International Labour Organization

Tripartite Round Table on Pension Trends and Reforms (30 November–2 December and 4 December 2020)

Record of proceedings (Meeting report)

Social Protection Department – Bureau of Employers' Activities – Bureau of Workers' Activities

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Introduction

The Tripartite Round Table on Pension Trends and Reforms was held from 30 November to 2 December and on 4 December 2020 (no meeting was held on 3 December). Due to the COVID-19 related travel restrictions and quarantine measures, the Round Table was held virtually.

The Round Table had been approved by the Officers of the ILO's Governing Body; 14 countries were invited and 13 countries were represented at the meeting.

Today, the reform of social security pension systems represents the biggest share of ongoing and planned social protection reform processes. A wide range of challenges – including population ageing, the growing informality of labour markets and the emergence of new forms of employment – have led in many countries to lively public and policy debates and reforms of national pension systems. Reform models and processes have been diverse and the extent to which they align with ILO standards and principles is of great importance, both to the countries undergoing reforms and to other countries considering different policy options.

The objectives of the Round Table were:

- to share global trends on pension reforms and in that context to learn from country experiences in designing, extending and reforming their pension systems;
- to discuss policy and reform options in the light of ILO core principles and minimum benchmarks;
- to share main takeaway messages prepared by the Employers' group, the Workers' group and the Government group.

The ILO's Social Protection Department, in cooperation with the Bureau of Employers' Activities and the Bureau of Workers' Activities, prepared a questionnaire structured around a set of nine core principles for pension systems derived from ILO social security standards. The objective of the questionnaire was to serve as the basis for the country presentations and reflections on pension systems' achievement of the guiding principles. Participants were requested to send their completed questionnaires to the ILO prior to the Round Table. They were also asked to provide, prior to the meeting, a succinct narrative document that summarized the main issues related to the extent to which their countries' pensions system had achieved the ILO principles, as well as the extent to which any ongoing or planned pension reforms or discussions were taking into account those principles.

Chapter 1 of this report provides a summary of the responses to the questionnaire, as well as the information provided in some cases in the narrative notes received by the ILO, structured around the nine core principles for pension systems. Chapter 2 provides a summary of the discussions held during the tripartite Round Table, as well as the questions and comments raised by participants. Chapter 3 presents the takeaway messages of each of the three groups. Chapter 4 is dedicated to the closing remarks made by the Employer and Worker Vice-Chairpersons and the Chairperson, as well as a number of individual statements made by participants.

Chapter 1. Summary of responses to the questionnaire

Principle 1. Progressive realization of universal coverage

1.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

The objective under this principle is to examine where each of the participating countries stands from the point of view of progressively reaching universal coverage with respect to pensions so as to guarantee the human right to income security in old age for all. National policies and legal frameworks need to constantly pursue the objective of expanding coverage so as to progressively ensure that all persons in their territories have access to one form or another of income security in old age, both in law and in practice. However, there are multiple barriers – legal, administrative, financial and practical – to accessing protection in old age.

These obstacles need to be continuously monitored in order for universal coverage to become and remain a reality for everyone concerned. As pointed out in the questionnaire responses, universality has been achieved in countries that have effectively combined various contributory and non-contributory protection mechanisms. It is through this combination of mechanisms that all segments of the population can ultimately be protected in old age. In response to the questions listed under this principle, participants described how, in their national context, the objective of universal coverage was being pursued and monitored and provided figures for their current coverage rates with respect to all the pension schemes operating in the country with a view to identifying potential coverage deficits and discussing ways to address them.

1.2. Summary of responses to the questionnaire

A number of responses (Argentina (G, E, W); Bulgaria (G, E, W); Canada (G, E, W); Chile (G, E; France (G, E, W); Russian Federation (G, E, W)) indicated that they had achieved universal coverage through different mechanisms and tiers of protection. Responses from countries with more mature pension systems (Canada (G, E, W); China (G); France (G, E, W)) considered that universal coverage had been a deliberate objective and achievement since the creation of their schemes. Other responses (Argentina (G, E, W); Bulgaria (G, E, W); Chile (G, E, W); Mexico (G, E)) indicated that the achievement of universal coverage or quasi-universal coverage had been the product of more or less recent and successive reforms and changes of orientation of their pension models. At times, the responses of the government and social partners groups diverged as to whether universal coverage had been achieved (Indonesia (G, W); Côte d'Ivoire (G, W); Mexico (G, W)). The responses of governments that did not consider that they had moved towards or achieved universal coverage (Jordan (G); Nigeria (G)) indicated that, while they had that target in mind, conditions external to their pension schemes had prevented them from advancing as much as they would have desired. The most common obstacle to reaching or maintaining universal coverage identified by those countries was the extent of the informal economy and the emergence of new forms of work. Some responses (Chile (G, E); Mexico (G, E)) considered that the defined contribution characteristic of their main contributory pillar had contributed efficiently to the overall objective of universal coverage and that it was up to other complementary pillars to achieve "in fine" the objective of universality. Other responses (Chile (W); Mexico (W)) pointed out that defined-contribution-based schemes tended to favour middle- and higher-income earners and leave out low-income workers, those in the informal economy and those in non-standard forms of work, resulting in the need for additional non-contributory schemes to fill in the gaps (although those schemes tended to have lower benefit levels and therefore did not provide as much protection to those workers. A number of responses (Argentina (G, E, W)) considered that returning to a pay-as-you-go (PAYG) pension scheme was instrumental in reaching universal coverage. The responses of all Workers' and Employers' representatives agreed with the argument that the informal economy and new forms of work represented a major challenge, but that there was a need to develop well-designed mechanisms to protect all workers, regardless of whether they were in the formal or the informal economy. The responses of some Worker's representatives (Argentina (W); Chile (W)) indicated that while the objective of universality had been reached, the adequacy of benefits and the conditions for accessing them required some consideration, as did the overall structure of the pension system; more specifically, while having reached the objective of universal coverage, it was concerning that the structure of the pension system had introduced additional inequalities to those observed in the labour market. The response of the representative of Mexico (W) stressed the difference between legal coverage and effective access to benefits.

Principle 2. Social solidarity and collective financing

2.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Ensuring universal income security in old age requires mobilizing powerful tools in terms of financing if the pension system is to be sustainable and able to provide adequate protection levels. International social security standards require that benefits be financed collectively by way of either contributions, taxation or a combination of the two – the rule in this respect being that employees should not be contributing more than half of the total of the financial resources allocated to their protection. Standards further provide that the financing of pensions should also be designed with social solidarity in mind and in a manner that avoids imposing hardship on persons of small means and takes into account the economic situation of the categories of persons protected. Of course, this element takes a particular salience during times of crises, when vulnerabilities are exacerbated. Making replacement ratios higher for lower-wage earners could support the redistributive function of social security and thereby ensure life in health and decency for all beneficiaries. Social solidarity and solidarity in financing thus imply a fair distribution of contributions between employers and workers, as well as solidarity between economically active and non-active members of society, between men and women, between those with high wages/earnings and those with low wages/earnings or no earnings and between present and future generations. Old age pensions are thus the result of social solidarity but at the same time a way to boost social cohesion through redistribution towards the vulnerable members of society.

2.2. Summary of responses to the questionnaire

While agreeing on the fact that solidarity was a key element of any social security scheme and of pension systems and that solidarity among generations was paramount, the responses to the questionnaire presented different approaches to solidarity, all of them linked directly or indirectly to the financing method. For some responses (Bulgaria (G); Canada (G, E, W); Chile (G, E); China (G); Mexico (G, E); Russian Federation (G, E, W)), non-contributory, tax-financed, social assistance or old-age income security pension schemes constituted the way that solidarity was expressed in their countries. Other responses (Argentina (G, E, W)) considered that while non-contributory, social assistance schemes and state guarantees were necessary, they were not sufficient to establish solidarity within any generation or among generations and solidarity must be an intrinsic component of the main pillar of any pension system. A response from Côte d'Ivoire (G) indicated that those who were covered by the pension scheme did it on a collective basis and thus on a solidary basis. Several responses (Mexico (W); Chile (W)) also indicated how the existence of individual accounts systems, whereby benefits were closely linked to individual contributions, undermined social solidarity and collective risk-pooling in the pension system. A number of responses also indicated a decline in the level of employer contributions relative to workers contributions, thereby undermining social solidarity in the system and threatening both the adequacy and sustainability of the pension system (Bulgaria (W); Argentina (W); Canada (W)).

In addition, several replies (Argentina (G, E, W); Canada (G, E, W); Chile (W); France (G, E, W)); Mexico (W)) highlighted the importance of considering pensions schemes in the broader economic and labour market context since all countries recognized that, while expected to contribute to solidarity through its different pillars, pension systems could not by themselves solve the lack of solidarity and inequities upstream and measures to tackle inequalities in the labour market and non-standard forms of work were also necessary. Almost all responses acknowledged that COVID-19 had imposed unprecedented challenges on pension schemes, regardless of whether they were based on defined benefits or defined contributions.

Principle 3. Right to adequate and predictable benefits

3.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Pension levels in each country should comply with adequacy criteria. But how to translate the principle of adequacy in practice? ILO standards foresee that at the very least, each country should have a social protection floor that guarantees at least basic income security in old age, according to a national threshold determined by reference to the monetary value of a set of goods and services that are considered necessary to secure life in dignity. The Social Protection Floors Recommendation, 2012 (No. 202), refers to nationally defined poverty lines or minimum income thresholds as possible benchmarks for a level of income that is sufficient to prevent poverty in old age. For those able to affiliate with existing social insurance mechanisms, they should be mandated by law to do so and their pensions should represent a predictable percentage of their reference earnings in order to allow them to maintain their standard of living in old age.

The need for adequate benefits should also be accompanied by the need for people to anticipate their future as far as possible, in particular in the light of decreasing working ability in old age. However, if the level of pensions is unpredictable and volatile – for example if it is left entirely to the performance of financial markets – it will be difficult for the system to comply with the principle of predictability in cases in which these benefits are the main component of a pension system. Ultimately, for a benefit to be predictable the level and duration of the benefit should be defined by law (this is also what makes the difference between a right and a charity); the financing should be sound and sustainable; and the level of the benefit should be reviewed regularly through transparent and pre-established procedures involving social partners. Indeed, compliance with the principle of adequacy is not a one-off exercise; it is closely linked to periodically reviewing the level of benefits in relation to inflation, the cost of living and the general level of earnings in the country so as to maintain pensions' purchasing power and their adequacy.

3.2. Summary of responses to the questionnaire

Several responses indicated that the objective of adequate and predictable benefits had been met in their countries (Argentina (G, E); Bulgaria (G); Canada (G, E, W); Chile (E); China (G); France (G, E, W); Jordan(G, E), Russian Federation (G)). In their responses, Workers' representatives from some of those countries, however, questioned the adequacy of benefit levels, indicating that their levels sometimes fell below the minimum wage or the poverty line, including due to inflation (Argentina (W); Chile (W)). Other responses considered that the defined contribution nature of the main contributory pillar implied that the benefit was not predictable and that there was no guarantee that the levels would be adequate (Chile (G, W); Mexico (W)). Several responses (Argentina (G, W); Chile (W); Mexico (W)) indicated that low wages – often promoted through austerity policies – had in turn led to low pension levels, particularly in systems in which contributions were strongly linked to entitlements. Other responses considered that the objective had been partially met (Russian Federation (W); Côte d'Ivoire (W)) where the formula to calculate the benefit did not guarantee a pension at a specific level but there was a (predictable) minimum guaranteed by the state even though the level was not always considered adequate. One response (France (W)) considered that the predictability of the pension only applied to standard forms of work at retirement but that in practice, the level of pensions did not always increase as it should and that workers in atypical employment or intermittent employment did not benefit from any predictability or adequacy of their pension. Another response (France (E)) mentioned that over the last 30 years the standard of living of pensioners had been higher than the population as a whole and that such a trend was expected to last for at least another 10 more years. In some cases, responses considered that the pension system relied excessively on individual savings, thus limiting the predictability and adequacy of pensions (Canada (W); Chile (W); Mexico (W)).

Principle 4. Overall and primary responsibility of the State

4.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Only the state has the long-term vision needed to ensure the proper administration and financing of pension systems and the due provision of benefits. The overarching principle of the general responsibility of the state has been central in the development of international social security standards and remains equally central today in the context of evolving circumstances and new challenges. What is the meaning of the principle that the state should assume the general responsibility for social security? Firstly, the state should set the legal and administrative architecture for social security to be able to exist and operate. It cannot simply disengage and relinquish this responsibility to other players. If the state does not administer the pension system through dedicated public institutions but opts to delegate this task to other operators, such as mutual funds or private schemes, it still remains responsible for ensuring – through proper regulation and enforcement – that the pension system delivers on its objectives, in line with international social security standards.

Concretely, governments need to be vigilant and monitor the financial sustainability of the pension system by requiring periodic actuarial assessments to be carried out. In addition to ensuring the solvency, viability and sustainability of social security systems, governments are responsible for designing and implementing policies to achieve cohesion between the various components of the social protection system at both the normative and operational levels, as well as its coherence with other economic and social policies. Notably, in times of crisis the state should also guarantee the continuity of benefit provision and be responsible for returning the system onto safer grounds while guaranteeing solidarity in the repayment of deficits.

4.2. Summary of responses to the questionnaire

All responses indicated that the right to social security was enshrined in their respective constitutions and legal frameworks and that roles and responsibilities were considered in their labour and social security legislations. Moreover, all Government group responses indicated that the state had assumed their responsibility. Some responses (Argentina (G); Canada (G)) indicated that the overall responsibility was shared among the federal and national state and the provinces (and territories) and sometimes the municipalities. Other responses (Chile (G); Mexico (G)) indicated that the responsibility of the state lay in its subsidiary role of regulation and supervision. Other responses went further (Bulgaria (G); China (G); France (W); Côte d'Ivoire (G); Russian Federation (G)), indicating that the state assumed not only the subsidiary role of regulation and supervision but also the overall responsibility of ensuring the financial viability of the system. Other responses indicated that universality could only be achieved if the state assumed its responsibility and achieving that goal was the best indicator that the state was assuming its overall responsibility (Argentina (G), Indonesia (E)). A point raised in another response (Mexico (W)) referred to the fact that the state could not relinquish its responsibility where it had delegated to the private sector the management of the main contributory tier of the pension system, which also needed to guarantee adequate replacement rates.

Principle 5. Non-discrimination, gender equality and responsiveness to special needs

5.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

The principle of non-discrimination, gender equality and responsiveness to special needs aims to guarantee that existing social security legislation contains provisions specifically aimed at ensuring non-discrimination and equality of treatment, taking into account situations of vulnerability and special needs. This refers, for example, to ensuring that women are not disadvantaged in the pension system; persons with disabilities are not being discriminated against and their special needs are being taken into account; and the specific challenges of workers in the informal economy and in non-standard forms of work, migrant workers, persons living in rural and remote areas or other groups are being taken into account. A special emphasis has been placed on gathering information about the extent to which national pension systems are designed in a gender-responsive way and provide measures for taking into account gender considerations in relation to old age pensions, especially given the way in which women's greater care responsibilities impact on and shape their employment-related contributory capacity.

5.2. Summary of responses to the questionnaire

All responses recognized the need for equality of treatment, non-discrimination and responsiveness to special needs. However, some responses noted that the inclusion of such dimensions had not been specifically considered in the dialogues that led to the design or reform of pension schemes but were issues on the table that would be addressed in future developments of the pension system. Some responses (Bulgaria (G, E, W); Canada (G, E, W); France (G, E, W); Russian Federation (G, E, W)) indicated that those dimensions had been systematically considered in their pension systems and that for the most part they had not introduced systemic inequalities, but some countries indicated that they were generated upstream in the educational system and the labour market. Other responses (Argentina (G, W); France (W)) mentioned that women and persons with disabilities often have lower salaries and faced a glass ceiling when they seek higher paid positions, which in turn resulted in lower contributory density and lower replacement rates; hence, independent workers, domestic workers and part-time workers, among whom women were heavily represented, had lower replacement rates. Two responses (Canada (G, W, E); Chile (G)) indicated that the use of different mortality tables for men and women to calculate the pension benefit had introduced additional inequities to those that already existed in the labour market.

Principle 6. Financial, fiscal and economic sustainability

6.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Pension systems, because of their specific nature and purpose, require a long-term vision, which is only possible if consideration is given to securing financial, fiscal and economic sustainability. This includes the need to ensure that the evolution of the costs and financing of social security systems are monitored constantly through periodic actuarial and financial studies and that, on the basis of these studies, the parametric reforms required to guarantee their long-term sustainability are identified through a participatory process.

This principle also requires ensuring the allocation of sufficient resources to achieve universal coverage, which may require consideration of the available fiscal resources and, if necessary, the option of mobilizing additional resources, as well as ensuring that austerity and fiscal consolidation measures do not unduly undermine social security rights. Reflecting a delicate balance between government, employers' and workers' interests, ILO social security standards place the objective of financial, fiscal and economic sustainability alongside that of social justice and equity. In other words, social and economic considerations must be seen as two faces of the same coin in order to design systems that are considered legitimate and secure the needed trust in the system and thereby the willingness of all stakeholders to participate in and contribute to them. It is for the state to strike the right balance in each national context, including through transparency rules and social dialogue.

6.2. Summary of responses to the questionnaire

Several responses indicated that the pension system in the country was sustainable (Argentina (G, E, W); Bulgaria (G); Canada (G, E); Chile (G, E); China (G); France (G, E, W); Côte d'Ivoire (G); Jordan (G), Indonesia (G, E); Nigeria (G); Russian federation (G, E, W)). Canada (W) indicated that while the pension floor and contributory public pension were sustainable, funded schemes lacked long-term sustainability in the face of falling interest rates and the transfer of pension costs and risks onto workers and pensioners. Several responses (Argentina (W); Chile (W)) indicated that the contributory pillar of the pension system must be intrinsically sound in financial terms, including all guarantees. Several responses indicated that the objective of the sustainability of the system had been pursued at the expense of adequacy, leading to low benefits (Mexico (W)). Responses from Mexico (W) and Chile (W) also highlighted the high administrative costs of the individual accounts system, which had compromised the sustainability of the system. Almost all responses to questionnaires described several pillars, many of them requiring full or partial fiscal support to provide benefits, guarantee minimum levels of benefits or bear with the long-term transition costs. Several responses (Argentina (G, E, W); Chile (W); France (G, E, W)) indicated that fiscal support to pension systems could face difficulties owing not to the architecture of the system but to secular decline in interest rates and the rate of return on safe assets. In addition, some of those responses highlighted how this had been exacerbated by the COVID-19 crisis, which was creating an economic slowdown and was demanding urgent resources to many other equally important areas, as well as owing to the lack of competitiveness of their economies. Several responses (Argentina (G, E, W); France (G, E, W); Mexico (W)) linked the sustainability of their pension schemes to a range of factors, including demographic ageing; the economic recovery; the reduction of the informal economy; the regulation of new forms of employment, including those related to outsourcing; fighting undeclared work; and fiscal evasion and corruption.

Principle 7. Transparent management and administration

7.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Ensuring overall systemic transparency is also key for the successful design and efficient functioning of pension schemes. On the one hand, complex formulas that make it virtually impossible for individuals to anticipate the level of their pension do not necessarily help individuals to plan their retirement or to trust and have a positive view of the pension system. Undeniably, objective and clear eligibility criteria – as well as clear rules governing the determination of benefits, in particular the process of setting and reviewing benefit levels – will result in better outcomes in terms of transparency and predictability, which in turn will generate greater public awareness, confidence and support. The advantage of retirement income predictability is lost if entitlements cannot be understood or are not communicated clearly and consistently to contributors and beneficiaries.

In addition, obscure governance rules or a complete lack thereof, non-existent or ineffective participative management that excludes representatives of the persons protected and their employers, a lack of independent monitoring and evaluation, and discretionary or unmotivated decision-making by the administration of pension schemes are all potentially highly prejudicial to pension schemes because they deter affiliation and risk compromising the sustainability of the scheme and public confidence in it. Transparency therefore goes hand in hand with accountability. If protected persons are unaware of government rules and indeed are not able to observe the implementation of social protection schemes in accordance with those rules through their representative structures, their ability to recognize violations and voice objections will be constrained. A lack of transparency and inclusive management may also impede the dissemination of information about results and undermine public support for continued and/or increased investment in social protection systems.

7.2. Summary of responses to the questionnaire

Almost all responses indicated that there was a large and comprehensive legal framework for ensuring transparent management and administration of the pension system (Argentina (G, E, W); Bulgaria (G, W); Canada (G); Chile (G); China (G, W); Côte d'Ivoire (G); France (G, E, W); Indonesia (W); Mexico (G); Nigeria (G, W); Russian Federation (G); Tunisia (G)). Some responses indicated that information was accessible to the population (Argentina (G); Canada (G); Chile (G), China (G)). Other responses noted that reports were submitted by the supervisory authorities (Argentina (G); Bulgaria (G, W); Canada (G); Chile (G, E); China (G); Côte d'Ivoire (G); Jordan (G); Nigeria (G, W); Russian Federation (G). Bulgaria (W) highlighted the existence of periodic reporting and the provision of clear and accessible information to pensioners about their rights. Some responses mentioned obstacles with regard to transparency; (France (W)) indicated that the multiplicity of schemes in its pension system made it difficult – even for experts – to understand how the system worked and therefore for beneficiaries to understand what their entitlements were. Argentina (W) indicated that delays in available information and reporting and frequent changes in regulation had complicated monitoring and was not conducive to transparency. Many responses underlined the importance of ensuring periodic reporting on the administration and management of funds as a way to realize the principle of transparency and accountability. Some responses indicated that transparency in the privately managed individual capitalization system remained a challenge (Chile (W); Mexico (W); Tunisia (W)). Canada (W) stressed that while transparency, accountability and soundness characterized the administration and management of private pension funds, there were numerous hidden fees, particularly on the investment side of the administration.

Principle 8. Involvement of social partners and consultations with other stakeholders

8.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Participation refers to the effective involvement of relevant stakeholders in all stages of the decision-making process for social security schemes, from policy design to implementation and the monitoring of policies. Indeed, effective participation allows for greater transparency and accountability, the sharing of information and knowledge and the exchange of opinions. It is also a prerequisite for ensuring good governance of social protection systems.

Making sure that representatives of protected persons and employers either participate in the management of the pension schemes or are consulted in that connection is a key element of the governance of social insurance schemes. That is particularly important given that workers and employers finance these schemes and therefore should have their say in determining how the schemes operate. Often, truly participatory management implies involving, in addition to social partners, a broader circle of representatives of specific groups, such as persons in situations of vulnerability or exclusion or retired persons.

8.2. Summary of responses to the questionnaire

A number of responses indicated that the involvement of social partners and consultations with stakeholders was considered in the regulation of their pension schemes and was also put into practice (Argentina (G, E); Bulgaria (G, W); Chile (G, E); China (G); France (G, E); Indonesia (G); Côte d'Ivoire (G, E); Nigeria (G, W); Russian Federation (G, W)). Canada (G) indicated that while consultations between national and subnational authorities was frequent, the involvement of and consultation with workers and other interested parties was limited. France (W) indicated that the involvement of social partners varied from scheme to scheme and the Government tended to manage the system on its own, so that there was much room for improvement. Côte d'Ivoire (W) indicated that while social partners were consulted, their opinion was not taken into consideration.

Principle 9. Periodic review of pensions to match the evolution of the cost of living and level of earnings

9.1. How the principle is reflected and understood according to international standards and the ILO supervisory mechanism

Adequacy has as its corollary the principle that the level of pension benefits needs to be periodically reviewed and adjusted, taking into consideration the level of earnings and the cost of living, in order to avoid the erosion of the value of pensions over time. Without such a periodic requirement being prescribed by law, pension benefits would lose their value over time and as a consequence would fail to guarantee the income security in old age that is their ultimate objective.

The periodic adjustment should preferably be automatic and anchored in national legislation, but it can also be achieved by way of ad hoc government interventions. Periodic adjustments must be informed by actuarial valuations.

9.2. Summary of responses to the questionnaire

Several responses indicated that pensions were updated regularly in line with legal provisions (Bulgaria (G, W); Canada (G); France (G); China (G); Côte d'Ivoire (G); Russian Federation (G). Chile (G) indicated that solidarity pensions were fully aligned with inflation and the increase of the level of pensions in the individual savings system was calculated in terms of a reference unit (*unidad de fomento*) that guaranteed that they were also aligned with inflation. The response of Chile (W) indicated that in practice, pensions received in the current period were systematically lower than in previous years and that current pensions were 35 per cent lower than the already low historical average. France (W) noted that while in nominal terms pensions were regularly updated, there was always a lag in the process, which implied that there was frequently a loss in real terms in the purchasing power of pensions. Argentina (W) indicated that inflation had been persistently so high that over the years numerous formulas to catch up with inflation had been adopted without managing to avoid losses being suffered in terms of the purchasing power of pensions.

Chapter 2. Summary of discussions at the Tripartite Round Table Meeting

2.1. Agenda of the meeting

The meeting was held on four days, which were divided into plenary sessions and group meetings (Annex I). The tripartite participants from 13 countries made presentations followed by discussions in plenary. The list of participants is provided in Annex II.

2.2. Opening session

The first plenary session was opened by **Ms Martha Newton** *(Deputy Director-General for Policy, ILO).*

Ms Nathalie Martel *(Government representative, Canada)* was elected as Chairperson; **Mr Guillermo Arthur** *(Employers' representative, Chile)* was elected as Employer Vice-Chairperson; and **Mr Chris Roberts** *(Workers' representative, Canada)* was elected as Worker Vice-Chairperson.

Address by Ms MARTEL (Government representative, Canada; *Chairperson*)

Ms Martel thanked the participants for electing her as Chairperson. She assured the participants that she would spare no effort to achieve the goals set for the Round Table, in particular to better understand how national pension systems measured up to the principles embodied in the ILO social security standards developed by the tripartite members of the ILO.

For more than a century, the ILO had been actively working to improve working conditions and social security, notably through a system of international labour standards, of which social security standards, including pension standards, represented a substantial number. The ILO had always held a special importance for Canada. As a founding Member, Canada had hosted the ILO wartime headquarters at McGill University in Montreal. It was during that critical time in 1944 that the ILO Members had adopted the emblematic Declaration of Philadelphia, setting out the blueprint to rebuild a more fair, equitable and just world and recognised the need for the Organization to promote the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care. That Declaration would four years later inspire the Universal Declaration of Human Rights, Article 22 which recognized that "[e]veryone, as a member of society, has the right to social security". The right to income security in old age, of course, encapsulated the right to an adequate old age pension.

There were currently just over 700 million persons aged 65 years or over worldwide. That number was projected to more than double by 2050 to reach over 1.5 billion persons. The share of older persons in the global population was expected to increase from 9.3 per cent in 2020 to 16.0 per cent in 2050. Yet today, in the twenty-first century, the right to social protection of older persons was still not a reality for many. According to the ILO, although pensions were the most widespread branch of social security, there were still about 32 per cent of older persons – 225 million people – who did not receive any pension benefit. That represented one of the biggest challenges for pension systems. In most low-income countries, only a minority of older persons received a pension, while the rest depended heavily on often insufficient and burdensome family support. It was therefore not a surprise that, at the turn of the Organization's first century, the ILO Centenary Declaration for the Future of Work had recognized the importance of securing universal access to comprehensive and sustainable social protection and called for the ILO to support the development and enhancement of adequate and sustainable social protection systems. The global COVID-19 pandemic had, in an unprecedented way, served to emphasize the importance of social protection. It was still to be seen how the pandemic would affect pension systems in the long run.

Ms Martel considered that the objective of the Round Table was thus more timely than ever in considering ways to shape the future for pensions, guided by the ILO's normative values and principles that had been its compass so far.

Address by Ms NEWTON (Deputy Director-General for Policy)

Ms Newton recalled that social security was a human right but not yet a reality for all. Income security in old age was an important component of that right and an area in which many countries had made great progress. Today, 68 per cent of older persons received an old-age pension. Most countries had achieved that by combining various pension mechanisms, including contributory and non-contributory schemes. Nevertheless, achieving universal coverage was not sufficient. It was necessary for old-age pensions to be in line with ILO standards, including the Social Security (Minimum Standards) Convention, 1952 (No. 102), and Recommendation No. 202, and to allow a life in dignity for pensioners. That was currently not the case due to the eroding purchasing power of pensioners in many countries and the fact that the benefit levels of social pensions were very often below national poverty lines. While there was no one-size-fits-all approach to achieve that dual objective, the Round Table would allow the review of a variety models in different national contexts.

The Round Table would allow participants to share experiences on how to respond to the challenges faced by pension systems, which affected the sustainability of pension systems, such as the profound transformations in the world of work, rising levels of poverty and inequality and population ageing. The Round Table would also permit the sharing of experiences on the capacity of existing pension systems to reinvent themselves while remaining sustainable and responsive to each country's realities and to gradually achieve the dual objectives of universality and adequacy of benefits.

Designing and reforming pension systems required guidance and since its foundation in 1919, the ILO had developed and adopted a comprehensive body of international social security standards that provided common principles and benchmarks for the design, governance, delivery and financing of national pension schemes. In some cases, pension systems might have excelled in the achievement of some of those guiding principles, such as universal coverage, but might not have paid sufficient attention to others, such as financial sustainability or adequacy of benefits. It was important to ensure that all principles and benchmarks were given due consideration, since leaving even one of them out could jeopardize the stability of the entire pension system architecture. Thus, the Round Table would consider the pension systems and their reforms through the lens of ILO's core principles and observing how social dialogue could strike a balance between sometimes conflicting objectives.

Since the COVID-19 crisis was a reminder that universal and sustainable social protection systems must be adapted and responsive to systemic shocks, the timing of the Round Table was opportune as it provided an opportunity for each group – the Government group, the Workers' group and the Employers' group – to reflect on national pension systems and how to seize opportunities and overcome challenges. Ms Newton concluded that the Round Table was also an opportunity to recall the relevance of ILO standards and principles in guiding the design of national pension systems and their continued development.

Address by Ms RAZAVI (Director of the Social Protection Department)

Ms Razavi noted that ensuring income security for people during their old age was a long-standing objective. Since people contributed to national development throughout their lives, it was only fair that they should be guaranteed a life in dignity in retirement.

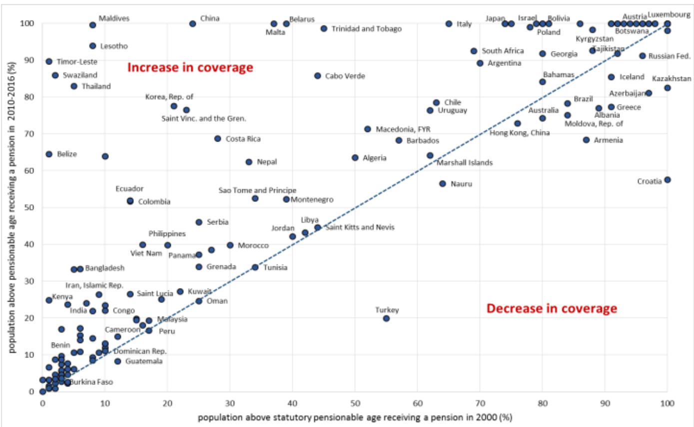
To meet that objective, societies needed reliable mechanisms that provided predictable benefits for the phase in life when people were no longer active in the labour market. Income security in old age could not be left to the ability of individuals to save and safely invest their savings, given their often disrupted working lives and volatile incomes.

The ILO, as the only United Nations specialized agency with a mandate for social protection, had been key in setting the stage and guiding the development of pension systems according to core internationally established principles.

There were four important trends in that process. First, between 2000 and 2010–2016 the great majority of countries in the world had been able to increase the effective coverage rate of their pension systems.

International Labour Organization

Many countries have achieved significant increases in pension coverage

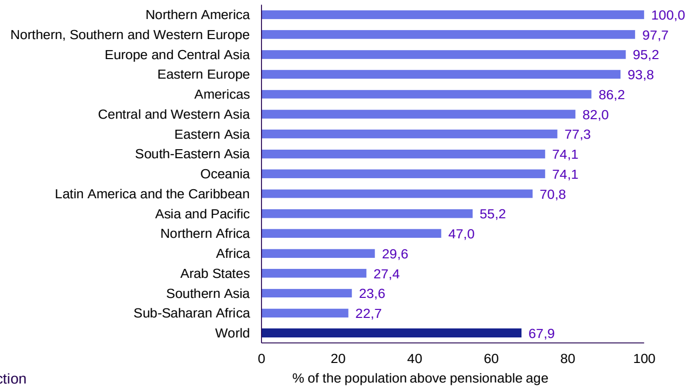


SDG indicator 1.3.1 on effective coverage for older persons: Comparison of the proportion of the population above statutory pensionable age receiving an old-age pension, 2000 and 2010–16 (percentage)

Source: ILO, World Social Protection Report 2017-19, Figure 4.6

International Labour Organization

But, 32.1% of older persons (65+), 225.6 million, are not receiving any pension (gap in effective coverage)



Source: ILO, World Social Protection Report 2017-19, Figure 4.3

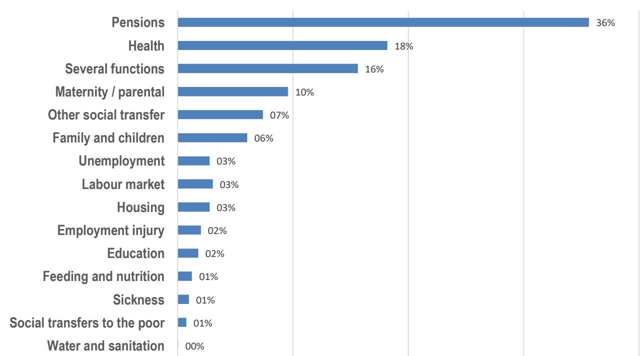
Second, despite that positive trend, close to one third of the world's older population was still not receiving an old age pension, with an effective coverage gap of more than 75 per cent in both sub-Saharan Africa and southern Asia.

While the role of non-contributory schemes was increasingly being recognized for closing those coverage gaps, especially in the context of rampant informality, nevertheless the adequacy of benefits remained a challenge. In countries such as Colombia, India and Turkey the non-contributory pension benefit was less than 40 per cent of the national poverty line. Adequacy was increasingly also a concern in the case of contributory schemes. That highlighted the importance of sound mechanisms for the periodic adjustment of benefit levels to prevent the erosion of the purchasing power of pensions.

