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Book reviews

The gains and losses of 40 years of pension reform in Latin America

——Comment on «40 Years of Pension Privatization Reform in Latin America (1980-2020) Evaluation: Promise and Reality»

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A "Chilean Model" 40 years and its impact

In 1981, Chile's basic pension insurance system officially abandoned the traditional DB-type (defined benefit type) pay-as-you-go system and explored the creation of the world's first DC-type (defined contribution type) fully funded system. The basic feature of its system is the introduction of individual Account, payment is completely entered into the personal account, forming account assets. Pension account assets are selected by the account holder from a pension franchise company (AFP), and professional and market-oriented investments are implemented. All investment income is retained in the account. Account holders Some people can "vote with their feet" to choose pension investment managers, forming a competitive market. Account holders can withdraw pensions from their personal accounts after reaching

retirement age, and implement an incentive mechanism for more contributions and more gains. New Chilean Pension Plan The model has attracted great attention from many governments and international institutions around the world, and Latin American countries have followed suit. 12 Latin American countries have followed the "Chile Model" and implemented structural reforms to varying degrees, including Argentina (1994) and Bolivia (1997). , Colombia (1993), Costa Rica (1995), Dominica (2003), El Salvador (1998), Mexico (1997), Panama (2008), Peru (1993) and Uruguay (1 996), et al. etc. Subsequently, the "Chile Model" received great attention from the reform of the social security system in the transitional countries of the Soviet Union, Eastern Europe and Southeast Asian economies. More than a dozen countries introduced account factors to varying degrees. The Chilean pension reform

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The reform has also affected the reform process of the pension insurance system in mainland China and Hong Kong. Mainland China has established a hybrid pension insurance system that combines accounting and accounting, and Hong Kong has established a relatively "pure" Chilean model of the mandatory provident fund system. According to preliminary data, According to statistics, there are currently more than 30 countries in the world that have introduced account factors into their basic pension insurance systems. What is important is that 20 years ago, the DC component in the "Chile Model" was further evolved into NDC in the pension reforms of nearly 10 countries. (nominal account) modeÿ

The year 2021 marks the 40th anniversary of the pension reform in Latin America marked by the birth of the "Chilean Model". Over the past 40 years, there has been an overwhelming amount of literature on the "Chilean Model" and Latin American pension reforms. Scholars have different opinions. The reformed pension system in Latin America There are also some trends of differentiation and re-reform, and the international community and industry also have mixed evaluations of it. As early as the 20th anniversary of Chile's reform, an international organization wrote an article to evaluate Latin America's pension reformÿ. On the 40th anniversary of Chile's reform, there was also an international Institutions published papers to re-evaluate this pension modelÿ. Many scholars have evaluated it. The author also wrote a paper in 2021 to review and evaluate the Chilean model and its reforms in Latin Americaÿ. As time goes by, the Chilean model and Latin American pension reforms The space left for people to evaluate and think will be broader and deeper. 2011 was the first year that the South American continent got out of the "middle-income trap". In that year, Uruguay and Chile crossed the middle-income trap for the first time. More than 10 years have passed so far. Except for these two countries, only Argentina's per capita GDP exceeded the middle-income trap in 2015 and 2017ÿ. The economic development level of the remaining nine South American countries has stayed in the middle-income trap for almost half a century. "Growth poverty" " There is still no obvious change in the characteristics. This cannot but be said to be that the coverage rate of the social security system is low, the anti-poverty effect

is not obvious, and it bears a certain responsibility for "growth poverty"ÿ. It was also at this time, in December 2020, there A monograph evaluating the "Chilean Model" and Latin American pension reforms was published: «40 Years of Pension Privatization Reforms in Latin America (1980-2020) Evaluation: Promise and Reality»ÿ The author of this work is Carmelo Mesa —Professor Carmelo Mesa-Lago, he is a famous professor of economics and Latin American studies at the University of Pittsburgh. This important book

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ÿ Christopher Evans and Samuel Pienknagura ÿÿÿÿÿÿÿÿÿÿÿÿÿ dReform Options"ÿInternational Monetary Fun dÿ WP / 21 / 232ÿ September 2021 Zheng Bingwen, Wang Zhuoqun: «Review and

Summary of 40 Years of Chilean Pension System Reform», published in «Comparison» ÿ Issue 5, 2020, Pages ÿ 197 -

220 ÿ ÿ "GDP per capita (current US $) - Argentinaÿ Chileÿ Uruguayÿ Brazil nezuelaÿ RB". https: / / data worldbank org / indica ÿÿÿ/ ÿÿ ÿÿÿ ÿÿÿÿ ÿÿ? ÿ AR - CL - UY - BR - MX - VE [2022 - 04 - 20] Zheng Bingwen, Yu Huan: "Examination of "growth poverty"

ÿ in Latin America and its response measures and performance", published in "Comparison of Economic and Social Systems", 2018 Issue 4, 2016, pages 121-130.

