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Social Insurance for the 21<sup>st</sup> Century?  
Exploring Pathways for a Sustainable, Equitable and Effective Welfare System

## **What is Social Insurance and Why Consider it in Welfare State Reinvention?**

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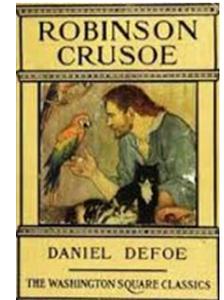
# What is Social Insurance and Why Consider it in Welfare State Reinvention?

- Introduction
- The Objectives of Social Insurance
- Some Design Features
- *Why Social* Insurance?
- The Australian Experience
- The Contemporary “Demand” for Social Insurance
- Why Does Interest in Social Insurance Persist?
- What Does this Mean for the Future of the Welfare State in the 21st Century and Social Insurance as One of Its Important Institutions?

## Introduction

Through social insurance “mankind [will be] secured from all the miseries, indigences, and distress that happen in the world”

Daniel Defoe, *An Essay on Projects*, 1697



Attempts to introduce social insurance legislation into the British Parliament in 1772 and 1786.

First compulsory national social insurance schemes were established in Germany under Chancellor Bismarck in late 19<sup>th</sup> century -- health insurance, workers' compensation for accidental injury, and old-age and invalidity (disability) pensions



Germany' was soon followed by Austria and Hungary, and by Britain under the *National Insurance Act* of 1911.

Since that time many other countries in Europe, the Americas, Asia and Oceania have adopted various types of social insurance schemes.

## Introduction

Reasons for birth and growth of social insurance:

- gives dissenting social groups a stake in the continuity of the state
- a luxury good that is created when countries get rich
- an inexorable outcome of leviathan government
- the recognition of certain risks as a constant of the human condition

Specifically,

- the risk of economic insecurity associated with commonly-experienced adverse life events which are beyond the individual's control, or **contingencies**
- the inability of most people to properly prepare for those contingencies
- even if able to prepare to some degree, the failure of many to do so due to myopia.

## Introduction

The risk of economic insecurity arises from :

- the **loss of earned income** due to such contingencies as unemployment, the need to opt out of the workforce to care for a newborn child, and retirement or widowhood.
- the potentially **catastrophic costs** associated with illness, injuries from accidents, and the provision of care to the elderly and those with either congenital or acquired disabilities.

The recognition of the need to provide protection against the risk of economic insecurity arose at different times in different places and in relation to different contingencies.

e.g., Australia's Medibank scheme (the predecessor to Medicare) was introduced in 1974 in response to concerns about the barrier to health care access experienced by those who could not afford expensive private health insurance.

## The Objectives of Social Insurance

- redistribute income in order to alleviate poverty (the **social adequacy** objective),
- provide indexed benefits that are contributions- and, hence, earnings-related in order to assure some degree of protection of accustomed living standards (the **individual equity** objective)
- **an amalgam of both**
- **income smoothing**
- **social solidarity**
- **easing the burden of care** on informal carers
- **supporting people** with a permanent and significant disability ...

## Some Design Features

- **Mandatory contributions** make possible a pooling solution to risk protection and, thereby, substantially avoids the problems caused by **adverse selection**
- access to social insurance benefits is a **right** subject only to a contribution test and the occurrence of a specified contingency
- social insurance contributions are typically held in a dedicated (“**hypothecated**”) fund
- mandatory contributions are made by employers and employees and sometime by government too

A common characteristic of many social insurance schemes is that they promise benefits whose cost is greater than the revenue generated by their mandatory contributions!

## Why *Social* Insurance at All?

- Private insurance markets are only inclined to cover contingencies in which individual risk and premiums can be reasonably linked across the risk pool (the insured).
- **Moral hazard** is a problem that cannot be overcome and inexorably leads to **market failure** -- the unwillingness of private insurers to develop a needed insurance product.

Insured?  
Insurable?



## Social Insurance: The Australian Experience



- Australia a social insurance laggard ... but not for lack of trying!
- **1928 National Insurance Bill** to cover sickness, old age and invalidity (disability), widowhood and being orphaned. Bill lapsed in 1929 with a change of government.
- The **National Pensions and Health Insurance Act was passed in 1938** to cover old-age, sickness, disability and widow pensions and medical benefits. Abandoned by early 1939.
- **1974 National Compensation Bill** based on recommendations of Woodhouse Committee of Inquiry into a National Rehabilitation and Compensation Scheme for Personal Injury established in 1973. Proposed a no-fault compensation scheme with compensation to be primarily earnings-related. Lapsed due to change of government.
- **Hancock National Superannuation Committee of Inquiry in 1973.** Recommendations rejected by succeeding government.
- **Medibank**, the precursor to Medicare, **introduced in 1974.**

## The Contemporary “Demand” for Social Insurance

- Interest in extending the range of contingencies covered by social insurance has persisted.
- Exemplified by the NDIS launched in July 2013 subsequent to framing disability as an economic issue and a sustained, sophisticated policy advocacy.
- ACTU has recommended consideration be given to the introduction of an unemployment social insurance scheme.
- Many submissions made to Productivity Commission's inquiry into aged care (2011) supported introduction of a long-term aged care social insurance scheme.
- Elsewhere ... A (voluntary) long-term aged care social insurance scheme provided for under the United States *CLASS Act* of 2010 (part of the Obamacare legislation). Taiwan is on the threshold of introducing long-term aged care social insurance

## Why Does Interest in Social Insurance Persist?

Some reasons:

- The effectiveness of existing social insurance schemes
- Demographic factors (paid parental leave insurance, long-term aged care insurance)
- The growing precariousness of modern life resulting in income instability



"Your job is safe ... if you can commute to India."

## What Does this Mean for the Future of the Welfare State in the 21st Century and Social Insurance as One of Its Important Institutions?

- The neoliberalism of the late 20<sup>th</sup> and early 21<sup>st</sup> centuries suggests that the future prospects for ne social insurance schemes are poor ... and that NDID is an aberration.
- .However, the role of neoliberalism in shaping social policy is contested.
- Empirical research suggests that welfare state retrenchment has not taken place.
- Therefore, there may, in fact, be some scope for the introduction of new social insurance schemes, e.g., community-based long-term aged care social insurance.

This is

**The End**

Hooray!!!

# The Fiscal Side of Social Insurance

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# What is Social Insurance?

- Social insurance is typically defined in contrast to two other types of social programs: social assistance and universal benefits and services.
- What is specific about social insurance is the relationship between social benefits and payroll contributions.
- Social assistance benefits are derived from need; universal benefits from citizenship.

# The Fiscal Side of Social Insurance

- A fiscal-centred perspective: payroll contributions are not only a way to finance social benefits and services; they are also embedded in the fiscal side of state building.
- Payroll contributions increase fiscal capacity of the state and can matter in their own right, as a fiscal and economic instrument.

# The Example of Canada (I)

- The creation of the Québec and Canada Pension Plans in the mid-1960s is an example of how fiscal imperatives can drive the development of social insurance programs.
- Quiet Revolution and state-building in Québec: using pension contributions to feed a new provincial investment board rooted in economic nationalism.

# The Example of Canada (II)

- In the end, Québec created its own old-age insurance scheme (QPP), which was identical to the Canada Pension Plan, except for the way payroll contributions were handled.
- The main rationale behind the creation of QPP alongside CPP was economic nationalism and the related need to increase the fiscal capacity of the provincial state in Québec.

# Other Examples

- United States: the creation of Social Security during the New Deal, which favoured the expansion of the fiscal capacity of the federal government at a time when the federal income tax had a narrow base.
- Israel: advent of social insurance schemes after the creation of the country in 1948 to increase the fiscal capacity of the new state.

# Conclusion

- Social insurance payroll contributions are fiscal and economic tool in their own right.
- Studying the fiscal side of social insurance requires to take this state- and nation-building reality into account, instead of understanding payroll contributions solely as financing devices for social benefits and services.
- More historical-comparative research needed!



# **The Gendered Effects of Social Insurance Schemes: A Case Study of Ageing and Pensions**

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Academy of the Social Sciences in Australia Symposium on  
**'Social Insurance for the 21<sup>st</sup> Century? Exploring Pathways for a  
Sustainable, Equitable and effective Welfare System'**

Shine Dome, Canberra, 17<sup>th</sup> November 2015

# Gender and Social Insurance Systems

Gender is fundamental to the design of Social Insurance Systems, but we need to consider:

- Changes in women's roles, especially increases in women's paid employment
- How welfare states vary in their approach to women's roles, including childcare provision
- The Impact of pension policy changes associated with concerns about an Ageing Society – are they gender neutral?

# Welfare States and Women's Roles

Welfare states vary in approach to women's roles:  
Primarily as **mothers** or as **workers**

- 1. Male Breadwinner model** (family support)
  - women as dependent wives, mothers, carers (with 'derived rights' from husbands)
  - E.g. UK state Pension system based on 'social insurance' was formulated after 2WW
- 2. Adult Worker model** (Individualised)
  - women as equal workers - Nordic countries
- 3. Adult Worker/part-carer model** (current UK reality)
  - women juggling caring and paid work (with inadequate state-supported childcare)

# Derived rights based on marriage

## UK 'breadwinner' model:

Most Married women gained a State pension based on their husband's employment record;

Widows inherited (50% of) state pension from husband

In most Defined Benefit Occupational Pensions – wives (and ?male dependent spouses) inherit 50% of husbands pension

## Are derived benefits outdated and ineffective?

- Women's greater employment participation & Education
- Separation of marriage and motherhood (Cohabitation)
- Married women may be childless, yet receive a subsidy
- **Divorced women** and **Lone parents** are especially vulnerable to poverty

# Individualised rights -

## **‘Independence model’ of benefits provides rights through:**

- Own Employment – length of employment career (years of contributions)
- Level of earnings
- Allowances for family caring? (May be provided in state pensions, but not in private pensions)
- Residence/Citizenship – in some countries

**BUT – Gender inequalities in the labour market and in caring remain. However,**

- Variation between societies in support for women’s labour force participation, e.g. state childcare, maternity benefits.

# Lower income of older women

**Reflects their pension-building experience**

- depends on **family, state** and **labour market**

**But changing gendered norms affect all these.**

**Today:**

- 1. Can women earn on equal terms with men?**
- 2. Have pension systems adapted to women's working lives?**

**Or do women's family roles still limit their employment, earnings and pensions?**

# Labour Force Participation and Pensions

## 1. Women's participation in the labour market

- Occupational segregation
- Lower hourly earnings
- Family caring roles – if lack of state support

Career breaks

Part-time work

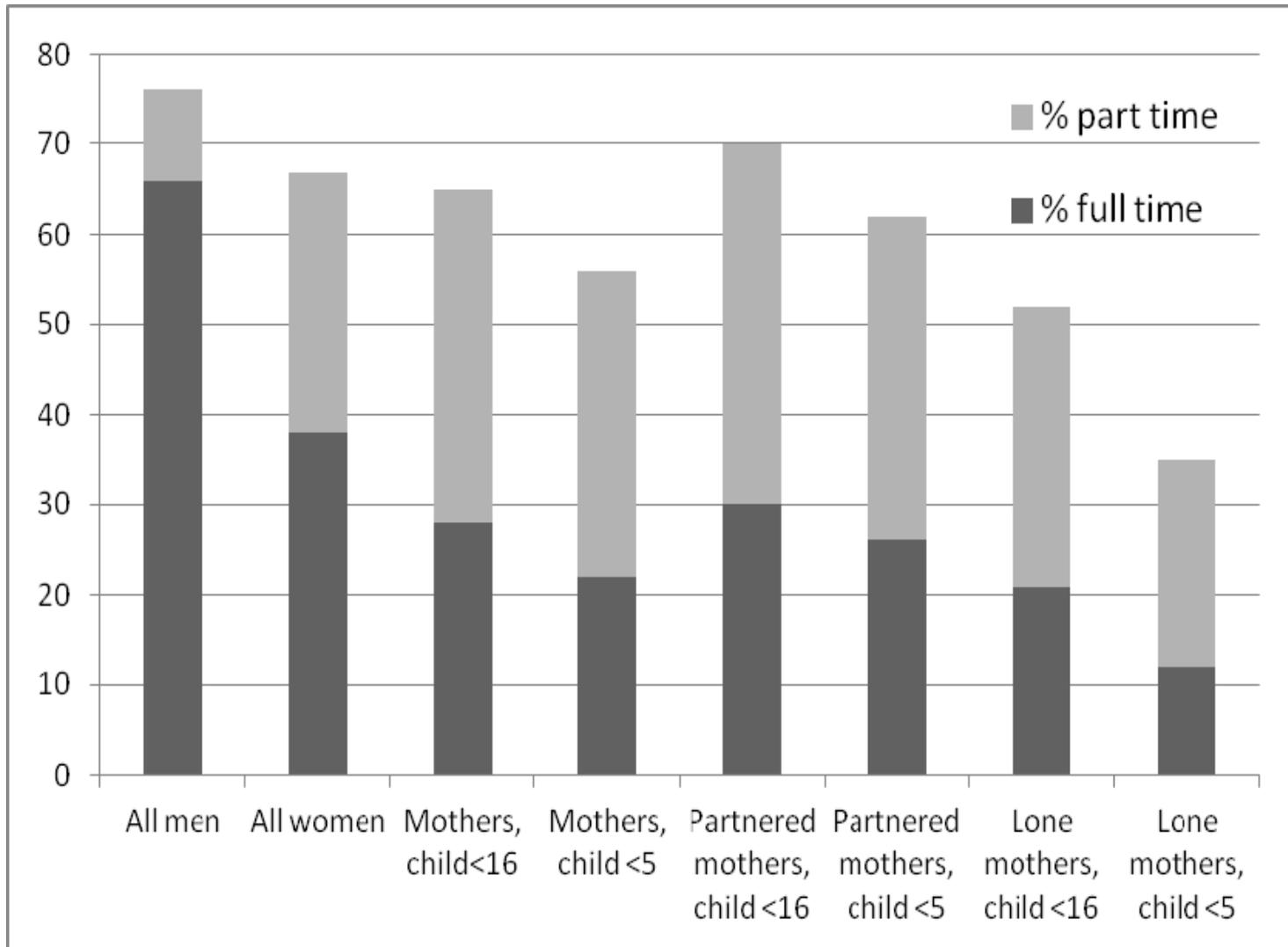
- Fewer years of full-time employment

Hence lower lifetime earnings

## 2. Most pension schemes are designed for a 'masculine life-course'

- full time continuous employment for a full pension

# Percentage of British mothers employed full and part time, by partnership status and age of youngest child living at home



Source: ONS 2012

# Towards an Adult Worker (Individualised) model in 21<sup>st</sup> century

## Nordic countries

- State services replace much of women's family work (childcare, eldercare)

## France

- Pro-natalist policies, so childcare a priority

## **But**

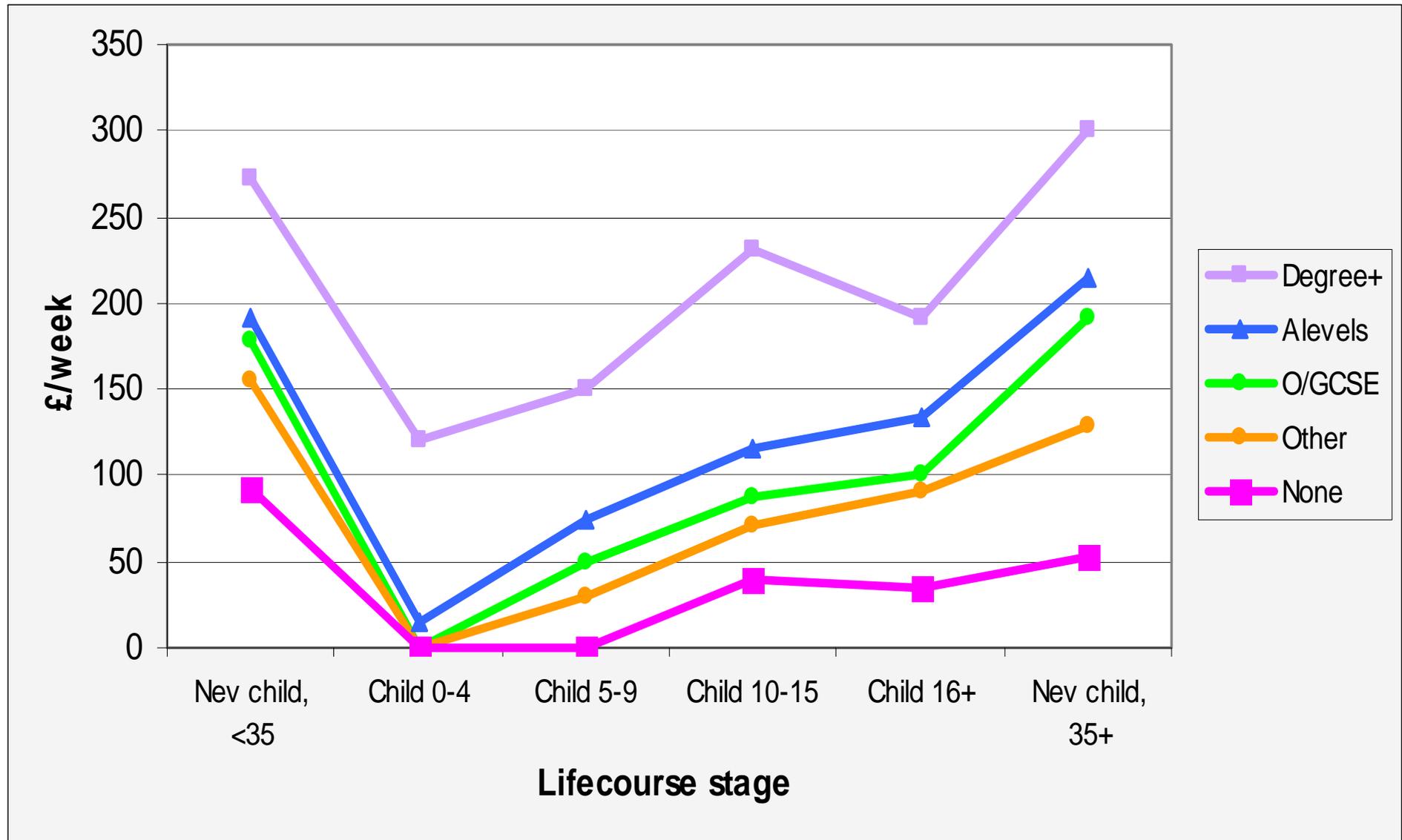
## Britain, Germany, Netherlands

Lack of affordable childcare/eldercare services contribute to women's part time employment

However, Increasing Inequality between highly educated (well-paid) women who can afford childcare and most other women. Plus, **Increasing role of grandmothers** in providing childcare, often reducing own mid-life employment and pension building.

# Median earnings by lifecycle category and education.

## British women aged 20-59



Source: Ginn and Arber 2002

# Childcare and eldercare allowances in pensions

## A) Flat rate State schemes

- UK allows for carer credits in the basic pension – but pension is low
- Netherlands and Denmark provide a residence based pension

## B) Earnings-related State schemes

- All allow some pension cover for child-care
- Time allowed varies from 3 months to 5 years
- Allowances for eldercare are rare

## C) Private Pension schemes (Defined Benefit & Defined Contribution)

- No pension allowance to cover for child-care (or elder-care)

# UK Pension System from 1970s to 2010s

1. **State (Basic) Pension (1<sup>st</sup> Tier)** – based on 35 contribution years with carer credits for women.

