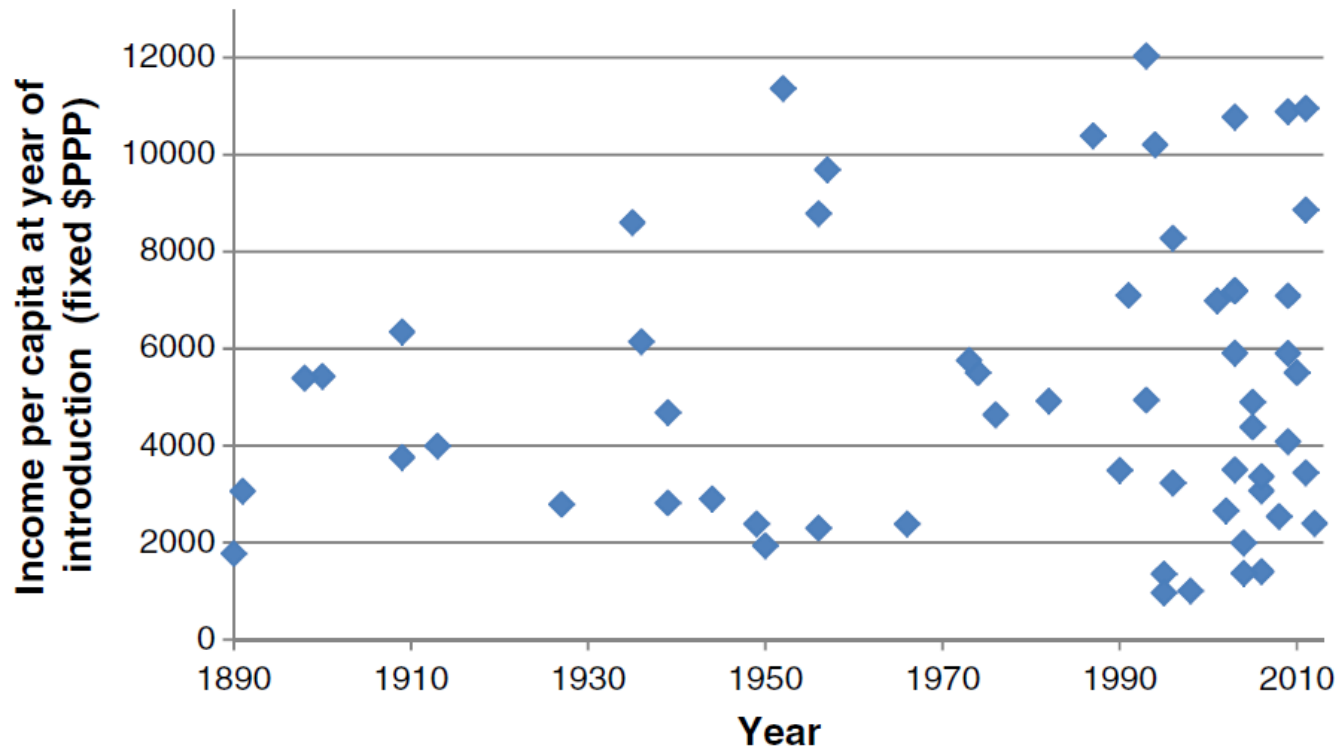


Social Pensions

A pension policy perspective

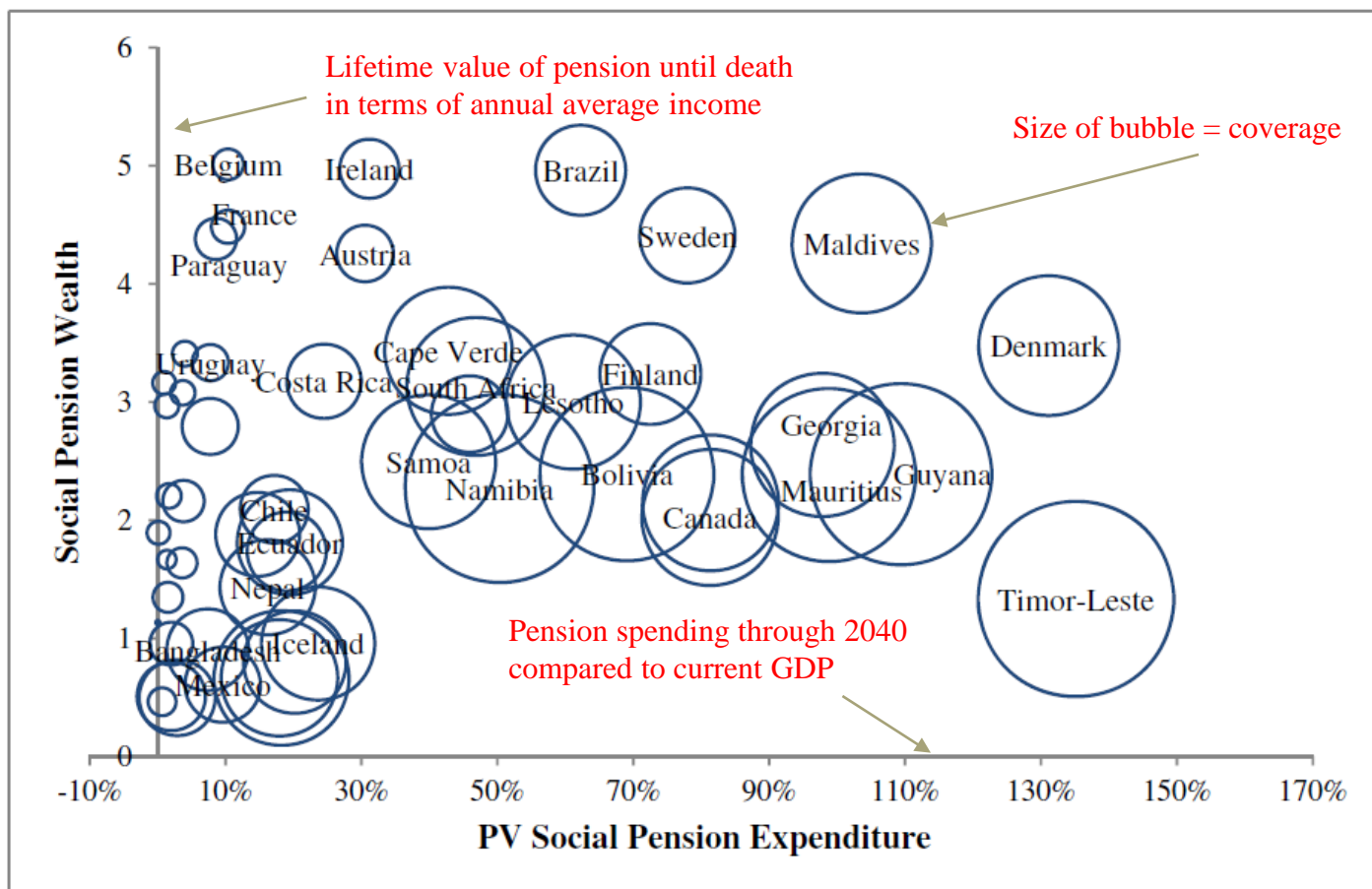
Robert Palacios, GSG Lead Pensions and Social Insurance, World Bank Pension Course, April 2016

Recent global spread of social pensions



Source: HelpAge International 2012 and Gapminder 2013.

Coverage, benefit levels and costs differ



Source: Knox-Vydmanov and Palacios (2014).

