



# Social Pensions

Non-contributory Elderly Assistance Programs

October 29, 2019

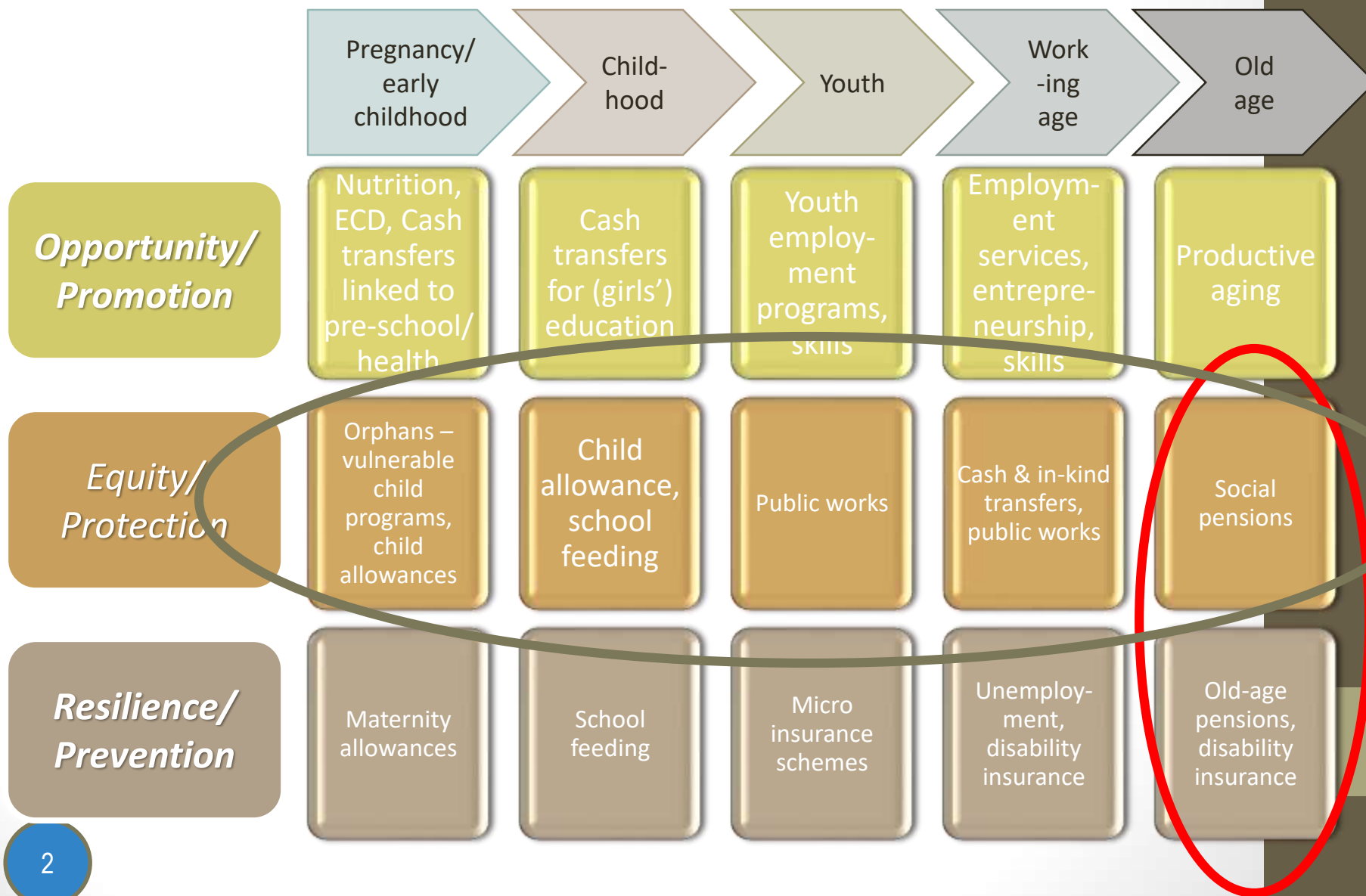
Robert Palacios

World Bank

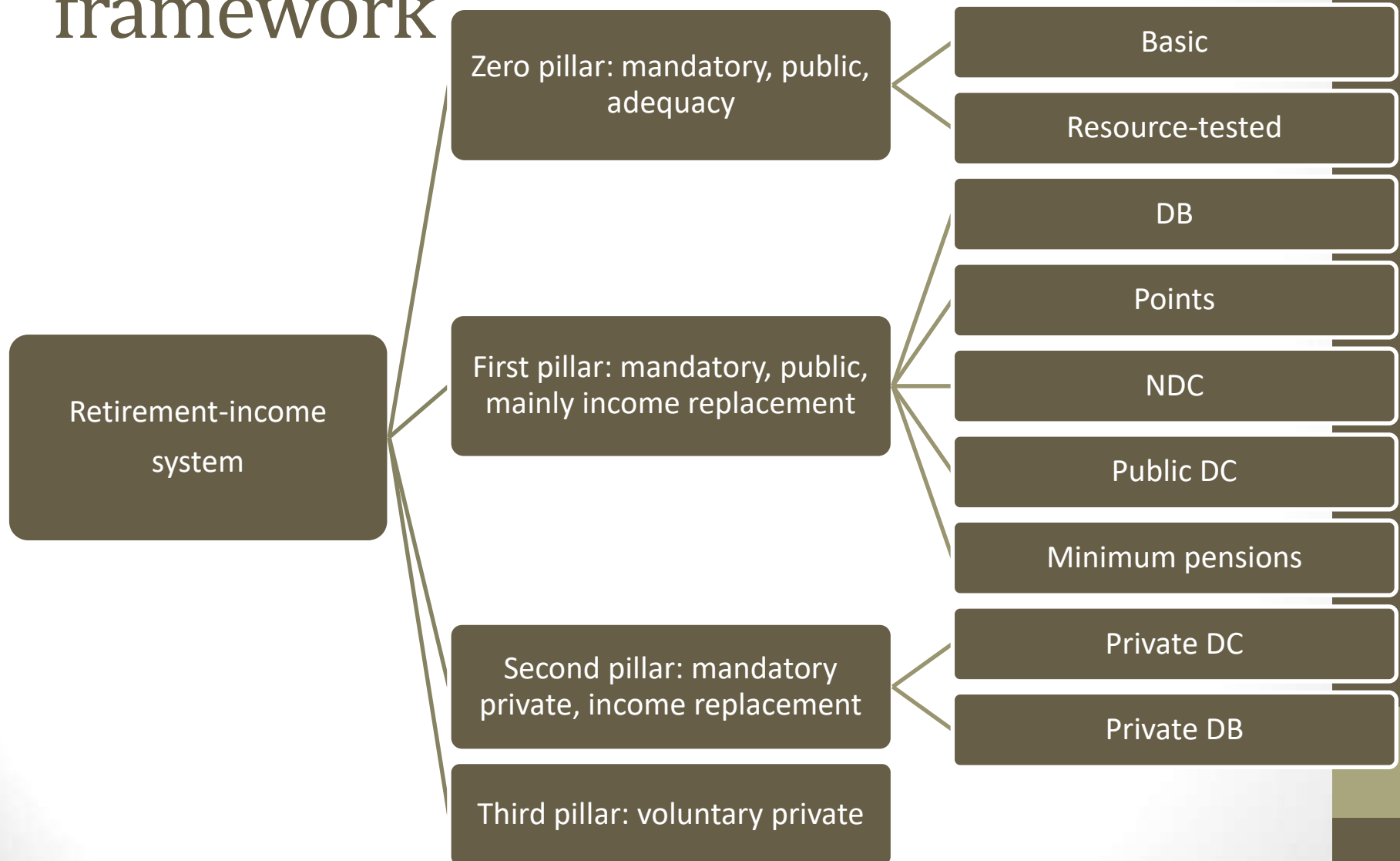
[Pensions Core Course](#)

