MEETING OF THE EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE
AT MINISTERIAL LEVEL

Paris, 8th and 9th December 1992

{NEW ORIENTATIONS FOR SOCIAL POLICY}
1. The OECD Employment, Labour and Social Affairs Committee met at Ministerial level in Paris on 8th and 9th December 1992. The meeting was chaired by Mr. Luis MARTINEZ NOVAL, Minister of Labour and Social Security, Spain. The Vice-Presidents were the Honourable Neal BLEWETT MP, Minister for Social Security, Australia and Mr. Bengt WESTERBERG, Minister for Social Affairs, Sweden.

2. The meeting was preceded by consultations with the Business and Industry Advisory Committee and the Trade Union Advisory Committee to the OECD. Both agreed that improvements in social benefits should be sought through greater efficiency and effectiveness in programme design and execution, and not through increases in taxes and charges. The two Committees also urged that more be done to expand employment opportunities for older workers and to discourage compulsory early retirement.

3. Representatives from the Czech and Slovak Federal Republic, Hungary and Poland (the three OECD Partners in Transition) and from Mexico attended the meeting as observers.

THE CONTEXT

4. Public policy must respond to a setting that differs substantially from the initial post-war era of high growth and high expectations. The current context of slow growth, seemingly intractable labour market problems, economic insecurity and tight budgets for social programmes, has led to a search for policies and approaches that can be both more effective and more efficient in addressing economic disadvantage. In the medium term, OECD countries must also adjust the focus of social policies to take account of the process of population ageing. The central thrust of social policies will come to be more on the older age groups than is now the case. Moreover, caring for children, youth, the handicapped and the aged calls for new solutions as family structures continue to change, and as more women work in paid employment.

5. When they last met at the OECD in 1988, Ministers for Social Policy agreed that an active society in which all members have a constructive role was a primary goal for social policy. Since then, other concerns have extended the social policy agenda. The persistence of unemployment and the related growth in poverty have made the relief of distress a greater task, while the budgetary resources available to achieve this are themselves constrained. Young families -- which are often over-represented among those with low incomes -- are finding it difficult to fulfil all their aspirations for their children. In some countries, hostility to migrants and minorities is also threatening social cohesion.

6. After increasing markedly during the 1960s and 1970s, aggregate expenditure on social protection stabilised as a proportion of the GDP in most OECD countries from the early 1980s. For a few countries, such as Italy and Greece, expenditure on old age pensions increased markedly. Expenditure on health care, both public and private, also stabilised as a proportion of GDP during the decade in most countries other than the United States. However, the
current slowing of economic growth in many economies has made it difficult to maintain this situation, and an increase in health and other social expenditures, as a proportion of GDP, may well be now under way in many OECD countries.

7. Unemployment in the OECD area fell from its peak of 8.6 per cent of the labour force in 1983 to 6.2 per cent in mid 1990. However, it is now increasing again, and is estimated to have reached 8 per cent in the second half of 1992. The latest OECD projections are that it could peak at around 8 1/4 per cent during 1993; it may only begin to fall slowly in 1994. Long term unemployment is increasing in almost all countries. The majority of countries have experienced this general deterioration in the labour market situation, though there are exceptions (notably Japan). Expenditure on income support for the unemployed can be expected to weigh heavily on aggregate expenditure on social security in most countries for the foreseeable future.

ORIENTATIONS FOR SOCIAL POLICY

8. The role of social policy -- encompassing as it does health, income security and service provision -- is to provide a framework which enables the fullest participation possible in all aspects of society for its citizens -- supporting them in their efforts to balance work, learning, care for dependents, and leisure throughout the stages of the life cycle: childhood, youth, working age, and later years of life.

9. To achieve this goal, social expenditures should be recognised as underpinning the quality of life of all citizens, including the enhancement of equality of opportunity. This requires partnerships between the public sector, collective actors and individuals that clarify respective roles and establish systems of mutual obligations to obtain a satisfactory balance between social and economic security, and scope for individual initiative. Furthermore, social policy cannot operate effectively in isolation: the responsibility of facilitating the full participation of citizens is shared by economic, education, training and labour market as well as social policies.

10. Systems of social protection must remain adequate, particularly for those who cannot achieve self-sufficiency through paid work and for whom public sources of support are, and will continue to be, dominant. In reconciling social policy objectives with budget limitations, it should be a priority to ensure that the most vulnerable members of society are properly protected.

11. There is a clear public role in the provision of income in retirement, both through direct provision of social insurance benefits or other public pension assistance, and through the support and regulation of employer-sponsored and personal arrangements. In public systems, financed on a pay-as-you-go basis, larger transfers will be required from the relatively fewer individuals of working-age to an increasingly numerous retired generation, if current retirement ages and levels of earnings replacement are maintained. To accommodate these pressures, policies need to be put in place now to meet the needs of the growing numbers of the aged in subsequent decades. This process should give due consideration to improving the effectiveness of public schemes, including consideration of the appropriate pensionable age, in combination with an efficient and equitable mix of public and private pensions.
12. The integration of policies to provide a coherent framework remains a significant challenge. Many policy areas have implications for social policy, and social policy can and does affect employment, education, and other policy domains. Determined efforts are necessary to achieve a coherent approach to national policy making, embracing a wide range of public responsibilities.