Difference in origins, purpose

1. Poverty programs

- Bangladesh, India, Kenya, Myanmar, Vietnam

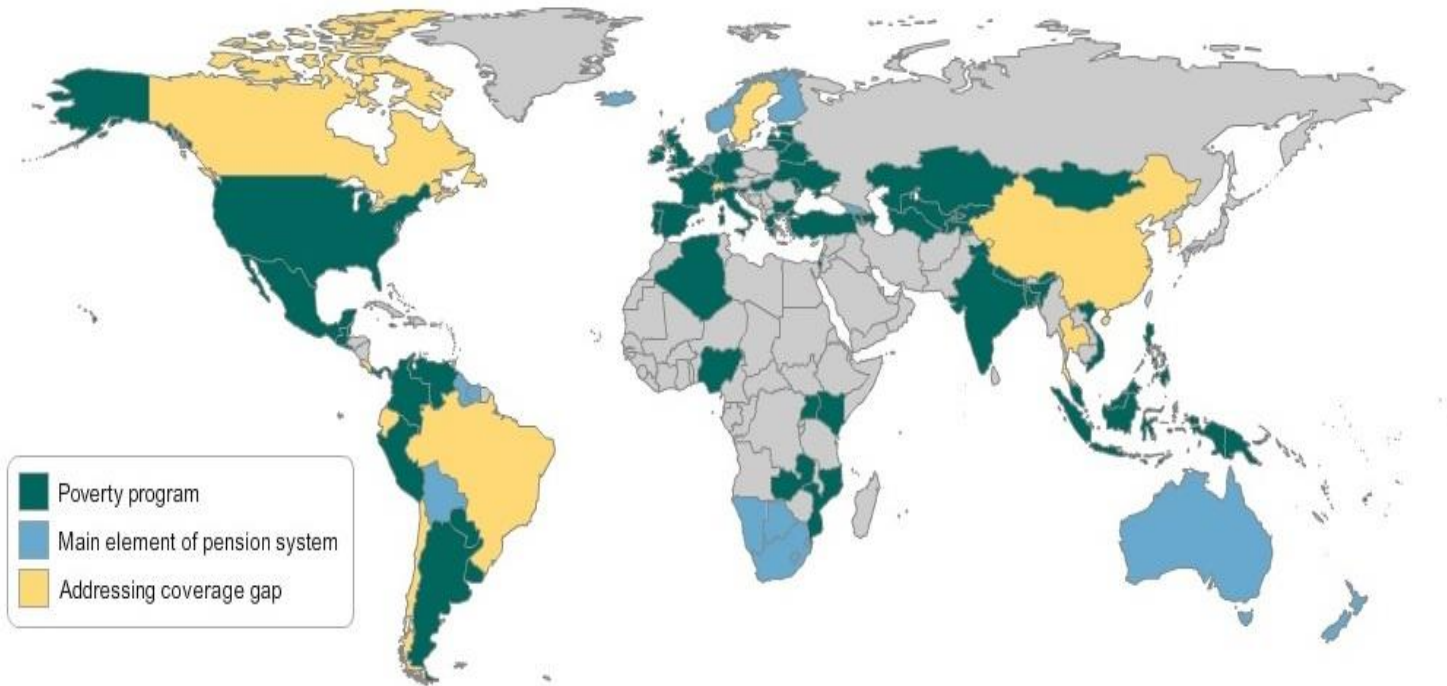
2. Main element of pension system

- Pioneers – Australia, New Zealand, Mauritius, South Africa
