

Benchmarking administrative expenditures of mandatory social security programmes

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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.

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