

Principles of Social Security

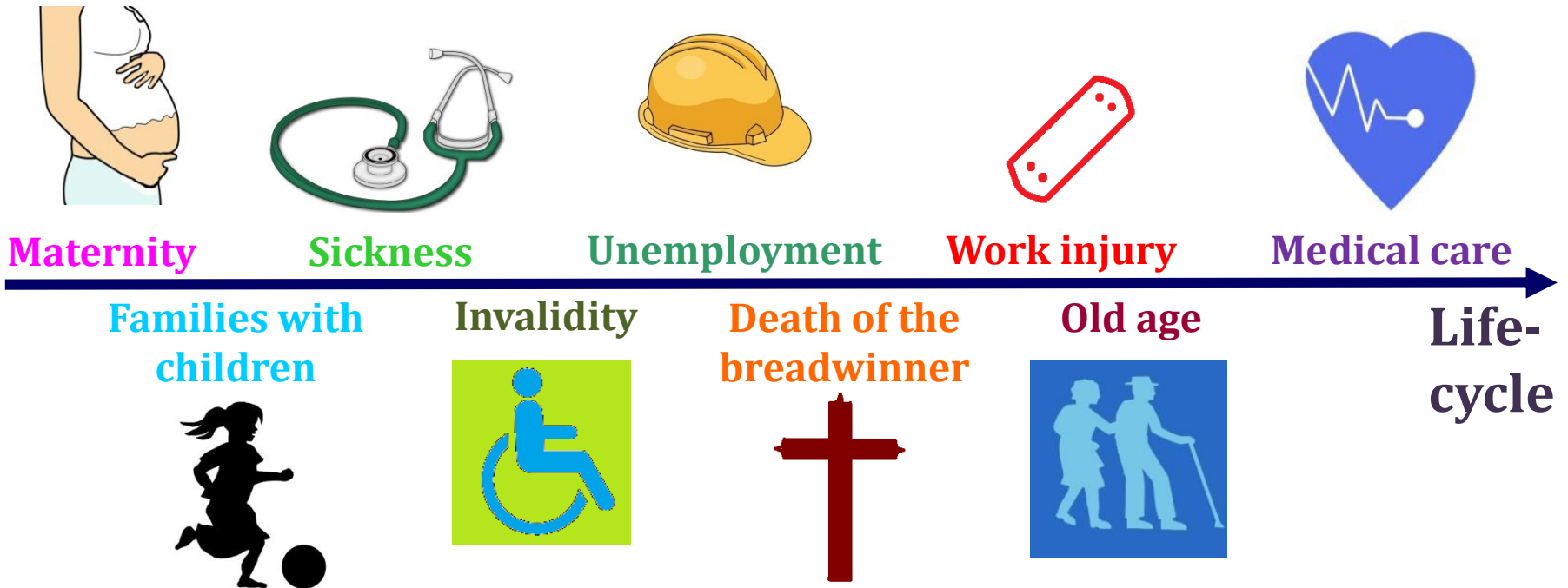
Bogor, 6th March 2017:

