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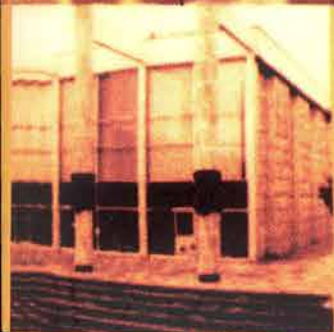
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DR. ORLANDO PEÑATE RIVERO.
OUTLINE OF A VIGOROUS TRAJECTORY
IN SOCIAL SECURITY

Dr. Orlando Peñate Rivero graduated as Doctor of Law from the University of Havana in 1960 and from the Course on Management of National and Field Economics at the Superior Institute for Economic Management in 1983. He followed post-graduate studies on social security in Czechoslovakia and in the Soviet Union in 1974 and at the University of Havana in 1981. He is a member of the Cuban Labor Law Society and of the National Union of Jurists of the Cuban Republic.

In 1975 he was appointed representative of the Cuban Social Security before the Inter-American Conference on Social Security (CISS), starting what would come to be 30 years of dedication and work for the American social security, through the organs of the CISS.

* Research and compilation by Antonio Ruezga Barga, General Academic Coordinator of the CIESS.

On March 20 1980 the xxiv meeting of the Permanent Inter-American Committee on Social Security was held at the Governors Hall of the Auditorium of the Central Bank of the Dominican Republic.

The representatives of the Social Security Ministry of State of Argentina, of the State Committee on Social Security of Cuba, of the Social Security Fund of Panama and of the Dominican Social Securities Institute were chosen to integrate the Executive Commission of the Permanent Committee.

As from that date and until November 2005, Dr. Orlando Peñate Rivero has always held the most important positions in the structure of the Inter-American Conference on Social Security, whether as Vice-Chairman of the Conference, member of the Executive Commission of the Permanent Inter-American Committee on social Security, member of the Board of Directors of the Inter-American Center for Social Security Studies, Vice-Chairman of the American Legal Social Commission, member of the Financial Review Commission of the CISS and Technical Secretary to the American Commission for Elder Adults.

From June 2 through the 5th 1981, the vii American Social Security Congress on Medicine was held, summoned by the Permanent Inter-American Committee on Social Security and by the Latin American Social Security Organization, with the central topic: "The rationalization of the cost of medical services in Social Security".

Dr. Peñate, as member of the Executive Commission of the Permanent Inter-American Committee on Social Security, participated actively in the development of the subject: extension of the field of application of medical services of social security to marginal, urban and rural sectors.

During the xxvii Meeting of the Permanent Inter-American Committee on social Security, held on September 19 and 20 1983 in the city of Panama, Dr. Peñate, as representative of the State Committee on Labor and Social Security of Cuba, was elected member of the Board of Directors of the Inter-American Center for Social Security Studies.

At the xi Meeting of the American Commission on Organization and Administrative Systems, held at the Family Subsidy Fund for Personnel of the Industrial Sector of the Republic of Argentina, from November 25 through the 29th 1985, Dr. Peñate presented an interesting paper on the financing of social security in Cuba.

With the meetings of Managua, Nicaragua, held in November 1986, one more cycle of triennial activities of the Inter-American Conference on Social Security was fulfilled, corresponding to the period 1984-1986.

During this period, the CISS accredited an ample spirit of transformation and implemented specific policies and programs suitable for the economic and social circumstances that imposed extraordinary situations and efforts on social security institutions and on international organizations, and that determined the search for practical and effective alternatives to consolidate the achievements reached and to strive for the extension of actions to new groups of population that still did not enjoy the benefits of social security.

During these meetings, Dr. Peñate was elected member of the Executive Commission of the Permanent Inter-American Committee on Social Security for the triennium 1987-1989 and Vice-Chairman of the American Legal Social Commission.

In 1989, the Social Science Publishing House of Havana, published the book "Social Security in Cuba" of Félix Argüelles Varcárcel. Dr. Peñate made the presentation of the book, and stated that although "Cuba was recognized before the triumph of the Revolution as one of the first Latin American countries to establish social security institutions, the programs, eminently sectorial and characterized by administrative corruption and bureaucracy, lacked truly systematic measures that would offer universal benefits".

"Nowadays, he stated, social security in Cuba is universal and guarantees protection to all citizens by means of a dual social security and social welfare program. However, little has been written about the large and strenuous process involved since the promulgation of the first social Security Law in 1913, through the enforcement, in May 1963, of Law 1100, the first Social Security Revolutionary Law, and, later on, Law 24 of January 1980 that enforced the system currently in effect".

