paying job and self-employment. Ex.: Vendors of goods or foods, artisans, all type of domestic service or diverse repair providers, home sellers, home-cooking producers, among others. Their activities are of subsistence, that is, they do not pursue any other end than that of covering the basic needs in the own handling or that of their family.
2. **Informal entrepreneurs / sellers in the trade:** They are people who occupy at least one employee (who they not always enroll in official registries or social security records) in their business or productive activity; which may have their own space (a garage or an annex in their homes...) or can street labor, homed based, with telephones and computers. Ex.: the owner of a bodega or a workshop; commission merchants of vehicles, real-estate, clothes and jewelry, etc. In some Social Security systems they are recognized as “small eventual contributors”.

³³ *Conference about strategies for the extension of social protection to autonomous, domestic and migrant workers.* October 20-31, 2008, Lima (Peru). International Labor Organization, Social Security Department, QUATRAN – Americas and EuropeAid.

It's about a group of workers that failed to register in the work market, and having no choice than creating their own jobs or accepting employment outside of the formal sector of the economy, regardless of the legality in force. Among the difficulties detected for its regulation, the following could be mentioned:

1. A wage relationship that controls contribution does not exist.
2. There is a risk of aggravating the poverty or indigence situation for low-income individuals.
3. It's a heterogeneous group.
4. In principle, the binding nature would be restricted to autonomous works with some contributive capacity, but it seems a bit unreasonable to try and force low-income autonomous workers to contribute. To force them would mean to drag them farther away from legal and formal employment.

Some regulation methods have been implemented, especially in Latin America, among which are the following:

1. For high-income professionals and technicians, a single tax payment has been established in some countries (Argentina and Uruguay), which include social security contributions. This is known as "simplified mechanisms".
2. For low-income independent workers, it is more reasonable and effective to approach them with contributive programs financed through taxes and/or a funddx by contributions from higher contributory capacity workers,
3. Other instruments constitute incentives that facilitate adhesion to programs and social benefits, which help reduce or at least measure informality.
4. Some activities count with a special system that allow contributing in accordance with a presumed income. As with transportation workers (cargo, taxis, street traders, etc.)
5. Choice of choosing between a minimum or maximum contribution which is established annually (case of Spain).

2.- Health services, the great dilemma of social security

The demographic, epidemiological and technological changes have provoked new challenges for social security. These factors have generated new treatments and health care which have been welcomed by the population but that at the same time raise the costs of healthcare services and, as a result, the funding of social security.

To this we must add that in many countries –especially in developing ones- health policies face old and new challenges. Among the old challenges we find the lack of equality in access to health services and lack of human and financial resources.

Two more factors are present in health services: First, the imperative of achieving universality in the provision of these services, provision which must be equitable and accessible. And on the other hand, the fact that any change in health services are to include the beneficiaries, hospitals, doctors, and entities providing health services and insurance companies, as well as pharmaceutical and medical equipment providers. All of which generates more pressure, not only financially but also politically when reforming this branch of social security.

A.- THE PROBLEMS OF HEALTH SERVICES IN DEVELOPED COUNTRIES

In developed countries, health service problems are less than the existing ones in developing countries, yet not less troublesome or costly. There are two growing problems: On one hand, the proportion of elderly people has significantly increased, and it also seems to indicate that it will continue to increase, and on the other hand, the constant innovation in medical technology highly increases the costs.

The first of these problems mean that there is and that there will be more people over the age of 65, which is the age in life where medical services are mostly used and consequently a greater expense in medicines, use of hospital facilities, doctor appointments, etc.

But there is something more, life expectancy is increasing so much that more and more people are falling into a state of total or near total dependence on others, becoming literally disabled, since the moment that they require personalized attention from one person in order to perform the most basic necessities of life.

Doctrines have accepted this situation as a new social risk, called *senile dependence*, which is added to the list of risks to be covered by social security.³⁴

But the health's financial problems in developed countries is not limited to elderly people or new technologies applied. The issue has its background derivatives: medical and professional fees, pharmaceutical sector, insurance companies. This brings added costs to social security.

