

Pension Systems in Latin America: Concepts and Measurements of Coverage

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Objectives of the paper



Objectives of the paper

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



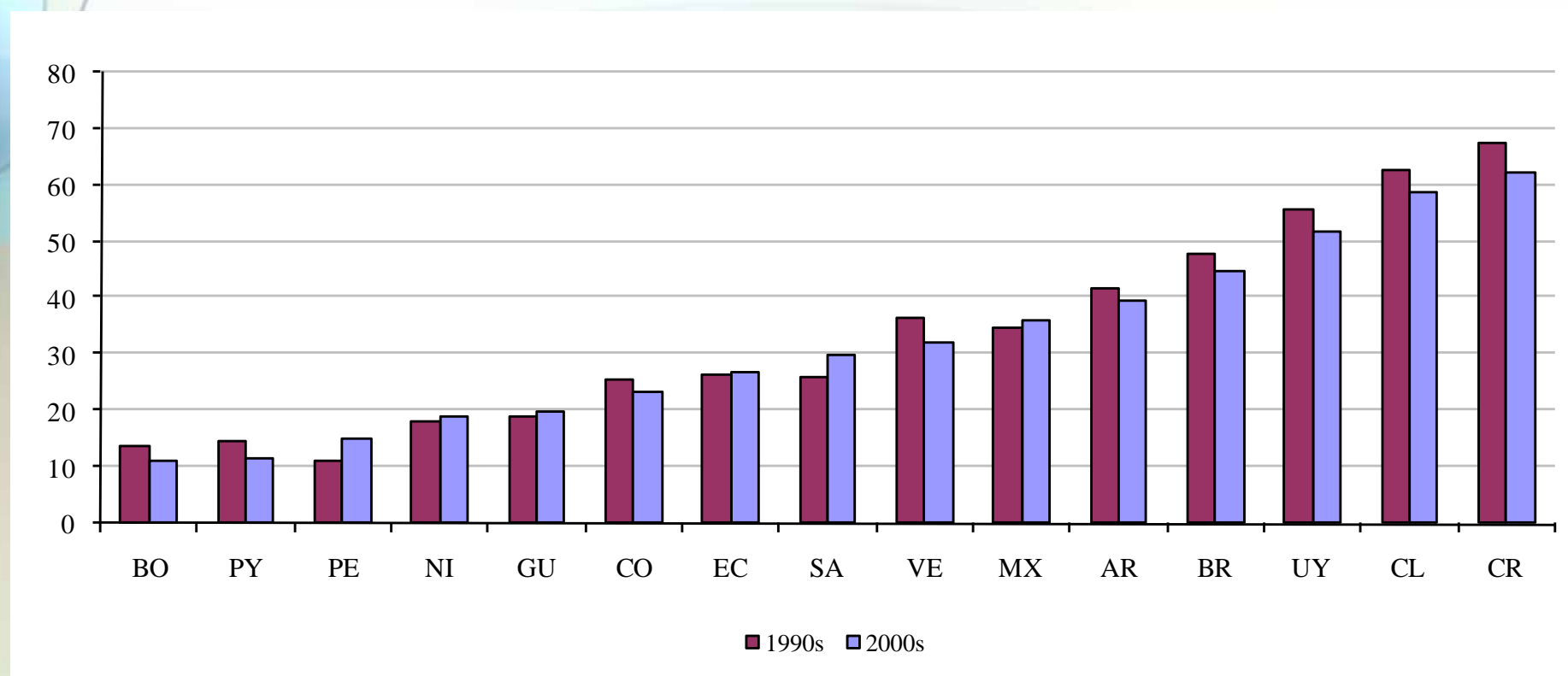
Results

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

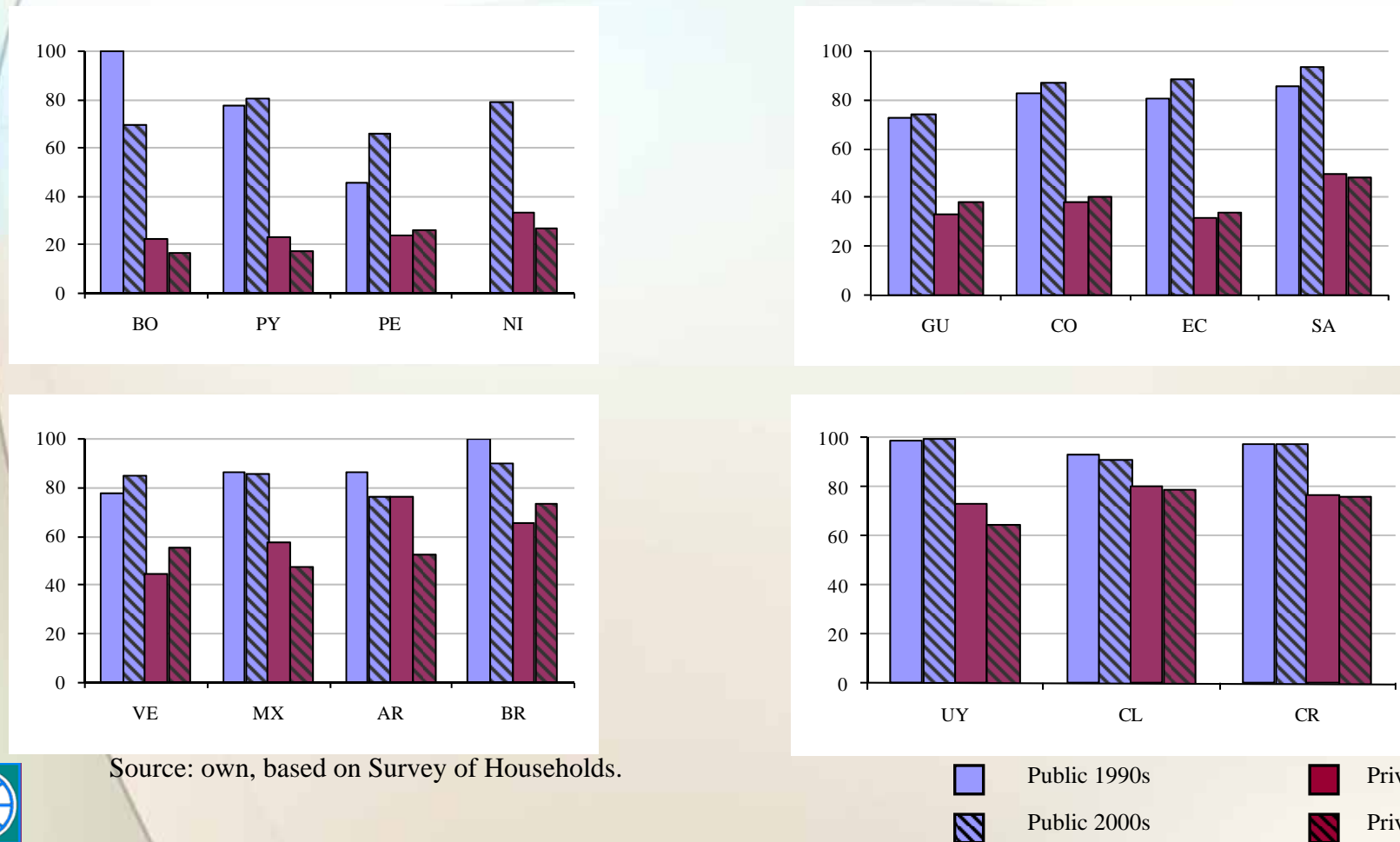


Source: own, based on Survey of Households.