The book is an English academic monograph written by Professor Mesa-Lago with the support of the Albert Foundation in Germany. The author was fortunate enough to read this masterpiece for the first time and was invited to write a book review for it. Professor Ge is an old friend, and there is a lot of information about this author on the Internet. However, the author still asked him for his resume in order to understand and introduce Professor Mesa-Lago more accurately. Unexpectedly, the resume and resume he sent The list of works is 76 pages long.

2. Main contents and authors of «Promise and Reality»

Professor Mesa-Lago's main research fields are pensions, medical insurance, social assistance, comparison of economic systems, Latin American economic and social policies, Cuban economic history, etc. Due to research needs, the author read Mesa more than ten years ago. — Professor Lago's thesis and established correspondence. Professor Mesa-Lago was born in Havana. He graduated from the Law School of the University of Havana in 1956. He received a master's degree in economics from the University of Miami in 1965 and a master's degree in economics from Cornell University in 1968. Obtained a doctorate degree and is fluent in English, Spanish, Portuguese and French. He has visited dozens of countries, attended academic conferences, and worked with more than a dozen United Nations agencies such as the International Labor Organization (ILO) and the Economic Commission for Latin America and the Caribbean (CEPAL). International organizations do short-term consulting work or participate in research work.

Professor Mesa-Lago works very hard and has published extensively: from the first paper published in 1957, "The Reform of Rural Rental Industry in Cuba and Its Effects", to the "Sustainability of Cuba's Public Pensions" to be published by the end of 2022. ÿ Published a total of 195 academic papers. From the publication of the first monograph "Social Security Plan" (Spanish) in 1959 to the forthcoming publication in July 2022 of "Comparison of the Economic Models of Cuba, China and Vietnam: Social Objectives and Financial Sustainability», has authored or co-authored more than 50 professional books, and has participated in the writing of chapters in more than 150 books. Published numerous articles in news media in the United States, Canada, Spain and Latin America.

The book "40 Years of Pension Privatization Reforms in Latin America (1980-2020) Evaluation: Promise and Reality" (hereinafter referred to as "Promise and Reality") evaluates Uruguay, Chile, Costa Rica, Panama, Mexico, Colombia, Dominica, Peru, and El Salvador. It conducts a professional analysis of the process, current situation and prospects of the 40-year pension reform in nine Latin American countries. The book is rich in content and has a unique perspective. It has both academic value and policy analysis. Professor Mesa-Lago wrote in "Commitment and The evaluation system established in "Reality" is divided into 5 indicators. Based on the public statistical data of these countries, a comparative analysis is made on whether the reforms have achieved the expected results, and the reasons for not achieving the expected results are discussed. Professor Mesa-Lago in the book It provides a large number of charts and data, including 24 charts and 2 appendices, and lists the statistical data of the above-mentioned nine countries and more than 200 reliable index data.

"Promise and Reality" also evaluates the pension reform in Argentina, Bolivia, Chile, and El Salvador after 2008, as well as the pension reform proposals in Colombia and Peru, and analyzes the pension reform process and effectiveness in the four countries. ÿ Summarizes the experience and lessons learned in the reform. The book also specifically discusses the parametric reform of the Brazilian pension system, discusses the problems faced by the Brazilian pension system and its parametric reform, and puts forward suggestions for future development.

"Promise and Reality" The first part introduces the background. The second part briefly reviews the pension reform situation in Latin America since 1980. The third part introduces the social dialogue in the pension reform process of nine Latin American countries. The fourth part evaluates the nine Latin American countries. The fifth part introduces and evaluates the current situation of pension system reform in Latin America. The sixth part is a summary and refinement of the main points of the book. The seventh part is suggestions for future reforms.

The reform process of pension systems in three Latin American countries

Latin America began to establish pension insurance systems as early as the 1920s. Chile, Argentina, Brazil and other countries established pension plans for government civil servants, military personnel, railway workers and other groups. After the 1950s, Latin America learned from European pension insurance systems. system, and expand the coverage of the system. By the late 1970s, most Latin American countries had established pay-as-you-go pension insurance systems.