International Labour Organization

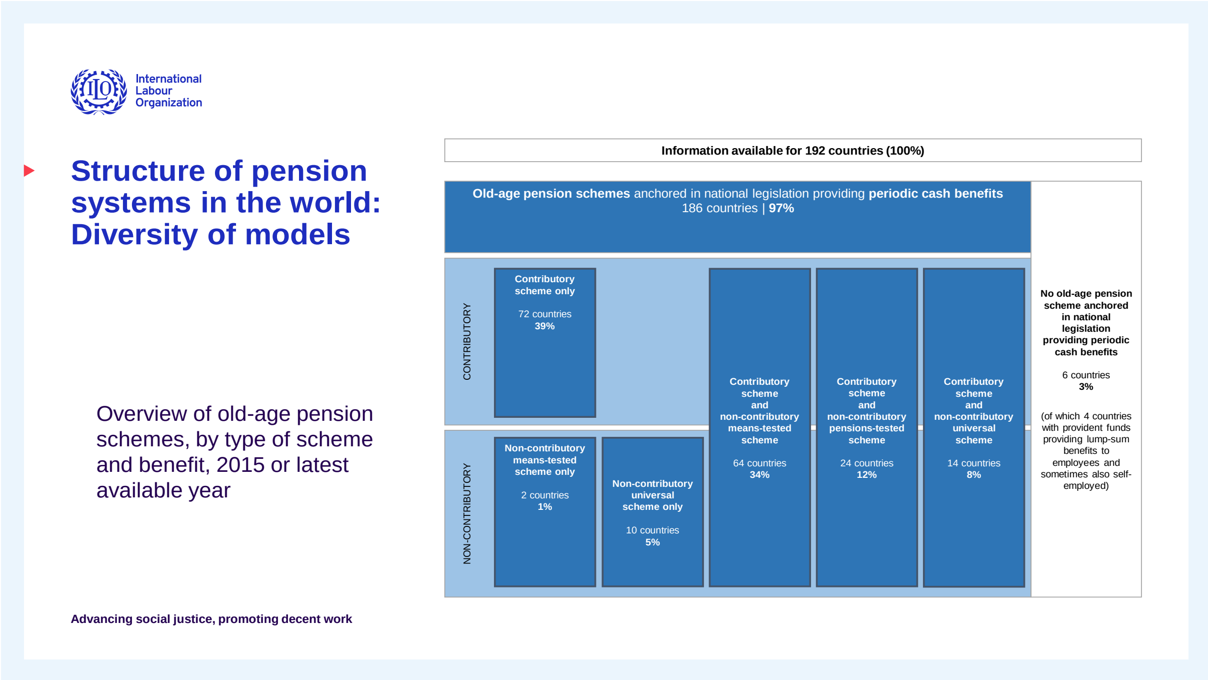
Between 2010 – 2020, most of social protection reform measures were related to pensions

Reform measures announced by governments between 2010-2020, by function of social protection

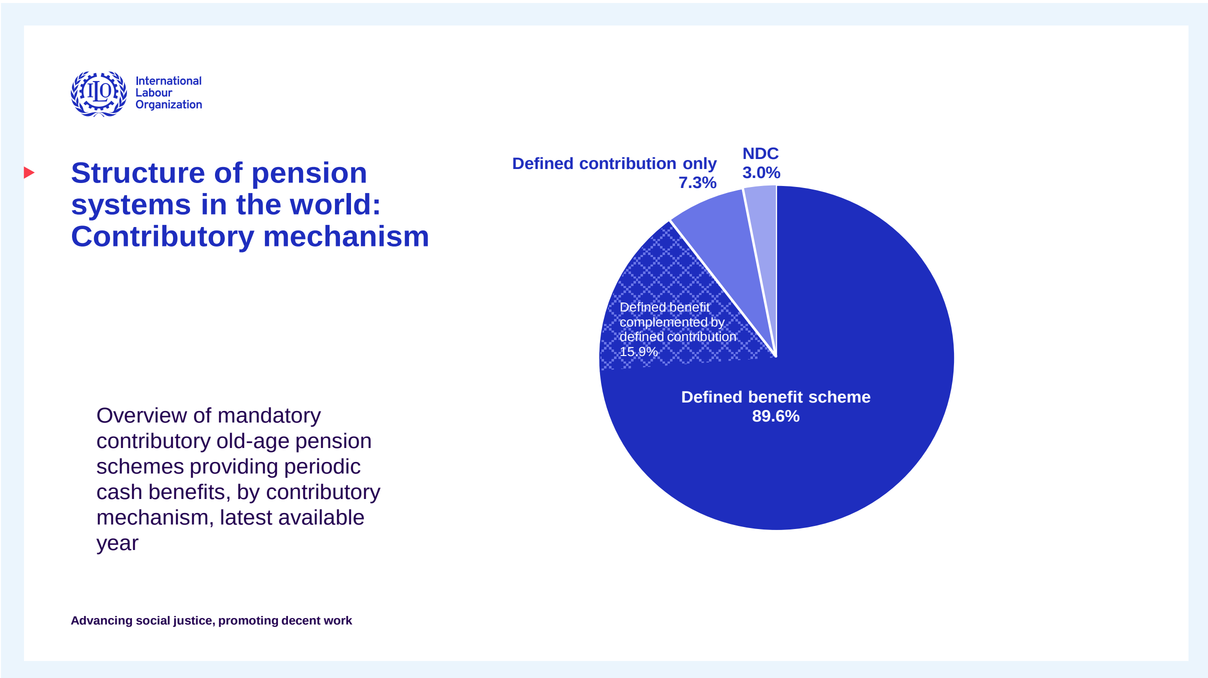


Source: ILO Social Protection Monitor, January 2010 – November 2020

Third, most countries provided pensions in the form of periodic cash benefits through at least one scheme. However, progressively achieving universality required combining both contributory and non-contributory schemes. Only 55 per cent of countries had that combination of schemes, while 39 per cent of countries still only had contributory pension schemes.



In countries in which mandatory contributory schemes existed, defined benefit schemes were the most prevalent, representing 89.6 per cent of all cases. In 15.9 per cent of those countries, the defined benefit scheme was complemented by a defined contribution scheme. In 7.3 per cent of countries, defined contribution schemes operated as the only mandatory contributory mechanism.



Fourth, it was important to conduct reforms to continuously adapt and improve pension systems. Between 2010 and 2020, pension reform was the most prevalent type of social protection reform, with the three most frequent reforms focusing on the increase of the retirement age, increased benefits and extension of coverage.

The frequency of pension reforms should not have come as a surprise. In practice, all partially funded or PAYG social insurance pension schemes had been built on the assumption that contribution rates would have to increase periodically to be able to deliver the established defined benefit and to match the natural demographic and financial maturation of the schemes. What was of particular concern was the low coverage rates and the persistently high informality of employment, especially in developing countries, as well as the stagnation in wages and the falling wage share of gross domestic product (GDP) across the world. Without also addressing those important structural constraints, no pension system could hope to meet the sustainability and ageing challenges that lay ahead.

International Labour Organization

7

Reform measures include, for example, increasing retirement age, extending coverage, increasing pension benefits, and others

Top 10 type of measures	Number of measures
Increasing retirement age	101
Increasing benefits	92
Extending coverage	45
Introducing new programme or benefit	42
Increasing contribution rate	41
Improving access/administration	39
Modifying calculation formula	34
Increasing credit/budgetary allocation	21
Reforming indexation method	20
Reducing pension benefits	19

Source: ILO Social Protection Monitor, January 2010 – November 2020

Ms Razavi concluded that from an ILO perspective, all pension schemes that contributed towards old-age income security were relevant, ideally taking the form of a multi-pillar model.

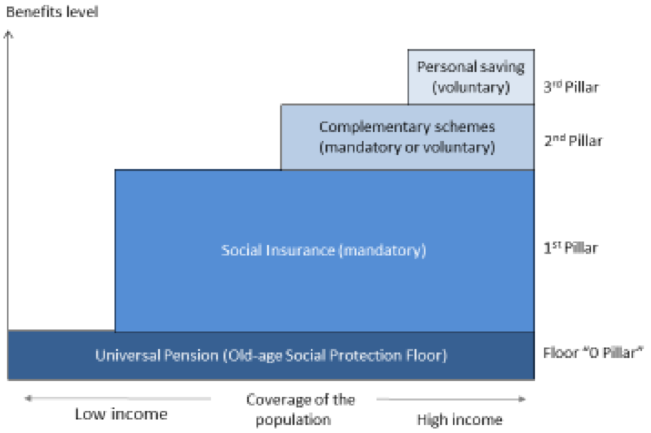
The ILO Multi-pillar Pension Model

Pillar 0 - the Pension Floor: It is aimed at establishing a social protection floor for older persons. This pillar is usually provided through a non-contributory pension scheme.

1st Pillar - Social Insurance: It follows the typical design of social security pension systems, defined benefit and mandatory, financed through employer and worker contributions.

2nd Pillar - Complementary Pillar: Not all countries need to have this pillar, it is a complementary contributory component, it can have any characteristics, voluntary or mandatory, defined benefit or defined contribution, usually financed by employer's contributions and privately managed.

3rd Pillar - Voluntary Personal Savings Pillar: This pillar is also complementary, comprised of a set of voluntary private pension schemes for those with the economic capacity to make additional personal savings.



Their success in contributing to old-age income security would depend on how well they managed to implement the ILO's nine core principles for pension systems, which had been gleaned from the principles that the International Labour Conference had agreed upon that were of particular relevance for pension schemes.

International Labour Organization

Nine core principles embodied in ILO standards

Principle 1: Progressive realization of universal coverage

Principle 2: Social solidarity and collective financing

Principle 3: Right to adequate and predictable benefits

Principle 4: Overall and primary responsibility of the State

Principle 5: Non-discrimination, gender equality and responsiveness to special needs

Principle 6: Financial, fiscal and economic sustainability

Principle 7: Transparent management and administration

Principle 8: Involvement of social partners and consultations with other stakeholders

Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings

Advancing social justice, promoting decent work

Address by Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson)*

Mr Arthur stated that one of the main problems confronting countries was how to combine and harmonize two challenges that pension systems were facing: sustainability and informality. The real question was how to solve those two challenges at the same time. While goodwill declarations were easily made, there was a need to move from declarations to identifying concrete tools to address those challenges.

Pension systems needed to combine different financing mechanisms, including tax-financed non-contributory pillars for persons that could not finance their own pensions and contributory pillars for those who could finance their own pensions. That distinction would give governments the ability to earmark specific resources to non-contributory pillars.

He noted that enormous challenges lay ahead for pension schemes since life expectancy was increasing exponentially. In terms of working time and longevity, people could now live up to 100 years and could work for 35 years but could have a retirement span of 40–45 years. Retirement would be longer than working life. In addition, many in the labour force would spend a substantial part of their working years in the informal economy. Those were alarming figures in view of increased life expectancy and the high level of informal labour around the world. There was therefore an urgent need to look for solutions beyond existing paradigms and to find the most appropriate tools for resolving the issue given that workers needed the tripartite social partners to find a solution. He had high hopes that the Round Table would lead to a positive outcome for social security.

Address by Mr ROBERTS (Workers' representative, Canada; *Worker Vice-Chairperson*)

Mr Roberts recalled that social protection in old age was a universal human right. That right was enshrined in several international human rights instruments and international labour standards and governments had an obligation to deliver on it. Yet globally, only two out of three elderly people enjoyed any form of pension. Also, despite recent global commitments to extend social protection, including through the Sustainable Development Goals initiative, pension coverage was shrinking in some countries. Benefit adequacy had also been compromised, putting the right to social protection for elderly people in jeopardy in many countries.

Several factors were further compromising the adequacy, sustainability and coverage of pension systems, including demographic ageing; the proliferation of non-standard forms of work; the rise of in-work poverty; the persistence of large informal economies in many countries; and harmful austerity and wage suppression measures. Concerted efforts were required to address those challenges. Enormous gender gaps in pension coverage and pension benefit levels were also deeply concerning.

In some countries, the social solidarity of pension systems was being undermined by reforms to strengthen the link between contributions and entitlements, make benefits more contingent on market performance and investment returns, establish individual account systems with high administration fees and charges and privatize pensions. In several countries, reforms had also systematically transferred cost and risk away from employers and onto individual workers and pensioners. Such reforms had disproportionately disadvantaged women, low-income workers, workers in non-standard and precarious forms of work, migrants and minority groups. They had also led to reinforced inequalities between the rich and the poor in old age.

The responsibility of employers to make social security contributions had also diminished in several countries, which was contributing to a further reduction in the financing base for pensions. Workers’ representatives insisted on the need to address those trends. Governments had a responsibility to extend access to pensions for those that were left out and guarantee dignified livelihoods to all those in retirement.

Pension systems must be reformed to cover platform workers and workers in non-standard forms of employment, who needed portable pensions and pensions that recognized interruptions in career earnings. Progressive tax reform was needed, including to broaden the tax base and combat tax evasion in order to ensure the resilience and sustainability of financing of pension systems.

The relevant international labour standards –, namely ILO Convention No. 102 on Social Security and Recommendation No. 202 on Social Protection Floors – provided a very important framework for enhancing pension coverage. They also provided a framework for ensuring adequate benefits; providing for a fair division of responsibilities in the financing of pensions; and ensuring the sound design of pension systems, including periodic monitoring and the effective involvement of social partners. Both at the Round Table and more broadly within their respective campaigns and negotiations at national level, unions would continue to stress the need for their ratification and effective implementation.

Mr Roberts concluded that the Workers’ group considered the Round Table as an opportunity to exchange information on their national experiences and identify the common challenges facing pension systems. The group also welcomed the opportunity to identify how some countries had managed to achieve universal pension coverage, ensure decent livelihoods for all pensioners and support sustainable pensions for current and future generations. It was a chance to learn from one another.

2.3. Country presentations and discussions

Ms MARTEL (Government representative, Canada; *Chairperson*)

The Chairperson presented the working methods of the Round Table for the examination of the national pension systems and the takeaway messages. She recalled that the Office had setup a private webpage for participants of the Round Table to share relevant information, including responses to the questionnaire and two-page descriptions of pension systems. Due to the challenges imposed by the virtual format of the meeting, interventions were limited to five minutes for governments and three minutes for each of the social partners to present their views on how national pension systems had achieved the ILO core principles, followed by a five- minute discussion.

2.3.1. Mexico

Ms CHAVEZ CARRIOLO (Government representative, Mexico)

Ms Chavez Carriolo indicated that as a response to population ageing, decreasing fertility rates and increasing life expectancy over the preceding 40 years, the former Mexican pension system for the private sector had been stressed to the limit and the government had taken the decision, 25 years previously, to transform it into a defined contribution, multi-pillar system. In 2013, the first non-contributory, tax-financed pilot pillar had been introduced to guarantee universal coverage for all people above 68 years of age and indigenous people above 65 years of age. Following the success of the pilot programme, in 2020 the Mexican Constitution had been modified to guarantee pension coverage to all old-age citizens. Currently 8.1 million of the estimated target of 8.5 million people were covered, 56 per cent of them women and 44 per cent men.

The second pillar was a contributory pension scheme of individual saving accounts that had started in 1992, had been reformed in 1995 and had been fully implemented in 1997 for the private sector and in 2007 for the public sector. Having the public and private sectors covered on the same basis had favoured the mobility and portability of the workers' accumulated individual funds. That pillar was financed through tripartite contributions and currently had 67.5 million individual accounts, with assets that represented 19 per cent of GDP. The Government had guaranteed a minimum pension in case individual savings did not allow workers to reach the level of the minimum pension.

In September 2020, the Government had submitted a proposal to the Congress that included a gradual increase of employers' contributions from 6 per cent to 15 per cent of wages and the intention was to increase government guarantees to lower-paid workers by introducing a new formula to calculate such guarantees, while maintaining the fiscal budget at the same level. The proposal included the revision and update of parameters every 10 years.

Mr YLLANES (Employers' representative, Mexico)

Mr Yllanes indicated that in 1997, Mexico, like many other countries, had made a transition from a contributory, public, defined benefit scheme created in 1973 for workers in the private sector to a compulsory, defined contribution, privately managed individual savings scheme. Workers who had been covered under the old scheme were maintained in the new scheme. Mr Yllanes indicated that of the 20 million workers in the private sector, 9 million were part of a so called "transition generation", who had the option to choose between the old and the new schemes. A different scheme created in 1943 for workers in the public sector had also been converted into an individual savings account system in 2007.

Mr ESCOBAR RAMOS (Workers' representative, Mexico)

Mr Escobar Ramos indicated that it was important to consider the impact of the COVID-19 pandemic. One of the main drawbacks of the Mexican pension system was its fragmentation, which had prevented the development of a well-functioning system. Salaries and wages had been supressed for almost four decades, with a loss of 78 per cent of the purchasing power for all workers that had had a negative impact on the level of pensions. In Mexico, 57 per cent of workers were in the informal economy, yet 43 per cent of them were supposed to be covered by social security. However, that only happened in theory and not in reality. The new practice of outsourcing had made things worse.

While government proposals were expected to enhance the system, all measures were merely putting more resources into a system that had been proven not to work, such as in Chile, where replacement rates were extremely low. The reform of the system should consider establishing a multi-pillar system with a core defined benefit pillar and a limited defined contribution pillar and should avoid channelling all profits to the private sector and all costs and guarantees to the public sector, which ultimately was financed by taxes paid by all Mexicans. The Government must assume its responsibility but the private pension administrators should also bear some kind of responsibility, since they had made substantial profits through the high commissions that they received from workers.

2.3.2. Bulgaria

Mr ALEKSIEV (Government representative, Bulgaria)

Mr Aleksiev indicated that the social insurance code of 1 January 2000 had introduced the three-pillar pension model in Bulgaria, including a first pillar with compulsory pension insurance, a second pillar for supplementary compulsory pension insurance and a third pillar for a supplementary voluntary pension. The pension system in Bulgaria functioned in full compliance with respect to ILO principles 1, 2, 4, 5, 7, 8 and 9. It provided large compulsory coverage for all legally employed and self-employed workers. While there was a close link between the pension received and personal contributions, the system was based on the principle of solidarity since it had various mechanisms for vertical and horizontal redistribution, including a minimum pension and a pension cap. The stability of the system was guaranteed by the state, which covered any deficit of the pension fund.

The principle of non-discrimination was considered into many legal acts and in terms of transparency there was open involvement of social partners on matters relating to the pension systems, while any changes in the legal framework were subject to public consultations and the involvement of the social security relations committee of the national council for tripartite cooperation. Pensions were adjusted annually by a percentage equal to 50 per cent of the increase in social security income and 50 per cent of the evolution of the consumer price index of the previous calendar year.

Principles 3 on adequacy and 6 on long-term sustainability were crucial to effectively prevent and tackle poverty among older persons, but population-ageing was stressing the country’s PAYG system and the decision had been made to reform the system in 2015. The reform included an increase of contributions by 2 per cent, a programme to optimize the use of resources, a gradual equalization of the retirement age for women and men and an increase in the required insurance period. A different retirement age had been introduced for categories of workers that had previously retired without any age requirements. The weight of one year of insurance was increased in the pension formula. All measures taken had resulted in gradual increase in revenues to the system and a gradual increase in pension benefits and the independence of the pension fund from the state budget.

Ms MITREVA (Workers’ representative, Bulgaria)

Ms Mitreva noted that six of the core ILO principles had been fully achieved and three of them had been partially achieved but the system faced the challenges of population ageing, new forms of employment, the informal economy, tax evasion and non-payment of social security contributions. All those unresolved challenges had deepened social inequalities and limited the capacity of the pension system to improve the adequacy of its benefits. The solutions were above all to implement measures to full pension system coverage for people in all types of employment status and all types of contract and to strengthen the link between contributions and benefits. Incentives and measures to delay retirement and remain in activity should be implemented, but should not imply the continuous increase of retirement age. Measures should be taken to improve expenditure, periodical actuarial valuations should recalculate the contribution rate and a reserve fund should be created to guarantee long-term sustainability.

Comments and questions

Mr ROBERTS (Workers' representative, Canada; *Worker Vice-Chairperson*)

Mr Roberts indicated that the pandemic should be a reminder of the risks that individuals bore in a capital accumulation design In a defined contribution individual account pension model, since given the volatility of financial markets participants not only faced the risk of longevity and low interest rates but also the risk of timing when workers approached retirement age during a market downturn. Those risks had been identified by workers in moving away from risk-pooling to individualized risk that was concentrated on the shoulder of each individual.

Mr LEPORE (Government representative, Argentina)

Mr Lepore stressed that the consideration of the economic structure and the extent of the informal economy in a country was paramount for the extension of coverage and to guarantee the sustainability of the pension system. Even countries with higher levels of formal economies were observing an increased prevalence of atypical forms of work that undermined the contribution base. In order to ensure the sustainability and the universality of pensions schemes, labour markets must be strengthened through the formalization of the informal economy.

Mr DHOUAIFI (Government representative, Tunisia)

Mr Dhouaifi asked the representatives of Mexico and Bulgaria to provide additional information on the measures taken in their countries to formalize the informal economy.

Mr YLLANES (Employers' representative, Mexico)

Mr Yllanes noted that Mexico had not yet found the right approach to reduce or stop the increase of the informal economy. The informal economy was growing and was at the heart of the challenges of the pension system but no tax incentives existed to try to mitigate the problem. Notwithstanding the large informal economy in Mexico, accumulated funds had grown substantially, with two thirds derived from returns on investments and just one third from contributions. The fees charged by the private fund administrators were at international levels.

Mr ESCOBAR RAMOS (Workers' representative, Mexico)

Mr Escobar Ramos indicated that the organizations of independent workers in Mexico were submitting a proposal for a "national pact", one of the dimensions of which was to address the challenge of the informal economy.

Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson*)

Mr Arthur indicated that in several countries the funds of individual savings accounts had been invested under strict regulation and supervision in capital markets with a long-term perspective and with a criterion of diversification in different instruments. Consequently, the impact of the ups and downs of the economy had been absolutely overcome and contributions made by workers had been multiplied threefold in Chile, twofold in Peru and threefold in Mexico. Such achievements could not EVEN be compared with those of PAYG systems, which were much more insecure.

Mr ALEKSIEV (Government representative, Bulgaria)

With regard to formalization strategies, Mr Aleksiev indicated that Bulgaria had put in place a set of measures, including sanctions to promote compliance that were enforced by the labour inspectorate.

2.3.3. Indonesia

Mr AWALUDDIN (Government representative, Indonesia)

Mr Awaluddin noted the set of laws and regulations that governed social security. Some 2 per cent of contribution rates were paid by the employer and 1 per cent by the employee and the pension formula was 1 per cent of the insured's average adjusted annual earnings divided by 12 and multiplied by the number of years of contribution. A minimum of 15 years of contribution was required to receive a pension, which provided about 40 per cent of replacement rate, but if the minimum was not met workers received a lump sum. The Government planned to gradually increase the current retirement age of 56 years by one year every three years until it reached the age of 65 in 2043. A mandatory review of the fund was conducted every three years, which reviewed fund adequacy and adjusted for economic developments to ensure the sustainability of the system and the reviews were discussed with the social partners.

Mr SOEPRAYITNO (Employers' representative, Indonesia)

Mr Soeprayitno indicated that the pension system faced several challenges, in particular that it was not yet mature as it had only come into force in 2015, so that coverage was lower than that achieved by the employment injury or health branches, which had a direct impact on the sustainability of the scheme. Employers were still burdened with severance payments under the Manpower Act. A voluntary pension fund still existed, but under the new 2020 bill they would no longer be connected because the provisions on severance payments had been eliminated.

Mr SILABAN (Workers' representative, Indonesia)

Mr Silaban indicated that the pension system was still lacking a strong design and had not yet been fully implemented, which had prevented it from complying with the core ILO principles of ILO standards. There were significant coverage gaps in the scheme, which still left 100 million workers unprotected. Important progress had been made through major reforms in 2015, providing all workers the right to a pension and according to the agreed schedule, all schemes would be unified under a single institution and scheme to be known as *BPJS Ketenagakerjaan*. Since the pension law had been introduced as recently as 2015, only a small portion of the workers would receive a monthly pension benefit when they retired in 2030.

There were still legal gaps that needed to be addressed to eliminate the exclusion of workers in small and micro enterprises that had less than five employees, which accounted for about half of all enterprises. The extension of coverage to the informal economy was the main challenge to be tackled, through contributory or non-contributory schemes, since it accounted for 60 per cent of workers. The replacement rate was only 15.9 per cent but could reach as high as 40 per cent in the future if contribution rates were increased from 3 per cent to 8 per cent and if the retirement age was increased from 57 to 60 years.

Comments and questions

Mr ROBERTS (Workers' representative, Canada; *Worker Vice-Chairperson*)

Mr Roberts underlined the different experience of initial cohorts when a pre-funded pension scheme was established versus a PAYG scheme. He observed that the Indonesian experience showed that the initial generations might have significantly lower accumulated benefit entitlements as opposed to PAYG schemes that had the flexibility to provide decent benefits for the initial cohorts.

Mr SDIRI (Worker' representative, Tunisia)

Mr Sdiri asked for clarification of the actual retirement age.

Mr AWALUDDIN (Government representative, Indonesia)

Mr Awaluddin indicated that the retirement age was regulated by different company regulations and was agreed in collective agreements between workers and employers.

2.3.4. Jordan

Mr OBEID (Government representative, Jordan)

Mr Obeid observed that the pension scheme had been launched in 1978 to cover the risks of old age, disability, maternity, unemployment and work-related injuries and had reached 50 per cent of all workers. In Jordan, 20 per cent of workers were in the informal economy and the extension of coverage to them was the main challenge the system faced. The contribution rate was 21 per cent, benefits were indexed to inflation and the replacement rate was 75 per cent, considerably exceeding ILO standards.

While the law did not allow for discrimination based on nationality or gender, there was room for improvement, in particular with regard to people with special needs. The current reforms focused on the extension of coverage to self-employed workers and workers in the informal economy and were complemented by policies promoting and facilitating the increased participation of women in the labour force and disincentivizing early retirement.

Mr ALJITAN (Employers' representative, Jordan)

Mr Aljitan indicated that he considered that the Jordanian pension system was fair to both employers and workers.

Comments and questions

Mr SDIRI (Workers' representative, Tunisia)

Mr Sdiri asked if there existed in Jordan a legal text on the responsibility of the state to provide guaranteed benefits.

Mr OBEID (Government representative, Jordan)

Mr Obeid indicated that such legislation existed and the state had been mandated to intervene when the pension fund faced difficulties.

2.3.5. Russian Federation

Mr PUDOV (Government representative, Russian Federation)

Mr Pudov indicated that the Russian Federation's pension system fully complied with all the principles. The system covered all citizens and the budget of the Pension Fund of Russia was based on the principle of solidarity among generations. The scheme was financed mainly by social insurance contributions for compulsory pension insurance paid by employers and that part of the Government's liabilities for the pension fund were financed through inter-budgetary transfers from the federal budget.

With regard to principle 3, in 2010 a pension supplement had been introduced to ensure that the total amount of the pension and the supplementary payment would not be lower than the pensioner's subsistence minimum. The retirement age was 65 years for men and 60 years for women, with some exceptions, while persons who were not entitled to contributory pensions received social pensions at the age of 65 for women and 70 for men.

With regard to principle 4, the state assumed the overall responsibility for the obligations of the pension fund towards insured persons for both contributory and non-contributory pensions; with regard to principle 5, all members of the compulsory pension insurance and social pension scheme had equal rights.

The system was sustainable and a guaranteed socially acceptable level of pensions was provided, while ensuring long-term financial sustainability since all reform measures were based on an analysis of current indicators in the budget, the socio-economic situation and actuarial long-term calculations. With regard to principles 7 and 8, an annual review was performed and approved by federal law and a tripartite commission, including national trade union associations, national employers' associations and government representatives, had been created to guide and assume the responsibility for labour market and social policy reforms.

With regard to principle 9, the President of the Russian Federation had asked the Government to ensure an increase in the level of pension benefits that was not lower than the inflation rate. The most recent measures had included an increase of the retirement age and an increase of pension benefits by more than 7 per cent in 2019 and by 6.6 per cent in 2020. The indexation of pensions over 2021–2024 would also exceed the expected inflation rate. The Russian Federation's pension system would need to be continuously enhanced in response to demographic, economic and social changes in order to ensure long-term adequacy and sustainability.

Mr SHANIN (Workers' representative, Russian Federation)

Mr Shanin indicated that the Russian Federation was fully committed to the principles but that they had not been fully implemented, especially with regard to the financial sustainability of the system, which could impact the adequacy and predictability of pensions. There was a need to increase the retirement age and contributions and the financial sustainability of the scheme had been impacted by the fact that the majority of workers had low salaries and because of the increase of informal work. There was a need to complement the contributory system with a basic pension floor, rather than merely increasing contributory pensions, and better indexation measures should be adopted. The strategy to reform the pension system by 2030 had been developed through tripartite consultation and would serve as guidance for the tripartite committee. In that context, the ratification by the Russian Federation of Convention No. 102 was of the outmost importance.

Comments and questions

Mr SDIRI (Worker' representative, Tunisia)

Mr Sdiri requested additional information on the role of the social partners, in particular in the preparation of the budget of the pension fund.

Mr PUDOV (Government representative, Russian Federation)

Mr Pudov responded that the fund prepared a draft annual budget and all parameters were agreed upon by relevance and were then submitted to the tripartite commission. He added that, if necessary, amendments were made and then sent to the State Duma, where social partners were also able to influence the process through their parliamentarians.

Mr LEPORE (Government representative, Argentina)

Mr Lepore asked what share of the pension budget was financed through state funds.

Mr PUDOV (Government representative, Russian Federation)

Mr Pudov indicated that transfers from the federal budget to non-contributory mechanisms currently amounted to 20 per cent of GDP and transfers to the contributory scheme accounted for no more than 10 per cent of GDP.

2.3.6. Nigeria

Mr LOYINMI (Government representative, Nigeria)

Mr Loyinmi indicated that the current individual savings pension system, which had been established in 2004, was mandatory for public sector employees and companies in the private sector with at least three employees, while excluded categories of workers remained covered under the previous defined benefit scheme and workers in the informal economy and self-employed workers were covered through a voluntary micro-pension plan. Employers contributed a minimum of 10 per cent and workers contributed at least

8 per cent of their combined basic salary and housing and transport allowances. Employers were allowed to establish additional benefit schemes for employees and there was a minimum pension guarantee, irrespective of the level of contributions, for persons who met certain qualifying criterion provided by the pension fund, which was funded by the Government, pensions operators and the regulator authority.

With regard to principle 3, the Constitution guaranteed the right of persons to receive a pension upon retirement, the size of which was a function of their accumulated contributions, age at retirement and salary. With regard to principle 4, the national pension commission was the overall regulator of the pension system, responsible for issuing rules and guidelines and licensing pensions operators, as well as capacity-building and awareness-raising activities. With regard to principle 5, the Constitution guaranteed the right to a pension for everyone, without exception. With regard to principle 6, the contributory pension scheme was considered fiscally sustainable in itself and funds were invested in a diversified and secure manner. With regard to principle 7, there were legal provisions to ensure the good management and governance of the scheme, including the separation of the custody of different funds. Finally, with regard to principle 8, employers and workers participated on the board of the national pension commission, which was responsible for the overall regulation and oversight of the pension system.

Mr AKPABIO (Employer’ representative, Nigeria)

Mr Akpabio observed that employers were represented on the board of the national pension commission and were currently reviewing all processes in order to better conform with international trends and best practices. Work was ongoing to extend pension coverage to the informal economy. Nigeria faced the challenges of widespread informality and the new forms of work, including automatization and online work.

Mr YUSHAU (Workers’ representative, Nigeria)

Mr Yushau stated that the transition from a defined benefit to a defined contribution scheme financed by employers and workers had enhanced transparency by including social partners on the commission board; however, coverage was still limited to workers in the formal economy, with significant gaps for older persons, women, young people and persons with HIV. Nigeria faced the challenges of demographic transformation, persistent and increasing participation of women in the informal economy, low compliance and significant displacements of workers due to technology, pandemics and terrorism. All those elements should be considered in the design and implementation of strategies to extend the coverage of pensions and enhanced collaboration should be established between trade unions and the Government. Pensions should not be left solely to the mercy of market forces and continuous social dialogue was necessary in the management of pension funds. The COVID-19 pandemic had highlighted the inadequacy of Nigeria’s social protection system, with millions losing their jobs without any social protection to fall back on; the most severely hit sectors were the hospitality, manufacturing and local government sectors.

Comments and questions

Mr ROBERTS (Workers' representative, Canada; *Worker Vice-Chairperson*)

Mr Roberts asked what could be done to increase the take-up and the level of contributions of employers and governments to micro-pension schemes for workers in the informal economy.

Mr LOYINMI (Government representative, Nigeria)

Mr Loyinmi noted that the national pension commission had launched a process whereby small and medium-sized enterprises (SMEs) collaborated with different government agencies to develop registration incentives and conduct awareness-raising activities on the short- and long-term benefits of adhering to the micro-pension scheme. The COVID-19 pandemic had imposed some delay but the first results should be realized in 2021.

Mr ESCOBAR RAMOS (Workers' representative, Mexico)

Mr Escobar Ramos asked to have some additional information on the pension scheme covering workers in the informal economy.

Mr LOYINMI (Government representative, Nigeria)

Mr Loyinmi indicated that the micro-pension scheme was voluntary for informal economy workers and the focus was on conducting awareness-raising activities to convince workers of the benefits of such a system. The task was not easy but initial results had been positive.

2.3.7. Canada

Ms MARTEL (Government representative, Canada; *Chairperson*)

Ms Martel stated that a Canadian government assessment had concluded that overall, Canada met the ILO principles for pension systems, with some room for improvement, particularly in the area of the involvement of social partners and consultations with other stakeholders. The government assessment had focused on the first two pillars of the retirement income system: the residence-based Old Age Security (OAS) programme and the contributory Canada Pension Plan (CPP). Canada's public pensions played a significant role in providing income security to Canadian citizens in retirement and the result was that the level of poverty among senior citizens was under 6 per cent. Public pensions were by nature progressive, providing higher replacement rates to individuals with the lowest incomes, while the replacement rate for an average worker was 40 per cent and in some cases when income-tested supplementary benefits were considered, the replacement rate could exceed 100 per cent of pre-retirement income. Public pension benefits were regularly adjusted using the consumer price index and equality was a key aspect of the pension system since it applied to all persons regardless of nationality or gender. Public pensions in Canada were financially stable and CPP would be financially sustainable at current contribution rates for at least 75 years.

Despite the strong points and achievements of the Canadian system, public pension schemes had a relatively low replacement rate and depended heavily on private savings and employer pensions for retirement. Canada needed to find a way to increase its citizens' financial independence, either through public or employers pension schemes or through private savings. Measures should be taken to ensure that all seniors had sufficient income to be lifted out of poverty, received the benefits to which they were entitled and were not discouraged from working or saving. It was also important to promote and enhance the financial literacy of the population so that people could take informed decisions about their own retirement.

Ms JONCAS (Workers' representative, Canada)

Ms Joncas mentioned that the first two pillars of Canada's pension system were in accordance with ILO principles 1-6, as they were based on universal coverage, predictable benefits and basic protection against poverty, included joint collective funding and were sustainable in the long term. However, there was a lack of transparency in the governance and review of programmes and the Government could benefit from working more closely with its social partners, particularly with respect to pension indexation mechanisms and atypical work. Problems occurred primarily in relation to the third pillar, which did not allow all Canadians, particularly middle-class workers, to accumulate sufficient savings for retirement. She added that workers supported a greater burden of savings than employers, a trend that was more prevalent in the private sector than in the public sector, and that the gap between the potential pension levels of the two sectors was leading to an erosion of social solidarity. For those who still had access to a collective workplace plan, the promised benefits were less and less adequate and predictable and over the past 10 years there had been no progress in providing adequate and predictable pension entitlements for private sector workers.

Given that Canada had a tax-incentive pension model rather than a direct contribution model, workers with the highest wages benefited disproportionately and a strategy whereby the government matched the worker's contribution would be more favourable for middle-class workers, particularly those who had the most difficulty saving. The third pillar was not adapted for SMEs and workers in the informal economy and atypical activities and workers had to rely on financial institutions, usually paying high commissions. Canada must increase the benefits of the second pillar or make employers' contributions to the third pillar obligatory.

Ms KOZHAYA (Employer' representative, Canada)

Ms Kozhaya indicated that the Canadian pensions system was in line with ILO fundamental principles and the three pillars of the system ensured sufficient income replacement in retirement and avoided poverty for senior citizens. The Canadian health system was universal and public and had a high rate of access. Canada's pension scheme was recognized as one of the most robust in the world and was often cited as an example; however, maintaining the status quo was not enough. Improvements could include raising awareness of the insufficient retirement savings beyond the first two pillars and studies had shown that while more than 80 per cent of households were able to maintain their lifestyle in retirement, those in the middle class and self-employed workers might not be able to maintain their lifestyles after retirement.