- Women as dependent wives, widows inherit husbands' pension

**BUT – at a VERY Low level.** Well below 'means-tested' income support level

Therefore high and growing % of women (and men) eligible for 'Pensioner Credit' (Income support)

2. **State earnings-related Pension (SERPS/SP2) (2nd Tier)** – mainly for those without private pensions, ie lower earners – subject to many policy changes

3. **Private Pensions (3rd Tier)** – Occupational - Defined Benefit (DB) – declined. Defined Contribution (DC) – increased. - Benefit mainly men – with full-time careers, especially in high paid jobs & public sector  
- Huge tax subsidises for 'private pension saving'

# UK Pension Reforms from 2016

- 1. State Single Tier Pension (STP) from 2016** – based on 30 contribution years with ‘carer credits’. Individualised – removed all derived benefits for women.
  - Removed state earnings-related Pension completely.
  - Set at a higher level – above ‘the poverty’ line (£150 per week) – flat-rate. ‘Triple lock’ of pension rises.
  - Aim reduce numbers claiming ‘means tested’ support.
- 2. ‘Auto-enrollment’ into private (DC) pensions by all employers from 2016** – Unless ‘opt-out’ by paying into a ‘recognised’ Occupational pension scheme
  - Employee pays 4%, Employer pays 3%, State pays 1%
  - BUT ‘no carer credits’ – and huge risks of DC schemes
- 3. Private Pensions** – Defined Benefit (DB) remain, but fewer & becoming less generous. Defined Contribution (DC) – Rapid increases. - NB. ‘no carer credits’ – Huge risks of DC schemes - Reduction in tax-subsidies for private pensions, but are still substantial.

## **Pension Reform Trends - implications for women**

- 1. Tighter link of pensions to employment and earnings.**
  - effect of gaps in employment and low pay increases**
  
- 2. Shift from state to private (money purchase) pensions**
  - limits the potential for redistribution to carers (Carers are unprotected in private pensions)**
  - places market risk and investment choice risk on individuals**
  - increases administration costs and introduces investment management costs**
  
- 2. Increase in UK State Pension Age (for women from 60 to 65) and for all to 66 in 2020 and 67 in 2028 - gender differences in possibilities of working longer...**

**Pension Reform effects are most severe for women/carers**

# Gender and inequality

## Non-carers/men

(economic rationality)

- Freed to engage in full time employment
- Can maximise lifetime earnings and pension rights

## Carers/women

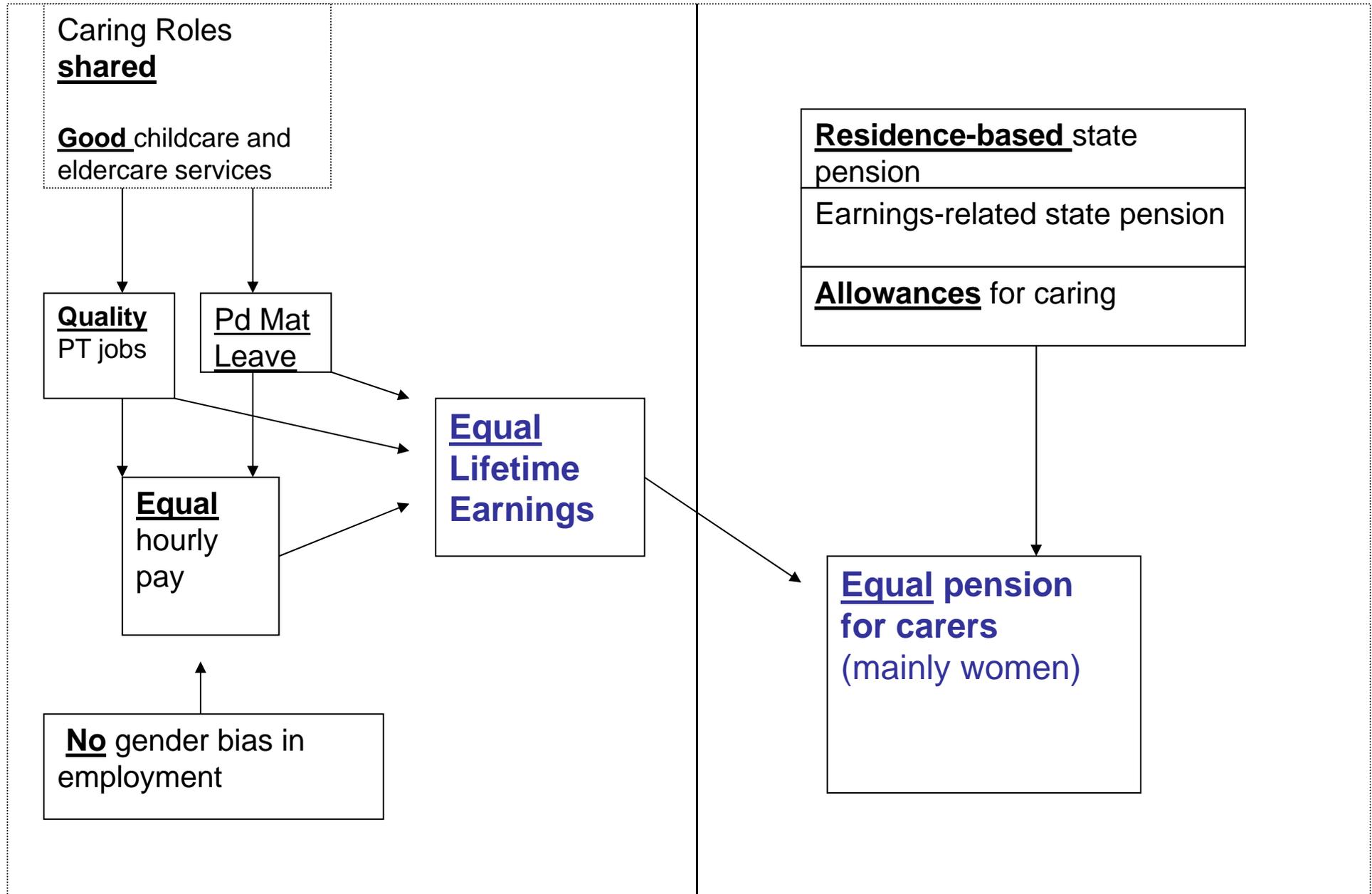
(social quality)

- Reproduce next generation, physically and socially.  
(Mainly mothers & grandmothers)  
Care for parents/partners.  
Save state costs.
- Fewer years paid work and lower earnings
- Smaller pensions, greater risk of poverty in old age

# Best Scenario for Women/carers

## LABOUR MARKET

## PENSION SYSTEM



# Conclusions

## 1. Can women earn on equal terms with men?

**No:** Family caring still restricts women's ability to build equal pensions in UK and most EU countries. Plus role of Grandmothers in supporting daughters(in law) reduces their pension building and potential for 'active ageing'.

## 2. Have pension systems adapted to women's working lives?

**Slightly.** But increase in private (especially DC) pensions and increase in state pension age for women reverses these gains.

## 3. Fairer and more equal policies are possible

***The End***

***Thank you for your attention***

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## **But cross-country variation in women's:-**

- Full time employment rate
- Employment continuity
- Earnings relative to men
- Pension income and poverty risk

**Shows that carer-friendly welfare policies  
are possible**

# Design of state pension schemes – can be gender equal – depends on...

## Access

Earnings or hours thresholds

Residence thresholds

Treatment of periods of caring (for children and elders?)

Age for pension entitlement (major recent UK changes)

## Amount

Flat rate or earnings-related

Years required for full pension

Maximum pension may be low, relative to average earnings (as in the UK)



# The Topsy-turvy World of Australian Parental Leave

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Presented at: Reinventing the Welfare State?  
The Future of Social Insurance in Australia and Internationally

ASSA Annual Symposium, 17 November 2015

# Types of Family Leave

## **Paid parental leave**

Provides paid, job protected leave so that parents can care for their infants and young children.

Under European Union law, male and female workers have individual entitlements to parental leave on the grounds of the birth or adoption of a child, **enabling them to take care of the child for at least four months ;** at least one of the four months cannot be transferred to the other parent under any circumstances, i.e. it is reserved for each parent;.

## **Maternity leave**

Intended to protect the health of the mother and newborn child. Typically available before and immediately after childbirth.

## **Paternity leave**

Enables fathers to spend time with his partner, new child and older children. Generally of short duration (up to two weeks).

# Parental Leave Pay (Australia)

- Up to 18 weeks Parental Leave Pay at Minimum Wage regardless of previous earnings. Current Minimum Wage = \$657 per week.
- Eligibility:
  - Employed full-time, part-time or self-employed and have worked for 10 of the previous 13 months for 330 hours (approx. 1 day per week)
  - Earn less than \$150,000 per year
- Up to 2 weeks Dad and Partner Pay, at Minimum Wage



Australian  
National  
University

# Assessing alternative approaches to Unemployment Insurance and Unemployment Assistance: A comparative perspective

Presentation for Symposium, Academy of the Social Sciences in  
Australia, Canberra , November 17, 2015

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# Outline

- Defining social insurance
- Comparing protection for the unemployed
- Advantages and disadvantages of different approaches
- Australian challenges

## What do social policies deal with?

- The life course
- Individual risks and income changes
- Macroeconomic change – recessions and labour market changes
- Redistribution, inequality and poverty, disadvantage
- Social investment

## How are the benefits of social policies allocated?

- Social insurance
- Individual accounts
- Universal programs
- Means-tested or targeted programs
- Entitlements based on:
  - Contributions
  - Citizenship
  - Need



## “The federal government is basically an insurance company with an army ...” [http://krugman.blogs.nytimes.com/2013/09/12/insurance-company-with-an-army-blogging/?\\_r=0](http://krugman.blogs.nytimes.com/2013/09/12/insurance-company-with-an-army-blogging/?_r=0)

- “Most of what we call social policy is actually public insurance. Social Security and Medicare insure against the risk of having little or no money in your retirement years. Unemployment compensation insures against the risk of losing your job. Disability payment programs insure against the risk of suffering a physical, mental, or psychological condition that renders you unable to earn a living.
- Other public services and benefits also are insurance programs, even if we don’t usually think of them as such. Public schools insure against the risk that private schools are unavailable, too expensive, or poor in quality... The Earned Income Tax Credit (EITC) insures against the risk that your job pays less than what’s needed for a minimally decent standard of living. Social assistance programs such as the Supplemental Nutrition Assistance Program (SNAP, or “food stamps”) and Temporary Assistance for Needy Families (TANF) insure against the risk that you will find yourself unable to get a job but ineligible for unemployment or disability compensation.
- <http://lanekenworthy.net/public-insurance-and-the-least-well-off/>

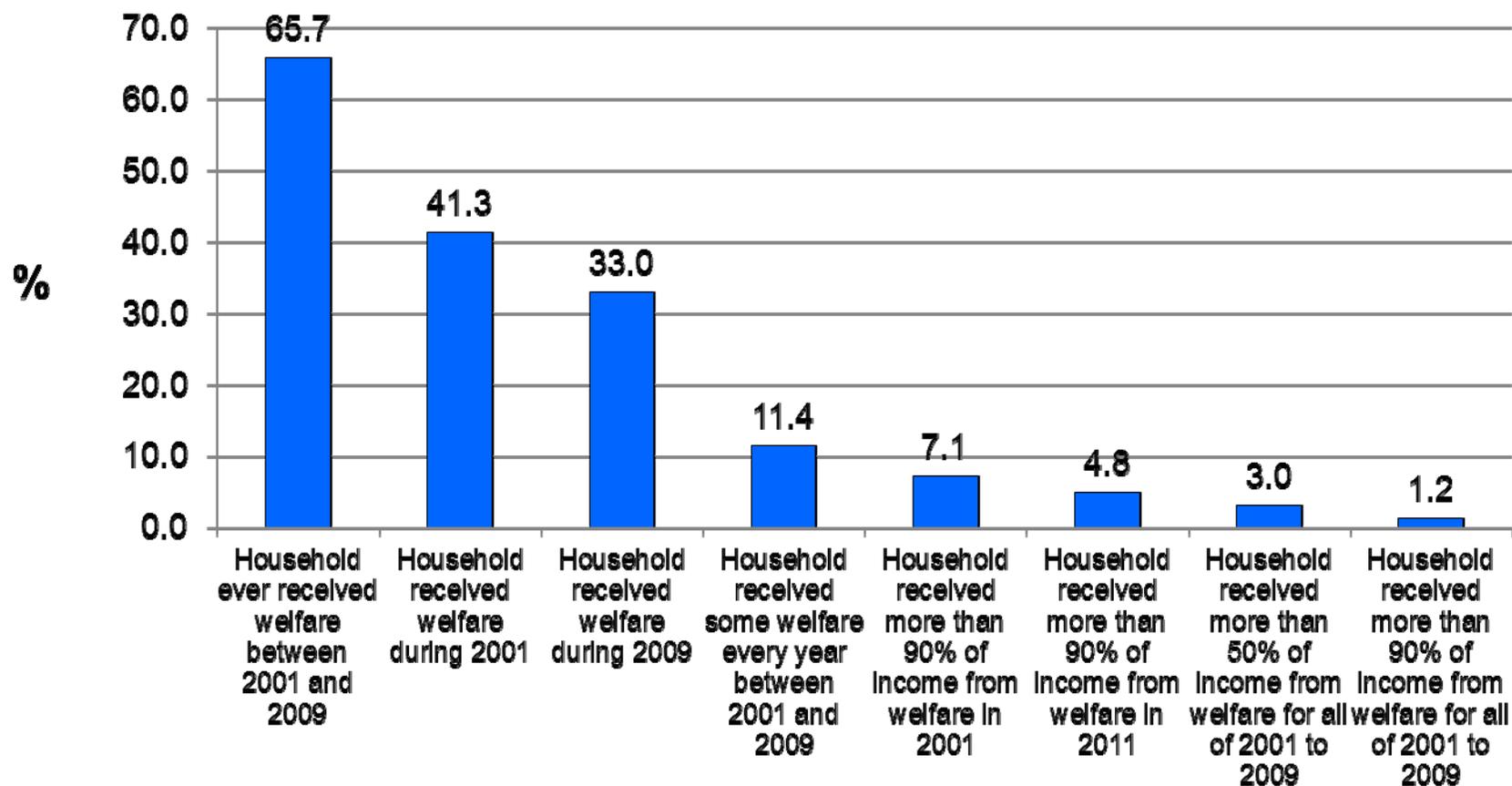
# Risks and income changes

- Around 3% of the Australian population are fired or made redundant each year and 10% over four years (HILDA).
- In the twelve months to February 2011, more than four million people changed their labour force status. While the average number of unemployed persons in each month of 2011 was around 600,000, 1.7 million persons overall looked for work at some time during the year, but of these fewer than 150,000 (8 per cent) spent the whole year looking for work. (ABS, 2011)
- Roughly 16 per cent of those who worked during the year ceased a job during the twelve months to February 2013. Nearly 40 per cent of these people left their last job involuntarily. (ABS, 2013)
- The share of workers dismissed each year somewhat higher in Australia than in Great Britain, at just under 4 per cent of all dependent employees; both had lower dismissal rates than USA (around 5 per cent), but both higher than France or Germany (closer to 3 per cent). (OECD, 2010)
- Between 2001 and 2008 40 to 50 per cent of Australians experienced a drop in income and roughly 10 per cent fell more than 20 percentiles in income distribution. Over the whole period, 44 per cent of the population moved more than 20 percentiles.



# Welfare receipt in Australia

% of working age households receiving income support payments by period





# Comparing protection for the unemployed

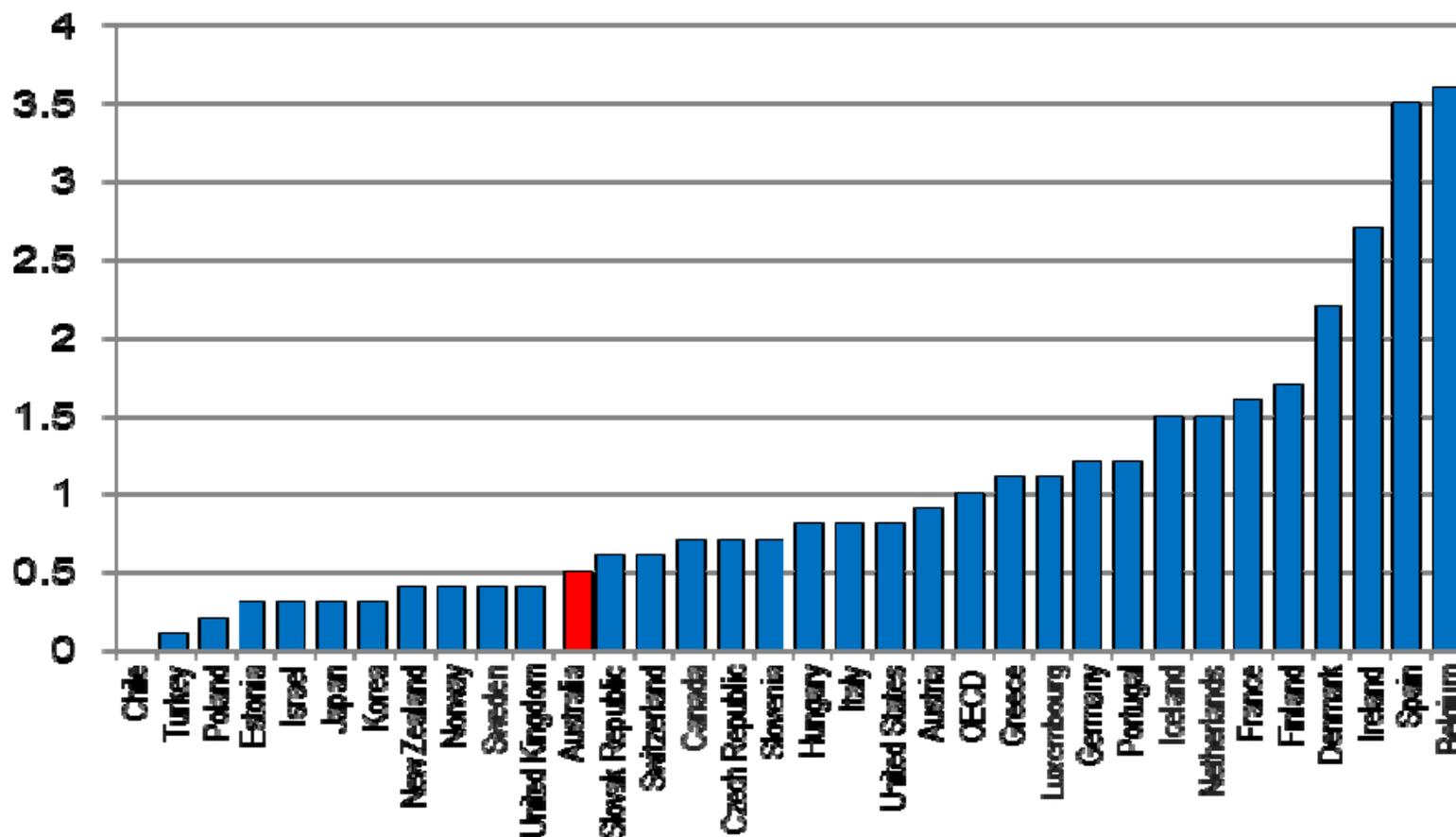


# Defining the quality of social protection

- Benefit levels – how much do I get paid?
- Coverage – who is included or excluded?
- Duration – how long does it last?
- Ancillary benefits and services