# Social Protection Systems

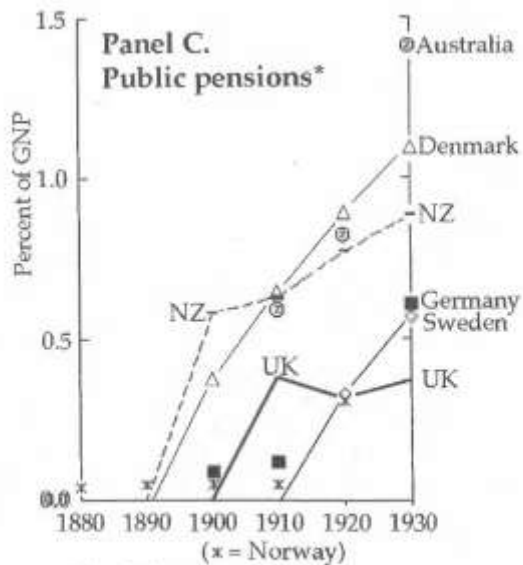
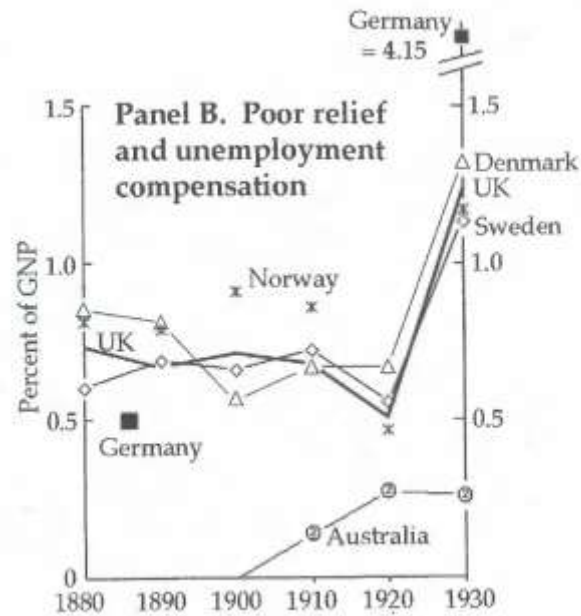
## balance three goals across the life cycle



# World Bank's multi-pillar framework



# Choosing a pension path...



(\*excluding pensions for government employees)

FIGURE 7.1. (continued)



SELECT COMMITTEE

ON

# AGED DESERVING POOR;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

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*Ordered, by The House of Commons, to be Printed*  
*27 July 1899.*

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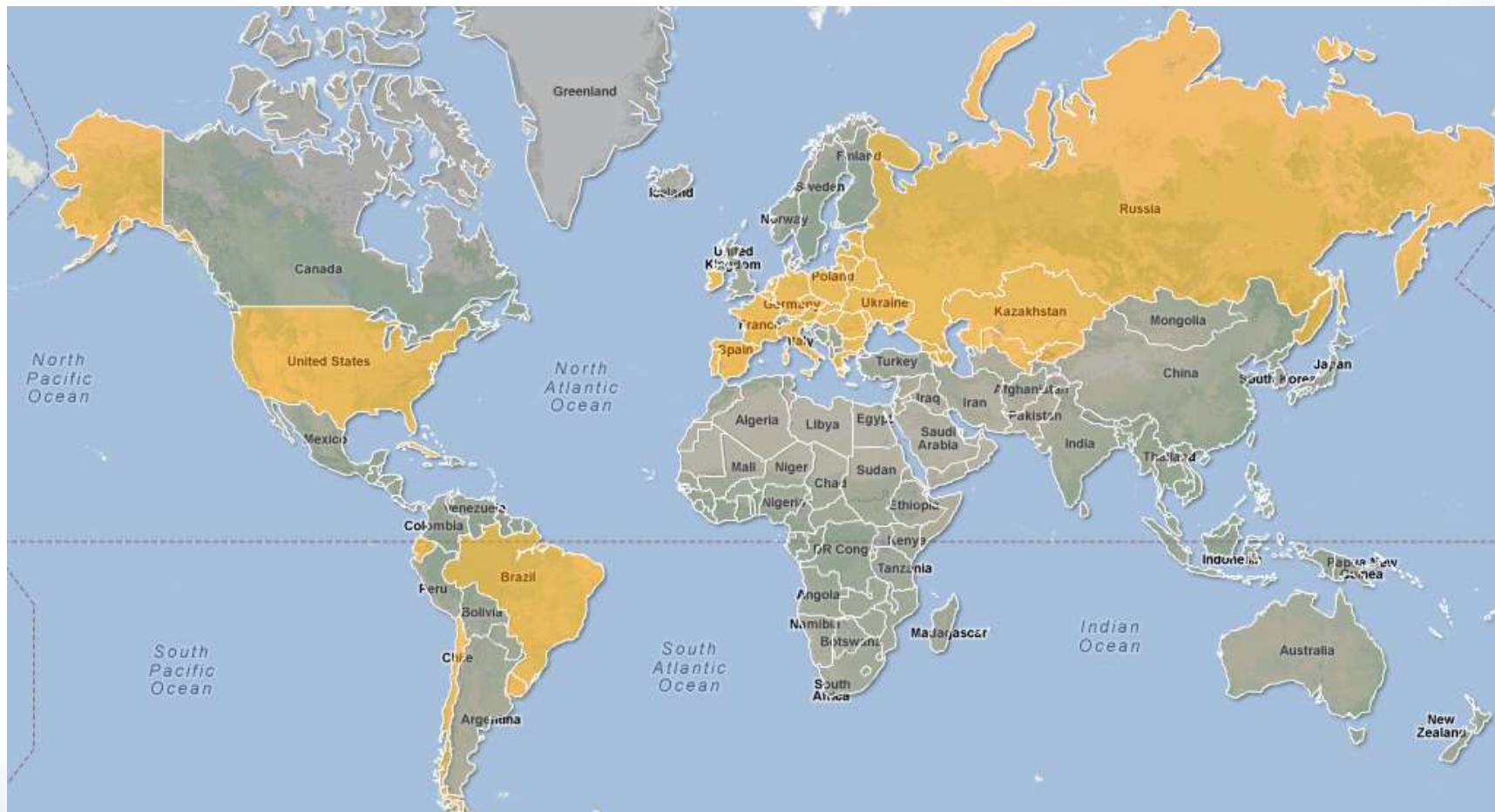
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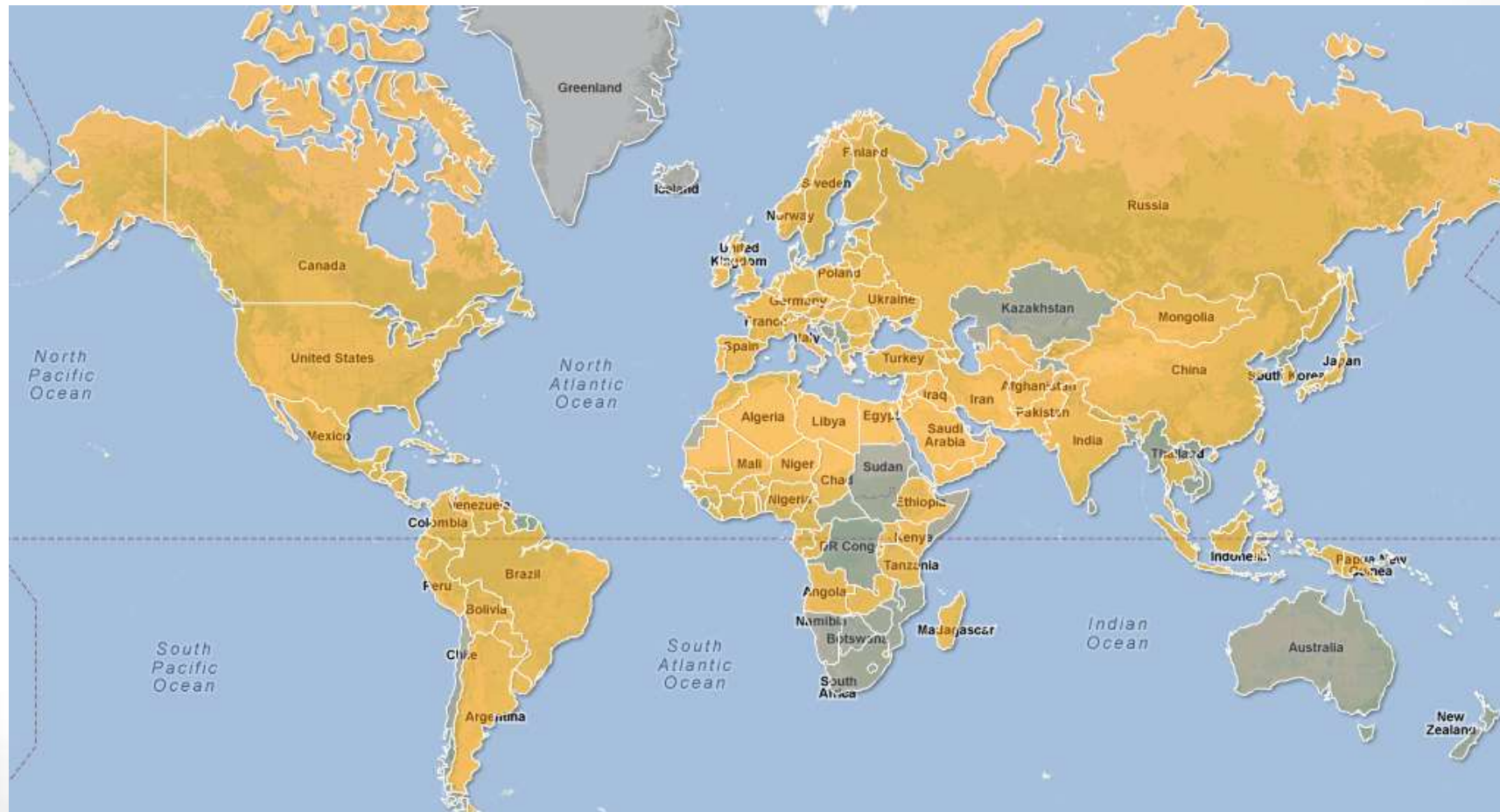
“it has been held that the prospect of a pension for their closing years will disincline the poor to make or continue the exertions that many of them make at present for their own support and that the considerations which induce to industry and thrift will cease to operate in future.”