Employers supported targeted and balanced initiatives to address those challenges in the system, highlighting in particular developing attractive retirement savings products for those who did not have access to an adequate workplace pension scheme, increasing savings levels, reducing household debt and promoting the labour market participation of older workers, given that life expectancy had increased. Canadian employers did not consider that employer contributions needed to be increased and instead the focus should be on developing innovative and collaborative approaches to improve the retirement regimes and to create the necessary conditions so that more employers were able to offer pension schemes to workers. There was a need to improve results with respect to the capital accumulation systems, fees, portability, disbursement issues and mutualizing risks in order to reach a larger number of employers so they could offer more defined benefit systems for their workers given the prevailing low interest rates. Innovative retirement solutions should also be sought.

Comments and questions

Mr DHOUAIFI (Government representative, Tunisia)

Mr Dhouaifi asked if there were mechanisms in place to ensure official coordination between the pension funds and the social security authorities, for example with regard to the management and administration of pension funds.

Ms MARTEL (Government representative, Canada; *Chairperson*)

Ms Martel indicated that the Canada Pension Plan was based on contributions from employers, workers and self-employed workers, while the Old Age Security programme was officially financed by state funds and thus subject to official coordination and supervision.

Ms JONCAS (Workers' representative, Canada)

Ms Joncas indicated that the two first pillars fit into a framework covered by a law on public funding, while the private third pillar was subject to different legislation. Since the government provided public funds for the financing of the first two pillars, their legislative framework included managerial, financing and sustainability issues and that framework was stronger than the framework of the third private pillar.

2.3.8. Chile

Ms SCHWARZHAUPT (Government representative, Chile)

Ms Schwarzhaupt indicated that the Chilean pension system was a three-pillar system that included a first solidarity pension pillar that paid pensions to the poorest 60 per cent of the population, funded through general taxation; a second pillar of individual savings system that was consequently pre-funded and whose sustainability was guaranteed; and a third pillar of voluntary individual savings plans. The pension system had been reformed and fine-tuned and in general the living conditions of older people in the country had improved, with poverty in old age reduced from 22.8 per cent in 2006 to 4.5 per cent in 2017. Chile had high pension coverage, at 93 per cent, and the system's management and governance were fully transparent and ensured the participation of the social partners. The state had developed a number of instruments to ensure coverage and sustainability, including the creation of a pensions reserve fund to ensure the sustainability of the solidarity pillar and guarantee state-backed minimum pensions. The pensions' oversight system played a regulatory and inspectorate role to ensure compliance with existing regulations and the adequate and secure investment of funds.

In spite of the improvements introduced to date, a number of shortfalls needed to be dealt with, such as the non-guarantee or predictability of the adequacy of pensions and the low density of contributions to the individual savings pillar. To overcome such shortfalls, the state ensured a basic pension through the solidarity pension system for all citizens aged 65 and over who were in the poorest 60 per cent of the population. There were still gender gaps since women received lower pensions because of lower salaries, which had resulted in lower contributions, lower densities of contribution and less frequent contributions, while their longer life expectancies had resulted in longer pension periods and the use of mortality tables differentiated by sex in the calculation of the pension. Those gaps had been reduced because of women's increasing participation in the labour market, child credits and solidarity pensions, although there was still much to be done.

There were various solidarity elements in the pension system targeting low-income persons and persons with a total or partial disability, which channelled fiscal funds to the poorest. The survivors and disability pension system and the workmen's compensation occupational safety and health scheme, which were financed through employers' contributions, had concretized solidarity between active and disabled workers. The complementarity between the contributory and the solidarity pillars constituted a mixed pension system and there was room for improvement in the financing of the system by including employer contributions.

Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson*)

Mr Arthur observed that in 1980, the old redistributive pension system had been replaced and overhauled in view of the demographic crisis and following various reforms. Chile had established a three-pillar system, including a first non-contributory pillar funded by general taxation and focused on the most vulnerable workers; a second pillar of individual saving accounts financed by contributions from workers; and a voluntary third pillar of individual savings. The second pillar had been highly successful and currently accounted for US$200 billion in workers' accounts, two-thirds corresponded to the high returns on investment and only one third from workers' contributions. Such funds had supported economic growth in the country and while such impacts might not have been its main objective, their contribution to economic growth was undeniably an additional success. The same could not be said about many other pension funds.

Although the level of pensions was sometimes not in line with workers' expectations, that was the result of insufficient contributions to the scheme because of informal work or because of a shorter career. If benefits were compared with those provided by PAYG systems, those provided by savings accounts were higher since even workers with less than 10 or 15 years of contributions received a decent pension and workers in PAYG systems received nothing.

The main challenge the system faced was the extension of coverage and the increase of contribution rates since current contribution rates in Chile and in other countries in Latin America with similar systems had fluctuated around 10 per cent of wages, which was half of the required contribution rate for PAYG systems. The system was starting to bear fruit and was positioned internationally in a good ranking in terms of its sustainability.

Mr CARMONA (Workers' representative, Chile)

Mr Carmona indicated that the pension system had been created under a military dictatorship and that currently it only fully covered 20 per cent of workers, while it partially covered 30 per cent and completely excluded 40 per cent. The individual savings account pillar covered only 10 per cent of workers, which was the lowest coverage in Latin America. The proposal by employers to increase contributions was incomprehensible since they had not contributed to the scheme for the last 40 years and their lack of contribution had contributed to these serious deficits. While not contributing to the scheme, private pension fund administrators had obtained profits from worker's savings of up to 24 per cent every year. Before the pandemic, there were 11 million registered workers and 5.5 million contributors, but various governmental and congressional decisions had allowed workers to withdraw from their savings funds, meaning that 4 million workers had left the system and would be excluded from any benefits.

Chile was not complying with Convention No. 102 since there was no contributory, solidarity, tripartite and redistributive pillar. In addition, the solidarity pillar only covered 30 per cent of the population. The Chilean system could not be considered as social insurance since the principles of Convention No. 102 were not respected and it could not either be considered to be secure since it was based on workers' individual savings and thus the risks were taken by workers and the profits by employers, solidarity was forbidden and sustainability in the long term was not guaranteed. One of the main problems was that the system relied heavily on the rates of return, which had fallen in recent times, and there was intrinsic high variability and uncertainty in the pension level. With low rates of return, there was no doubt that the already low pensions of today would be even lower for future generations.

During the 2008 crisis, workers had lost 50 per cent of their savings. The system was not meeting its main goal and the speaker recalled that the historical average pension was approximately US$72 the median pension of current new pensioners was of only US$25, which was less than US$1 per day. Women received a pension that was on average 22 per cent lower than men; the median replacement rate was 20 per cent, but the median for men was 34 per cent and for women was only 13 per cent. Some 7 per cent of pensioners received a pension below the poverty line, while 61 per cent of pensions were below the poverty line and 77 per cent of pensions were below the minimum salary. The Government planned to increase the contribution rate to the individual savings account pillar but that would not result in better pensions for the majority of workers. The workers' counter-proposal was to align the system with Recommendation No. 202 by including a universal pillar; a second contributory pillar based on intra-generational solidarity complemented by a notional account system to take care of the transition; and a third pillar of voluntary individual savings. Chile had systematically violated human rights, the Government had not responded to accusations of human rights violations in Chile where there were more than 1,500 political prisoners.

Comments and questions

Mr SDIRI (Workers' representative, Tunisia)

Mr Sdiri asked for more information on strategies for the investment of accumulated funds and if they took into consideration economic downturns and crises such as the COVID-19 crisis and if such funds were being protected.

Mr ARTHUR (Employers' representative, Chile) (Employer Vice-Chairperson)

Mr Arthur observed that accumulated funds were invested following strict criteria of profitability and security in different financial instruments, both in Chile and abroad. Investments were highly diversified and offered returns that had on average stood at 8 per cent in real terms. Of the US$200 billion in funds, two thirds had been gained from investment and only one third came from workers' contributions. The allegation that funds had suffered losses was not true and pension fund investments must be evaluated in the long term. The reduction of funds following the crisis in 2008 was fully overcome thanks to sound investment strategies. With regard to the architecture of pension schemes, in the last decade, among countries that had PAYG schemes 62 had increased the retirement age, 79 had increased contributions and 62 had reduced benefits, but on the other hand many European countries had included an individual savings capitalization component into their systems in order to offer workers a greater pension replacement rate. There was a clear trend to shift from redistributive systems to capitalization systems and beyond ideological considerations, there were demographics at stake.

Mr ZUCCOTTI (Workers' representative, Argentina)

Mr Zuccotti indicated that considering that the individual savings capitalization pension system had delivered an effective replacement rate of at most 30 per cent, it might be necessary to reconsider the rankings on sustainability since in addition to the low replacement rate, 70 per cent of people had been left out of the system. Such low delivery in terms of adequacy and coverage contravened the human right of effective access to social security as well as the ILO Centenary Declaration.

Ms SCHWARZHAUPT (Government representative, Chile)

Ms Schwarzhaupt indicated that population ageing had imposed an increased burden on accumulated funds and that if indeed funds had a significant size, they would be used in the future to address the demographic challenge. With regard to the coverage of the system, the solidarity system covered 59 per of the population over 65 years old and the 30 per cent figure referred to recipients of the solidarity pension, which was a complementary pension. Ultimately, 93 per cent of people over 65 received some form of pension, which was a high percentage of coverage. With regard to adequacy, when the two first pillars were considered, the average replacement rate for the workers of median wage stood at 59 per cent.

Mr CARMONA (Workers' representative, Chile)

Mr Carmona noted that although, US$6 billion were paid in pensions every year in Chile, that amount should really be US$18 billion according to workers' calculations and the difference between the two figures was explained by the low level of pensions delivered by the system. When addressing the issue of low replacement rates, he had been referring to the replacement rate delivered by the individual savings pillar and that low level of pensions had forced the state to subsidize additional pillars to ensure decent pensions. Since the individual savings capitalization system was a private system, the state should not subsidize its low delivery. The participant stressed that while European countries had put in place voluntary individual saving capitalization systems, they did not constitute the cornerstone of any system and private savings were not a substitute for social security insurance.

2.3.9. France

Mr DUCA-DENEUVE (Government representative, France)

Mr Duca-Deneuve indicated that through its 42 separate schemes for different professional sectors, France complied with all the core principles of the ILO. The pension system consisted of a basic pension pillar and a contributory pillar that incorporated three main clusters – private sector workers (70 per cent); self-employed workers (13 per cent) and public sector workers (17 per cent). The national pension system was based on fundamental principles that were aligned with the overarching principles set out in ILO standards and the five key principles were redistribution, which guaranteed solidarity among generations; adequate and predictable benefits, which were guaranteed by the contributory characteristic of the pension system; solidarity among insured persons, including intergenerational solidarity; transparent administration; and the active participation of social partners.

There was room for improvement, however, in particular by ensuring financial sustainability in the long term given increasing life expectancy and low fertility rates and the concurrence of a number of different schemes. A systemic reform was under consideration to address those challenges by improving the financing of the system and harmonizing the existing separate schemes in order to create a universal pension system that would be easier to understand and fairer to everyone.

Mr SÈVE (Workers' representative, France)

Mr Sève underscored the maturity of the French pension system, pointing to its viability and sustainability and underlining its success in addressing and reducing poverty. The system was facing financial challenges, but those were the result of the economic impact of the COVID-19 health crisis and although they would impact future budgetary allocations that would not move the system away from a compulsory, public PAYG pension system, which was viable since it was expected that GDP growth would be higher than the rate of growth of expenditure on pensions.

With regard to the demographic and financial challenges, France faced several challenges, mainly the need to unify the 42 pension schemes as a way to ensure portability, enhance transparency and predictability; and the need to reinforce gender equality since women still received lower pensions than men, which added to inequalities in the labour market and other social programmes such as family allowances, which often benefited more men than women. He stressed that tackling gender gaps in pensions required a two-pronged approach to address gender inequalities in the labour market but also to adapt pension systems to mitigate gender inequalities in pension outcomes. He indicated that the participation of social partners must be enhanced to become formal and systematic. To face the challenge of population ageing, along with a gradual increase in retirement age, workers must have the possibility to stay on a voluntary basis beyond retirement age and that should be encompassed by the promotion of decent work, inter alia through more robust occupational safety and health policies and hiring policies for older persons in the private and public sectors.

Mr SARRAZIN (Employers' representative, France)

Mr Sarrazin observed that the French pension system could be considered as a good system that respected ILO principles overall, but French employers acknowledged that everything came with a price tag and expenditure on pensions had increased regularly and currently represented 14 per cent of GDP. The current pandemic had impacted the level of contributions and would certainly impact the pension system in the short term, but beyond the immediate impact of the pandemic, the pension system faced structural issues and had observed persistent financial deficits that must be addressed. Population ageing had accentuated the conjunctural and structural problems of the pension system since the ratio between contributors and pensioners was decreasing due to a low retirement age – currently 62 – and the common practice of early retirement, both of which had tested the viability and sustainability of the French pension system.

In response to those challenges, a variety of medium- and long-term measures should be taken; however, in the midst of the COVID-19 pandemic, the priority was economic recovery and boosting economic growth and employment. Increasing contributions was not an option since it would compromise competitiveness. The level of benefits had to be given social and political consideration and the extension of the length of careers should be envisaged, notably by adjusting the pensionable age as a means to ensure sustainability in the long term.

The objective of pension schemes was to maintain the quality of life of current retirees, but at the same time future generations should be able to benefit from them. While the PAYG system might be acceptable, there was a need to consider the challenges that it was facing and the development of complementary individual savings-funded systems should be considered.

Comments and questions

There were no comments or questions.

2.3.10. China

Mr ZHANG XING (Government representative, China)

Mr Xing indicated that China was currently completing its three-pillar pension system, which included in the first pillar a basic old-age insurance that was mandatory for urban employees and voluntary for urban and rural residents; in the second pillar an annuity system of enterprise pensions and occupational pensions; and in the third pillar a system based on individual savings accounts. The basic pension system did not discriminate between men and women, which contributed to social solidarity, and the basic old age insurance for urban employees had adopted the model of combined social pooling and individual accounts.

The basic old age insurance was based on a PAYG system and the basic pension benefits were adjusted annually according to the price level and wage growth, whereas the individual account tier was based on advance funding and its benefits depended on the level of contributions and the rate of returns to investment.

The income of the basic pension fund for urban employees was greater than expenditure and the accumulated fund balance continued to increase. However, China's population ageing was accelerating, with 18.1 per cent of China's population over 60 years of age at the end of 2019. Hence, that would lead to declines in the dependency ratios and increased funding pressures in the future. To meet that challenge, it was necessary to extend coverage and encourage as many informal employees as possible to participate in the pension system. As of 2019, China had allocated 10 per cent of the state-owned equity of state-owned and state-controlled large and medium-sized enterprises and financial institutions to finance the pension system.

Mr WEI (Employers' representative, China)

Mr Wei explained that the basic pension system in China was divided into two main parts – one pension system for urban employees and one for urban and rural residents. Overall, China's pension system was in line with the ILO's nine core principles embodied in ILO standards. China was dedicated to universal coverage, covering employees in for-profit enterprises and public sectors, the self-employed, part-time, and flexible workforce and urban and rural residents in the basic pension system. Apart from enterprise and public sector employees, the individual business, self-employed and flexible workforce and urban and rural residents were voluntarily insured rather than mandatorily insured. As a global tendency, the digital and platform technology had exerted disruptive effects on the standard employment relationship and non-standard employment, in particular platform employment, had been on the rise.

One of challenges faced by China was to cover those groups in informal employment in the pension system via collective financing. The China Enterprise Confederation, as a social partner, would promote the relevant legislation and would urge platform companies to assume their social responsibility by contributing to the social pooling account in an innovative and responsible way and covering platform workers in the pension system.

Ms GUO (Workers' representative, China)

Ms Guo noted that, with its two schemes, China had indeed already realized full coverage but there were still challenges ahead in terms of the quality of vulnerable worker's coverage. In particular, access for the 291 million migrant workers in the country that moved to urban areas was an issue. Theoretically, migrant workers should be covered by the scheme for employees but in practice only about 20 per cent were covered by that scheme, while the rest were covered by the resident scheme. Migrant workers were often not well educated and were not well informed about their pension rights and in some cases, workers asked their employers to pay higher wages instead of their contributions. Another challenge was the minimum contribution period of 15 years, as many workers did not know how long they could work in the big cities. Employers had incentives not to contribute for migrant workers due to high contribution rates and insufficient enforcement by the Government. Coverage must be extended to more migrant workers. How to protect platform workers and all workers in emerging forms of employment should be a major concern.

Comments and questions

There were no questions or comments.

2.3.11. Côte d’Ivoire

Mr IDRISS TRAORÉ (Government representative, Côte d’Ivoire)

Mr Traoré indicated that the Côte d’Ivoire social security system observed the core ILO principles, in particular the principle of general and overall responsibility of the state for the pension system; non-discrimination and gender equality; and financial, economic and budgetary viability, including regular oversight and actuarial adjustment and dialogue with tripartite constituents. There were two formal pension schemes in Côte d’Ivoire: a general regime for the private sector workers and a different scheme for civil servants. The general scheme was financed through split contributions, 55 per cent of the total contribution from employers and 45 per cent from workers; the public sector scheme was financed 67 per cent by the state and 33 per cent by civil servants. The two schemes were redistributive systems, with a replacement rate of 50 to 70 per cent and a minimum pension equal to half the minimum wage, and all pensions had been revalued by 13 per cent over the last five years.

The main challenge of the pension system was its extension since it covered only 10 per cent of the population and was focused primarily on the formal economy. To address that challenge, the Government had put in place a new mandatory regime, known as the social protection system for self-employed workers that would be operational from 2021. A complementary capitalization regime for public officials would also be implemented in 2021. A complementary individual capitalization scheme for the private sector was currently being considered, as well as the establishment of a basic pension floor for elderly persons without income or pension, for which the Government had sought technical assistance and support from the ILO.

Mr MAMADOU TRAORÉ (Workers’ representative, Côte d’Ivoire)

Mr Traoré described the pension scheme of the Côte d’Ivoire and indicated that due to the financial difficulties faced by the redistributive system, a pension reform had been introduced in 2012. The reform had gradually raised the pensionable age from 55 to 60 years between 2012 and 2016 and modified the pension formula, based on the best 15 years rather than the best 10 years of wages and completing the calculation with changes in the cost of living.

Private sector pensions were now based on a contributory system financed by employers and workers with a total of 14 per cent contributions and there were plans to include self-employed workers and workers in the informal economy, which would give 5 million workers the opportunity to receive an old-age pension based on voluntary contributions.

The reforms had introduced individual savings complementary pensions to top up pensions for public sector workers, on a voluntary basis for current workers but a mandatory basis for future public servants. Côte d’Ivoire was a major financial market in the West African sub region and there were financial institutions that managed important investment funds that offered the best return on investments. The Government had put in place various supervision and guarantee mechanisms that made the system reliable. The complementary capitalization pension system was guaranteed and backstopped by the state and the fund for public servants was guaranteed by the state, with guaranteed minimum rates of return, but the Government was cautious about setting those rates of return and would maintain its intervention while the market developed. There was a need for an adequate pension floor that would cover all those who were currently left out of the system.

Mr LADOUYOU (Employers' representative, Côte d'Ivoire)

Mr Ladouyou indicated that he would limit his comments to pensions in the private sector and affirmed that the basic private sector pension system was redistributive and the Government had put in place a regime for self-employed workers that was currently being rolled out. The agency managing private-sector pensions was currently engaging in a dialogue to implement a complementary pension scheme for the private sector that would ultimately become mandatory. Workers considered that it would be a positive development to have both the private pension fund and the public-private insurers participating in the complementary system. Considering that only 10 per cent of the population was covered, the major challenge was the extension of coverage in both the informal and formal economies.

Comments and questions

There were no comments or questions.

2.3.12. Tunisia

Mr DHOUAIFI (Government representative, Tunisia)

Mr Dhouaifi mentioned that the national pension system was structured around different professional categories and was financed through contributions and based on the PAYG model and social security for all was a constitutional right. Coverage represented 85 per cent of the workforce and in addition to the contributory scheme, there were a number of social assistance schemes covering 80 per cent of persons over the age of 60. While such coverage could be considered a good achievement, many were still not covered and better coordination of the contributory and the social assistance schemes could improve results.

The social contract signed between the Government and social partners in 2013 had defined social protection as a priority and with that in mind the Government had launched a series of reforms to enhance its quality; ensure financial viability; extend coverage, including to workers in the informal economy; and adapt benefits to beneficiaries' needs. The reform of the public sector pension scheme had increased the age of retirement from 60 to 62 years of age, with the possibility to continue working until age 65. In the private sector, the reform of the pension was currently under discussion with the social partners. The reforms fit into the broader social security reform framework with the objective of establishing a consistent and integrated system that sought to comply with Recommendation No. 202.

Mr SILINI (Employers' representative, Tunisia)

Mr Silini observed that any pension reform process must focus on five elements:

- There was a need to align with the ILO's nine core principles for pension systems, while considering demographic and economic growth, the impact of COVID 19 and the differences among countries.
- Reform processes should take an overarching approach responsive to the needs of beneficiaries without politicizing the reform.
- Due consideration should be given to the possible coexistence of the two systems set out in the concept note of the Round Table – that of the World Bank and that of the ILO approaches – and to tailoring the best combination in order to make the most of what both systems had to offer.
- The main challenge faced by all social security systems was informality and as such any reform must extend contributory schemes to informal workers.
- The contributory scheme for private sector workers had reached its limited in terms of contributions, with workers contributing already 9 per cent and employers 17 per cent and in turn that had impacted on employment.

Mr SDIRI (Workers' representative, Tunisia)

Mr Sdiri indicated that the force and backbone of the social security system was the contributory mechanism and in Tunisia, through tripartite contributions, all workers in all sectors were covered, which implied that the pension system was in line with the requirements of Convention No. 102. Nevertheless, Tunisia faced internal and external challenges – internally, the increasing evasion of contributions and depletion of resources; and externally, the impact of globalization, with increased competition, cost cuts and new technologies that had made many workers redundant. On top of those internal and external problems, Tunisia was facing the challenge of the growing elderly population and low economic growth, both of which impacted the pension system.

The Government should implement measures to foster economic growth and take better care of the population by integrating a social protection floor in the social security system. Tunisian workers' unions had conducted several studies on that and had submitted proposals to the Government in the hope that legislation would be adopted on the basis of their proposals in favour of social justice. Tunisia had managed to establish democracy in the country, but democracy must give results and those must be shared with the population as a whole.

Comments and questions

Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson*)

Mr Arthur asked for additional information on the statement made by the Employers' representative of Tunisia regarding the need to reform the Tunisian system by combining both the World Bank and ILO approaches, in other words by including other financing mechanisms in addition to the PAYG system.

Mr SILINI (Employers' representative, Tunisia)

Mr Silini indicated that he was referring to the concept note that had been prepared by the Office for the Round Table, in particular a paragraph that had noted the divergence of positions between the World Bank (which advocated an individual saving accounts, defined contribution model) and the ILO approach (which advocated an insurance defined benefit PAYG model). There was a need to find a good mix of the two approaches and there should be an openness of mind to consider integrating a complementary pillar individual savings pillar with existing PAYG systems. The system could no longer be exclusively based on a PAYG basis since it had reached its limit and the burden on the enterprises could not be increased, in the same way that workers could not cope with increased contributions. Alternatives should be explored to identify alternative sources of financing that equitably distributed funds among the public and private pension schemes and avoided benefiting exclusively the private schemes at the expense of the public schemes, since the currently prevailing imbalance was clearly unfair.

2.3.13. Argentina

Mr LEPORE (Government representative, Argentina)

Mr Lepore indicated that Argentina complied with the ILO principles for pension systems and had ratified Convention No. 102 and that universal pension coverage had been achieved for senior citizens over the past two decades. Such achievements had been possible thanks to the central role played by the state in assuming its primary responsibility. Actuarial calculations undertaken on the previous pension system of defined contribution individual savings accounts had shown an accelerated reduction in pension coverage. In relation to the principle of adequate and predictable benefits, the current average replacement rate was 60 per cent and there was a minimum pension financed on a tripartite basis. Non-contributory pensions were equally sufficient to guarantee a basic income to beneficiaries above the official poverty line and also all the insured and beneficiaries of the contributory or non-contributory pillars had the right to comprehensive health care.

The elimination of the previous privately managed system of individual saving accounts in 2008 had allowed the country to balance and considerably enhance the sustainability of the pension system as a whole. The main challenges that the pension system was facing were related to the evolution of the labour market, which had impacted enterprises as well as workers. The persistent high levels of informality of the economy had restricted and conditioned the sustainability of pension systems since it had limited coverage and reduced its sources of financing and consequently, pension system policies should be encompassed with comprehensive strategies for economic and labour formalization.

Concerning the architecture of the pension system, it was important to consolidate the multi-pillar system by strengthening as a priority the tax-financed basic universal pillar, while the second defined benefit pillar should be enhanced to ensure its sustainability by linking contributions and benefits more efficiently. The distributive role of the system should be reinforced by considering its different pillars as a whole, thereby improving its transparency and equity.

Mr ZUCCOTTI (Workers' representative, Argentina)

Mr Zuccotti observed that Argentina had a long-standing centenary tradition of social security and 95 per cent of the population were currently covered. While most people acknowledged such coverage as a success, many could question the adequacy of benefits, so the real question that should be asked was if such significant coverage was produced by the contributory pillar or not. The answer was no and that applied not only to Argentina but many other countries. Argentina did not have the largest share of informal economy in the region, yet 40 per cent of the labour force did not participate in the contributory pillar.

The country needed to make a quality jump to improve income distribution upstream and engage in progressive tax reforms, taxing as a priority those with higher incomes and those who received the larger share of benefits and profits from the economic and productive model. Society had to consider how to better link the social security system and the productive system. If the country did not manage to increase its levels of productivity and its competitiveness and open new markets for its products, the economy would not be able to engage in such a quality jump. The social security system could not be required to repair, at the end of the working lives of workers, all the existing asymmetries that had been imposed on them since the beginning of their working lives.

Argentina had come a long way since the structural reform of its pension system in 1994, when the state thought it would be freed from an important burden and 20 years later realized that the reversal of that reform would not only constitute an act of social justice but also a matter of fiscal soundness in order to stop assuming the costs related to the transition and the low delivery on pensions of the private sector. The negative impact on pension systems of austerity measures indicated that Argentina had acquired in an irresponsible manner a debt close to US$80 billion, on impossible financial terms. Argentina could not aspire to have a sustainable social security system if rational criteria of public debt were not applied. Flawed economic, financial and fiscal policies had a much greater negative impact on social security systems than population ageing.

Mr DRAGUN (Employers' representative, Argentina)

Mr Dragun indicated that the pension system in Argentina was heterogeneous since it included many different schemes, not only at the national level but also at the provincial and municipal levels, as well as special schemes; all of them offered unequal benefits and did not necessarily represent a large number of people, but nevertheless there were high levels of expenditure and inequalities among the schemes. With regard to sustainability, one could also ask what would happen with the sustainability of the pension system if the public debt moratorium had not been implemented. Even before it was hit by the COVID-19 pandemic, Argentina had been anticipating at least a decade of economic stagnation or recession, with a corresponding impact on the formal and informal economies and the labour market and while rampant ageing of the population continued. Beneficiaries of the minimum pension currently accounted for 50 per cent of all beneficiaries, but the entire amount spent on pensions was lower than the amount spent on the top 10 per cent of the population. The state had recently implemented a universal pension for older persons and that measure had played a key role in reducing poverty, but at the same time it had introduced some inequalities, since some beneficiaries of the solidarity pension had received the same benefit as those who had contributed for 30 years.

Workers considered that a three-pillar system was an adequate structure when combining a universal pillar, a contributory pillar and a voluntary pillar. Argentinean employers had supported a compulsory PAYG second pillar, complemented by a voluntary individual account savings pillar, a mix that had been implemented in several OECD countries. However, the country was again facing high inflation and high administrative costs and opportunities for investment with positive rates of return were scarce. Such an environment was not the best in which to establish any pillar based on individual savings, which had greater chances of success in more stable and competitive environments. There was a need to enlarge and support the Argentinean capital market, which was too small relative to the size of its economy in order to support its industries. With regard to the issue of sustainability, it had to be addressed in a tripartite manner and should consider at least the three following issues: the importance of the macroeconomic context; the need to enhance productivity and competitiveness; and fiscal policies that supported the real economy.

Comments and questions

Mr ESCOBAR RAMOS (Workers' representative, Mexico)

Mr Escobar Ramos asked for additional information on the reversal from the individual savings account defined contribution system to the defined benefit system based on solidarity.

Mr LEPORE (Government representative, Argentina)

Mr Lepore indicated that the defined contribution system had experienced difficulties during the 1990s, as coverage rates had dropped dramatically and the financing deficit had grown; as of 2003, various measures had been taken to mitigate those effects and stem the major losses. In 2008, the system had been reverted to a defined benefit system and persons who had paid into previous regimes had their years of contributions recognized under the new system.

Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson*)

Mr Arthur asked what could be done to avoid massive losses incurred by workers if one wanted to put in place mechanisms for a fully funded system that could co-exist with redistributive systems?

Mr DRAGUN (Employers' representative, Argentina)

Mr Dragun stated that there was a dearth of individual saving options in Argentina; the Argentine financial markets were quite small in scale and the transfer of the pension system to the public sector had reduced the extent of the investment market even further. It was hard for businesses to find funding and the State would need to put in place mechanisms to try to expand the financial markets, which would be crucial if Argentina were to see any real change.

Mr ZUCCOTTI (Workers' representative, Argentina)

Mr Zuccotti pointed out that the informal economy presented a big challenge, in addition to the platform economy that had recently emerged. He noted that in a fully funded scheme those workers would not be able to accumulate sufficient contributions. Instead, he underlined that a paradigm shift was necessary towards solidarity and redistributive mechanisms.

Chapter 3. Takeaway messages

3.1. Takeaway messages from the Government Group

Principle 1. Progressive achievement of universal coverage

The Governments group agreed on the relevance of achieving universal coverage and suggested that pension systems needed to be staggered and progressive in order to achieve the greatest coverage possible. Each country must make the necessary decisions in order to ensure that it fulfilled that principle. In particular, governments needed to assess the most appropriate options to extend social coverage to those who did not enjoy protection, such as informal economy and migrant workers. Universal coverage of pensions was a long-term issue that called for long-term thinking and political decisions. Countries that had engaged in continuous efforts to extend their social protection systems must be recognized so as to constantly enhance and extend universal social protection systems.

The Government group underlined the importance and necessity of looking at pension systems in their totality, including contributory and non-contributory pillars. The non-contributory pillars of the pension system played an important role in extending coverage to groups with greater difficulties in accessing contributory schemes. Achieving the goal of universal coverage implied a field of intervention that went beyond the framework of waged labour; however, a total disconnection between social protection and all areas of the world of work would compromise the viability and sustainability of the contributory-based social security system and should therefore be avoided. It was of the utmost importance to extend coverage to workers in the informal economy, atypical employment and the new sectors of the platform economy, while active labour market policies, capacity-building and training were important tools to reduce informality and extend social security and pension coverage. The ageing population made it difficult to achieve universal coverage and represented a challenge for pension systems in all countries. That needed to be addressed in a preventative way and with the aim of mitigating impacts.

Principle 2. Social solidarity and collective financing

Pension systems were the result of social solidarity but were also a means of promoting social cohesion. Solidarity of pension systems needed to be viewed in terms of its different components. The functional integration of the contributory and non-contributory pillars was also particularly important. With regard to collective financing, efforts should be made to ensure that the universal and solidarity-based pillars were financed from general income taxes and that the redistributive nature of the whole pension system was reinforced to overcome the inequities resulting from territorial or sectoral fragmentation. In a globalized world, the issue of solidarity had a growing international dimension and consequently it would be appropriate to broaden the scope of bilateral and multilateral social security agreements, promote common standards of collaboration and reciprocity in the field of social protection and ensure the effective implementation of social protection floors worldwide.

Principle 3. The right to adequate and predictable benefits

The right to adequate and predictable benefits was a principle that pension systems must ensure and that was conditional on sustainable sources of funding and pre-established and transparent procedures for the periodic review of pensions. States must ensure that they had the necessary means to guarantee basic income security in old age. The principle of progressivity was crucial as it allowed for greater protection of those in most need.

Principle 4. General and primary responsibility of the state

Social security was a fundamental human right and its administration was a public service. To that end, the state had the primary responsibility for establishing the legal and administrative architecture of social security and was also the ultimate guarantor of its proper functioning. States must actively promote social cohesion through a plurality of social security systems. In particular, PAYG systems could shore up solidarity among generations and create a link between working age adults and senior citizens. The progressive realization of universal pension coverage was a state responsibility and where it was not assumed the goal would not be achieved. States should ensure that social protection was cohesive, determining its provision according to the needs of the different social groups and their contributory or savings capacity. The Governments group underscored the primary responsibility of the state in ensuring basic benefits and establishing specific protection mechanisms for groups in greatest need.

Principle 5. Non-discrimination, gender equality and meeting special needs

The Government representatives agreed on the cardinal importance of principle 5 and the need to strongly support it. Pensions systems had to be based on the principle of equality and ensure that persons who were disabled were not discriminated against and their specific needs were accounted for. Pension systems should not discriminate on the basis of gender or sexual orientation, social origin, religious or political beliefs or any other criteria. States had to ensure, as a matter of priority, that non-discriminatory and inclusive safeguards were reflected in government practices, policies and laws. States must put in place specific measures to protect vulnerable groups and populations with particular needs in an adequate and efficient manner. The Government group particularly stressed the need to protect women, persons with disabilities and migrant workers and their family members. In order to ensure that women were not at a disadvantage, it was important to promote equal opportunities in the labour market in order to ensure that pensions systems did not reflect that discrimination.

Principle 6. Financial, fiscal, and economic sustainability

The sustainability of pension systems required fiscal and economic guarantees provided by the state. Long-term strategies must be put in place to ensure the sustainability and adequacy of pensions. The short- and long-term sustainability of pension systems depended largely on a healthy economy and thus its reactivation was of the utmost importance. The Government group acknowledged the importance of diversifying the sources of income to finance social security systems and explore alternative complementary sources of financing. While income from social contributions was the primary source of financing for contributory pension schemes, it was important to avoid situations in which increased contributions acted as a disincentive for people to pay their contributions and for employers to declare their workers. Given the extent of the informal economy, which was a structural factor that applied in particular to emerging and developing countries, an integral transition strategy towards the formal economy should be drawn up. Pension systems had to be regularly monitored through up-to-date, reliable and transparent actuarial studies, whose results should be incorporated into the systems so that they could be adapted to demographic and economic changes.

Principle 7. Transparent management and administration

Public trust was a foundation of pension systems and transparent governance and the management of social security was essential to strengthen the public credibility of pension systems. Without such credibility, the legitimacy of the system would be eroded, leading to a weakening of the collective tax effort on which their financial, fiscal and economic sustainability largely rested. The Government group emphasized the centrality of strong legal frameworks for guaranteeing the transparent governance and management of pension schemes and stressed that the lack of transparency in social security administration was harmful for the functioning of pension systems and public trust. In order to enhance transparency, it was key for social security institutions to develop effective management and planning capacities, including robust statistical and monitoring systems, and to carry out periodic, economic, financial and actuarial analyses with strict technical rigour.