In the late 1970s, Latin America was generally facing an economic crisis and severe fiscal deficits. The government-led public pension system fell into financial unsustainability. For this reason, the Chilean government took the lead in launching pension reform in 1981. After that, the World Bank and other international organizations With the promotion of the organization, the “Chilean Model” was promoted to other Latin American countries. The reform at this stage is mainly to transform the pay-as-you-go pension system into a pension management model in which personal accounts are fully accumulated and assets are invested and operated by companies. ÿ According to the radical degree of reforms in different countries, the book divides the reform models into alternative models, parallel models and mixed models. Among them, the alternative model is to completely convert public pensions into private pensions; the parallel model is to retain both public pensions and There are two private pension systems and the insured is allowed to choose one of them. The mixed model uses the public pension as the first pillar and the private pension as the second pillar. The insured needs to participate in both systems at

the same timeÿ. Enter 21 Since the beginning of the century, the private pension systems of Latin American countries have fallen into the middle-income trap.

ÿ All the information and data cited in this article without indicating the source are quoted from "40 Years of Pension Privatization Reform in Latin America (1980-2020) Evaluation: Promise and Reality". The English version is: Carmelo Mesa-Lagoÿ Evaluation of Four Decades of Pension Privatization in Latin Am ericaÿ 1980-2000ÿ Promises and Realityÿ Fundación Friedrch Ebert Stiftung en Mexicoÿ 2020

Many problems have been exposed, and pension reform has been put on the agenda. Since 2008, Argentina, Bolivia, Chile, and El Salvador have promoted structural reforms to solve practical problems. Colombia and Peru have also proposed reform proposals in recent years. ÿ

As we all know, Chile's pension reform created a model of the DC-type fully funded system, which set off a wave of pension reforms in Latin America. In the reform process, some countries conducted social dialogue at the beginning of the reform, and some countries' pension reforms were led by authoritarian The government directly promoted it. In Chile, Pinochet's military government passed an emergency decree to implement mandatory reforms to the pension system. So far, the reform effects are relatively good. The Peruvian reform was promoted by the authoritarian government established after the coup, but encountered great resistance and eventually A parallel model has been adopted. In Mexico, the reform was implemented by a decree directly signed by the president, ignoring the opposition of labor unions and right-wing parties. In El Salvador, a reform committee was established by the ruling party and the reform bill was

introduced without social dialogue. The remaining five democratic countries have implemented pension reforms. Social dialogue was carried out in the process. Dominica and Panama established reform committees with representatives from workers, enterprises, trade unions and governments, and carried out reforms with reference to the opinions of the International Labor Organization. Reforms in Colombia and Uruguay were based on partisan wrestling and compromise. As a result, Costa Rica's reform was evaluated by Professor Mesa-Lago as the best example of social dialogue. The social dialogue before the country's reform lasted for two years, and the pension committee composed of 30 representatives from all walks of life conducted full discussions and actuarial analysis. After prediction, a final reform plan is formed.

Professor Mesa-Lago believes that the more democratic the political system in most countries is when they reform, the more complete the pension system will be. The lower the possibility of privatization, there is a certain inverse relationship between the degree of democratization and the degree of pension privatization.

4. The gap between pension reform promises and reality

Assessing the performance and gaps of pension reforms in nine Latin American countries is the core content of "Promise and Reality". It is also the starting point of "Promise and Reality" in the title of the book. It is based on the expectations of international organizations such as the World Bank and the International Labor Organization for pension reform. As well as the commitment of each country to pension reform, Professor Mesa-Lago set up five evaluation indicators in the book: First, the coverage rate, that is, the coverage rate of the pension system for the economically active population and the elderly over 65 years old; second, the coverage rate of the pension system for the economically active population and the elderly over 65 years old. Social solidarity and gender equality. The third is welfare adequacy. The fourth is management efficiency and cost. The fifth is financial sustainability and actuarial balance. The assessment mainly uses Latin American official statistics and international organization statistics, focusing on the analysis of the period from 1999 to 2019. Periodÿ

(1) Coverage Pension

reform regards expanding coverage as the core goal of structural reform. However, statistical data shows that the coverage of both public pension systems and private pension systems in Latin American countries has failed to expand. Professor Mesa-Lago It is believed that the coverage rate of the economically active population is related to the degree of social development. Two factors that affect the coverage rate are

The important factors are external factors (informality of the labor force) and internal factors (pension system design). From the perspective of external factors, the economic development level of Latin American countries is generally not high, and the formal employment rate has been difficult to increase. Factors affecting pension coverage Expansion. From the perspective of internal factors, the design of the pension system does not adapt to the labor market. The informal employment rate of the economically active population in Latin American countries is very high. Informal employment such as self-employed workers, domestic service personnel, micro-enterprise employees, agricultural workers and unpaid families The employed population does not adapt to the current system. Some countries have tried to forcefully expand coverage through legislation, but it is still difficult to include them all. Double internal and external dilemmas have led to the failure of pension reforms in Latin American countries to effectively improve coverage rates.