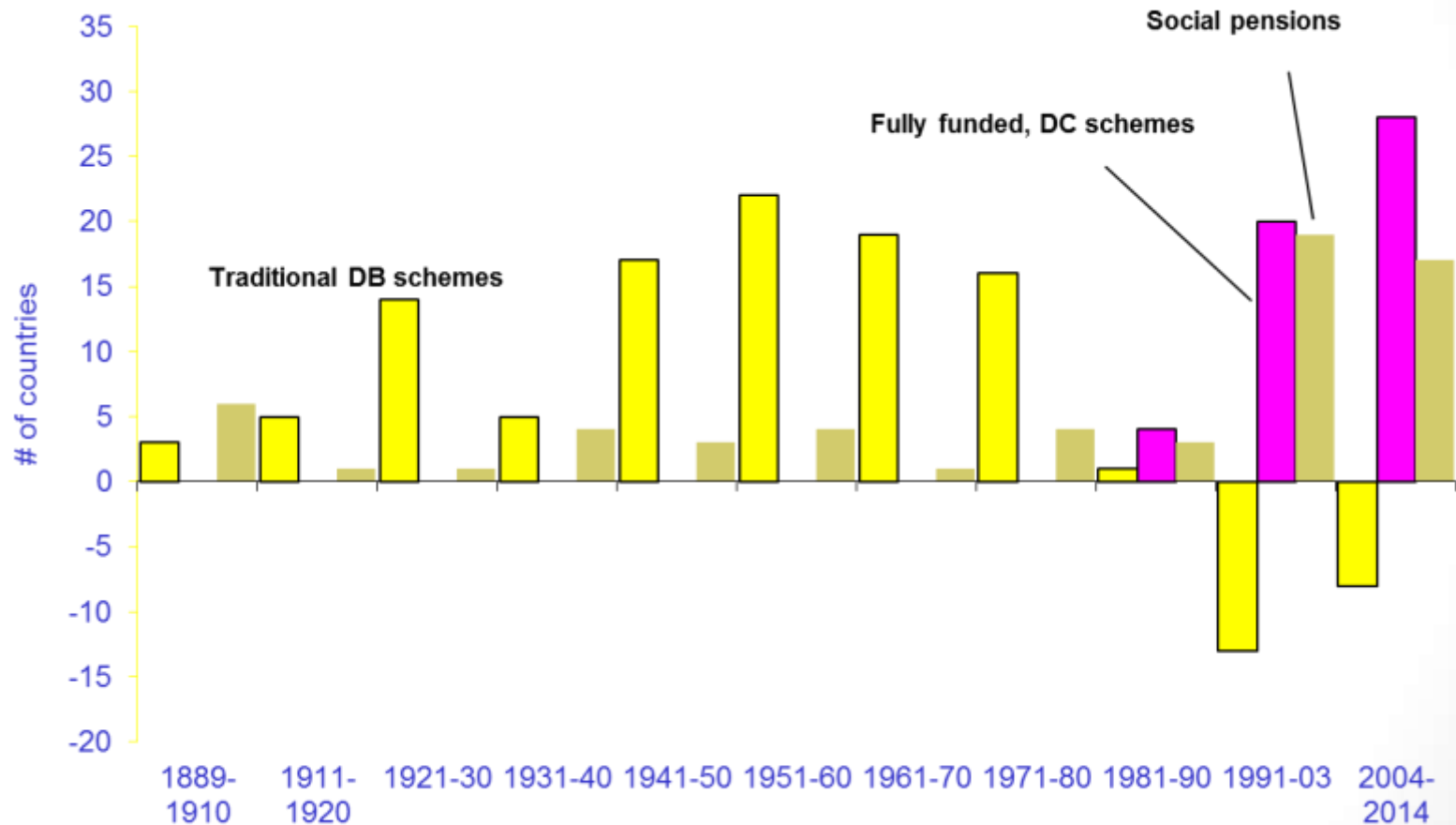
# THE RISE OF DB SCHEMES:1935



# THE RISE OF DB SCHEMES: 2016

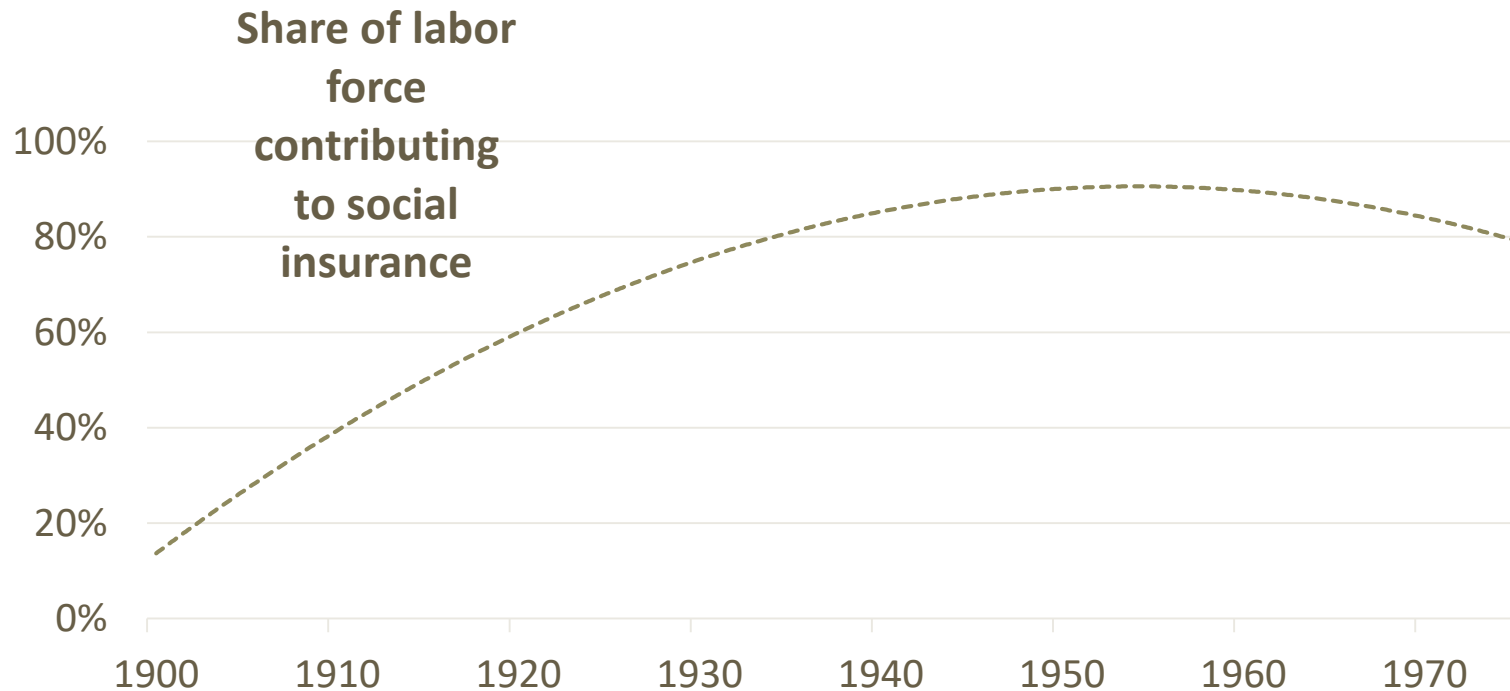