Principle 8. Participation of the social partners and consultation with stakeholders

Social dialogue was fundamental for effective decision-making in the field of social security. Countries that effectively involved social partners in the design, implementation and supervision of pension schemes tended to be more stable and more beneficial to the parties concerned and to society as a whole. Social partners and stakeholders' participation could not be achieved through isolated or sporadic consultations. As such, the principle of tripartism should be institutionalized in the design of pension systems. The Government representatives supported the formation of national councils or commissions for social dialogue on pensions and encouraged consultation with the social partners, beginning from the early stages of social security policy formulation and implementation. The involvement of stakeholders contributed to a greater degree of collective acceptance of the constraints on improving adequacy that arose from the need to preserve the long-term sustainability of the system. Developing direct communication mechanisms with the population was considered very important and could include advocating the benefits of social security, as well as offering financial education to help citizens make informed decisions about their retirement.

Principle 9. Regular review of pensions in light of changes in the cost of living and income

The preservation of the purchasing power of pensions required pre-established processes for their periodic review in order to prevent the erosion of the value of pensions over time. Such reviews should be sustainable, taking into account the financial and actuarial balances of the pension system, and should include indicators not only of the cost of living but also of the evolution of salaries and economic growth.

3.2. Takeaway messages from the Workers' Group

Principle 1. Progressive achievement of universal coverage

Social security in old age was an internationally recognized human right. In some countries (such as Canada, France, China and Argentina), nearly universal coverage had been achieved by establishing minimum non-contributory pension floors as a complement to contribution-based schemes. However, in other countries, pension systems were not reaching the majority of the elderly. Major coverage gaps existed in particular in countries that lacked non-contributory pensions, including Nigeria, Côte d'Ivoire, Tunisia and Indonesia. It was important to expand coverage for informal economy workers, since in many countries they comprised a large percentage of the workforce but were also most often excluded from pension systems.

Some countries, such as Bulgaria, had tried to include informal economy workers in contributory arrangements and to encourage formalization by creating special contracts for agricultural workers to ensure that their employers paid pension contributions. In Nigeria, a voluntary contribution scheme was available to informal economy workers. However, coverage remained low, partly because low-income informal workers could not afford such contributions. In other countries such as Chile, Argentina and China, informal workers mainly relied on non-contributory pension guarantees and while that provided them with some protection, the levels of those benefits were often extremely low. Most troubling was that in a number of countries, informal workers had no formal means of support at all in old age; that was the case for example in Indonesia, where 60 per cent of the workforce was in the informal economy and yet was excluded from the contributory system.

Beyond informal workers, coverage gaps were also often very acute for workers in low-paid and precarious forms of employment. Those workers often had fragmented work histories and interrupted earnings, making it difficult to build up contributions. Social security regimes must evolve and adapt to include workers in the gig economy and atypical forms of work or migrant workers, who in China for example often experienced difficulties in terms of building up sufficient entitlements within the contributory system.

Setting low minimum contribution thresholds could help workers with fragmented contribution histories to access the pension system more easily and countries should explore crediting periods of unemployment and strengthening the portability of benefits and supporting decent work and decent wages. Employers must take responsibility for their workers, including through the payment of social security contributions, while governments should also prevent employers' misclassification of employees to escape pension contributions, such as bogus self-employment. Greater international coordination was needed to tackle the rise in precarious and non-standard forms for work, including platform work.

Principle 2. Social solidarity and collective financing

In some countries, pension reforms had undermined the social solidarity of pension systems since such reforms had tightened the link between contributions and entitlements, made benefits more contingent on investment returns and market performance, established individual account systems and privatized pensions systems outright. In several countries, reforms had systematically transferred cost and risk away from employers and onto individual workers and pensioners. One example of that was Chile, where only about 10 per cent of the population was covered through individual accounts and replacement rates were low and continued to decline. Such reforms had disproportionately disadvantaged women, low-income workers, workers in non-standard and precarious forms of work, migrants and minority groups and had also tended to reinforce income inequality in old age.

The financialization of pension systems had also created significant risks for workers and governments had had to rescue private pensions during periodic financial crises and when the market underperformed. In a number of countries, such as Bulgaria, employers' responsibility to make social security contributions had also diminished, eroding the overall financing base for pensions. Strong social security systems were both necessary and distinct from private individual savings, while collective risk-pooling and solidarity were needed in financing to redistribute risks and combat inequality.

Principle 3. The right to adequate and predictable benefits

In terms of the adequacy and predictability of benefits, many participants highlighted adequacy concerns with respect to both contributory and non-contributory pension arrangements; the extremely low replacement rates of some contributory systems resulted in inadequate incomes in old age. Benefit levels were often insufficient to cover retirees' cost of living and replacement rates were as low as 16 per cent, such as in Tunisia; while major inequalities among different worker categories existed, such as in Indonesia.

Non-contributory benefit levels were often very low and such meagre benefits could not ensure a decent life for beneficiaries, let alone lift them out of poverty (Russian Federation, Mexico, Bulgaria). In Côte d'Ivoire, pensions were as low as 50 per cent of the minimum wage. In particular, women and low-paid workers in precarious work faced acute adequacy challenges since their lower salaries and frequent career interruptions had a detrimental impact on their pension benefit levels, especially when benefits were closely linked to contributions. Adequacy challenges were raised with respect to individual saving accounts systems and increasingly low replacement rates had been highlighted in the cases of Mexico and Chile.

Principle 4. General and primary responsibility of the state

A number of participants underlined the state's primary and overall responsibility in delivering on the right to a decent retirement income. Several governments had sought to fulfil that responsibility by either establishing minimum levels of contributory pensions or establishing non-contributory pensions for those with insufficient or non-existent contributions. Participants underlined how the state's primary responsibility had been divested within privatized systems such as in Mexico and Chile, where the systems had proven so ineffective in meeting the needs of the elderly that the state had been compelled to intervene by subsidizing the system and introducing a solidarity pillar. In spite of those interventions, significant issues remained. The state had primary responsibility and should not have to salvage a private system. Argentina demonstrated the experience of how the state had had to pick up the pieces and reverse pension privatization in order to deliver on its obligation of ensuring a decent retirement.

Principle 5. Non-discrimination, gender equality and meeting special needs

Significant gender gaps in pension coverage and benefit levels existed in most countries. For example, in Chile, the gender gap in pension benefits exceeded 20 per cent and in France exceeded 30 per cent. Much of that gender gap had to do with women's labour market disadvantages since they experienced lower pay, interruptions in their careers due to unpaid care obligations and over-representation in precarious and informal work, which contributed to lower pension contributions and therefore lower pension entitlements. Tackling the gender pay gap and strengthening gender equality in the labour market was therefore essential, but pension system design also played an important role since gender gaps were largest in systems where benefits were closely linked to contributions. Women were disproportionately penalized when pension systems were not adequately indexed because of their higher life expectancy, while since individuals did not pool longevity risk women faced a higher risk of outliving their savings. Pension systems must therefore be adjusted to help mitigate those gaps by providing for example a "reproductive bonus" or contribution credits for care periods, as well as adequate minimum pension guarantees.

Principle 6. Financial, fiscal, and economic sustainability

The principle of sustainability was extensively discussed and demographic ageing was putting pressure on financing in a number of countries, such as Bulgaria, France and Tunisia. Raising the retirement age was often proposed in response to demographic change and its sustainability challenges, but blanket increases in retirement age could have unequal impacts. In some countries, rising income and wealth inequality had led to uneven increases in average life expectancy and healthy life expectancy, so that blanket increases in the pension eligibility age tended to disadvantage low-income workers and workers in arduous jobs, who would live fewer years in retirement on average. It was important to support workers who wished to work into later life and tackle discrimination against older workers, while at the same time workers who were unable to extend their working lifetimes should not be penalized. In many countries, proposals to cut benefit levels, raise contribution requirements and restrict access to benefits had been advanced in the name of promoting sustainability, but such reforms had come at the expense of workers' financial security in old age.

The international financial institutions' policy advice and lending conditionalities had often excessively focused on promoting the financial sustainability of pension systems, which had occurred to the detriment of other core objectives of the system, including adequacy and coverage. A prime example of that was the IMF's pension proposals for Argentina to shift to individual accounts and defined-contribution privatized schemes in order to reduce public spending. However, the cases of Chile and Mexico had shown that those systems could have extremely high administrative costs and significant costs in channelling retirement income systems through the financial industry, resulting in much lower coverage, lower replacement rates and unsustainable risk shifted on to workers. Too often, enormous waste and inefficiency arose in systems that subsidized private financial institutions to invest the contributions of workers. Scarce resources were siphoned off to pay high fees and charges to private pension administrators and fund managers, such as in Chile, Mexico and Canada.

Measures to strengthen the financing base of pension systems must also be considered in pension reform discussions, including measures to strengthen tax progressivity and expand the tax base, close loopholes and combat illicit financial flows. In addition, tackling tax evasion could help address financing gaps and ensure that pension systems were resilient and sustainably financed, while it was also essential to ensure that employers paid their fair share of contributions. All of which required putting an end to employee misclassification in order to achieve comprehensive participation in contributory pension schemes and prevent employers from free-riding.

Pension sustainability could not be considered in abstraction from people. A pension system with high contributions and extremely low benefits might be financially sustainable but socially and politically unsustainable. The popular legitimacy and support of pension systems was an important measure of their sustainability and the recent protests in Chile exemplified clearly how important that was.

Principle 7. Transparent management and administration

The complexity of some pension systems was highlighted as a problem, such as in France, where the multiplicity of different pension regimes with different rules and entitlements had made the system difficult for workers to understand and access. Positive examples of transparent management and administration had emerged from the Round Table, such as the case of Bulgaria, which suggested that greater transparency could emerge from periodic reporting and providing pensioners with clear information about their rights. Other participants highlighted room for improvement in the administration of pension systems, such as in Mexico and Chile. In Canada, investment decisions undertaken by the public pension reserve fund typically lacked transparency and the involvement of contributors and beneficiaries.

Principle 8. Participation of the social partners and consultation with stakeholders

Workers' organizations were involved to varying degrees in the design, administration and oversight of pension systems and their participation was important since workers' organizations represented the interests of the contributors who would eventually become pension beneficiaries. In some countries, such as Bulgaria, Indonesia, Tunisia and Nigeria, they were represented on supervisory boards; in Canada workers were guaranteed participation in pension oversight in some jurisdictions, while in others they were excluded. The ability of the social partners to supervise and shape compulsory state earnings-based schemes was very limited and on the whole the close involvement of unions in reform discussions and their involvement in overseeing the management of pension systems could ensure that they met the needs of its beneficiaries. Their involvement could also be very important in building trust, ensuring legitimacy and broad societal support for the pension system and achieving sustainability reforms that were fair and successful.

Principle 9. Regular review of pensions in light of changes in the cost of living and income

In terms of the principle 9, some participants indicated that their countries conducted regular reviews to ensure that pension systems accounted for increases in the cost of living. In the Russian Federation, for example, pension benefit levels were regularly adjusted and had increased faster than the annual inflation rate. In Canada, adjustments to some public pensions were made four times a year. While that was very helpful in terms of protecting against inflation, there was no regular, comprehensive assessment of pension incomes and the standard of living of beneficiaries. Some countries did not appear to undertake such reviews, nor did they have a clear process for determining how adjustments should take place; for example, in the case of Argentina that had led to a massive erosion in the value of pension benefits over time owing to increases in the cost of living.

Key points from the Round Table that cut across the various principles included that the right to social security was a human right and the Workers' group reaffirmed and supported the principle that the state had the leading responsibility to provide secure, predictable and adequate retirement to workers of all income levels and employment histories. Achieving universal pension coverage must therefore be a priority and for that to be achieved, minimum pension floors should be put in place, in line with ILO Recommendation No. 202. Non-contributory guarantees could effectively complement contributory systems in order to ensure universal coverage, as well as adequate and regularly updated pension benefits that could provide a dignified livelihood to beneficiaries and guard against poverty in old age.

Sustainability measures should be considered with a view to achieving pension adequacy and wide coverage, but not at the expense of those objectives. Increasing emphasis on defined-contribution plans, individual accounts and private plans was undermining the objectives of security, predictability and collective risk-pooling that were inherent in a social security system. Measures to shift risk on to individuals and compromise equity and adequacy for the lowest-income earners had also been shown to involve high management costs and higher risk.

It was essential to prevent discrimination against older workers and they should be supported and empowered to work longer if they were able and chose to do so, but workers who could not or did not choose to work late into life must not be penalized. It was important to address the long-term sustainability of pension regimes, but in so doing the need to strengthen the financing base in a way that was fair could not be overlooked. That could be done through progressive taxation and tackling tax evasion, ensuring that employers paid their fair share of contributions and boosting labour-market participation. All those measures would motivate workers to contribute more if they believed the system was fair and equitable.

Supporting the formalization of the informal economy and tackling non-standard forms of work were essential to eliminating pension coverage gaps and promoting sustainability. Improving pension portability, together with providing pension credits for periods of unemployment, disability and unpaid caregiving, could also help to improve access to pensions for those in low incomes and precarious work and those with significant career interruptions. All of the above would help to reduce inequalities in pensions among different income groups and between women and men. It was important to strengthen access to decent work with adequate wages, while combating working poverty and inequality in the labour market and mitigating inequality in pension entitlements in old age.

A pension system might be perfect on paper and actuarially sound, but if it only covered a fraction of the population, if benefit levels were low and diminishing or if the system operated in opaque ways without the involvement of the representatives of contributors and beneficiaries, it would not be socially accepted or socially and politically sustainable.

3.3. Takeaway messages from the Employers' Group

The Employer's group takeaways focused on two main points.

Coverage

The problem of coverage had come up repeatedly in the country presentations, the roots of which could be identified as the high rate of informality in employment, self-employed workers and the new forms of employment, including platform workers. As a solution, the Employers' group suggested adopting a multi-pillar pension system, including a non-contributory mechanism financed by general taxation and focused on the most vulnerable; a compulsory contributory system containing an individual capitalization mechanism; and a voluntary contributory system for workers with greater savings capacity. Keeping in mind the objective of universal coverage, there was a need to consider alternative financing mechanisms other than wages, such as consumer taxes.

Sustainability

Another recurring theme of the Round Table was the sustainability of pension systems in the face of a continuing ageing population. PAYG pension systems were no longer sustainable owing to the reversal of the population pyramid (fewer active workers for every worker of pensionable age). As such, it was necessary to incorporate funding mechanisms within social protection systems. The study by some ILO officials had pointed to the wave of reversals from individual capitalization systems to PAYG systems and it provided the example of countries in which the individual saving accounts had never operated, such as Nicaragua and the Bolivarian Republic of Venezuela. Many reforms had instead incorporated capitalization mechanisms in order to improve the sustainability and replacement rate of PAYG systems. The wave in favour of including individual savings accounts to promote sustainability had also been achieved by increasing contribution rates and retirement ages and encouraging voluntary pension savings mechanisms.

▶ Chapter 4. Closing remarks

4.1. Individual closing statements made by participants

Mr ZUCCOTTI (Workers' representative, Argentina)

Mr Zuccotti reminded the participants that they had all endorsed the ILO Centenary Declaration on the Future of Work, which included achieving universal social protection. A collective approach was necessary to ensure sustainable systems, with the State assuming the primary role in that regard. Although the pandemic had laid bare the failure of the market to replace the role of the State, that had been evident before COVID-19 struck, as demonstrated by the reversal of pension privatization in Argentina, where the assumption that privatization would result in higher efficiency and effectiveness had proved false.

Mr Zuccotti reaffirmed the need for a growing economy and progressive taxation to ensure the financial sustainability of pension systems. Workers were not opposed to the principle of voluntary pillars, whereby workers on higher incomes would have the opportunity to increase their expected pension. However, those voluntary pillars must be effectively extended to workers in the informal economy, thereby increasing contributions and providing a pillar that could meet the expectations of contributors and future beneficiaries. Mr Zuccotti closed by stating that there was a need to move towards a solidarity model of pensions that included redistributive elements and away from private pension systems that had led to lower coverage and low replacement rates.

Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson*)

Mr Arthur indicated that it was difficult not to agree with some of the messages given by the Worker Vice-Chairperson. However, he pointed out that the problem had arisen in the implementation of those approaches and positions, because there were ideological differences that separated them, in particular with regard to the instruments needed to implement them. He pointed to the need to leave ideological trenches in order to correct the different challenges.

Referring to a statement made earlier by one of the Workers' representatives on the low replacement rates of the capitalization systems in Chile and Mexico, he indicated that the Chilean system had a particular feature whereby workers were the owners of their savings, so that even if they had contributed for a very short time (one or two years), upon reaching retirement age they could claim a pension, though a reduced one. That was why, when those pensions were averaged, their levels appeared to be low. However, people who had contributed regularly for more than 35 years received high pensions (a replacement rate higher than 70 per cent of the salary of the last 10 years of contributions). In the previous Chilean PAYG system, at least 15 years of contributions had been required to receive a pension, which meant that people who did not meet that requirement lost the resources they had contributed to the system.

In addition and in contrast to another comment made by workers' representatives on the fact that capitalization systems transferred the risk to individuals and governments had to rescue the funds, Mr Arthur emphasized that in Chile only one third of the system's funds came from contributions made by workers, while the remaining two thirds were the product of the funds' profitability. Referring to Argentina, he indicated that the Employers' group did not consider it an adequate example as there was no reversion of the system – the resources of the funds were rather used to cover other expenses and emergencies of the state. Hence, Argentina's position in the Mercer pension index on sustainability should be compared to Chile's fourth place. Mr Arthur concluded that there was no doubt that Chile needed to improve its contribution rate as 10 per cent was considered insufficient. It also needed to improve its coverage and he recalled that, in his presentation on the Chilean system, he had pointed to some concrete measures that could be implemented in that regard.

Mr SDIRI (Workers' representative, Tunisia)

Mr Sdiri commented on the Employers' presentation with regard to social security relying on several pillars, focusing his attention on private accounts. Those pillars faced risks and dangers and in the concrete case of Tunisia, they had had a bitter experience of how such a system could fail, leaving people without funds and having to pay out of pocket. Emphasis on pillars was risky and different avenues needed to be explored if societies were to have something to fall back on in time of need in order to guarantee the necessary purchasing power for people to cope with increases in the cost of living. Putting livelihoods in one basket was a very dangerous principle, as it gave the impression that the state should not be involved or come to the rescue if there was a problem. The public sector would be the biggest victim of such policies and the Tunisian General Labour Union could not accept that emphasis on the second pillar. The report of the Round Table should contain clear messages about the formulation of policies. Alluding to experiences in the 1970s and 1980s, Mr Sdiri also mentioned attempts made in the past to move away from the principle of solidarity, which had proven to be a complete failure. Therefore, returning to the principle of universal coverage, there was a need to improve the range and quality of benefits by improving contributions mechanisms and investments as a way to ensure that countries would not need to confront the same problems that had affected societies in the past. The series of crisis that the world had dealt with provided an example of that and showed how such an emphasis would lead to failure since private funds were encumbered with high administrative costs and overheads, which depleted their sources. Neither the Employers' representatives nor the Government representatives had sufficiently responded to those concerns. Mr Sdiri concluded by highlighting the position of the Tunisian General Labour Union in favour of truly universal pension systems.

Mr YLLANEZ (Employers' representative, Mexico)

Mr Yllanez mentioned the sensitivity of focusing on country cases when discussing such complex matters, because there had not been sufficient time to explain the circumstances of each national social protection system, increasing the risk of subjective comments. With regard to what had been said about Mexico, he indicated that the costs of administering the individual capitalization system had not negatively affected the benefits. The rates remained competitive, mentioning that for the current year the administration rate was 0.9 per cent, in accordance with international ranges.

In Mexico, about 50 per cent of the resources of the capitalization pension funds corresponded to the interest generated through the investment management of workers' accounts. With respect to additional challenges, those were associated with the labour market rather than the individual accounts system. The PAYG system was lagging behind. Analysing solidarity between people and older people was complex, in particular given that the population pyramid had changed to make the solidarity mechanism unsustainable in the long term.

Mr Yllanez concluded by stressing the need for the ILO to reflect on the future of work and take an innovative approach that paid due regard to the changing times and recognized the benefits of individual capitalization systems. Capitalization systems were evolving in Mexico, for example, giving way to replacement rates that exceeded those recommended by the ILO. Maintaining workers in the formal sector was among the challenges countries were facing. Mexico's pension system, which was still under construction, should be improved by adapting contributions rates and extending the amount of time workers remained in the labour market.

Mr ESCOBAR RAMOS (Workers' representative, Mexico)

Mr Escobar Ramos indicated that although there were different opinions among the three groups, there were also points of convergence. In particular, all three groups agreed that there was a need for mixed pension systems. The data was compelling in that regard since in Mexico banks had profit margins of 24 per cent while the national defined contribution pension programme (AFORES) had profit margins of 36 per cent, demonstrating its profitability as a business. In that regard, he pointed to the reform initiative of the Law of Retirement Savings Systems, led by the President of Mexico in January 2019. It had three fundamental axes – the establishment of an additional commission for profitability, the flexibilization of investments and voluntary savings.

On voluntary savings, he clarified that the problem was not that Mexican workers did not want to save but that they were unable to save because their wages did not allow it. In addition, with respect to the transparent management of resources, he highlighted three national examples, including Black Gold, a company in which AFORES workers had lost $500 million; the case of the OHL company; and the new international airport in Mexico City, a project that had been cancelled and in which the workers had only received 99 per cent of the resources they had invested.

With reference to the reform, it would only concern the private sector and would focus on parametric changes, in which fewer weeks of contributions would be required and tripartite contributions would be increased. However, the challenges of the existing scheme were less about the contribution rates and fees and more about the structural problems in the system, given that the investment retirement account (IRA) system did not allow workers to receive pensions with sufficient replacement rates. That was linked to the example of workers covered by the transition regime, that is, those who had started working before 1997 (the year in which IRAs were started), who would be entitled to a replacement rate of 70 per cent. Confirming what the Employers' Vice-Chairman had said about the similarities between the Chilean and Mexican systems, the replacement rate in Chile was about 24–26 per cent, which was said to be what would be expected for the Mexican system.

Mr Escobar Ramos concluded that individual capitalization systems were a stock market success in general but a failure in their main objective, which was to provide decent pensions.

Ms SCHWARZHAUPT (Government representative, Chile)

Ms Schwarzhaupt stressed the importance of taking informality into account as a way to increase both the coverage and the adequacy of benefits, both for PAYG systems and individual capitalization schemes. The Chilean Government was working on the issue of informality and had convened a consortium on informality to analyse and seek ways of correcting that problem, while a commission was reviewing the quality of work.

With regard to some of the figures on Chile mentioned by the Workers' representatives, she pointed out that there were some inconsistencies with the figures. The Workers' representatives had mentioned that the coverage of the individual capitalization system was 20 per cent; however, she pointed to the need to underline that the capitalization system was not 100 per cent mature and therefore not all current pensioners belonged to that system. According to Government figures, 53.4 per cent of persons over 65 received some kind of pension from the funded system (including disability, old-age and survivors' benefits), 20 per cent received pensions from the old PAYG system and another 20 per cent received pensions from the solidarity system.

With regard to the profitability of PAYG systems, the issue of ageing made 100 per cent PAYG systems difficult to sustain over time. For that reason, systems would have to move towards a semi-capitalized collective system, in which the profitability of the funds would also be important. Individual capitalization systems should have made profitability transparent as that was deemed to be the concern of workers and the country as a whole. Accordingly, profitability should be considered a relevant issue not only for individual capitalization systems but also for collective capitalization systems.

Mr CARMONA (Workers' representative, Chile)

Mr Carmona referred to the figures published by the Chilean Superintendency on Pensions, which contrasted with those provided by the Employers' representatives. According to those figures, a person with 15–20 years of contributions received a median monthly pension of US$50 or US$1.6 per day. Those with 20–25 years of contributions received a median monthly benefit of US$72 or US$2.4 per day. Those with 25–30 years of contributions received a median monthly benefit of US$ $4 per day, while those with 30–35 years received a median monthly benefit of US$5.8 dollars a day. Only those with 35–40 years of contributions received a median monthly benefit of up to US$10 per day. In addition, the commission charged by pension funds in Chile were assumed exclusively by workers and although it could be considered competitive (0.8 per cent), it had to be added to a second commission for intermediation services paid from workers' funds. That explained why the Pension Fund Administrators (AFP) in Chile had annual earnings of 24 per cent. Similarly, with respect to the stability of the system, it needed to be underscored that commissions in Chile were paid on flow and not on balance, as practiced at the international level. Hence, the profitability of the AFP was largely imputable to the commission charges paid by formal workers. Mr Carmona concluded by stressing that according to a 2016 report produced by the Central Bank of Chile, the PAYG and individual capitalization systems were comparable from a sustainability point of view. The decision in that respect was a political rather than a technical one.

Mr DHOUAIFI (Government representative, Tunisia)

Mr Dhouaifi indicated that the aim of universal social protection was a social project that could be a mobilizing element and a political rather than merely a technical process. The implementation of universality should never depend on a cost analysis study but rather on a shared national objective. Mr Dhouaifi noted that Ideological differences between the various stakeholders should never jeopardize the accomplishment of that objective and stressed the importance of the principle of social dialogue.

Ms CHAVEZ (Government representative, Mexico)

Ms Chavez indicated that the visions of each of the groups would always differ and that finding convergence was a challenging task. Referring to the interventions by her Mexican colleagues, she underlined that the system was sustainable in the long term in spite of the challenges and losses that had been generated by the pandemic. The reform proposal currently under way was intended to increase the replacement rate of benefits. In addition, the country had a universal social protection floor, which should be considered when calculating the replacement rate of benefits. She concluded by stressing the need for the pension system to cover persons working as self-employed, in the informal economy and in new forms of work.

Mr LEPORE (Government representative, Argentina)

Mr Lepore, responding to the comments of the Employer Vice-Chairperson, indicated that when Argentina began the process of privatization of the social security system it had extremely high transition costs, which not only increased the deficit of the traditional system but also represented a very important fiscal deficit of the state. That had been accompanied by a sharp fall in the rate of pension coverage. Studies reported at the time showed the low accumulated balances in workers' individual accounts. That was due to low wages and low contribution rates, which made it impossible for workers to receive pensions under that regime. In that context, the state had decided to suppress the individual accounts scheme and reunite it in a single public scheme. The state had recognized the periods of contributions by workers to the individual capitalization accounts. Workers' contributions had by no means been lost since they were recognized at a rate of 1.5 per cent per year for the purposes of pension calculation in the PAYG system. Argentina currently had universal coverage and workers who had very low accumulation balances in their individual accounts had access to a guaranteed minimum benefit, linked with the minimum wage at a rate that was fixed in a tripartite manner.

4.2. Closing remarks by the Workers' Group

Mr ROBERTS (Workers' representative, Canada; *Worker Vice-Chairperson*)

Mr Roberts indicated that the global pandemic of 2020 had shown how uncertain the world was by causing economic shocks in virtually every country around the world, including a very significant drop in financial markets and the collapse of short- and long-term interest rates for the second time in a dozen years. The world of work had also been transformed by new technologies with new forms of employment and digitalization, affecting work in many ways, including e-work, platform work and increasingly precarious forms of employment. In such a context, strong social security systems that provided predictable, secure and adequate benefits were critical to ensure the financial security of households and economic stability and to provide stable incomes in the context of economic shocks and uncertainty.

The lessons of pre-funding must be drawn from the experience of the last several decades, in which pre-funded pension systems had been struggling with the challenges of low returns on investment and the prospect of low returns into the future. Such low returns and the impact of volatility would put extreme pressure on the ability of pre-funded systems to generate sufficient returns to pay adequate benefits in retirement.

With regard to the goal of pre-funding pension systems, in some cases the actual intention of adopting pre-funded pension systems had clearly been to subsidize private financial institutions and fund managers by channelling resources to banks, mutual fund companies and financial groups to improve and support profitability in that sector. That was a very different goal than the goal of ensuring predictable, secure, adequate retirement income for working people.

Demographic ageing had not been unexpected but had been well anticipated and all pension systems had to cope with that fact one way or another. With regard to the sustainability of PAYG pension systems, matters of concern were the accompanying trends of wage suppression, growing inequality and the falling labour share of income, in a context in which public economic policies had been designed to suppress wage growth. The Vice-Chairperson concluded by stressing that all the above-mentioned matters of concern had also put pressure on the ability of PAYG systems to accommodate demographic ageing through higher contributions and that inequality was fundamental in understanding the evolution of such systems.

4.3. Closing remarks by the Employers' Group

Mr ARTHUR (Employers' representative, Chile; *Employer Vice-Chairperson*)

Mr Arthur indicated that the challenges ahead were enormous and that the world was rife with uncertainties that must be faced with great dynamism. PAYG systems presented much more of a problem than individual savings systems since the population pyramid no longer existed; the pyramid had become a rectangle and retired workers outnumbered the workers who were called upon to finance their pensions. In the last 15 years, about 79 countries with PAYG pension systems had been obliged to raise the contribution rate, 69 countries had been obliged to lower benefits and 69 countries had been obliged to raise the retirement age, all of which implied a substantial change in the structure of the schemes that had nevertheless not spared countries from having persistent and huge fiscal deficits. For example, Greece's pension debt was 9 times its GDP and Spain's pension debt was 2.5 times its GDP such deficits called for rethinking the sustainability of PAYG systems.

Turning to pension systems based on individual savings and prefunding, the Vice-Chairperson acknowledged that those systems had also been hit by successive crises but had circumvented them adequately without governments having to come to their rescue. It was not true that governments had gone to the rescue of those systems; on the contrary, pre-funded pension schemes had released resources, allowing the State to focus its support on vulnerable sectors and individuals. Pension funds' investments had supported infrastructure and housing projects that were considered a pre-eminent state obligation. Of the resources that workers had in their pension funds, only one third corresponded to workers' contributions while two thirds corresponded to returns on investments. The Vice-Chairperson concluded that countries should not disregard introducing capitalization mechanisms into their pension systems, as most European countries had done, as a means of enhancing their sustainability, since PAYG systems were no longer sustainable for demographic reasons.

4.4. Closing remarks by the Chairperson

Ms MARTEL (Government representative, Canada; *Chairperson*)

Ms Martel highlighted the importance of the Round Table, which had been held under unprecedented circumstances, not only because of its virtual manner but because it had taken place during a global pandemic that was affecting: (a) the subjects of the Round Table, who were older persons worldwide; (b) the younger generations, who were struggling with a historic slowdown and would be the retirees of the future; and (c) the global economy and the labour market, on which the adequacy and the sustainability of our pension systems were grounded.

The world's economy was under severe pressure as a result of the socioeconomic fallout of the COVID-19 pandemic, which had added unforeseen challenges to those historically impacting pensions systems worldwide such as increased longevity, persistent informality of employment and the stagnation of wages and their falling share of GDP. However, every challenge also represented an opportunity and the ILO's tripartite constituents had taken up the challenges by regularly addressing the issue of pension design and reform. The periodic consideration of the challenges faced by pension systems was only natural since demography, economy, technology and societies were always changing and evolving.

The principles embodied in the international social security standards that had been adopted by governments, workers and employers were meant to provide key points of reference for both policy design and the implementation of social security systems, based on the consideration that there was no one-size fits-all approach to social protection.

The current crisis had once again placed the spotlight on the core principles underpinning each nation's social contract and to a large extent the relevance of such core principles, was emphasized at all sessions of the Round Table, confirming the overall and primary responsibility of states to guarantee that societies were in solidarity with all their members and that solidarity was present in social protection in general and in pensions systems specifically. That had achieved a special relevance in the context of the pandemic, which had required mobilizing unprecedented resources to address its consequences. Ms Martel underscored that the interventions by workers, employers and governments had shown once again the importance and relevance of the principle of social dialogue in addressing issues from different perspectives to advance social justice, decent work and sustainable development.

She thanked the participants for having elected her as Chairperson of the Round Table and extended special thanks to the Vice-Chairpersons, Mr Arthur and Mr Roberts, for their support and collaboration and their facilitation of the views of their groups. Ms Martel thanked each of the representatives of the 13 countries represented in the Round Table for making their informative presentations, providing the Office with the completed questionnaire and submitting their narrative notes.

The Chairperson thanked the Office on behalf of the participants for the support it had provided to organize and facilitate the Round Table. She thanked in particular Ms Martha Newton, Deputy Director-General of Policy, and Ms Shahra Razavi, Director of the Social Protection Department, and their teams. She proceeded to officially close the Round Table.

▶ Annex I. Agenda

Tripartite Round Table on Pension Trends and Reforms (30 November – 2 December and 4 December 2020)

<table>
<tr><th>Time in Geneva</th><th>Monday 30 November</th><th>Tuesday 1 December</th><th colspan="3">Wednesday 2 December</th><th>Thursday 3 December</th><th>Friday 4 December</th></tr>
<tr><td>13.00-14.00</td><td>Group meetings (G, E, W)</td><td rowspan="3">Plenary</td><td colspan="3" rowspan="2">Plenary</td><td rowspan="5">No meeting</td><td rowspan="3">Plenary</td></tr>
<tr><td>14.00-14.30</td><td rowspan="2">Plenary</td></tr>
<tr><td>14.30-15.00</td><td rowspan="2">Employers Group meeting: 14.30-15.30</td><td rowspan="3">Workers Group meeting: 14.30-16-00</td><td rowspan="2">Government Group meeting: 14.30-15.30 (TBC on 30 November)</td></tr>
<tr><td>15.00–15.30</td><td rowspan="2">No meeting</td><td rowspan="2">No meeting</td><td rowspan="2">No meeting</td></tr>
<tr><td>15.30-16.00</td><td>No meeting</td><td></td></tr>
<tr><td colspan="9">Note: Plenary sessions are highlighted in yellow. All participants’ presence is required during plenary sessions online by ZOOM.