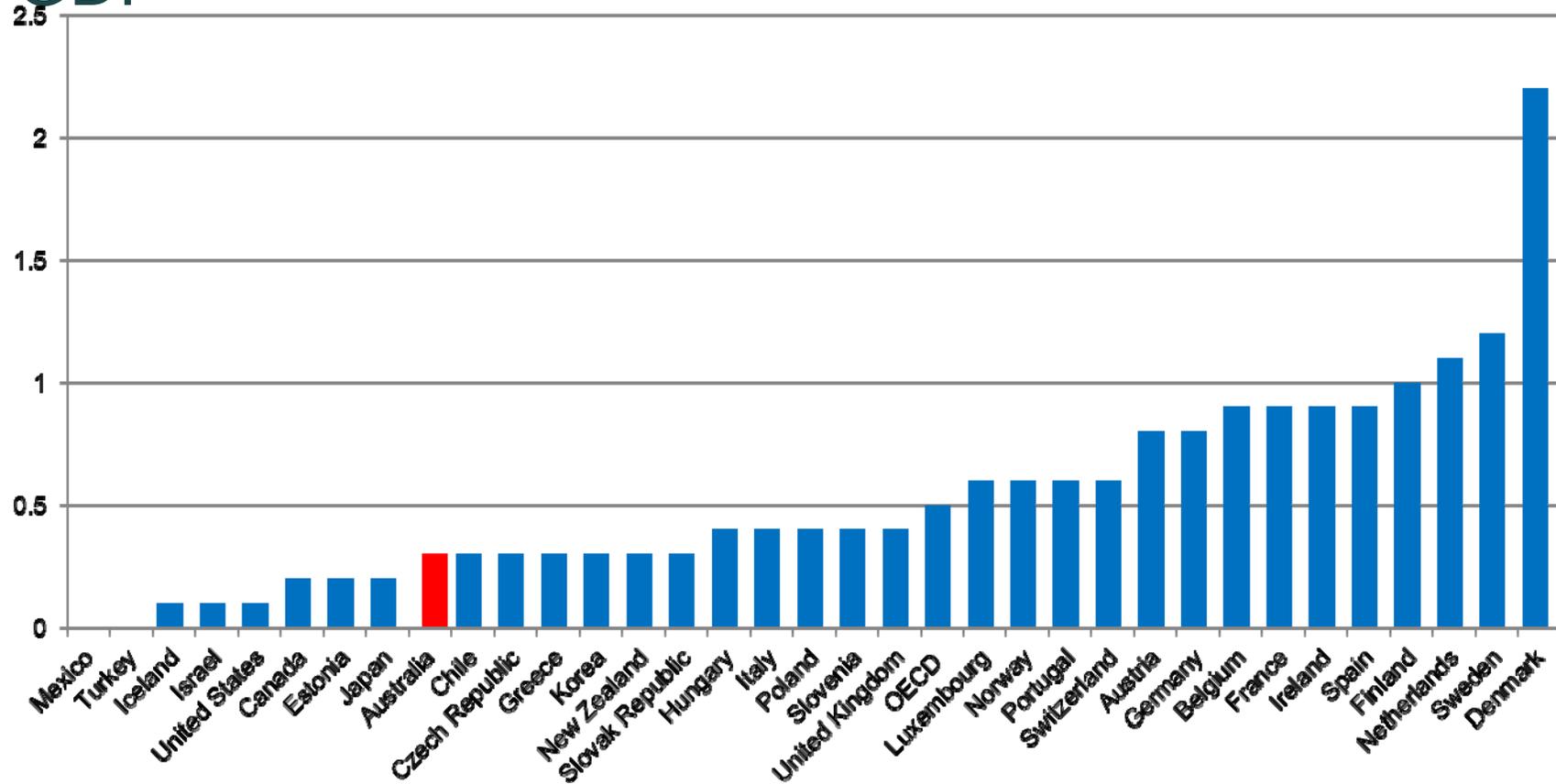


## Spending on cash benefits for unemployed, OECD countries, 2011 % of GDP





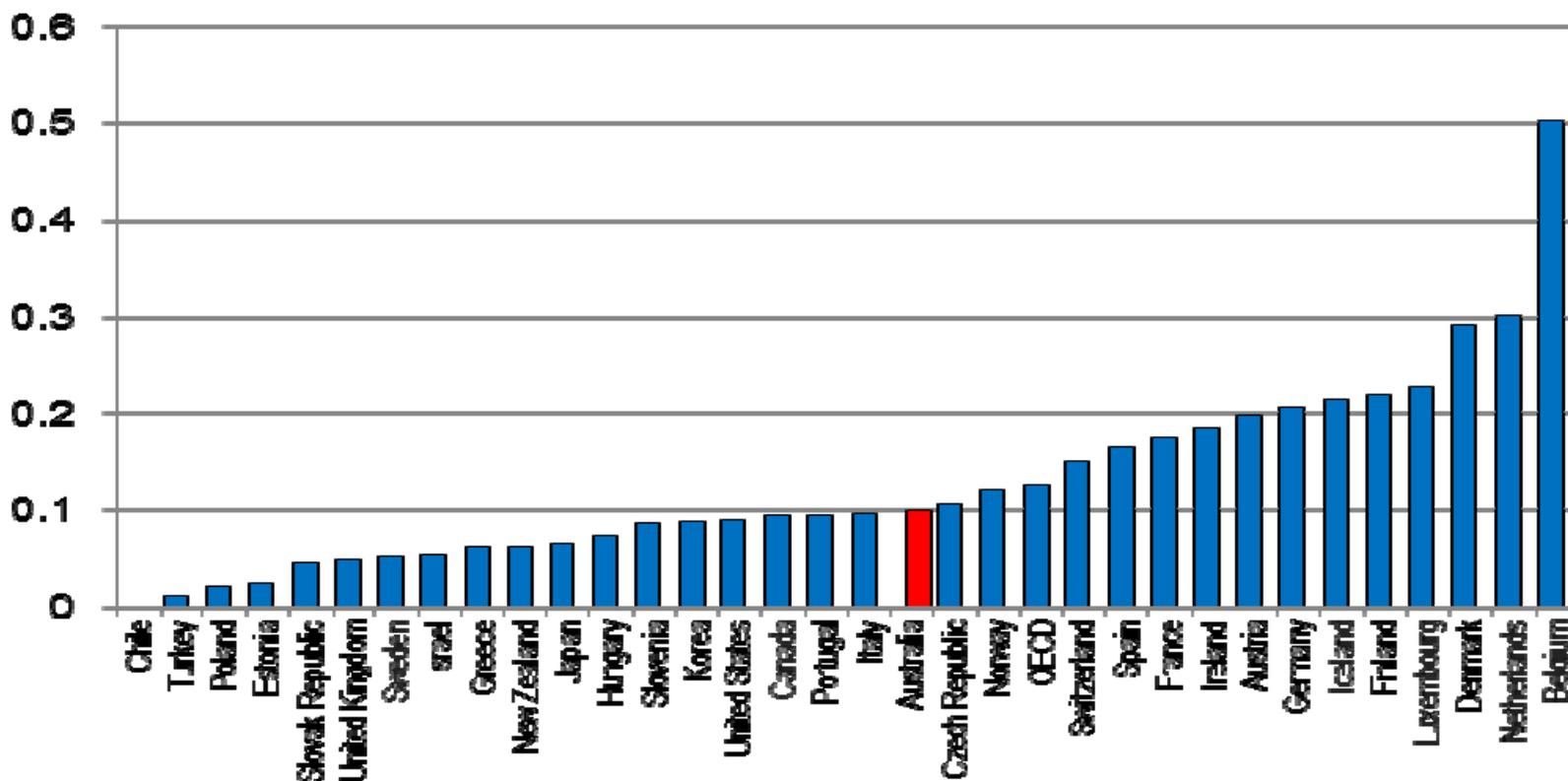
# Spending on active labour market programmes, OECD countries, 2011 % of GDP





# Standardised spending on cash benefits for unemployed, OECD countries, 2011

% of GDP/ Unemployment rate





## Participants (% of labour force) in ALMPS and income support for the unemployed, selected countries, 2013

	Social insurance	Social assistance	Other	ALMPs
Australia	-	6.71		1.85
Denmark	1.79	3.41	0.94	6.08
Finland	3.99	4.63	1.13	4.41
France	8	1.58	0.07	5.11
Germany	2.14	4.45	-	3.07
Italy	4.41	-	2.4	4.65
Netherlands	4.91	4.68	-	4.08
New Zealand	-	2.18	-	2.33
Sweden	2.51	-	1.93	5.34
United Kingdom (2009)		- 5.04 -		0.23



## Comparing benefit levels

- Relative measures of adequacy
  - % of net wages at different levels
  - % of median income (poverty line)
  - % of GDP per capita/HDI per capita
- Adjustment by purchasing power parities
- Caveats

## Model families data sources

- Kamerman and Kahn (various)
- Bradshaw et al. (various)
- Social Assistance and Minimum Income Protection Dataset (Nelson, 2006)
- CSB Minimum Income Protection Indicators Dataset (Van Mechelen et al ., 2011)
- OECD tax benefit models (e.g. Immervoll, 2010)

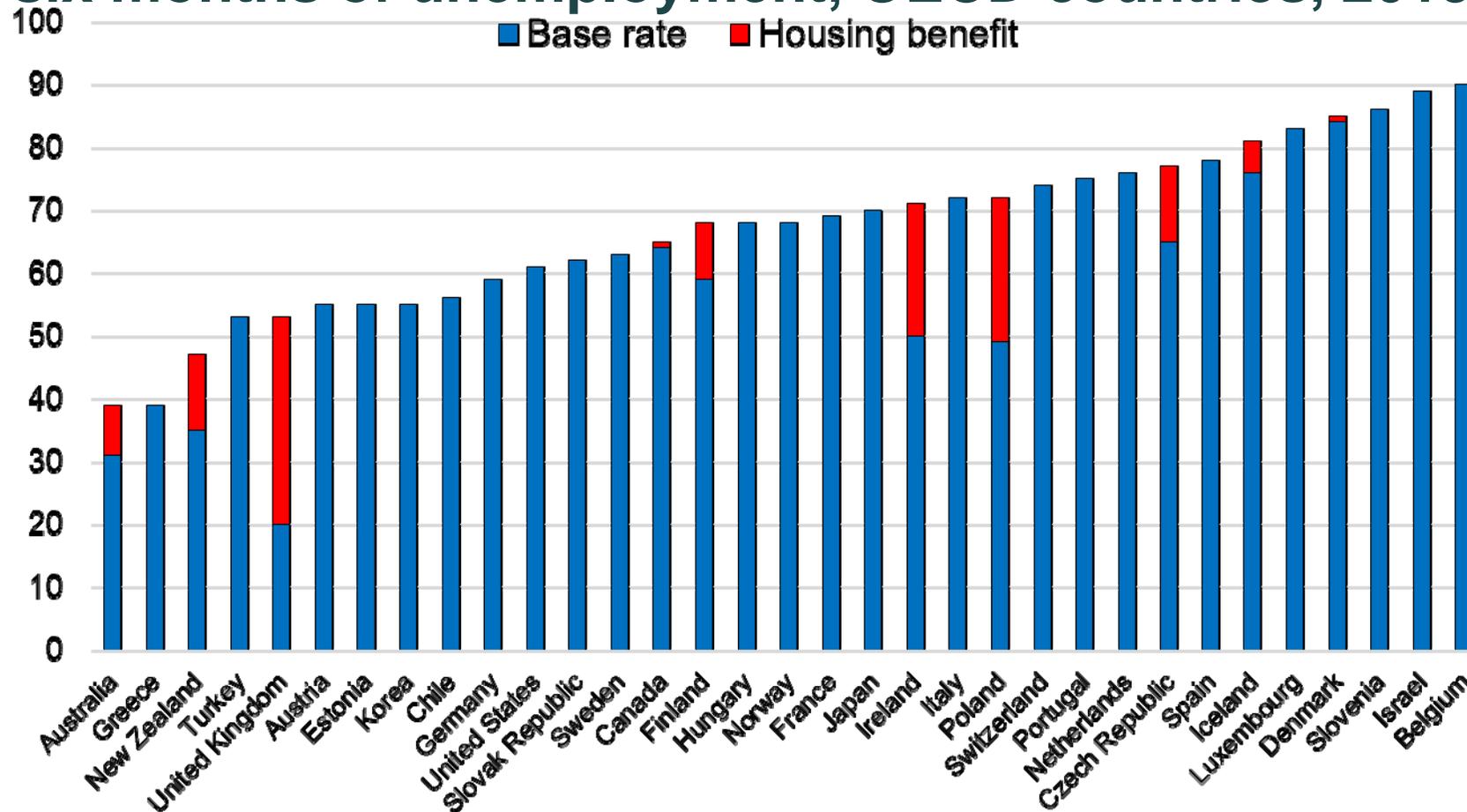


# Components of OECD tax benefit models

- What is included
  - Social insurance and income support benefits
  - Family benefits
  - Income tests
  - Interactions with taxes
  - Housing benefits
  - Child care (sometimes)
- What is not included
  - Assets tests
  - Child support
  - Eligibility, activation, conditionality, benefit duration
  - Policy administration