Nuno Cunha



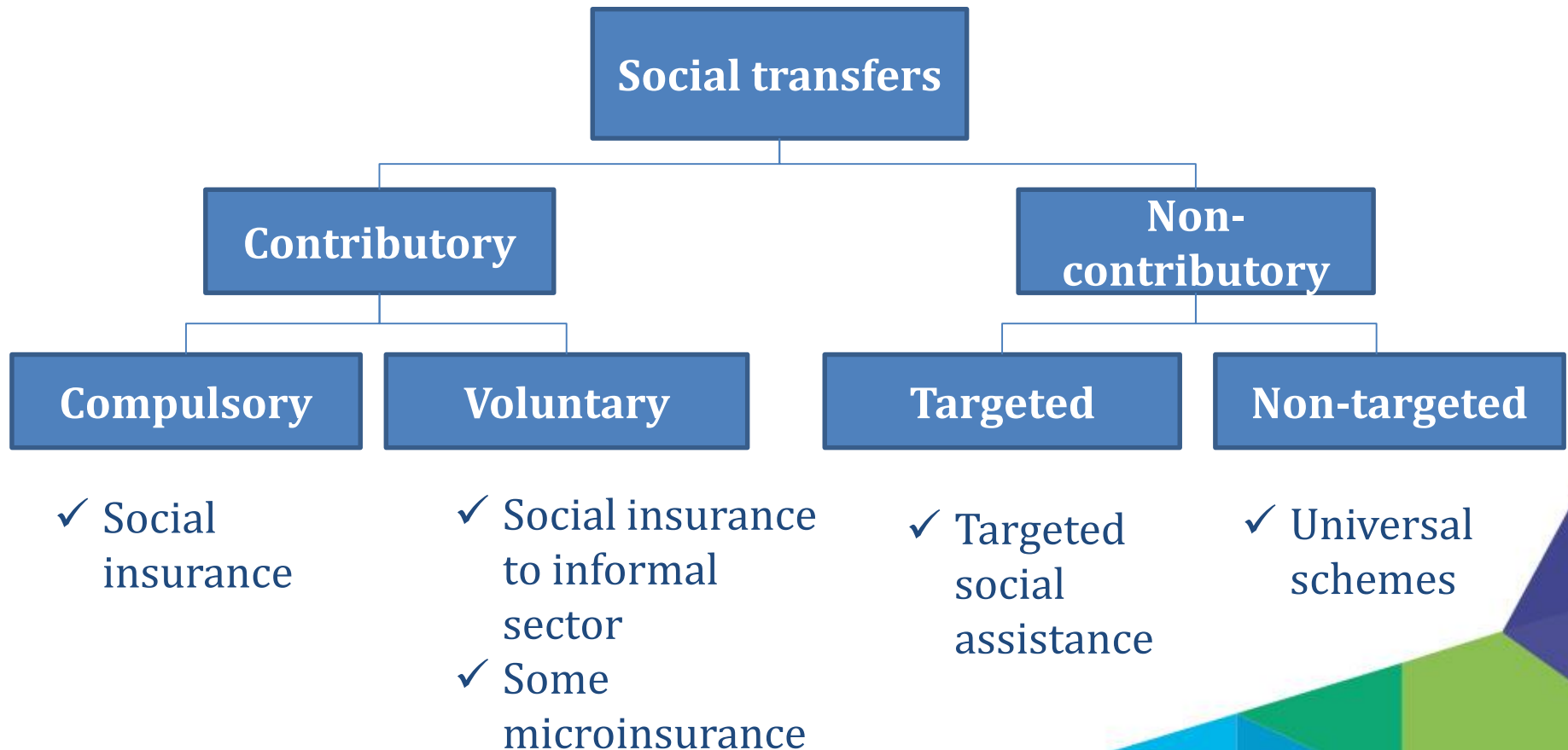


What is social security?



Types of social transfers

All social security benefits represent social transfers (cash or in kind)



