

Social pensions in Latin America

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**International
Labour
Organization**

Recent Developments in the Role and Design of Social Protection Programmes.

A Policy Dialogue, Expert Workshop and South-South Learning Event

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What are social pensions?

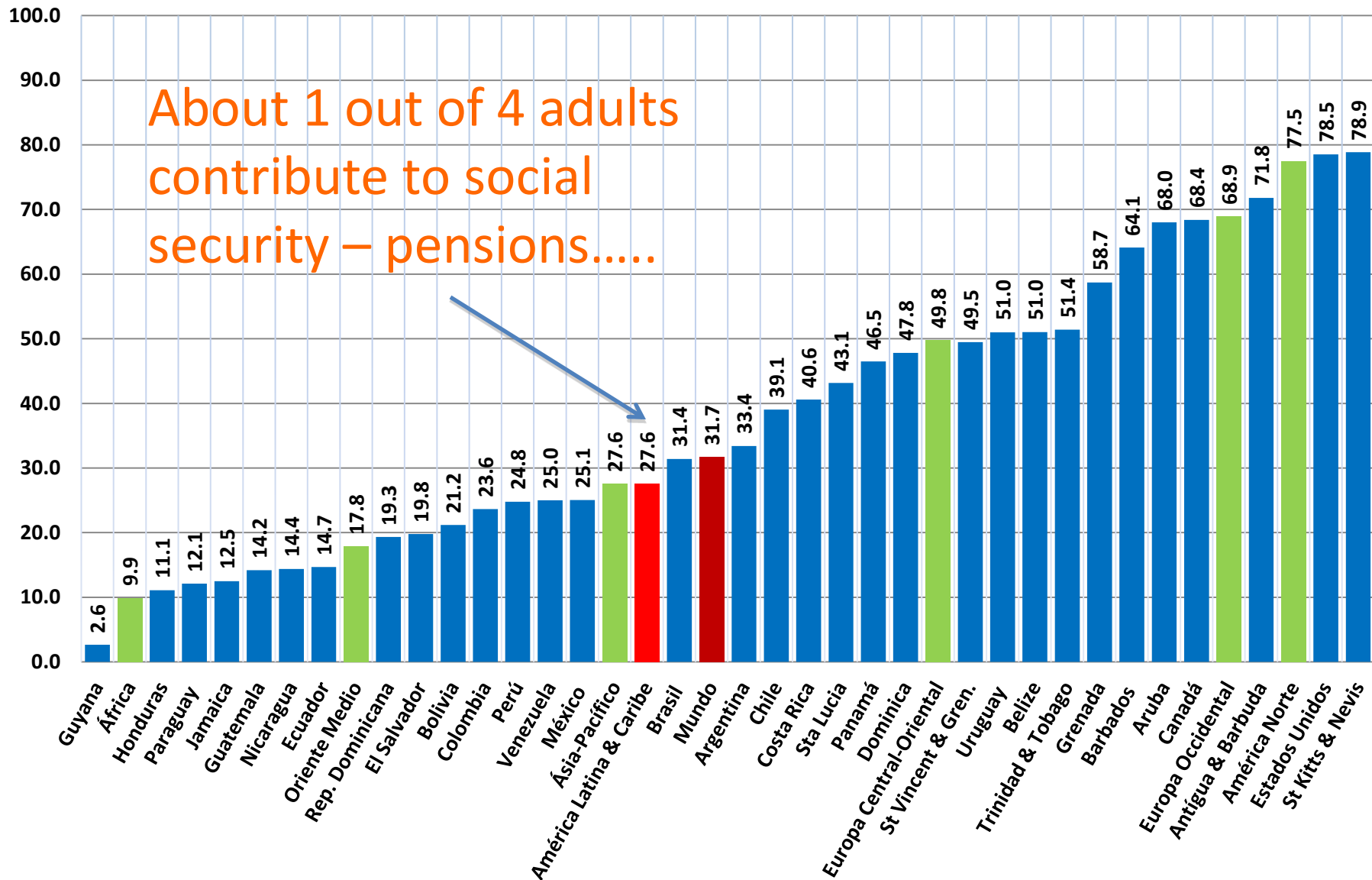
- Social pensions are part of the social assistance non-contributory social protection system
- Social pensions have gained relevance in social protection systems in Latin America
- Social pensions main goal is to provide income security to the elderly → poverty alleviation function
- Non-contributory pensions also provide income security for those with invalidities

Why social pensions?