In August 1988, in Mexico City, the I General Extraordinary Assembly of the Inter-American Conference on social Security was held, in which, with the direct participation of the American Legal Social Commission of which Dr. Peñate was one of the Vice-Presidents, the new Bylaws of the CISS were approved.

According to the elections held in San José de Costa Rica in November 1989, during the xv General Assembly of the Inter-American Conference on social Security, the Executive Commission of the Permanent Inter-American Committee on Social Security, was integrated by the State Committee on Labor and Social Security of Cuba, the Bolivian Social Security Institute, the Social Security Fund of Panama and, representing the associated members, the Retirement and Pensions Fund for University Professionals of Uruguay. The

Vice-Chairmanships for the triennium were under the charge of the Costa Rican Social Security Fund, of the social Welfare Ministry of Brazil and of the Guatemalan Social Security Institute, confirming the Chairmanship of the Mexican Social Security Institute.

Again Dr. Peñate was included as member of the Executive Commission of the Permanent Inter-American Committee on Social Security and was assigned also a Vice-Chairmanship of the American Legal Social Commission.

In the city of Montevideo, Uruguay, summoned by the Inter-American Conference on Social Security and with the organization and under the auspices of the American Legal Social Commission and of the Banking Retirement and Pensions Fund, the University Professional Fund and the Notarial Retirement and Pensions Fund, the II Legal Inter-American Congress on Social Security was held from October 8 through the 12th 1990.

The central subject "Structure and Legal Organization of Social Security" permitted the analysis of legal regimes with private participation, social services, decentralization, and legal de-concentration and coordination of social security in America.

During this II Legal Inter-American Congress on Social Security, Dr. Peñate presented a paper on "The Social Security system in Cuba", in which he asserted that "during the last thirty years, Cuban life has developed under the conditions and according to the values of the socialist system. Acting against the socio-economic characteristics of the past, this system has determined deep changes in the content, principles and organization guidelines of the different sectors of social policy. Labor institutions, employment, salaries, education, health and social security have

experienced a radical change of direction in their objectives and regulations. As a sign of these changes, social security has become a function of the State that guarantees the organization and operation of the Social Security System with a direct management and a financial coverage against the budget of the state.

"The System shows the extension of protection to all members of society that cannot participate in social production, and of an ample medical-hospital care, without obligation for contributions or other previous payments by the beneficiary.

"Its present organization reflects the principle that governs the functional structure of the organizations of the central administration of the State: the coordinated distribution of their respective functions for the integral development of the economic and social policy. This distribution determines the inter-relationships of the Social Security System with the Public Health Ministry that governs the National Health System, and also with the Board for Central Planning, the State Finance Committee, the National Bank of Cuba and the Savings Popular Bank.

"In this manner, as a result of its organization, objectives and principles, social security operates in Cuba as an integral part of the unique socio-economic development program and is destined to perform one of its main purposes. The concept that has as starting point this essential trait, is opposite to the consideration of the institution as an end per se, as the closed circle of an administrative and contributive entity governed by the "do u des" practice.

"The maintenance of this trait amidst the tense struggle sustained during three decades to solve the basic problems of population and to contribute in the integration of a new way of social life, has

implied difficulties and efforts to reach perfection in the Social Security System.

"The efforts of the Cuban society, in spite of its firm and sustained nature, have not yet totally eliminated in the socio-economic aspect, the sequels of under-development. The social problems inherited were serious, the difficulties resulting from a deformed economic structure were great and the external aggressions since the triumph of Revolution have been likewise serious.

"The present world economic conjuncture, featured by a deterioration of the exchange conditions among industrialized countries and the so called countries in the process of development, the practice of protectionist policies on the part of developed countries, the external debt, widen even further the gap between the developed countries and the so called Third World. Cuba is not exempt from these difficulties to which we can add, as applicable, the problems derived from the changes experienced by the countries of Eastern Europe and the present difficulties faced by the Soviet Union. Trade and economic relations were developed during the last 30 years fundamentally with those countries and, hence, the country now must make adjustments in its economic-social development programs that will make it possible to withstand and continue advancing.

"The development achieved since 1959, a direct consequence of a policy aimed at the harmonic equilibrium of economic advancements with social advancements, has been based objectively on the social ownership of production media, which makes it possible to apply a more adequate distribution of the resources created by society, and has had a decided support in the conscience of the people, principal actor in the creation of the work performed. The values that are now involved in the Cuban reality guarantee the definite victory over

the obstacles opposed to the progressive moving forward of the country, including the victory over any foreign aggression.