There is a kind of consensus between the measures deemed adequate to implement in health services in developed countries, with the purpose of reducing the costs of social security, among which the following can be mentioned:

1. Prevention of health problems before they arrive, committing the patient to his own health, which means that when he arrives to an elderly age, the demands and costs of health will be lower.
2. Improve the efficiency of health systems by benefiting from medical knowledge combined with information and communication technologies. This means, on one hand, a responsibility of health managers (clinics and hospitals, doctors and

³⁴ These other social risks are: age, handicap (or disability), survival (or death), disease, maternity, unemployment, work accidents and professional diseases. All these risks are enunciated in the Covenant 102 about minimum norms of social security of the International Labor Organization (ILO). With time, family needs have been, informally, added to the list.

related) of saving costs in the provision of services and, on the other hand, control and supervision of the costs through computing and technology.

There are other measures and policies in which there is little consensus, but in some countries has resulted, while in other countries (the same practices and policies) have never been successful. For example, there is no consensus regarding the privatization or state-owning of health services, and some countries have opted for the coexistence of both modalities. Also, there has been no consensus in relation with the co-payment and pre-payment proportions by affiliates. Likewise, there has been no consensus regarding the regulation of access to general practitioners (primary attention) – medical specialists, because in some countries a “rule” is applied, and in another one it is the opposite.

B.- HEALTH SERVICES IN POOR COUNTRIES

“The main political issues [social security] that developing countries face are determining the minimum package of health care benefits that must be offered to the population, choice of funding model that will be used and the guarantee that the institutional infrastructures and the necessary human resources will exist in order for the benefits to be allocated efficiently and effectively.”

The health service problems in developing countries are serious and in Sub Saharan Africa they are grave, as HIV-AIDS has acquired the connotation of a pandemic with countries with 20 per cent of its population infected with the virus. Without mentioning the epidemiological diseases (cholera, yellow fever, tuberculosis, etc.).

Generally, in these countries, the health services are offered under the following outline:

1. A national network of public hospitals under the direction of the Health and Social Assistance Ministry, financed with taxes generally assigned to the Ministry.

Generally, those who go to these hospitals are indigents or the poor population of the country who does not have the resources to affiliate to a private health insurance or who does not have a job that grants them access to social security. Commonly the patient and/or his family members will cover the elemental hospital costs (syringes, gauzes, anesthesia, etc.) and agree with the doctor low fees, since this doctor receives a rather low salary from the public administration and obtains other incomes from his private office (the doctor is actually a part-time employer of public-health administration).

2. The second level in quality of health services is offered by a private network of clinics and health centers that come into agreements with insurance companies or directly providing the patient their services. These services are usually of good quality, but to have access to them you must be affiliated to social security (one must be employed), having hired the services of a private insurance at your own account (if it is an independent professional) or simply paying directly the costs of services.
3. Parallel to public hospitals and private clinics, community and social action groups (sometimes of a religious character) also offer health services, which generally give health care at reduced costs for the poor population. These health centers consist of donations, fixed fees from member groups, State subsidies, etc.

Among the recommendations to improve health services in developing countries that have had greater consensus, are the following:

1. A network of solidarity mechanisms in the provision of services seeking to cover the whole population, independently to its resources or the risks in question, must be extended.
2. In developed countries 10 per cent of the GDP is destined to health, while in developing countries only an average 5 per cent of GDP is destined, according to sources of the World Health Organization. The governments of developing

countries have not shown the necessary interest for reversing the situation, for which a change in this sense is recommended.

3. In developed countries there are two parallel offers, one for the formal sector through social insurance and other for the members of the informal economy through public hospitals and community service centers. It is recommended to reduce and gradually unify this parallelism
4. An improvement in management and efficiency of health services is indispensable, in order to produce an appropriate reception of new technologies so indispensable in contexts as serious as those derived from epidemiological diseases. This improvement in management must focus in the medical and related personnel, but also in administration personnel.
5. It has also been suggested the convenience of separating funding and supervision of the functions of service delivery.