

## Global Social Protection Week

# Achieving SDG 1.3 and Universal Social Protection (USP2030) in the Context of the Future of Work

### Stream 3

Building universal social protection systems

### Technical session 3.3

Building adequate and sustainable pension systems

**Wednesday, 27 November 2019**

**15:45pm – 17:00pm**

#### BACKGROUND

The ILO marks its Centenary at a time of transformative change in the world of work, driven by technological innovations, demographic shifts, environmental and climate change, and globalization, as well as at a time of persistent inequalities, which have profound impacts on the nature and future of work. At the same time, over the past three decades, wage growth has not followed productivity growth. Between 1980 and 2016, the richest 1% of the world's population received 27% of global income growth whereas the poorest 50% received only 12%. All this, in addition to a low interest rates environment represent significant challenges for expanding coverage and ensuring the financial and social sustainability of pension systems.

According to the World Social Protection Database (WSPD), worldwide, 68% of people above retirement age receive a pension, either contributory or non-contributory. Consequently, compared with other social protection functions, income protection of older persons is the most widespread form of social protection, showing significant development over the last few years. Regional differences in income protection for older persons are very significant: coverage rates in higher income countries are close to 100% cent, while in sub-Saharan Africa they are only 22.7%, and in Southern Asia 23.6%.

While there is still room for improvement, a significant number of countries across the world have achieved substantial progress in terms of effective pension coverage in recent years. Whereas in 2000 only 34 countries reached high effective coverage of more than 90% of the population above statutory pensionable age, 53 countries fall into this category in 2015–17. In addition, the number of countries where pension provision reaches less than 20 per cent of older persons fell to 51, according to the most recent data available, compared to 73 countries in 2000.

The twin objectives of pension systems are to reach all older persons in need and to do so at an appropriate monetary level of benefit provision. This adequacy of pensions to provide genuine income security to older persons is most often linked to coverage under contributory schemes. According to the WSPD, 34.5% of the global labour force contribute to a pension insurance scheme, and can therefore expect to receive a contributory pension upon retirement. While this percentage is 97% in Northern America, owing to the high proportion of informal employment, this percentage is 9% in sub-Saharan Africa 13.7% in Southern Asia.

A positive trend throughout the developing world is the proliferation of non-contributory pension systems. However, schemes are often too narrowly targeted, leaving many people unprotected. A challenge for these countries is to transform their systems into universal ones in order to guarantee a floor of income security for all older persons, leaving no-one behind.

Many developing countries (including those in demographic transition) have been able to extend their contributory pension systems. In the Latin American region, for example, developments in pensions during the last decade include both the extension of tax-funded social pension schemes and the expansion of pre-existing contributory schemes. The latter are linked to a set of formalization policies. The main challenge for these countries is to consolidate the labour market policies that have made possible the formalization and extension of social insurance coverage, while protecting the fiscal space already allocated to non-contributory and partially funded schemes.

While in most parts of the developing world the focus is on extending coverage, discussions in high- and upper middle-income countries focus on pension adequacy issues and financial sustainability, and on how to maintain the systems. With ageing demographic structures and mature pension systems, the main challenge in most developed countries is maintaining a balance between adequacy and sustainability. Trends in recent years have been dominated by the introduction of cost-saving reforms with a fiscal objective, by raising the retirement age, reforming pension formulas and reducing the overall level of benefits, as well as by diversifying the sources of funding for old-age income security. Fiscal consolidation policies dominate the discussions around social protection systems, putting at risk the social pact and the principles on which social security systems were founded.

## OBJECTIVES

Organized in the context of the Global Social Protection Week as part ILO Centenary celebrations, this technical session has the following objectives:

- To discuss the challenges posed by the economy, demography and changing world of work on the sustainability of the pension systems.
- To discuss conventional and innovative ways of building pension systems able to adapt to these challenges.

## FORMAT

This technical session will consist of a moderated discussion, where the moderator will ask two (or three rounds of questions) to the panel members. The panel members will not be required to deliver any power point presentation. However they will be encouraged to share in advance a presentation or text that can be shared through the online website and help the moderator in preparing the sessions.

Questions will focus on:

- Is a convergent policy debate between developed and the emerging/developing countries? What is the current role of labour market and fiscal performance in guaranteeing coverage-adequacy and sustainability?
- How inequities in economic growth, ageing population and the changing world of work are putting pressure on the finance of pension systems and how countries are responding to reduce this pressure?
- What pension system models have the best chances of being financially and socially sustainable?
- What designs could guarantee greater gender equity in the design and operation of pension systems?

- What options for old age income security in countries with large informal labour markets and limited fiscal space?
- Does a single pillar multi-financing sources (contributions and taxation) approach better than a multi-pillars approach to increase coverage and benefit adequacy?

#### **MODERATOR AND PANELLISTS**

Moderator: **André Picard**, Chief Technical Advisor and Head of the Actuarial Services Unit, ILO

- **Andrei Pudov**, State Secretary and Deputy Minister of Labour and Social Protection of Russia
- **Iván Rico López**, Director general de vinculación interinstitucional de la Secretaría de Bienestar de Mexico
- **Napoom Suwannapoom**, Statistician, Pratitioner Level, Research and Development Division at the Social Security Office of Thailand
- **Evelyn Astor**, Policy Officer, Economic and Social Policy of the International Trade Union Confederation (ITUC)
- **Patricia Joan Olivier**, Representative of National Employer Federation on Social Security Commission of Namibia
- **Oscar Cetrángolo**, Professor, University of Buenos Aires/School of Economics/Interdisciplinary Institute of Public Policies