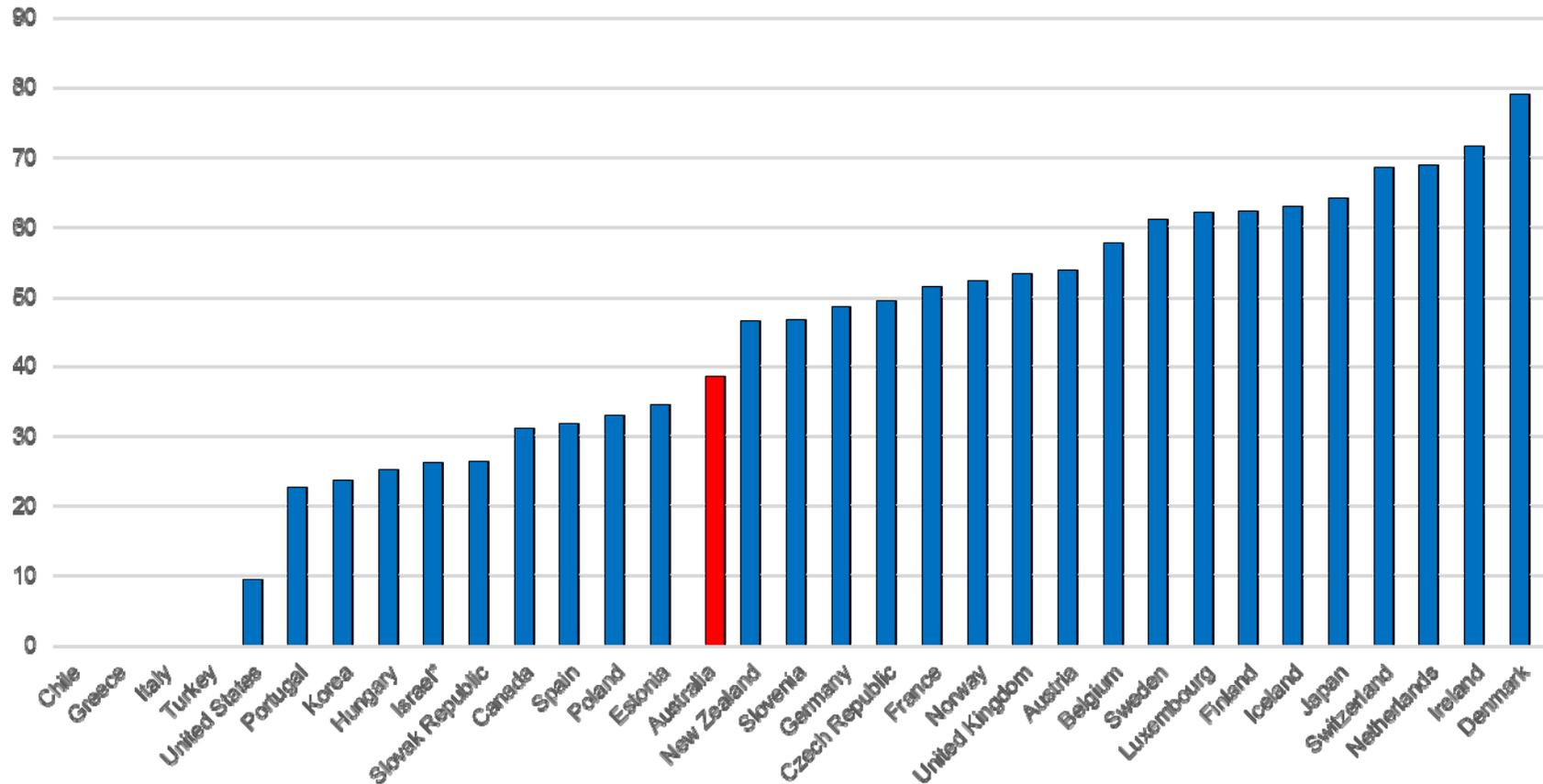


## Net replacement rates for low paid workers in first six months of unemployment, OECD countries, 2013



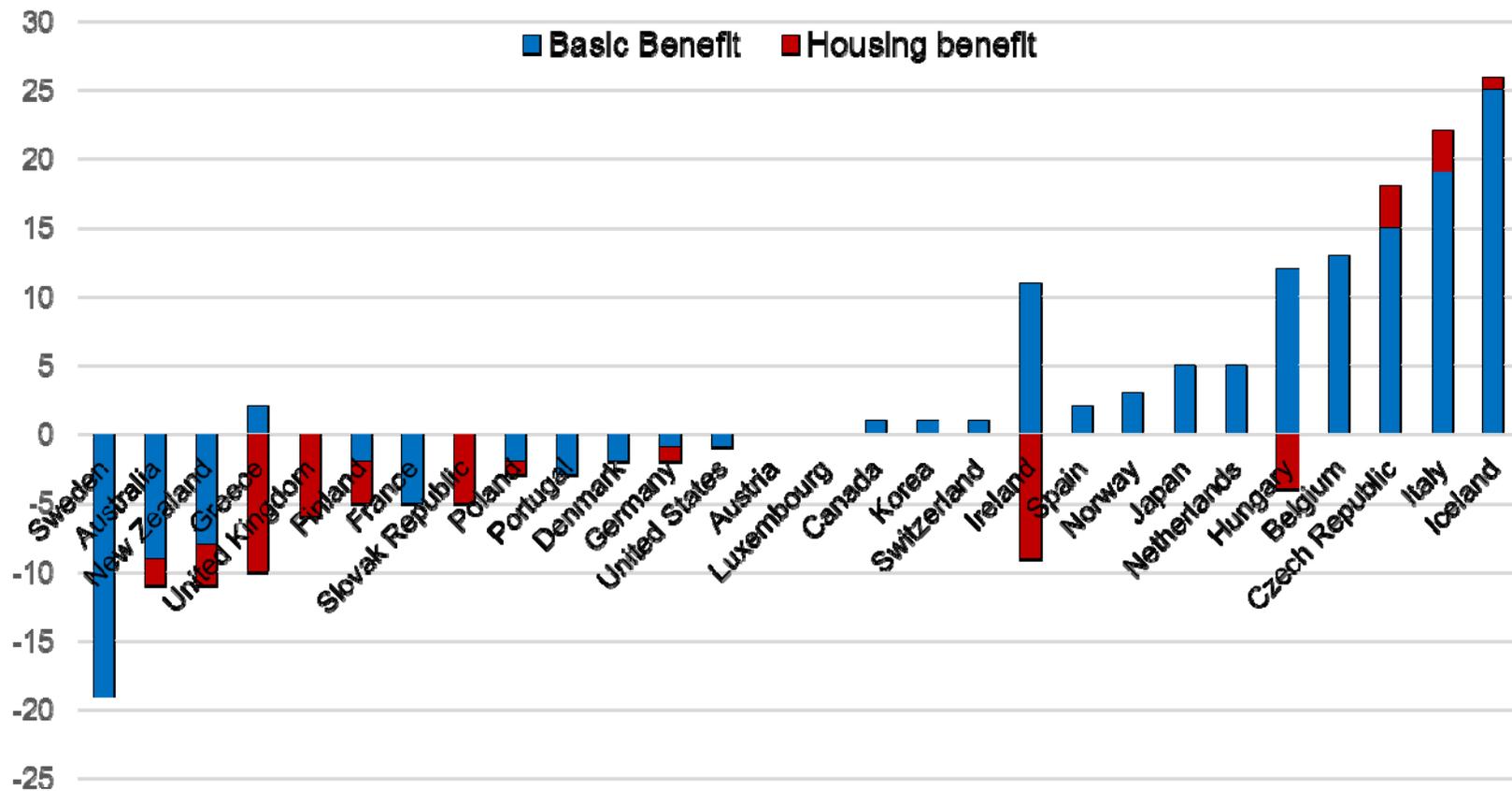


## Net replacement rates for low paid workers in sixtieth month of unemployment, OECD countries, 2013



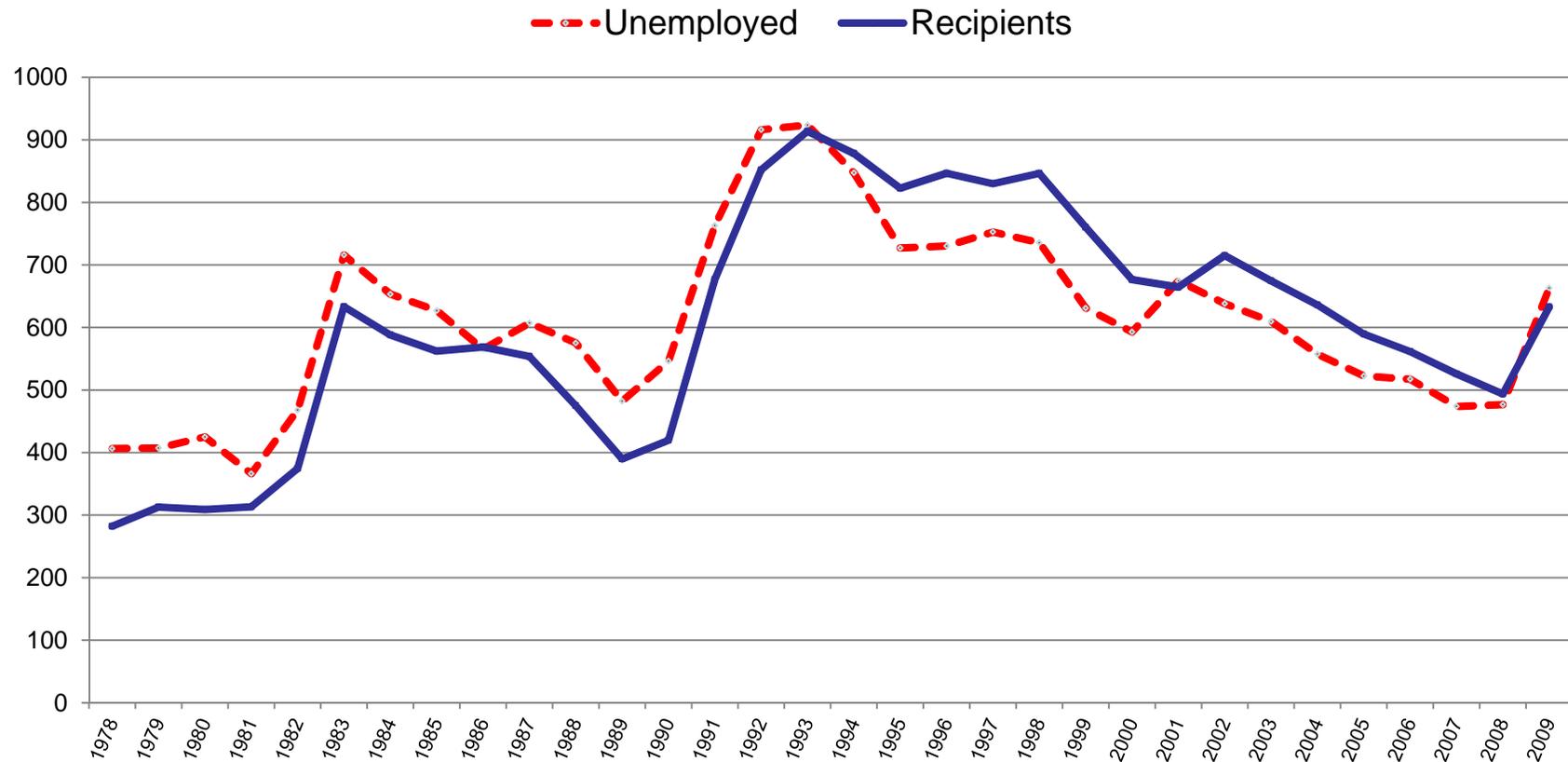


## Change in net replacement rates as % of average wage (%) for single low paid workers, OECD countries, 2001 to 2013





# Trends in the number (000s) of unemployed and unemployment benefit recipients, 1978 to 2009



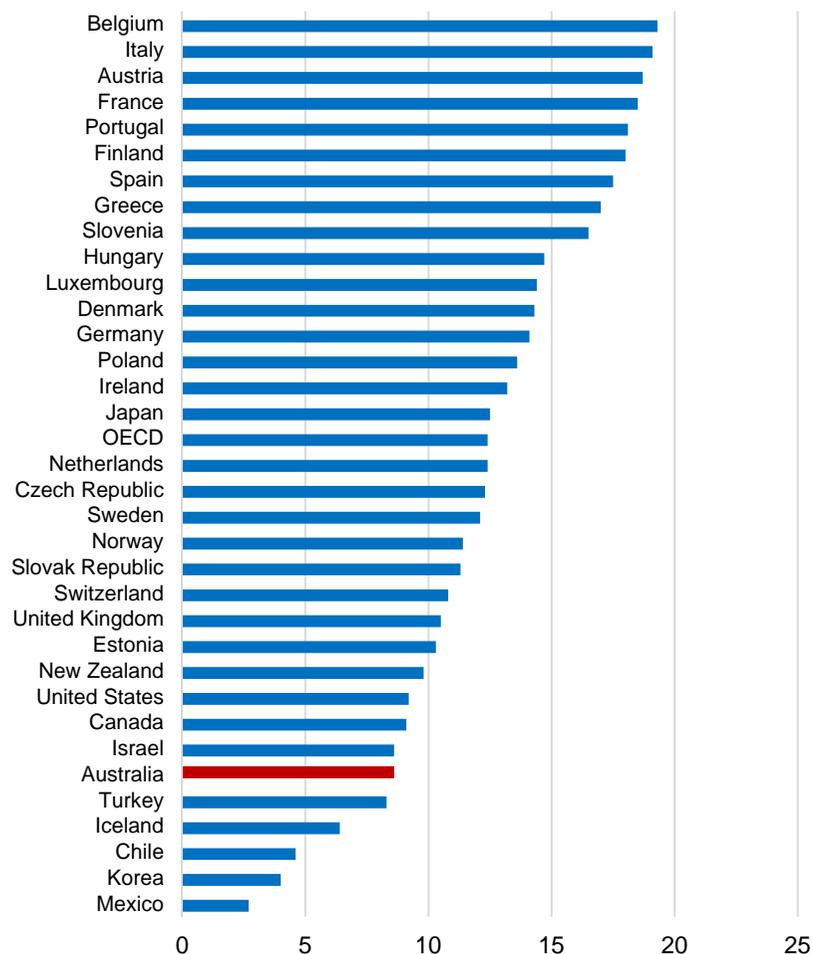


# Australian challenges

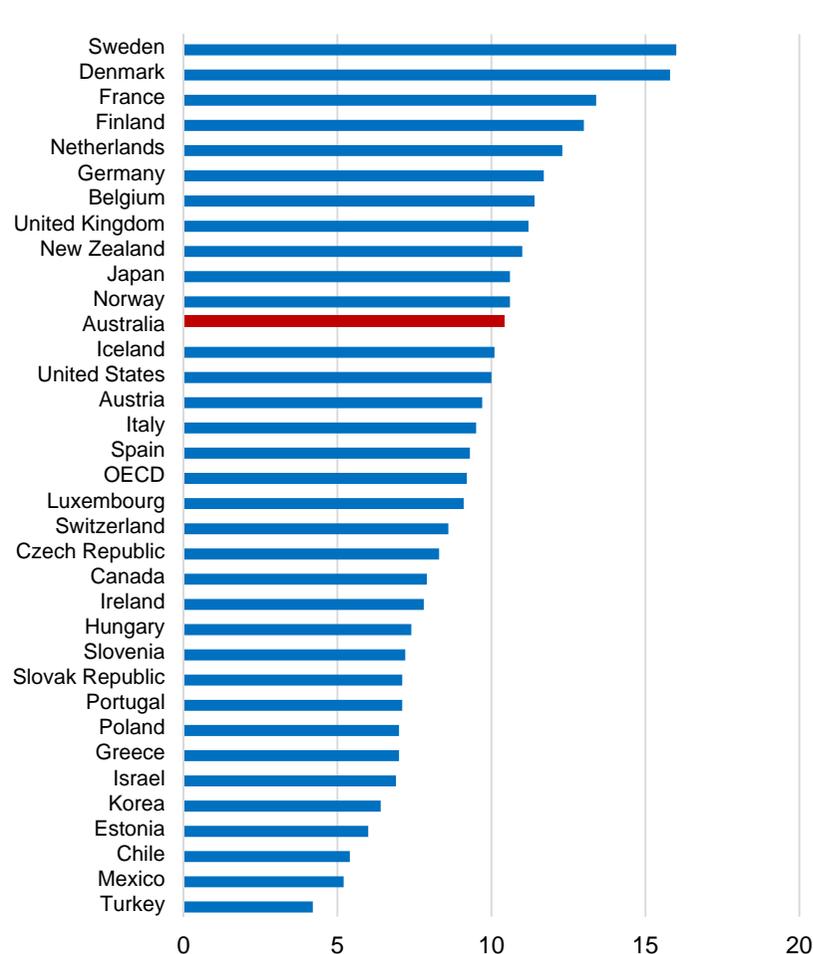


# Social spending, OECD, 2014 or nearest year (% of GDP)

## Spending on cash benefits



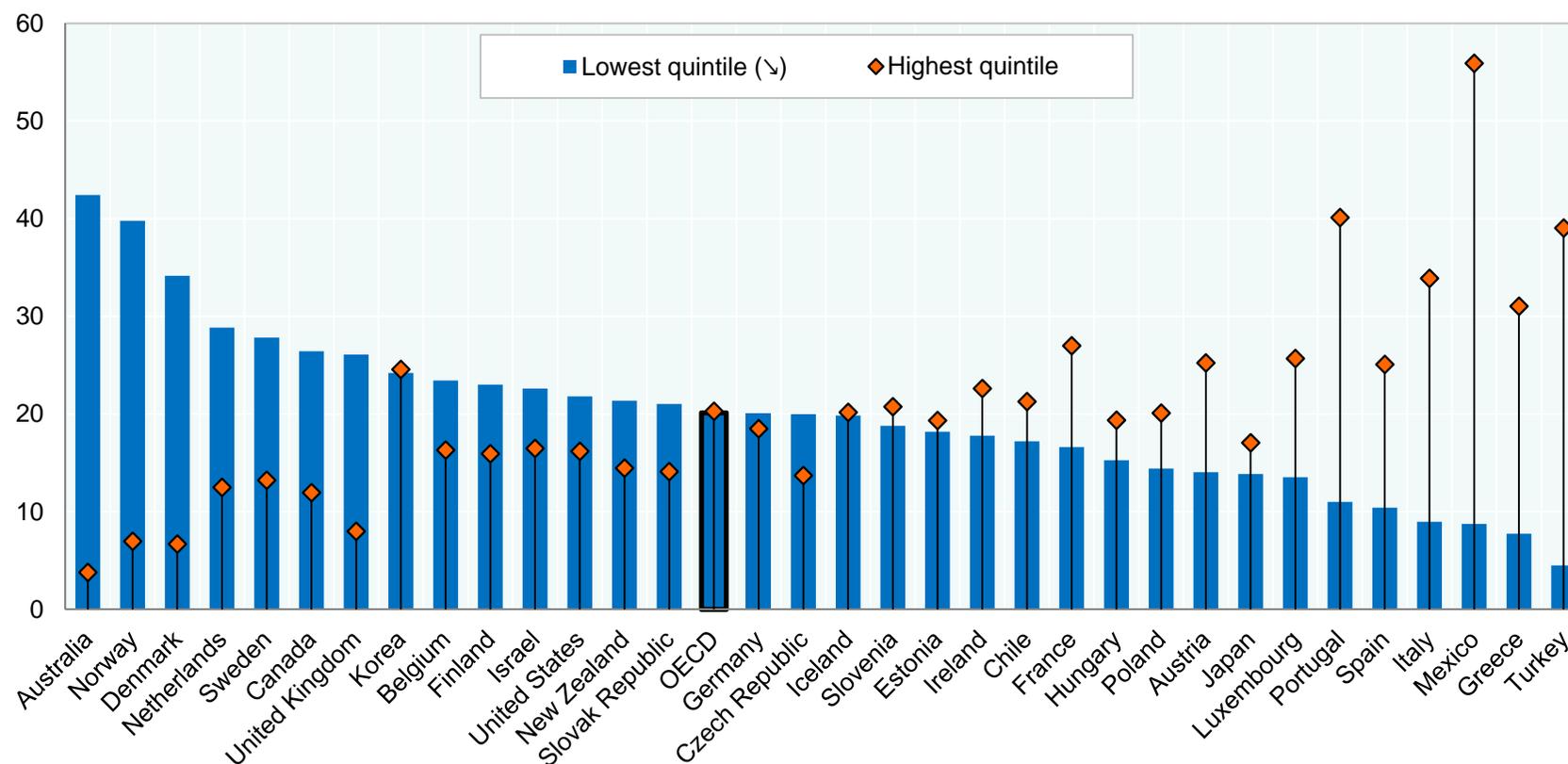
## Spending on Health and Services





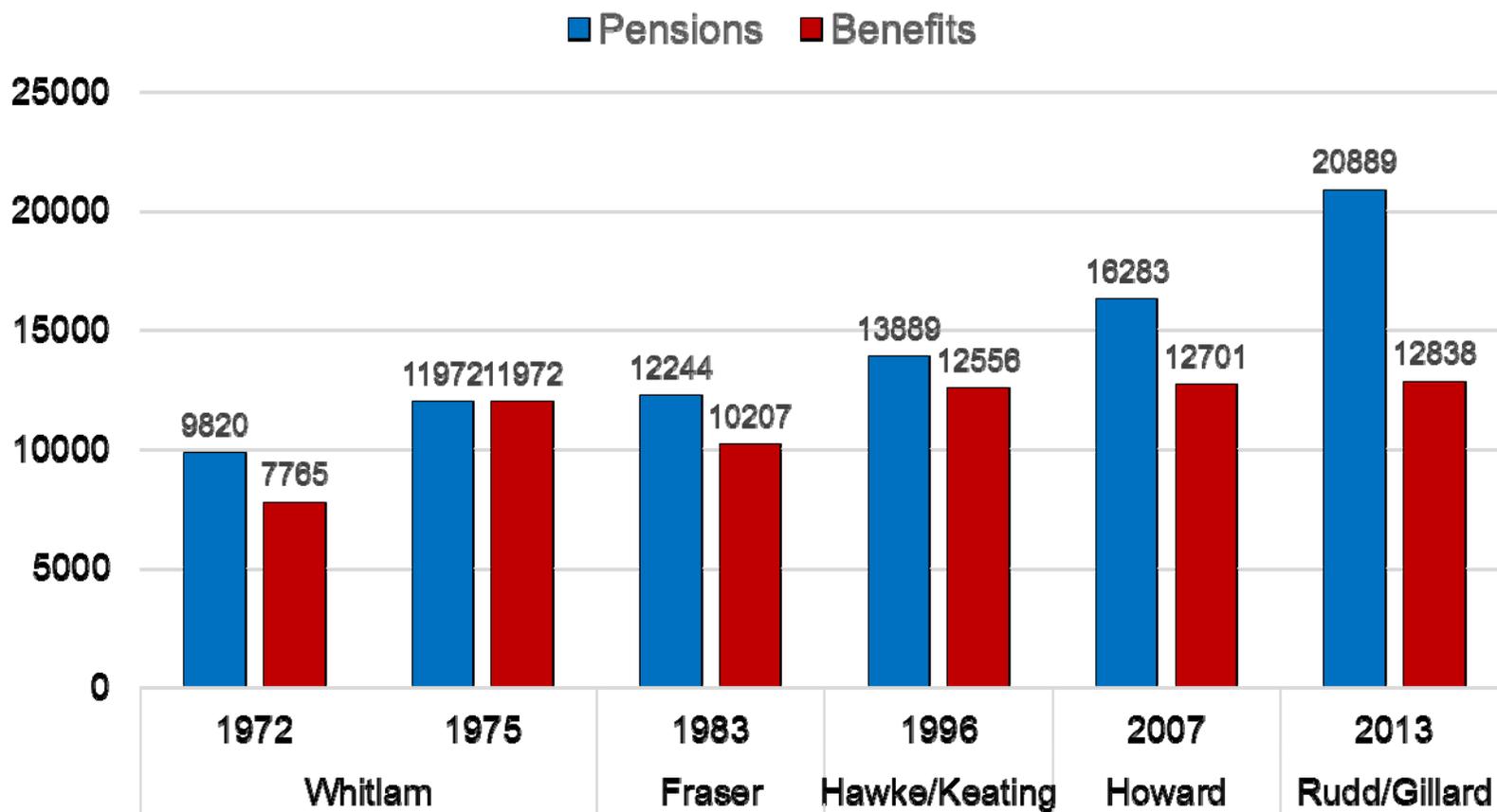
# The share of social benefits going to low income households varies considerably across OECD

Percentage of public social benefits in cash paid to the lowest and highest quintiles, total population, 2011





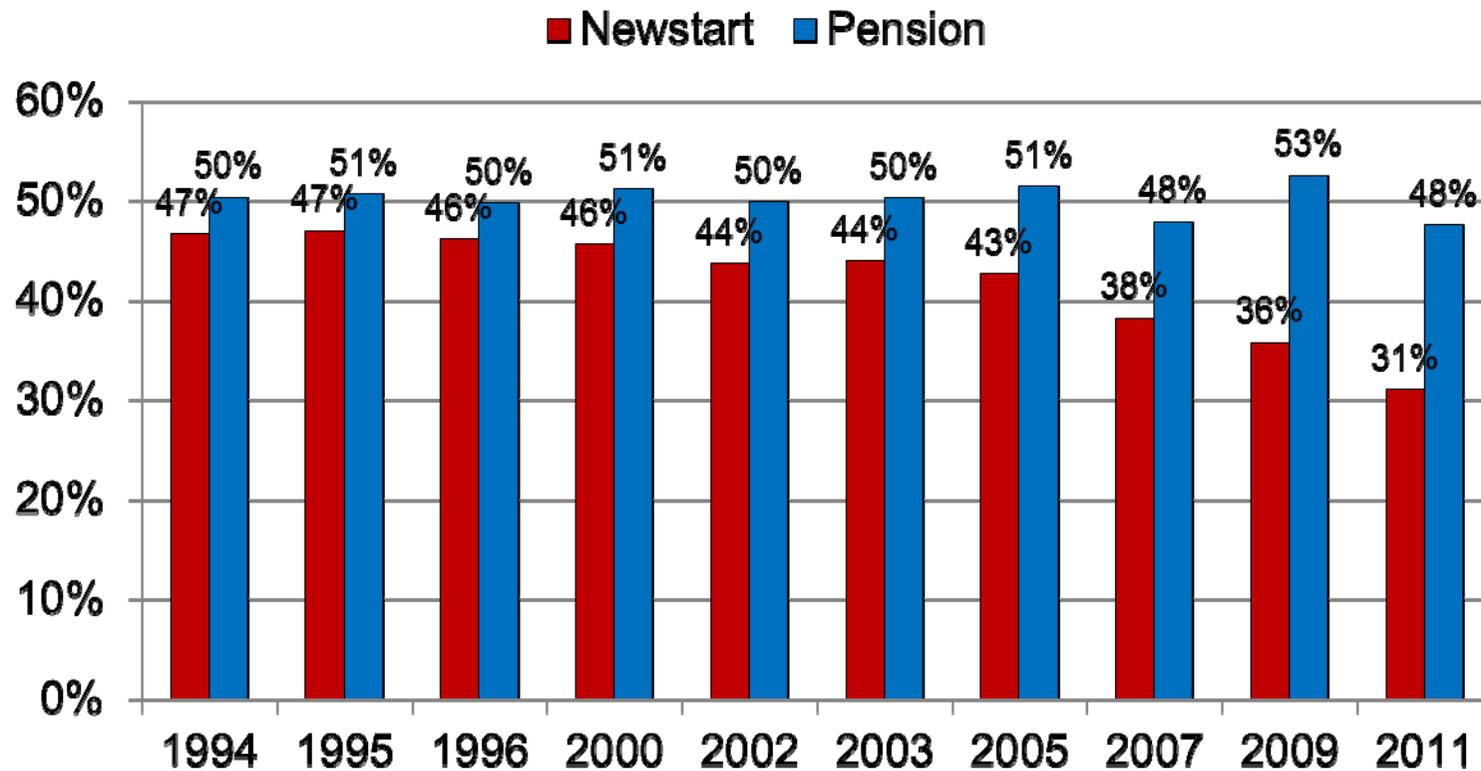
## Trends in real level of payment entitlements, single adult (2012 \$ pa), 1972 to 2013





# The growing divergence between benefits and pensions

Payments for single person as % of median equivalent income





## Trends in the number of lone parents and those incapacitated or without participation requirements on Newstart/Youth allowance (other), 2007 to 2015

Year	Temporary ill or incapacitated	No participation requirement or in Disability Management Services	Lone parents	Total Number on Newstart or Youth Allowance (other)
2007	39,008	-	12,559	486,491
2013	71,162	59,787	111,288	800,039
2015	72,362	64,218	119,869 <sup>(2014)</sup>	849,164

## Summary and Conclusions

- Social insurance can be provided through a range of mechanisms, each with advantages and disadvantages
- The degree of protection also needs to take account of duration and coverage, employment services and other supports
- Is Australia residualising the unemployed (and other less favoured groups)?