# The tide turns against the DB model

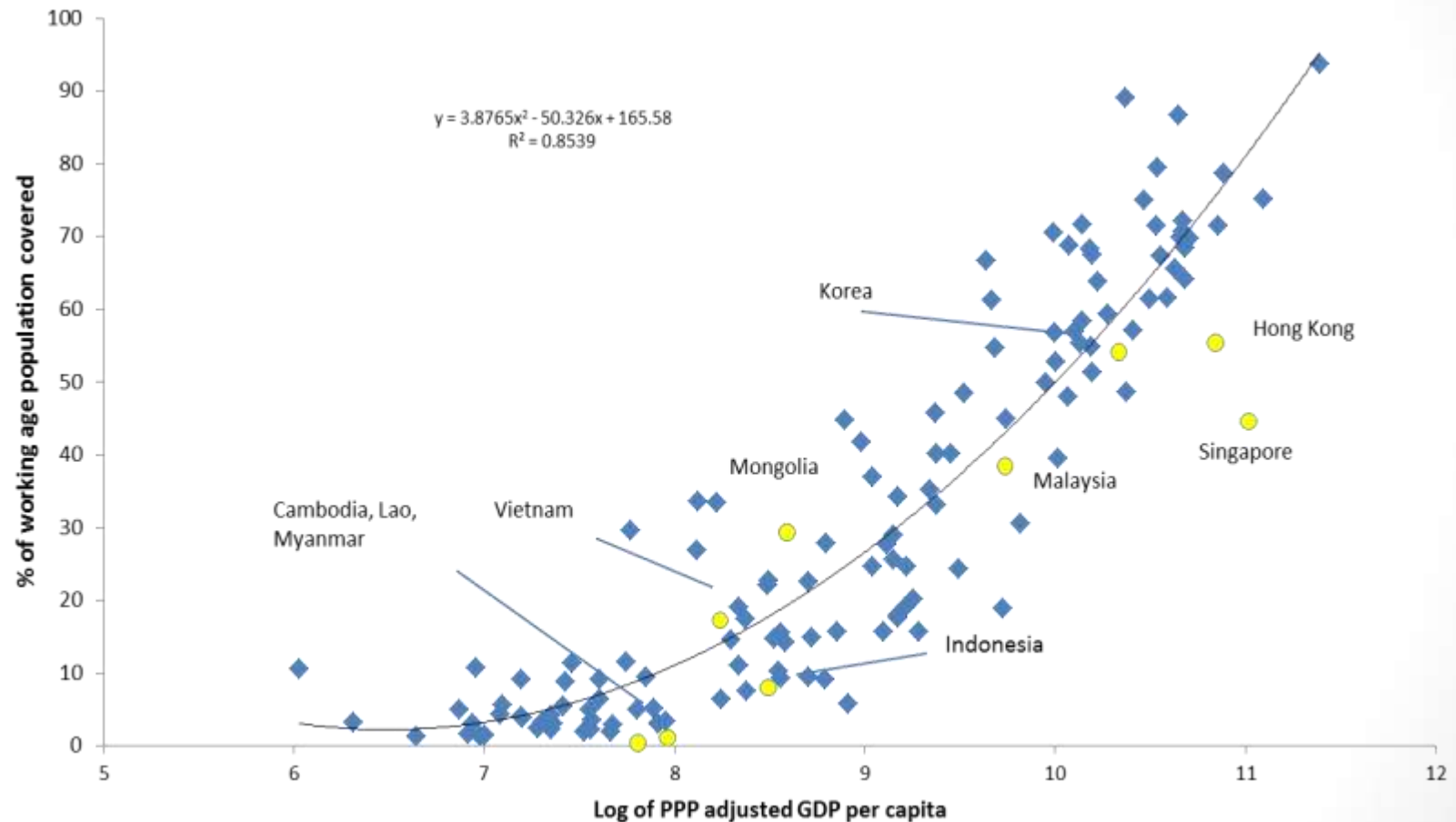




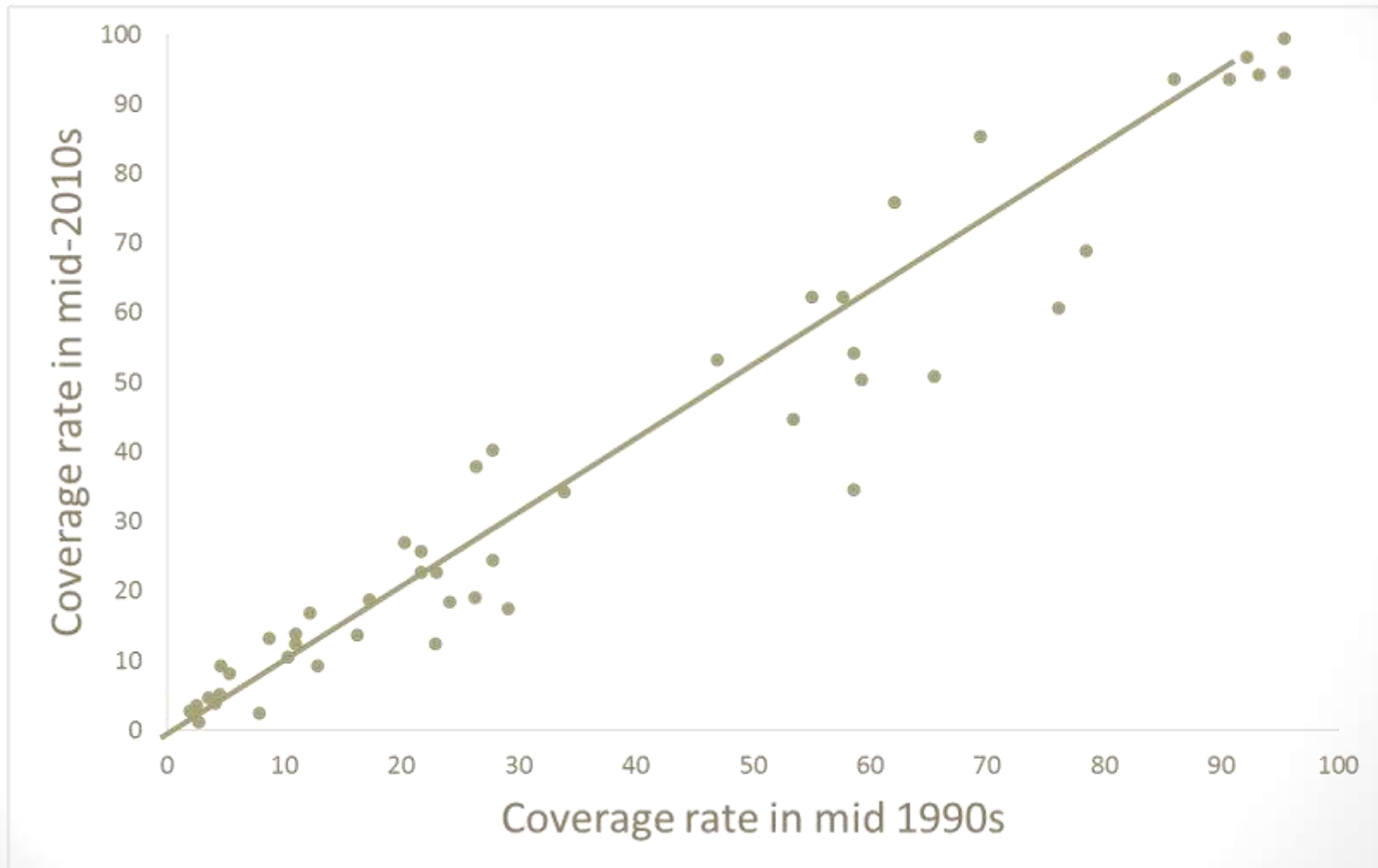
# RICH COUNTRIES REACHED HIGH COVERAGE...