(2) Social solidarity and gender equality are

influenced by neoliberal economic theory. Pension reformers in Latin America have not considered the issues of social solidarity and gender equality. In terms of social solidarity, the reformed personal account system does not have intergenerational, group, occupational and The transfer between genders cannot adjust the unfair primary distribution, and it is difficult to help low-income groups get rid of poverty. The government has not taken effective regulatory measures, making the polarization between rich and poor in Latin American countries more obvious. Social unity is threatened. Extreme economic inequality is prone to Cause social unrest and harm the interests of the whole society. In terms of gender equality, the pension reform has increased the minimum payment period requirements for private pensions (public pension requirements are 17.6 years, private pension requirements are 24.3 years), including informal employment insurance. It is more difficult for people, especially female insured persons, to meet the conditions for receiving pensions. Some countries also use different average life spans for men and women to calculate pensions. This calculation method is unfavorable to women and exacerbates gender inequality.

(3) Benefit adequacy. An important

expectation of the pension structural reform is to increase the wage replacement rate. However, in 2015 it was far lower than the International The average wage replacement rate in nine U.S. private pension systems is only 398% , Labor Organization's minimum standard of 45%. Professor Mesa-Lago gave two reasons. First, the level of pension depends on the individual account accumulation of the insured and the rate of return on pension investment. It is extremely susceptible to capital market fluctuations. The capital market in most Latin American countries is immature. Pension managers have limited investment options. The rate of return on investment is on the low side, causing the wage replacement rate to fall far short of expectations. Secondly, the conditions for enjoying private pensions are relatively harsh. Although insured persons can retire early, their account assets are usually required to meet 20-30 years of contributions, which results in It is very difficult to enjoy this right. Some insured persons withdraw funds from their personal accounts in advance due to financial problems. In the end, the actual pension they receive is significantly reduced.

(4) Management efficiency and cost

Pension reformers hope that the reform will introduce more pension managers, improve efficiency through market competition, and reduce management costs. However, Professor Mesa-Lago's research found that the pension systems of nine Latin American countries have not To form full competition, management costs remain high. First, the insurance market in most countries is small and cannot support multiple fund managers. It is difficult to form the competitive situation expected by the reformers. Secondly, free choice of funds

The cost of managers is high, and there is industry collusion. In reality, the number of actual changes of managers by insured persons is very small. In addition, insured persons lack understanding of pension managers, have a weak awareness of rights protection, and rarely receive information based on management Fees and capital returns are determined by the choice of manager, but are more likely to be influenced by salespeople and advertising, or arranged directly by the employer. Finally, most countries lack regulation of pension fund manager fees, even if investment returns are poor, managers High management fees can still be earned, resulting in high management costs. (5) Financial sustainability and actuarial balance

Theoretically, the structural reform of the pension system in

Latin America can promote the rapid development and diversification of the domestic capital market. Globalized international investment can also increase financial returns. At the same time, personal account ownership will increase workers' enthusiasm for contributions. The DC-type full accumulation system can reduce financial burdens and alleviate the pressure on financial sustainability caused by excessive aging. But Mesa-Professor Lago pointed out that Costa Rica's public pension expenditure will reach the actuarial equilibrium critical point in 2048 (three other reports predict a shorter equilibrium period), Panama predicts that public pension reserves will be exhausted in 2024, and Mexico predicts that pension reserves will be exhausted in 2024. Expenditure will increase to 5% ~ 6% of GDP in 2030 (90% of which will be borne by the government). Therefore, Professor Mesa-Lago believes that the pension reform has failed to solve the problem of financial sustainability. First, after the reform It still faces problems such as a decline in the number of insured persons and employers evading contributions. The incentive effect of the individual account system is not obvious. The proportion of pension insured persons in El Salvador fell from 64% to 22%. Other countries are showing a downward trend. Secondly, private pension funds have no It can promote the development of ÿ Mexico's indicator dropped from 60% to 32% ÿ domestic capital markets, and has not yet achieved diversified investment. The capital markets of most Latin American countries are immature. Some countries also restrict diversified investments and limit the proportion of foreign investment. Treasury bonds and bank deposits are still the first choice for pension fund investment. The proportion is between 64% and 90%. Four countries prohibit investment in domestic stocks. The other five countries allow stock investment to account for only 6% to 16%. Third, the management level of private pension funds is not high. The overall investment The rate of return is low. A study shows that Colombia's average annual rate of return from the beginning of the reform to 2017 was only the fourth. Insufficient additional savings of insured persons and an increase in early withdrawals of funds from personal accounts have exacerbated the

. Mexico's Ministry of the Interior believes that as of 2020, its average annual pension return rate is only 5.8% to 3.9%. ÿ

insufficiency of the private pension system. Fifth, pension reform has failed to reduce the fiscal burden. Public pension systems still exist in the mixed model and parallel model, while transitional fiscal costs still exist in the alternative model. In 2001, eight countries (excluding Panama) had pension The fiscal cost of the financial system accounts for an average of 27% of GDP.

