First Meeting of the Social Protection Interagency Board
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Vision of Social Security & Labor Markets

• We strive for universal coverage of
  —Pensions
  —Support for job search in times of unemployment
  —Access to health care

• Link between labor market and social security
  —Access often depends on working in formal sector
  —Financing from labor taxes or contributions

• Current state of affairs in LAC
  —Low coverage and inefficient labor markets

• Enormous Challenge
  —Universal coverage in a fiscally sustainable way
  —Improved labor productivity
Can Social Security Coverage be Extended without Distorting Labor Markets?

• Answer depends on how coverage is extended

• Parallel contributory and noncontributory systems may incentivize informality
  – Example: health care in Colombia and Mexico

• Universal noncontributory social security?
  – Beveridge pension or single health system for all
  – Financed from general taxation (fiscal reforms!)
  – When benefits and financing are delinked from labor market, social security doesn’t distort labor market
  – But can social security be delinked completely from labor market?
When Social Security and Labor Market Cannot be Delinked

• Universal basic pension won’t guarantee sufficient replacement rate for middle class
  — Need to link contributions and benefits to wages
  — Complementary contributory pension in addition to universal basic pension?

• Try to reduce distortions in contributory systems
  — Make sure benefits are valued by workers (financial education, matching, better design)
  — More contributions should generate higher benefits
  — Chile: pension contributions always generate higher benefits despite parallel noncontributory pillar

• Improved enforcement
When thinking about labor reforms ...

- Consider the impact on social protection
- High productivity is great, but what happens if the worker falls?
- Needs a safety net!
When thinking about social protection …

- Consider the impact on the labor market
And always maintain fiscal responsibility

- We need projections of costs going forward
- Actuaries are our best friends!
Ongoing Research Collaborations

• Is Universal Pension Coverage a Real Possibility for LAC? (with BBVA)

• Protecting the Unemployed: Evaluations of Policies in Latin America using Administrative & Survey Data (with several academics)

• Pensions at a Glance: Latin America and the Caribbean (with OECD and World Bank)

• Social Security, Informal Sector, and Employment in Middle Income Countries: How to Protect Workers While Creating Good Jobs (with IZA and World Bank)

• Investment Choice Schemes: A Strategy to Improve Pensions in LAC (with several pension authorities)

• Possibilities with IMF and International Actuarial Association
Important Data-Gathering Project

• Longitudinal Social Protection Survey
  — Based on successful experience in Chile that helped build consensus prior to 2008 pension reform
  — Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Paraguay, & Uruguay
  — We hope to add more countries in next wave
  — Panel data on labor market behavior and participation in social protection programs
  — Set of common questions in each questionnaire
  — Plus administrative data for each individual from social protection programs
Thank you!

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http://www.iadb.org/en/topics/labor