..but coverage has remained low in developing countries

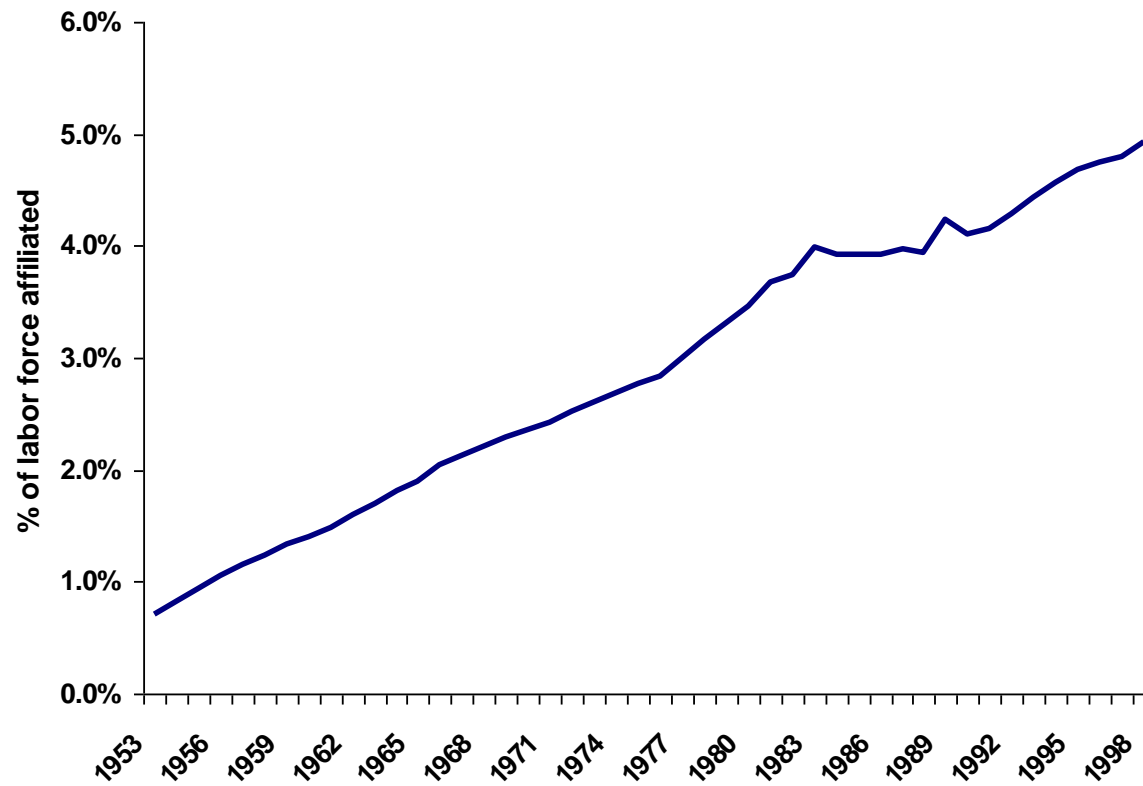


...with little change in last 20 years



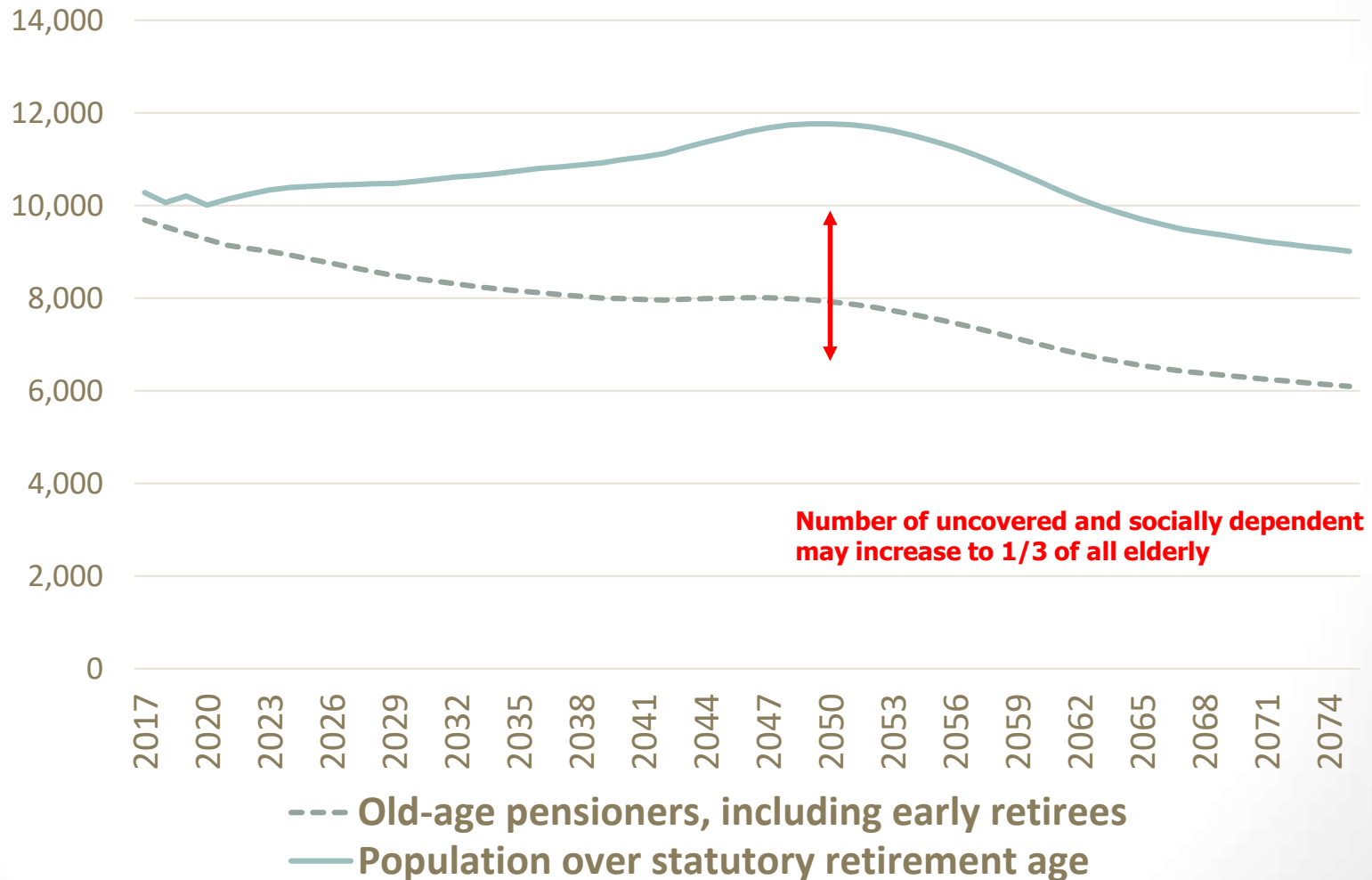
# Growing at a snail's pace in India...

