

Concept Note

Tripartite round table on pension trends and reforms

1. BACKGROUND

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 on the basis of its standards 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.

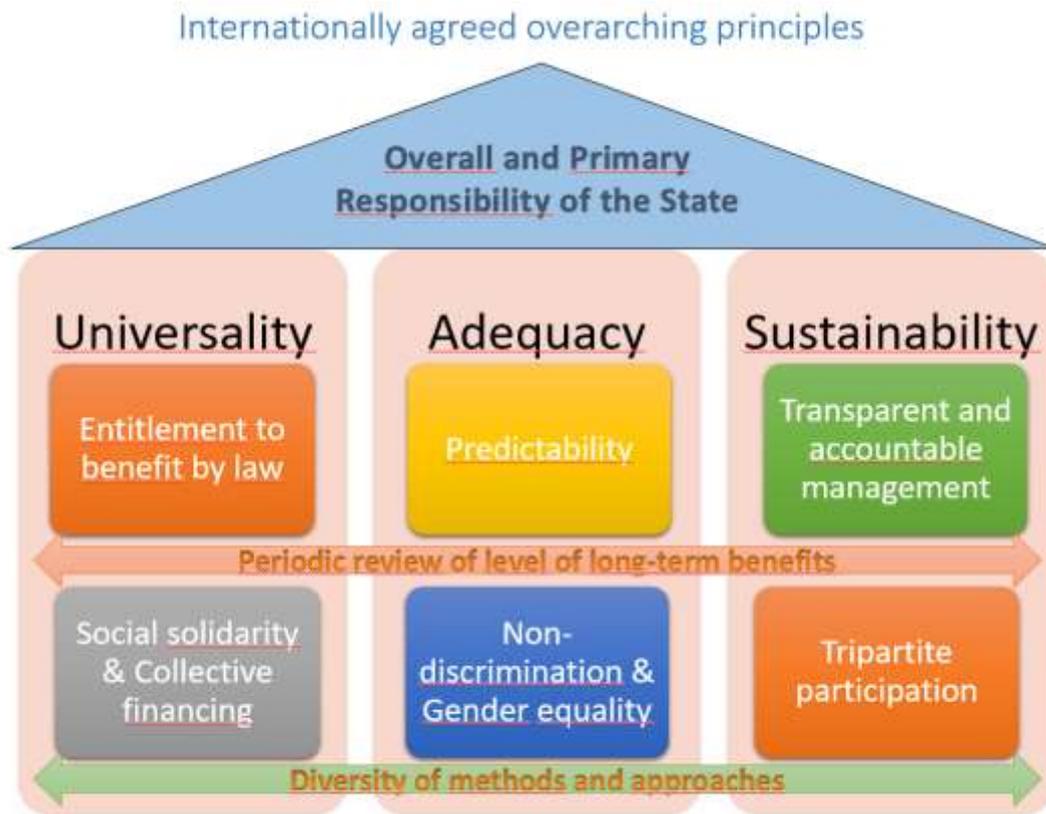
The current state of old-age protection - a glass only half-full. While pensions for older women and men are the most widespread form of social protection in the world, 32 per cent of those in old age still do not receive an old-age pension. In recent years, a number of countries have made progress in 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 most relevant core principles as regards protection in old age 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 some 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 (also known as defined-contribution schemes). 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”* (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.

2. OBJECTIVES OF THE ROUND TABLE

Today, social security pension reforms represent the biggest share of ongoing and planned social protection reform processes. Demographic changes and the emergence of new forms of employment led in many countries to a new wave of policy debates and reforms of the national pension systems. New policy options are devised (e.g. pensions linked to points taking demographic and economic situation into account) that may (or may not) be aligned with ILO standards and principles. The ILO wishes to organize a tripartite technical round table on pension design and reform to share global trends on pension reforms, learn from countries experiences in designing, extending and reforming their pension systems, discuss policy and reform options in light of ILO core principles and minimum parameters, and inform on main take away messages that will be prepared by each group (workers, employers and governments).

3. METHODOLOGY

A group of 14 countries have been selected to participate in the tripartite round table. Each delegation will be tripartite. The Secretariats of the Workers' and Employers' Groups will be responsible for nominating workers and employers' delegates respectively.

The choice of countries is balanced to reflect the diversity or combination of pension models: countries with defined-benefit systems following the social insurance model; countries that have completely replaced social insurance systems by private individual accounts; countries that have introduced mandatory supplementary individual accounts; countries that had in the past partially privatized their pension system and have partially or totally reversed the privatization; and countries that have significantly extended coverage with non-contributory pension schemes.