13. Ministers emphasise that a fundamental goal of social policy is to enable and empower people to exert greater control over the circumstances of their own lives. Policy and programme approaches should seek to avoid long-term dependency, and instead, maximise human potential, increase personal dignity and choice, thereby helping individuals to succeed in the labour market and in all aspects of life. Policies for people with disabilities can and should exemplify these goals. Ministers propose that social policy should be guided by orientations which:

a) recognise that many types of social expenditure are an investment in society which enhance its growth potential by providing services which help underpin the efficient operation of the market economy;

b) achieve policy coherence by a renewed focus on the means by which the strands of policy -- from setting goals, to formulating policies, implementing them, and, thereafter, administering programmes -- can be pulled together across, social, labour market, education and training, and economic policies and across levels of government;

c) contribute to society as well as to market efficiency by facilitating employment, rather than perpetuating reliance on public income support alone, through active labour market measures which:

   - stress the development of human potential through opportunities for learning and skill upgrading;
   - remove barriers in the labour market which affect women, migrants, older workers, disabled persons and marginalised groups; and
   - improve the opportunities to balance work, continued training and family responsibilities;

d) search for an appropriate balance between public, private and voluntary sector responsibility in order to respond to the variety of needs of society, and, in light of their comparative advantages, develop new partnerships and improve old ones;

e) improve the efficiency and effectiveness of income maintenance programmes, consistent with the objective of encouraging individuals to achieve self-sufficiency through earnings, without sacrificing the goals of systems of social protection;

f) ensure that any options for economy measures are consistent with programme effectiveness and social objectives.

g) administer health care and other social programmes in a style that is more responsive to individual and family needs.
HEALTH CARE: BALANCING QUALITY AND COST

14. The health status of the population in nearly all OECD countries has continued to improve. Avoidable mortality has declined, and life expectancy and other health indicators have improved. At the same time, in virtually all OECD countries the growth of expenditure on health care has slowed over the last decade. In some countries health expenditure as a proportion of national product has been stabilised, and in others it has even declined. There has been a convergence of health system structures and a reduction in national differences in the observable health status of populations. The pursuit of non-inflationary growth in Member countries, will require delicate balancing of quality and cost within health portfolios during the 1990s. Resources will be required to address systemic issues such as ageing of the population as well as for specific problems such as drug addiction and AIDS. Combating AIDS will require comprehensive programmes and international co-operation notably through the World Health Organisation.

15. Most national health systems have either recently been reformed or are currently in the process of reform. These reforms, through managed competition or contractual arrangements, seek to dissociate the financing from the delivery function. According to the initial evidence, these reforms have improved the efficiency and responsiveness of health care delivery. Quality control is also an essential feature of on-going and future reforms. New technologies promise more effective treatment, but may also involve higher costs.

16. Health strategies should be developed which integrate acute care, chronic care and preventive measures including screening, environmental improvements, occupational health and safety and motor vehicle safety. Such strategies would include an array of methods for health education and motivation for healthier life-style choices by individuals. These could help achieve the expectations of improved quality of health care and of further advances in health status which exist in all countries and may, in the long term, act to reduce costs. Although all segments of the population have benefited from past achievements, health outcomes vary by socio-economic status. The effective use of resources will in some countries require greater concentration on those most in need -- although this in itself will not equalise health outcomes.

SOCIAL POLICY AND AGEING POPULATIONS

The Transition from Work to Retirement

17. Older workers -- both men and women -- have been leaving the labour force at younger ages in many OECD countries. Part of this early withdrawal from the labour force is due to health problems, manifested in premature invalidity or long-term unemployment. Encouragement of improvements in occupational health and safety and promotion of healthier life-styles are therefore key strategies for keeping older workers active.

18. However, in large part, early withdrawal has been in response to measures designed to help older workers adapt to the impact of unemployment and labour market adjustment. Temporary measures intended to cope with downturns in the economy and structural change have, in many cases, become
permanent encouragements to leave the labour force at a younger age, and remain in effect even if employment opportunities improve. And older workers are often singled out for redundancy when they would welcome the opportunity to remain in the labour force. Too often, the approach has been passive with support confined to the (necessary) payment of income maintenance. Even in a down-turn opportunities will emerge for older workers and positive approaches such as training and job search services which would help re-integrate them into the labour force should be maintained.

19. In those countries where there are provisions encouraging early retirement on full pension, the pensions of those who retire early might be adjusted so that the total value of pension flows is independent of the age of retirement. Moreover, workers could be encouraged to remain in the labour force to maximise their income. Discrimination against older workers by firms and government organisations should be resisted by encouraging firms to offer opportunities for retraining to workers without distinction with respect to age, and by other measures to keep older workers engaged in the labour market. Until greater equality of opportunity is achieved, special support will be needed for older workers who lose their jobs, to enable them to continue to seek employment.