Pension coverage in India, 1953-1998



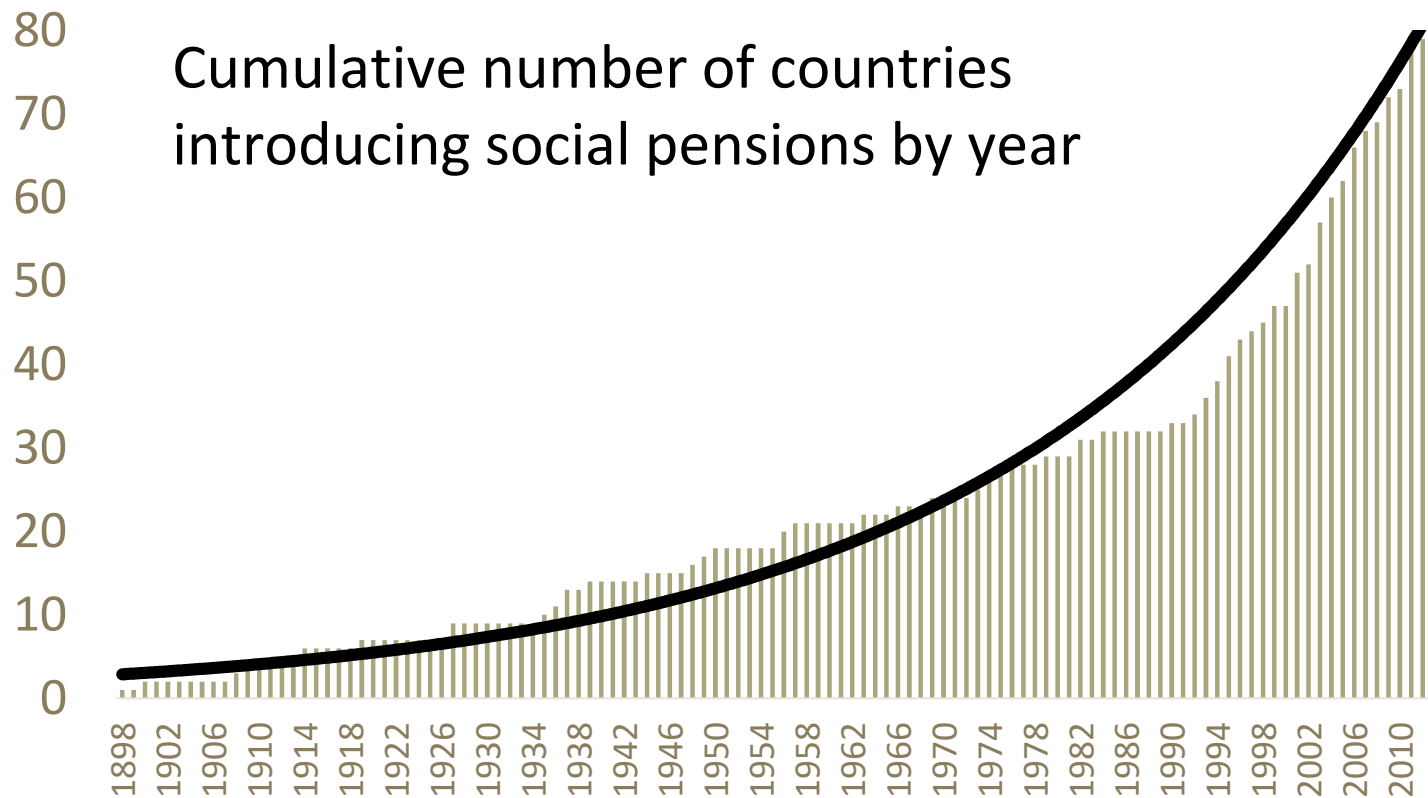
# ...and falling in Eastern Europe

Number of Old Age Pensioners and Elderly, Ukraine

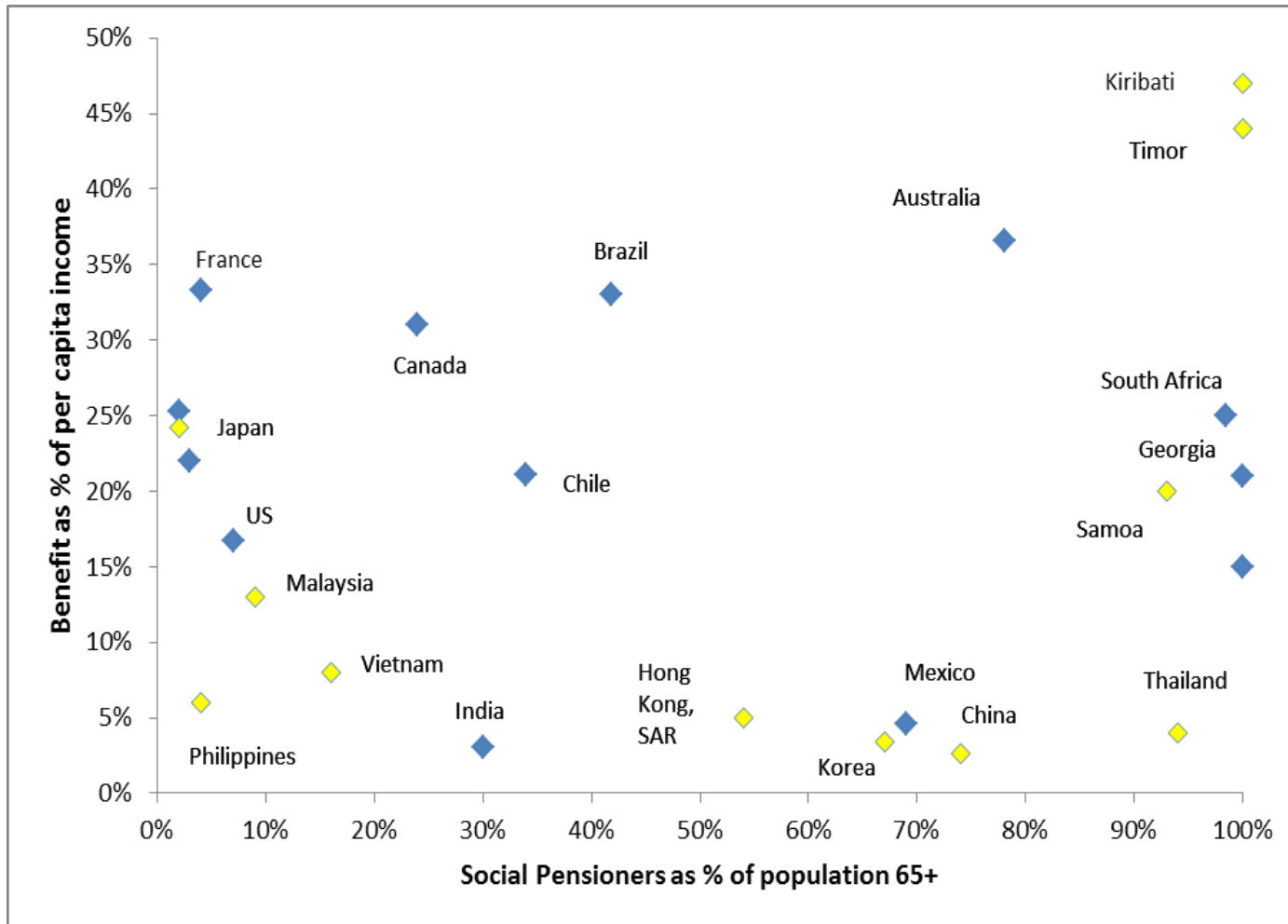




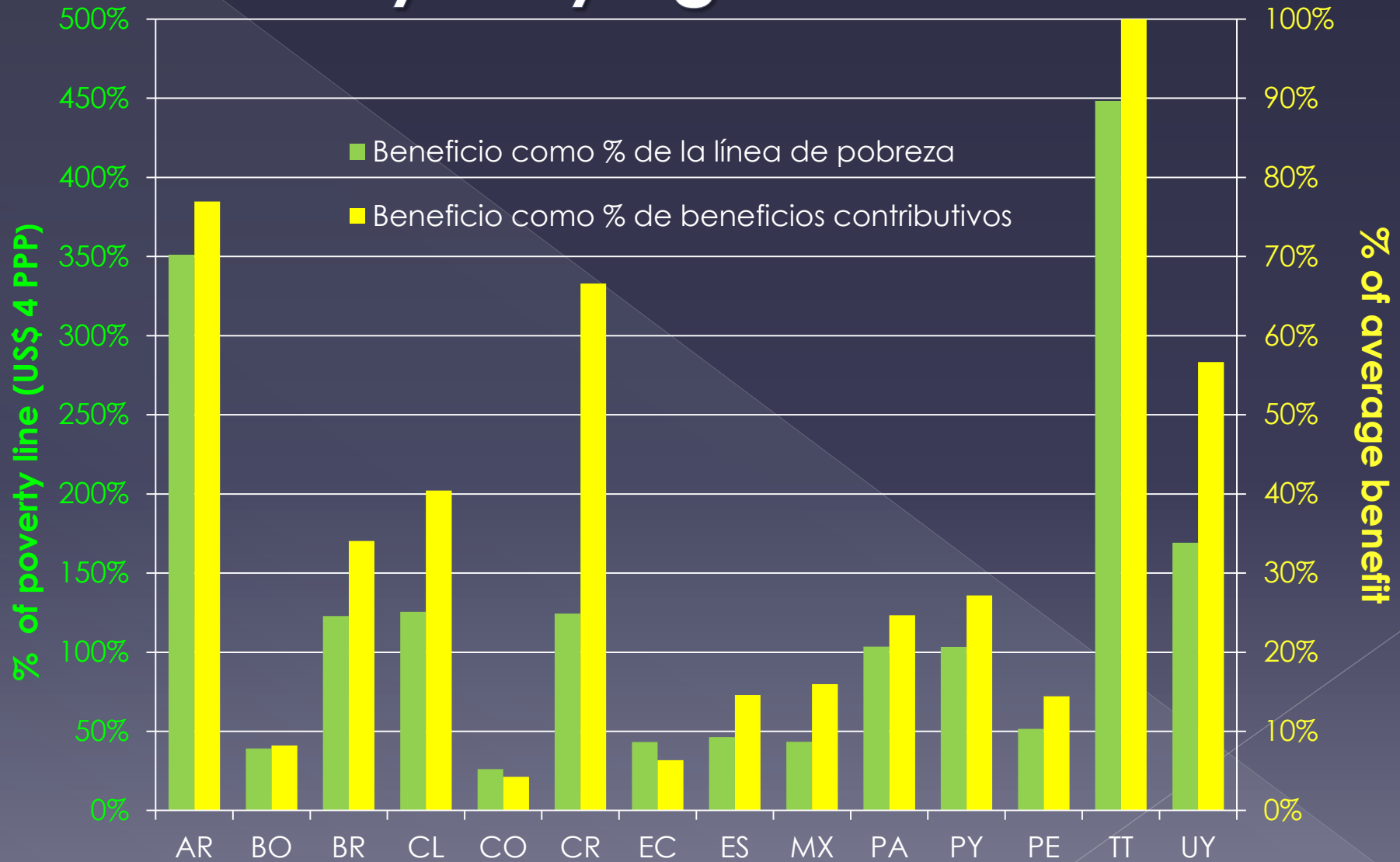
# ...leading to more social pensions



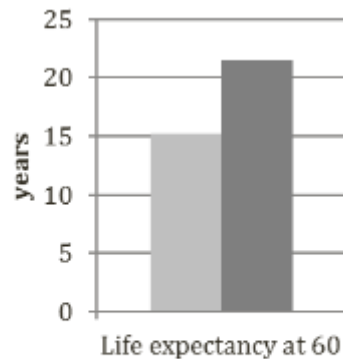
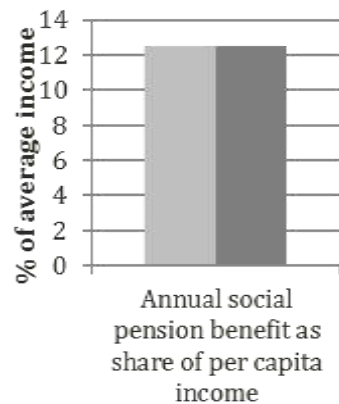