Group meetings: will be separate for each group.</td></tr>
</table>

	Plenary (Geneva time)	**Government group** (Geneva time)	**Employers Group** (Geneva time)	**Workers Group** (Geneva time)
Monday 30 November	14. 00-15.00	13.00-14.00	13.00-14.00	13.00-14.00
Tuesday 1 December	13.00-15.00	No meeting	No meeting	No meeting
Wednesday 2 December	13.00-14.30	14.30-16.00	14.30-15.30	14.30-16.00
Thursday 3 December	No meeting	No meeting	No meeting	No meeting
Friday 4 December	13:00–15:00	No meeting	No meeting	No meeting

▶ Annex II. List of Participants

Country		Name	Entity
Argentina	(GOV)	Mr Eduardo LEPORE	Ministerio de Trabajo, Empleo y Seguridad Social
	(EMP)	Mr Pablo DRAGUN	Unión Industrial Argentina (UIA)
	(WOR)	Mr Guillermo ZUCCOTTI	Confederación General del Trabajo (CGT)
Bulgaria	(GOV)	Mr Nikolay ALEKSIEV	Ministry of Labour and Social Policy
		Ms Gergana PEEVA-IVANOVA	National Social Security Institute
	(EMP)	**NO NOMINATION**	
	(WOR)	Ms Hristina MITREVA	Confederation of Independent Trade Unions of Bulgaria (CITUB)
Canada	(GOV)	Ms Nathalie MARTEL	Employment and Social Development Canada
		Ms Celine LEDUC	Employment and Social Development Canada
		Ms Youna ZHANG	Employment and Social Development Canada
	(EMP)	Ms Norma KOZHAYA	Canadian Employers' Council (CEC); Conseil du patronat du Québec (Quebec Employers Council)
		Mr John CRAIG	FASKEN
	(WOR)	Ms Nathalie JONCAS	Confédération des syndicats nationaux (CSN Quebec) Confederation of National Trade Unions
		Mr Chris ROBERTS	Canadian Labour Congress
Chile	(GOV)	Ms Ursula SCHWARZHAUPT	Subsecretaría de Prevision Social
	(EMP)	Mr Guillermo ARTHUR	Federación Internacional de Administradoras de Fondos de Pensiones (FIAP)
		Mr Manuel TABILO	Federación Internacional de Administradoras de Fondos de Pensiones (FIAP)
	(WOR)	Mr Fernando CARMONA	Central Unitaria de Trabajadores (CUT)
China	(GOV)	Dr Zhang XING	Ministry of Human Resources and Social Security
	(EMP)	Prof. Huang WEI	China Enterprise Confederation (CEC)
		Ms Zhang WENTAO	China Enterprise Confederation (CEC)
	(WOR)	Ms Peng GUO	All China Federation of Trade Unions (ACFTU)

Country		Name	Entity
Côte d'Ivoire	(GOV)	Mr Idriss TRAORE	Ministère de l'Emploi et de la Protection sociale
	(EMP)	Mr Edouard LADOUYOU	Confédération générale des entreprises de Côte d'Ivoire (CGECI)
	(WOR)	Mr Dohia Mamadou TRAORE	Fédération des syndicats autonomes de Côte d'Ivoire (FESACI)
France	(GOV)	Mr Benjamin DUCA-DENEUVE	Ministère du Travail, de l'Emploi et de l'Insertion
	(EMP)	Mr Florent SARAZZIN	Mouvement des entreprises de France (MEDEF)
		Ms Anne VAUCHEZ	Mouvement des entreprises de France (MEDEF)
	(WOR)	Mr Frédéric SEVE	Confédération française démocratique du travail (CFDT)
Indonesia	(GOV)	Mr Andi AWALUDDIN	Ministry of Manpower
		Ms Nindya PUTRI	Ministry of Manpower
	(EMP)	Mr SOEPRAYITNO	The Employers' Association of Indonesia (APINDO)
		Mr Dipasusila Satia UTAMA	The Employers' Association of Indonesia (APINDO)
	(WOR)	Mr Rekson SILABAN	Konfederasi Serikat Buruh Seluruh Indonesia (KSBSI)
Jordan	(GOV)	Ms Ayah-AL-JBOUR	Social Security Cooperation
		Mr Ahmad OBAID	Social Security Cooperation
	(EMP)	Mr Mohammad ALJITAN	Jordan Chamber of Industry (JCI)
		Mr Mohammad AL KHALAILEH	Jordan Chamber of Industry (JCI)
	(WOR)	Ms Randa ALKHALDI	General Federation of Jordanian Trade Unions (GFJTU)
Mexico	(GOV)	Ms Amelia CHAVEZ	Ministerio de Finanzas
		Mr Raúl Alejandro RAMÍREZ ORTEGA	Ministerio de Finanzas
	(EMP)	Mr Fernando YLLANES	Confederación de Cámaras Industriales de los Estados Unidos Mexicanos (CONCAMIN)
	(WOR)	Mr Luis ESCOBAR RAMOS	Unión Nacional de Trabajadores (UNT)

Country		Name	Entity
Nigeria	(GOV)	Mr Lana LOYINMI	Research and Strategy Management Department, National Pension Commission
		Ms Hauwau ABDULLAHI AKO	PENCOM & Social Security Department, Federal Ministry of Labour and Employment
	(EMP)	Mr Thompson AKPABIO	Nigeria Employers' Consultative Association (NECA)
	(WOR)	Mr Muttaqa YUSHAU	Nigeria Labour Congress (NLC)
Russia	(GOV)	Mr Andrey PUDOV	Ministry of Labour and Social Protection
		Mr Igor ZEMLYANSKIY	Ministry of Labour and Social Protection
	(EMP)	**NO NOMINATION**	
	(WOR)	Mr Igor SHANIN	Federation of Independent Trade Unions of Russia (FNPR)
Tunisia	(GOV)	Mr Ezzedine DHOUAIFI	Ministry of Social Affairs
	(EMP)	Mr Sami SILINI	Union tunisienne de l'industrie, du commerce et de l'artisanat (UTICA)
	(WOR)	Mr Khaled SDIRI	Union générale tunisienne du travail (UGTT)
IOE		Mr Pierre VINCENSINI	International Organisation of Employers
		Mr Rodrigo MORALES	International Organisation of Employers
ITUC		Ms Raquel GONZALES	International Trade Union Confederation
		Ms Evelyn ASTOR	International Trade Union Confederation

▶ Annex III. Concept Note

The universal right to income security in old age. As an integral component of the human right to social security, ensuring income security and dignity for people in old age is a crucial objective among the goals that societies seek to realize. In its Preamble, ILO's Constitution recognises the importance for the Organization to work on improving conditions of labour, including through provisions for old age. In 1944, the ILO's mandate was extended to promote the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care. Providing protection for persons in old age has thus been a central part of the UN's and in particular ILO's agenda and work. In 2019, the ILO's Centenary Declaration for the Future of Work called on the ILO to take into account the profound transformations in the world of work, and further developing its human-centred approach to the future of work, including by developing and enhancing adequate and sustainable social protection systems, which are adapted to developments in the world of work.

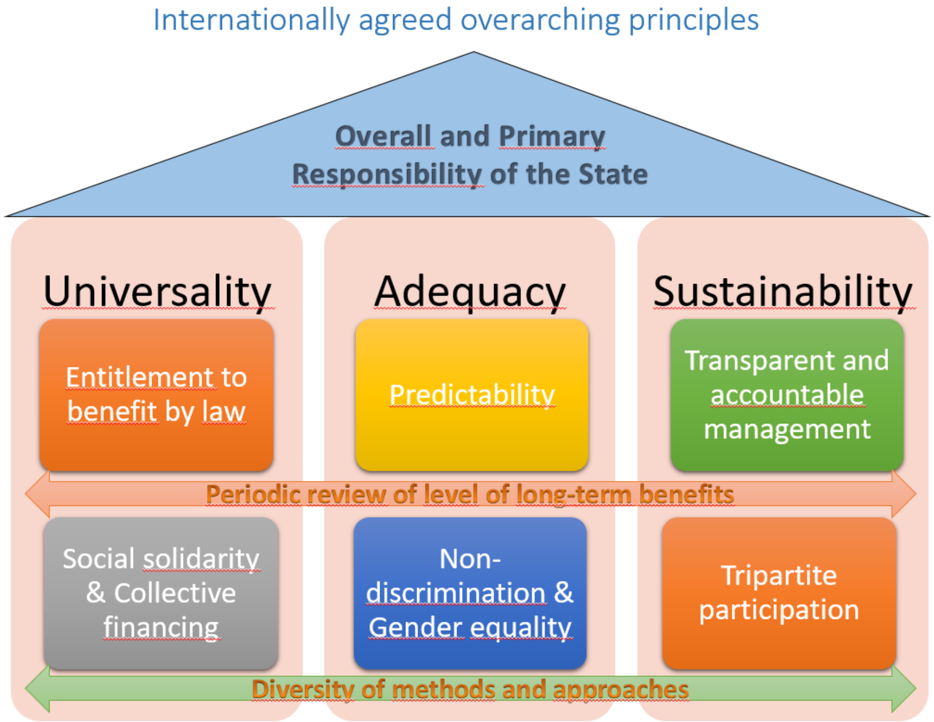
ILO's action with respect to old age. Based on the constitutional mandate given to the ILO, its constituents adopted a comprehensive body of international labour Conventions and Recommendations to guarantee the human right to social security throughout the life cycle, including in old age. These standards define agreed core principles for the organisation, financing, and administration of social security systems as well as the minimum benchmarks of protection to be ensured by way of contributory earnings-replacement schemes, tax financed schemes or social assistance schemes. These standards guide ILO action in the area of social protection in old age. In terms of financing for instance, the ILO advocates that protection in old age needs to be financed collectively by way of employers' and workers' contributions and/or taxation under the general responsibility of the State. The ILO also defends that there cannot be a one-size-fits-all approach to social security and protection in old age but that each country needs to find the optimal combination of protection mechanisms given its social and economic circumstances and legal traditions and history while observing the internationally agreed legal framework.

The current State of old-age protection – a glass only half-full. While pensions for older women and men are the most widespread form of social protection in the world, 32 per cent of those in old age still do not receive an old-age pension. In recent years, a number of countries have made progress in extending coverage through contributory and non-contributory pension schemes. For instance, in several countries in Latin America and Asia, contributory coverage has been extended to workers in the informal economy as part of integrated sets of formalization measures. Extension of coverage has also been achieved through the combination of contributory and non-contributory pension schemes (as in Argentina, Chile, and Uruguay), by establishing universal or social pensions for persons beyond a certain age (e.g., Bolivia, Botswana, Brazil, Cabo Verde, Lesotho, Mongolia, Nepal, South Africa, Thailand, Timor Leste, Zanzibar, etc.) or through targeted schemes, focusing on persons with reduced subsistence means. Poverty targeting of pension schemes, however, are proved to leave many persons in need unprotected. In addition, despite progress made in terms of coverage, pension levels have often remained low and insufficient to lift older persons out of poverty. In a context characterized by high and raising levels of informality in the world of work, many countries are harnessing the formalizing power of social protection by articulating and coordinating contributory and non-contributory social protection schemes with employment policy measures so as to ensure not only the extension of social protection coverage to all persons of employment age but also to guarantee adequate levels of pensions when they reach old age.

The need to ensure multiple objectives for pensions: universality of coverage, adequacy and predictability of benefits and system's sustainability. Globally, policy makers focus on extending coverage to uncovered groups, providing adequate levels of pensions, securing the financial sustainability of the pension system, maintaining pensions systems over time in a context of ageing populations and maturing pension systems and increasing people's trust in the pension system. Trends in recent years have been dominated by the introduction of pension reforms aimed at increasing retirement age, strengthening the link between contributions and entitlements, reforming pension formulas and pension indexation methods and reducing the overall level of benefits, as well as by diversifying the sources of financing for old-age income security. In many cases, fiscal consolidation concerns have dominated the discussions around the future of social protection systems, sometimes putting at risk the very social contract and the principles on which social security systems rely, such as the principles of solidarity, collective risk sharing and equity.

ILO's core principles and minimum benchmarks for pension systems. Over its century of existence, the ILO has promoted, when supporting ILO member States in designing or reforming their pension systems, the core principles and minimum benchmarks enshrined in its standards and the pronouncements of its tripartite constituents. Notably, these standards pose the principles of collective financing and risk pooling as the expression of social solidarity underpinning social security systems. ILO's standards relevant for old-age pensions include notably the *Social Security (Minimum Standards) Convention*, 1952 (No. 102); the *Invalidity, Old-Age and Survivors Benefits Convention*, 1967 (No. 128), and the *Social Protection Floors Recommendation*, 2012 (No. 202). These standards have been adopted by governments', employers', and workers' representatives, and constitute a key reference as regards both policy design and implementation of social security systems. ILO social security standards are meant to be applicable worldwide. Consequently, they are designed based on the premise that while there is no one-size-fits-all approach to social protection in general and protection in old age in particular, there is a set of core principles and minimum parameters (or benchmarks) which have been established internationally and which need to be observed and guaranteed by the State. As such, ILO social security standards do not *a priori* discard any type of scheme by reason of its public or private nature. Whether or not a scheme is compliant with ILO standards is based on an assessment of its compliance with the core principles and with the minimum parameters.

The core principles embodied in ILO standards can be regrouped as follows:



The minimum parameters include notably the level of pension benefits, their payment throughout the life of the beneficiary, eligibility criteria and the minimum coverage in terms of persons to be protected, or the periods needed to qualify for receiving a pension. By way of example, the *ILO Social Security (Minimum Standard) Convention*, 1952 (No. 102) requires that contributory systems guarantee a replacement rate at least equal to 40 per cent of previous earnings to a person who reached 65 years with 30 years of contributions. This percentage is raised to 45 per cent by the more advanced standard – the Invalidity, Old Age and Survivors' Benefits Convention, 1967 (No. 128).

A multiplicity and combination of approaches. Over the past 100 years, most countries have adopted legal frameworks for the provision of income security in old age through a combination of contributory (financed by way of contributions) and non-contributory (financed by taxation) pension systems. Public social insurance schemes, based on solidarity and collective financing, are by far the most widespread form of old-age protection globally. A noticeable trend in countries with high levels of informality, facing difficulties in extending contributory schemes is the proliferation of non-contributory pensions, including universal social pensions, or the establishment of simplified schemes or mechanisms for persons with contributory capacity, generally partially subsidized by the general budget. In parallel, over the past 40 years, a number of countries made structural changes to their systems, adding to them a mandatory and/or voluntary private individual savings component or, in some cases, by making this component the main pillar of their pension systems.

Reforming pension systems in line with internationally established legal frameworks. Over the past 40 years, a number of countries introduced structural reforms adopting a multi-pillar approach which included the introduction, in addition or in replacement of previously existing mechanisms, of State- or privately managed individual savings accounts either on a voluntary or a mandatory basis. In many cases, the introduction of savings mechanisms resulted in a decrease in the resources allocated to the pre-existing public pension systems. A few countries entirely replaced their public defined-benefit pension schemes with individual accounts. During the 1990s, the proliferation of such reforms generated a global debate on pension reform models. The World

Bank and some regional development banks played a very active role in promoting structural reforms towards the introduction of privately managed systems based on individual accounts. Meanwhile, the ILO advocated maintaining public pension schemes based on collective financing and solidarity – in order to guarantee the levels of protection established by international social security Conventions – and complementing these schemes with individual savings mechanisms. Based on the principles embodied in these standards, the ILO emphasized the importance of a well-balanced consideration of pension adequacy, financial sustainability and equity. In 2001, the ILC Conclusions on social security stressed that "*in pay-as-you-go defined benefit pension systems, risk is borne collectively. In systems of individual savings accounts, on the other hand, risk is borne by the individual. While this is an option which exists, it should not weaken solidarity systems which spread risks throughout the whole of the scheme membership. Statutory pension schemes must guarantee adequate benefit levels and ensure national solidarity. Supplementary and other negotiated pension schemes tailored more to the circumstances and contributory capacity of different groups in the labour force can be a valued addition to, but in most cases not a substitute for, statutory pension schemes.*" (Conclusions concerning social security, 89th Session of the ILC, 2001, para. 13). Ten years later, in 2011, the ILC concluded that "*necessary reform processes can be successfully managed by fairly balancing social needs and financial and fiscal requirements, if embedded in a well-informed social dialogue process*" (Resolution and Conclusions concerning the recurrent discussion on social protection (social security), 100th Session of the ILC, 2011, para. 19).

During that same period, a number of other countries, predominantly in Asia and Africa, continued operating Provident Funds functioning as saving mechanisms directly related to the premiums paid by the workers and their employer, while other countries converted their provident funds into defined benefits schemes because of difficulties in turning the provident fund balance into an adequate retirement income for their members and their dependants in the event of death.

▶ Annex IV. Narrative notes[1]

Mexico

Ms CHAVEZ CARRIOLLO (Government representative, Mexico)

1. Achievement of the ILO's basic principles

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

1. Progressive achievement of universal coverage
2. Social solidarity and collective financing
3. General and primary responsibility of the State
4. Non-discrimination, gender equality and response to special needs
5. Financial, fiscal, and economic sustainability
6. Transparent management and administration
7. Participation of social partners and consultation with stakeholders

However, while substantial progress has been made in improving accessibility, financing, fiscal sustainability, etc; there are still important windows of opportunity that will allow us to maintain continuous improvement and constant review in order to converge with the best practices dictated by ILO principles.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

- **Principle 3: Right to adequate and predictable benefits.** This Principle is the one that most urges us to be able to guarantee a better income in the adult life of the population, but the Mexican State has not remained static on this issue, since constitutional reforms have been proposed and at the level of specific law to be able to guarantee a retirement at least covering the poverty line, which as soon as they are consolidated will be an important pillar to be able to transit to a dignified quality of life.

2. What is your overall assessment of your country's pension system?

The pension reforms that have already been implemented in Mexico have managed to consolidate a system of individual capitalization. This system works well as workers' resources have been safeguarded, and in some cases this individual account is the only asset and point of contact with the formal financial system for a significant segment of the Mexican population. However, despite its achievements, the Mexican pension system faces very significant challenges, given the rapid demographic ageing, the characteristics of the labour market and the shortcomings in the institutional design of the pension systems that coexist today. The Mexican pension system has many windows of opportunity, due to deficiencies in the labour market, demographic developments, multiple disjointed pension systems, low non-contributory pensions, increasing fiscal costs and an accelerating ageing population.

[1] The Narrative Notes have been included as received from participants and not been edited. The Narrative Notes received in a language other than English were translated.

3. What could be done to strengthen the pension system?

It is important to point out the importance of the Congress of the Union approving the reform of the Social Security Law, which would be a great step towards improving the system. In addition, it is necessary to continue working on optimizing processes and resources derived from the pension system, for example:

- to have better institutional interoperability;
- to have a regulatory framework that regulates the PBPAM;
- to reduce inter- and intra-generational inequity;
- continue with the modifications to the AFORE investment regime;
- to have a variety of products and greater competition for the decumulation period;
- review the situation of the pension systems in the States, although many of these systems have already been reformed on several occasions, this does not mean that their sustainability is guaranteed, as their capitalisation has areas of opportunity and will require ever greater fiscal resources.

Mr ESCOBAR RAMOS (Workers' representative, Mexico)

One of the main characteristics of the Mexican pension system is its high degree of fragmentation, since there are nearly three thousand pension schemes in the public and private sectors, universities, and State and municipal governments. This makes it very difficult to make an accurate and reliable assessment of the system, but above all it is extremely dispersed in terms of benefits, to the extent that there are workers who, due to the lack of funding in the schemes, have to wait in long lines for years before they can receive a pension, which seriously affects their interests and those of their families.

Neoliberalism has made the labour market more flexible by means of reforms, causing strong effects on workers, reducing protection in hiring to a minimum, increasing job rotation, reducing wages, and exponentially increasing outsourcing. Informal work has increased disproportionately, with 57per cent of the economically active population now working in this capacity and only 4 per cent having formal work and, in theory, social security.

With regard to the fundamental principles, Mexico has recently achieved a small advance in terms of coverage by incorporating into our Constitution the granting of a non-contributory pension (badly named), which will to some extent increase the level of coverage, a pressing need for those elderly people who, because they have not reached the number of weeks of contributions or have never worked in the formal market, do not have a contributory pension.

Similarly, the State has assumed its general and primary responsibility to a large extent, but is currently allowing, if the proposed reform is approved, the retirement fund administrators not to assume their responsibility for future replacement rates, and we would then be in a scenario that I call "RETRACTION", i.e., the private sector obtains the large profits and when the obligations are met, these are assumed by the State.

As I mentioned at the beginning, to dare to say that the Mexican pension system is financially, fiscally, and economically sustainable is difficult; what I can say is that in those with the largest number of beneficiaries if it has complied and I am sure it will comply fully.

As far as the rest of the fundamental principles established by the ILO's social security rules are concerned. As is the case with social solidarity and collective financing, this is not viable with the implementation since 1997 of the system of individual accounts, which does not promote solidarity and collective financing, as regards non-discrimination, gender equality and responses to special needs are conspicuous by their absence and no changes are envisaged in the short term; transparent administration and management are part of the country's major problems of corruption; the participation of the social partners and consultation with the actors involved is not a practice in this area and, finally, the periodic review of pensions has not historically taken place.

The Mexican pension system, as I have already mentioned and reiterate, is extremely fragmented and dispersed; I would venture to say that its evaluation and analysis must take into account a before and an after, which goes from 1943 to 1997 in the case of the private sector and from 1960 to 2007 for public sector workers, periods in which these pension schemes had the greatest benefits. From that point onwards, a debacle began regarding the scope of a pension for the different structural reasons of the IRA schemes, which, not being pensioners themselves, leave workers protected by those laws in a State of uncertainty, since, based on the international trend, very low replacement rates are expected; In the area of public university, State and municipal government pension schemes, these are on the verge of collapse, since they are not funded and, together with high levels of corruption, complicate the situation.

The Mexican pension system contains underlying problems that very few people mention, one of which is the low salaries that for more than 4 decades suffered a deterioration of more than 70 per cent of its purchasing power, so although it is true that a programme of gradual recovery of the system has been initiated, it is still insufficient and will take several years to meet the objectives, provided that it continues along the same route, taking into account the current economic and pandemic crisis that we are experiencing; Another structural problem that remains to be overcome is informality, which in addition to causing minimum levels of productivity and competitiveness also pays for the lack of access to social security for almost 60 per cent of the economically active population; The phenomenon of outsourcing is another problem that the government in power or those to come will have to address and correct, because crafty and abusive practices harm the interests of workers, public finances and pension schemes, and finally the new forms of work arising from technological change should be legislated and regulated, so that the workers involved can access the respective pension schemes.

In view of the above, the Mexican pension system requires an in-depth analysis and diagnosis of its current situation in order to subsequently move on to a major social dialogue between the sectors involved. This will lead to a proposal for an inclusive hybrid model which combines the defined benefit, considers all informal workers, from the countryside, from the new digital economy, and maintains with its due restrictions an individual account scheme for higher wage workers.

Mr YLLANES (Employers' representative, Mexico)

In Mexico, as in many countries around the world, a transition has begun from the contributory defined-benefit pension system under the 1973 Social Security Act to another contributory system based on individual savings, i.e., the "defined contribution" system, which came into force in 1997. This means that workers who began to work in the formal sphere before 1997 are governed by the so-called "Law 73" (for the year in which it came into force). It is worth noting that in Mexico the creation of the IMSS dates back to 1943 for workers in the private sector and the ISSSTE in 1959 for workers in the service of the State, and on the other hand we have workers who began their formal working life from 1997 onwards who can only enjoy the benefits of the defined contribution or individual account capitalization system which is made up of a contribution of 6. 5 per cent of each worker's salary, which, although tripartite, is mostly contributed by the employer. The number of workers working in the private sector is just over 20 million, of whom approximately 9 million are part of the so-called transition generation, i.e., they can choose from either of the two schemes described.

It can be acknowledged that Mexico opted in a timely manner for a change of regime, seeking to make it sustainable over time, since the fiscal pressures generated by the pay-as-you-go regime were evident and unsustainable, but we must recognize that unfortunately the contributions made today by workers, the government and employers will not obtain the desired replacement rate or achieve the tasks and goals that the ILO has set.

I must add to the effects of insufficient contribution, the lack of voluntary savings by workers, but there are other elements that have an impact on this problem:

A. The high rates of informality in Mexico, which now stands at 58 per cent of the economic active population.

B. The informality caused by the lack of incorporation into the compulsory or contributory social security system, which unfortunately occurs in Mexico as in other countries in the region of the Americas, in many cases leads to workers entering and leaving the formal to the informal economy not complying with the requirement of number of contributions, i.e. to contribute for 25 years (1500 weeks), which generates a refusal of a pension, in which case the worker in an old age State is returned the balance of his savings and is left with only the universal pension, which is totally insufficient. Worse still, if contributions are less than 750 weeks, both the entitled persons and their dependents are left out of the health system.

We are embarking on a reform initiative proposed by the business sector, supported by the workers' sector and so far with the government's approval, with the aim of improving future pensions, based on gradually increasing employers' contributions so that in the end the tripartite contribution will reach 18 per cent, reducing the time of contribution, which is expected to bring more people into the pension system, with a better replacement rate.

We cannot fail to note that the contributions to individual accounts of the current 1997 scheme of capitalization of individual accounts has positive effects:

A. The good management by the administrators freely chosen by the workers has generated very competitive rates of return, above the national average.

B. The collection of commissions for the management of workers' accounts is competitive and has a downward trend.

C. A mass of savings has been generated which is very convenient for the country and which now represents almost 18 per cent of GDP, which has a positive impact on the country's economic stability.

As can be seen, we are in the process of improving with the new contributory defined-contribution pension system, which undoubtedly relaxes the pressures generated by the previous regime on public finances. However, there are enormous challenges with regard to non-contributory pensions, which are totally inadequate, and the need to make the various systems in the country compatible and to generate fiscal stimuli to increase voluntary savings.

Bulgaria

Mr ALEKSIEV (Government representative, Bulgaria)

The main legislative act of the Republic of Bulgaria concerning social insurance is the Social Insurance Code. Its enforcement on 1st January 2000 introduced the three-pillar pension model in Bulgaria, namely: compulsory pension insurance (pillar I), supplementary compulsory pension insurance (pillar II) and supplementary voluntary pension insurance (pillar III). According to the United Nations, Bulgaria ranks among the ten countries with the fastest aging population in the world. Demographic problems have a major impact on pension systems and in particular on the State social insurance system in Bulgaria which operates on a pay-as-you-go basis. In this light, a need for stabilization of the State social insurance system was identified, leading to an increase in revenues and a reduction of costs.

Thus, a pension reform was implemented in 2015, establishing the legal framework of the enhanced pension model, and short-term and long-term measures were introduced for achieving financial stability of the pension system and improving pensions' adequacy. The accepted amendments concerned:

- increasing the receipts in the insurance system.
- optimizing the expenses in the insurance system.
- improving pension adequacy.
- developing and improving the three-pillar pension model.
- other changes to refine and further develop the existing provisions.

We are of the opinion that the pension system in Bulgaria functions in full compliance with the ILO principles related to Progressive realization of universal coverage, Social solidarity and collective financing, overall and primary responsibility of the State, Non-discrimination, gender equality and responsiveness to special needs, transparent management and administration, Involvement of social partners and consultations with other stakeholders and Periodic review of pensions to match the evolution of the cost of living and level of earnings.

The pension system in Bulgaria provides very large coverage for individuals. All economically active persons (employed and self-employed) fall within the scope of the compulsorily insured persons for the insured risk "old age", i.e., for pension, regardless of the nature of work, the method of payment or the source of funding, incl. workers and employees working under the conditions of part-time work, under an additional or second employment contract, etc. Practically all legally employed persons are covered.

Although there is a close link between the amount of the pension received and the personal contribution of the insured person, the solidarity principle lays in the basis of the Bulgarian pension system – there are various mechanisms for vertical and horizontal redistribution within it. The stability of the system is guaranteed by the State, as in case of deficits in the pension funds, transfers from the State budget are made. The principle of non-discrimination is incorporated in many legal acts in Bulgarian legislation such as the Protection against Discrimination Act, the Social Insurance Code, the Health Insurance Act and the Social Assistance Act.

In the Republic of Bulgaria, State policy in the field of State social insurance, including pension insurance, is developed, coordinated, and conducted by the Minister of Labour and Social Policy. State social security is managed by the National Social Security Institute.

The National Social Security Institute is managed, on the one hand, by the manager and the deputy manager of the Institute, who are elected and dismissed by the National Assembly, and on the other hand, by the Supervisory Board of the National Social Security Institute. Transparency in the management of the Institute is guaranteed by the tripartite principle on which the Supervisory Board is built. It consists of one representative of each of the representative organisations of employees and employers recognised under the Labour Code and an equal number of representatives appointed by the Council of Ministers, one of whom must be a deputy executive director of the National Revenue Agency.

Social dialogue in the management of the social security system is one of the basic principles enshrined in the basic legal act – the Social Security Code regulating pension provision in its three-pillar model. Any changes in the legal framework concerning the pension system are subject of discussion by the Social Security Relations Committee of the National Council for Tripartite Cooperation, a tripartite body whose functions and organisation are regulated by the Labour Code. Pursuant to the Social Security Code, the pensions are updated annually as of 1st July by a decision of the Supervisory Board of the National Social Security Institute with a percentage equal to the sum of 50 per cent of the increase in the social security income and 50 per cent of the consumer price index for the previous calendar year (the so called "Swiss rule").

The adequacy and long-term sustainability of the pension system are crucial for preventing and tackling poverty among the elderly. In this regard, a key priority is achieving the goals of the Right to adequate and predictable benefits principle. The 2015 pension reform, which adopted measures to be implemented over time until 2037, will ensure better financial, fiscal and economic sustainability of the system, thus ensuring an adequate pension income and a higher standard of living after retirement. By virtue of this reform, revenues in the pension system are gradually increasing and the system becomes more independent from the State budget. In recent years there has been an increase in the average amount of pensions and this process is ongoing.

As already noted, the State social insurance in Bulgaria operates on a pay-as-you-go basis. This means that the funds for pension payments are provided by the incoming social security contributions of citizens currently working, and not by accumulated amounts in personal accounts. In many countries, including Bulgaria, this type of insurance is upgraded with other types – with supplementary mandatory and supplementary voluntary pension insurance, wherein the amounts are transferred to individual accounts. This supplements the compulsory social insurance of the pay-as-you-go type, creating an opportunity for persons to receive more than one pension and thus the replacement rate of the income from work to be increased, without increasing the insurance burden for insured persons.

The pension system continues to improve, as we will soon adopt changes in connection with the forthcoming start of the payment of pensions from the second pillar of the pension system. The third pillar of the pension system (supplementary voluntary pension insurance) is well-functioning. This will provide a secure additional income to the basic pension from the first pillar.

Ms MITREVA (Workers' representative, Bulgaria)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage. Achieved.** The Bulgarian pension system is a comprehensive and mature system for social protection of the ageing populations. There are three pillars, based on a contributory principle: first "pay as you go" pillar, second mandatory fully funded pillar and third voluntary fully funded pillar. According to the legislation, all types of employed persons must be covered by pensions (old-age, disability, survivors' pensions) and be protected by receiving a decent replacement income upon retirement. This means that each of them must contribute responsibly during their active working life and participate to the common solidarity pension system. In recent years new forms of employment (incl. platform work) pose major challenges not only in the labour market, but also require appropriate changes to the legislation to regulate the inclusion of these categories in the scope of the pension system. The coverage of the pension system in Bulgaria is at a high level – about 90 per cent (in the last 5 years). To reduce the relative share of people in the informal economy comprehensive and effective measures have been taken to protect their pension rights and guarantee decent retirement income.
- **Principle 2: Social solidarity, and collective financing. Achieved.** The three-pillar model of the pension system creates an opportunity to increase the income of people of retirement age through participation in public and private pension schemes. The basic is the solidarity system (first pillar), which covers all employed and guarantees for the lowest income groups at retirement at least minimum amounts of old-age pensions. Supplements are also paid for them twice a year. Since 2000, a ratio has been introduced between the

pension contribution paid by the employer and the insured person. At the beginning of the period this ratio was 80:20, and now it is 60:40.

- **Principle 3: Right to adequate and predictable benefits. Achieved only partially.** The social legislation guarantees the right of the elderly to receive a pension when they are covered by the mandatory pension schemes. However, there are certain categories of persons for whom pension prospects and pension benefits are more limited. In addition, income inequality continues to grow because of the lack of equal opportunities (young people, low-skilled people, women, people without education, etc.). Also, the weak redistributive effect of taxes and social transfers and the increasing technological change are factors in increasing inequality for these categories. The adequacy of pensions is still low (38,8 per cent is the ratio between the average pension and the average insurance income in 2019) and this is one of the biggest challenges facing the pension system.

  To improve adequacy and predictability of the old-age pension system, in the last years, several steps were taken to improve the link between contributions and rights, to change the pension formula and as well as the right of choice of insured persons to redirect their pension contributions from the universal pension fund (2nd pillar) only to the State “pay as you go” pension fund (first pillar).

  For the predictability of the pension system and the adequacy of old-age pensions, periodically are developed actuarial calculations on the income replacement ratio, the actuarial balance of the State Pensions Fund and the amount of the actuarial pension contribution to ensure financial sustainability of the system.

- **Principle 4: Overall and primary responsibility of the State. Achieved.** The State plays an important role to secure an adequate level of income for all people in old age. In view of the financing and sustainability challenge faced by the pension system in the context of demographic change, the State also has a vital role in forecasting the long-term balance between resources and expenditure to guarantee that pension system will meet its obligations towards older persons for adequate benefits and to allow life in dignity for adults despite the unfavorable demographic trends in the country. A special Silver Fund for guaranteeing the financial stability of the pension system has been established, to cover future deficits in the system due to an aging population.

- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs. Achieved.** Under social security and social protection legislations, there are provisions specifically aimed at securing equality of treatment, incl. with respect to persons with special needs, taking into consideration situations of vulnerability (disabled persons, migrant workers, and other groups). Non-discrimination is also expressed through pension credits in case of career breaks: time of paid and unpaid parental leave; the time of pregnancy and childbirth, for the birth and adoption of a child; the time during which the person has received unemployment benefits, etc. Gender equality is guaranteed by the pension formula, which is used to calculate pensions in the mandatory pension insurance – first and second pillars. The differences in the pension amount at present are still due to the different retirement requirements for men and women (age and years of service) as well as the lower wages that women receive during their careers and periods of more frequent breaks due to family care.

- **Principle 6: Financial, fiscal, and economic sustainability.** In the medium and long term achieves only partially. The aging of the population and the reduction of working-age population, new forms of labour and the level of compliance of the taxes and social security contributions are factors that affect financial, fiscal, and economic stability as well as social and political stability.

- **Principle 7: Transparent management, and administration. Achieved.** The social legislation includes legal provisions that oblige the institutions administering pension funds (National Social Security Institute, for the first pillar and the Universal and Professional Pension Funds, for the second pillar) to ensure transparency and periodic reporting on the administration and management of the funds of the insured persons through a personal register of insurers and insured persons, a register of pensioners and the information systems of the UPFs and PPFs that provide an opportunity for electronic data exchange and the creation of a single electronic file of each insured person or pensioner and any information concerning their insurance rights, the amount of fees and the achieved return on investment.
- **Principle 8: Involvement of social partners and consultations. Achieved.** Representatives of trade unions and employers participate in the Supervisory Board of the National Social Security Institute by approving draft regulations, the social security budget and other documents and exercising control over the NSSI. They also participate in the National Council for Tripartite Cooperation and actively support government policies to improve the coverage of the pension system, achieve long-term financial stability and increase the adequacy of pensions.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings. Achieved.** According to the Social Security Code, on the 1st of July of every year, all pensions are increased under the "Swiss rule" (i.e., indexation of pensions is 50 per cent of the increase in average social insurance income and 50 per cent of the consumer price index in the previous year).

2. What is your overall assessment of your country's pension system?

The Bulgarian pension system is an advanced system that has been modernized and adapted to the profound socio-economic changes in the country. Measures are constantly being taken to improve protection by offering the pension products provided for in ILO Convention No. 102 for the risks of old age, disability, and death. But there are still huge challenges to the adequacy. And the most serious problem facing it is the demographic picture in the country.

3. What could be done to strengthen the pension system?

To strengthen its long-term financial stability is needed improve the coverage, to move gradually towards determining the rate of the pension contributions based on the actuarial required size and raising the role of the Reserve fund of the solidarity system "Silver Fund" as an efficient scheme in the financing of the growing costs of the State pension system due to the ageing of population.

Indonesia

Mr SILABAN (Workers' representative, Indonesia)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

Indonesia universal coverage for pension system to all workers just introduced in the year of 2015, prior to that, pensions were only mandatory for public servants, military, and police personnel. For a long-time mandatory pension security only benefited to few workers namely: Number of public services employees are: 4,374,000 persons (2016); military 800,000; Police 443,000, while there were hundreds of millions of workers unprotected. But after 2015 when Indonesia introduced a mayor reform on social security, all workers entitled to pension security, and according to road map in the year of 2029, all workers will be united to single institution. So, public servants, military and police who were separated in different social pension institutions will merge to private workers' pension security called BPJS Ketenagakerjaan. The main purpose for this merge is to strengthen its financial benefit, to dismiss discriminatory both amount and benefits, and to simplify its operation and governance.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

By law there is still gap that refrain workers being covered by pension security. For instance, the pension law is not mandatory to micro business entities under 5 workers, while almost 50 per cent business entities are micro business. Means there will be millions (even half of total workers) will not be eligible to pension protection.

Other things, since the pension law just introduced in 2015, only a small portion of workers will get monthly pension benefit when they get retired in 2030. Workers will not be able to obtain a retirement contributory pension till after 15 years. They will only entitle to get pension lump sum when get retired in the age of 60 years old. The pension age today is 57 years and will review every 2 years till reach 60 years age. The problem is Indonesia will be ending the demographic bonus in 2030, which create potential social economic problem when many old people being support by smaller portion of active population.