- Newcomers – Bolivia, Kosovo, Maldives, Timor-Leste

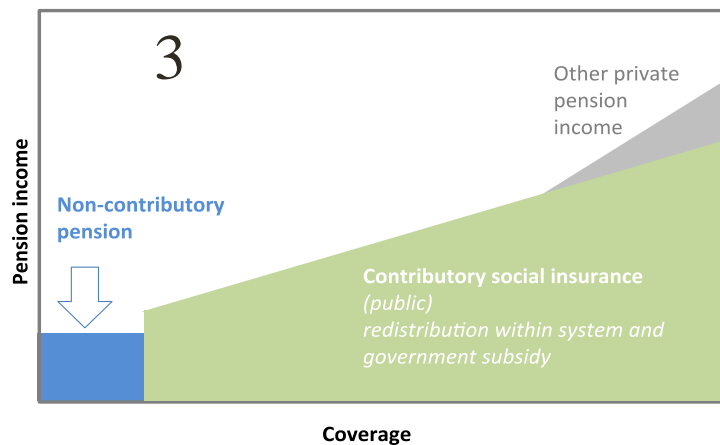
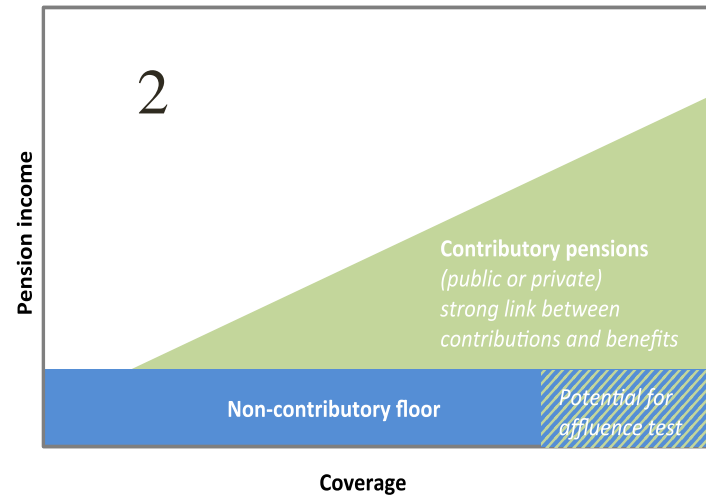
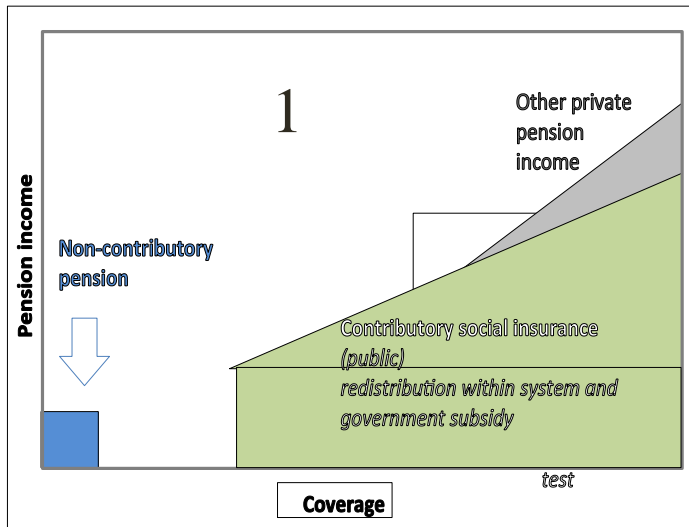
3. Programs aimed at addressing the coverage gap