# IMPROVING EQUITY IN AUSTRALIAN RETIREMENT INCOME: CAN WE LEARN FROM OTHER COUNTRIES' EXPERIENCES WITH SOCIAL INSURANCE?

SIOBHAN AUSTEN  
SCHOOL OF ECONOMICS AND FINANCE  
CURTIN UNIVERSITY



# FRAMING RETIREMENT INCOME AS AN INSURANCE ISSUE



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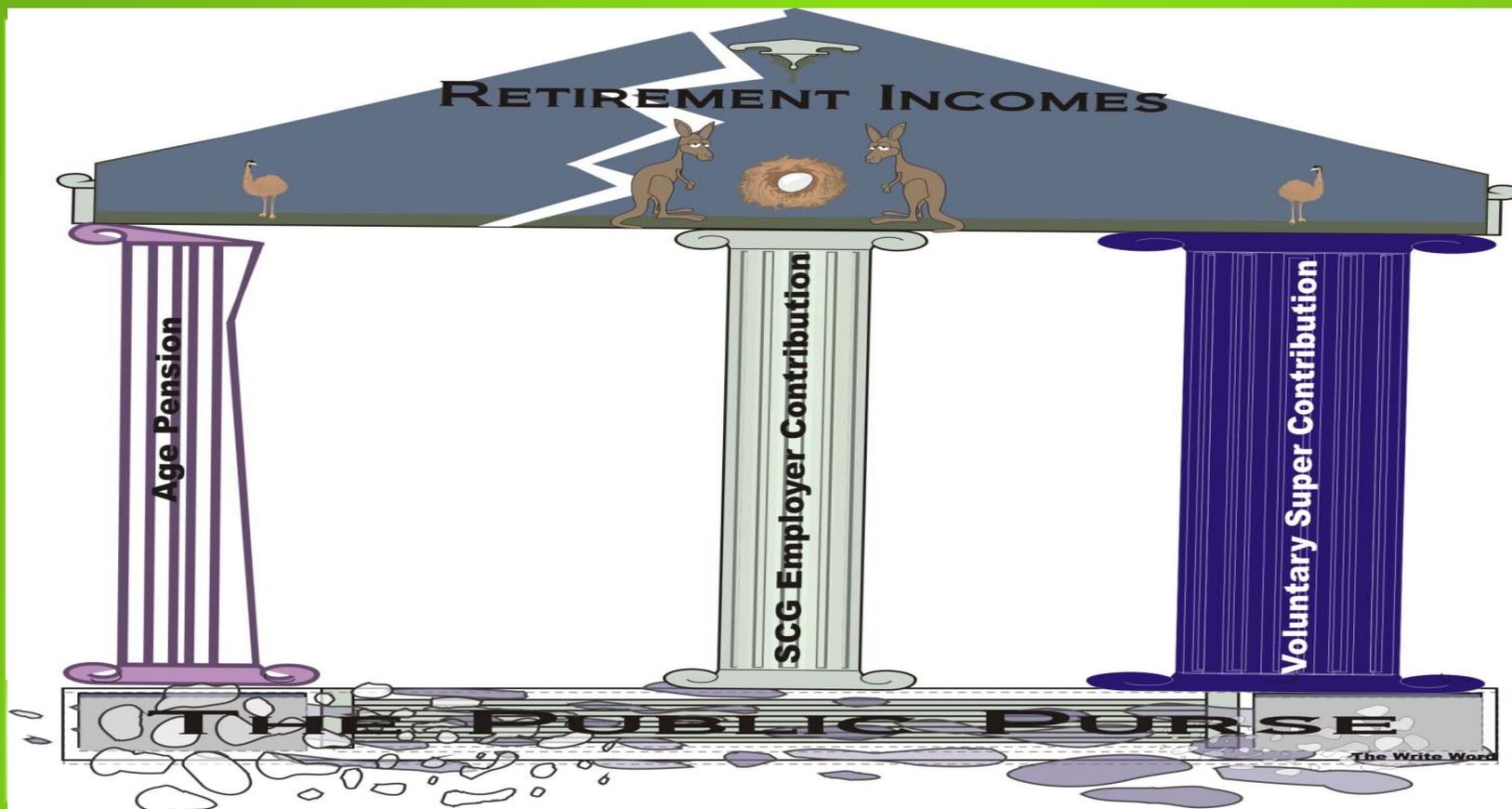
# FRAMING RETIREMENT INCOME AS AN INSURANCE ISSUE



# FRAMING RETIREMENT INCOME AS AN INSURANCE ISSUE

Retirement Income Systems: an  
Institutional response to longevity risk

# INSTITUTIONS OF LONGEVITY INSURANCE FROM AN INTERNATIONAL PERSPECTIVE



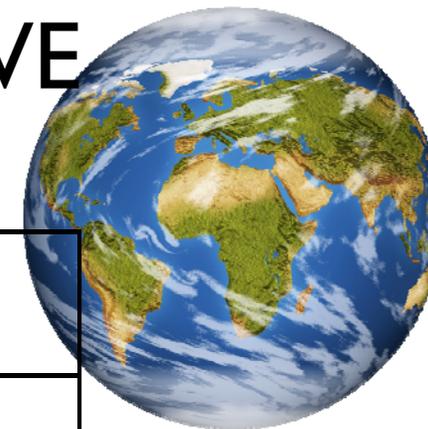
# AUSTRALIA'S **FIRST** PILLAR FROM AN INTERNATIONAL PERSPECTIVE



Model	Bases of Entitlement	Benefit principle	Sample Countries
<b>Targeted</b>	Proved need	Minimum	Australia
<b>Corporatist</b>	Occupational category <i>and</i> labor force participation	Earnings-related	France, Germany
<b>Basic Security</b>	Citizenship	Flat rate	Canada, Netherlands, NZ,
<b>Encompassing</b>	Citizenship <i>and</i> labor force participation	Flat rate and earnings-related	Finland, Norway, Sweden

Source: Korpi and Palme (1996)

# AUSTRALIA'S **SECOND** PILLAR FROM AN INTERNATIONAL PERSPECTIVE



	Type of earnings-related pension scheme
Australia	None
France	Defined benefit /points
Germany	Points
Canada	Defined benefit
Netherlands	Defined benefit
NZ	None
Finland	Defined benefit
Norway	Notional accounts
Sweden	Notional accounts

Source: OECD (2013) Pensions at a Glance 2013, Table 3.6

# AUSTRALIA'S **THIRD** PILLAR FROM AN INTERNATIONAL PERSPECTIVE



	Tax incentive as % of contribution
Australia	28.5
Germany	36.2
France	30.5
Canada	30.6
Netherlands	13.2
New Zealand	2.0
Finland	22.8
Norway	29.7
Sweden	13.2

Source: OECD (2013) Pensions at a Glance 2013, Table 6.6

# AUSTRALIA'S RETIREMENT "INCOME" SYSTEM FROM AN INTERNATIONAL PERSPECTIVE



- A targeted AP
- Superannuation accounts are typically DC rather than DB
- Generous tax concessions to private retirement savings
- Increasing emphasis on pillars 2 & 3

*“We need, in superannuation, to have a system that ensures that when people get to retirement age they won't be dependent on a welfare payment, on a pension.” (Morrison, 2015)*

# EQUITY ISSUES?

- ▶ The shifting of risk onto individuals challenges Rawlsian notions of justice



# AUSTRALIA'S **EQUITY PERFORMANCE** FROM AN INTERNATIONAL PERSPECTIVE



	Old age poverty rate (% with income > 50% below median income)
Australia	35.5
France	5.4
Germany	10.5
Canada	7.2
Netherlands	1.4
New Zealand	12.5
Finland	9.7
Norway	5.5
Sweden	9.5

Source: OECD (2013) Pensions at a Glance 2013, Table 5.5

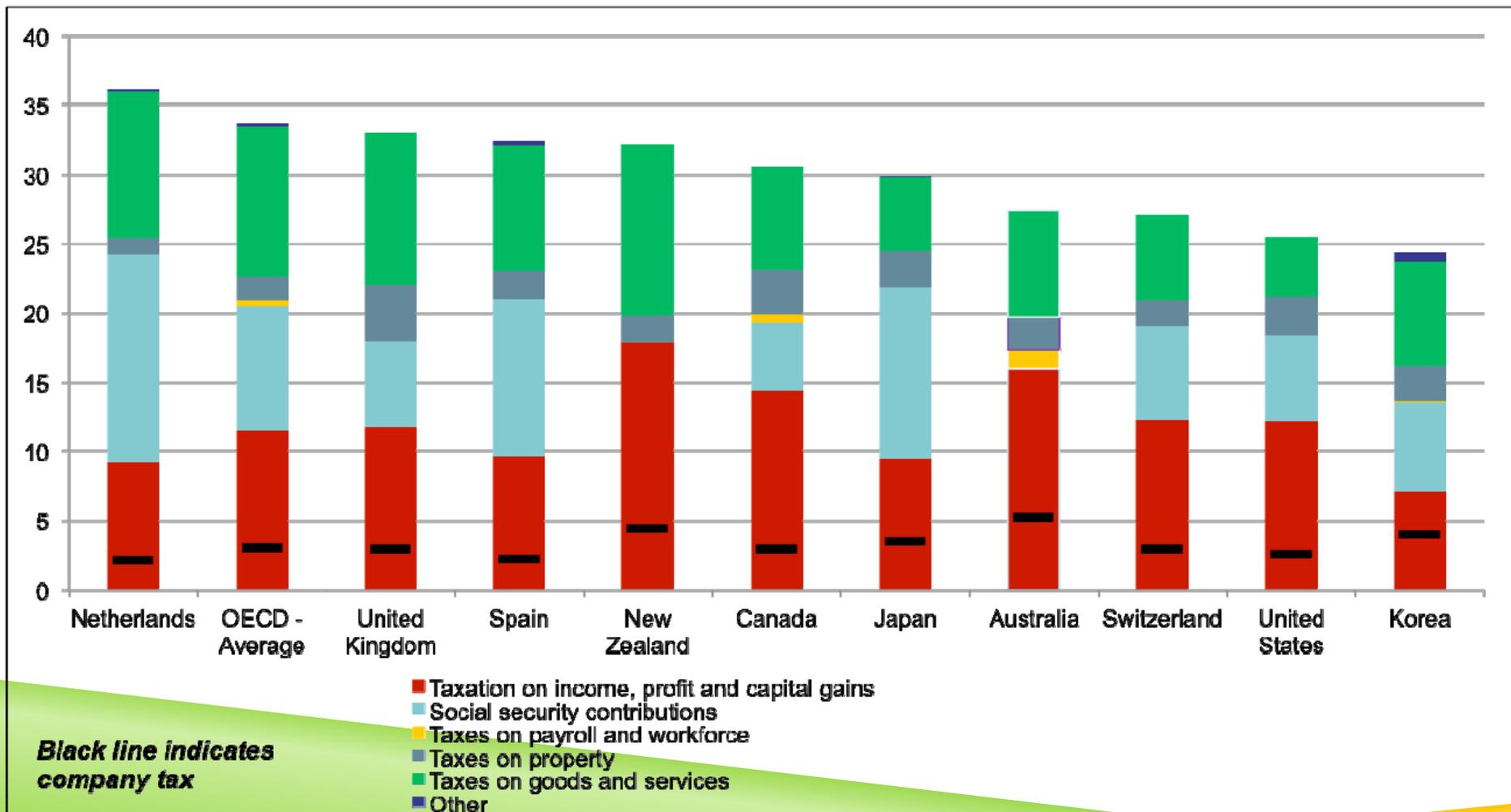
# AUSTRALIA'S EQUITY PERFORMANCE FROM AN INTERNATIONAL PERSPECTIVE



	<b>Household Income Distribution by Quintiles and Gini Coefficients, for Selected Countries, Household Heads Aged 65+</b>			
	Q1	Q5	Q1/Q5	Gini
Australia	7	39.4	17.8%	0.32
Germany	10.3	34.6	29.8%	0.244
Canada	10.8	36.4	29.7%	0.256
Netherlands	6.9	37.5	18.4%	0.317
Norway	10.9	35.7	30.5%	0.253
Sweden	12.5	31.7	39.4%	0.194

Source: Brown and Prus (2013), Social Transfers and Income Inequality in Old-age: A Multinational Perspective, Table I

# AUSTRALIA'S TAXATION FROM AN INTERNATIONAL PERSPECTIVE



Source: Stewart, M(2015), Presentation to the Work and Family Roundtable, Sydney, Nov 6

# IMPROVING EQUITY IN AUSTRALIAN RETIREMENT INCOME: WE CAN LEARN FROM OTHER COUNTRIES' EXPERIENCES WITH SOCIAL INSURANCE

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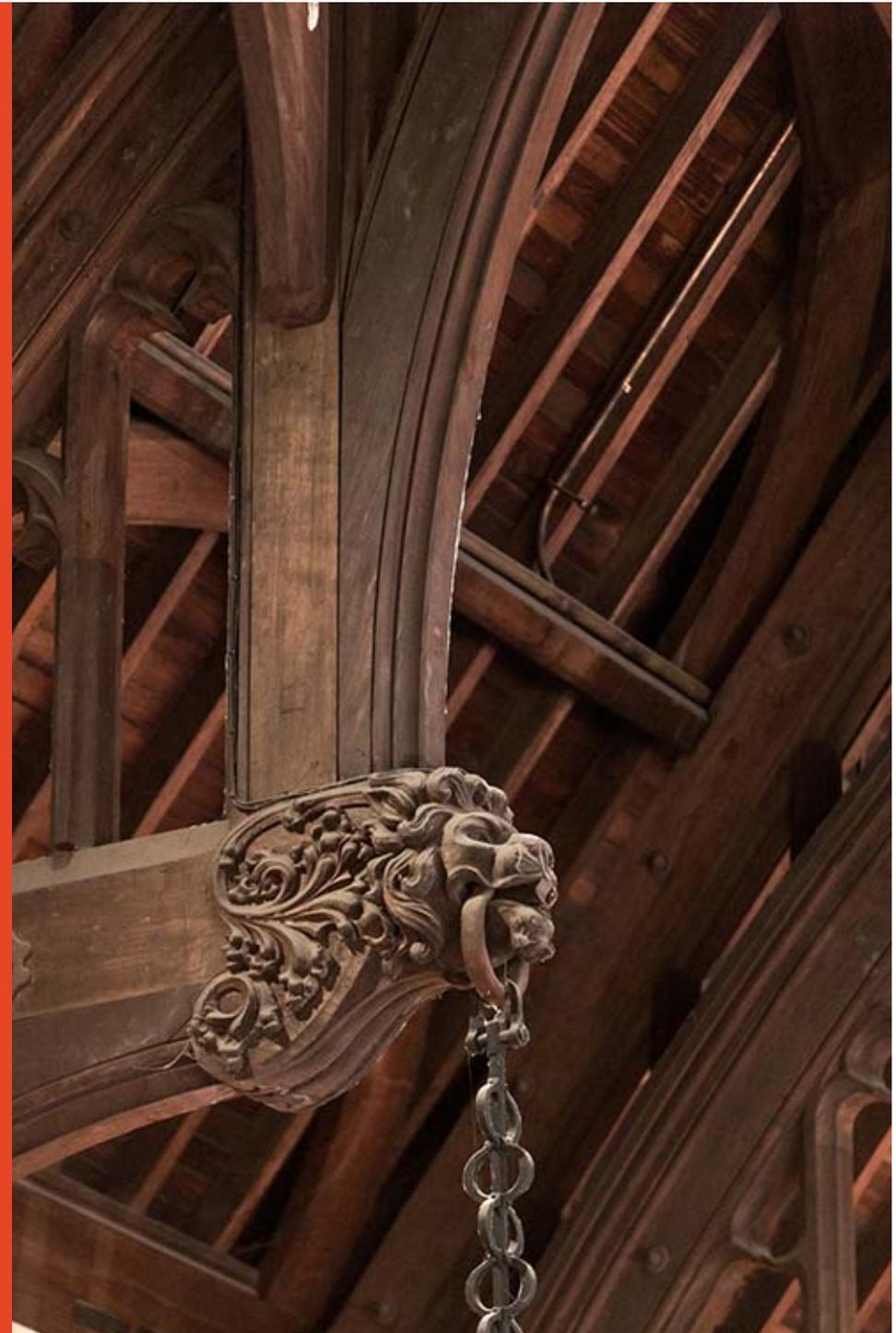
# The Past and Future of Universal Health Care: A political perspective

**Presented by**

James Gillespie

Menzies Centre for Health Policy

Sydney School of Public Health



## Outline

- Concepts of Universality and health insurance
- Limits of universality: coverage; out of packet payments.
- Reshaping Medicare: 1. price signals?
- Reshaping Medicare: 2. waste and inefficiency
- Reshaping Medicare: 3 Models of care and funding
  - The WentWest proposal.

## Concepts of universality

- The goal of universal health coverage is to ensure that all people obtain the health services they need without suffering financial hardship when paying for them. This requires:
  - a strong, efficient, well-run health system;
  - a system for financing health services;
  - access to essential medicines and technologies;
  - a sufficient capacity of well-trained, motivated health workers.

WHO. World Health Report 2010

## Medicare and universality

- Medicare 'has had as one of its two principal foundations a concern for equity - **equal access to equal care** for equal need for rich and poor alike - in an age of high health care costs. In combination with Medicare's other foundation - **efficiency through control of health care costs** - it has allowed Australia to steer a middle course through the minefield of health care financing'

Stephen Leeder

## Questions for universal coverage in Australia

- Unequal access – under serviced sectors: Indigenous, rural and remote
- What should be included within the scope of subsidised or ‘free’ health care?
- What level of contribution (if any) should be expected from individuals?
- What place is there for a parallel system of generously subsidized private health insurance: allowing ‘queue jumping’ to those who can afford its premiums?