Problems are more serious in private sector, but public sector is also affected

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

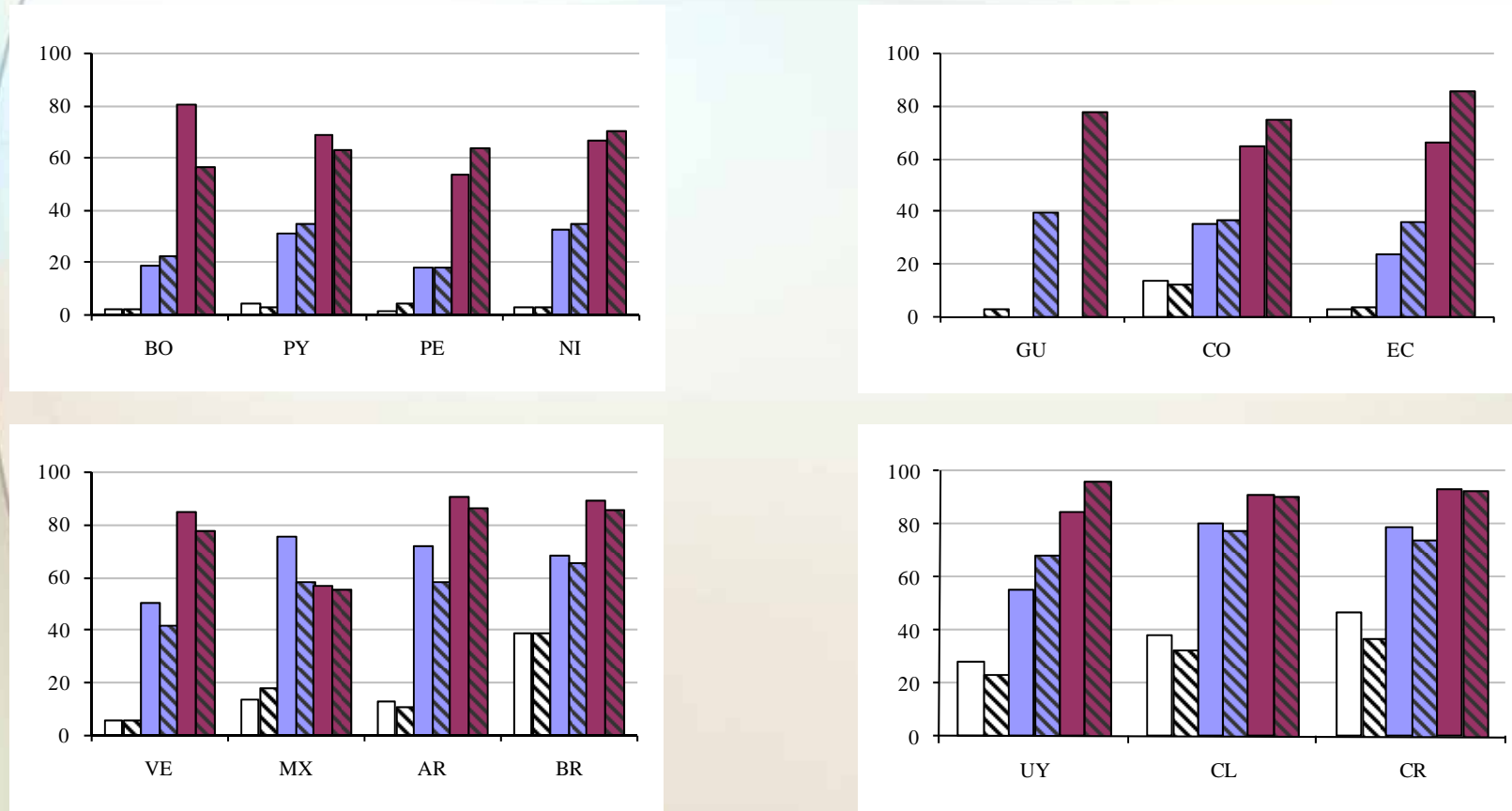


Source: own, based on Survey of Households.



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.