- Mature contributory schemes without sufficient coverage – China, Chile, Mexico
- Immature contributory schemes in aging countries – Hong Kong, Korea, Thailand
- Collapsing post socialist pension schemes – Georgia

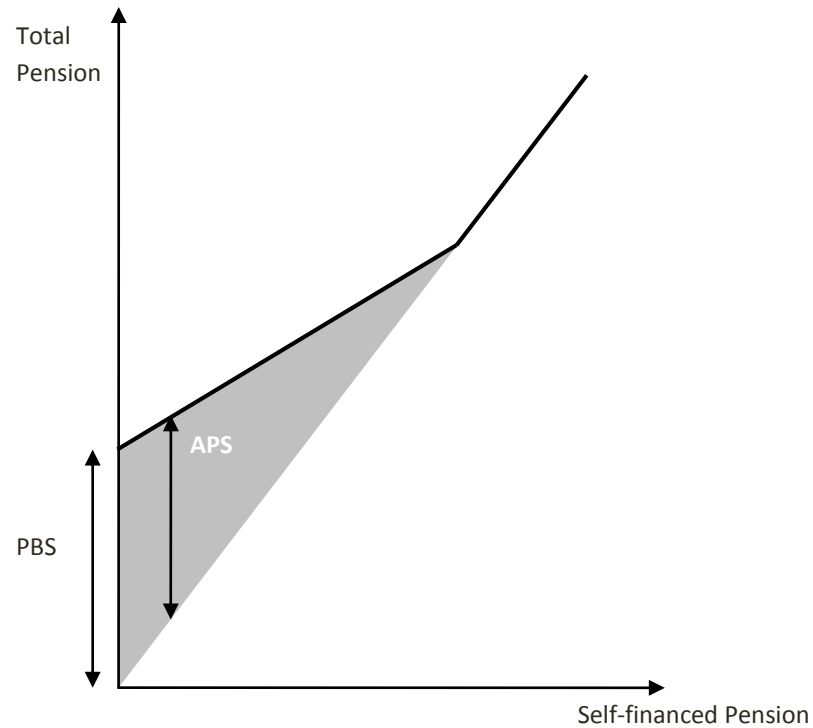
Three types of social pensions



Three types of social pensions



Chile's integrated approach



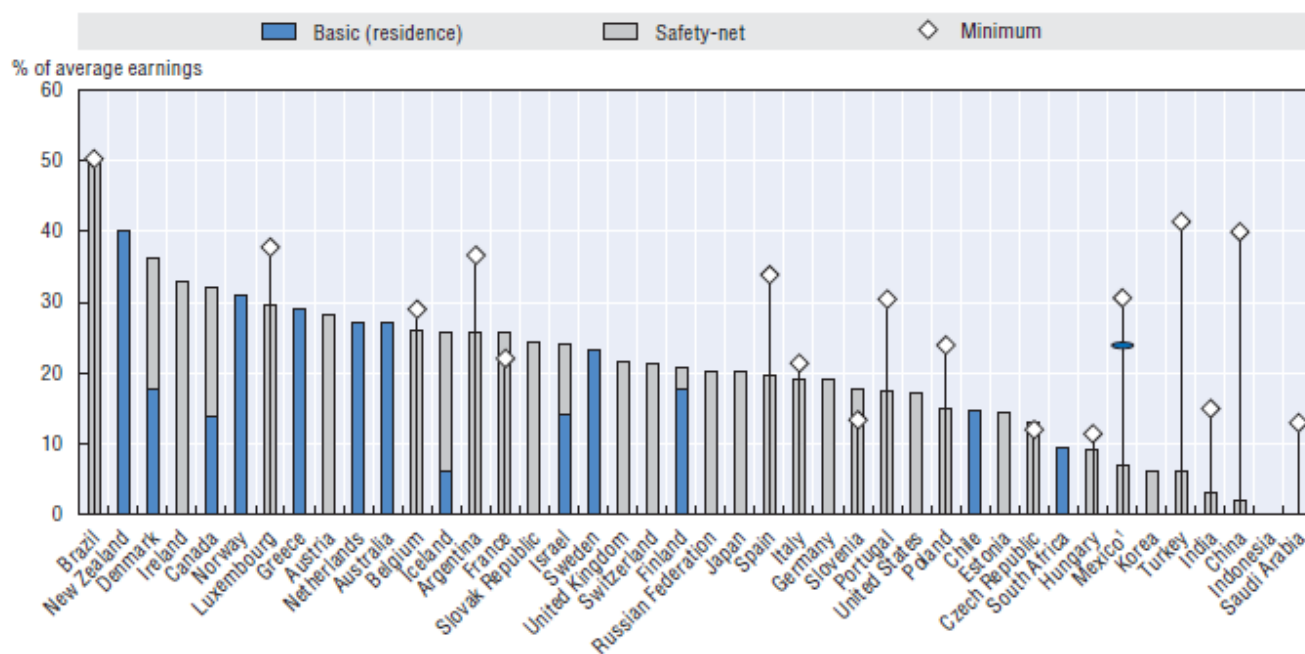
Pillars 0 and 1 redistribute in OECD

Multi Pillar Pension Taxonomy						
Pillar	Target Group			Main Criteria		
	Lifetime poor	Informal sector	Formal sector	Characteristics	Participation	Funding/Collateral
0	■	■	□	Basic or Social pension, at least social assistance, universal or means tested	Universal or Residual population	Budget General revenues
1			■	Public pension plan, publicly managed, DB or NDC	Mandated	Contributions, maybe with financial reserves
2			■	Occupational or personal pension plans, fully funded DB or fully funded DC	Mandated	Financial assets
3	□	■	■	Occupational or personal pension plans, partially or fully funded DB or funded DC	Voluntary	Financial assets
4	■	■	■	Access to informal support including formal social programs such as home ownership, medical care, family support.	Voluntary	Financial and nonfinancial assets