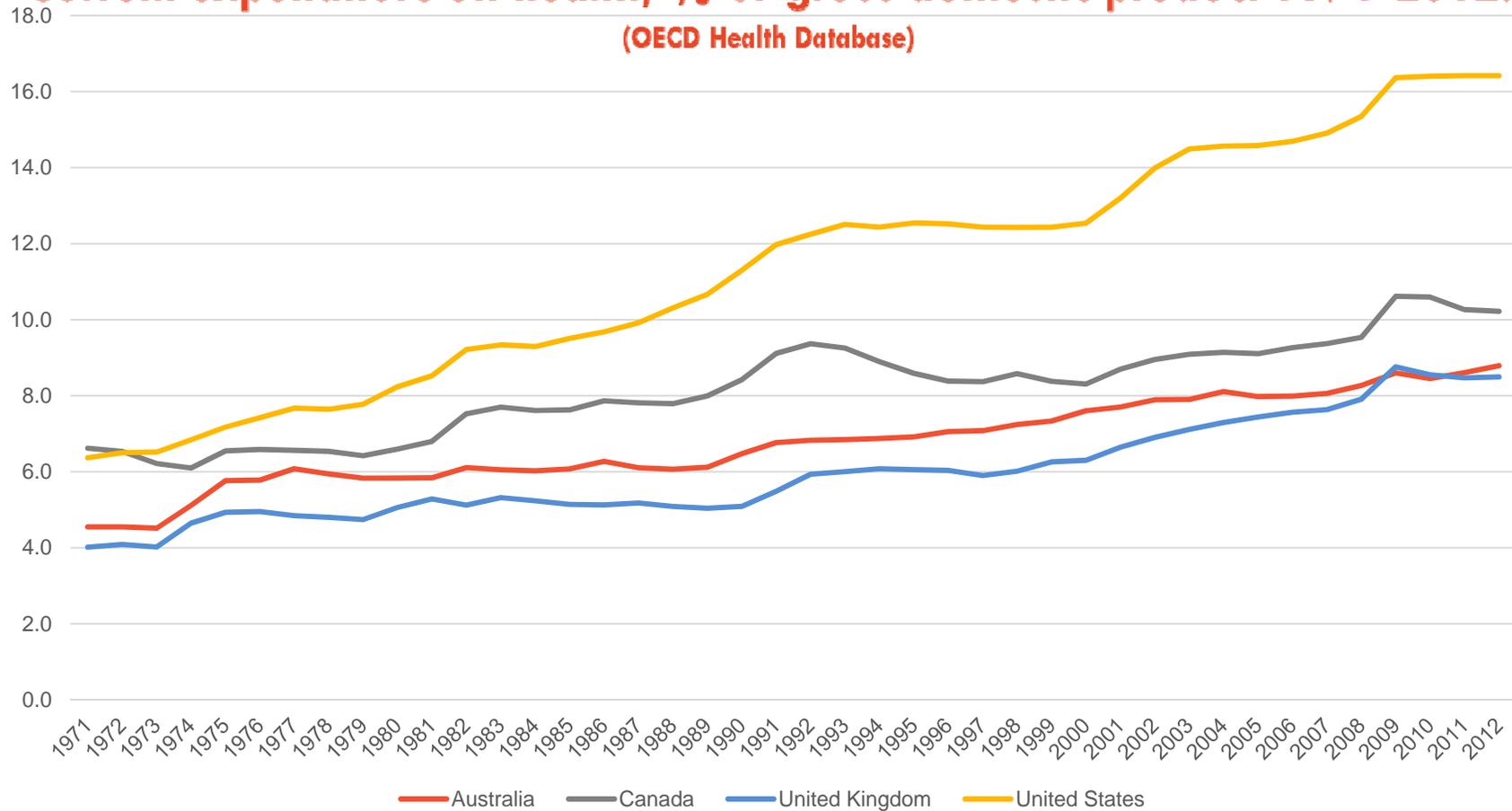
## Australian perspectives

- Health and welfare
  - Health and the welfare state
    - Solidarity or middle class welfare?
    - Private health insurance: undermining universality?
  - Medicare as Industry policy
    - health as an industry, not just a welfare system
    - Medicare as a system for remunerating the medical profession.
      - The dominance of fee-for-service
  - The changing burden of disease
    - From short term acute episodes to chronic illness, long term care.

# Is Australian health care spending sustainable?

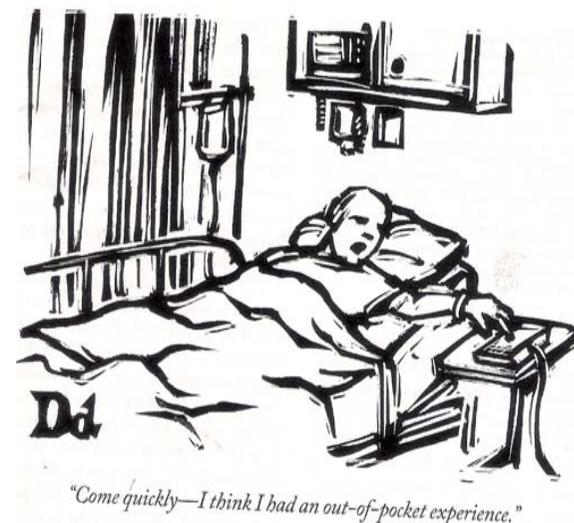
**Current expenditure on health, % of gross domestic product 1971-2012.**

(OECD Health Database)



# Reshaping Medicare 1

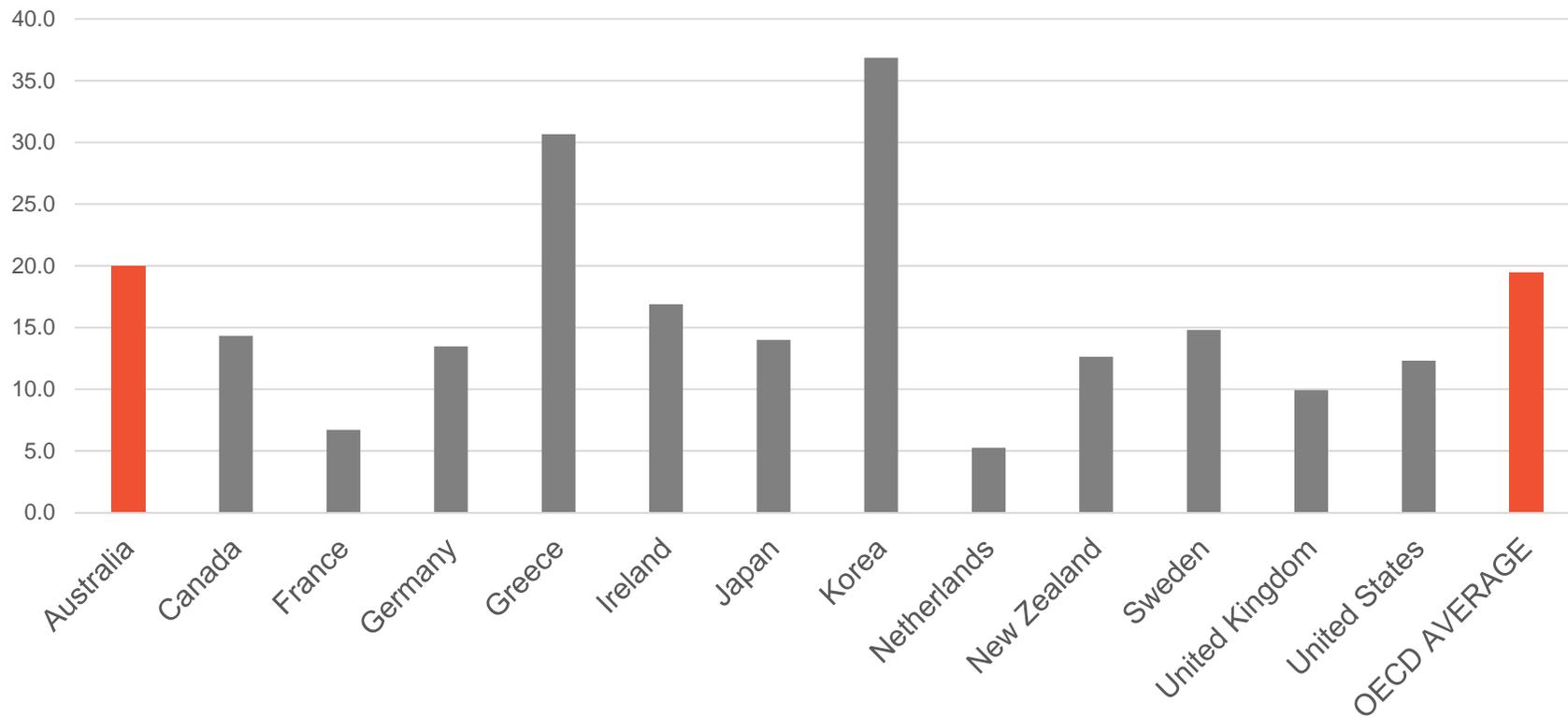
- Price signals?
  - No lack of co-payments and out-of-pocket payments. Incremental growth has led to poorly designed structure and cumulative effects
- Political barriers:
  - Barriers to deliberate action
  - ‘Policy drift’: Freezing of GP rebate and creeping co-payments. another political crisis as in early 2000s?



# Out of pocket payments: Australia Compared.

Source: OECD Health Data: Health expenditure and financing: OECD Health Statistics (database)

HEALTH EXPENDITURE Out-of-pocket expenditure on health, % of current expenditure on health 2013 (or nearest year)



## Reshaping Medicare 2.

- Waste and efficiency
  - The area of most activity: MBS Review, large research activity on ‘value in health care’.
  - Politics of professional entitlements, especially amongst specialist groups and entrenched cultures of system gaming. Change will be difficult after low hanging fruit are harvested.



Medicare  
Benefits Schedule

## Reshaping Medicare 3.

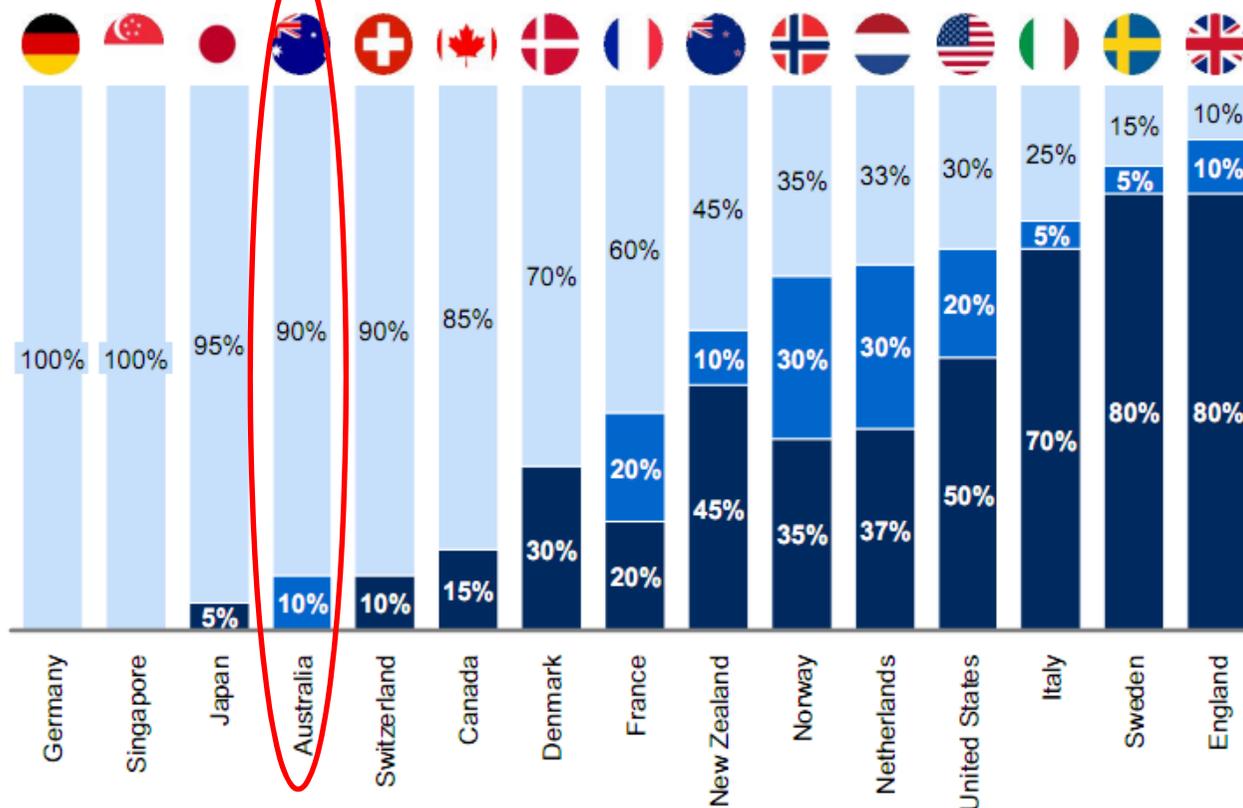
- Changing models of care, integrating services, consumer engagement.
  - The most challenging area: where Medicare meets the changing burden of disease.
  - Building patient-centred care
- Experiments with payment and incentive systems
  - WentWest/Menzies/Ernst and Young: Australian Medical Home project.

# Paying the doctor

International funding compositions in primary care

% based on approximate estimations

- FFS
- Payments for outcomes
- Capitation



Note: Both Canada (in some provinces) and New Zealand are in the process of extending hybrid models of health care funding

# Dilemmas of policy reform

Medicare and fee for service as settled policy

- 1951. The end of capitation and the entrenchment of publicly subsidized fee-for-service
- Part of the deal between AMA, medical profession and government: unquestioned element in Medibank and Medicare.
- A system based on public funding (c. 65%) and private provision (c. 65%)

The rise of chronic illness and the breakdown of consensus.

# Experiments with Medicare

- Chronic illness and the continuity of care
  - 1990s: Coordinated Care Trials experimented with pooled payments.
  - 1999 Enhanced Primary Care package: care planning for chronic illness
  - 2004 Strengthening Medicare: added allied health services to chronic disease plans
  - 2005 Chronic Disease Management items.
  - 2006 Better Access Mental Health Plans
  - 2007 Allied health group services within Diabetes 2 GP management plans
  - 2011 Better Start to Disability: children's care planning

## The new consensus

- there is increasing international evidence about the **benefits of a blended payment system – mixing fee for service, pre-payment and pay for performance with salaried arrangements.**

Standing Council on Health. National Primary Care Strategic Framework. April 2013.

- While [fee for service] is a practical way of reimbursing service providers for isolated episodes of care, it does not provide incentives for the efficient management of care delivered to patients requiring ongoing health care.

Primary Health Care Advisory Group. Discussion Paper (2015)

## Business Council of Australia and reform

- The system which has serviced Australia well for many decades is built on an incentive structure which can create adverse costs and perverse behaviours. Australia's funding system is built on fee-for service and fee –for –service can incentivise volume of care....
- Putting Australia's health system on a path of continuous improvement will require disruption of existing institutions.

Business Council of Australia The Future of Health: A Discussion Starter. October 2015.

## Turnbull government

- Medicare is based on a fee for service model. This works well for episodic and acute care.  
**But what about the one in two Australians who now live with some form of chronic disease? Is fee for service the appropriate funding model for these patients,** who have ongoing expensive costs and require ongoing interaction with multiple health professionals for the rest of their lives?  
The fact the Medicare services are now hitting one million per day suggests not.  
And its little surprise really, when you consider there is no incentive for doctors to work with other health professionals for the good of patients with complex conditions who need different types of care.
- Sussan Ley. 28 October 2015



## The implementation gap

- Reform continues to take a ‘top-down’ command and control perspective.
  - Assumptions that incentive structures can be changed, and this will lead to changes in behaviour.
- Complexity of general practice: little is known about variety of operating cost and business models that underlie general practice –
  - how incentives play out and how to move to optimal patient management.
  - Reform that ignores the conditions of general practice will come unstuck

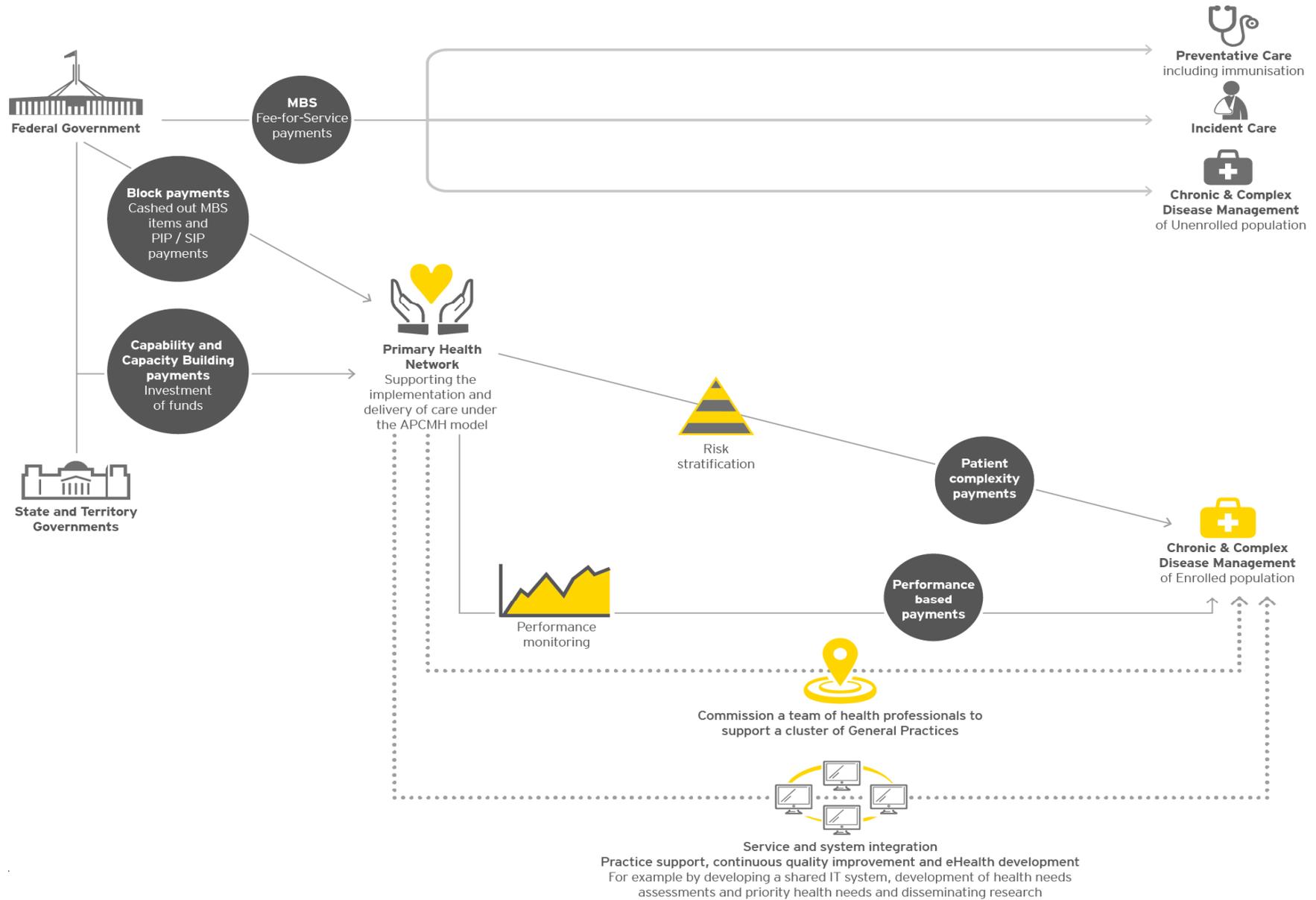
## Fee-for-service and the reform of Medicare.