Another gap is about replacement rate (RR) which is difficult to reach 40 per cent from last income, take into account only 15, per cent RR which able to reach. Despite many efforts has been done and plan Indonesia scenario for RR in the future only reach 30 per cent with a condition that pension dues will increase from 3 per cent to 8 per cent and pension age change to be 60 years old.

2. What is your overall assessment of your country's pension system?

Overall Indonesia pension system still lacking in design and implementation which caused difficult to fulfil of core principles of the ILO Standards. But in political will government put serious efforts to look for a good model of pension system that suitable for Indonesia which majority of the worker are informal workers, and 4,5 million are migrant workers.

3. What could be done to strengthen the pension system?

There is big opportunity for Indonesia to improve their pension system since Indonesia economically speaking is remain growing which can be seen from its constant GDP growing, income growing, narrowing income Gini ratio. Despite being worse in pandemic era. The most important thing that need to do is simply the social security system. First, need to have an unify measure on pension system. Today pension, old age system and severance pay run simultaneously with different institutions and overlapping benefits. Old age system dues is 5,7 per cent /month, pension 3 per cent and severance pay approximately 5-7 per cent. All are mandatory which paid monthly base, the latter paid when workers have been dismissed. The severance pay system majority is not complying. There is a suggestion to unite all these three schemes in order to strengthen its impacts to pension workers. Without unifying the system, workers will never enjoy ILO core principles in term of replacement rate 40 per cent, universal coverage, (adequacy, affordability, and sustainability).

Besides that, Indonesia needs to study more about the limit of pension age from 60 to 65 years old to cope with future situation of Indonesia age workers. While need to look for a model contributory and non-contributory system to finance informal workers that have no financial mean to pay regular dues.

Jordan

Mr OBEID (Government representative, Jordan)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The 3rd and 9th principles are the most important achievements of the Jordanian Social Security Corporation (JSSC). In exchange for the high contribution rate, 17.5 per cent deducted from insureds' gross wage, a retiree receives relatively large benefits, for example, a retiree who has participated for 30 years receives 75 per cent of his reference wage. Comparing this percentage with ILO minimum standard in this regard, which is 40 per cent, it becomes clear how generous Jordan's scheme is. As for the reference wage, it is the average wage of the beneficiary during the last three years prior receiving the benefit. This factor in specific ensures to beneficiaries getting pensions that could be described as adequate, predictable, and close to the level of income s/he was accustomed to before retirement. Our law also stipulated linking pensions to inflation on an annual basis.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

During the completion of the questionnaire, four of the nine principles were evaluated 3 out of 5, and the rest of principles were evaluated 4 out of 5, but I think that two of these principles should be mentioned in this axis.

Starting from the sixth principle (Financial, Fiscal and sustainability), and since the biggest challenge which faces JSSC is its financial position, specifically in the medium and long term. Based on the previous actuarial studies which warned of the seriousness of the financial position, and the generous benefits the scheme commits, not to mention the new benefits approved within JSSC's response to the crisis of the Covid-19 epidemic, adding to these circumstances the financial position of the treasury itself. All these circumstances force JSSC to find unconventional financing policies to meet its financial obligations towards the insured in the future.

Moving to the first principle (Progressive realization of universal coverage), despite the huge efforts exerted in this field, JSSC (in my humble opinion) will not be able to reach its goal of including all workers in the Kingdom under its umbrella without collaborative efforts from all responsible bodies to overcome obstacles and further motivate workers moving from shadow economy to the formal. In the first place, Workers choose to work in shadow economy because of the high taxes in general. Although JSSC has drafted a regulation that provides workers in this sector the right of joining the scheme at reduced contribution, but this initiative will not be enough to motivate workers in this sector to make the desired transformation.

2. What is your overall assessment of your country's pension system?

When talking about the overall assessment of the pension system we can find that it focuses on extending coverage to uncovered groups, providing adequate levels of pensions, securing the financial sustainability of the pension system, maintaining pensions systems over time in the context of aging populations, and maturing pension, briefly, it is accessible, adequate, and non-discrimination system.

3. What could be done to strengthen the pension system?

- The main problem we are facing is the tendency of insured persons to retire early, so we have to offer this option only for the ones who have to (like workers in hazardous jobs).

- JSSC scheme considered as one of the most expensive schemes in the world. Hence, we should think of other financing options to help those who have the willing to enrol for the program but could not afford it.
- One of the main actions that could be done by JSSC is launching Initiatives that motivate firms to hire people with disabilities in order to remove barriers for those people.

Russian Federation

Mr PUDOV (Government representative, Russian Federation)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The pension system of the Russian Federation fully complies with all the ILO core principles, in particular:

- **Principle 1: Progressive realization of universal coverage.** The Russian Federation has historically developed a pension system that covers 100 per cent of citizens: everyone has the right to either insurance pensions or retirement benefits within the framework of State pensions. That is, in the Russian Federation there is no situation in which the State does not pay an old age, disability or survivors' pension.
- **Principle 2: Social solidarity, and collective financing.** The PFR (Pension Fund of the Russian Federation) budget is based on principle of solidarity between generations, the source of financial support for payment of insurance pensions is mainly insurance contributions for compulsory pension insurance paid by employers. Part of the government's liabilities included in the insurance pension is financed from inter-budgetary transfers from the federal budget, transferred to the PFR budget. In the Russian Federation, non-State pensions are also paid if a citizen has formed pension sources in a non-State pension fund in his or her favour.
- **Principle 3: Right to adequate and predictable benefits.** The system of compulsory pension insurance is represented by insurance and funded pensions (instead of which, under certain conditions, citizens may be paid urgent payments, lump sum payments and payments to legal successors). Either honoured citizens, or vice versa, those who do not have any socially useful experience are entitled to pension under State pension provision. From 1 January 2010, a social supplement to pension was introduced so that the total amount of pension and supplementary payment to it would not be lower than the pensioner's subsistence minimum (minimum amount). The main types of pensions in the Russian Federation are old-age pension, disability pension and survivor's pension. The main conditions for entitlement are certain age, length of service or qualifying period, disability, and loss of a breadwinner. The "basic" retirement age established by the Federal Law "On Insurance Pensions" is 65 years for men and 60 years for women, with numerous exceptions. Persons who are not entitled to insurance pension are assigned social pensions when women reach the age of 65 years, and men – 70 years, taking into account the transition period.
- **Principle 4: Overall and primary responsibility of the State.** Legal relations related to compulsory pension insurance in the Russian Federation at the expense of the budget of the Pension Fund of the Russian Federation, including at the expense of funds allocated to the budget of the Pension Fund of the Russian Federation from the federal budget, are regulated by the legislation of the Russian Federation. The State bears subsidiary

responsibility for obligations of the Pension Fund of the Russian Federation to insured persons in terms of all types of pension payments: both insurance and non-insurance.

- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** The legislation of the Russian Federation provides for State support for family, motherhood, fatherhood and childhood, disabled people and elderly citizens, the system of social services is developing, State pensions, benefits and other guarantees of social protection are established. All participants in legal relations in the system of compulsory pension insurance and State pension provision have equal rights to corresponding pension provision.
- **Principle 6: Financial, fiscal, and economic sustainability.** At present and in the long term, the pension system of the Russian Federation is sustainable. The social priorities of the State policy in the field of compulsory pension insurance are determined by the Strategy for long-term development of the pension system of the Russian Federation. Currently, a guaranteed socially acceptable level of pension provision is provided, a balance and long-term financial sustainability of pension system is ensured, the tariff burden is maintained at an acceptable level. At the same time, the level of pension provision increases. All measures are taken taking into account the analysis of current indicators of the PFR budget, current socio-economic situation, as well as actuarial long-term forecasts.
- **Principle 7: Transparent management and administration.** State inter-budgetary funds, which are part of the budgetary system of the Russian Federation, are formed at the expense of targeted income. As part of the budget process, a three-year PFR budget is approved annually by federal law, in which all pensions and social benefits are provided by the PFR income.
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** In order to develop an effective and sustainable system of compulsory social insurance, increase the level of social protection of working citizens, a Russian tripartite commission for regulation of social and labour relations was created. It consists of representatives of all-Russian associations of trade unions, all-Russian associations of employers, Government of the Russian Federation ant they form the relevant parties of the Commission.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** By the decree of the President of the Russian Federation, the Government of the Russian Federation was tasked with ensuring an increase in the level of pension provision not below the inflation rate. After the latest measures taken raising the retirement age, in January 2019, an increased indexation of insurance pensions by 7.05 per cent took place, as a result of which payments to non-working pensioners were increased above the inflation rate for 2018 (4.3 per cent). In January of this year, the insurance pensions of non-working pensioners were indexed by 6.6 per cent, which is higher than the inflation rate at the end of 2019 (3 per cent). In 2021-2024 indexation will also exceed the expected inflation rate. At the same time, current actuarial calculations show that indexation of insurance pensions will also be higher than the inflation rate.

2. What is your overall assessment of your country’s pension system?

At present and in future, the pension system in the Russian Federation, based on insurance principles, balances the income and expenses of the system, taking into account obligations to citizens and financial capabilities of the State, and is sustainable.

3. What could be done to strengthen the pension system?

Understanding the interests of our citizens, it is necessary to improve the Russian pension system within the framework of the Strategy for long-term development of the pension system of the Russian Federation based on changing socio-economic conditions.

Mr SHANIN (Workers' representative, Russia)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The pension system in Russia complies with the following ILO principles: universal coverage; social solidarity and collective financing; non-discrimination, gender equality and responsiveness to special needs; involvement of social partners and consultations with other stakeholders. There is the universal, non-discriminatory access to basic pension guarantees, including the basic health services and the basic level of guaranteed income in old age. The pension system takes into account the basic needs of people with disabilities, people working in special climatic zones and in hazardous industries, and other vulnerable social groups. The Russian Trilateral Commission on the Regulation of Social and Labour Relations provides a framework for regular discussions of the pension provision issues between the social partners.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

The pension system in Russia partially complies with the following standards and principles of the ILO: secured provision of benefits, in accordance with the period of payment of contributions and the number of contributions; adequacy and predictability of benefits based on the financial sustainability of the system. The low benefit level is one of the main problems of the Russian system of the compulsory social insurance. The relation between the number of contributions and the years of employment to the replacement rate is not legally established. Therefore, the ILO norm on the minimum replacement rate is not respected. Over the past 30 years, the ratio of the average insurance pension to the average salary has never reached 40 per cent.

Both the external and internal factors contribute to the pension system insufficiency.

External factors:

- The labour market trends: the reduction of the sector with secure jobs and the growth of informal employment.
- Underestimation of the minimum wage as a reference point for workers' income and the social protection system assessment and regulation.

Internal factors:

- The unfinished transition to the 3-tier compulsory pension system with basic pillar, social insurance pillar and voluntary savings pillar.
- The lack of a clear distinction between State obligations (to protect against poverty, ensure the social protection floor) and obligation to ensure earning-related benefits, inherent in social insurance pillar.
- The attempts to reduce the dependence of the insurance pension system on the federal budget.
- The inclusion of complementary contributions into the social insurance system.
- Refusal to adjust pensions of working pensioners following changes in the cost of living.

2. What is your overall assessment of your country's pension system?

It is acceptable.

3. What could be done to strengthen the pension system?

External and internal measures are required in order to strengthen the pension system.

External measures:

- to promote intensive economic growth aimed at expanding domestic consumer demand;
- to create conditions for the development of knowledge-intensive enterprises;
- to implement labour market policy, aimed at creation of quality jobs with decent wages.

Internal measures:

- to renounce the measures, aimed at pension system compression (out of 5 measures, outlined by the ILO, 3 were applied in Russia);
- to resume the working pensioners' pensions adjustment;
- to amend the pension formula in order to ensure that the replacement rate is not less than 40 per cent.

Nigeria

Mr YUSHAU (Workers' representative, Nigeria)

The 2014 pension reform act was enacted to make provision for the uniform contributory pension scheme for public and private sector. Since the enactment of the pension reform act. Nigeria has achieved a transition from the old defined benefit scheme to defined contribution scheme. The scheme has achieved the principled of collective financing between employer and employee; participation of workers in the formal economy, establishment of regulatory body-the Pension Commission (PENCOM) and participation of the social partners in the governance of the pension scheme.

However, the social security system is limited to the formal sector workers; salient coverage gaps among older persons, young people, women, as well as people living with or affected by HIV/AIDS, are a few of the countries' challenges. 80 per cent of the labour force is in vulnerable employment with no or very limited access to social protection. Similarly, the emergent shift in the world of work through the rise of new forms of work in the digital economy; raises fundamental concern on expanding the scope of the social protections scheme to platform workers operating in the gig economy. Also, demographic shifts signify a surge in younger people entering the labour market; more women operating in the informal economy, and displacement of many workers as a result of technology and other pandemics such as Covid-19 and increasing spate of terrorism across the country. This Calls for a social protection coverage in Nigeria.

Similarly, the increasing casualization of work in both public and private sector has left millions of workers without pension. Covid-19 exposes the inadequacy of the social protection schemes in Nigeria; many workers lost their jobs without any form of social security to fall back. This trend is rampant especially in the media, hospitality, manufacturing, and tourism sectors. In the public sector, especially in the local government there are reported cases of 'unscheduled workers' employed by the local government authorities without any social security cover.

We are equally concern about the lack of coordination and coherency at federal, State, and local government levels in Nigeria. Despite the enactment of the Contributory Pension Scheme, many States are still at the stage of enactment of pension laws, even those that enacted the law the remittance of the contribution is still a challenge. This brings challenges in implementation of the contributory pension scheme (CPS) in Nigeria.

The Nigerian workers are also concern about the safety of the pension funds, given the increasing pressures to borrow the pension fund for development projects by the government. The poor coverage of the informal sector workers who constituted 75 per cent of the workforce is a major concern for organised labour. We call for more inclusion of informal sector workers in the pension coverage. As trade unions expand their organising of the informal sectors, we call for effective collaboration between trade unions and government agencies in the design of micro-pension schemes for the informal sector workers. We call for effective compliance of the pension reform act especially at State levels. Finally, pensions should not be left to logic of the market forces; we call for periodic social dialogue in the management of pension scheme/funds in Nigeria.

Canada

Ms MARTEL (Government representative, Canada; *Chairperson*)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage.** Canada`s retirement income system (RIS) consists of three pillars, the residence-based Old Age Security (OAS) program, the contributory Canada Pension Plan (CPP), and workplace pension plans and private savings. Most retired persons in Canada receive part of their income from at least the two public pillars. An estimated 94 per cent of all Canadian seniors receive the OAS pension. Conversely, the CPP (and the Québec Pension Plan (QPP) in the province of Québec) cover virtually all employed and self-employed workers, in all industries. Moreover, the Government of Canada has undertaken initiatives to increase take-up of public pensions, such as the introduction of automatic enrolment. The vast majority of seniors who are eligible for pension benefits, do receive those benefits. The Government of Canada is involved in the third pillar through various tax incentives, however it has more direct responsibility on the public pensions.
- **Principle 2: Social solidarity, and collective financing.** The OAS program is financed through general tax revenues and the amount of the pension is determined by how long the person has resided in Canada. Not linking eligibility with employment history has allowed senior women who had devoted their life to raising children and other caregiving responsibilities to have their own income at retirement. Conversely, the CPP strives for gender neutrality in all of its dimensions, mandating equal contributions, offering the same benefits to women and men and contributions are shared equally between employees and employers. A number of provisions in the CPP protect the value of benefits by allowing certain periods of reduced or no labour force participation to be taken out of the benefit calculation (e.g., periods of disability, child rearing, low or zero earnings).
- **Principle 3: Right to adequate and predictable benefits.** Canada's RIS was designed both to provide adequate income replacement in retirement and reduce poverty amongst seniors. The OAS pension replaces approximately 13 per cent of the national average salary in Canada. Income-tested supplementary benefits can increase the replacement rate for low-income seniors to over 100 per cent of pre-retirement income. In regard to the CPP, it is designed to replace up to 25 per cent of lifetime average wage at retirement (gradually increasing to 33.33 per cent due to the CPP enhancement). Canada's public pensions are by their nature progressive such that they provide the highest level of income replacement for individuals with the lowest incomes. The rate of poverty amongst seniors is lower than that

of the general population. Benefits under the OAS program are adjusted quarterly and under the CPP yearly both using the Consumer Price Index (CPI) so that benefits keep up with the cost of living.

- **Principle 4: Overall and primary responsibility of the State.** In Canada, the roles and responsibilities of the federal government are governed by the Constitution, as are the jurisdictions and authorities of the provinces and territories. While most aspects of social security fall within the constitutional authority of the provinces and territories, authority for pensions is shared between the provinces and the federal government. The federal government administers the OAS program and the CPP. The CPP allows provinces to opt out and establish a comparable pension plan of their own. To date, only Québec has availed itself of this provision, creating the QPP. Federal and provincial Finance Ministers are required to review the CPP every three years and decide whether changes to the contribution rate or benefits are required and major changes require consent of at least two-thirds of provinces containing two-thirds of the population.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** Equality of treatment is ensured under the provisions of the Old Age Security Act and the Canada Pension Plan and constitutionally guaranteed in the Canadian Charter of Rights and Freedoms. The OAS program and the CPP apply to all persons regardless of nationality or gender. Although Canada's public pensions do not generate systemic inequalities, the incidence of poverty among seniors is higher among women living alone (12.7 per cent for senior women living alone compared with 5.6 per cent for the entire seniors' population). While women were under-represented among CPP recipients decades ago, there are now more women than men in receipt of CPP benefits, reflecting the increased work history of new cohorts of senior women.
- **Principle 6: Financial, fiscal, and economic sustainability.** Canada's public pensions are financially stable. The OAS program is funded through general government revenues with expenditures representing 2.7 per cent of Gross Domestic Product in 2020 and projected to reach 3.2 per cent in 2030, before declining in the longer-term. The Chief Actuary confirmed that the CPP remains financially sustainable at the current legislated contribution rates (9.9 per cent for the base CPP, 2.0 per cent for the enhancement) for at least the next 75 years.
- **Principle 7: Transparent management, and administration.** In accordance with the Access to Information Act and Open Government initiative, the Government of Canada proactively publishes and provides access to information to Canadians. The Public Pensions Reporting Act also requires the Chief Actuary to publish a triennial actuarial report on benefits under the Old Age Security Act and conduct an actuarial review when an amendment is made that affects the cost of benefits. The CPP publishes exhaustive annual reports, completed with consolidated financial Statements, audited by the Auditor General of Canada. In addition, the arms-length firm responsible for investing surplus CPP fund (CPP Investments) publishes quarterly performance reports as well as annual results. Every two years, CPP Investments holds public meetings to inform Canadians about the Fund's financial performance and the investment strategy.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** Benefits under the OAS program are adjusted four times per year, and under the CPP once a year, so that benefits keep up with the inflation rate as measured by the CPI.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

- **Principle 8: Involvement of social partners and consultations with other stakeholders.** ESDC engages with provincial and territorial government officials following amendments to the Old Age Security Act and Canada Pension Plan. Consultation with trade unions, interest groups and individuals are however limited. These groups are provided the opportunity to voice their concerns to parliamentarians regarding any substantial changes to the OAS program or CPP during the legislative approval process.

2. What is your overall assessment of your country's pension system?

Canada's public pensions play a significant role in providing income security to Canadians in their senior years and have played a major role in reducing poverty among seniors. The incidence of low income among seniors aged 65 and over was 5.6 per cent in 2018. While the OAS and CPP benefits are not intended to meet all the retirement income needs of seniors, they can provide a modest base upon which individuals can add income from other sources such as employer-sponsored pension plans and private savings, to address their particular financial circumstances.

3. What could be done to strengthen the pension system?

Canada's public pensions replace relatively low levels of working income because the system depends heavily on private savings to generate the retirement income of most Canadians. Over the years, there has been a general erosion of employer-sponsored pension plans and insufficient levels of retirement savings. In addition to enhancing employers' pensions and private savings, measures to strengthen the pension system include ensuring that all seniors have sufficient income to be lifted out of poverty, that all seniors receive the benefits to which they are entitled, and that the interaction of federal, provincial/territorial benefits provided to low-income seniors do not create disincentives to work or save. Strengthening financial literacy to help Canadians make informed decisions about their retirement would also be beneficial.

Mr ROBERTS (Workers' representative, Canada; *Worker Vice-Chairperson*)

Ms JONCAS (Workers' representative, Canada)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The first two pillars of the Canadian RIS provide nearly universal coverage, predictable benefits, and basic protection against poverty. Pillars 1 and 2 are financed collectively and "solidaristically", albeit at a comparatively low level. They are fiscally sustainable over the long run. The State has clear primary and overall responsibility for Pillars 1 and 2, and State benefits recognize and partially respond to discrimination and special needs. In general, the first two pillar meet ILO Principles 1 to 6.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

One shortcoming lies in the area of transparency and involvement of the social partners in governance, oversight, and review. We believe the government would benefit from working more closely with the social partners with regard to those first two pillars of the RIS, especially Pillar 2. This is particularly the case with respect to the indexation mechanisms of public pensions and the realities of workers who are found in non-standard forms of work.

The most important deficiency in Canada's RIS is found in the third pillar. This pillar, private and voluntary, does not allow all Canadians to save enough to reach the required levels of saving they need, especially for those earning between half and twice the average. There are numerous problems in the third pillar, but we can identify at least two very important causes which limit the level of coverage and the sufficiency of contributions.

The first is that the private third pillar does not require any compulsory participation or contribution from either employees or employers. Despite government efforts to improve financial literacy for workers and employers and legislative reforms to support the financial sustainability of workplace pensions plans, employers continue to withdraw from workplace pensions and group retirement plans, terminate their defined benefit pension plans, and shift the burden of savings to workers. Because this trend is much greater in the private sector than in the public sector, a growing gap between public and private sector coverage is eroding social solidarity.

For workers who are still participating in a workplace pension or retirement savings plan, benefits are increasingly inadequate and unpredictable. Despite the recent enhancement of the second pillar, income-replacing benefits are inadequate for average earners without additional third-pillar savings. The higher the wages, the higher the contribution rates required to achieve the 70 per cent target income replacement ratio. It will be necessary either to further increase Pillar 2 benefits or to make Pillar 3 contributions from employers and employees compulsory, while modulating these compulsory contributions according to the level of wages and the levels of savings required. Over the past 10 years, there has been no progress regarding the right to an adequate and predictable pension for private sector workers with incomes above half the average earners. Instead, we are seeing a decline in the effectiveness of the third pillar.

The second difficulty arises from the fact that the government encourages retirement savings by using tax incentives and not direct contributions. Contributions paid by workers are deductible from taxable income. This tax assistance, intended to support retirement saving, flows disproportionately to higher income and wealthy Canadians. Statistics show that the higher the wages of workers, the more they contribute and benefit from this fiscal policy. A method where the government would pay a matching contribution equal to that of the worker would be more favourable for middle-class employees, who have the most difficulty saving for retirement. Without this step, a growing number of modest and middle-income workers face financial insecurity in retirement.

In some provinces, workers have little informed engagement or decision-making authority over workplace pensions and retirement income arrangements, while in others they have a role in the governance of the pension plan. Social solidarity applies to the first two pillars of the system, but not to the third pillar. Finally, the third pillar is inadequate for workers in small companies and particularly for workers in non-standard forms of work who are largely left to fend for themselves with banks and mutual fund companies.

2. What could be done to strengthen the pension system?

Recommendations for Strengthening Canada's RIS

- Better index Pillar 1 benefits to reflect, partially or fully, the growth of average real wages.
- Increase transparency, accountability, and participation of the social partners in the administration and oversight of Pillars 1 and 2.
- Address Pillar 3 weakness by further enhancing Pillar 2 pensions (CLC) or making employer and employee participation and contributions in workplace pension plans mandatory (CSN).

- The Government of Canada should ratify ILO Convention No. 102 (Social Security (Minimum Standards)) and ILO Convention No. 128 (Invalidity, Old Age and Survivors' Benefits).

Ms KOZHAYA (Employers' representative, Canada)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage** (rating: 4.5). An estimated 94 per cent of all Canadian seniors receive the OAS pension. The CPP (and the Québec Pension Plan (QPP) in the province of Québec) covers all employed and self-employed workers, in all industries (both legal and effective coverage).
- **Principle 2: Social solidarity, and collective financing** (rating: 4)**.** The OAS program is financed through general tax revenues and the amount of the pension is determined by how long the person has resided in Canada.
- **Principle 3: Right to adequate and predictable benefits** (rating: 4)**.** According to academic studies, 84 per cent of Canadian households were prepared for retirement; the average preparation index is 117 (which means that households would replace 117 per cent of their pre-retirement consumption) with of course a wide variety of situations. Benefits under the OAS and the CPP are adjusted for inflation using the CPI.
- **Principle 4: Overall and primary responsibility of the State** (rating: 4)**.** The federal government administers the OAS program and the CPP. (The province of Québec has its own comparable pension plan, the QPP). The pension system in Canada is well diversified and involves also an important private sector pillar.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** Equality of treatment is ensured under the provisions of the Old Age Security Act and the Canada Pension Plan. The OAS program and the CPP apply to all persons regardless of gender or any other aspect. A number of provisions in the CPP protect the value of benefits by allowing certain periods of reduced or no labour force participation to be taken out of the benefit calculation (e.g., periods of disability, child rearing, low or zero earnings).
- **Principle 6: Financial, fiscal, and economic sustainability.** Canada's public pensions are financially stable. The OAS program is funded through general government revenues with expenditures representing 2.7 per cent of Gross Domestic Product in 2020 and projected to reach 3.2 per cent in 2030, before declining in the longer-term. High levels of public debt might represent a risk on financial sustainability eventually. With regards to the CPP, the Chief Actuary latest report confirmed that it is financially sustainable at the current legislated contribution rates over the long term (for at least the next 75 years).
- **Principle 7: Transparent management, and administration.** The Public Pensions Reporting Act requires the Chief Actuary to publish a triennial actuarial report on benefits under the Old Age Security Act and conduct an actuarial review when an amendment is made that affects the cost of benefits. The CPP publishes exhaustive annual reports, completed with consolidated financial Statements, audited by the Auditor General of Canada.
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** Social partners can voice their concerns to parliamentarians regarding any substantial changes to the OAS program or CPP during the legislative approval process, (in Quebec, representatives of employers and employees' associations sit on the board of Retraite Quebec).

- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** Benefits under the OAS program are adjusted for inflation four times per year, and under the CPP once a year.

2. What is your overall assessment of your country's pension system?

Canada's retirement income system is well diversified, with three pillars that work together to provide adequate income replacement in retirement and prevent poverty amongst seniors. Combined with the public and universal nature of the Canadian health system and the high rate of home ownership among the population, the Canadian retirement system succeeds in preventing poverty amongst seniors.

Canada's retirement income system has been recognized as one of the strongest in the world. For example, the Mercer CFA Institute's "Global Pension Index 2020" ranked Canada's system relative to those of 38 other countries. Canada ranked 9th based on its relatively high ratings on the issues of adequacy, sustainability, and integrity. In addition, the World Bank's 2017 study, "The Evolution of the Canadian Model", has identified Canada's public pension system as a model for other countries based on several key features.

This does not mean that the status quo is enough; despite the strengths of the Canadian system, there are a number of issues that can and should be addressed in a collaborative manner. Employers are particularly mindful of the need to address Canadians' retirement savings over and above State-supported programs (CPP/QPP, OAS) i.e., the third pillar of the Canadian system. Studies reveal that over 8 per cent of Canadian households are on track to maintain their standard of living in retirement. Some middle income and self-employed Canadians, however, may not be able to do so due to factors such as inadequate pre-retirement savings and lack of access to employment-based retirement plans. Canadian employers support targeted and balanced pension reforms and initiatives to address specific challenges in the current retirement income system.

3. What could be done to improve the pension system?

Recommendations for improving the Canadian retirement income system include the following:

- develop attractive retirement savings products for those without an employment-based scheme.
- increase the level of household savings and reduce household debt; and
- promote labour market participation at older ages to reflect longer life expectancy. Ensure namely that the interaction of benefits and taxation do not create disincentives to work or save (revising for instance the existing GIS clawback. The province of Quebec introduced tax incentives for workers aged 60 years old or more).

Canadian employers do not believe that further mandating employer contributions to retirement savings plans is appropriate or feasible. Instead, the focus should be on developing innovative and collaborative approaches to enhance the retirement savings options for Canadians and to create conditions so that more employers are able to establish plans for their employees. Other potential improvements include:

- promoting financial education and literacy on the importance of retirement savings and options for doing so.
- improving outcomes for those in capital accumulation plans (DC plans) by addressing fees, portability, decumulation solutions (risk-pooling, cost-effective solutions) and innovation on protecting for longevity.

- looking at additional ways to improve the OAS and CPP/QPP programs like allow deferring the commencement of benefits up to age 75 with appropriate increase in pension.
- harmonizing rules across the country (since each province and the federal jurisdiction has its own regulatory system with significant differences in some cases);
- creating conditions so that more employers who offer DB plans in the private sector are able to preserve them for their employees (revising funding rules in the low interest rate environment); and
- putting in place conditions and regulations for innovative pension plans like risk-sharing and target benefit plans.

Chile

Ms SCHWARZHAUPT (Government representative, Chile)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The basic principles of the ILO in which the Chilean pension system has a high degree of compliance are the following:

- **Principle 1: Progressive realization of universal coverage.** The strengthening of the Solidarity Pillar has made it possible to significantly increase the coverage of the pension system, achieving that, through the different elements of the system, pensions are granted to approximately 93 per cent of those over 65.
- **Principle 4: General and primary responsibility of the State.** The Chilean State fulfils a series of functions that allow it to expand the coverage of the pension system and guarantee its sustainability over time, among which are (1) the creation of the Pension Reserve Fund (2006) with the aim of giving long-term financial sustainability to the Solidarity Pension System; (2) the administration and financing of the Solidarity Pension Pillar and the Old System; (3) the delivery of guaranteed pension benefits, such as the State minimum pension guarantee and the State bankruptcy guarantee; (4) through the Superintendence of Pensions, it plays a regulatory and supervisory role in the pension system and unemployment insurance, guaranteeing compliance with the regulations in force governing the functions and powers of the different actors participating in the system.
- **Principle 6: Financial, fiscal, and economic sustainability.** The defined contribution component of the Chilean pension system is a fully funded system, so that it is financially and fiscally sustainable in the medium and long term. In addition, there is a Pension Reserve Fund, which aims to support the financing of fiscal obligations arising from the State guarantee of basic old-age and disability solidarity pensions, as well as solidarity-based pension contributions. This complements the financing of future pension contingencies, providing long-term financial sustainability to the system.
- **Principle 7: Transparent management and administration.** The supervisory body of the pension system (Superintendencia de Pensiones, hereinafter SP) and the Pension Fund Administrators (AFPs) provide members and the general public, through various means, with updated information on their savings, the returns on pension fund investments, administration costs and the quality of the services provided by the AFPs. At the same time, anyone can find out about the results obtained by the AFPs on the web page of the SP and from the administrators themselves. In addition, the procedures for members to file complaints in cases of non-compliance are regulated. Finally, it is important to note that the

AFPs must administer the pension funds within the legal frameworks established and supervised by the SP. From the above, it can be concluded that there is a high degree of transparency in the results and management of the administrators.

- **Principle 8: Participation of social partners and consultation with stakeholders.** The Chilean pension system ensures the participation of social partners, through two main entities: the Commission of Pension System Users and the Pension Advisory Council. The main function of the former is to inform the Under-Secretary of Social Security and other public bodies in the sector of the assessments made by their representatives on the operation of the pension system and to propose strategies for education and dissemination. The mission of the Pension Advisory Council is to advise the Ministers of Labour and Social Security and Finance on matters related to the Solidarity Pension System.
- **Principle 9: Regular review of pensions in light of changes in the cost of living and income levels.** The benefits of the Solidarity Pension System are automatically adjusted by 100 per cent of the variation in the Consumer Price Index (CPI) between the months prior to the last adjustment granted and the month in which this variation reaches or exceeds 10 per cent. The amount of the pensions in the Individual Capitalization System is established in "Unidades de Fomento" (UF) and are paid considering the value of the UF on the day of payment. This monetary unit allows the value of the pensions to be maintained over time, as it is updated according to the level of inflation.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

- **Principle 2: Social solidarity and collective financing.** The pension system includes different elements that guarantee social solidarity, especially towards people with lower incomes and those with partial or total disability. The Solidarity Pension System allows for the transfer of fiscal resources to the poorest. The Disability and Survival Insurance (SIS), on the other hand, is financed by a solidarity contribution payable by employers in respect of active workers, and therefore generates transfers from active workers to workers who have become disabled and their beneficiaries. Finally, the Insurance of Accidents at Work and Occupational Diseases (ATEP) is an insurance paid for by the employer, which protects all workers, including the provision of occupational disability pensions. Currently, contributory pensions are financed entirely by workers. The State, through general taxation, finances the pensions of the old system, the Armed Forces and the Law and Order, and the pensions and contributions of the Solidarity Pension System. The interaction between the contributory pillar and the solidarity pillar generates a mixed pension system. There is room for strengthening financing, by incorporating contributions from employers.
- **Principle 3: The right to adequate and predictable benefits.** The current system allows any member who has pension savings (regardless of the amount) to be entitled to a pension. However, because the Chilean pension system is a defined-contribution system – an aspect that strengthens its financial sustainability – the amount of the self-financed pension is neither guaranteed nor predictable, as it depends on a number of variables. The average rate and frequency of contributions to the system are relatively low, which negatively affects the amount of savings with which workers come to pension, and therefore the adequacy of pensions. Despite the above, through the Solidarity Pension System the State guarantees a minimum pension floor equal to the Basic Solidarity Pension (BSP) to all those over 65 years of age who belong to the poorest 60 per cent and complements the pensions of those who do not have the necessary accumulation of funds to reach a pension amount. In addition, the State provides a bonus for each child born alive

or adopted to women which increases the amount of the pensions for women, thus reducing the gender gap in pensions.

- **Principle 5: Non-discrimination, gender equality and response to special needs.** The pension system provides for disability insurance to finance pensions for all workers who suffer permanent impairment of their working capacity as a result of illness or weakening of their physical or intellectual strength and are covered by it. In addition, through the Solidarity Pillar, it provides pensions or pension supplements to invalidity pensioners who belong to the poorest 6 per cent. However, the system still maintains gender gaps in the amount of the pension, which are caused by the lower salaries that women receive, the lower frequency of contributions, and the application of gender-differentiated mortality tables. These gaps have been narrowing thanks to the greater participation of women in the labour market, the "Bono por Hijo" (Bonus per Child), and the Solidarity Pension system, but there is still some way to go before they disappear completely.

2. What is your overall assessment of your country's pension system?

The Chilean pension system has three main components. Firstly, the solidarity pension system pays pensions or pension supplements to those who belong to the poorest 60 per cent of our population. This component is financed by general taxation. The second component corresponds to the individual savings system, which pays old-age, disability, and survivors' pensions to affiliated workers and their beneficiaries who meet certain conditions. In this system, benefits are financed by the savings accumulated by workers in their individual accounts throughout their working lives and, in the case of disability and survivors' pensions, are supplemented by resources originating in a system financed on the basis of solidarity and employer contributions. The third component of the system is voluntary pension savings plans, subscribed to by workers who wish to improve their pensions, incorporating elements to encourage pension savings that are tax deductible.