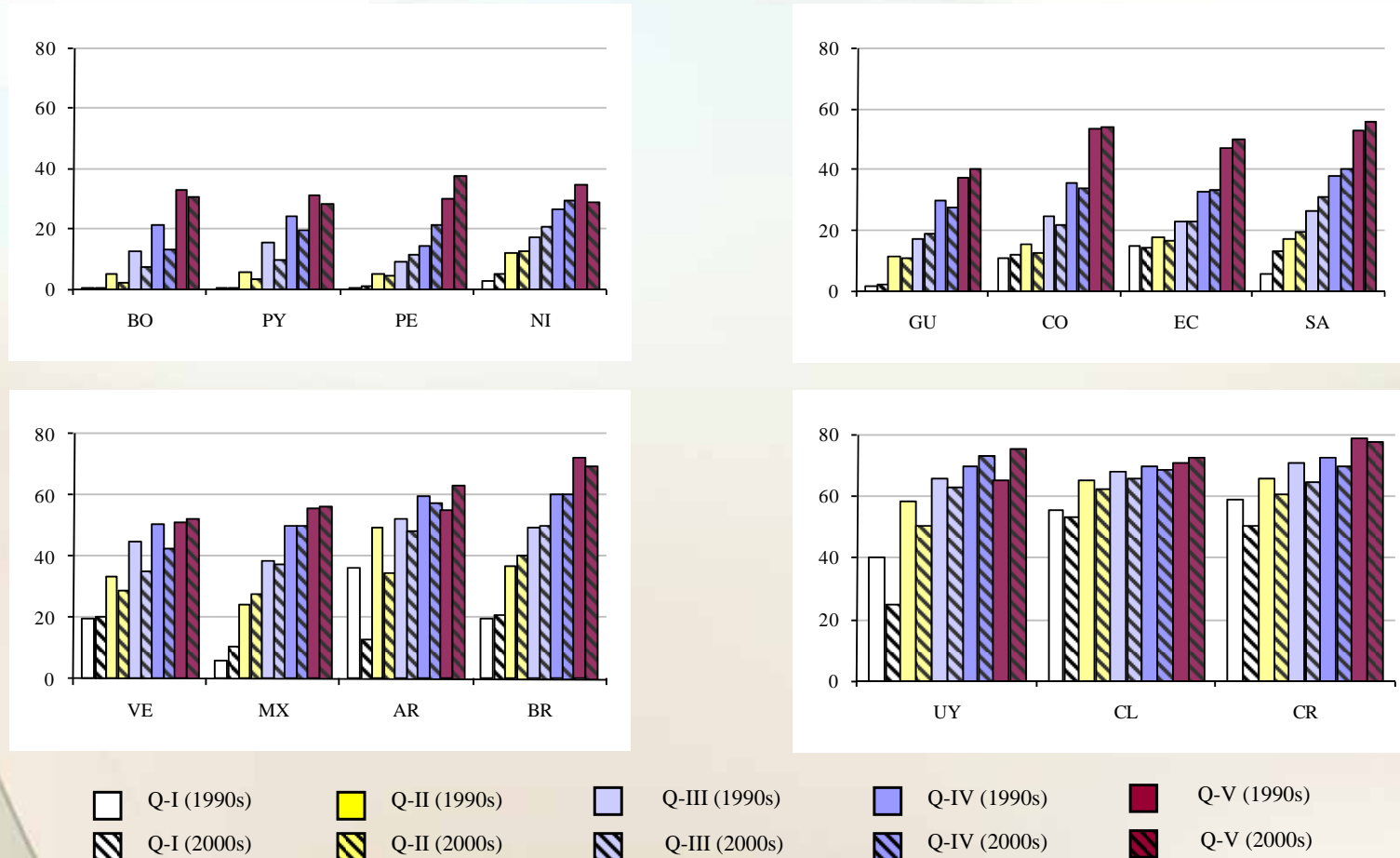


Small 1990s
 Medium 1990s
 Large 1990s

Small 2000s
 Medium 2000s
 Large 2000s

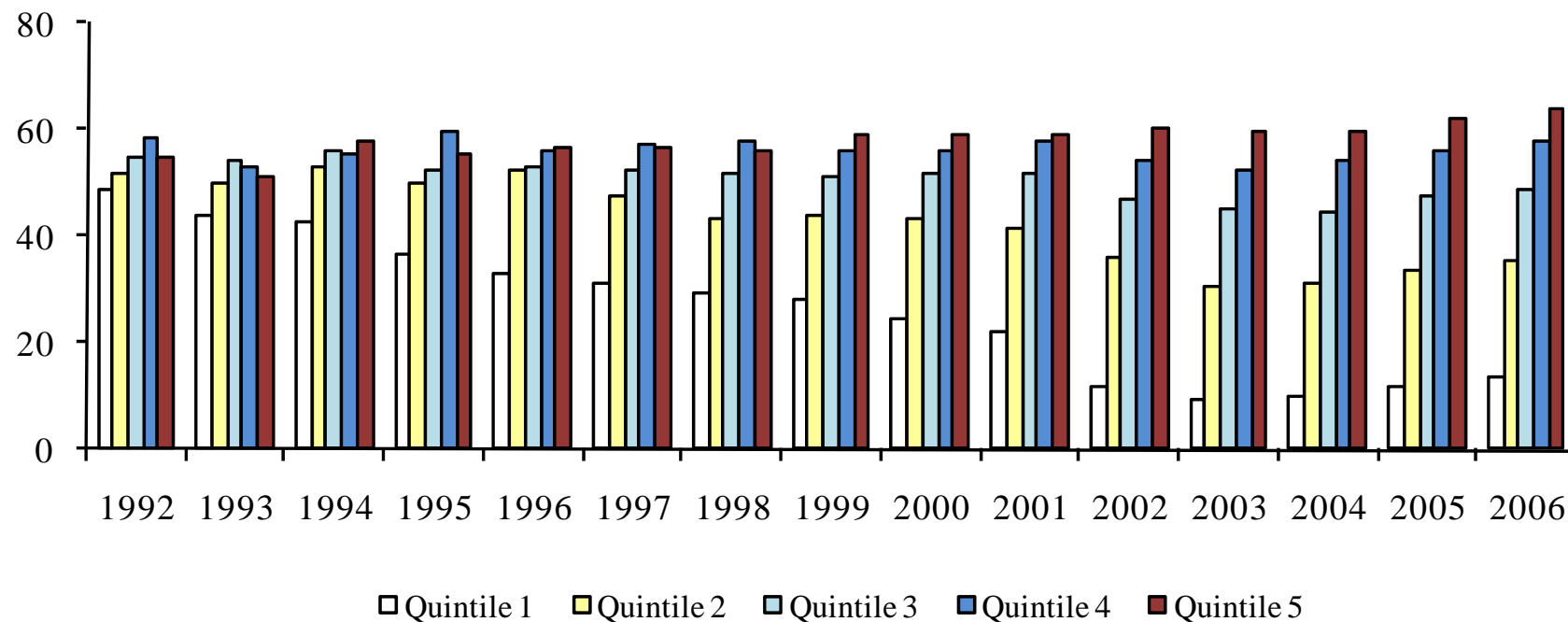
Income is most critical: Poor workers are excluded from the system

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.