- Social pensions needed to fill the coverage gap resulting from low coverage of contributory pension schemes
- They are important, from an ILO perspective, because they are critical to fulfill the goal of materializing a social protection floor

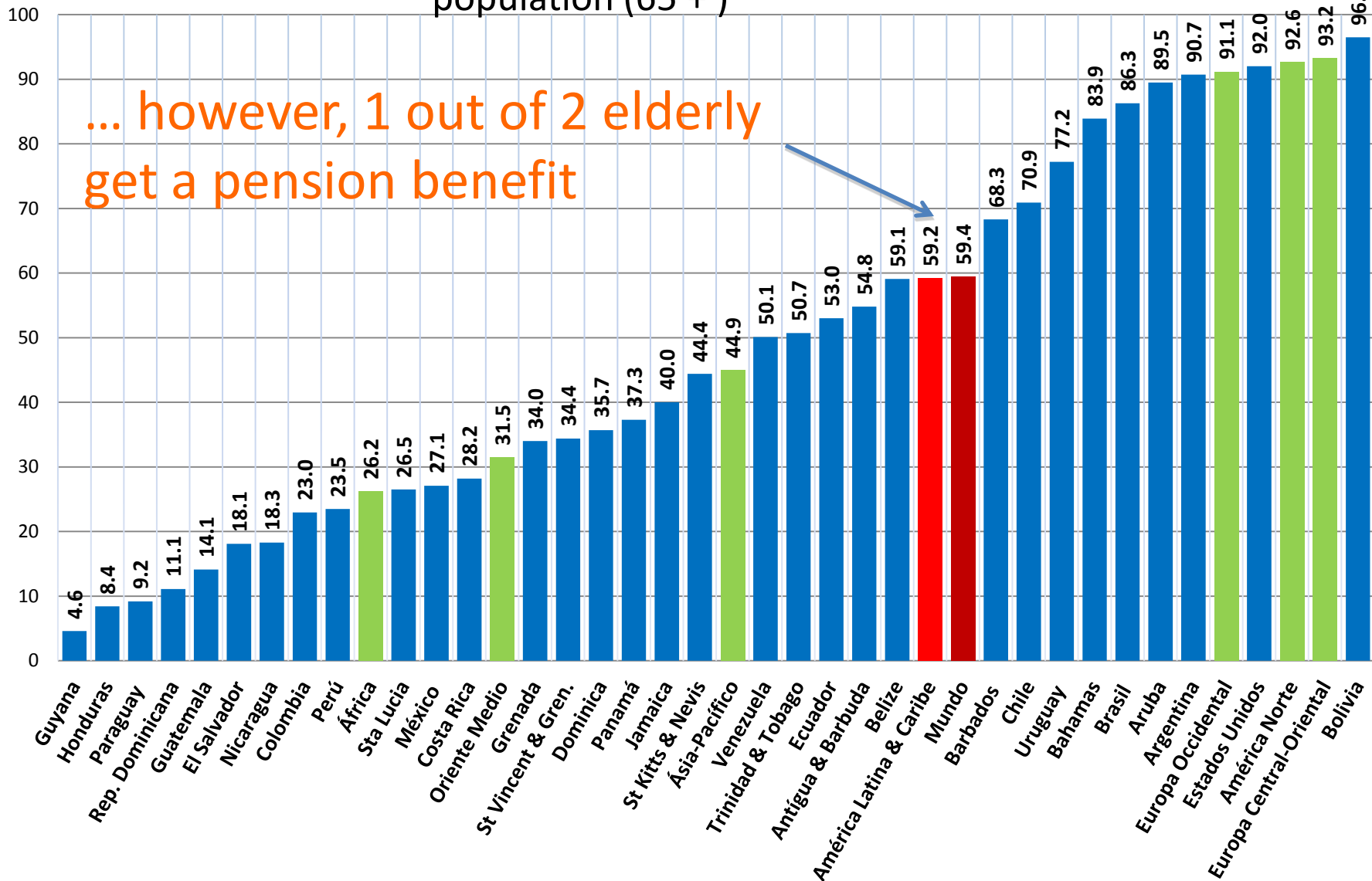
Why non-contributory benefits are relevant for Latin America?