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5. Current status and trends of pension reform in Latin America

Due to the unsatisfactory effects of pension reform, the pension systems of these countries have been undergoing continuous reform and improvement. The fifth part of the book "Promise and Reality" introduces and evaluates the pension system in Latin America.

As of September 2020, four countries: Argentina (2008), Chile (2008), Bolivia (2010), and El Salvador (2017) have carried out pension reform. The reform direction is to establish or expand public pension systems. Pension system. Professor Mesa-Lago pointed out that since the pension reform failed to realize the original reform promise, it is very necessary for these countries to actively intervene in the pension system again. Professor Mesa-Lago pointed out that the pension reform The evaluation method used is similar to the fourth part. In addition to the five evaluation indicators, he also reviewed the social dialogue situation of re-reform. (1) Social dialogue situation From the perspective of social dialogue, the most radical "re-reform" is Argentinaÿ. In 1994,

Argentina's basic pension

insurance system was transformed from the traditional DB-type pay-as-you-go system to the DC-type fully funded system. In 2008, the international financial crisis broke out and the capital market was greatly affected. The Peronist left wing came to power less than a year ago. President Cristina submitted a "face letter" on pension reform to Congress on October 21, 2008, proposing the reasons for the reform, recommending the cancellation of personal accounts, a complete restoration of the pay-as-you-go system, and freezing of pension fund assets. In the context of dialogue, Congress approved this reform plan on November 20, 2008. On December 4, President Cristina signed the "Argentine Unified Pension Law" (Decree No. 26, 425), which regulates the new pension system after the reform. The basic framework and operating rules of the system have been stipulated in principle. It was implemented on January 1, 2009. All account assets of insured participants and retirees under the original individual account system were transferred to the state for unified management and investment. Bolivia, Chile, and El Salvador also Both have re-reformed to a greater or lesser extent. Both the International Labor Organization and the World Bank believe that social dialogue before reform is necessary. Bolivia has conducted extensive opinion collection and debate, and Chile has formed an advisory committee composed of representatives from all walks of life to jointly study reform plans. El Salvador's reform plan is the result of a compromise with the opposition.

(2) In terms of coverage, the

expansion of coverage mainly depends on the inclusiveness of the system itself. Chile and Bolivia have achieved expansion through reform, while Argentina and El Salvador have not achieved expansion. Chile has made self-employed persons compulsorily included in insurance coverage, through " The "Solidarity Pension System" will include the poor and the elderly in the protection, thereby increasing the coverage rate. Bolivia lowered the retirement age and payment period, promoted the "Decent Income Plan", expanded the coverage rate of the elderly population to 97%, and the total coverage rate increased accordingly. Argentina implemented a "moratorium", allowing additional pensions to be paid to insured persons under special circumstances to compensate for their debts. However, due to a single measure, this move failed to improve the coverage rate. El Salvador did not take measures to target the coverage rate, and its reform was delayed. Short, the changes in coverage are not obvious.

ÿ Regarding the main reasons and international evaluation of the reform of Argentina's basic pension insurance, please see Zheng Bingwen and Fang Lianquan: «The process, content and motivation of the "nationalization and re-reform" of Argentina's privatized social security system», published in «Latin American Studies »ÿ Issue 2, 2009, Pages 7-24.