- The **growth** in demand for and expenditure on health care is exacerbated by the current fee-for-service model:
  - Unmanaged growth in volume and the potential duplication of services
  - Growing financial and professional challenges for GPs
  - Patients experiencing disconnected care and an increasing level of co-payments.
- **Undefined variation** in the quality or type of care delivered through General Practice and primary care, and we lack a mechanism to **reward** providers for delivering high-quality care.



# New models of care within the Australian health care system

(Chart: EY 2015)

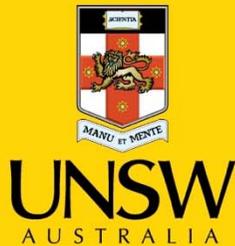


## Conclusions

- Health reform in Australia: beyond the ‘Big Bang’
- Towards a politics of incremental and experimental change
- Medicare is not just part of the welfare state:
  - Medicare as ‘industry policy’ in Australia’s mixed health economy.

## References

- A-m Boxall and J.A. Gillespie. *Making Medicare: the politics of universal health care in Australia*. UNSW 2013
- Business Council of Australia The Future of Health: A Discussion Starter. October 2015
- Nicole Mckee, 'Medical Home Potential', *MJA InSight*, 8 June 2015.
- Primary Health Care Advisory Group. Discussion Paper (2015)
- Standing Council on Health. National Primary Care Strategic Framework. April 2013
- WentWest, EY, Menzies Centre for Health Policy, *A Model for Australian General Practice: the Australian Person-centred Medical Home*. November 2015.
- World Health Organization. Health Systems Finance: the Road to Universal Coverage. Geneva



# Enabling active citizenship? Disability services insurance in Australia and lessons from international experience

Never Stand Still

Faculty of Arts & Social Sciences

Social Policy Research Centre

Karen Fisher

Social Policy Research Centre, UNSW Australia

Academy of Social Sciences of Australia, 2015 Symposium, Social insurance for the 21st Century? Exploring pathways for a sustainable, equitable and effective welfare system, Canberra, 17 November

**SPRC**  
Social Policy Research Centre

# Outline

- Australian policy context
- NDIS policy and implementation
- Social policy parallels
- Implications

When I first opened up the door, I knew that this was it, was freedom ... these days I've got a smile on my face, got my own food and can come and go as I please ... I'm just loving it.

# Australian policy context

UN Convention on the Rights of Persons with Disabilities (CRPD 2008)

National Disability Strategy 2010-2020

- COAG document of state parties' commitments to implement CRPD
- One commitment was to investigate the feasibility of an NDIS

National Disability Insurance Scheme (NDIS)

- Productivity Commission Inquiry 2009
- National Disability Insurance Scheme Act 2013

# NDIS policy implementation

## Gradual implementation

- Trials from July 2013 – 8 location and age based sites
- Bilateral state agreements accelerate some implementation
- Full implementation by 2019

## Social insurance – covers all Australians aged under 65 years

- Individual funding packages – 10% of people with disability – 460,000
- Information, linkages and capacity building – 90% of people with disability

Referral to mainstream and community services

Local Area Coordinators

- Information for family and friends and potential use if acquire disability – all other Australians

# NDIS financing

National Disability Insurance Agency (NDIA) manages a fund

Fund sources

- 0.5% added to Medicare Levy
- Reorganisation of federal-state transfers from National Disability Agreements
- Fund predicted to be unsustainable from 2020
- General federal revenue?

Financial viability relies on

- NDIS enabling economic participation of people with disability and carers
- Most people with disability using mainstream community services

# NDIS individual package process

NDIA assessor determines eligibility

NDIA planner develops an individual plan with the person

- Outcome goals
- Reasonable and necessary supports to achieve goals
- Costed with price guide

Package allocated to the person

- Self manage (or with a nominee) or financial intermediary agency
- Spend on workers employed by the person, service providers registered with NDIA, equipment

## NDIS to June 2015

17,000 individual packages

- \$38,000 p.a. average, 70% under \$30,000
- 6% self-manage the package, 61% agency managed, 33% mixed

# Social policy parallels

## Individualised funding

- Direct payments, personal budgets
- Funded through general taxation – none are social insurance based
- Rationales
  - Human rights – outcomes and control
  - Consumerist – efficiency and choice
- Impact depends on entitlement or rationed approach – eligibility, package size, access to mainstream services

## Accident compensation eg. ACC NZ – personal injury

- Levy organisations and activities likely to cause injury and general taxation
- Was lump-sum, now time-limited plans, shifting to self-managed packages

# Implications for social insurance and welfare states

## Risks to NDIS

- Cost shifting between NDIS and other social support
- Workforce conditions in individualised settings
- Pressure on cost and quality from privatising support
- Inequality of access – complex needs, living in institutions or corrective services
- High transaction costs of capacity and administrative process

## Strengths of NDIS

- Gradual identification of problems and policy response through trials
- Wider context of human rights through CRPD and National Disability Strategy
- Platform to generalise to other services – ageing, children, Indigenous?

# Disability policy research and publications

[www.sprc.unsw.edu.au/research/areas/disability/](http://www.sprc.unsw.edu.au/research/areas/disability/)

[karen.fisher@unsw.edu.au](mailto:karen.fisher@unsw.edu.au)

02 9385 7800

@KarenRFisher



# EVERY AUSTRALIAN COUNTS

The campaign for the National Disability Insurance Scheme

# BIPARTISAN SUPPORT

Home - Federal MP Gallery

## Federal MP Gallery

Federal Members of Parliament who support the NDIS

### Supportive MPs



Adelaide – Kate Ellis MP



Aston – Alan Tudge MP



Ballarat – Catherine King MP



Bendigo – Lisa Chesters MP



Bennelong – John Alexander MP



Berowra – Philip Ruddock MP



Blair – Shayne Neumann MP



Blaxland – Jason Clare MP

# EVERY AUSTRALIAN COUNTS

The campaign for the National Disability Insurance Scheme

# BIPARTISAN SUPPORT



Lyne – David Gillespie MP



Macarthur – Russell Matheson MP



Mackellar – Bronwyn Bishop MP



Macquarie – Louise Markus MP



Makin – Tony Zappia MP



Maribyrnong – Bill Shorten MP



Mayo – Jamie Briggs MP



McEwen – Rob Mitchell MP



McMahon – Chris Bowen MP



McMillan – Russell Broadbent MP



McPherson – Karen Andrews MP



Melbourne – Adam Bandt MP

# EVERY AUSTRALIAN COUNTS

The campaign for the National Disability Insurance Scheme

# INDIVIDUAL STORIES



**EVERY AUSTRALIAN COUNTS**

The campaign for the National Disability Insurance Scheme

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The campaign for the National Disability Insurance Scheme

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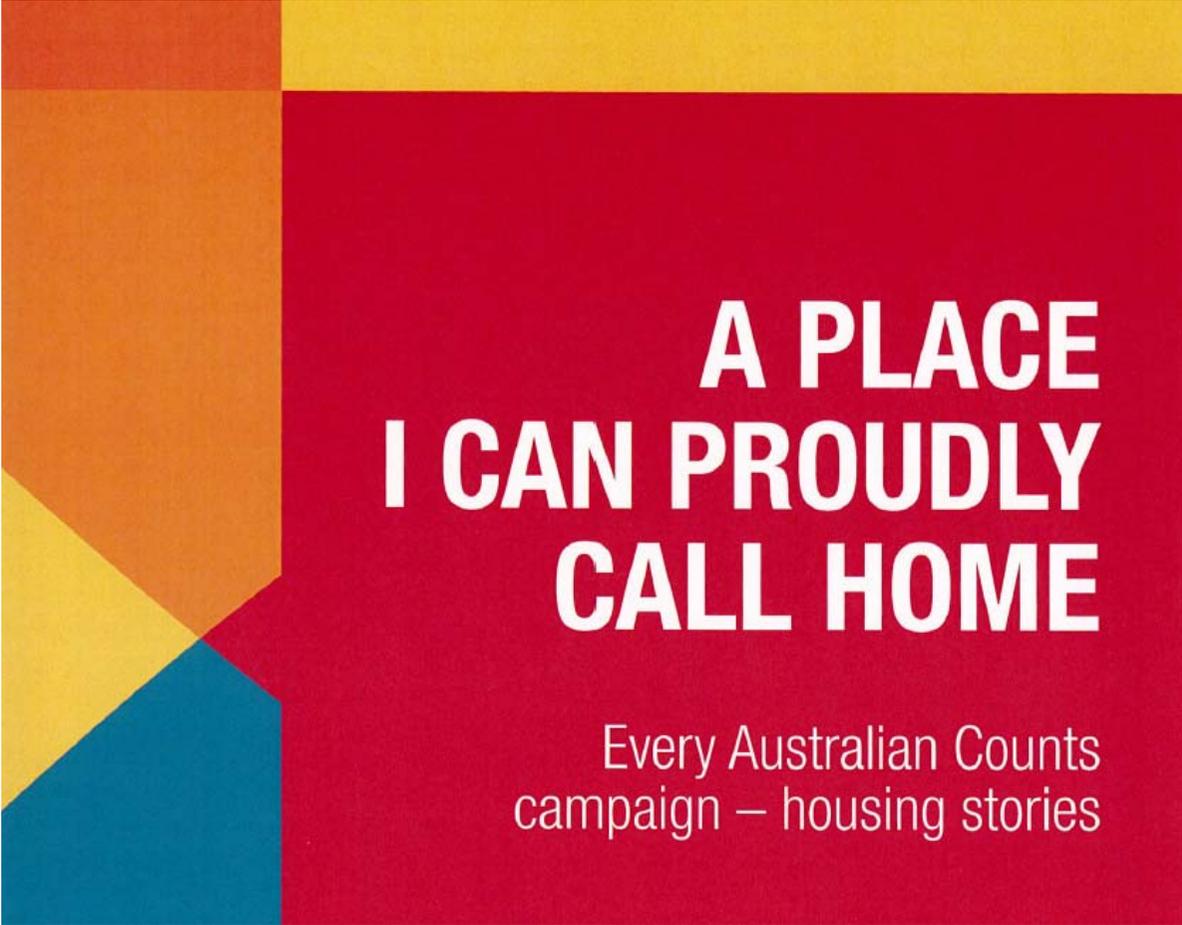


**EVERY AUSTRALIAN COUNTS**

The campaign for the National Disability Insurance Scheme



# CAMPAIGN ACTIONS



**A PLACE  
I CAN PROUDLY  
CALL HOME**

Every Australian Counts  
campaign – housing stories

## **EVERY AUSTRALIAN COUNTS**

The campaign for the National Disability Insurance Scheme

# NEPEAN BLUE MOUNTAINS ROLL OUT



**EVERY AUSTRALIAN COUNTS**

The campaign for the National Disability Insurance Scheme

# NEPEAN BLUE MOUNTAINS ROLLOUT



**EVERY AUSTRALIAN COUNTS**

The campaign for the National Disability Insurance Scheme

# KNOWLEDGE AND EXPERIENCE

- Home
- News hub
- About NDIS
- NDIS and you
- Your stories
- FAQs
- Act Now



## How the NDIS process works



Get ready



Create your NDIS plan



Choose your supports



Live your life

# EVERY AUSTRALIAN COUNTS

The campaign for the National Disability Insurance Scheme

# NDIS TRANSFORMING LIVES



**EVERY AUSTRALIAN COUNTS**

The campaign for the National Disability Insurance Scheme

***Social Insurance Advocacy in the United States:  
The Short Story and Lessons of “Social Security Works”***

**Eric R. Kingson\***  
**Nancy J. Altman\*\***

Founding Co-directors, [Social Security Works](#)  
Founding Co-chairs, [Strengthen Social Security Coalition](#)

Prepared for

**Reinventing the Welfare State?  
The Future of Social Insurance in Australia and Internationally  
Annual Symposium of the Academy of Social Sciences in Australia  
Canberra, Australia  
November 17, 2015**

\*Eric Kingson is Professor at Syracuse University’s School of Social Work

\*\* Nancy Altman Chairs the Pension Rights Center in Washington, DC

# **The story, strategies & lessons**

## **Definition of terms**

### **Changing Narratives: 1935 to present**

### **Social Security Works: Advocacy Approach, Strategies & Outcomes**

## **Lessons**

# Shifting Narratives:

**Emergence in Economic Crisis of 1930s Narrative**

**Consensus & Incremental Expansion Narrative**

**Easy Votes Come to an End Narrative**

**Leninist Strategy, Generational Conflict, Unaffordability  
Narrative**

**Austerity Narrative**

***Retirement Crisis Narrative***

# Austerity Narrative & Strategy

## **New attack on Social Security**

Outgrowth of 75 years of attacks

\$1 billion from Peterson advocacy organization

**Defining SS as cause to long-term deficit/debt problems**

**Elite consensus**

**More difficult than 2005**

**Few champions**

***Focus on “How Much to Cut?” and “Everyone Knows”***

***Fast track/Behind closed doors strategy***

# **Defending & Reframing Debate**

**Defense and offense**

**Take issue to public**

**Support champions**

**Redefine Social Security as a solution**

**Build consensus for expansion**

## VISION

**An  
America  
with  
Economic  
Security  
And  
Social  
Justice  
for All**

## GOALS

Build &  
Strengthen  
Sustainable  
Capacity

Build  
Political  
Support,  
inside/  
outside  
beltway

Progressive  
Legislation

Widen  
Policy  
Frame

## STRATEGIES

Establish Coalition  
with broad-based  
Steering Committee

Develop principles  
& messages:  
Polling/Messaging

Fund Translational  
Research

Public, Media &  
Elite Education

Support capacity &  
advocacy at state  
and congressional  
district levels

Washington-  
based advocacy

New ideas/ frames  
Supportive research  
Convene Progressive  
Thinkers

## OUTCOMES

### SHORT-TERM

Continued Consultation  
Refine political/communications strategies  
Seek agreement on principles and on  
legislative and administrative goals  
Convene coalition

### MID-TERM

Influence White House/ Congress  
Commitments from candidates  
Prepare for public campaign, if necessary  
Legislative & Administrative Change

### LONG-TERM

Sustainable Coalition  
Shift Policy Frame  
Continued Progressive Social Security and  
related SSI Legislation & Admin. Change

**Improved security  
for individuals &  
families, especially  
disadvantaged**

# Our Approach

Build sustainable capacity : partners & SSW

Inside/outside strategy

Progressive legislation to promote expansion

Widen policy frame

*Internet media strategy*

# Expanding Social Security is Gaining Traction

Critical Roles of AFL-CIO and Netroots drawing line in the sand

Progressive Organizations Shifted from Defense to Offense

Social Security Opponents Arguing Increasingly on Expansion  
Proponent's Turf

Growing Number of Congressional Champions

Growing Number of Legislative Proposals

2014 Election Was Wake-Up Call for Democrats

Rediscovery of Social Security as Issue by Many Democrats

Growing Awareness of Impending Retirement Income Crisis

Shift in Media Coverage

# Selected Recent Social Security Expansion Bills

	Better Inflation Protection	Across the Board Benefit Increase	Benefit to Support Family Care or Medical Leave	Other Special Benefit Improvement	Extends Solvency
<b>Social Security Expansion Act</b> <i>S. 731 -- Sen. Bernie Sanders (I – VT)</i>	✓	✓			✓
<b>The Social Security 2100 Act</b> <i>H.R. 1391 -- Rep. John Larson (D-CT-1)</i> <i>S. 1904 Sen. Richard Blumenthal</i>	✓	✓		✓	✓
<b>Protecting and Preserving Social Security Act</b> <i>S. 960 -- Sen. Mazie Hirono(D-AK)</i> <i>HR.1811 -- Rep. Theodore Deutch (D-FL-21)</i>	✓				✓
<b>Social Security Enhancement &amp; Protection Act</b> <i>H.R. 1756 -- Rep. Gwen Moore (D-WI-4)</i>			✓	✓	✓
<b>SAFE Social Security Act</b> <i>S. 1940 Sen. Brian Schatz (D-HI)</i>	✓	✓		✓	✓
<b>Caregiver Credit Act</b> <i>H.R. 3377 Rep. Nita Lowey (D-NY-)</i>	h		✓		
<b>CPI-E Act</b> <i>H.R. 3351 Rep. Mike Honda (D-CA-1)</i>	✓				

# Lessons

**Coalition with broad reach critical**

**Foundation other sustainable funding**

**Strong & committed staff**

**Knowing what needs to be done/Flexible approach**

**Thoughtful messaging**

*Frame issues in terms of values*

*Play on own court*

*Retirement Income Crisis*

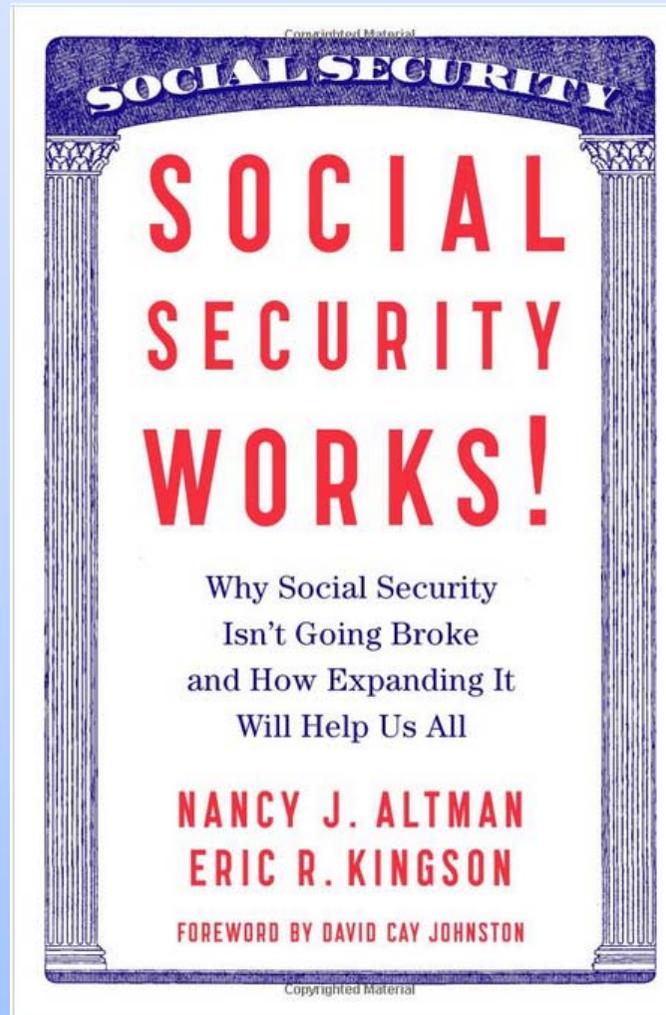
**Engage grassroots**

**Internet strategies: alternative media, outreach & fundraising**

## Social Security Works!

### Why Social Security Isn't Going Broke and How Expanding It will Help All of Us

(The New Press, January, 2015)



