

Administration of Social Pension Programs

Comments by
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Overview

- The authors have supplied a comprehensive review of options and approaches for administering social pensions; I commend them.
- I will focus my limited time on two topics:
 - Underscoring their point about the importance of flexibility in developing the administrative strategy
 - Discussing the administrative impacts of some of the complex trade-offs involved in developing a targeting strategy

Importance of Flexibility in Developing Administrative Strategy

1. Wide variation among countries in the relative strength of different institutions
 - Partially dependent on the stage of economic and institutional development
 - Communications infrastructure
 - Role, size and reach of financial institutions
 - Structure of tax system, especially personal taxes
 - Vital statistics records
 - Partially dependent on unique historical factors
 - Pension coverage rates (e.g. FSU vs Sub-Saharan Africa)
 - Dynamic leaders of particular institutions
 - Cultural and social histories and attitudes

2. Important to have information on the full range of options tried elsewhere and careful analysis of both the potential and the limitations of each approach.

Targeting Decisions: Balancing program payments, administrative resources, and political support

1. Demographic coverage – aged, disabled, children, working age
2. Behavioral conditioning
3. Proxies versus actual measures
4. Tolerance for inclusion and/or exclusion errors
5. Tolerance for “waste, fraud and abuse”
6. Role of stigma
7. Individualization of benefit
 - Uniform flat rate or variation according to needs
 - Minimum living standard guarantee or universal income floor
 - Importance of horizontal equity

Impact of Program Structure on Costs: The Case of the United States

Administrative costs of cash benefit programs operated by the U.S. Social Security Administration:

| | Percent of Benefit Payments | Per Beneficiary |
|----------------------|--------------------------------|--------------------|
| Retirement pensions | 0.7 % | \$ 74 |
| Disability pensions | 2.7% | \$123 |
| Means tested benefit | 7.0% | \$400 |

- A pure age-related demogrant should cost less than retirement pensions
- Extensive individualization of each recipient's benefit should produce higher cost than the means tested benefit.