(3) In terms of social solidarity and gender equality,

following Argentina, Chile also implemented re-reforms in 2008. However, unlike Argentina, Chile did not return to a complete pay-as-you-go system, but instead established an additional "solidarity pension system". The Chilean pension system has thus become a relatively unique three-pillar model: it claims that its non-contributory public pension system (Solidarity Pension) is the first pillar, and the compulsory savings pension insurance system organized by the state is the second pillar. Pillar, the optional voluntary pension plan is the third pillar. Among them, the solidarity pension is funded by the state to subsidize the basic living of low-income retirees and protect their basic living. In addition, Argentina has improved the pension payment system for low-income groups and canceled the pension payment system. Unreasonable restrictions on non-contributory pensions have been completed, and the protection coverage for the elderly, full-time mothers, and low-income earners has been completed. Bolivia has lowered the age for obtaining the "Decent Income Plan", making it easier for informal workers to receive pensions, and created Semi-contributory pensions and solidarity funds provide protection for low-income people. El Salvador has implemented three new systems: temporary economic benefits, permanent economic benefits and longevity benefits to provide living security for people who cannot enjoy pension rights. Although all countries are working hard Promote gender equality, but the gender gap still exists. Chile, Argentina, and Bolivia have provided women with childcare compensation and expanded the scope of non-contributory pensions for women. Argentina, Bolivia, and El Salvador have abolished the calculation of pensions based on gender. These measures Although gender inequality has been improved to a certain extent, the pension replacement rate for women is much lower than that for men, and the retirement conditions are more stringent than for men, etc. still exist.

(4) In terms of pension adequacy, reforms in

all countries have improved the level of protection to varying degrees. Argentina increased the level of pension benefits in 2012, and its average pension replacement rate can reach 75% (excluding the insurance of 2.4 million people) (a lower-contribution pension plan provided by the public). Bolivia has reduced the benefit conditions of the three types of personal account contributory, semi-contributory and non-contributory pension systems, making it easier for insured persons to enjoy protection. Chile has adopted a universal basic pension system. The pension increased the income of the poorest 5% of the population by 72%. The solidarity pension improved the benefits of low-income contributory pensions. The income of insured persons over 80 years old increased. El Salvador's new

ÿÿÿ ÿ The 75 ~ 79 year old group increased by 30% ÿ The three benefits of temporary economic ÿ

benefits, permanent economic benefits and longevity benefits have been increased by 25% for the group under 75 years old, and

welfare projects have been expanded. (5) In

terms of management efficiency and cost, various countries have adopted different measures to improve the efficiency of system operation and reduce management costs. ÿ Argentina directly closed the private pension system and canceled all fees. The public system cannot levy fees. Although Bolivia has established a public fund management company, its competitiveness is insufficient and full competition has not been formed. Private pension management fees have not been reduced. Chile Attempts to reduce management costs through regular bidding, collective bidding, authorizing banks to manage personal accounts, and establishing insured committees. El Salvador is preparing to be managed by the government, Representatives of workers and employers form an actuarial committee and a risk committee to monitor the operational risks of the fund and provide

High operating efficiency and reduced management costs.

(6) Financial sustainability and actuarial balance

In addition to Chile, Argentina, Bolivia and El Salvador are all facing fiscal unsustainability problems.

First, the contribution rate is relatively high, placing an excessive burden on employers and employees. Argentina's contribution rate is 21%, while Chile's contribution rate is 21%.

ÿÿ ÿÿ ÿ Bolivia 17 4% ÿ El Salvador 15% Among them, how much does the insured person in Bolivia pay?

It is almost three times that of the employer. Chilean insured persons even have to pay 86% of the total premium. Second, the amount of fund accumulation

Instead of rising, it fell. Only Chile showed a rebound after the fund amount fell by 33% in 2019. In 2020, Argentina's fund amount fell.

The fund's ÿ Bolivia did not recover after a 42% decline, while El Salvador has no statistical data. Third,

investment returns were poor. El Salvador's pension fund mainly invested in public debt, accounting for 82%, and the return on funds was very low. Argentina's ÿ base

pension fund increased its investment in public debt and reduced its stock investment, returning

The return rate is also low. 94% of Bolivia's investment portfolio consists of bank deposits and public debt, and the return rate is very low.

Low. Chilean investment is relatively diversified, but the level of investment is average. The actual rate of return is more affected by economic fluctuations.

Big. Fourth, the pension actuarial balance is missing, and the system's ability to resist aging is still weak. Argentina's population

The population is aging very seriously. The dependency ratio of the pension system is higher than that of other countries. Its unified pension system

(SIPA) expenditures as a proportion of GDP are rising year by year, and the Sustainable Guarantee Fund (FGS) is also facing serious deficits.

Words. Bolivia's Solidarity Fund is expected to have a deficit in 2022. Although El Salvador has reduced pension benefits

level, but the financial deficit is still serious. Although Chile's private pension coverage rate is high, the replacement rate is low.

The proportion of pension expenditures in GDP has been declining year by year, and the pressure on financial sustainability is currently relatively small.

6. Early withdrawal of pensions during the COVID-19 epidemic is not conducive to the sustainability of the system

After the outbreak of the COVID-19 epidemic in 2020, the global economy declined and capital markets fluctuated violently. Latin America

The national economy has been impacted in all aspects, and the pension system is facing tremendous pressure. First of all, the economic impact caused by the epidemic has

The economic recession has worsened the situation of informal employment groups in Latin American countries. In order to alleviate the current economic difficulties of the public,

Many Latin American countries allow early withdrawal of funds accumulated in personal accounts. Peru allows withdrawals from personal accounts.