Note: Importance of each pillar for each target group:
 ■ High ■ Medium □ Low

Pillars 0 and 1 redistribute in OECD


Figure 2.6. Value of first-tier benefits as a percentage of average earnings



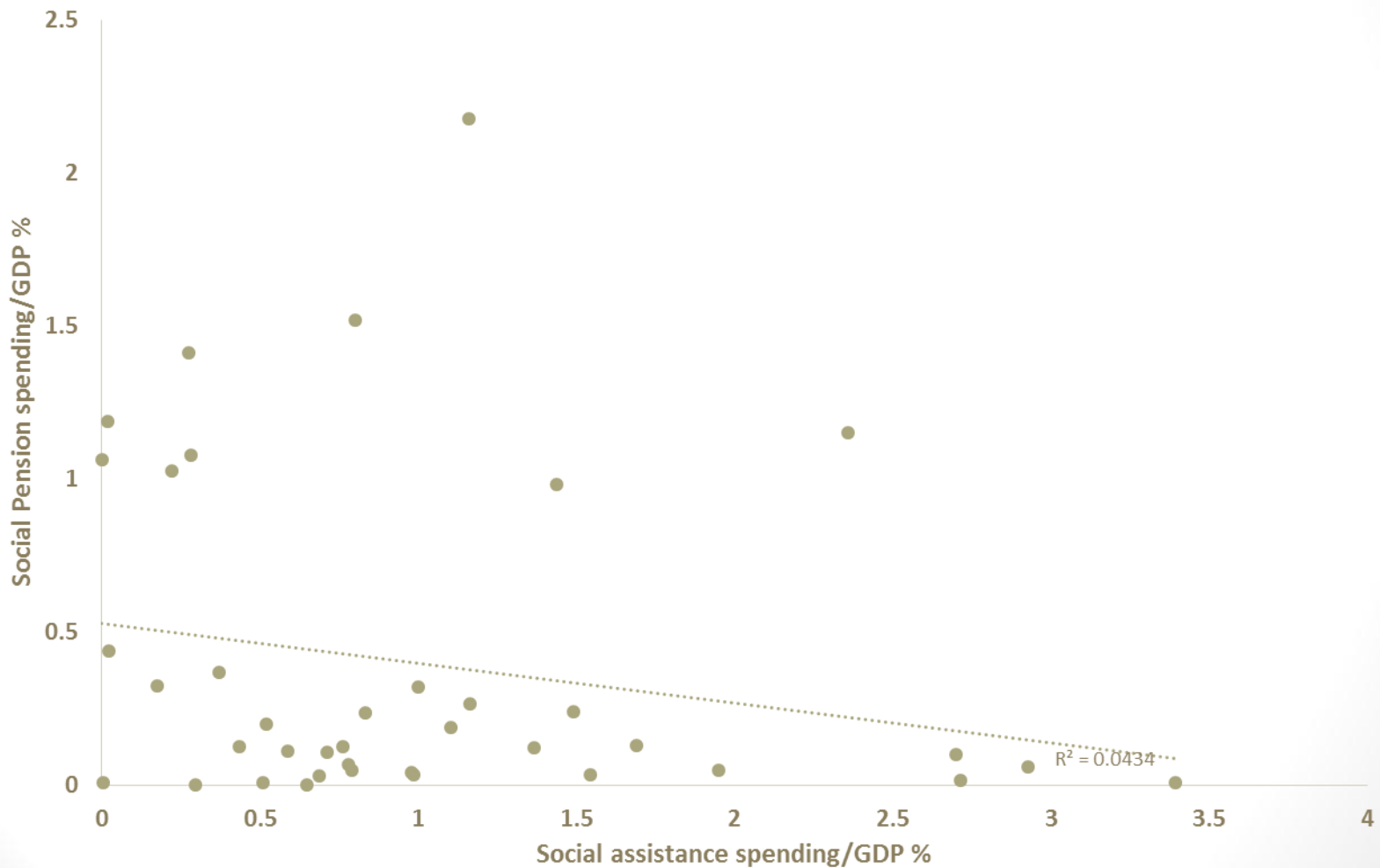
1. The additional marking for Mexico reflects the benefit from the old private-sector system, which is still relevant for many workers, and is equivalent to 23.8% of average earnings.

The minimum for all countries is based on a full career worker.

Source: "Country profiles" from Chapter 11 of this publication.