# ...of different shapes and sizes



# Latin American social pensions with widely varying benefit levels



# Social pension wealth comparison: *Canada and Tajikistan*



# Difference in origins, purpose

## 1. Poverty programs

- Bangladesh, India, Kenya, Myanmar, Vietnam

## 2. Main element of pension system

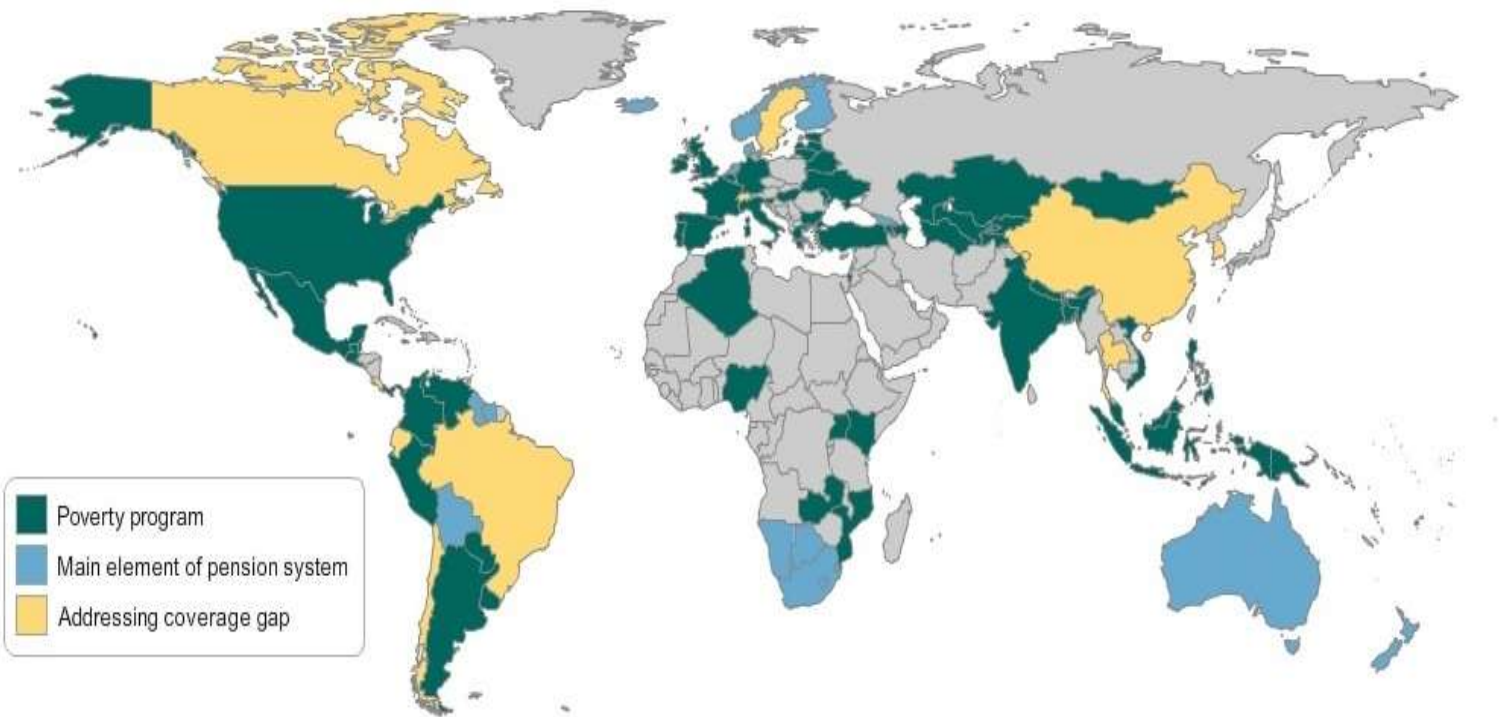
- Pioneers – Australia, New Zealand, Mauritius, South Africa
- Newcomers – Bolivia, Kosovo, Maldives, Timor-Leste