"Cuba asserts in this forum that it will continue with its intense task and that it intends, despite the complex economic situation it has to face, to carry out as an important priority, the programs that will contribute to the development of its economy as a fundamental means to preserve the achievements reached in the social order and to improve them as far as possible.

In compliance with the provisions of article 30 of the Bylaws of the Inter-American Conference on Social Security, as well as of articles 12, 13, 14, 15 and 16 of the Regulations of the American Social Security Commissions, the members of the Board of Directors of the American Legal Social Commission met in Mexico City, Federal District at the facilities of the CISS on August 12 and 13 1993, with the purpose of becoming a special Commission for the drafting of the Project of the Regulations for the Sub-Regions of the CISS.

In order to comply with the agreements of the XVI General Assembly of the Inter-American Conference on Social Security (CISS) held on November 21 1992, in Acapulco, Guerrero, Mexico, where Dr. Peñate was elected Vice-Chairman of the CISS, the members of the Board of Directors of the American Legal Social Commission (CAJS) constituted as a special Commission, one of whom was Dr. Peñate as Vice-Chairman of that commission, prepared the Project of the Regulations for the Sub-Regions of the CISS.

Dr. Peñate held one of the Vice-Chairmanships of the American Legal social Commission from 1986, as indicated before, through 2005.

The xxxvii Meeting of the Permanent Inter-American Committee on Social Security, held in Mexico City in October 1994, was fecund; it propitiated the exchange of knowledge and experiences among the 169 participants from 52 institutions located in 31 countries of America.

The Chairman to the CISS, Genaro Borrego Estrada, emphasized that social security was living crucial moments: "The economic, demographic and social conditions have made it necessary to review its structure in each one of the countries. In the light of this conjuncture it is indispensable to join efforts in order to make it viable and to continue advancing in the important mission in which we participate. Under this perspective, we cannot lose sight of our original objectives nor of the circumstances that surround us. It is for this reason that we must guide our actions with equity and efficiency criteria."

During the inauguration session of the xxxvii Meeting of the Permanent Inter-American Committee on Social Security, Dr. Orlando Peñate Rivero, senior member of the Conference since several years before, took the floor.

"First of all, I wish to express my appreciation to the authorities of the Conference for having invited me to address the participants of this inauguration ceremony of the xxxvii Meeting of the Permanent Inter-American Committee on Social Security and of the regular and technical meetings of the American Social Security Commissions.

"The conference, in its capacity as a technical and specialized international organization, has contributed, along its more than 50 years of existence, to the development of American social security and to improve the operation of the institutions of the countries that integrate it.

"With the purpose of consolidating the achievements reached and to seek new means to improve its task, the Conference and its action organs have been introducing innovative guidelines both in its organizational structure and in its management style.

"In this sense, an important step forward has been the de-concentration of activities by the creation of the sub-regions which, although they have been in operation during a relatively short time, are projected as a valuable instrument to attain a better attention to the specific interests of the sub-regions.

"Initiatives such as the Joint Meeting of the Chairmen of the American Commissions and of the Coordinators of the Sub-Regions, the search for solutions to the actual problems of the institutions through the Horizontal Technical Cooperation Program and the numerous activities performed by the CIESS during 1993, show the first results of the work dynamics introduced by the present authorities of the Conference by Messrs. Genaro Borrego Estrada, as Chairman, Roberto Rios Ferrer, as Secretary General and Dr. Alvaro Carranza Urriolagoitia as Director of the CIESS.

"Now, I consider this occasion opportune to make certain reflections on what has been called the crisis of social security.

"To understand the essence of this phenomenon and to look for formulas that will make it possible to overcome the existing difficulties, we must analyze the causes that have provoked them. Obviously, we do not pretend in this brief intervention to make an analysis, and we will limit ourselves to offer certain considerations on two fundamental aspects that in one way or another gravitate on the problematic of the American social security: 1) the extension of the field of

action of social security and 2) the economic crisis of the region.

"1.- The social securities of America in their majority were established as a mechanism of protection for workers and eventually for their families, following a 'bismarkian' scheme for financing based on the worker-employer contribution.

"To the extent that the concept of social security starts to become a right of the entire population and the organizational and financing scheme established for the limited protection to workers remains practically unmoved, a process comes to life that has affected the majority of all the social security institutions of the region, which found that their commitment had been amplified to include with salaried labor, independent workers and also those who lack an income of their own, a situation that has been progressively deteriorating the economic capacity of the institutions to face the new obligations derived from the growth of the beneficiaries population without the corresponding increase in the resources destined to finance them.