Americas | Population (15-64) contributing to social security-pensions (%)



Source: ILO/Social Security Department/Social Security Inquiry.
 To be published in World Social Security Report 2012/2013, in progress.

Americas | Population receiving pension benefits as % of total population (65 +)

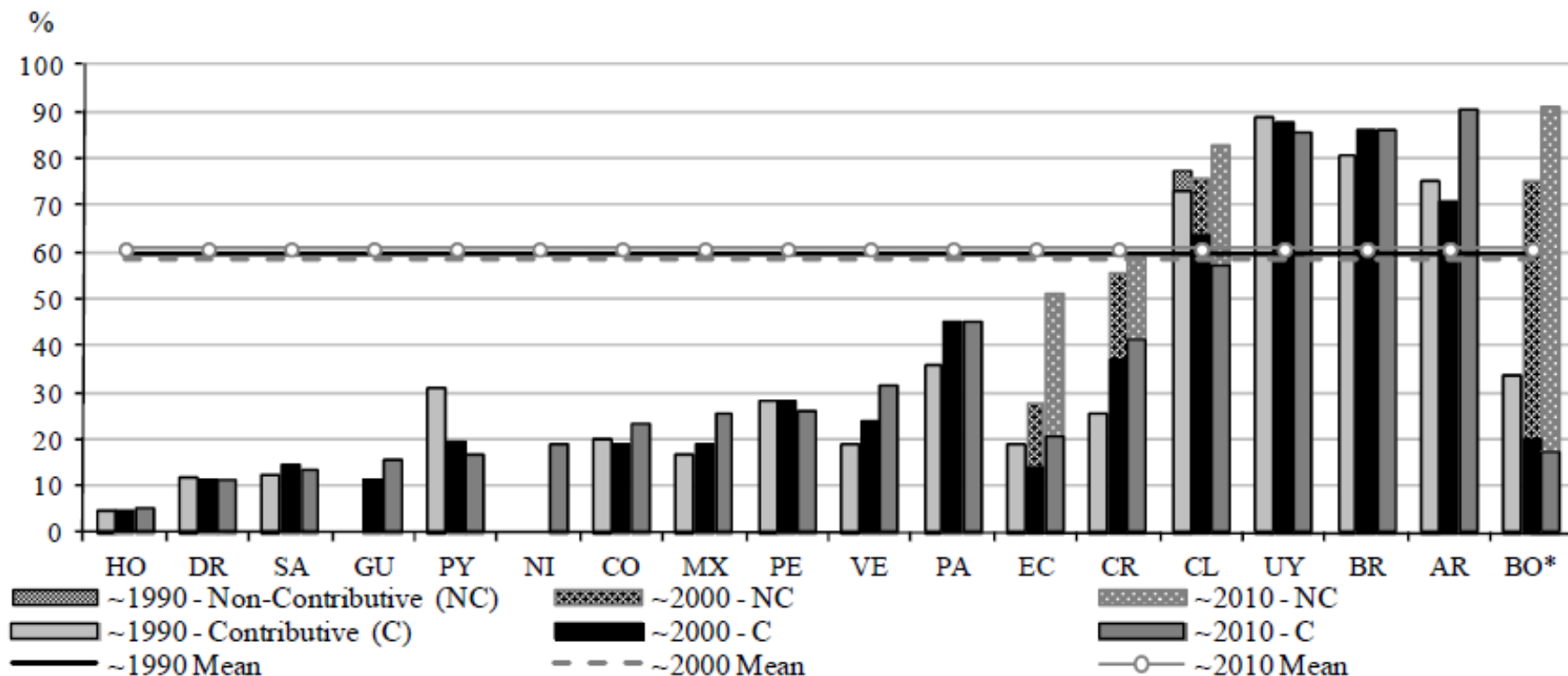


Source: ILO/Social Security Department/Social Security Inquiry.
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The contributory / non-contributory mix