## 3. Programs aimed at addressing the coverage gap

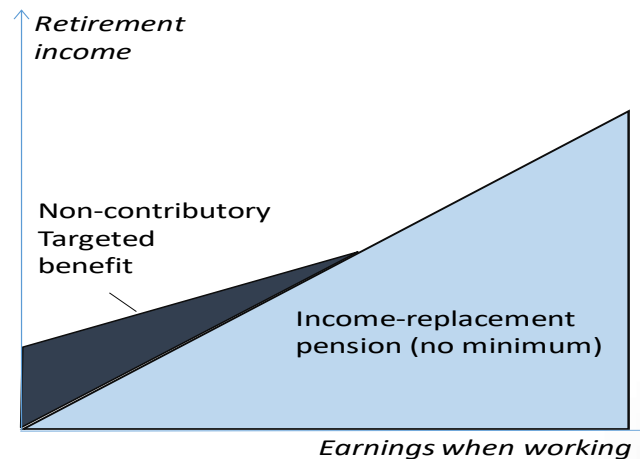
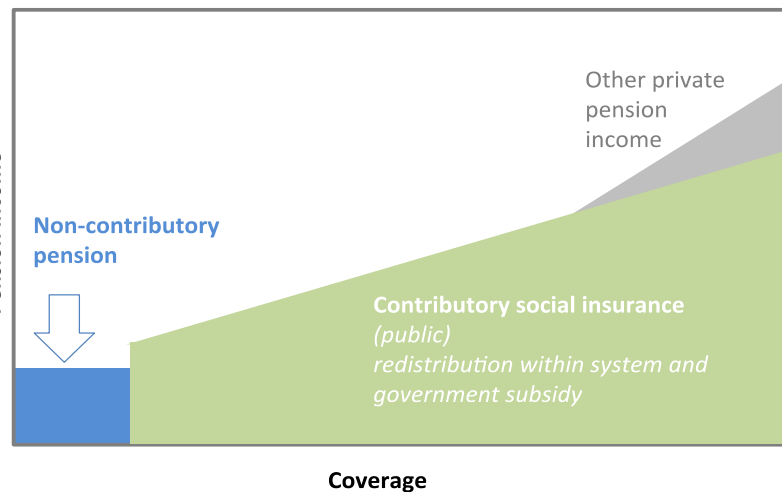
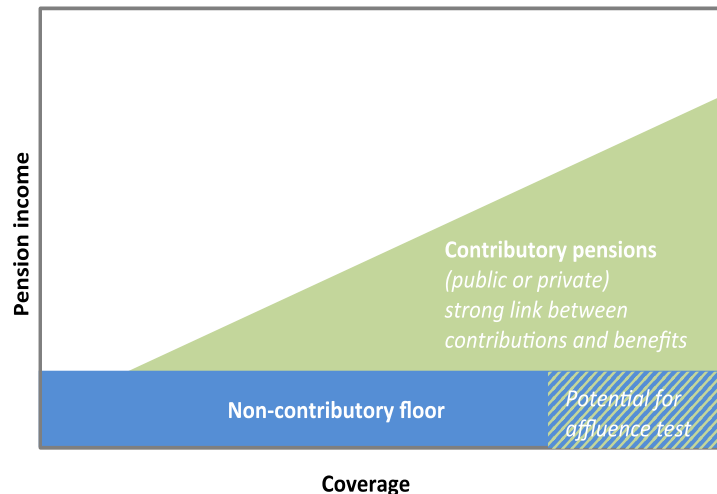
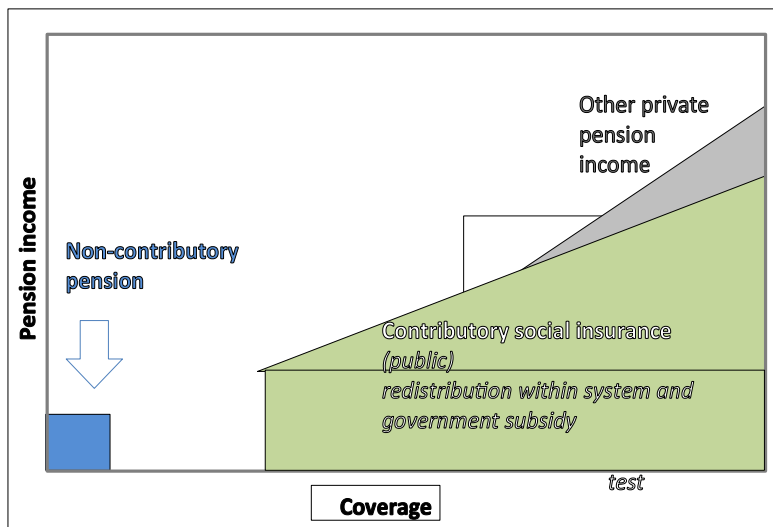
- Mature contributory schemes without sufficient coverage – China, Chile, Mexico
- Immature contributory schemes in aging countries – Hong Kong, Korea, Thailand
- Collapsing post socialist pension schemes – Georgia



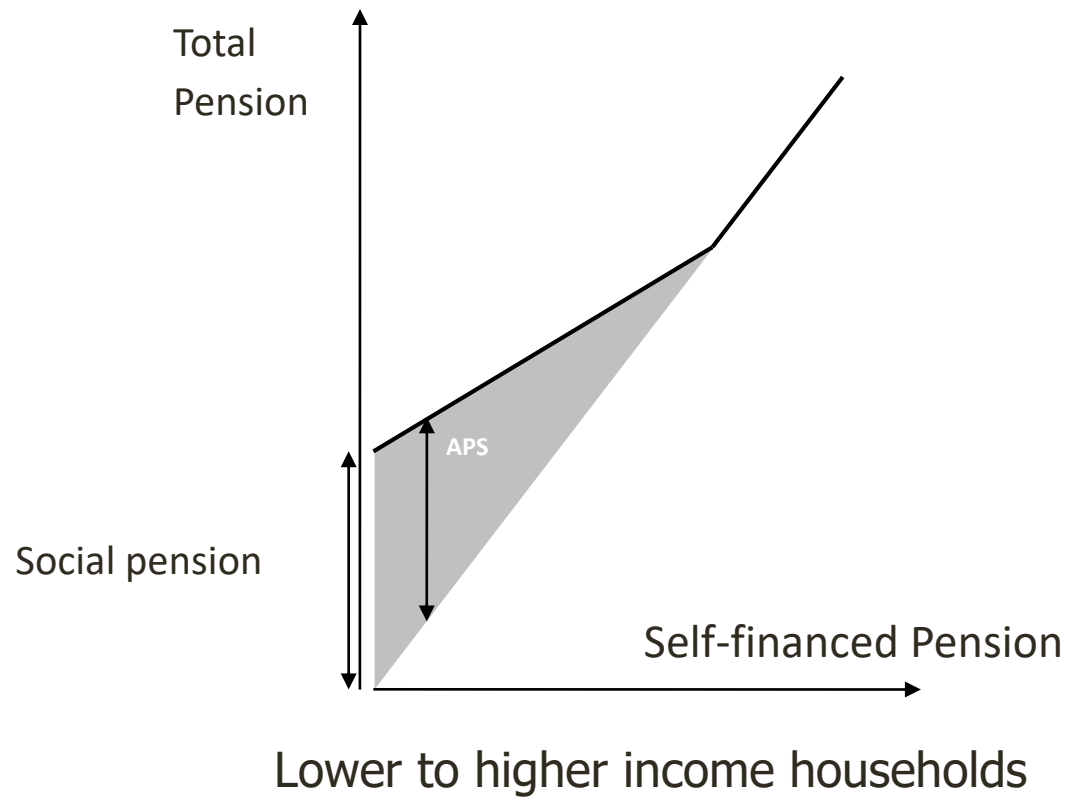
# Different types of social pensions



# Four types of social pensions



# Chile's integrated approach



# Concluding Remarks

- Social pensions have been around since the earliest days of the welfare state but most countries chose the path of contributory, social insurance pensions
- Coverage of these PAYG-DB schemes in rich countries gradually became universal but this never happened in poor and middle income countries and full coverage has reversed in Eastern Europe and Central Asia
- To address the coverage gap many countries have introduced or expanded social pensions in the last 20 years
- But they come in all shapes and sizes in terms of coverage, benefit levels and costs

# Concluding remarks

- Research questions:
  - What is the impact of social pensions on elderly poverty, health, well being?
  - Do social pensions inhibit labor supply, savings (including pension contributions) or private transfers?
  - Is there any evidence of crowding out of other social assistance programs?
- Policy questions:
  - Should countries without social pensions consider introducing them? Should social pensions co-exist with social assistance and does one crowd out the other?
  - What should be the eligibility rules for social pensions?
  - How can social and contributory pensions best be integrated?



Thank you