"2.- The economic crisis that has been affecting the region more crudely as from the decade of the eighties, aggravated by the impact of the external debt and the unfair prices of basic products exported by our countries, is to a great extent the cause of the difficulties of social security and not the opposite.

"We make this statement taking into account that, to face the effects of the economic crisis, some countries have put into practice adjustment programs that have produced, among other effects, under-employment, loss of purchasing power of the income and an increment of the unemployment rates, and, unavoidably, these programs have had direct repercussions on the equilibrium of the social security regimes which, in general

terms, are financed by formulas that use salary payrolls as the basis for the calculation of income.

"The financial limitations that affect social security institutions in our continent seem to be an unavoidable obstacle to realize the principle of universality that, together with the principle of solidarity, constitute the basic pillars of social security.

"However, we must find and apply formulas that will allow us to reach the universality of social protection giving a strong impulse to the transition of social insurance to social security, which requires deep legislative and institutional transformations in the countries of the region and reforms in the financing regimes for the social coverage. Reforms of this magnitude can only be successful if they are based on an ample social consensus.

"To be able to extend the coverage of social security to the entire population, among other things a political will is necessary to assign a first priority to the social aspects of the development programs, highlighting the impact that these programs have to improve the quality of life of the peoples".

During the xxxvii Meeting of the Permanent Inter-American Committee on Social Security, Dr. Peñate was appointed member of the Financial Review Commission of the CISS.

The book "Present evolution of pension regimes", number 14 of the Series: Studies of the Inter-American Conference on Social Security, of 1994, published an article of Dr. Orlando Peñate, entitled "The Cuban Experience":

"The financing of social security in Cuba has suffered several modifications as from 1959. Insurance institutions existing on that date applied the classic scheme of social security: contribution of the employer and

of the worker and, eventually, certain institutions received state subsidies.

"In 1962 the obligation of salaried workers to contribute was cancelled, establishing the principle of exclusive contribution of the employer.

"This contribution is the equivalent of 12% of the value of the total salary credited to the workers, and constitutes one of the income chapters of the national budget, which assumes as an obligation of the State the payment of monetary benefits of social security, the same as with respect to the rest of social services: health, education, etc.

"The contribution of employers does not determine the amount of the financial resources available for social security nor conditions the amount of the pensions. The determination of the part of the national income that must be destined to the social policy within the limits imposed by the economic situation, corresponds to the unique economic-social development plan.

"When applying the criterion that security constitutes a non-declinable obligation of the State and must, therefore, be financed by the budget of the State, the following assumptions are taken into consideration:

- 1) The financing of social security regimes based on the contribution of workers and of the State in the form of subsidy, does not correspond to the aspirations and needs of the population, that has the right to total coverage of social security which should not only cover salaried workers.
- 2) The contributive insurance regimes are a brake to the development of social security, because when it is intended to extend their benefits to persons with little or none payment capacity, the rights acquired by the insured are affected, because with the same resources more persons are covered,

provoking a relative decrease in the amount and quality of fringe benefits.

- 3) In view of the increment in the cost of health services due to the introduction of high complexity techniques, if the intention is to extend these services to all those who require them, it would be necessary to increase the amount of the contributions to levels that would be so high that they could not be borne by the insured.
- 4) The equilibrium equation of the system depends on an adequate relationship between income and expense, and therefore the limit of development of the system is determined by the amount of resources originated by contributions.
- 5) When using as a basis of contributions the salary of the workers, the system is very vulnerable, because in times of crisis, when employment decreases, income also decreases and expenses increase when a demand is produced that is higher than the benefits derived from the insured person condition.

"The budget of the State constitutes the fundamental financial plan for the integration and utilization of the centralized fund of financial resources, by means of which a substantial part of the national income destined to the promotion of the national economy and to the increment of the material and cultural well being of society is distributed and redistributed. In the assignment of resources for the different activities that comprise the unique social economic development plan, the intention is to guarantee an equilibrium, in global terms, between the needs and the possibilities of the national economy.

"Financing through the budget of the State has made it possible to assign the necessary

figures to punctually pay pensions and to comply with all the obligations derived from the social security system, in spite of the serious difficulties faced by the Cuban economy".

During the XVII General Assembly of the CISS, held in Montevideo, Uruguay, in November 1995, Dr. Peñate, representative of the Labor and Social Security Ministry of Cuba, was elected, for the third time, Vice-Chairman of the CISS.