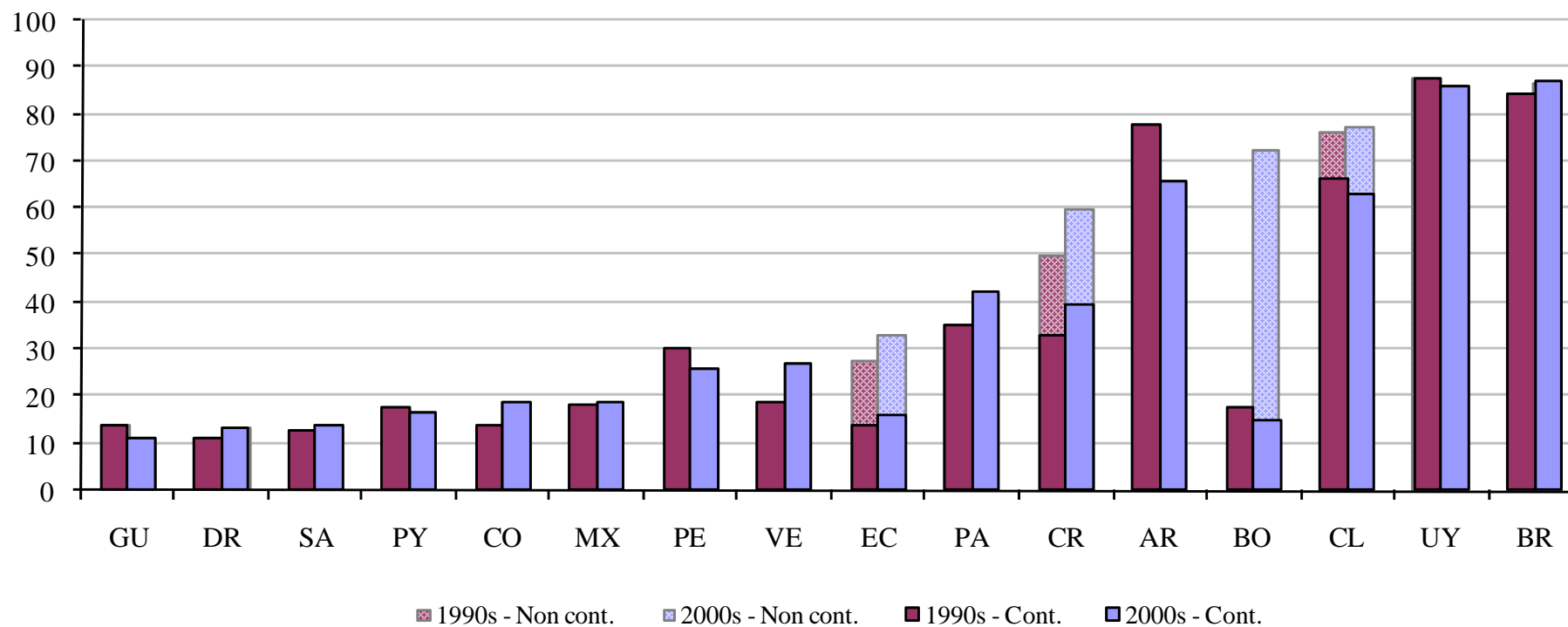
Results

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

