



BETTER PENSIONS BETTER JOBS

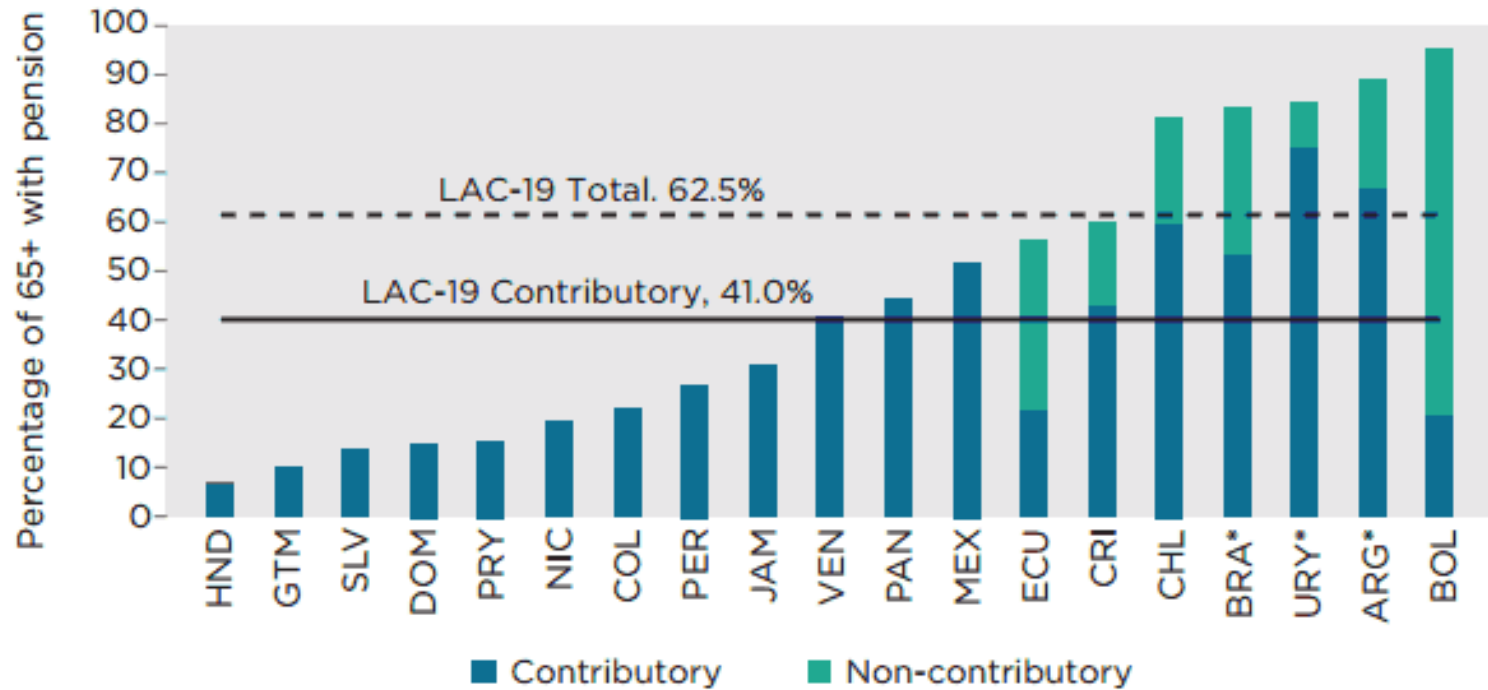
TOWARDS UNIVERSAL COVERAGE IN LATIN AMERICA AND THE CARIBBEAN





Low pension coverage in the region

Pension Coverage in Latin America and the Caribbean, 2010

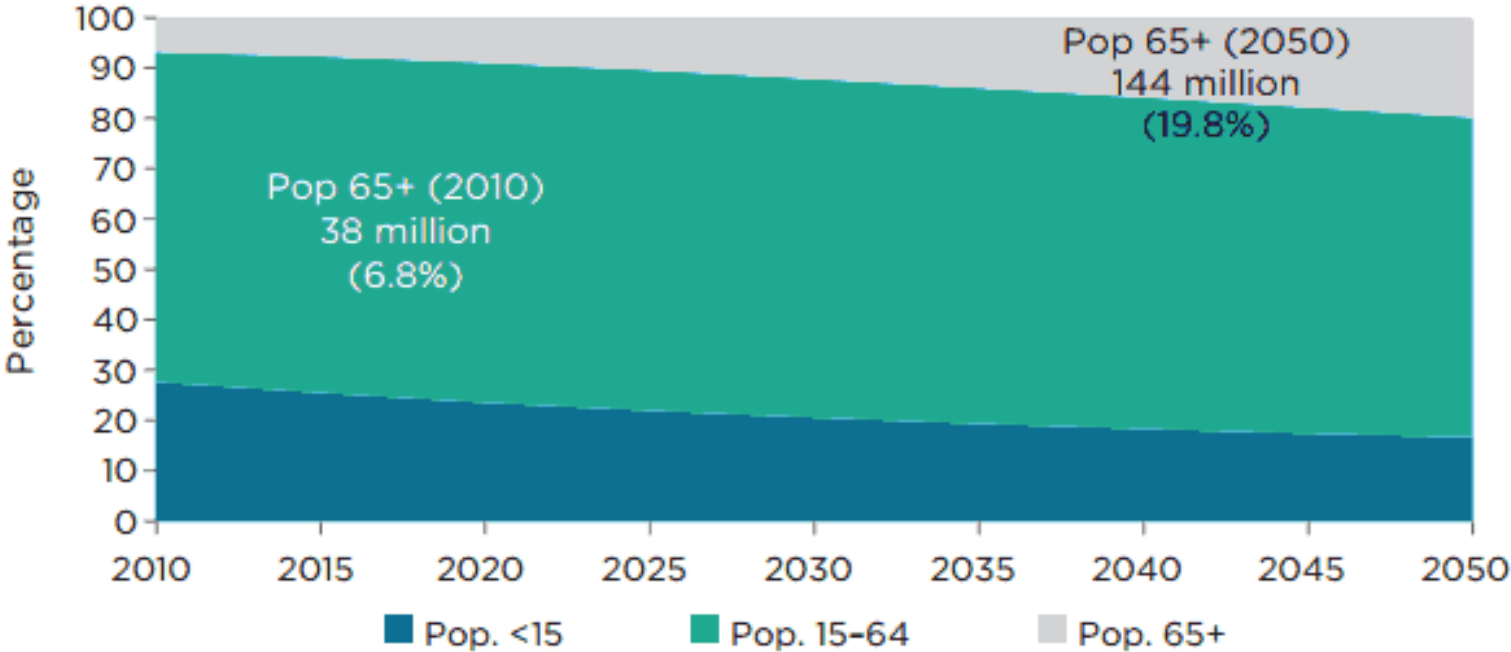


Source: Bosch, Melguizo, and Pagés (2013).



Population 65+ will triple in four decades

Population projection for Latin America and the Caribbean, 2010-50



Source: Bosch, Melguizo, and Pagés (2013).