In the meeting of the American Actuary and Financing Commission, held in Montevideo, Uruguay, from November 3 through the 7th 1997, the actuary Ismael Lugo and Dr. Orlando Peñate presented the document entitled "Social Security in Cuba. Challenges and Perspectives."

"The social Security System in force is one of the fundamental conquests of socialism in Cuba. It constitutes a valuable instrument for the redistribution of national income: it makes it possible to extend income to persons who have no income of their own because they have ceased to work or due to any other reason, which contributes to maintain the levels of consumption and avoids the social margination of these persons, mainly in the periods of economic recession in which normally employment opportunities are less.

"The social security policy is inserted in the integral conception of development applied in the country, conceiving it as the indissoluble union of economic and social aspects, lead by means of the state action, on the basis of a unique social policy.

"There is the political will to maintain the social security system, which has continued to operate and to comply with all its obligations to its beneficiaries, even in the most difficult stages of the complex economic situation faced by the country.

"Consequently with this purpose, the possible sceneries in which the Cuban economy must develop in the coming years are examined within the context of the unique development plan. As a result of these studies it will be possible to have available the necessary elements to define the modifications that must be introduced in the social security system in order that, preserving the principles on which it is sustained, it may be viable under the present conditions of the nation. A preliminary evaluation makes it possible to appreciate that the social security system faces two fundamental challenges: first, the process of aging of population and second, financing, due to the growing amount of financial resources necessary to guarantee payment of pensions.

"Aging of population

"The Cuban population is experiencing a process of aging which has increased the number of persons older than 60 years from 536,000 in 1960 to 1,256,000 in 1990, thus increasing their proportion from 7.9% to 11.8% of the total population.

"In the results of the Projection of economically active population (EAP) by sex and age in Cuba, period 1995-2015, derived from the projection of the total population of the country in that same period, the notable change that the EAP will experience in its age structure, from 34.5 years to 41.6 in the period projected is emphasized; a behavior specifically determined by the aging that is being experienced in the Cuban population and that will continue to increase in the last years of the forecast, as a result of the behavior foreseen fundamentally in fecundity and in life expectancy.

"Therefore, a change in the age composition is evidenced which, obviously, will have direct implications on the EAP

when the proportion of this population grows significantly in the ages close to retirement, even in the case of both sexes, which will imply that in the last years projected the outgoing force will be higher than the incoming force.

"The aging process of the Cuban population is a consequence, to a great extent, of the development policy applied by the Revolution. It constitutes one of the most important achievements of the social policy of the country and cannot be considered only as a burden for the social security system.

"Although it is true that the aging of population originates an increase in the expenses of the social security system due to the increase in the number of pensioners and the more frequent use of medical services by elder adults, it is also true that the lengthening of life with a higher quality makes it possible to have a working available force with ample labor experience and a good level of skill capable of maintaining high levels of productivity after reaching the age of retirement.

"The change that is being experienced in the age structure of the EAP could generate difficulties in the economy, because it would not be possible to guarantee the replacement of the workers who retire in the years after 2015 and mainly in the decade 2020 through 2030 in which those born during the demographic explosion of the decade of the sixties will reach the retirement age.

"Financing

"The financial schemes of social security institutions that existed in Cuba, were based on the capitalization regime at a general medium premium. As indicated above, these institutions presented a permanent financial crisis and therefore it was necessary to introduce modifications

to the financing scheme with the purpose of overcoming the situation and guaranteeing the compliance with the obligations acquired. The first modification was established by Law 906 of 1960 which submitted the social security and maternity contributions to a uniform collection procedure under the charge of the Ministry of Finance.

"In 1962 Law No. 998, Fiscal Law, established that "social security must be defrayed by the enterprises". The Law itself established the contribution to social security on the part of the following entities: State enterprises; budgeted organizations; cooperatives of any kind; private enterprises; employers not especially classified; persons working for their own account and enterprises with a gross income lower than 50,000 pesos per year.

"All the laws that established the contributions to social security of salaried workers were revoked and, therefore, as from January 1 1962, the date of the enforcement of Law 998 above mentioned, workers and retirees were exempt from quotations or other contributions to social security.

"The expenses corresponding to social security fringe benefits became an item of the national budget, and payment operations were entrusted to the National Bank through its network of agencies throughout the country. This financial consolidation reduced, on the other hand, the expenses that due to the dispersion of the above mentioned payment and collection tasks before this consolidation, were the responsibility of the executive organ of social security.

"In practice, the financial regime applied in the Cuban social security, since 1962, is absorbed by the annual distribution, whose essential characteristic is based on the

financial equilibrium of annual income and expense, without financial reserves nor accumulation of capital.

