



Actuarial expertise in the current context of social protection policy-making

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Global context : Some trends in social protection policy-making in developing countries

- Over the last decade, the **social protection agenda** in developing countries has shifted much of its focus to address **social assistance** (rights-based programmes and short-term “targeted” social safety nets) and to increase access to **public health and education**
 - **Emerging economies** have shifted public spending priorities in part towards social protection while at the same time adopting and better enforcing fiscal policies with the result of additional public revenues available to finance more social protection targeted to the poor
 - Interestingly, this shift of policy priorities towards tax-financed social protection measures has often been perceived to be in **reaction to the different past financial crises** in Latin American and Asia (Mexico 1994, Brazil 1998, Argentina 1999, Thailand-Indonesia-Korea 1997, etc.)
- The trend for **social insurance** coverage has improved but still insufficiently reaching the population of working-age and the elderly in **all developing countries**
 - This is often attributed to **a lack of contributory capacity** of workers as well as the **lack of institutional and administrative capacities** to enforce legislation, amongst other factors
 - Despite the **decrease in the popularity of social insurance** due to being perceived as an instrument for the (very) few better-off workers with stable jobs; its role has increasingly become evident in countries where universal measures cost too much and the only way to reduce the fiscal burden is by increasing the coverage and enforcement of social insurance. *For example, universal health insurance in Thailand and in the Brazil and Argentina contexts*
- Meanwhile, most **OECD countries** have **rationalized their public social expenditure** and reduced access to social insurance benefits, e.g. raising the legal retirement age
 - In the **Euro-zone crisis countries**, we observe how policy decisions have been rapidly passed in response to the short-term pressure on government to borrow at affordable interest rates on the financial markets; these reforms are undertaken **without due consideration of the long-term effects** on the income security of the population and the elderly

Global context: Reorientation of development agendas and new legal instruments of social protection

- **International forums** : focussing on **social impact of globalization**; economic thematic subjects often (nearly always) addressing **re-distributional effects of economic policies**.

E.g. “**inclusive growth**” is often referred in IMF Article IV Consultations and in the context of OECD-DAC

E.g. 80% of ODA going towards health

- Nearly all international agencies of the United Nations now have a **strategic objective on social protection**
- **Recommendation no. 202 (2012) on National Social Protection Floors (SPF)**

R. 202 is a landmark in the field of social protection providing an instrument to set the normative framework although being a recommendation that promotes that each country progressively extends four basic guarantees to all its population, including:

- **Universal access to social health protection**
- **Income security to children**
- **Income security to the elderly**
- **Income security to vulnerable groups of working-age**

* *The original 2009 “UN SPF Initiative” was also encompassing all essential public services for water and sanitation, housing, education and health services*

A justified response: Broadening the scope and deepening actuarial expertise

- Need more than ever **effective multi-disciplinary services and interactions between practice and research**
 - No single expertise area can operate in isolation
 - Trends in global social protection developments point to the need for very specialized advice as fiscal resources are more scarce and there is more competition for social protection priorities.
 - This can only be achieved with the effective integration of all professional areas (*non-exhaustive list*):
 - Actuaries
 - Demographers (migration)
 - Economists
 - Modelling Econometricians
 - Accounting and Fiscal Specialists
 - National Accounts Specialists
 - Statisticians

- Need **“reliable and harmonized” costing estimates of different benefit schemes, such as :**
 - Aligning demographic projections of different benefit programmes through enhanced demographic transition status
 - Accounting for **interactions across all public spending programmes and public finances**
 - Assessing all life and societal risks reflecting the **diversity of needs for social protection**
e.g. catastrophic events; needs of the urban pop. significantly differ than those of the rest of the pop. engaged in agricultural activities
 - Analysing inter-generational issues in the context of **population dynamics**. *e.g. through micro-simulation*

More academic research (actuarial science) in the area of social protection

- Need more **empirically-based research informing practice actuaries** on:
 - **Feedback loops between social protection, employment and the economy**
 - e.g. how will the consumption of households be maintained, ... allowing more economic activity, ... contributing to economic growth, ... raising more tax revenues, ... allowing more social protection expenditure, etc.*
 - e.g. impact assessments integrating actuarial cohort-based results into econometric simulation models such as I-O models*
 - **How fiscal policies and public investments could be better informed about social protection trends and recognizing the long-term impact of reforms**
 - e.g. pre-funding of unemployment insurance and creating funding reserves for social assistance as their costs tend to increase in a counter-cyclical manner*
 - **Taking into account equity and inequalities dimensions of schemes reviewed by the actuary**
 - e.g. reflecting resulting inter-generational transfers and re-distributional effects when interpreting actuarial results*
 - **Developing new financial governance measurement approaches and tools**
 - Performance indicators, statistical reporting, monitoring and policy evaluation
- The knowledge-base from actuarial practice could better support academic research
- Practice actuaries keeping up to date with academic research in all scientific areas to be better equipped when commenting on policy developments throughout the world

Some conclusions for actuarial education

- An **integrated educational framework** for actuaries, econometricians and statisticians practicing in field of social protection

- **Different capacity-building approaches:**
 - Actuarial experts involved in day-to-day affairs of social protection programmes and overall system management (**actuarial/economist/statistician technician level**)

 - Actuarial experts involved in advising highest level of policy makers on policy design and financing considerations (**actuarial/economist accredited level**)
 - Actuarial experts **consolidating their expertise with economic and econometric expertise** to advise the public on the impact of different policy options in terms of their fiscal cost, impact on consumption, economic growth and tax revenues

 - **Actuarial academics** involved in researching on relevant topics to provide sound and robust evidence informing policy makers and assisting practicing actuaries in:
 - Analysis of past time series (administrative and macro data)
 - Development of more empirically-based analytical approaches to support projection assumptions
 - Expanding the interpretation of actuarial results
 - Integrating the formulation of policy recommendations with those of other professional areas

Thank you