A questionnaire of 30 questions has been developed by the Office in close collaboration with the Bureau for Workers' Activities and the Bureau for Employers' Activities (ACTRAV and ACT/EMP) as well as ILO social protection specialists. By responding to the questions, ILO constituents have an opportunity to provide a description of their national pension system, using ILO social security principles and minimum parameters as benchmarks.

Selected participants should fill out the questionnaire prior to the round table and send their responses to the Office. The country descriptions will be shared with other participants prior to the round table discussions.

Each country should come up with a description of the national pension system based on the 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

Countries should be able to assess the level of achievement of each of these principles based on evidence and/or tripartite discussion prior to the round table.

The round table will include:

- An overall introduction to recall ILO principles, and stress the importance of achieving them all for universal, comprehensive, adequate and sustainable pension systems.
- A presentation of global trends on pension reforms (based on ILO monitor) and of current reforms in selected countries that may be linked to demographic change and the emergence of new forms of employment.
- Tripartite country presentations from the 14 countries to learn from countries' experiences in designing, extending and reforming their pension systems, discuss policy and reform options in light of ILO core principles and minimum parameters.
- The final session will be dedicated to a presentation by each of the three groups (workers, employers and governments) on the main take-away messages from the discussions to be appended to the summary report following the round table.

The tripartite round table will be chaired by a Government representative seconded by two vice-chairs from the Workers and Employers.

Interpretation for the tripartite round table will be available in the ILO's official languages (English, French, Spanish, Arabic, Chinese and Russian). The activity will be held virtually (by ZOOM) from 30 November to 4 December 2020.

Time in GMT	Monday 30 November	Tuesday 1 December	Wednesday 2 December	Thursday 3 December	Friday 4 December
12 h. 00 – 13 h. 00	Group meetings (G, E, W)	<ul style="list-style-type: none"> – Opening of session by the Chairperson (3') – 7 Country cases (11' per country) 	<ul style="list-style-type: none"> – Opening of session by the Chairperson (3') – 5 Country cases (11' per country) 	No meeting	<ul style="list-style-type: none"> – Opening of session by the Chairperson (5') – Presentation by the groups (G, E, W) of the main take away messages (25 minutes per Group) – Reactions from participants (30') – Final remarks by the Chairperson and closing of the meeting (5')
13 h. 00 – 13 h. 30	Opening session	<ul style="list-style-type: none"> – Reactions from participants (approx. 5' per country) – Wrap-up by the Chairperson (3') 	<ul style="list-style-type: none"> – Reactions from participants (approx. 5' per country) – Wrap-up by the Chairperson (3') 		
13 h. 30 – 14 h. 00	<ul style="list-style-type: none"> – 2 Country cases (11' per country) – Reactions from participants (approx. 4' per country) – Wrap-up by the Chairperson (1') 		Group meetings (G, E, W)		
<p>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.</p>					

ANNEX I: List of participant countries

Africa	Côte d'Ivoire
	Nigeria
	Tunisia
Americas	Argentina
	Canada
	Chile
	Mexico
	Jordan
Arab States	Jordan
	China
Asia	Indonesia
	Japan
	Bulgaria
Europe	France
	Russian Federation

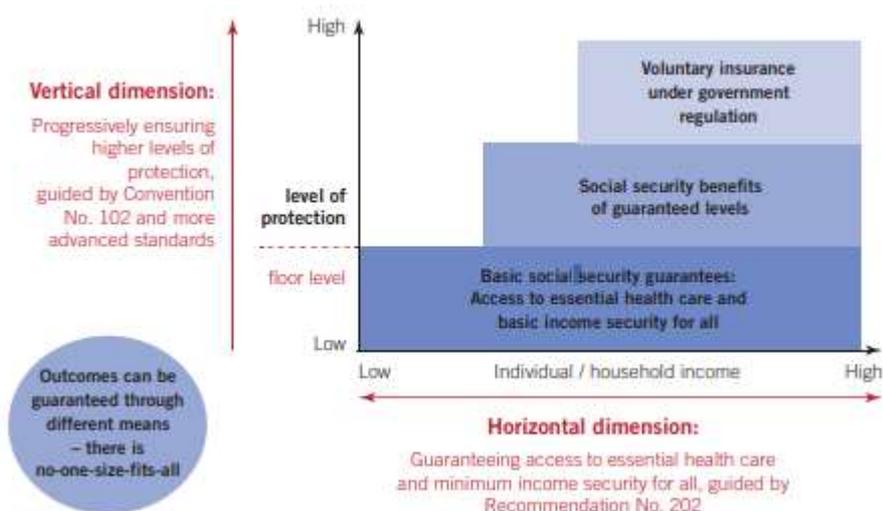
1.b) What is the coverage achieved for your country's pension system? Please select one of the following options:

- (1) low level of coverage
- (2) intermediate level of coverage
- (3) high level of coverage.