Over the years, the pension system has been perfected, enabling the standard of living of the country's elderly to be improved. The Solidarity Pillar was strengthened in December 2019 by Law No. 21,190, increasing its benefits by 50 per cent. This Pillar has contributed to a significant reduction in poverty levels in old age, which in the group of people over 60 years of age has fallen from 22.8 per cent in 2006 to 4.5 per cent in 2017. The system thus meets the fundamental objective of preventing poverty in old age while ensuring the long-term financial sustainability of the benefits provided. The high coverage of the pension system as a whole (93 per cent of those over 65 receive some kind of pension) is also a clear strength of the system. Furthermore, the management and administration of the system is transparent and allows for the participation of different social partners.

However, certain gaps remain which have not been fully corrected. Firstly, the average rate and frequency of contributions to the system are relatively low, which negatively affects the amount of savings and therefore the adequacy of pensions. Despite the introduction in 2019 of compulsory contributions for self-employed workers who issue fee slips, there are still groups of workers who do not currently contribute to the system. Second, the system maintains significant gender gaps in the level of pensions. Thirdly, the pension system being a defined contribution system – an aspect that strengthens its financial sustainability – does not allow workers to predict their pension level accurately in old age. This impairs workers' ability to plan and make decisions that contribute to maintaining a relatively stable standard of living as they move from the active to the passive phase.

3. What could be done to strengthen the pension system?

A bill is currently being discussed in Congress (Bulletin No. 12,212-13) which seeks to introduce changes that will help to solve certain gaps still existing in the current pension system. The proposals in this Bill are mainly aimed at improving the level and quality of pensions. The specific objectives of the project are to improve middle class pensions; improve the pensions of women, especially those in the middle class who do not benefit from the Solidarity Pillar; develop special mechanisms for the economic protection of older adults in conditions of severe functional dependency; improve the pensions that younger generations of workers will receive in the future as a result of their individual efforts; strengthen competition in the pension system; improve pension information and education; and strengthen the supervision of the pension system.

To achieve these objectives, a variety of tools are proposed, including the creation of a collective savings system to improve the pensions of the middle class, especially women in this segment of the population, and the lower income, severe functional dependents; an increase in the employer's charge contribution rate; along with mechanisms that increase the effectiveness of contribution collection; a new regulation for the tendering of affiliates who join the system; a new regulation of commissions that can be charged by Pension Fund Administrators; a new instrument of pension education; greater powers of supervision for the Superintendency of Pensions and new information obligations for Pension Fund Administrators; in addition to a variety of complementary reforms.

Mr CARMONA (Workers' representative, Chile)

The country's social security record is part of a system installed by the military dictatorship's DL 3500, which uses only savings through individual capitalization accounts in its contributory pillar. These accounts are administered through the AFPs, which charge an average commission of 1.25 per cent of the worker's salary and receive a contribution of 10 per cent of the worker salary. In 2008, the system was reformed by adding a non-contributory pillar, which incorporates the Basic Solidary Pension and the Solidarity Pension Contribution from general taxes.

According to ILO Recommendation No. 202, the pension system in Chile cannot be considered to be a social security system, since within the system there is no social security floor, whether contributory, State or solidarity-based, so the ILO principles of social security are not respected. Furthermore, the State's contributory and solidarity-based pillar, which should be the main basis of the system, does not exist and consequently Convention No. 102 is not respected either. It has been replaced by a private insurance system in which the member runs the risks individually, solidarity is prohibited, there is no concern for sufficiency, and the system does not show long-term sustainability.

In order to subsidise the problem of low pensions that are delivered by individual capitalisation, the 2008 pension reform creates a tax-based solidarity pillar to alleviate poverty. This reform is the result of a diagnosis by the DIPRES and the then Superintendent of AFRP which indicated that in the frameworks of the private individual capitalisation system, 50 per cent of the elderly were excluded from the system and the rest had insufficient pension levels. The reform, incorporating the Solid Pillar with the APS and the PBS focused on the poorest 60 per cent of the population, with residence and age requirements, through the Technical Focusing Instrument.

The 2008 Pension System Reform created the solidarity pillar or poverty alleviation pillar, where the objective was to provide minimum pensions to those older adults who did not have contributions (mainly women homeowners) and to improve the low AFP pensions with a supplement for those with pensions under US$390 that would improve the pensions in a decreasing manner. It could be said that the solidarity pillar has two main objectives: to alleviate poverty, as already mentioned, and to subsidise the private individual capitalisation system, which had already failed, since the pillar has hidden the low pensions from the AFP system by supplementing it with fiscal resources.

On the other hand, the Bonus per Child born alive or adopted was established, which means a contribution of 10 per cent of 18 minimum wages. In addition, a series of institutional changes were made, the Superintendency of Pensions and the Social Security Institute were strengthened, the Pension Advisory Council and the Users' Commission were created, and the system's competence was strengthened through the tendering of the portfolio of new affiliates, among the main changes.

The statistics on pensions elaborated by the Pension Superintendency show that we have 10.7 million affiliates, with 5.6 million contributors, an average income of $1,325, where the average for women is $1,235 and for men $1,392, and that the pension fund has accumulated 73.7 per cent **of** the country's GDP. The pensions paid through the AFPs and insurance companies are 1,344,071 with an average of US$340. The solidarity pillar provides pensions to 1,514,307 people, of whom 587,830 are on PBS with an average amount of US$168 and 926,477 are on APS and receive US$111 for this concept. Thus, if in 2015 the population aged 65 and over was 10.5 per cent, it is estimated that in 2050 it will be 23.6 per cent (CELADE).

▶ **Table. Comparison of benefits provided by the pension system, between all pensioners in the system and February 2020 retirees** (in dollars)

Years of Contribution	**Average** (US$)		**Medium** (US$)		**Difference** (%)	
	History	**February 2020**	**History**	**February 2020**	**Average**	**Medium**
> 0 y <=1 a	60	1	19	1	2	5
> 1 y <=5	96	7	133	7	7	5
> 5 y <=10	123	19	133	19	16	15
>10 y <=15	147	33	133	33	23	25
>15 y <=20	186	50	133	50	27	37
>20 y <=25	246	72	172	72	29	42
>30 y <=35	418	176	346	176	42	51
>35 y <=40	597	324	501	324	54	65
Total	203	72	133	25	35	19

Data: Own elaboration with data of the Superintendence of Pensions of Chile, solar to price of 843 and UF to 28,600.

The main characteristic of the system is that it accumulates funds taking advantage of interest rates to make funds grow. During its application since 1980, the average interest rate of individual capitalization funds has been 8 per cent; at present these rates have dropped to about 3.6 per cent and in the long term they are expected to remain below 3 per cent. From this situation, three conclusions can be drawn: the first is that the system has intrinsic variability, which means that the funds are always subject to the risk of decreasing and with it decreasing the members' pensions. The second implication is that the system is not sustainable, i.e., it cannot ensure that the same benefits will be maintained over time, which means that two members who have made the same deposit but are exposed to different interest rates will obtain different benefits. Finally, a third aspect that stands out is that as we move towards lower rates, the system loses relevance against a pay-as-you-go system of thinking, as interest rates and wage growth tend to become more equal. Let us look at the effect on the pensions delivered by the system, comparing the average pension of all the retirees in the system with the average pension of the retirees in February 2020.

It should be noted that on average pensions have fallen by 35 per cent between the historical data and the latest pensioners; in the medium term the fall has reached 19 per cent. On the other hand, half of those who retired in February 2020 reached a pension of 25 dollars a month or less, i.e., less than one dollar a day, compared to 72 dollars for half of the pensioners in Chile who cannot earn more than 3 dollars a day. It is clear that the system has begun to break down, and what is coming is worse than what we have already seen.

The lack of legitimacy of the system is evident in several studies, both those carried out by the Presidential Advisory Commission and the latest Social Protection survey, and in particular the ICPM report presented at the seminar organized by the AFPs themselves in Chile, among others. In terms of public policy, the problem of legitimacy arises when what is socially expected of the pension system has no correlation with the system we have, since the pension system is expected to be part of social security and to comply with ILO principles, but instead we have a private insurance system, which like a bank, saves the funds and returns them in instalments, so there is no room for the principles of solidarity or universality.

Profitability, although high at 8.23 per cent between 1981 and June 2016, falls to 3.78 per cent between 2010 and 2016. Today, the Solidarity Pillar involves helping more than one million three hundred and fifty thousand Chileans. With a system where there is no solidarity in the contributive part since it is quoted for individual savings only.

These figures are undisputable; more than 50 per cent of the pensioners between January 2007 and December 2014 received self-funded pensions of less than $38,000, which obviously indicates a very serious problem with regard to the sufficiency of these not a minority group of the population. In addition to the above, there is an obvious gender problem with regard to pensions, with the median pension of women being only 22 per cent of the median for men. In other words, the median self-financed pension of men is more than four times higher than that of women, which is evidence of this very serious gender gap observed in pension matters.

Similarly, with regard to replacement rates, the figures for the current system are also decisive. Although the average replacement rate for all members is 43 per cent of the last income, the median for this variable is 20 per cent. In other words, 50 per cent of the members receive less than a fifth of their last income at retirement. These figures again hide a large difference between men and women, with the former having a median replacement rate of 34 per cent, versus 13 per cent for women.

Regarding the adequacy of pensions in relation to minimum income measures, the Commission found that 61 per cent of self-funded pensions are below the poverty line and 7 per cent of pensions are below the minimum wage, where again the percentage of pensions paid below both income indicators is higher for women, as 72 per cent of self-funded pensions for women are below the poverty line and 85 per cent are below the minimum wage. Again, the data show how, on the one hand, the vast majority of pensioners are unable to maintain minimum living standards through their pension and, on the other hand, the serious gender gap that exists, leaving women pensioners as the most disadvantaged by an already insufficient system.

Despite the 2008 reform, it is necessary to go further, because although the very low pensions in the system are undoubtedly the most relevant reason for social discontent, today the changes demanded by the population are not only motivated by their desire for better benefits, but they also point towards fundamental changes that will succeed in dismantling the roots of a system that they perceive as unfair, individualistic, lacking in solidarity and undemocratic.

Apart from the undisputable figures on the level of pensions the system provides, other characteristics of the system help explain its low level of support and consequent public clamour for structural reforms. In this respect, we consider that blaming the low legitimacy of the system exclusively on low pensions is a mistake, just as it would be a mistake to focus the reforms on parametric changes. Citizens are calling for a new social pact, where social security is conceived as a right and pensions reflect a collective concern for those who, because of their age, are no longer part of the workforce and not a business where companies get rich and the State is a mere regulator. Nor should vulnerability in working life necessarily imply a miserable old age.

In our opinion, the system has also collapsed due to the discontent of a society that sees low pensions coexisting with high returns for the AFPs, which have reached 24 per cent in the last 10 years, the lack of transparency in both collections and investments, and the financing that the AFPs carry out with the savings of workers in large companies, which are often involved in activities such as collusion, lobbying, fraud, consumer abuse and damage to the environment. In addition, the lack of interference by their owners, the workers affiliated to the system, in decisions on the investment of their funds

The financial sustainability of pension systems is a problem throughout the world and parametric changes are a common re-form. Pay-as-you-go systems face the political challenge of assuming the effect of demographic and labour market changes by modifying their parameters. These include increasing the retirement age, raising the contribution rate and/or reducing the replacement rate. These are the same proposals made by those who wish to maintain the current system as a solution to the impasse over poor pensions resulting from the current AFP system in Chile.

The problems remain the same, with the difference that now the decisions must be taken by the member himself within an actuarially unfair individual contract and in response to market incentives within which he must act with total asymmetry of information with respect to the other actors. Arguments that result in inefficiencies and inequities in the compulsory savings market that justify per se greater government intervention in the system.

Finally, the outlook is bleak in the future, to deal with the pandemic the congressional government has approved two withdrawals of 10 per cent of the pension funds, so that workers with their own resources can cope with the low-income levels of families, the result is that the first withdrawal left 1.9 million people without any funds and the second wave could leave 4 million more people without funds for retirement, something like 36 per cent of all the affiliates of the system, the situation has become desperate in Chile with the application of the individual capitalization system that cannot resists anymore. It will be changed in the new Constitution to be approved in the first half of the year 2021; the system will be reversed without any doubt.

Mr ARTHUR (Employers' representative, Chile; *Vice-Chairperson*)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The fundamental ILO principles that in our opinion the pension system in Chile complies with the most are the following:

- **Principle 1: Progressive realization of universal coverage.** Improvement of coverage in the active phase: Since individual capitalization systems provide greater incentives to contribute, since the contributions constitute personal savings over which the members have a right of ownership. Coverage in the active phase in Chile is one of the highest in the Latin American region (61 per cent of the economically active population in 2019; it was 46 per cent in 2000).

Improvement of coverage in the passive stage:

- ○ Every worker with savings in his or her individual account is entitled to a pension or full withdrawal of his or her accumulated balances, including any returns obtained, irrespective of the number of years of contribution (while in Pay-as-you-go systems the worker who did not meet the requirements of years of contribution lost all or part of his or her savings, generating a pension equal to zero; approximately 50 per cent of workers in the old Pay-as-you-go system failed to meet the requirements of years of contribution and did not obtain a pension);
- ○ By freeing up fiscal resources previously spent on financing pay-as-you-go (generally regressive) schemes, individual account systems make it possible to finance solidarity (non-contributory) pensions that come to the aid of the most vulnerable workers (fiscal loosening in Chile made it possible to create solidarity pensions in the 2008 pension reform; the solidarity pillar currently benefits over 1.6 million people who are in the 60 per cent of the most vulnerable population; the basic pension is USD 218 for the over-80s, 99 per cent of the poverty line).

- **Principle 2: Social solidarity, and collective financing:**
  - ○ Social solidarity comes from: (i) the ability of the IRA system to generate long-term fiscal space to allow for the creation of non-contributory pension systems, financed through general taxation, to assist the most vulnerable; (ii) the elimination of the regressive cross-subsidies between lower and higher income workers that existed in Pay-as-you-go systems (workers who did not have years of contributions, usually lower income and informal, by losing their savings, subsidized higher income workers with more stable careers).
  - ○ Other solidarity mechanisms: employer's disability and survivor's insurance, unemployment insurance, compensation for divorce or annulment; bonus per child born; and subsidized employment of vulnerable young workers.
- **Principle 4: Overall and primary responsibility of the State.** The responsibility of the State in the pension system lies in its subsidiary role and in its role of regulation and supervision, controlling the adequate competition between the administrators and the fulfilment of the functions. In addition, the State regulates the single line of business of the AFPs in order to avoid conflicts of interest; the separation between AFPs and pension funds; and the AFPs' fiduciary obligation to invest considering only profitability and security criteria.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs:**
  - ○ Employer funded disability and survival insurance protects workers and their families against the risk of becoming disabled through accident or illness and death.
  - ○ Over-contribution for workers who perform heavy work, which causes greater wear and tear to those who do it, financed by the employer and the worker himself.
  - ○ Equal treatment: the savings that workers accumulate belong to them, so even if they have contributed for only a few years, they will always be entitled to a pension. This is not the case in Latin American Pay-as-you-go systems, where they are required to have a minimum number of years of contributions in order to qualify for a pension, and if they do not comply, they are not entitled to a pension and lose their contributions. Migrant workers have the same treatment as local workers and access to benefits if they meet the same requirements as local workers, and there are fund portability agreements with some countries (e.g., Chile-Peru).
- **Principle 6: Financial, fiscal, and economic sustainability.** The system is sustainable from an economic and fiscal point of view, and in the medium and long term, because the

current system totally replaced the old distribution system. Even with parametric reforms, if the reform that created the individual capitalisation system had not been carried out in 1980, the deficits of the Pay-as-you-go system would have reached levels close to 8 per cent of GDP in the 2050s, which would be highly unsustainable. The fiscal slack generated by the AFP system in Chile made it possible to create the solidarity pension system, whose expenditure is focused on the poorest and is in the order of 0.6 per cent of GDP.

- **Principle 7: Transparent management and administration:**
  - Pension fund administrators and supervisory bodies provide members and the general public, through various means, with updated and regular information on their savings, the profits obtained, the returns on pension fund investments, the administration costs paid by members and the quality of the services provided by the administrators.
  - There is a separation between the regulatory, control and supervisory role, which is the responsibility of the State, and the role of the administrator of pension fund accounts and investments, which is mainly the responsibility of private managers in a competitive environment. Pension fund investment can only aim at profitability and security and PFA's can only invest in the instruments and within the limits authorized by law and only through formal secondary markets.

France

Mr DUCA-DENEUVE (Government representative, France)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

On the basis of the evaluation of its national pension system, France fully complies with all the fundamental principles of ILO standards:

- **Principle 1: progressive realization of universal coverage.** All insured persons in France are compulsorily affiliated to a basic pension scheme and a supplementary pension scheme operating on a pay-as-you-go basis, plus a third level of optional supplementary pensions operating on a funded basis. In addition to this triple level, there is a basic contributory level ensuring a minimum pension. France currently has 16.4 million direct pensioners. One third of them, known as poly-pensioners, receive pensions from several basic or integrated schemes.
- **Principle 2: Social solidarity, and collective financing.** The French pension system operates on a pay-as-you-go basis: characterising a form of intergenerational solidarity, retirement pensions are financed by contributions based on the income of working people, the latter accounting for more than four fifths of the system's revenue. The French pension system also includes numerous intra-generational solidarity schemes designed to limit the impact of certain events on retirement pensions. Lastly, inter-scheme solidarity is at work through financial compensation granted to schemes in a situation of demographic imbalance.
- **Principle 3: Right to adequate and predictable benefits.** The right to a pension is guaranteed to the elderly by the Constitution. Through predictable rules for calculating and valuing entitlements, which reflect the income received during working life, the French pension system ensures a satisfactory standard of living for pensioners. Their adaptation to the cost of living is guaranteed by an indexation rule based on the evolution of inflation. The minimum old-age pension, a non-contributory, means-tested benefit, guarantees a

minimum level of resources for the elderly regardless of their contribution during their working life.

- **Principle 4: Overall and primary responsibility of the State.** The State is the guarantor of regular pension payments, including in the event of macroeconomic and financial crisis, through a comprehensive system of financing and debt management as well as the financial reserves built up. It lays down the legislative and regulatory rules applicable to pension schemes and ensures the proper administration and quality of service provided by the pension funds to the insured through objective and management agreements. Finally, it has its own responsibility in the pension system as the employer of civil and military civil servants, with an integrated State pension service directly responsible for managing their scheme.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** The French pension system protects vulnerable people and helps to ensure a dignified retirement, whether they are disabled people, migrant workers or the most vulnerable. Several mechanisms are provided to compensate for gender inequalities in the labour market, through a set of family rights increasing the level of mothers' pensions and a right to reversionary benefits awarded at the time of the death of the spouse.
- **Principle 6: Financial, fiscal, and economic sustainability.** While the French pension system strives to provide adequate income for pensioners, it also ensures that its long-term viability is maintained. Demographic ageing due to increasing longevity and low fertility rates have led successive governments to implement several successive reforms aimed at controlling the economic consequences of these developments and containing the growth in pension expenditure. The measures taken, most recently the raising of the retirement age in 2010 and the increase in the period of insurance required for full coverage in 2014, have helped to improve the financial situation of the pension system.
- **Principle 7: Transparent management, and administration.** The French pension system is subject to a principle of transparency covering various aspects. In terms of steering by Parliament, social security financing laws trace all the expenditure and income of the basic schemes. In addition, in order to have an aggregate view of the pension system, two bodies have been set up to monitor and provide expertise on the pension system (Conseil d'orientation des retraites and Comité de suivi des retraites). In the area of accounting, the Court of Auditors carries out an annual certification of the old-age branch in order to guarantee citizens clear financial and accounting information.
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** The administration of pension funds is generally based on a principle of parity, implying control of administrative management by the social partners (organisations representing employers and employees), as well as responsibility for social action for the benefit of the elderly. In some supplementary schemes, the very definition of pension parameters is the responsibility of the social partners. All past, current and future reforms of the French pension system are based on ongoing and active consultation with the social partners in the private sector and the civil service.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** An annual indexation of pensions according to the rate of inflation is applied. This mechanism makes it possible to maintain the purchasing power enjoyed by pensioners when they retire throughout their lives. The French pension system ultimately ensures a median standard of living slightly higher than that of the population. The number of poor pensioners is also half the number of poor people in the population as a whole.

2. What is your overall assessment of the pension system in your country?

The French national pension system fulfils the principles assigned to it when it was founded in 1945. Its pay-as-you-go operation, which implies that the pensions of retirees in a given year are financed by the contributions paid by working people in the same year, guarantees the intergenerational solidarity to which France is deeply attached. It is at the heart of the social pact that unites the generations. The right to adequate and predictable benefits is guaranteed by the contributory nature of our pension system: every pensioner is entitled to a pension commensurate with the income he or she has earned from his or her activity, within a framework of equal treatment in terms of the length of time the pension is paid and its amount, without distinction between genders, status, schemes, or generations. The French pension system ensures significant intra-generational solidarity through the existence of family and marital rights, taking account of periods of interruption or reduction in activity and guaranteeing a decent standard of living for all pensioners, regardless of the schemes to which they have been affiliated, with in particular the existence of the minimum old-age pension. Finally, the French pension system remains concerned about financial sustainability: the necessary means must be implemented to ensure the payment of pensions over the long term, to all those insured by the system, with resources that must be financed equitably between generations and incomes.

3. What could be done to strengthen the pension system?

Despite its qualities as a comprehensive system in terms of the ILO's fundamental principles, the French pension system could be strengthened in the direction presented in the draft law establishing a universal pension system, whose examination in Parliament was suspended in March 2020 due to the health crisis. The French pension system has been built on statutory and occupational logic, relying on numerous schemes and several levels of old-age insurance coverage. This complexity makes a systemic reform indispensable in the long term, reaffirming the choice of a compulsory pay-as-you-go system while strengthening, through a universal pension system, the equity, solidarity, readability, and sustainability of the French pension system.

Mr SÈVE (Workers' representative, France)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage.** Yes, but there is still the problem of penalising incomplete careers (especially women), special forms of employment and workers who, because of their different jobs, have contributed to different compulsory pension schemes poly pensioners".
- **Principle 2: Social solidarity, and collective financing.** Solidarity and collective financing are ensured. However, they remain poorly regulated (recurring deficits, difficulty in managing the respective living standards of working people and pensioners) and the fairness of the redistribution carried out is not ensured (different replacement rates).
- **Principle 3: Right to adequate and predictable benefits.** Predictability of pensions is fairly well ensured as long as one is not in a particular form of employment or an incomplete career or in an excessively atypical career path. Pensions never fall. That said, the rate of pension increases is unpredictable because it is used to steer the financial balance of the system, a balance that is also very sensitive to the vagaries of growth.
- **Principle 4: Overall and primary responsibility of the State.** The State's commitment is real; it ensures the regulation of the system and the financial viability of many schemes. However, it is extremely opaque for citizens, the media and even for the players in the

pension system. It is too complex because of the diversity and heterogeneity of the schemes and mechanisms implemented.

- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** There is no discrimination intrinsic to the system. However, the system's different rates of return do in fact penalise certain populations that are themselves penalised on the labour market. Furthermore, women are less well served than men in terms of retirement, which reveals that the system does not correct all gender inequalities at work and that some schemes are even anti-reducible (child bonuses paradoxically benefit men).
- **Principle 6: Financial, fiscal, and economic sustainability.** Before the COVID crisis, the system was fundamentally sustainable over the long term; deficits, when they existed, were very limited in scale. The long-term demographic dynamic is healthy, the measures already taken make it possible to get through the baby boom with a perspective of long-term structural balance. However, the COVID crisis has drastically reduced contributions and created an exceptional deficit that will have to be financed exceptionally (it cannot and should not be fully compensated by future savings on the system. Moreover, this crisis will leave a long-lasting scar on the financial situation of the system as the growth path is durably affected. It will therefore be necessary to rediscuss the parameters of the system as a whole (it should be noted that this new structural deficit is a priori of a reasonable size, of the order of 0.2 points of GDP). Finally, the French system is very sensitive to recruitment and wage policy choices in the public sphere: when these become distorted, it affects the overall balance of the system. This intrinsic fragility must be taken into account.
- **Principle 7: Transparent management, and administration.** The main problem comes from the multiplicity of schemes and their interactions, which makes the system unreadable for everyone and, above all, very difficult to manage, even for experts!
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** The place of the social partners varies greatly from one scheme to another. The largest in terms of financial volume (the national old-age insurance fund) is falsely bipartite and in fact very directly managed by the State. The second (Agirc-Arrco) is entirely managed by the social partners, even though it relies on the State to make its decisions binding. The State tends to want to manage everything on its own, whereas it has a great need for the social partners both to improve the legitimacy and quality of management and even to make it fairer and more accepted by citizens.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** In practice, pensions in France never fall in nominal terms. Pensions are adjusted annually, in principle on the basis of inflation (maintaining purchasing power). However, the revaluation of pensions is frequently slowed down in relation to inflation, mainly to steer the balance of a system that is very sensitive to the fluctuations of the growth rate (very pro-cyclical balance). As a result, the ability to guarantee a rate of revaluation and even to involve pensioners in the fruits of growth is weak. It is also difficult to modulate the revaluation of pensions taking into account social justice.

2. What is your overall assessment of your country's pension system?

The French pension system, which has played an important role in building our social model, is no longer fully adapted to today's world. It was built according to a logic of trades and sectors as a counterpart to working conditions or recognised arduousness at work. Today, arduousness has evolved, the jobs have changed, and employees move more easily from one sector of activity to another. All this leads to difficulties at the time of retirement, with a multiplicity of rules according to the statutes and several pensions paid ("poly pensioners"). In fact, the diversity of rules and their partial ignorance create a sense of injustice. Unemployment has become an increasingly frequent "career hazard", which has consequences for pension rights: careers are more rarely linear and increasing and career breaks are no longer rare, so it is – and will be more – complicated to accumulate the rights needed to leave at the legal minimum age. Moreover, young people are entering the labour market later and later and under poorer employment conditions, which is poorly compensated by the pension system.

3. What can be done to strengthen the pension system?

Four objectives to be achieved:

1. To choose pension systems that are essentially Pay-as-you-go, which are more solid and supportive than individual capitalisation. The latter should be confined to an ancillary part of pension financing.
2. To build a universal and collective system, i.e., a system that covers all working people and in which they are united in the construction of their right to retirement. The loss of pension rights must be avoided in the event of a change of economic sector or form of employment.
3. Fight against discrimination, and particularly gender inequality. While the pension system is not intended to correct after the fact all the inequalities that have been created in working life, it cannot be indifferent to the inequalities of which women have been, and often still are, victims on the labour market and in companies.
4. Involve workers and their representatives in steering the pension system. Retirement is a right built by workers, with workers' contributions, and which ensures solidarity between the different generations of workers: the pension system cannot be managed without workers' input.

Three axes of social progress to be ensured:

1. Reinforce the right to a downhill pension. Non-contributory schemes must protect older people against poverty, but contributory schemes must also ensure a decent minimum pension. A full career must give the right to a pension equal to the minimum wage.
2. Improve the equity of pension rights. The pension system redistributes wealth between generations, but also between categories of workers. The fairness of this redistribution must be improved, especially towards workers exposed to the most difficult working and employment conditions.
3. In the face of ageing, guarantee workers the possibility of remaining in employment. Pension systems are faced with ageing populations, and therefore with the need to postpone the retirement age. All workers do not have the same opportunity to remain in employment, especially in a decent form of employment. It is also the responsibility of employers and governments to ensure that all workers have access to decent work even in old age. More generally, pension systems must develop the possibilities of choice for workers to control their transition to retirement (in particular, develop the possibilities for a gradual transition to retirement).

Mr SARRAZIN (Employers' representative, France)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage:**
  - The entire French working population is now covered by one of the 42 pension schemes. Nevertheless, coverage is very heterogeneous. The multitude of schemes leads to a lack of legibility, complexity, and equity problems.

 - The Government projects to create a universal pay-as-you-go and point-based system, but it was interrupted by the health crisis.

- **Principle 2: Social solidarity, and collective financing:**
  - The total amount of pensions is estimated at EUR 321 billion, of which €44 billion is for solidarity (i.e., without direct contributions), i.e., 14 per cent of the total amount1. A multitude of schemes are available to compensate for the impact of "life's hazards" on retirement: family increases, rights granted to insured persons who experience career breaks (illness, disability, unemployment), provision for hardship, minimum old-age pensions, etc.
  - The vast majority (80 per cent) of the pension system's resources come from contributions based on earned income. They also come from earmarked taxes and levies (almost 12 per cent) and other resources from third-party bodies (unemployment insurance, national family insurance fund, the State, etc.).
- **Principle 3: Right to adequate and predictable benefits:**
  - The average standard of living of retirees has been higher than that of the population as a whole since the mid-1990s and is expected to remain so until the late 2020s before starting to decline.
  - The average retirement pension was around 51.4 per cent of average earned income in 2018, or EUR 1 544 per month. Existence of social minima and the creation of a minimum pension of €1,000 per month is planned.
  - Taking into account changes in the cost of living in the revaluation of pensions (with variations according to the schemes).

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

- **Principle 6: Financial, fiscal, and economic sustainability.** The financial viability of the French pension system is, proportionately speaking, questionable: The weight of pension expenditure is very significant (around 14 per cent of GDP). The "COVID" crisis and the drop in income following the measures of deferral and exemption from contributions in support of companies will have a strong impact on the financial balance in 2020 (25.4 billion euros against 4.2 billion euros initially planned). Beyond the cyclical shocks, the pension system appears to be in a lasting and structural deficit. (1 DREES study N° 1116, June 2019 November 2020).

2. What is your overall assessment of your country's pension system?

Objectively, the French pension system is a good system. It ensures a good standard of living for our seniors and provides a "safety net" for the most vulnerable. But this comes at a price. Pension expenditure per cent is increasing steadily and now represents almost 14 of GDP, far ahead of Germany (10 per cent) and almost double the OECD average (7.5 per cent).

The ageing of the population accentuates these difficulties and demonstrates that the situation is not financially sustainable:

- The retirement lifespan is increasing (more than 25 years, the highest level in the OECD), and the ratio of contributors to pensioners is decreasing (6/1 in 1945 for 1.7 today and 1.3 in 2060).
- At the same time, the legal retirement age is set at 62 years (the average retirement age is 62.1 years), one of the lowest in Europe, 3 years lower than in Germany, for example.

- The financial equilibrium of the pension system is not assured. Nor was it before the health crisis either. In order to preserve it and ensure intergenerational solidarity, measures must be taken to adjust the operating parameters of the pension system.

3. What could be done to strengthen the pension system?

It should be remembered that the current priority is economic recovery, the return of growth. We have never experienced a global crisis of this magnitude.

In the medium term, several levers can be mobilised:

- Increasing contributions, but this is out of the question given the economic context and the weight of social charges.
- Freezing or lowering the level of pensions, but this is socially very difficult.
- Extending working hours, the most obvious and most effective lever in the long term.

In a context of very high social stakes around the issue of pensions, an age measure must make it possible: to preserve the standard of living of pensioners, to continue to finance a high level of solidarity, and to reassure the French people about the sustainability of the system.

The question of developing, in addition to the compulsory Pay-as-you-go pension system, a funded pillar must not be left out of the public debate. The weight of this type of system in France's GDP currently stands at 10 per cent (i.e., around €220 billion), compared to 126 per cent on average in the OECD.

China

Mr Zhang XING (Government representative, China)

1. Overview

At present, China is committed to building and improving the multi-level pension system. As the first pillar of the pension system, the basic old-age insurance system (including basic old-age insurance for urban employees and basic old-age insurance for urban and rural residents), covers all eligible people its coverage continues to expand, the pension benefits continue to improve, the system and mechanism of fund management and operation is constantly improved, and the funds sustainability is enhanced. At the end of 2019, 964 million people have participated in basic old-age insurance. The second pillar includes occupational pensions, available for all government employees, and a corporate/enterprise pension, is available for enterprise employees. To date, all the staff of government and public institutions have joined the occupational annuity/pension plan, while the number of enterprises and their employees participating in the enterprise annuity/pension plan is also increasing. The annuity fund can better realize the purpose of value maintenance and appreciation. As the third pillar, individual pension system is being tested in Shanghai, Fujian, Suzhou Industrial Park, and the national policy will be introduced soon.

2. Basic old-age insurance system

The design of China's basic old-age insurance system is designed to enhance social solidarity and cohesion.

The basic old-age insurance system for urban employees adopts the mode of combination of social pooling and individual account. The social pooling fund is based on the adopts Pay-as-you-go system, while the individual account implements full funding model. The basic pension payment realizes the redistribution of pension rights and interests from the high-income group to the low-income group. The contribution to basic old-age insurance for urban employees is jointly paid by enterprises and employees. At present, the contribution by employer to the social pooling account is 16 per cent of the total payroll, and individual employees pay 8 per cent of their wages to the individual account. The replacement rate of the basic old-age insurance for urban enterprise employees is about 67 per cent, which can meet the basic living needs of retired workers. Every year, the Ministry of Human Resources and Social Security is responsible for adjusting the pension benefit according to the increase of average wages and the rise of prices. In currently, the subsistence pension is DB mode, and its replacement rate can be expected according to the contribution base and contribution years. However, the individual account pension is DC mode, and its replacement rate should be finally determined according to the contribution and annual book-keeping interest rate.

The basic old-age insurance for urban and rural residents also uses the same system mode as above named as combination of social pooling and individual account. The residents' personal payment to the individual accounts completely accumulated/fully funded, while the finance is responsible for paying subsistence pension, which also reflects the principle of social solidarity. The urban and rural residents' contribution goes to the individual account completely, while government gives corresponding subsidy. When residents meet the conditions for receiving pension benefits, individuals can receive monthly subsistence pension provided by the government in addition to the individual account pension. Pension benefit will also be adjusted in time according to price index, economic development and other factors.

The basic old-age insurance system is completely equal between men and women without and gender discrimination.

3. Challenges

At present, in terms of total amount, the annual revenue of the basic old-age insurance fund for urban employees is still greater than the expenditure, and the accumulated balance of the fund continues to increase. In 2019, the income of the basic old-age insurance fund for urban employees in China is 5,291.9 billion Yuan, and the fund expenditure is 4,922.8 billion Yuan. At the end of the year, the accumulated balance of the fund was 5,462.3 billion Yuan. Looking from the perspective of structure, due to the implementation of the central adjustment fund system, the surplus and shortage of the funds can be adjusted among provinces. In this sense, currently, the basic old-age insurance system for urban employees is sustainable. In the future, with the deepening of population aging, the pressure on fund revenue and expenditure will continue to increase, but the finance will make up for the gap. Therefore, in the medium and long term, the system is also sustainable.

However, it is undeniable that China's aging population is accelerating. By the end of 2019, the total number of elderly people over 60 years old in China has increased to 254 million, accounting for 18.1 per cent of the total population. Among them, the total number of elderly people over 65 years has reached 176 million, accounting for 12.6 per cent of the total population. With the deepening of the aging population, the pressure and burden of China's basic pension system are increasing.

4. Countermeasures

In order to actively respond to the challenges brought by the aging population, it is necessary to further promote the reform and development of China's pension system, especially to accelerate the construction of multi-level pension system, take strong policy measures to promote the development of enterprise annuity in all kinds of enterprises, and accelerate the formulation and implementation of policies and measures to promote the establishment of the individual pension system.

In order to improve the pension system, the adjustment mechanism of pension benefits should be improved. The system parameters should also be adjusted, such as extend the statutory retirement age. The pace of the overall planning of basic old-age insurance for urban enterprise employees should be speeded up, which will help to enhance the fund's ability to resist risks on the whole. To attract enterprises and their employees to participate in the enterprise annuity plans through improving preferential tax policies, increase the rate of return on investment.