"The only source of financing for pensions is the contribution of labor entities, which at present amounts to 12% of the value of the salary payroll. Fringe benefits in services and in species of the social security regime that are granted free of charge by the national health system to the entire population, as well as the fringe benefits of the social welfare regime, are directly financed by the national budget, with income received from general rents".

In the closing ceremony of the XLI Meeting of the Permanent Inter-American Committee on Social Security, held in Montevideo, Uruguay, in November 1997, Mr. Genaro Borrego Estrada, Chairman of the Conference, stated: "I want to inform you that in 1998 our Cuban friend Orlando Peñate will act as Vice-Chairman of the Conference. Due to his experience and to his moral authority, his participation as Vice-Chairman of the Conference is a great honor for us; welcome."

During the XVIII General Assembly of the CISS, held in November 1998 in Santiago de Chile, Dr. Peñate was elected again Vice-Chairman of the CISS and member of the Executive Commission of the Permanent Inter-American Committee on Social Security.

In the "Seguro Social" magazine, number 216, January-February 1999, Dr. Peñate published an article under the title "Substitute or improve the Social Security System? The Cuban Option" in which he stated that:

"In almost all the countries of the world, the organization of social protection is subject to debates and polemics. Particularly in Latin America, as from the implementation of the Chilean model in

1981, the criticism to the public pensions systems has been intensified, and they are regarded as "economically insufficient" and "socially unfair".

"The following arguments, among others, are expressed in favor of these criteria: That public pension regimes are unsustainable, because the implicit debt represented by pensions, or in other words, all what is owed to retirees for the total amount of pensions in the course of payment and to the workers that have accumulated rights to future pensions, is not payable. As an example of this situation it is said that in the countries members of the Economic Cooperation and Development Organization (OCDE), the debt with respect to the above varies between 100% and more than 200% of the GDP and that the present rates of contribution on the salaried mass are not sufficient to cover this debt.

"Likewise it is asserted that public pension regimes, based on the distribution financial regime, cannot bear the burden represented by the increment of the expense as a consequence of the demographic aging that generates an increase in the number of pensioners.

"Other remarks on public pension regimes are that there is no direct relationship between the amount of the fringe benefits and the level of the contributions made by the workers; also, that in these regimes a regressive redistribution of income is produced, because as workers with high income live longer, they collect their pensions during longer periods and therefore poor workers who live a shorter life are those who contribute to finance the pensions of those who need them less.

"On the basis of these and other deficiencies attributed to these regimes, the World Bank has developed the thesis that both in the social and in the economic

ambit, public pension systems have failed and therefore must be replaced by mandatory savings regimes.

"This thesis of the World Bank is not shared by the majority of the countries; there are numerous examples of public pension systems, mainly in developed countries, that have been successful in notably decreasing the poverty of aged persons, granting to workers an adequate degree of replacement of income during old age, adjusting fringe benefits in accordance with salaries or prices and operating very effectively with administrative costs much lower than those reported in any regime subject to private management.

"It is true that the countries whose social security systems have reached full maturity have an implicit debt represented by the pensions in the course of payment and the rights accumulated by active workers, but due to the nature of these obligations, subject to periodical payments, at no time a situation will arise where a State will have to make one only payment or a short term payment, unless the State decides to end with the pensions regime.

"With respect to the aging of population, no matter which financing system is used (distribution or capitalization), it will produce higher rates of dependency, because more pensioners will consume the production of a lower number of workers.

"Although in countries with aged population the relationship between active and pensioned workers is relatively small, it will always be more favorable than if an individual capitalization system is adopted, because in this latter system each insured person will most probably be the retiree or pensioner, that is, that the individual capitalization system leads immediately to the situation of one to one, or one insured person to one pensioner.

"As in most of the countries of the region workers do not have a job guaranteed for one hundred per cent of their active life (the density of quotation has fluctuated between 70% and 80% in the different countries), a great amount of the insured workers could find at the end of their lives that their relationship was 0.8 active to one passive person.

"On the other hand, for the determination of the "burden" caused by the increase in the number of elders, the total proportion of dependency, that is, the proportion among all dependents and workers, should be taken into account, because although it is true that in the countries with an aged population the number of elders has increased, it is also true that the number of dependents with ages under working age has decreased, which to a certain extent represents a compensatory effect in the actual "burden" on workers.

"The fundamental means to solve the problem of the aging of population is the increase in social productivity that promotes economic growth and an adequate redistribution of the wealth created, which is achieved, among other means, through pension systems based on solidarity and financed, all or in part, by national budgets.