95 5% of the funds, El Salvador, Dominica, Chile and Costa Rica also allow in different

Withdraw 10% ~ 100% of the funds under certain circumstances. Among the employed people in Latin America in 2018, unpaid family workers,

The total proportion of informal employment groups such as self-employed persons and employees of small and micro enterprises reached 373%. ÿ COVID-19

During the epidemic period, their proportion further increased. This group of people tended to withdraw funds from their personal accounts in advance.

A large number of early withdrawals will destroy the financial balance of personal accounts, and many insured persons will be unable to support themselves after retirement.

The dilemma of being able to receive old age pensions. Taking Chile as an example, in March 2020, the new law allowed people affected by the new coronavirus epidemic to

Unemployed people received US$1,400 in unemployment benefits and an additional 25% withdrawal of personal account funds, allowing insured persons with very low accumulation in their personal accounts to withdraw in full. In June of the same year, another bill was approved, allowing contributions to be made for 20 years. However, the insured persons who have no payment record in the past 12 months will receive 100% of the funds from the public pension system. It is estimated that 1.5 million people will meet the conditions for receiving benefits. The Chilean government will face a debt of up to 17.3 billion US dollars, and the fiscal system is simply unable to pay this debt. It is expected that 3.7 million people

will not be able to obtain pensions in the future. Secondly, the actual rate of return of pension funds in Latin American countries is on a downward trend, increasing the pressure on the financial sustainability of the pension system. Affected by the epidemic, Chilean pension funds from January to March 2020 With a loss of US$75.915 billion (a loss rate of 33%), Argentina's public pension funds dropped from US$67.854 billion to US$38.052 billion from 2017 to 2020, returning to the level of nationalization and reform in 2008. Pension funds depreciated. As a result, the actual accumulation amount of the insured's personal account will be significantly reduced, and the actual pension received will be greatly reduced. In this case, the willingness of the insured to withdraw pensions in advance will be further enhanced, forming a vicious circle.

Against this background, the urgency of reform in Latin American countries has increased. At the same time, they are also facing more challenges. For example, the reform in Colombia and Peru has been unable to be implemented. The pension systems of Colombia and Peru are parallel models, while retaining the public pension system. pension system and private pension system. Both countries are facing problems such as low coverage, social inequality, low wage replacement rate, and insufficient competition in the private pension system. Colombia has been continuously proposing reform plans since 2013, respectively. The Ministry of Labor, trade union organizations, and individual members of Congress have proposed that some plans recommend closing the public pension system, while others advocate the establishment of a multi-pillar pension system, increasing the coverage of non-contributory pension insurance, and carrying out parametric reforms. Colombian President Iván Duque said in a speech During the 2018 election campaign, it claimed to carry out pension reform to increase coverage and reduce inequality, but no formal plan had been formed until March 2020. When facing the economic crisis caused by the epidemic, the government hopes to implement slowdowns in pension contributions and the reduction of private pensions. Measures such as transferring funds into the public pension system were all declared unconstitutional by the Supreme Court. If further reforms cannot be advanced in time, Colombia will miss a good opportunity to solve the problem of the pension system, and the pension problem will become more serious. Peru proposed four reform proposals in 2017 Two of them were drafted by the Social Security Committee, and the other two were proposed by members of Congress. These proposals all emphasize the establishment of a multi-pillar pension insurance system and strengthen the role of the state in the pension system. Until the end of 2020, Peru's reform was still in the proposal stage. No substantial progress has been made.

Professor Mesa-Lago also specifically analyzed Brazil's parametric reform. Brazil retains a pure pay-as-you-go public pension system. Its pension system is relatively fragmented and includes four main subsystems and other There are more than 2,000 independent public systems. Brazil has relatively loose retirement conditions and a high wage replacement rate, so the cost of its pension system is very high. In the context of increasing aging, the government has been trying to solve the problem of financial unsustainability since 1998. Parametric reform has been launched many times, but it is still difficult to maintain

Actuarial balance. Brazil's public pension expenditure as a proportion of GDP has gradually increased from 4.6% in 1995 to the highest 2006 69% , 8.2% in 2016 and 11.1% in 2018 , financial pressure in Latin America. Professor Mesa-Lago believes that Brazil needs to reform as soon as possible to integrate the existing fragmented pension system into A unified pension system should be combined with parametric reforms to improve financial sustainability. Otherwise, as the aging of the population intensifies, the cost of reform will become heavier and the obstacles to reform will also be greater.