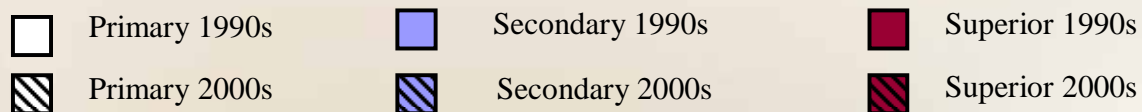
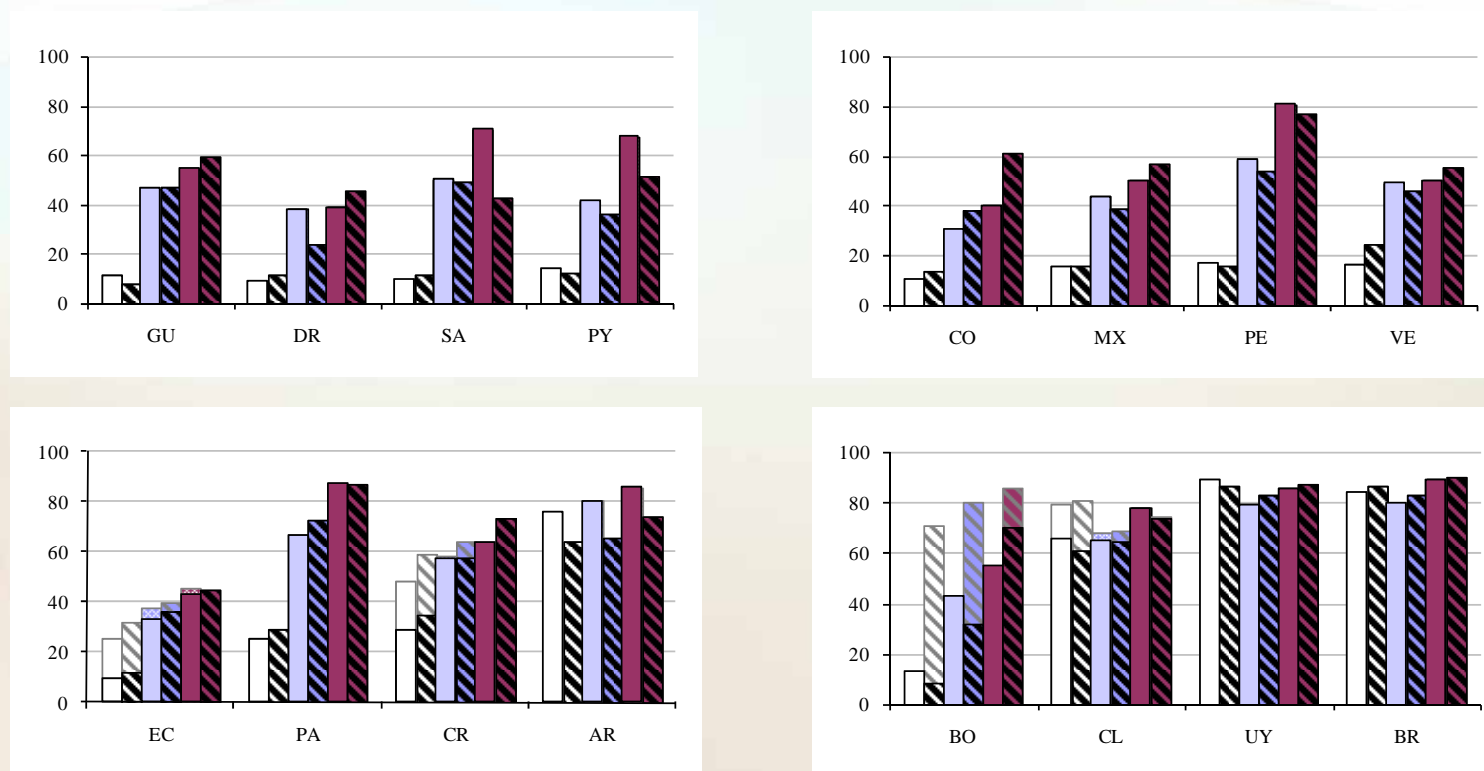


