The multidimensional adequacy of social insurance benefits and insurability

Daniel Gottlieb[1]

In this article the adequacy of social insurance benefits is addressed from the perspective of eight fundamental goals of social insurance. With respect to these goals, the legislated level of the benefit and other conditions represent tools to achieve adequate levels of benefits vis-à-vis contributory effort. The goals address income risks of various sorts: (i) income compensation; (ii) securing a decent standard of living; (iii) universality, implying simplicity and a high takeup of social rights; (iv) reducing income risk deriving from physical incapacity; (v) safeguarding insurability by balancing the expected payoff to the insured and the value of the contributions paid over the lifetime; (vi) intergenerational equity; (vii) containing work and savings disincentives; and (viii) risk reduction (prevention). A simple model serves to clarify what is needed to achieve benefit adequacy together with insurability and contribution adequacy. An example of income support in working age, based on Israeli data, illustrates the use of specific instruments to achieve a decent standard of living while containing economic disincentives. The example stresses the importance of synchronizing efforts with institutions outside the social insurance system.

1 National Insurance Institute, Jerusalem, Israel

Benchmarking administrative expenditures of mandatory social security programmes

Oleksiy Sluchynsky[1]

This article offers a framework for the comparison and benchmarking of administrative expenditures of mandatory pension schemes as part of national social security provisions. It presents results of a quantitative analysis that builds on a framework developed around the extensive body of literature on both public and private pension programmes surveyed as part of this analysis. Our dataset includes over 100 observations and a broad set of explanatory variables. We developed and compared a number of standardized cost indices discussing their advantages and limitations. We also discuss major cost components and their shares in total programme costs. The regression analysis explains over 90 per cent of variation in administrative expenditures. It confirms some of the hypotheses expressed in the earlier studies and presents new evidence of driving factors for costs. We developed three different specifications for statistical analysis. The first set looks at the impact of design of a programme on total costs. The second group of specifications assesses differences in costs of managing pension liabilities between the public and private mandatory pension schemes. Finally, on the basis of the third model we generate benchmarks for staffing levels and for the total administrative expenditures, providing guidance for policy analysis and recommendations. Notably, the spread between low and high benchmark estimates for programmes of the same size and operating in the same economic environment can be four-fold and is driven by parameters of design and operation (for example, asset management function, in-house collection, or operation of special supplementary schemes). Therefore, inferences about the level of administrative expenditures should always be done keeping in mind the institutional context for each programme.

1 World Bank, Washington, DC, United States

Supporting jobseekers: How unemployment benefits can help unemployed workers and strengthen job creation

Ekkehard Ernst[1]

The rapid rise in unemployment since 2008 caused by the global financial crisis has created renewed interest in the effects of well-designed unemployment benefit systems on the speed at which labour markets recover and job creation resumes. On the basis of a newly-created database on labour market flows, this article makes use of a micro-founded macroeconomic model to estimate different effects of active and passive labour market spending on employment growth and the state of public finances. It demonstrates, in particular, that for the average G20 country, spending on unemployment benefits yields employment gains both in the short term and long term that are superior to those observed for active labour market policies. Moreover, rather than tightening their budgets prematurely, G20 countries would have fared much better in accepting further deterioration in public finances stemming from higher spending on social transfers in order to stimulate faster employment growth, which would have led to a more rapid recovery in the state of public finances as well.

1 International Labour Office, Geneva, Switzerland

A model for universal social security coverage: The experience of the BRICS countries

Mridula Ghai[1]

The BRICS countries have made important progress in extending social security coverage. However, much remains to be achieved to realize the goal of comprehensive universal social security protection. Using policy experiences from the BRICS, the article explores the possibility of drawing from existing models of social security provision to design effective policy interventions for universalizing social security. Main principles of a framework for bridging the coverage gap are identified. These principles are then placed in complimentary and supplementary relationships to develop a framework for policy interventions to bridge the social security coverage gap and achieve universal social security.

1 Employees' Provident Fund Organisation, New Delhi, India