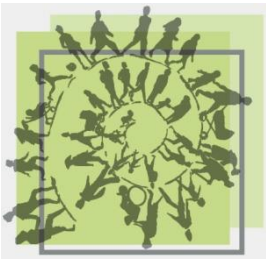
Social Protection





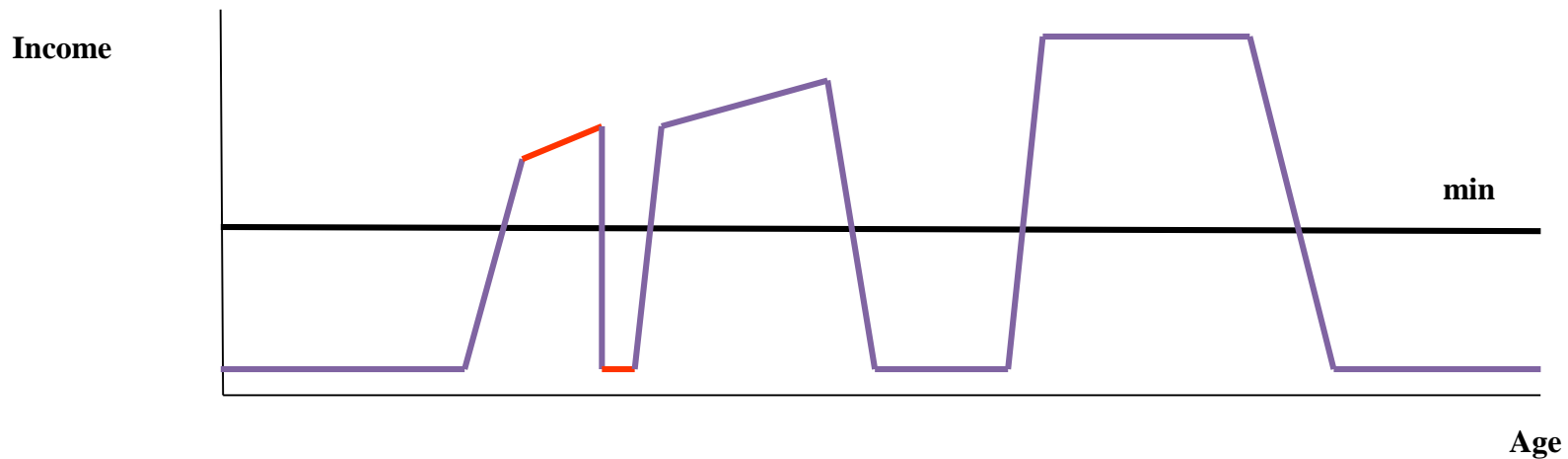
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(i) Consumption Smoothing

- transfer consumption from higher income moments to lower income moments
- choose a better time path of consumption over active and non active periods



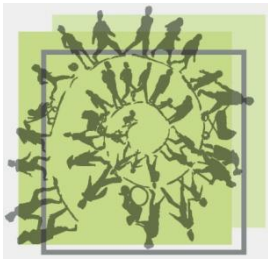
Source: <http://www.protectyournestegginretirement.com/retirecalc/>



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<https://pixabay.com/en/photos/question%20mark/>



(ii) Insurance

Support
individuals and
businesses

To live better in a world
dominated by uncertainties

When will someone get sick?

When will my employee get pregnant?

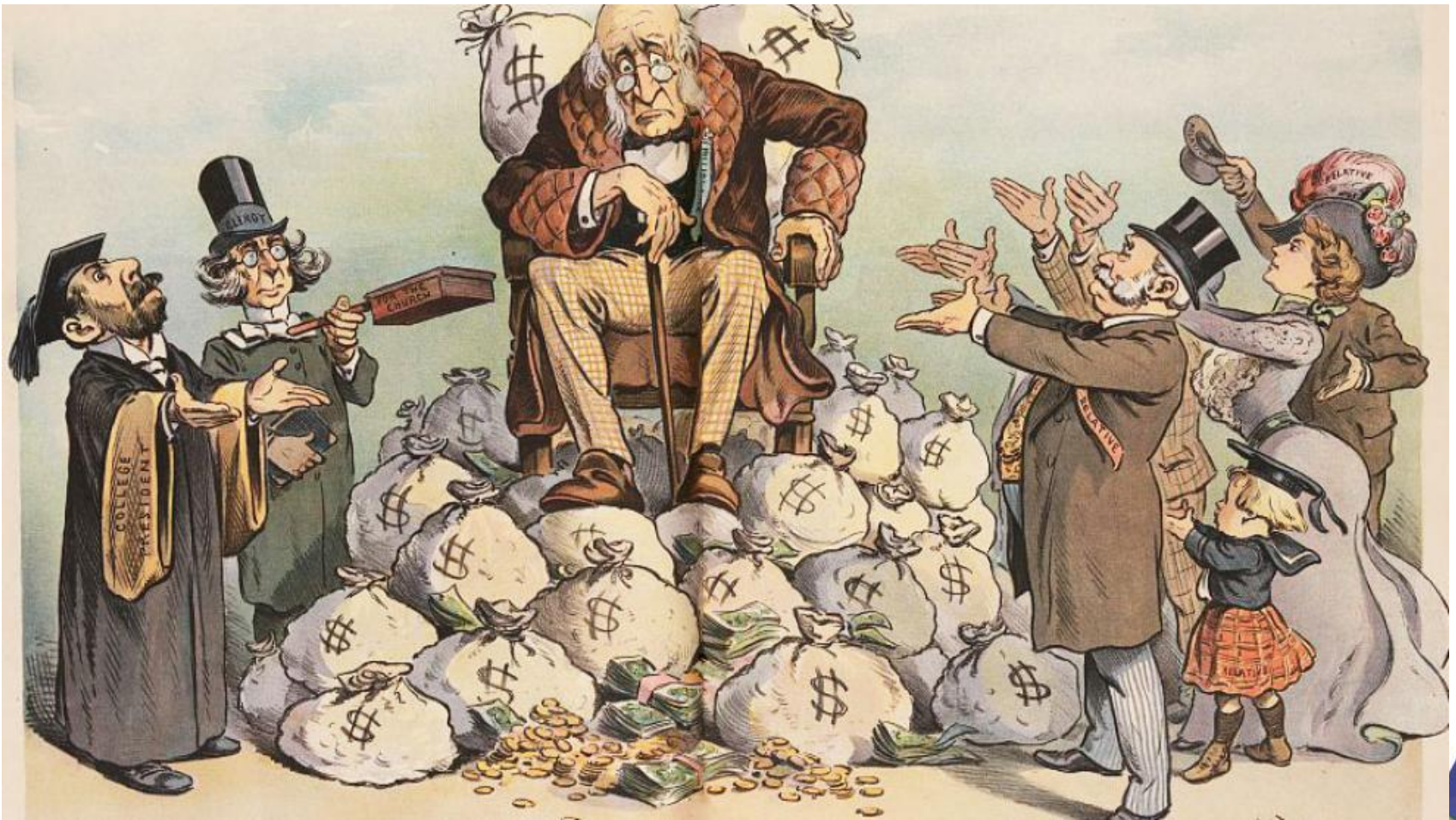
How long will I live after retirement?