Source: own, based on Survey of Households.



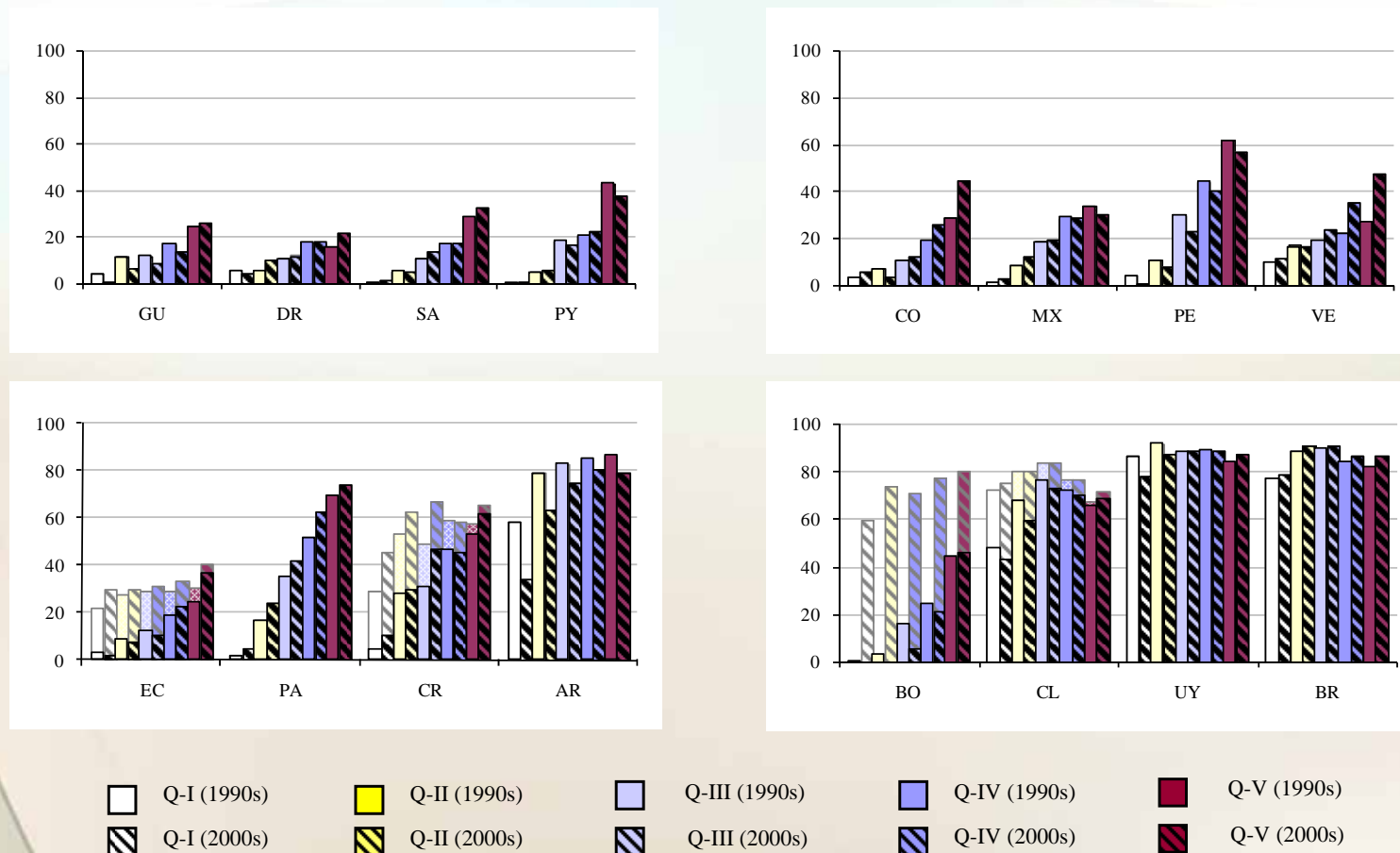
Coverage increases with the level of education except for those countries with relative larger coverage