**SOCIAL  
SECURITY  
WORKS.**

**STRENGTHEN  
SOCIAL  
SECURITY**  
**...don't cut it.**



Australian Government  
Department of Social Services



# The Future of Social Security in Australia

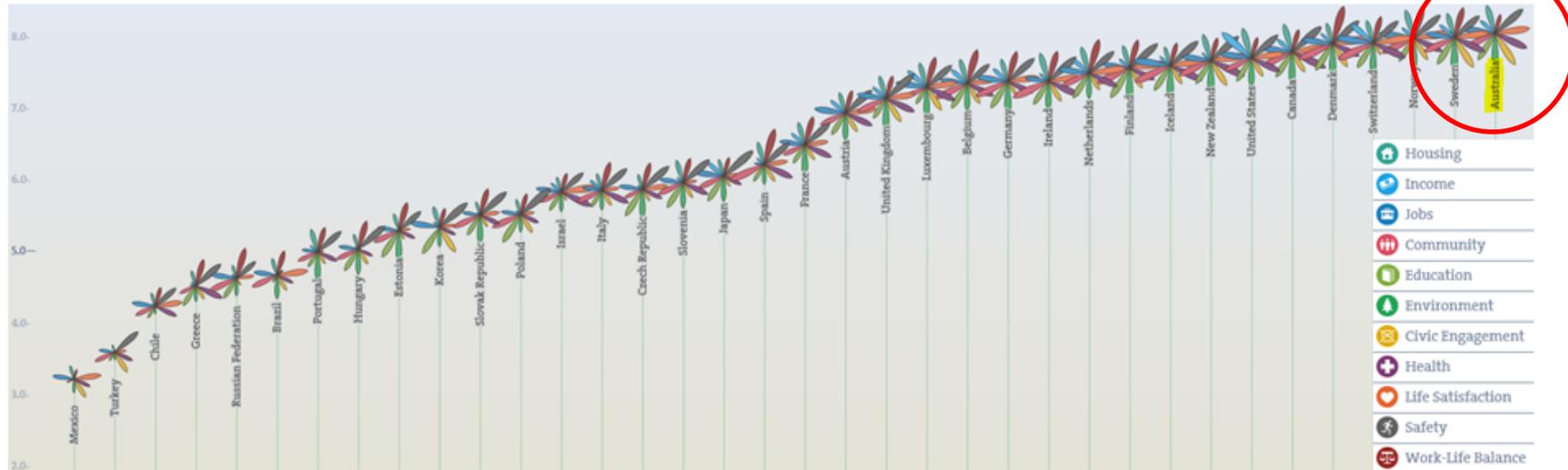
17 November 2014

Serena Wilson  
Deputy Secretary  
Department of Social Services

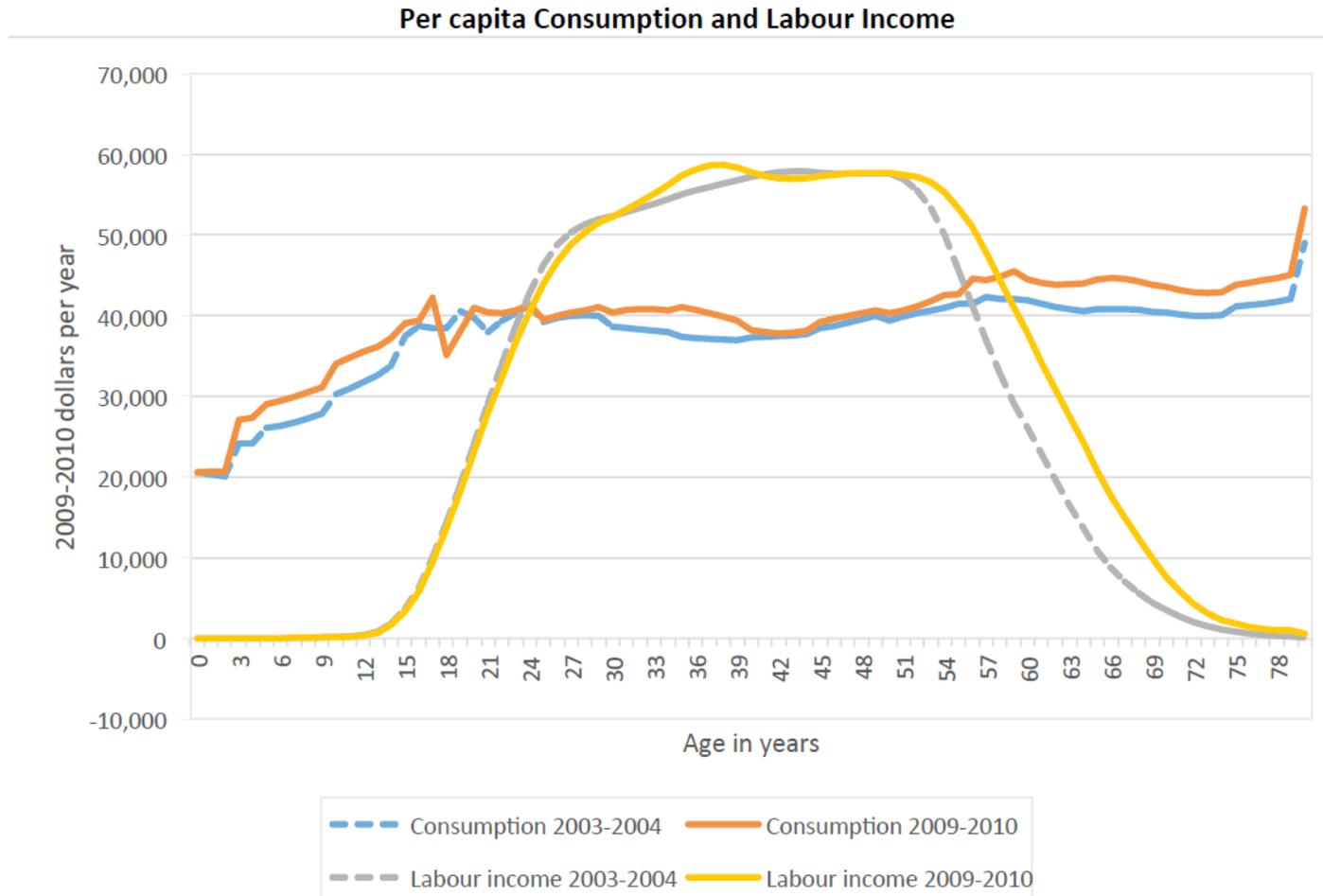
# OECD Better Life Index

Better life index country comparison, 2015

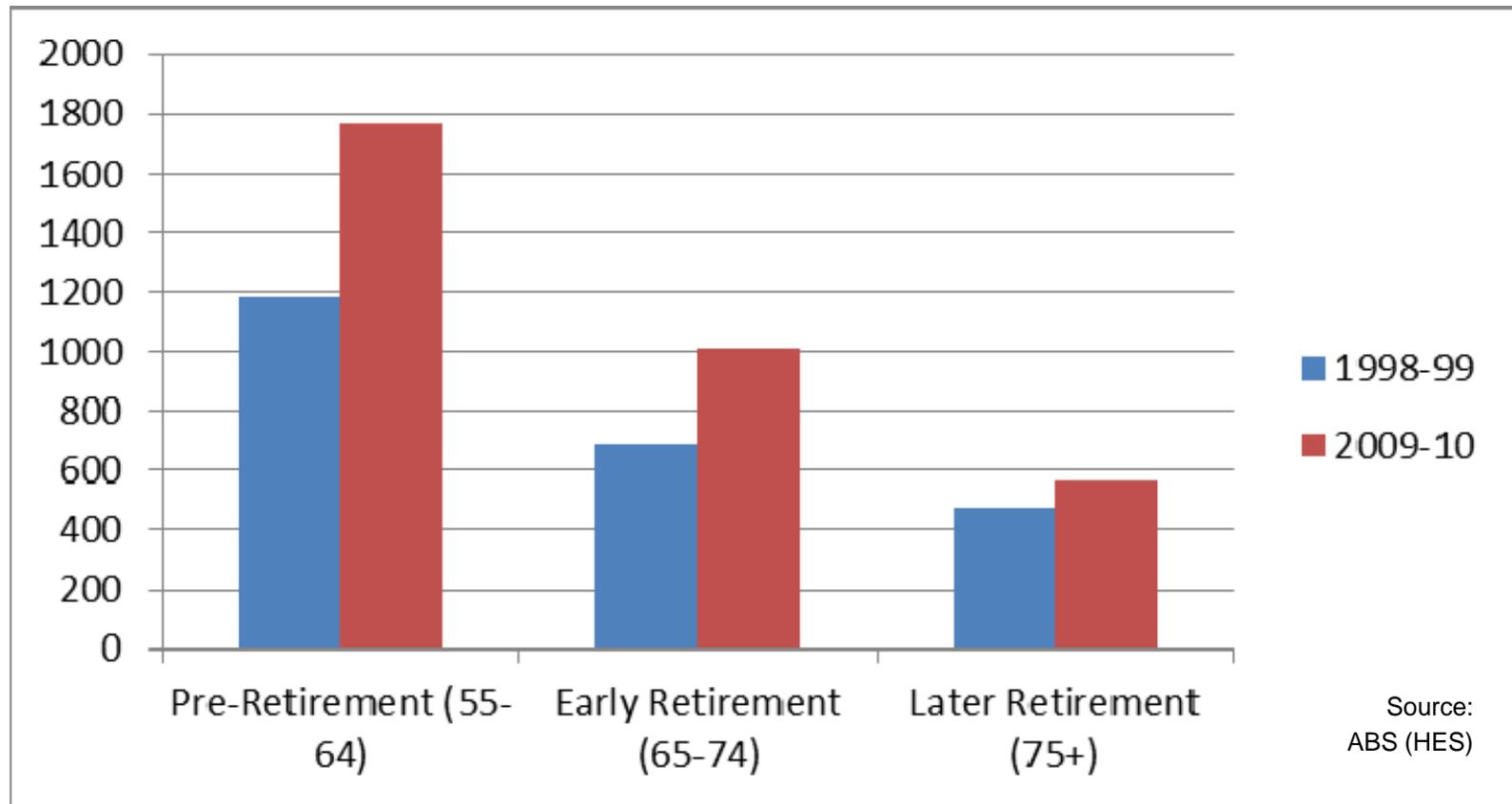
Source: OECD



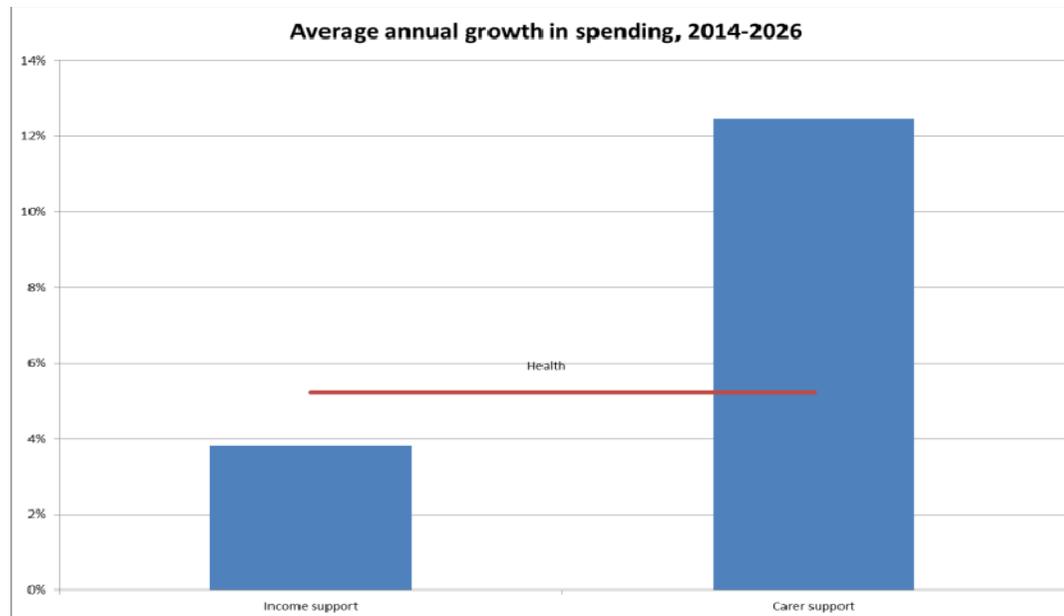
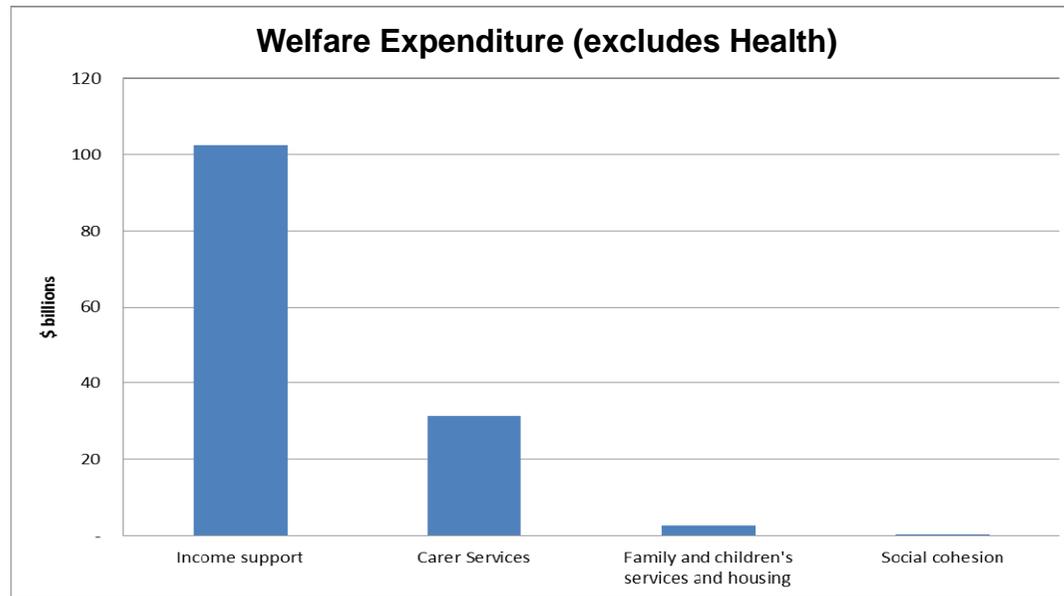
# Consumption and Labour Income



# Household expenditure



**Expenditure falls with each retirement stage**



# Thank you

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# Social Insurance in China: Current and Future State

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# Social insurance in China



- 
- **A relatively new concept**
  - **Not a completely new system**
  - **Socialist ‘from-cradle-to-grave’ welfare system**
  - **Reforms and massive layoffs of state workers dismantled the old system**
  - **The 2008 Labour Contract Law began to establish the legal framework**

# The 2011 Social Insurance Law



- **The first national social insurance legal framework**
  - 1) Enroll all employees in five social insurance programmes + housing provident fund
  - 2) Contribution bases and rates vary across cities/provinces
  - 3) The biggest system in the world

**Table 1 National Enrolment in, and Contribution to, Social Insurance, 2014**

	Pension insurance	Medical insurance	Work-related injury insurance	Unemployment insurance	Maternity insurance	Housing provident fund
Enrolment (million)	842	597	206	170	170	119
Received contribution (billion RMB)	3,983					1,296

Source: Ministry of Housing and Urban-Rural Development, 2015; Zhang et al., 2015.

Notes: 1. The pension insurance scheme includes the Basic Pension Insurance for Urban and Rural Residents for non-employees, which merged the New Rural Social Pension Insurance and Urban Resident Social Pension Insurance in 2014; 2. The average exchange rate in December 2014: 1 AUD = 5 RMB.

# It's complicated...(and unequal)



- **Pension insurance (superannuation)**

- 1) Different schemes and benefit levels

Scheme	Monthly pension payment	Replacement rate
Non-employee pension	70 RMB	5-10%
Enterprise employee pension	2050 RMB	45-60%
Public sector employee pension	4000 RMB +	90-100%

- 2) A source of socioeconomic inequality

**Public sector employees**

➤ 5% of the retired population used 30% of social insurance funds as pension

- 3) Similar situations in the medical insurance programme

➤ Regressive redistribution

# Recent developments



- 
- **Rural-urban migrants**
    - Better access to social insurance (if they have a labour contract)
  - **Rural residents and urban non-employees**
    - Covered by the non-employee pension and medical insurance
  - **Public sector employees**
    - Before Jan 2015: did not need to contribute to social insurance
    - After Jan 2015: need to contribute; but salaries are increased to offset
  - From 2016, allow 30% of the pension fund (600 billion RMB) to invest in share market

# The future

- **Sustainability is the biggest problem**

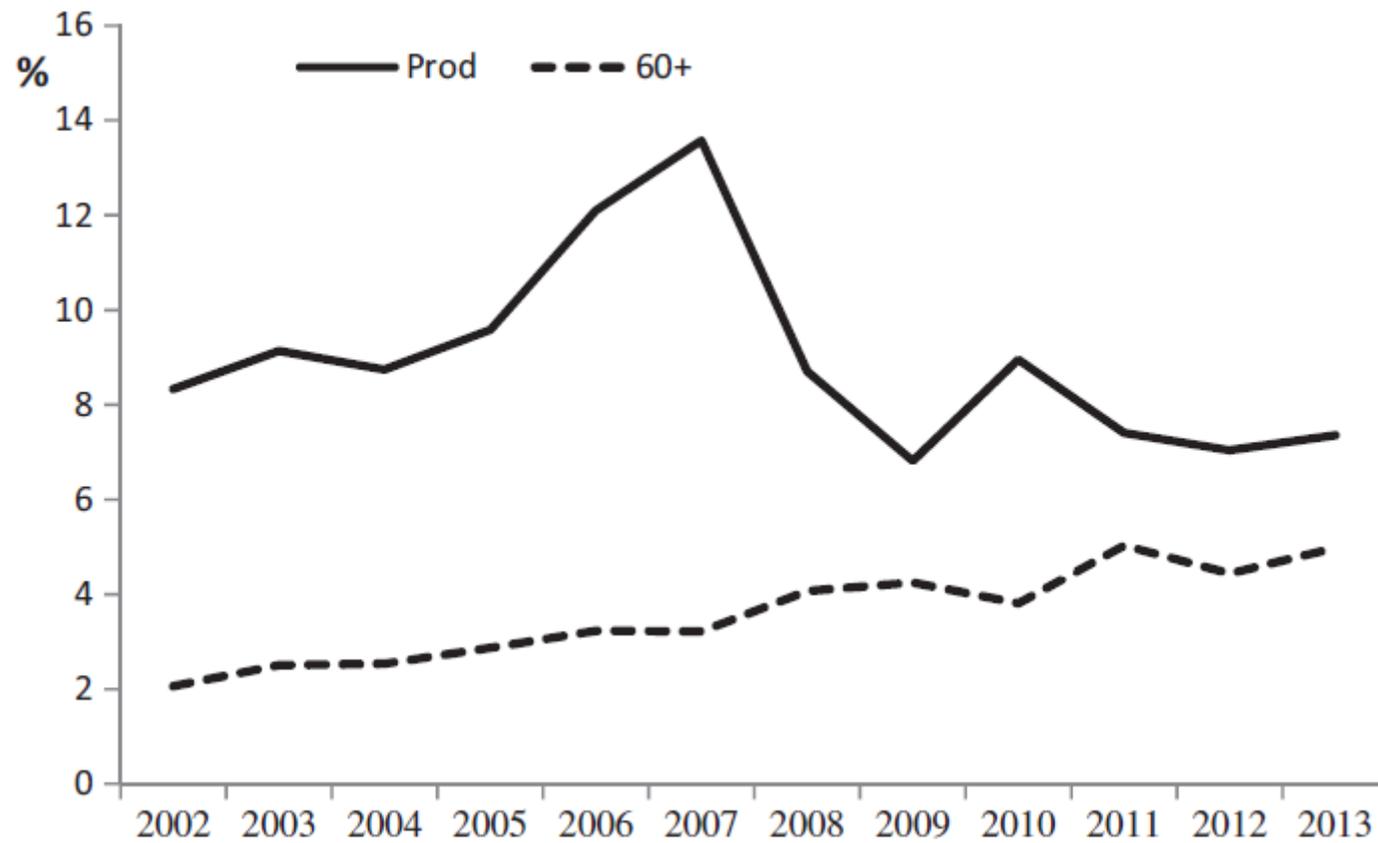
**In 2014, 22 out of 31 provinces had pension funds in deficit**

**Annual national surplus of pension insurance fund (billion RMB)**



# The future

## Growth of productivity and ageing



Source: Cai & Du, 2015

**Thank you**

