Pension Systems in Latin America: Concepts and Measurements of Coverage

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Objectives of the paper
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1. Collect, review, and process information from household surveys in LAC to measure pension coverage (in the active and passive stage) and some important covariates.

2. Present a first analysis of the data generated from the household surveys to formulate some stylized facts related to the coverage in the region.
Measuring Coverage (methodology)
Methodology

• Data from household surveys, larger level of detail and consistency
• 17 countries from LAC: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela
• Timeframe: From 1990 to 2006, when available
• Economically active population over the age of 20 and beneficiaries over 65 years old
• Two countries with urban coverage (Argentina and Uruguay), others are national
Indicators

• Participation of Active Workers:
  (i) contributors/economically active individuals,
  (ii) contributors/employed persons
  (iii) contributors/wage earners
• Coverage of the Elderly:
  (i) pension recipients/individuals over the age of 65
  (ii) individuals residing in households with pension recipients over the age of 65

Covariates

• Age group
• Geographical areas
• Sector of employment
• Level of education
• Gender
• Occupation
• Firm size
• Income quintile
Results

Active Workers
Participation of labor force is low in most countries, and recent evolution was weak.

Figure 1. Coverage Rates for the Economically Active Population

Source: own, based on Survey of Households.
Problems are more serious in private sector, but public sector is also affected

Figure 2. Participation Rates for Employed Workers, by Type of Employer

Source: own, based on Survey of Households.
The link between firm size and compliance is very clear

Figure 3. Participation Rates for Employed Workers, by Sizes of Establishments

Source: own, based on Survey of Households.
Income is most critical: Poor workers are excluded from the system

Figure 4. Participation Rates for the Employed Workers, by Quintile of per capita Income
In Argentina, poorest quintile was catastrophic, top quintile had a small improvement

Figure 5. Argentina - Participation Rates for Employed Workers, by Quintile of Per capita Income

Source: own, based on Survey of Households.
Results

Elderly
Extremely low rates in almost all of the countries and the situation is getting worse over the years

Figure 6. Coverage Rates for the Elderly

Source: own, based on Survey of Households.
Coverage increases with the level of education except for those countries with relative larger coverage.

Figure 7. Coverage Rates for the Elderly, by Education
Three groups of countries: Those that protect nobody, those that protect the rich, and those that protect all

Figure 8. Coverage Rates for the Elderly, by Quintile
Argentina is moving from protecting all to protecting only the rich

Figure 9. Argentina - Coverage Rates for the Elderly, by Quintile

Source: own, based on Survey of Households.
Final comments
Final comments

• Main goals of the pension systems
  Poverty alleviation and income smoothing

• Pension system performance
  Addressed by coverage, adequacy, and sustainability

• Most of the region’s countries have serious problems in meeting the basic objectives of their social security systems
  Root of the problem: high informality

• Coverage problems go beyond public and private management of the systems

• Much remain to be done
  Further evaluation, continuation, and analysis of adequacy and sustainability
Thank you