Expanding Pension Coverage in Latin America: Recent initiatives and impacts

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Contents

- The circular pension debate in Latin America
- The coverage challenge
- A typology of policy approaches
- Some conclusions
Going in circles...

Focus of analysts and policy makers have shifted around three main topics regarding pensions.

Coverage  Adequacy  Sustainability

During most of the 20th Century, attention was on adequacy and coverage, with normative expansion, little attention to sustainability.

Since 1980s, more mature programs with large legal coverage produced short and long term financial concerns, in a bad fiscal context.
Circling around

- In 2000s, improvements in fiscal outlook
- Agreement about lack of (positive) impacts of 1990s reforms on coverage

Coverage Adequacy Sustainability

- At least 18 countries introduced reforms that make programs more accessible, but not more generous in benefits since 2000
- Approaches are heterogeneous, depending on initial conditions, fiscal space, political economy
Circling around

In the last couple of years, the debate went back to adequacy:

Coverage | Adequacy | Sustainability
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Peru: almost full withdrawal at retirement
Argentina: Adjustment in benefits for pensioners to make it closer to actuarial fairness
Chile: Large demonstrations demanding higher benefits, President announced an increase in contributions
The context: Labor force coverage

% of labor force contributing to pension systems

Source: Rofman & Oliveri (2011)
Elderly coverage

% of elderly receiving a pension benefit

Source: Rofman & Oliveri (2011)
Fourteen countries reviewed
- Larger countries
- Relevant reforms in recent years
- Data availability
Two policy approaches...

Expand pension coverage, facilitating access to contributory schemes

Expand poverty reduction programs, previously targeted to poor families with children
Differences in Design and Implementation generate differences in impacts

**DESIGN**
- Universal or Targeted?
- Integrated or Autonomous?
- Permanent or temporary

**IMPLEMENTATION**
- Gradual or Immediate
- Institutional Arrangements
Are the new schemes relevant?

- Important heterogeneity regarding relevance

- Three dimensions considered:
  - Coverage: How many elderly are covered by the new scheme?
  - Adequacy: How much is the monthly benefit?
  - Sustainability: How expensive is the scheme in fiscal and economic terms?
Effect on coverage is heterogeneous, but also in other areas

- Large, generous programs (AR, BR) contributed to fiscal problems
- Bad targeting in targeted programs (PA) produced negative incentives
- Low benefits (CL) promoted demands from beneficiaries
- Unclear financing sources (BO) produced noise in capital markets