StatLink  <http://dx.doi.org/10.1787/888933300347>

Social pension and other social assistance spending weakly correlated



No evidence of a tradeoff

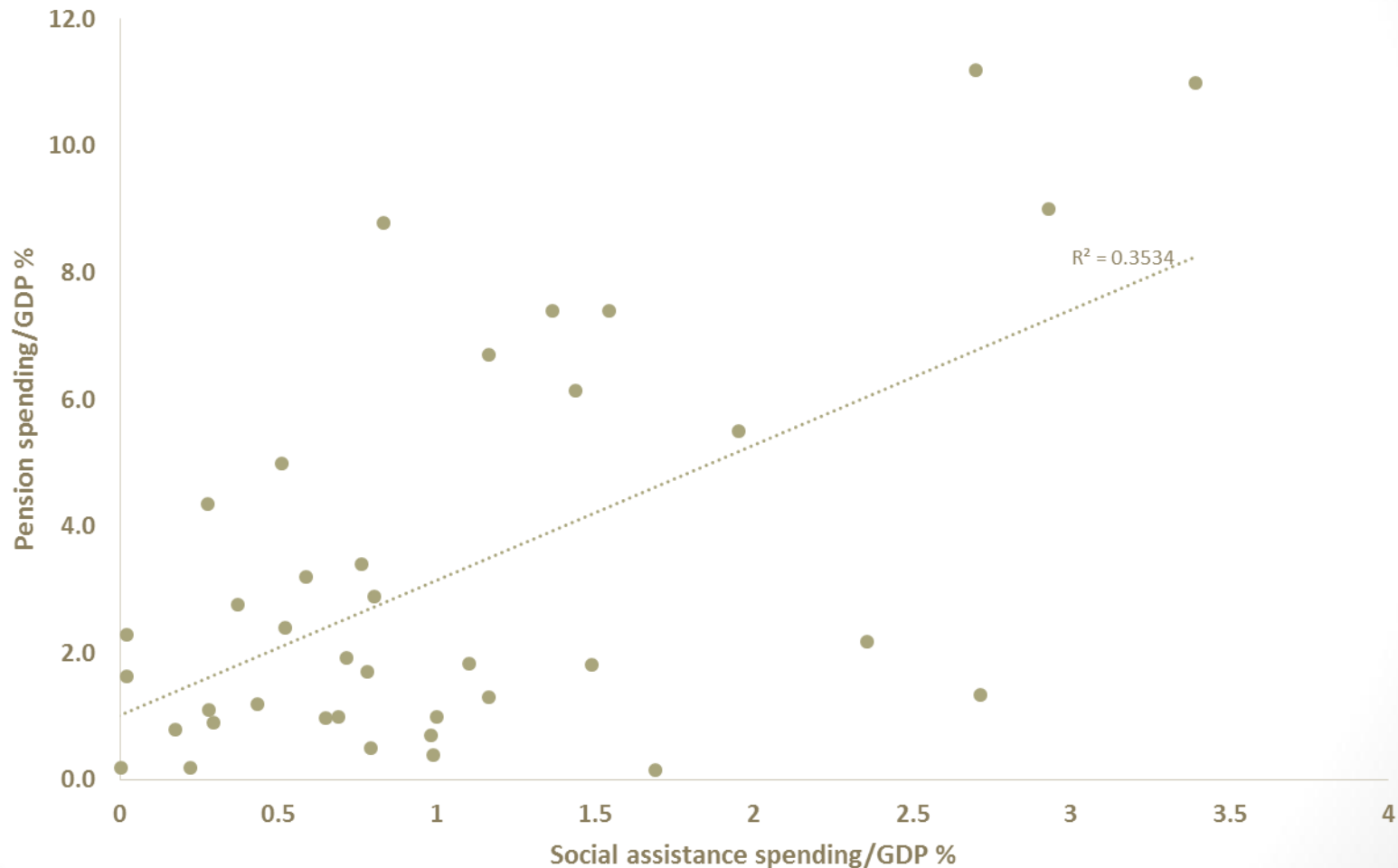
	(1)	(2)
VARIABLES	Social Pension adoption	Social Assistance adoption
GDP/capita (constant 2005 US\$)	1.000+	1.000
	(5.09e-05)	(5.04e-05)
Inflation (%)	1.000	1.000
	(8.75e-05)	(5.02e-05)
Agriculture, value added (% of GDP)	0.949**	1.012
	(0.0178)	(0.0188)
Population living in rural areas (% of total)	1.012+	0.989
	(0.00678)	(0.0115)
Population aged 65 and above (% of total)	1.241**	0.986
	(0.0888)	(0.0592)
Trade (% of GDP)	1.002	1.004
	(0.00334)	(0.00299)
Democratic Years (last 10 years)	1.104**	1.181**
	(0.0418)	(0.0485)
Democratization (event)	5.433**	1.530
	(2.634)	(1.241)
ILO CLS Ratifications (last 10 years)	1.219*	1.250*
	(0.111)	(0.116)
SP/SA density (Regional / Lagged)	1.015	1.025
	(0.00892)	(0.0254)
SP/SA density (Regional / Lagged / since 2002)	1.036**	1.043**
	(0.0121)	(0.0139)
SP/SA present (lagged)	1.287	1.142
	(0.532)	(0.376)
No. of countries	109	102
Observations	3,852	3,051