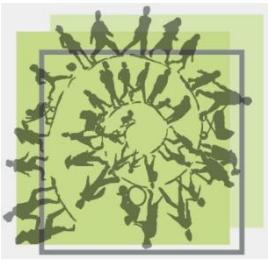
How will the economy perform?

What will be the inflation?



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(iii) Redistribution

Within the
same
generation

- Formulas can provide low earners with a higher percentage of their previous earning
- Subsidize the consumption from who is less well-off but not necessarily poor

Between
generations

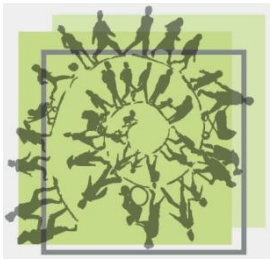
- Promoting a transfer from the future to the current generation
- By setting a lower contribution rate in the early stages
- Expecting that future generations will have higher wages due to economic growth and productivity increases



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http://1bacademy.wikispaces.com/file/view/Iraqi_Children_Poverty.jpg/122208273/536x343/Iraqi_Children_Poverty.jpg



(iii) Poverty relief

Transfers

For those who do not have the capacity to earn enough resources

Potential Economic Impact

- **Increases consumption**
- **Promotes domestic demand**
- **Creates market for businesses**
- **Automatic Stabilizer**
- **Reducing vulnerability to external shocks**
- **Economic transformation**



Economic Impact? What more?

- **Allows people and businesses to take more risks**
 - Key to increase profits and returns
 - Related with economic transformation
- **Motivational impacts**
 - **Workers feeling safer / more protected feel more motivated, enhancing workers productivity and business profits**

Data from Vietnam SMEs shows

- Firms which increase the social security coverage by 10 per cent, experience:
 - *a per worker revenue gain of between 1.1-2.6 per cent*
 - *and a profit gain of around 1.3-3.0 per cent,*
- Social security costs do not seem to be driving firms out of business
 - social security coverage is positively correlated with firm survival

SP is an investment

Human **K** development

- **International data shows**
 - **Higher use of health services**
 - **Improved health status** (physical and psychological) and **less absenteeism**
 - **Better nutritional status**
 - **Higher school attendance**
 - **Higher educational results**
- All this lead to **HIGHER PRODUCTIVITY – key for competitiveness**



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DECENT WORK

A better world starts here.

Thank you

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