Between 47% and 60% of adults 65⁺ will not have an adequate pension, with consequences:

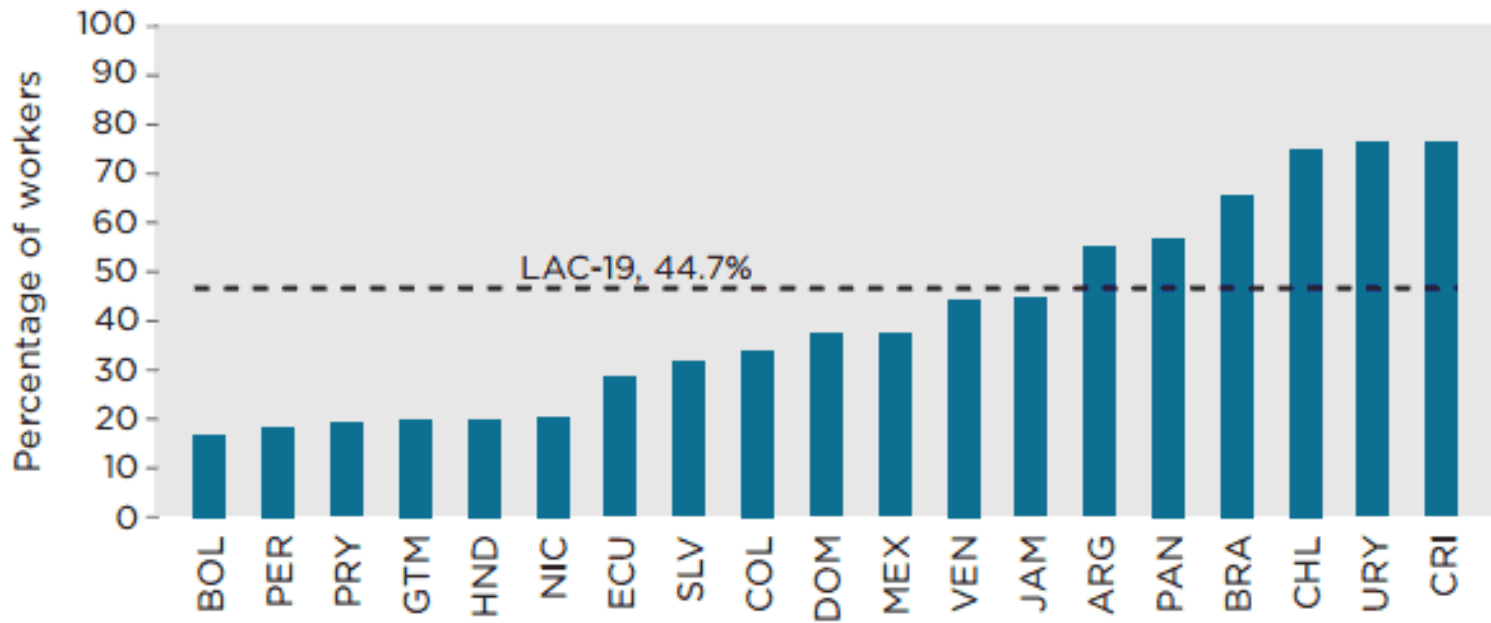
- ❑ **Social:** Families will need to devote greater effort to the care of the elderly.
- ❑ **Political:** Adults 65⁺ will make up between 20% and 30% of the potential electorate
- ❑ **Fiscal:** Lack of coverage is a latent fiscal cost
- ❑ **Economic:** How coverage gaps are closed can have an impact on productivity growth.