1.c) Please support your response by completing the table below. Please provide data for the following two indicators: (i) The proportion of the workforce actively contributing to a pension system. Detailed coverage data can be provided by different categories (salaried, self-employed, public sector, private sector, etc.). (ii) The proportion of persons over 65 years of age, or over the legal retirement age (please specify) receiving a pension. Figures can be broken down according to contributory and non-contributory schemes.

Scheme names	Tax-financed, Defined Benefits or Defined Contributions	Number of active contributors as percentage of workforce? (2000)	Number of active contributors as percentage of workforce? (2019 or latest available year)	Number of actual beneficiaries as a percentage of persons of pensionable age? (2000)	Number of actual beneficiaries as a percentage of persons of pensionable age? (2019 or latest available year)	Number of actual beneficiaries disaggregated by gender (F/M) (2019 or latest available year)
Total :						

1.d) Could you please also depict the old-age pension system of your country using the following ILO Staircase graph?





Question 2. Is the coverage of the pension system improving, stagnating or declining?

2.a)

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2.b) *To answer this question, please provide figures on the evolution of the coverage rate over the last ten years using the same indicators as in the previous question.*

Scheme names	Tax-financed, Defined Benefits or Defined Contributions	Number of active contributors as percentage of workforce? (2000)	Number of active contributors as percentage of workforce? (2019 or latest available year)	Number of actual beneficiaries as a percentage of persons of pensionable age? (2000)	Number of actual beneficiaries as a percentage of persons of pensionable age? (2019 or latest available year)
Total :					

2.c) *Please provide a synthetic overview of reforms introduced with a view to extend coverage, indicating the population groups concerned, any achieved results, how progress in extending protection is monitored, any measures under consideration with respect to improving pension coverage.*

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Principle 3. RIGHT TO ADEQUATE AND PREDICTABLE PENSION BENEFITS

Question 9. Does the national constitutional and legal framework guarantee a right for persons in old-age to receive a pension?

Question 10. Are the levels of non-contributory pensions sufficient to **secure basic income security** by reference to a national threshold for beneficiaries in old age? Does this threshold allow for life in health and decency?

Please substantiate your answer with figures possibly showing how basic old-age pensions relate to the monetary value of a nationally defined set of goods and services considered necessary to secure life in dignity; national poverty lines; income thresholds for social assistance or other comparable thresholds established by national law or practice (mechanisms taking into account regional differences may also be reported).

Question 11. To which extent does the national legal framework on pensions allow sustaining a person's **standard of living** in old age?

To answer to this question, please provide figures on the average and median contributory pension paid in the country compared to the average and median insurable earnings, the number (distribution) of pension beneficiaries in each quintile, the average and median level of pensions served by the private pension schemes (if any), as well as figures on the minimum contributory pension compared to the minimum wage established in the country.

Question 12. Have surveys or enquiries been undertaken to document **beneficiaries' satisfaction** or dissatisfaction with the adequacy of pension benefits they receive?

As appropriate, please base your answer on relevant publications and empirical studies.

Question 13. Does the national legislation require the pension in payment to be **regularly adjusted** to the increases in cost of living and/or level of income? In what way? Are future (for generations still in the labour market and well before retirement) replacement rates of old-age pensions **predictable**?

13.a)

13.b) *As appropriate, please base your answer on figures for the main contributory and non-contributory pension systems existing in the country. Please explain whether there are factors internal to the pension system (administrative) or external (macroeconomics, demographics, etc.) to it that can significantly affect the level of pension benefits that people will receive. Provide results of the simulations and projections regarding future benefit levels – if available.*

Scheme names	Categories of protected persons?	Defined Benefits or Defined Contributions?	Contributory or non-contrib.?	If contributory, replacement rate / previous earnings for an average wage earning beneficiary having 30 years of contributions in 2019?	If contrib., is there a reduced pension served after 15 years?	How does average contributory pension relate to 1) minimum wage and 2) national poverty line	If non-contrib., targeted or universal?	If non-contrib., does the level established take into account the national poverty line? What percentage of national poverty line?