Figure 7. Coverage Rates for the Elderly, by Education



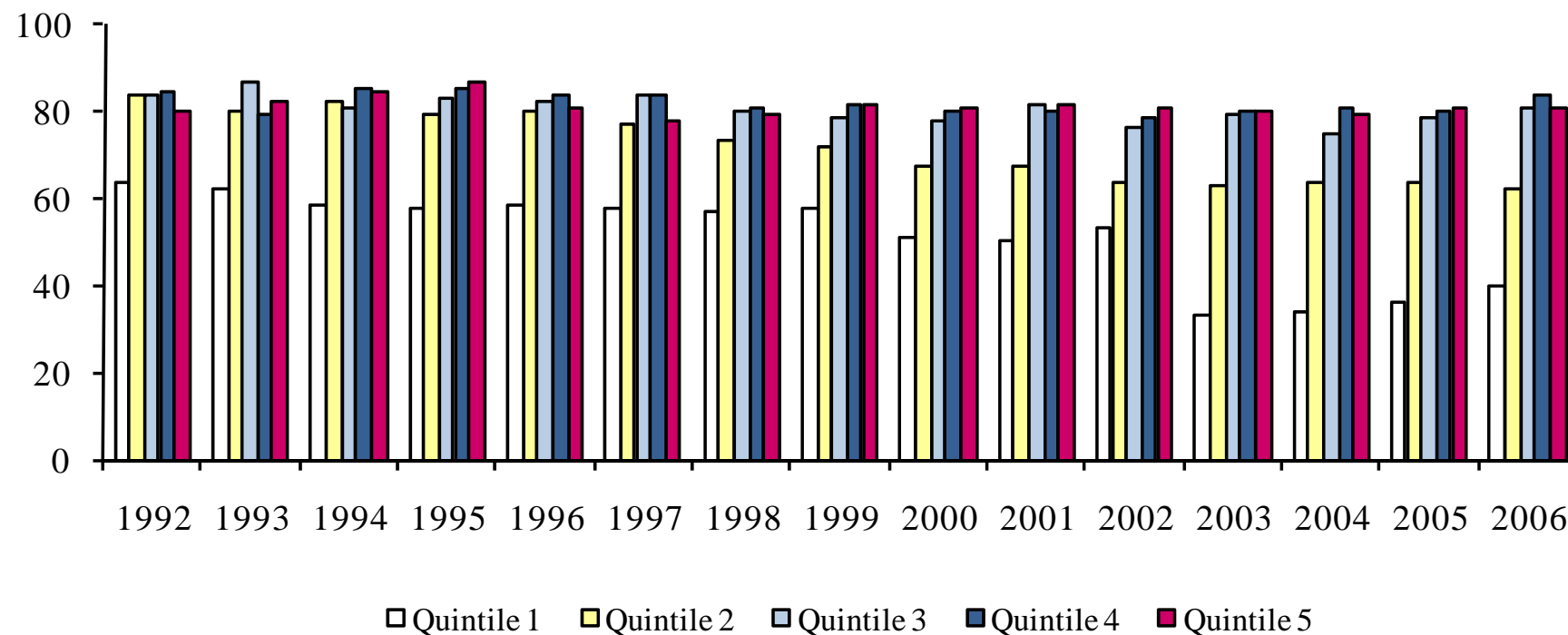
Three groups of countries: Those that protect nobody, those that protect the rich, and those that protect all

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