The Labor Market: The Epicenter of Low Coverage

Only 44,7 % of workers in LAC contribute to a pension system

Pension savings: Percentage of contributors over total employment in Latin America and the Caribbean, 2010

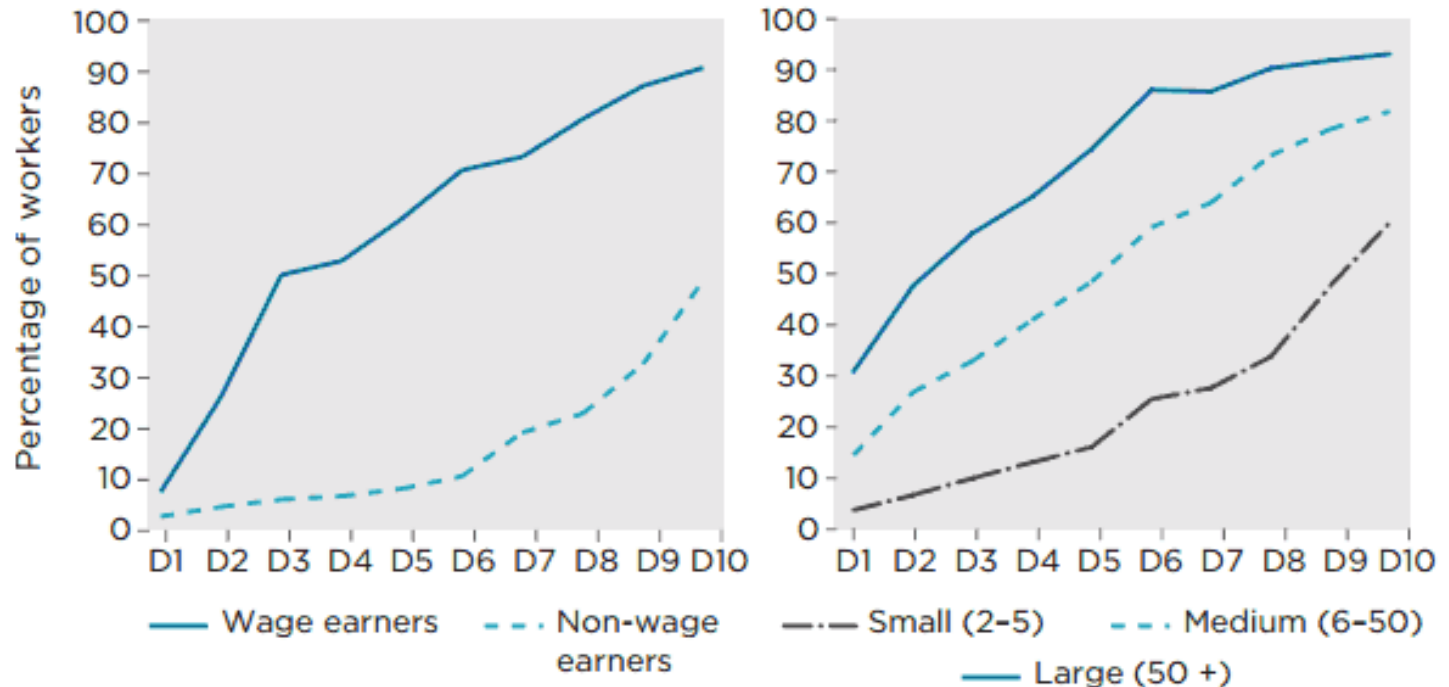


Source: Bosch, Melguizo, and Pagés (2013).