Question 14. Which measures have recently been introduced or considered to maintain or improve adequacy and predictability of the old-age pension system?

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Question 15. Wrap up question - please indicate on a scale from 1 to 5 to what extent Principle 3 (Adequacy and predictability of pension benefits) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 3					

Principle 4. RESPONSIBILITY OF THE STATE

Question 16. Does the national legal framework consider the State to have the general responsibility for the proper administration and financing of the social security institutions and services as well as for the due provision of benefits?

Please indicate the mechanisms through which the State exercises such general responsibility and explain whether there are legal provisions in place requiring the State's intervention in case of macroeconomic and financial crises, deficits or other unforeseen circumstances resulting, for example, in the impossibility to pay benefits, the abrupt reduction in the level of benefits, delays in payment and so forth.

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Question 17. Wrap up question - please indicate on a scale from 1 to 5 to what extent Principle 4 (Responsibility of the State) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 4					

Principle 5. NON-DISCRIMINATION, GENDER EQUALITY AND RESPONSIVENESS TO SPECIAL NEEDS

Question 18. Under existing social security and social protection legislation, are there provisions specifically aimed at securing equality of treatment, including with respect to persons with special needs, taking into consideration situations of vulnerability, such as disabled persons, migrant workers, persons living in rural and remote areas or other groups?

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Question 19. How does the national legislation secure gender equality as regards old-age protection?

To answer this question, please provide figures regarding coverage levels, average amount of benefits paid to each gender and other data considered relevant.

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Question 20. Wrap up question - please indicate on a scale from 1 to 5 to what extent Principle 5 (Non-discrimination, gender equality and responsiveness to special needs) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 5					

Principle 6. FINANCIAL, FISCAL AND ECONOMIC SUSTAINABILITY

Question 21. Would you say that the national pension system is currently economically and fiscally sustainable? And in the mid and long term?

Please substantiate your answer by providing figures, projections or estimates considered pertinent (mentioning the sources).

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Question 22. Which measures have recently been introduced or considered to maintain or improve the financial, fiscal and economic sustainability of the system with due regard to social justice and equity?

Please explain to what extent such measures have been successful or not, lessons learnt, and whether additional measures are under consideration (please refer to concrete figures and analyses).

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Question 23. Wrap up question - please indicate on a scale from 1 to 5 to what extent Principle 6 (Financial, fiscal and economic sustainability) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 6					

Principle 7. TRANSPARENCY

Question 24. Are there legal provisions aimed at securing transparency, accountability and soundness in the administration and management of pension funds?

Please refer to concrete examples of measures aimed at improving transparency and point to any new measures currently being foreseen to improve transparency.

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Question 25. Wrap up question - please indicate on a scale from 1 to 5 to what extent Principle 7 (Transparency) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 7					

Principle 8. INVOLVEMENT OF SOCIAL PARTNERS AND CONSULTATIONS

Question 26. Does the national legal framework require that representatives of persons protected or trade unions be associated to the administration of pension schemes or consulted in connection therewith? Does the national legal framework require that representatives of employers be associated to the administration of pension schemes or consulted in connection therewith? Are social partners consulted or associated with respect to past, current and future reforms of the pension system?

Please explain the types of mechanisms through which representatives of persons protected and employers are associated to the management or consulted within the various pension schemes operating in your country with references to examples from both contributory and non-contributory schemes.

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Question 27. Wrap up question – please indicate on a scale from 1 to 5 to what extent Principle 8 (Involvement of social partners and consultations) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 8					

Principle 9. PERIODIC REVIEW OF PENSIONS BENEFITS

Question 28. Are there normative provisions regulating the **periodic review** of the level of long-term benefits based on the cost of living and level of earnings in the country? Are there other criteria which could potentially have an effect of the level of pensions in payment?

Please explain how these national provisions are applied in practice and indicate the extent to which they allow taking into account inflation, the evolution of the level of earnings in the country or other criteria. When available, please provide figures on the evolution of benefit levels against the cost of living and the level of earnings over the last 10 years.

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Question 29. Wrap up question – please indicate on a scale from 1 to 5 to what extent Principle 9 (Periodic review of pensions benefits) has been achieved in your country

	1	2	3	4	5
Assessment of the achievement of Principle 9					