Figure 10. Coverage of the Elderly

(Percentage of population 65 years and older receiving pension benefits)

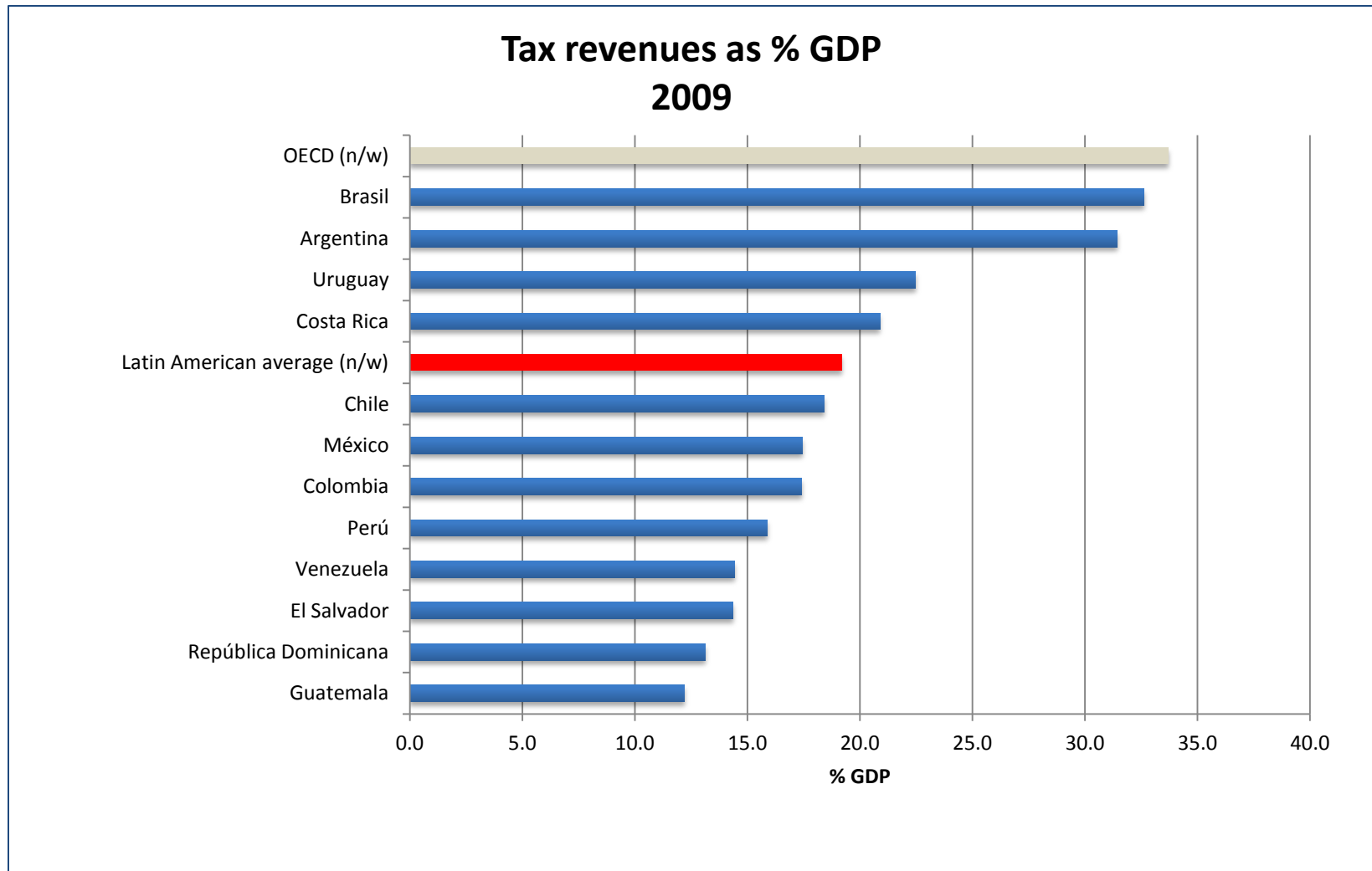


Notes: (i) In order to see the exact years that are shown for each country, see footnote #6. (ii) "C" refers to contributory pensions and "NC" to non-contributory pensions. (iii) The "1990s" survey for Bolivia covered only urban areas, while the remaining surveys are national.