Low coverage is greater for non-wage earners, workers in small firms, or low-income workers

Pension savings: Contributors to the pension system in Latin America and the Caribbean by income decile, occupation and firm size, 2010



Source: Bosch, Melguizo, and Pagés (2013).



Coverage is also low for middle-income workers

Pension savings: Contributors to the pension system in Latin America and the Caribbean by income decile, occupation and firm size, 2010



Source: Bosch, Melguizo, and Pagés (2013).



Informality is not an incurable disease

It is the outcome of:

- ❑ **Designs:** Systems exclude non-wage earners.
- ❑ **Incentives:** Provided by the state in labor markets.
- ❑ **Value:** Placed by workers and firms on social security.

All this can be changed with adequate policies.



It's possible to eliminate poverty in old age and to increase formal employment

Better Pensions

Pensión no contributiva

- Antipobreza
- Sostenible
- eficiente

Better Jobs

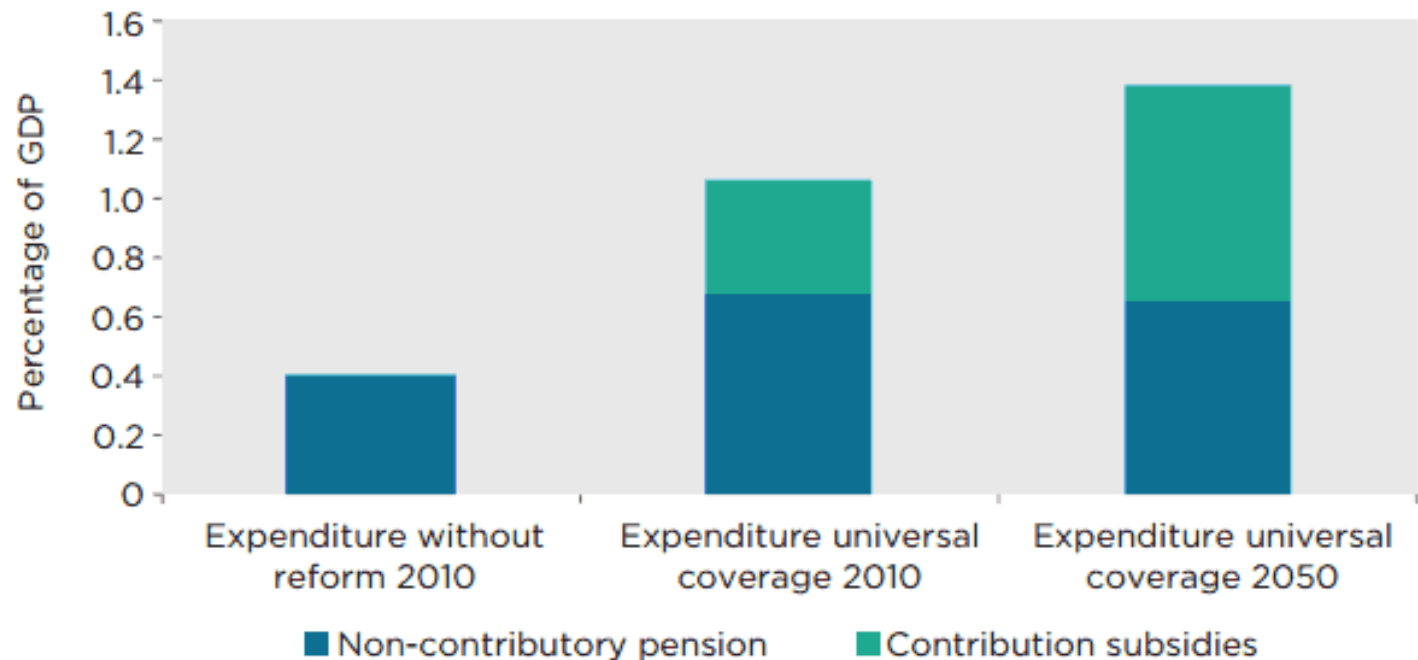
Formal jobs stimulus

- Contribution subsidies
- Expand channels
- Better enforcement information and financial literacy



An additional 1% of GDP would eradicate poverty for adults 65+ and increase formal employment between 20 and 30%

Cost of pension reform, compared with current spending on non-contributory pensions



Source: Bosch, Melguizo, and Pagés (2013).



The time is now: financial and political economy challenges can be overcome

- ❑ **Demography:** The region is still young but the window of opportunity will rapidly close.
- ❑ **Improvement in formal employment and productivity:** Pension reform is central to achieve both.
- ❑ **Funding:** Pension reform requires an increase in resources allocated to these policies, preferably from alternative sources.
- ❑ **Political economy:** Formal employment is an aspiration of the middle classes.