Seven overall evaluations and suggestions on pension reforms in Latin America

Professor Mesa-Lago gave an overall evaluation of Latin American pension reforms in the sixth part of the book "Promise and Reality" and pointed out many problems existing in pension reforms. First, social dialogue was insufficient in the reform and comprehensive consideration was not given. Opinions from all parties: Second, the reformed pension system failed to adapt to the labor market structure and was difficult to include more informal workers. Third, the private pension system emphasized the principle of reciprocity and was unable to resolve social solidarity and gender equality. Problem, fourth, personal account pension accumulation is affected by investment returns and stock market fluctuations, and the pension replacement rate is low. Fifth, there is a lack of full competition among fund managers, which is inefficient and has high costs. Sixth, private pensions The system still faces the problem of financial unsustainability and needs to be reformed. In addition, Professor Mesa-Lago pointed out that the pension reforms in the four Latin American countries have promoted social progress on the basis of making up for the shortcomings of the original system, but still failed to solve the problem. Social dialogue and fiscal sustainability issues

Finally, Professor Mesa-Lago made suggestions for future reforms in the seventh part of the book "Promise and Reality". He believed that any type of reform must adapt to the characteristics of the country. The reform experience in Latin America proves that there is no one method that is suitable for all countries. For example, Bolivia and El Salvador have not been successful in replicating the Chilean model because these countries lack the conditions of Chile in the labor market, capital market, etc. He proposed that whether it is to replace the private pension system with a public pension system, or to replace the private pension system with a private pension system, It is feasible for any system to replace the public pension system. Any reform must carry out extensive social dialogue. The reform plan must undergo professional actuarial design and be announced to the society in an easy-to-understand manner. A referendum or referendum must be implemented. The reform must also Various fragmented systems should be integrated, a unified pension system should be established, and differentiated insurance participation conditions and welfare standards should be transformed into a universal system.

Professor Mesa-Lago also proposed a series of specific measures. In terms of expanding coverage, he suggested passing legislation to make compulsory contributions to subsidize the contributions of low-income people, bundling pension insurance with medical insurance, and providing support for informal employment groups. Establish special plans, simplify payment registration procedures, etc. In terms of achieving social unity, we can resume employer contributions, establish solidarity national contributions, promote non-contributory pensions, etc. In terms of achieving gender equality, we can implement equal pay for men and women for equal work, expand female employment, and provide Housekeeping service provider

In terms of improving welfare adequacy, the Consumer Price Index (CPI) can be introduced into the wage adjustment system to reduce the impact of inflation on pensions. In terms of improving management efficiency and reducing costs, the number of pension managers can be expanded, regular bidding can be implemented, management fees can be limited, management fees can be linked to investment returns, excess profits and management excess remuneration can be limited, etc. At the same time, the government can establish organizations or institutional representatives. The insured implements supervision or expresses demands.

Regarding the issue of financial sustainability, the book "Promise and Reality" recommends that reforms should be aimed at improving the financial sustainability of the pension system, conduct regular actuarial evaluations, and issue evaluation reports on pension operations every five years to ensure that financial and actuarial At the same time, an independent regulatory agency needs to be established to implement unified supervision of all pension systems, promote diversified pension investments, and increase investment return rates. In addition, it is also possible to limit the withdrawal of funds from personal accounts to encourage workers to voluntarily Savings, strengthening the popularization of knowledge and information on social security for workers, and strengthening the supervision of corporate and individual contributions. Regarding future development models, Professor Mesa-Lago pointed out that there are three models for reference. One is Italy, The "nominal account system" (NDC) established by Latvia, Poland, Sweden and other countries is a model that retains the pay-as-you-go financing method, and at the same time establishes personal accounts to record personal payments and nominal rates of return, changing the DB type to a DC type. The second is the sovereign pension fund represented by the California Teachers' Retirement Fund, which is a DB-type or DC-type pre-funded accumulation system that is managed by the public or centrally. The pre-funded and accumulated funds are managed and operated by the state. The third is Costa Rica, The hybrid model established by Panama, Uruguay and other countries is to establish a multi-pillar pension system covering pension assistance, public pensions, occupational annuities, private pension insurance, and personal savings pensions.

In short, Professor Mesa-Lago's summary and evaluation of the 40-year reform process in Latin America conveyed an important point to people, that is, any reform must meet a series of requirements. It is not advisable to blindly copy and copy without basic national conditions, no matter how many reforms are established. Whether to support the pension system or shift to private pensions must go through precise design and sufficient social discussion.

(Editor Huang Nian)