"Additionally, in order to face demographic aging, distribution regimes have used the method of gradually increasing the retirement age along many years, causing a low impact on the rights in the course of acquisition and none on persons already retired.

"The increase in the retirement age contributes to a more adequate utilization of workers with ample labor experience and, in many cases, with high qualifications, whose substitution is not guaranteed by the relatively low number of youngsters that are part of the

economically active population in countries whose populations have aged, as a result of the increase in life expectancy and the lower rates of fecundity.

"The lack of a direct link between the amount of the fringe benefits and the level of contributions is not as absolute as mentioned by the critics of public pension systems, because in all of them the amount of the pension is proportional to the salary and, in the case of workers with low salaries, they receive a higher replacement rate as an expression of solidarity on the part of the workers with higher income, which is socially fair.

"In Latin America, public pension regimes have been substituted by regimes based on individual capitalization in Chile, Peru, Argentina, Colombia, Uruguay, Mexico, Salvador and Bolivia, and their application is being studied in other countries.

"Although there are different shades in the organization and application of these regimes in each one of the countries, the common trait that characterizes them is the creation of financial entities of a private nature that administer the funds accumulated by the mandatory savings of workers. In this model, the role of the State in social security is limited to dictate the regulatory norms of the system and watch that the entities in charge of the administration of the funds comply with these norms.

"It is not possible to arrive at conclusions on the results of these systems based on individual capitalization due to the short time they have been in operation. It is often mentioned as a positive result, that the capitalization of pension funds has contributed substantial resources to the capitals market, but the counterpart is omitted, that is, the enormous fiscal burden that the States have had to assume to face the process of transition to the new system

and the responsibility to guarantee the minimum pensions to workers who with their savings do not accumulate sufficient funds to secure their pensions.

"In the countries of the Economic Cooperation and Development Organization (OCDE) and of Central and Eastern Europe, public pension regimes financed by distribution systems are maintained. Europeans in particular are against the obligation to capitalize public pensions, due to their past experience of inflationary periods that brought about a de-capitalization of reserves.

"The debate on social security is very ample, and contradictory criteria are evident when analyzing the same problems. The option of the social security regime that is considered valid for a country depends to a great extent on its history, its culture, its economic conditions and, essentially, on the model of society in which it wants to live, so that, obviously, there are no social security models with universal validity.

"Measures of a neo-liberal type applied in the processes of structural changes that are taking place in Latin America, have made it possible to reach discrete levels of growth in the macro-economic indicators of certain countries of the Region, but have worsened dramatically the social conditions of their peoples. This becomes manifest, among other factors, in a high rate of unemployment in the modern sector of economy; in the fast increment of the informal sector; in the increase of poverty and in the polarization of inequalities between the rich and the poor.

"Under these circumstances, it becomes evident that now more than ever, it is necessary to strengthen social security and try to extend its benefits to the entire population. The strategy of substituting

public pension systems that in spite of all their limitations have offered an acceptable level of protection, with mandatory savings regimes in which the same problems attributed to public systems may arise in equal measure or even more categorically, implies a degree of risk unacceptable to workers and pensioners, as well as a heavy burden on the present generations of workers, because if the implicit intergenerational commitment in the public pension system is broken, they will have to assume, in the process of transition from the previous to the new regime, the payment of pensions currently in force and that of their own future pensions.

"The dynamic nature of social needs imposes a permanent process of improvement of social security, which has demonstrated its capacity for adaptation to face the challenges derived from socio-economic changes faced by the majority of countries where public pension system have operated and continue to operate based, among others, on the principles of solidarity and universality and financed by means of the distribution regime....

"In 1973 the XIII Congress of the Workers Union of Cuba, approved a resolution in which a review of the social security legislation was recommended with the purpose of continuing its process of improvement.

"In compliance with the recommendation made by the above mentioned Congress, an ample analysis of the social security legislation was undertaken which succeeded to propose a Law that, according to the revolutionary tradition, was submitted in its draft form to the knowledge and discussion of the workers and was approved by them.

"The need for enforcement of this law was supported on the following terms:

The socialist society in its unceasing search aimed at satisfying in an ever greater measure the material and spiritual needs of the people, offers social protection with special emphasis in the preservation of health, education and social security, aspects that constitute a responsibility and a fundamental objective of the State.