Ms GUO (Workers' representative, China)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage.** Yes, although the coverage quality for some vulnerable groups such as informal workers should be improved.
- **Principle 2: Social solidarity, and collective financing.** Both schemes for workers and residents are financed collectively, but the matched subsidy for individual contributions in residents' scheme did not provide sufficient incentives for higher levels of contribution.
- **Principle 3: Right to adequate and predictable benefits.** For workers' scheme: Since 2005, nominal pension benefit for the workers' scheme has been raised on a yearly basis. The increase rate was 10 per cent during 2005-2015, 6.5 per cent in 2016, 5.5 per cent in 2017 and 5per cent in 2018 and 2019. For residents' scheme: huge regional differences exist, benefit level is highly depending on the fiscal Statement of the local government.
- **Principle 4: Overall and primary responsibility of the State.** Pension fund is not only financed by contributions from employers and workers, but also from government subsidies. According to Article 13 of Social Insurance Law, when the basic endowment insurance funds are insufficient for payment, the government shall provide subsidies. According to the Social Insurance Law, the government is responsible for the administration management of social security institutions.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** Yes. For people in poverty, seriously disabled, or living in remote areas, contributions for residents' scheme are provided totally or partially by local governments.
- **Principle 6: Financial, fiscal, and economic sustainability.** Pooling level of workers' pension funds are at provincial level rather than national level. There are big differences between different provinces in China. For provinces in eastern China, pension funds are sustainable, but for western provinces, pension funds are not. So, the Chinese government decided to establish Central Adjustment Fund since 2018. Every province has to contribute to this fund, contribution rate will start from 3 per cent, based on their average wage and workers should be covered in each province.
- **Principle 7: Transparent management, and administration.** Yes, for instance many local administration branches use "WeChat" public accounts and hotlines to provide more convenience and transparency.
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** According to article 9 of Social Insurance Law, trade unions protect the legitimate rights and interests of employees in accordance with the law, have the right to participate in the study of major social insurance issues, participate in the social insurance supervision committee, and supervise issues related to employees' social insurance rights.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** For formal workers, yes (see Principle 3).

2. What is your overall assessment of your country's pension system?

1. **Coverage**. If we consider both schemes for workers and residents, China has achieved full coverage, although coverage quality for some informal groups still needs to be improved (for **instance, a lot of migrant workers are covered by residents' scheme).**
2. **Adequacy.** Benefit for workers scheme is relatively adequate, and has been raised on a yearly basis. Benefit level of residents' scheme depends on the financial situation of local governments.
3. **Sustainability.** Huge differences exist in different regions, pension funds are more sustainable in eastern provinces than in western provinces. In order to raise the pooling level of pension funds in China, Central Adjustment Fund was founded.
4. **Multi-pillar.** Currently, pension benefit from the first pillar is still the main source of retirement income for workers. With the downsizing first pillar (by decreasing the contribution rate of employers, in order to save more rooms for other pillars) and increasing coverage rate of Enterprise Annuity and Private Pensions, China is constructing a multi-pillar pension system.

3. What could be done to strengthen the pension system?

1. Cover more informal workers in workers' scheme. More effective measures should be taken to inspect employers to apply relevant rules and regulations for pension. Portability should be more convenient and should guarantee sufficient fairness, including portability within the workers' scheme and between workers' and residents' schemes.
2. Make pension adjustments more predictable. Benefit of workers' scheme has been adjusted and raised on a yearly basis currently. But the adjustments are usually announced based on administrative orders, which did not provide enough predictability.
3. Improve the sustainability of system. In order to solve the transition cost issue back in the 1990s, more State-owned capital has been transferred from state owned enterprises to social security funds, the regulation of transfers need to be further improved.
4. Overall consideration of multi-pillar system. The boundaries and responsibilities of different pillars should be clear.

Côte d'Ivoire

Mr Idriss TRAORE (Government representative, Côte d'Ivoire)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive achievement of universal coverage. Respects**. Côte d'Ivoire instituted by Ordinance No. 2019 -636 of 17 July 2019, a social regime for self-employed workers with a view to extending social security coverage to other sections of the population.
- **Principle 2: Social solidarity and collective financing. Partially respected.** The basic pension schemes in Côte d'Ivoire operate on a so-called "pay-as-you-go" basis, which is based on strong solidarity between generations. However, we are currently working towards the establishment of a minimum old-age pension for third age people without income as part of national solidarity.
- **Principle 3: Right to adequate and predictable benefits. Respected.** The national legal framework guarantees the right to a pension for persons who have contributed to a social

security scheme and a minimum monthly pension amount equal to or greater than 50 per cent of the guaranteed interprofessional minimum wage (SMIG).

- **Principle 4: General and primary responsibility of the State. Respects.** The State has overall responsibility for the proper administration and financing of social security institutions and services and for the provision of benefits in due form.
- **Principle 5, Non-discrimination, gender equality and responsiveness to special needs. Respects.** National legislation shall provide for the same provisions between the sexes with regard to access to old-age benefits.
- **Principle 6: Financial, fiscal, and economic sustainability. Respects.** According to the actuarial studies carried out as part of the 2012 reform of the social security system, and thanks to the governance established and the control of the management of Social Security Institutions, the balance of pension schemes will be maintained over the long term.
- **Principle 7: Transparent management and administration. Respected.** The legal provisions, in particular Law No. 99-476 of 02 August 1999 on the definition and organisation of Social Welfare Institutions, guarantee the transparency, accountability and soundness of the administration and management of pension scheme funds.
- **Principle 8: Participation of the social partners and consultation with other stakeholders. Respects.** In accordance with the regulations in force, the social partners participate in the administration of Social Security Institutions and are consulted on all matters relating in particular to retirement pensions.
- **Principle 9: Periodic revision of pensions to take account of changes in the cost of living and the general level of wages.** Respects. Since 2012, the State of Côte d'Ivoire has, in accordance with the Social Security Code, been revaluing retirement pensions (at least 19 per cent increase in the private sector since that date).

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

With regard to Principle 2: Social solidarity and collective financing, it should be indicated that we are currently trying to initiate a project to establish a minimum old-age pension for all elderly people without income.

2. What is your overall assessment of the pension system in your country?

The pension system in Côte d'Ivoire is in full expansion thanks to the reforms that have taken place since 2012 to ensure its sustainability, improve its efficiency and ensure the payment of pensions without interruption and over the long term. These reforms have resulted in a pension system that is now functioning very well, with regular pension payments and an increasingly high quality of service.

As part of the extension of social security coverage and in accordance with ILO recommendations, the State of Côte d'Ivoire has instituted, through Ordinance No. 2019-636 of 17 July 2019, the social security scheme for self-employed workers (RSTI), whose effective implementation will start at the beginning of 2021. This scheme will enable all so-called "self-employed" workers, largely made up of players in the so-called "informal" sector, to benefit from social benefits, including retirement pensions.

3. What could be done to strengthen the pension system?

The following actions could be taken to improve the pension system:

1. accelerate the implementation of the social scheme for self-employed workers;
2. introduce a minimum old-age pension for elderly people without income;
3. introduce a supplementary funded pension scheme for private sector workers to improve the level of pension provided;
4. carry out regular actuarial studies to ensure the sustainability of the pension system;
5. strengthen the capacities of the administrations in charge of regulating the pension system.

Mr Mamadou TRAORE (Workers' representative, Côte d'Ivoire)

1. Pension Reform in Côte d'Ivoire

The retirement pension scheme in Côte d'Ivoire is managed by two institutions, namely the "Institut de prévoyance sociale - Caisse nationale de prévoyance sociale" (IPS-CNPS) for the private sector and the "Institution de prévoyance sociale - Caisse générale de retraite des agents de l'Etat" (IPS-CGRAE) for the public sector.

In 2012, faced with the decline of pension schemes based on the pay-as-you-go model, a wide-ranging reform was undertaken in both the private and public sectors. This reform, which came into force on 1 February 2012, aims to restore the pension sector which had been showing regular deficits since 2004. It provides for a gradual reduction in the statutory retirement pension payment age from 55 to 60 between 2012 and 2016, the inclusion of the 15 best years of earnings (instead of 10 years) in the basis for calculating the pension, and the valuation of pensions based on changes in the cost of living rather than on earnings.

Before the reform, the old-age pension could be claimed from the age of 55. Since 1 February 2012, the age for applying for the old-age pension has been raised to 56 for applications made in 2012 and is gradually increasing by one year each year until reaching the age of 60 in 2016.

Similarly, the age of anticipated application is gradually increased by one year each year, rising from 51 years in 2012 to 55 years in 2016. With regard to the reversionary pension, the age of liquidation gradually increases by 51 years in 2012 to reach 55 years in 2013. Furthermore, for the purpose of determining average earnings, the number of best years taken into account will increase from 10 years in 2011 to 15 years in 2016.

2. Pension Management in the Private Sector

It is the prerogative of the IPS-CNPS instituted by Law No. 99-477 of 2 August 1999 amending the Social Security Code of 20 December 1968. This law provides for social benefits for workers with a retirement or old-age pension. It is a contributory scheme financed by both the worker and the employer in the following proportions: Employers 7.70 per cent; Workers 6.30 per cent for a total of 14 per cent. There is a monthly ceiling of 1,647,315 CFA and a floor of 60,000 FRS CFA corresponding to the SMIG currently in force. In the context of further reform of pensions in the private sector, there is a provision to take account of self-employed workers who are mostly from the informal economy. Ultimately, more than 5,000,000 workers are expected to receive a retirement pension on the basis of a personal voluntary contribution.

3. Pension Management in the Public Sector

It is the responsibility of the IPS -CGRAE instituted by Decree No. 2012-367 of 18 April 2012. It is also a contributory scheme co-financed by the worker and the employer (the State) to the tune of 25 per cent, two-thirds of which is paid by the employer and the other third by the worker. This scheme, known as the Pay-as-you-go scheme, is based on solidarity between the generations; retirement pensions are financed from contributions deducted from the salaries of working people. In the recent past, the standard of living of a worker who had become inactive was ensured by his retirement pension or life annuities, which are defined by the legal framework of the Social Welfare Institution.

Conclusion

In view of the relatively modest level of these incomes, a new reform including what is known as a complementary individually funded pension or a supplementary is being validated to support the income of retired people in both the private and public sectors. This is a hybrid scheme (voluntary for workers already in employment and compulsory for future employees in both the public and private sectors). The complementary pension will eventually become compulsory and the contribution rate will be fixed at 5 per cent of the basic salary. Workers hope that this reform will become a reality in order to alleviate the difficulties of people in the 3rd and 4th ages. In order to ensure the sustainability of the system, a periodic review of what has been achieved should be carried out in order to be able to anticipate possible crises that could undermine all the efforts made.

Mr LADOUYOU (Employers' representative, Côte d'Ivoire)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

It should be noted that Côte d'Ivoire has not ratified either of the two social security Conventions, namely Convention No. 102 on Social Security and Convention No. 128 on Invalidity Benefit. However, Côte d'Ivoire has applied some of the principles underlying social security contained in ILO Recommendation No. 202 on the Social Protection Floor. Côte d'Ivoire has thus put in place a social protection policy of which the institution of old-age pensions for both private sector workers and civil servants and government employees is a perfect illustration.

The Pension Fund for Private Sector Workers was first established on 21 September 1960. After several changes in legal form, the "Institution de prévoyance sociale - Caisse nationale de prévoyance sociale" was created by decree in 2000, pursuant to Law No. 99-476 of 2 August 1999 on the organisation and operation of social welfare institutions. It has the following missions:

- The management of the compulsory social welfare scheme for workers in the private sector, which comprises four branches, including that of old-age insurance (retirement).
- The management of supplementary or special, compulsory, or voluntary schemes.
- The collection of social security contributions and the provision of benefits relating to these various schemes.

In the case of the pension scheme, it consists of granting a replacement income to a worker per cent who has asserted his pension rights. The contribution rate is 14 per cent, of which 55 per cent is paid by the employer and 45 per cent by the worker. With regard to respect for the fundamental principles of the ILO, it must be said that our pension system does not fully respect them, and for good reason, the first principle, that of universality, is not effective. Indeed, only salaried workers registered with the social security fund can benefit from it. In addition, civil servants also benefit from the pension scheme as managed by the "Caisse générale de retraite des agents de l'Etat". It is clear that other sections of the population are not covered by the pension scheme, particularly those in the informal economy. However, it should be noted that the Government has set up a pension scheme for the self-employed. This scheme should benefit informal actors who agree to register.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

In the private sector pension system, the State does not intervene in terms of the funds to be made available. However, the State is a member of the tripartite management committee. However, in the case of civil servants and State employees, the employing State makes a contribution.

2. What is your overall assessment of your country's pension system?

Our pension system is doing well from the point of view of financial balance. Pensions have even been increased by 5 per cent. However, the level of pension provided today is below the level of the legislation. Indeed, while the law indicates that the ceiling is 45 times the guaranteed interprofessional Minimum Wage, it has not been updated to date despite the fact that the amount of the SMIG has been raised from 36,607 FCFA to 60,000 FCFA since 2015. As was to be expected, the social partners, through the National Council for Social Dialogue, have referred the matter to the social security institution so that the pension ceiling is brought into line with the law. In addition, the social security institution proposes to set up a supplementary pension as required by law. However, it wants this supplementary pension to be compulsory for all workers and to be managed by the institution alone, to the exclusion of private insurance companies, which have a long tradition of setting up and managing supplementary pensions. The social partners, and in particular the employers, are calling for an open dialogue.

3. What can be done to strengthen the pension system?

Firstly, to update the application of the regulatory framework, and secondly to avoid that the introduction of the supplementary scheme creates significant burdens for employers and workers and that the interests of private insurers are taken into account.

Tunisia

Mr DHOUAIFI (Government representative, Tunisia)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

- **Principle 1: Progressive realization of universal coverage.** Based on the principle that the universalization of social protection is a long-term movement and a continuous dynamic, Tunisia has built its social protection system according to a progressive approach. It is based on a set of social security schemes and social assistance programmes. Thus, at the level of social security, social security coverage has been gradually extended over the years to the various socio-professional categories through the establishment of various social security schemes responding to the needs and occupational specificities of these categories and taking into account their contributory capacities. At present, the social security system (including the pension system) covers all sectors of activity and almost all socio-professional categories. The rate of real social security coverage in both the public and private sectors is around 85 per cent. In terms of social assistance, Tunisia has set up non-contributory programmes and mechanisms to combat poverty (the National Programme of Aid to Needy Families in 1986 (PNAFN), free medical assistance and medical assistance at a reduced price in 1998 and aid granted to the disabled). These programmes are financed by the State budget.
- **Principle 2: Social solidarity, and collective financing.** Social security in Tunisia (including the pension system) operates on a pay-as-you-go basis. It is based on collective

financing and risk pooling. Its financing is based mainly on contributions from employees and employers. It should be noted that as part of the diversification of social security funding sources, a social solidarity contribution earmarked entirely for the funding of social security funds was created in 2018. Both physical and moral persons are subject to this contribution.

- **Principle 3: Right to adequate and predictable benefits.** The Tunisian social security system is a system of occupational coverage. Coverage by a social security scheme is linked to the exercise of a professional activity. Entitlement to social security benefits (including the right to a pension) is linked to certain conditions laid down by the law guaranteeing minimum pension levels.
- **Principle 4: Overall and primary responsibility of the State.** Social security is a public service. The laws in force enshrine the general responsibility of the State, which remains a guarantor of last resort to ensure the financial and budgetary sustainability of the social security system and guarantee adequate and predictable benefits.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** All social protection mechanisms and programmes ensure the inclusiveness of social protection without discrimination or distinction between men and women. In old age, entitlement to benefits under the social protection system is based on objective criteria and conditions which are established by law without distinction between members of society (including between men and women), although special provisions are made for persons with special needs.
- **Principle 6: Financial, fiscal, and economic sustainability.** The social security system (especially the pension branch) has been under increasing financial pressure for years, mainly due to demographic changes, the generosity of the system, the decline of employment in private sector, the importance of the informal sector, etc. Several measures have been taken in response to this situation:
    - reform of the pension scheme in the public sector;
    - creation of a social solidarity contribution earmarked entirely for the financing of social security funds;
    - implementation of a new strategy to improve the recovery of CNSS debts.
- **Principle 7: Transparent management, and administration.** The administrative and financial management of each social security fund is ensured by a tripartite board of directors (Government, Tunisian General Labour Union (UGTT), Tunisian Union of Industry, Commerce and Handicrafts (UTICA)) chaired by a chairman and managing director. These funds are subject to the supervision of the Ministry of Social Affairs and to the financial control of the Court of Auditors and the inspection and control structures of the Ministry of Finance and the Presidency of the Government.
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** The boards of directors of the social security funds are tripartite. This participatory and consensual approach is reinforced by the signature of the social contract concluded on 14 January 2013 between the Government and the social partners (UGTT, UTICA) which created a tripartite social protection commission which constitutes the only legal framework for any social protection reform project.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** Pensions are revised according to the following mechanisms:
    - equalization for the public sector (péréquation);
    - indexation of pensions to the evolution of the SMIG for the private sector.

Mr SDIRI (Workers' representative, Tunisia)

"The Tunisian General Labour Union (UGTT) is the main trade union centre in Tunisia with 650,000 members. It was founded on 20 January 1946 by the leader Farhat Hached. Its members belong to both the public and private sectors. It brings together 24 regional unions, 19 sectoral organisations and grassroots unions. It has been affiliated to the International Confederation of Free Trade Unions since 1951 and to the International Trade Union Confederation since 2006. The UGTT is one of the components of the national dialogue quartet that has been awarded the Nobel Peace Prize 2015 for its success in bringing together the various political antagonists and thus enabling the drafting of the new constitution in 2014 and the holding of presidential and legislative elections". The UGTT is headed by an executive board made up of 13 departments including the department in charge of social protection. This reflects the importance the UGTT attaches to social protection, which is increasingly becoming a priority issue in trade union demands given its impact on the social climate.

In terms of social protection and following the struggles led by the trade union centre over several decades, the Tunisian social protection system is an undeniable asset. Like most countries in the world, Tunisia has opted for a model of social protection that focuses, inter alia, on a social security system whose schemes are regarded as social insurance schemes and a social assistance system, characterized by assistance and social welfare programmes for the benefit of the inactive and vulnerable population. It should be stressed that since independence, a great deal of effort has been made in this area to establish a social protection system capable of implementing the principles laid down in the Tunisian Constitution and international conventions, but major challenges remain to be met. These challenges include improving coverage rates, effective governance, coverage of workers in the informal sector and the unemployed, and the sustainability of pension and health insurance schemes.

The UGTT has long been calling for the reform of the social protection system in order to create an effective, universal, efficient, and financially balanced system that meets the requirements of economic and demographic change. After the revolution, a tripartite agreement between the government, the UGTT and the main employers' centre, the Tunisian Union of Industry, Commerce and Handicrafts (UTICA) was created. This is the social contract signed in 2013. This social contract revolves around five main axes:

- economic growth and regional development;
- employment and vocational training policies;
- industrial relations and decent work;
- social protection;
- the institutionalization of tripartite social dialogue.

The institutionalization of tripartite social dialogue.

In the area of social protection, the signatories stressed the importance of developing and establishing a new societal model as a cornerstone for reforming the social protection system and improving the mechanisms for its financing and management and avoiding the confusion between social security and social solidarity. They agreed on the following:

- Total revision of the social security systems and its various branches.
- The need to upgrade the public and private health sectors in order to improve the quality of services and control costs, and to revise the health map with the aim of achieving greater regional balance.
- Preservation of the financial balances of the social security systems by improving the profitability of investments and investments and work to diversify sources of financing.

- The need to establish a system of good governance in the management of social security funds and to ensure alternation in the management of their boards of directors between the social partners, respecting the principle of tripartism and the equal number of their representatives in the composition of these boards and the independence of their decisions.
- Commitment by the State to guarantee the right to care for vulnerable groups and to provide them with a minimum income by ensuring that the various interventions for the benefit of vulnerable groups are properly targeted according to objective criteria.

It should be stressed that, following the diagnosis made by the social dialogue steering committee, it has been noted that the financial situation of the pension schemes managed by the CNRPS and CNSS is worrying.

Several factors are responsible for this situation, including the deterioration of the demographic ratio, globalisation which has generated an extension of the informal sector to the detriment of the formal sector, unemployment, inefficient governance, failure to control early retirement, the budget deficit which rose from 1.3 per cent in 2010 to 3.5 per cent in 2019 while the debt increased from 40.4 per cent in 2010 to 65.5 per cent in 2019, an increase of 62 per cent since 2010. Inflation has also risen sharply to 5.3 in 2017 and 6.7 per cent in 2019, compared with 4.4 per cent in 2010. The value of the dinar continues to plummet against foreign currencies. Our currency has lost 60 per cent of its value since 2014.

In order to alleviate the deficit of the pension schemes managed by the said funds, a battery of measures has been decided by the social partners and the government in 2018, with a view to bailing out the social funds whose deficit has reached unbelievable figures. Among these measures are the following:

- Creation of the social solidarity contribution (1 per cent) from 2018, payable by active insured persons, beneficiaries of social security funds and companies.
- The retirement age has been lowered by 2 years on a compulsory basis (62 years) and by 3 years on an optional basis (65 years), this measure concerns the CNRPS as of 2020
- Increase in the contribution rate by 3 per cent as of 2020 (1 per cent to be paid by the employee and 2 per cent by the employer), this measure concerns the CNRPS.

Faced with this situation, the UGTT wishes to play a leading role in the reform of the social protection system in order to make it capable of covering the vulnerable population and those not currently covered, particularly against the risk of illness, and to maintain the management of its services in the hands of the State.

Therefore, the GTUW reiterates its commitment to establish a social protection floor, to improve public services and the public sector through massive investments to ensure universal access to health care, water, sanitation, food, and housing and to protect workers' rights from the devastating effects of the pandemic.

Argentina

Mr LEPORE (Government representative, Argentina)

1. (a) What are the core principles in ILO standards that you believe the pension system fully or mostly achieves?

The Argentine pension system fully complies with the principle of progressive achievement of universal coverage. Over the last two decades, the reforms carried out have succeeded in universalizing the pension coverage of the elderly, currently reaching a rate close to 100 per cent. The mechanisms for facilitating access to the contributory benefits provided through the pension moratoria of the Argentine Integrated Pension System (SIPA), as well as the more recent introduction of the Universal Pension for the Elderly (PUAM), as the first non-contributory social protection pillar, have determined these results.

In this respect, it is important to highlight the instrumental nature of the principle of general and primary responsibility of the State in achieving the above-mentioned coverage. Without this exercise of State responsibility, the universalization of social security would not have achieved its purpose. In this respect, it should be pointed out that the actuarial projections made during the life of the individual accounts capitalization system, showed, from 2005, a drastic reduction in pension coverage linked both to the greater demands for access to contributory benefits and to the low contribution densities recorded by members of the individual accounts system. Without prejudice to these comments and to what is set out in the following reply, compliance with the remaining fundamental principles assessed is in our opinion fully or largely achieved, as developed in the general questionnaire provided.

1. (b) What are the core principles in ILO standards that you believe the pension system does not achieve or only partially achieves?

It is in relation to the principle of financial, fiscal, and economic sustainability that the Argentine pension system exhibits its greatest difficulties. This is a challenge common to the various social security systems, strongly associated with the impacts produced by demographic changes, changes in the organization of production and work, as well as in labour relations. As in the other countries of the region, the tensions resulting from these changes are accentuated by the weaknesses of the labour markets in providing sufficient jobs and wages for the working age population. The persistence of high levels of informality is a structural factor that conditions the economic, financial, and actuarial sustainability of social security systems, limiting not only their coverage but also their sources of financing.

From a longer-term perspective, it should be clarified that the elimination in 2008 of the private regime of individual accounts produced by the unification of the national social security system into a single public Pay-as-you-go regime, called the Argentine Integrated Pension System (SIPA), implied a considerable strengthening of the fiscal sustainability of the pension system, given the high transition costs involved by the 1994 reform that had created the individual account capitalization system. In this way, the reintegration of social contributions into the public pillar, together with a context of economic growth with declared job creation for social security, made it possible to balance and significantly improve the sustainability profile of the system as a whole.

Over the last two decades, the Argentinean pension system has achieved and maintained broad pension coverage, universalizing access to social protection for the elderly. As mentioned above, this has been the result of the implementation of various policies to extend non-contributory and semi-contributory social security. These include the so-called “pension moratoriums", which since 2004 have made access to contributory benefits more flexible for older adults with incomplete contribution histories, and the creation in 2017 of the Universal Pension for the Elderly (PUAM), which provides non-contributory coverage for those who do not have the years of contributions required to obtain a contributory benefit. It should be noted, however, that the main problem in terms of affiliation and access to benefits under contributory schemes remains the low density of contributory services for working-age workers resulting from the persistence of a large informal economy.

With regard to the adequacy of benefits, the average replacement rate of the initial benefit of the public contributory Pay-as-you-go system is around 60 per cent for workers in a dependent relationship. The redistributive and solidarity mechanisms of the contributory system, for their part, ensure a guaranteed minimum benefit related to the tripartite minimum wage, providing the necessary supplements for beneficiaries whose benefits are calculated below the set threshold. Non-contributory benefits are also reasonably sufficient to guarantee the basic income security of older adults, since the amount of such benefits is linked to the minimum guaranteed benefit of the contributory regime. Empirically speaking, the amount of non-contributory benefits is well above the monetary value of the basic basket of goods and services established by public statistics as the poverty line for an older adult.

The maintenance of high levels of undeclared social security work is largely a consequence of the persistence of a large informal economy, whose multi-causal origin and heterogeneous profile requires the formulation of an integrated framework of tax, financial, productive, labour, employment, and social security policies.

Labour formalization would not only broaden the contribution base by strengthening the sustainability of the pension system but would also allow for the progressive incorporation of groups with greater difficulties in being included in contributory social security schemes, with the necessary weighting of their real contribution capacity.

It is also necessary to develop administrative capacities for the prevention and control of social security evasion. Non-compliance with tax obligations and labour and social security fraud limits the coverage of benefits and leads to a weakening of their sources of funding.

In the same vein, increasing the transparency of social security resources by providing for the identification and separation of the sources of financing for contributory and non-contributory benefits is an important way of strengthening confidence in the pension system.

As regards the design of the Argentine integrated pension system (SIPA), one of the main challenges is the consolidation of a multi-pillar scheme.

The configuration of a first pillar of universal social protection financed with tax or general income resources is one of the alternatives to be considered in order to ensure the high coverage achieved by the pension system.

With regard to the second public defined-benefit pillar, which is financed through assisted pay-as-you-go, an important guideline is to establish contribution and benefit calculation rules that are more closely related to the benefit granted and the contribution effort made. This does not affect the reasonable proportionality of the benefit determined with the remuneration received during the period in which contributions are made.

Likewise, it is worth mentioning the establishment of a mechanism agreed with the social and political actors which provides predictability for the periodic revision of benefits by means of an actuarially sustainable indexation formula, which preserves the purchasing power of the benefits.

Another strategic orientation is to strengthen the redistributive and solidarity-based nature of the pension system, considering the different schemes that make it up as a single system. In this regard, it is a priority to reduce the inequities caused by the existence of special pension regimes by promoting their gradual convergence with the general regime, while correcting the marked financial imbalances that such special regimes present.

Similarly, it would be advisable to update and improve the coordination mechanisms between the SIPA and the various national, provincial, municipal, occupational, and supplementary pension schemes, in order to increase the coordination and unification of the pension system, avoiding the undesirable consequences of its sectoral and/or territorial fragmentation.

Mr ZUCCOTTI (Workers' representative, Argentina)

Argentina is in the group of countries with comprehensive social protection systems. It is one of the pioneers in this field and has levels of coverage, institutions and social expenditure that make it different from others in the region and the world (nearly 93 per cent in older adults and children). The increase in social security expenditure, which is close to 30 per cent of total public expenditure, has placed the country among those which have made the greatest progress in terms of the percentage of benefits allocated to it. Thus, with the incorporation of pension inclusion programmes and universal child allowances, especially between 2005 and 2014, the existence of guaranteed minimum income for most households became a reality, regardless of the type of programme or benefit. The updating and continuity of these indicators is a powerful tool for combating income poverty and is key to determining the effectiveness of existing programmes.

It is worth mentioning that this policy was made possible by the State's recovery of the management of the pension system following the reversal of its privatization (1994) since 2008. In Argentina, the link between austerity policies and the decline in the coverage and financing of social security systems is absolutely clear. Firstly, when the system was privatised, contributions were reduced from 4.5 per cent to 2.4 per cent of GDP as a result of a reform of parameters that was carried out at the same time as structural change. Secondly, the austerity policies in the economy that led to the social, economic, and political crisis of 2001 caused all current income from social security to fall, lowering the levels of coverage to historical minimums. As a counterweight to this process, the period of economic recovery that began in 2002 and the programmes of inclusion of benefits between 2008 and 2009, in particular, have been a major factor. As a result of the change in national policies, recessionary scenarios, and the lack of financing of the system were consolidated by a new pension reform that acted on two fronts: it reduced contributions to the system (low "taxes on labour" as a neo-liberal paradigm) and transferred national resources from the system to the provinces. Between these two effects, the effective loss of financing to the system is estimated at more than 2 points of GDP.

At present, and as a result of these policies implemented in recent years, Argentina has two fronts that condition the performance of the system: a deep recession strongly initiated in 2018, an unsustainable debt and the current explosion of the COVID-19 pandemic. This translates into alarming social indicators, more than 40 per cent of the population is below the poverty line, unemployment stands at 11 per cent and only about 29 per cent of the EAP has contributions to the system. At a time when more social protection is needed as a platform for the take-off of economic and social indicators, the government, which took office in December 2019, extended income guarantee programmes to workers as a policy to replace market conditions resulting from the compulsory isolation of the country by the covid19. With regard to the policy of updating benefits, the government recently submitted a bill to Congress proposing a formula for updating benefits that links wage growth to tax revenues specifically affected by the system.

In conclusion, the trend towards the universalization of social protection systems puts ahead the task of advancing in reforms that modify financing progressively, putting the tax burden on the sectors of higher income (tax reforms). The concept of a social protection floor must be redefined, incorporating an institutional framework where the actors of production converge in terms of the impact of labour and production policy on financing, actors of the informal economy and a necessary representation of civil society. There is a lack of representation in the system and coverage for platform workers, independent or autonomous workers, and an effective and more extensive coverage for formal workers in situations of unemployment, which highlights the insecurity of income and the lack of response for a high proportion of the active population.

The development of care policies that include both benefits at both ends of the population structure and the workers who work in them must be part of an exit strategy for the future problem of the country's demographic dependence. Argentina has ahead of it the path of rebuilding the social fabric and an integrated system of social protection, with coordinated programs and resources aimed at addressing all the contingencies, especially children because of the implications they have on the future of the working population; it is the institutional framework par excellence to carry it out.

Mr DRAGUN (Employers' representative, Argentina)

Argentina's pension system shows varying degrees of compliance with the nine fundamental principles incorporated in ILO standards.

Social protection for the older adult population can be described as very broad, with most of it complying with the principle of progressive realization of universal coverage. Since the implementation of the pension moratorium in 2005, the number of beneficiaries of the Argentine Integrated Pension System (SIPA) has increased by 60 per cent, and coverage has risen from nearly 70 per cent to over 90 per cent of those over 65. In addition, pension coverage continued to increase in recent years as a result of the introduction of the PUAM and the so-called "Historical Repair".

- **Principle 3: Right to adequate and predictable benefits.** This only partially being complied with, although the individual contribution system was abandoned and a pay-as-you-go system now prevails, supported by tax resources (from general income) and payroll contributions. The right to adequate and predictable benefits, is guaranteed in the framework of income mobility established in the National Constitution, nevertheless, it is not always fulfilled. High inflation and macroeconomic instability deteriorate benefits and in the lower brackets this has impacted on the adequacy of coverage as well as predictability. Successive changes in the adjustment formulas pay for the same result.
- **Principle 4: Overall and primary responsibility of the State.** This principle is largely fulfilled since there is a pay-as-you-go system administered by the public sector on which, in the event of unforeseen circumstances, regulatory mechanisms (usually presidential decrees) are used to allow State intervention.
- **Principle 5: Non-discrimination, gender equality and responsiveness to special needs.** Enforced. Although the debate on gender inclusion was absent from the structural reform, the return to the Pay-as-you-go system mainly benefits women because it gives more space to solidarity transfers between sectors, while the pension moratorium has helped to reduce coverage gaps by making access conditions more flexible.
- **Principle 6: Financial, fiscal, and economic sustainability** has been threatened since the 1980s, by the introduction of the individual saving system since during the transition period, the expenditure on pensions exceeded systematically, income by contributions. A new mobility formula is currently being discussed with the aim of achieving an improvement in pension assets in a fiscally sustainable manner, as well as changes in special regimes to reduce fiscal costs and improve equity. With regard to sustainability, when assessing the pension system, it is worth asking what would happen to coverage if no new moratoriums were implemented, since the beneficiaries holding the minimum (or lower) represent 50 per cent of the total, but their mass of benefits is lower than that of the decile with higher pensions. In this regard, the PUAM would play a fundamental role.

  The main challenge for coverage is informality, which in Argentina is directly linked to the excessive fiscal cost but is also influenced by the lack of macroeconomic stability and a productive development plan, the lag in competitiveness and the uncoupling of the tax system from productive policies. Recommendations for increasing the level of social protection should take into account mechanisms that link incentives to broaden the contributory base, reduce informality and increase investment.

- **Principle 7: Transparent management, and administration.** The ANSES publishes data periodically and it is possible to access information on the management of the Sustainability Guarantee Fund (FGS, the remaining share of the private AFJP system). However, delays in updating and numerous regulatory changes make monitoring and predictability difficult.
- **Principle 8: Involvement of social partners and consultations with other stakeholders.** It is partial since the national legal framework does not require representatives of protected persons, trade unions or employer representatives to be associated with the administration of pension schemes or to be consulted in relation to them. With regard to the **social sustainability** of the system, a comprehensive and tripartite consensus approach is needed. In Argentina, at least three aspects should be discussed as challenges for the expansion of work and labour formalisation: the importance of the macroeconomic context as a basic condition, together with productive development policies that increase productivity; factors of systemic competitiveness, such as access to infrastructure and financing; and a tax system that accompanies productive development policies and is related to investment incentives, technology transfer and applied innovation.
- **Principle 9: Periodic review of pensions to match the evolution of the cost of living and level of earnings.** Given high inflation, macroeconomic volatility and changes in adjustment formulas, real assets have fallen sharply in relation to wages and living standards, so Argentina is not fully complying with this principle in the light of changes in the cost of living and income levels.

Argentina has a very heterogeneous pension system, with the SIPA (87 per cent of benefits) coexisting with provincial and municipal funds and special regimes. There is a diversity of access criteria, inequality of benefits between regimes and problems of level and updating. Coverage improved as a result of the pension moratoriums (in favour of the inclusion of women) and the inequality of assets was reduced initially, although with a high concentration of minimum assets. However, the problems of adequacy have been exacerbated by the PUAM and the latest adjustment formula, and inequality has increased (partly because of the historical reparation).

In this regard, a desirable scheme would include the coexistence of three pillars: solidarity, contributory and voluntary, with the latter being strengthened. The Argentine employer sector supports the coexistence of pay-as-you-go schemes with complements to the capitalisation of private savings. The pension systems of OECD countries tend to be mixed and, in view of the financial weakness of Pay-as-you-go systems, have strengthened individual savings options that are mostly linked to the voluntary pillar. However, in Argentina, high inflation and administration costs and the inability to find investments that maintain their value led to the abandonment of funded schemes, which we believe are adequate and viable for more robust and predictable economies. Alternatively, the FGS should have a more prominent role in the local capital market, as it has the potential to provide greater depth to the now small financial system, generating better private savings schemes and helping to minimize the difficulties companies face in obtaining financing for investment and working capital.