Effects of social pension / social assistance presence on adoption hazard

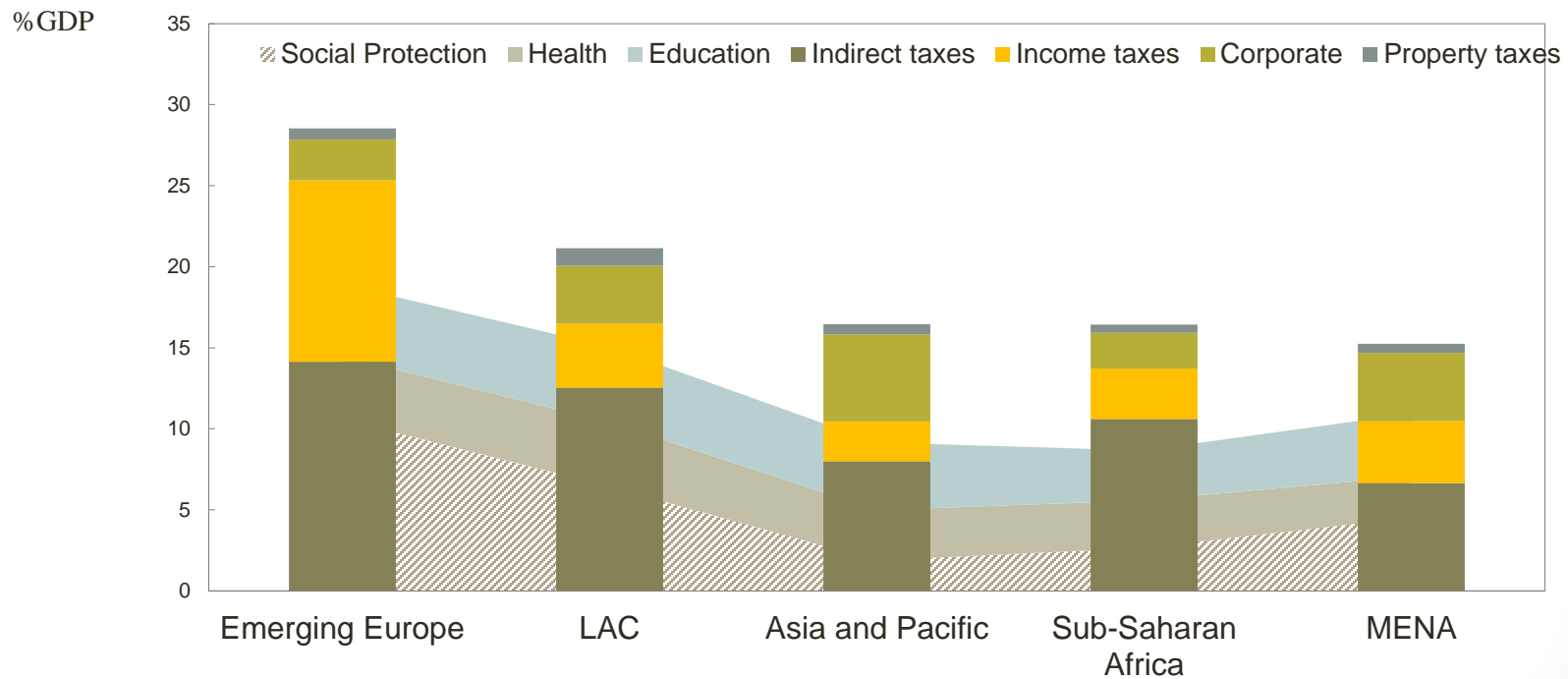
Robust se; eform in parentheses

** p<0.01, * p<0.05, + p<0.1 Source: Weibel (2016) forthcoming.

Total public pension and social assistance spending are positively correlated



Revenues are a likely factor



Source: IMF 2015

Concluding Remarks

- Social pensions are playing a growing role in pension systems around the world
- The origins of social pensions vary and different designs reflect different objectives
- Incentive issues are more important when there is a coverage overlap with contributory pensions
- High coverage countries often redistribute without social pensions through minimum pensions
- There is little evidence that social pensions crowd out social assistance or vice versa
- The evidence that total pension spending is positively correlated with social assistance spending suggests that other factors are important including availability of revenues but more research is needed

Thank you