Source: Own, based on Household Surveys.

What explains the differences in the old age benefits coverage gap?

... the capacity to “fuel” the social protection system with tax revenues



Policy design issues

- Beyond the issues of eligibility rules, targeting mechanism, benefit level, administration, financing and fiscal costs...
-the most challenging policy issue is how non-contributory pensions should interact with contributory pensions as the economy grows and social protection systems develop...

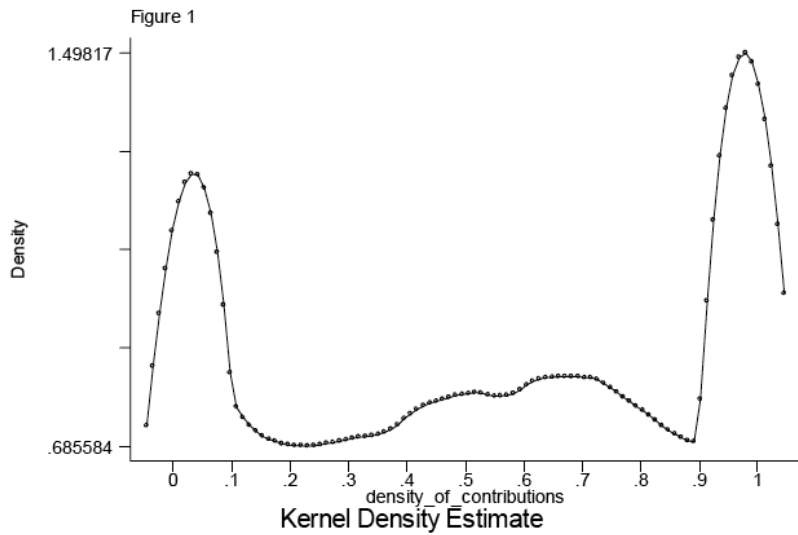
How to design “semi-contributory” or “quasi-contributory” pensions

If we consider the polar cases:

- Persons with no contributions in their entire labor trajectories
- Persons with complete contribution densities

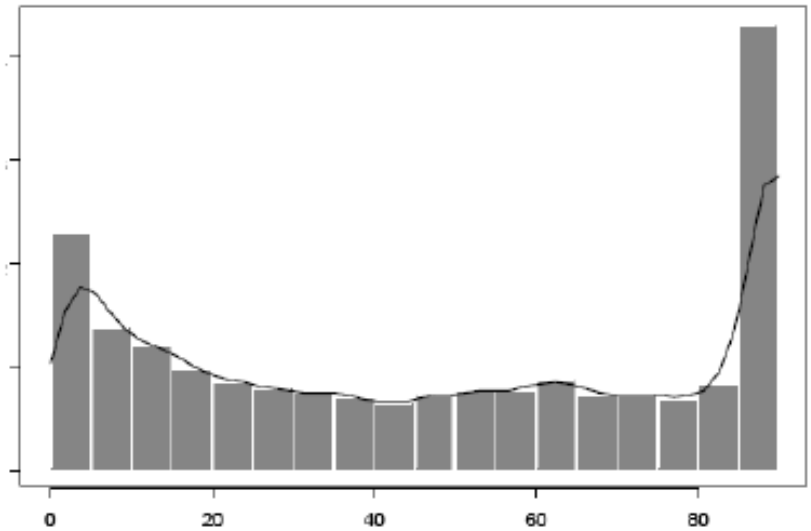
... the non-polar cases constitute a substantial part of the labor force...

Contribution density



Chile

Figure II-3. Argentina. Distribution of contribution densities



Argentina

How countries have dealt with this challenge....