The Care of Frail Elderly People

20. The central aim of social and health policies for elderly people should be to enable them to continue to play an active role in society as possible. To achieve this, health, social service, housing and income security policies will have to be more fully integrated. There should also be a greater focus on the elderly person’s home as the focus of service provision, rather than locating most care services in institutional settings. It will be essential to ensure the most efficient use of the available resources. This will call for better needs-based assessment at the individual level, taking account of the preferences of elderly people and family carers, and for more effective case management. Better measures of service outcomes, both on cost and on quality of life, are also essential.

21. Because of the future growth in the elderly population, all OECD societies will have to support a substantial increase in resources devoted to care. Specific solutions to funding will vary, but both public and private sources will be called upon. In the relatively affluent OECD societies, private assets will play an important part in improving the quality of life in old age. However, the high cost of the intensive long term care that will be needed in many cases is only likely to be met from social insurance or other public transfers. New mechanisms could permit elderly people to utilise their private resources: for example, new forms of care insurance, or schemes which enable home owners to realise their housing equity. However, both the growth in numbers and the costs of care will necessitate an increase in public expenditures if the quality of life of frail elderly people is to be maintained.

22. The changes required to achieve a satisfactory quality of life for elderly people require time and skills as well as funds. As the elderly increase as a proportion of the total population, the way these resources are mobilised will have to change. While securing necessary provision of formal services, public policies will have to develop and support those resources in
the community -- families, neighbours, volunteers -- which will, as now, be a vital source of care for elderly people. However, the changes that are under way in family structures, and the likelihood of further increases in the proportion of women who are in the (paid) labour force, mean that the existing pattern of family care will be subject to greater pressure in the future. It is therefore necessary to review the way that formal services interact with these informal sources of social support, to ensure that these services can best complement and support families and other informal carers. The terms of employment of those workers, men as well as women, who have both paid employment and caring responsibilities could also be made more amenable to their needs.

A PROGRAMME OF ACTION

23. Social protection and health delivery systems in all OECD countries face severe challenges. They cannot themselves bring about economic recovery, and yet they play an essential role in facilitating economic development and helping to maintain community cohesion. They can make a major contribution to these tasks by encouraging individuals to give full scope to their abilities throughout their lives, while ensuring that they have the basic resources they need to do this.

24. The new orientations for social policy set out above provide a starting point for a re-examination of all social policies. General programmes of social insurance will have to be re-assessed to ensure that commitments are affordable and consistent with the goal of equitable social protection. In addition, the OECD should consider examining the suitability and adequacy of long-term care provision for all age groups and should initiate a review of the wide range of policies in support of families and children. The recent Report of the OECD Group of Experts on Women and Structural Change in the 1990s has already provided a focus for examination of many of these issues. In all such analyses, consideration of coherence between social, labour market, education, and economic policies and across levels of government is essential.

25. The malaise in the labour market is adversely affecting all social policy measures. The OECD Council, when it met at Ministerial level in May this year, called on the OECD "to initiate a comprehensive research effort on the reasons for and the remedies to the disappointing progress in reducing unemployment". Ministers underline the importance of this project. Social conditions have an important influence on the quality and flexibility of labour supply. In this study, and in developing its orientations for social policy, the OECD should address the contribution which social policy changes might make to the reduction of unemployment and thereby to the strengthening of social cohesion.

26. Ministers invite the OECD to continue to promote processes for the review of developments in social policy and related policies. An important facet of this should be the review and monitoring, in terms of national objectives, of outcomes arising from different policies and changes to policy. To facilitate cross-country comparison and mutual learning, they encourage the organisation to develop a framework for the assessment of social policy. A strong and consistent data base which enables comparative trends to be tracked
is an essential contribution to the policy formation process. Ministers therefore urge the OECD to intensify this work, and they undertake to assist by providing the data and information needed for this purpose.

27. Ministers welcome the central role OECD has played in monitoring trends in health care financing and delivery, in analysing the reform paths being adopted in Member countries, and in providing comparative health care statistics. They propose that, given the importance of health and the fundamental nature of recent and proposed reforms, the OECD should examine the possibility of convening a high level conference to identify and publicise more widely the issues and lessons emerging from the reforms, both in relation to the reform process and the initial outcomes. OECD should also develop and compile comparable international health outcome measures needed to monitor the pursuit of effective and efficient health policies.

28. With respect to care of the frail aged, OECD governments will have to initiate informed public discussion about the costs and benefits of different funding approaches, and build public recognition of this priority need. Ministers agreed that it would be helpful if the OECD could inform this necessary public discussion through a seminar building on its ongoing work on the resourcing of such care and different approaches to funding.

29. Countries in transition from centrally planned to market economies are having to reform their social policies fundamentally. The OECD should continue its contribution to this process.

30. This meeting has provided a useful occasion for all participants to explore the orientations for national policy. Ministers would welcome an intensification of OECD work on social policy, and look forward to a further meeting at which progress in this work can be reviewed and developments in social policy can be discussed.