As from the triumph of Revolution, important resources and efforts have been destined to make this social protection viable, giving social security, in the period elapsed, a new sense and a wider scope, expressed fundamentally in Law No. 1100 of March 27 1963, which in addition to giving legal uniformity to the fringe benefits regime in force and extending its field of application to new sectors of the working population, introduced multiple benefits that were subsequently incremented by means of complementary regimes and welfare plans, in a process that has incorporated in the Cuban social security, in progressive stages, principles inherent to the new society being constructed.

The experiences acquired and the changes introduced in the country during the latter years recommend, in line with the level of development reached by our socialist State, the extension and the improvement of the social security system currently in force, which reaffirms its progressive projection incrementing, at the same time the financial resources destined to social fringe benefits and determining a more equitable distribution of the funds destined to these purposes.

The modifications and improvements that this Law introduces, respond to the directives on social security and social welfare outlined by the First Congress of the Party and develop the principles set forth in the Constitution of the Republic with respect to said institutions.

The most important conceptual modification introduced with this new legislation refers to the scope that it would grant to the field of application of social security. Law 1,100 of 1963 covered the worker and his family, but the new Law defined social security as a system that guarantees protection with the most ample coverage for the worker and his family, as well as for that part of the population whose essential needs are not insured or that, because of its life or health conditions requires protection and is unable to solve its difficulties without the help of society. In response to the above, the system is integrated by two regimes, social security and social welfare which, jointly, make an harmonic whole capable of guaranteeing, as expressed by the Constitution of the Republic, that "there will be no disabled persons who will lack decorous means of subsistence.

"The extension that the Law assigns to social security has its support on the precepts of the constitution that specifically define the responsibility of the State in this specific area of the social policy".

The Social Science Publishing House of Havana published in the year 2000 the book "The Reform of Pension Systems in Latin America", whose authors, Luis Gutierrez Urdaneta and Orlando Peñate Rivero, offer the following conclusions:

"The necessary process of analysis of social security does not consider the disappearance of the present public pension system, sustained on solidarity and financed by means of distribution, but only the measures that must be adopted to continue improving it and to guarantee its viability in the new conditions of the Cuban economy.

"The level of improvement that may be reached by the Social Security System in this stage will depend on elements of the

macro-economy and on elements inherent to the system itself.

1. The creation of new sources of labor that will propitiate the increase of employment. In view of the ample coverage of the System, the increment of employment increases the insured potential and, hence, the financial income, improving the relationship between the number of active workers and pensioners.
2. The increase in the social productivity of labor. Although this element does not modify the relationship of dependency between active workers and pensioners, it contributes to increase the availability of financial resources for social security, even if the number of workers is not incremented.

"Among the second elements, the following are fundamental:

1. The increase in the sources of financing by the contribution of workers to social security or the establishment of taxes destined to that end.
2. The reduction of the rhythm of increment of pensioners and, hence, of expense, through a gradual process of increase in the retirement age.
3. The culmination of the process, already underway, of the strengthening of the social security administration with the implementation of a decentralized management system equipped with modern computation techniques that will guarantee a more efficient service to beneficiaries and an adequate control of the resources destined to the payment of pensions.

"The Cuban economy has reached the stage of economic recovery that is reflected in

modest increments in the national income, in the reduction of the unemployment index and in the increase of labor productivity.

"The evolution of the national income and the political will of the State to preserve the social justice achieved, will determine the proportion that must be destined to a social expense that will be economically and politically sustainable.

"At present, the sceneries in which the Cuban economy must evolve in the coming years is examined in the context of the economic development plan. The result of these studies will determine the opportunity and the scope of the modifications to be introduced in social security.

"The application of these modifications will require a national consensus resulting from an ample discussion with the workers, as has been done in the case of all the changes introduced in the Cuban society to overcome the difficulties faced by the economy of the country".

As from 1998, Dr. Peñate, as Vice-Chairman of the American Legal Social Commission, is elected Chairman of the Commission for the Review of the Bylaws of the CISS, in order to introduce the changes that several social security institutions had suggested. Said commission carried out its work until the year 2005.

In November 2001, in Fortaleza, Brazil, during the XIX General Assembly of the CISS and in November 2004 in the Dominican Republic, during the XX General Assembly, Dr. Peñate, as representative of the Cuban Social Security, was elected to one of the Chairmanships of the Inter-American Conference on Social Security and to the Technical Secretariat of the American Elder Adult Commission.

The chronology of these events and the analysis of the documents show an Orlando Peñate intimately committed to the Cuban and to the American Social Security that, no doubt, have been the reason of his existence. Thirty years that have left in the Inter-American Conference on social Security a footprint of accumulated experience and a challenge to find new roads for the well being of the American population.