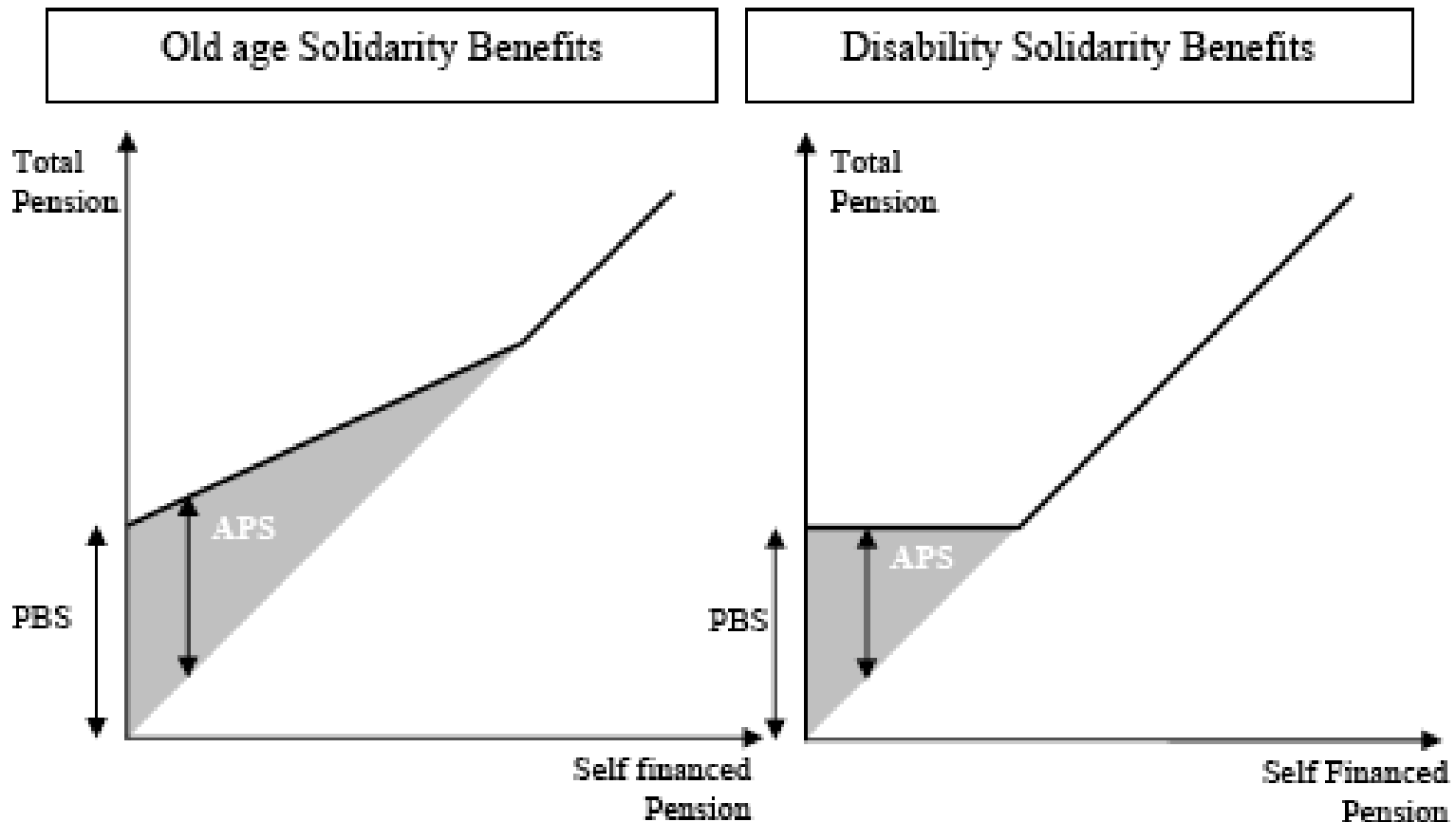
Brazil: flexible requirements within the contributory scheme (e.g. rural workers) + non-contributory pensions (*BPC*)

Argentina: moratorium for access to contributory benefit + non-contributory pensions (*PNC asistenciales*)

Chile: basic and solidarity pension (integration of non-contributory, semi-contributory and contributory pensions)

2008 pension reform in Chile:

Integration of contributory, semi-contributory and non-contributory schemes



Thank you!

