



Meeting the Challenge of the Fourth Industrial Revolution

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Twin challenges, twin responses

► Impact of Technology on labor markets

► Population Ageing

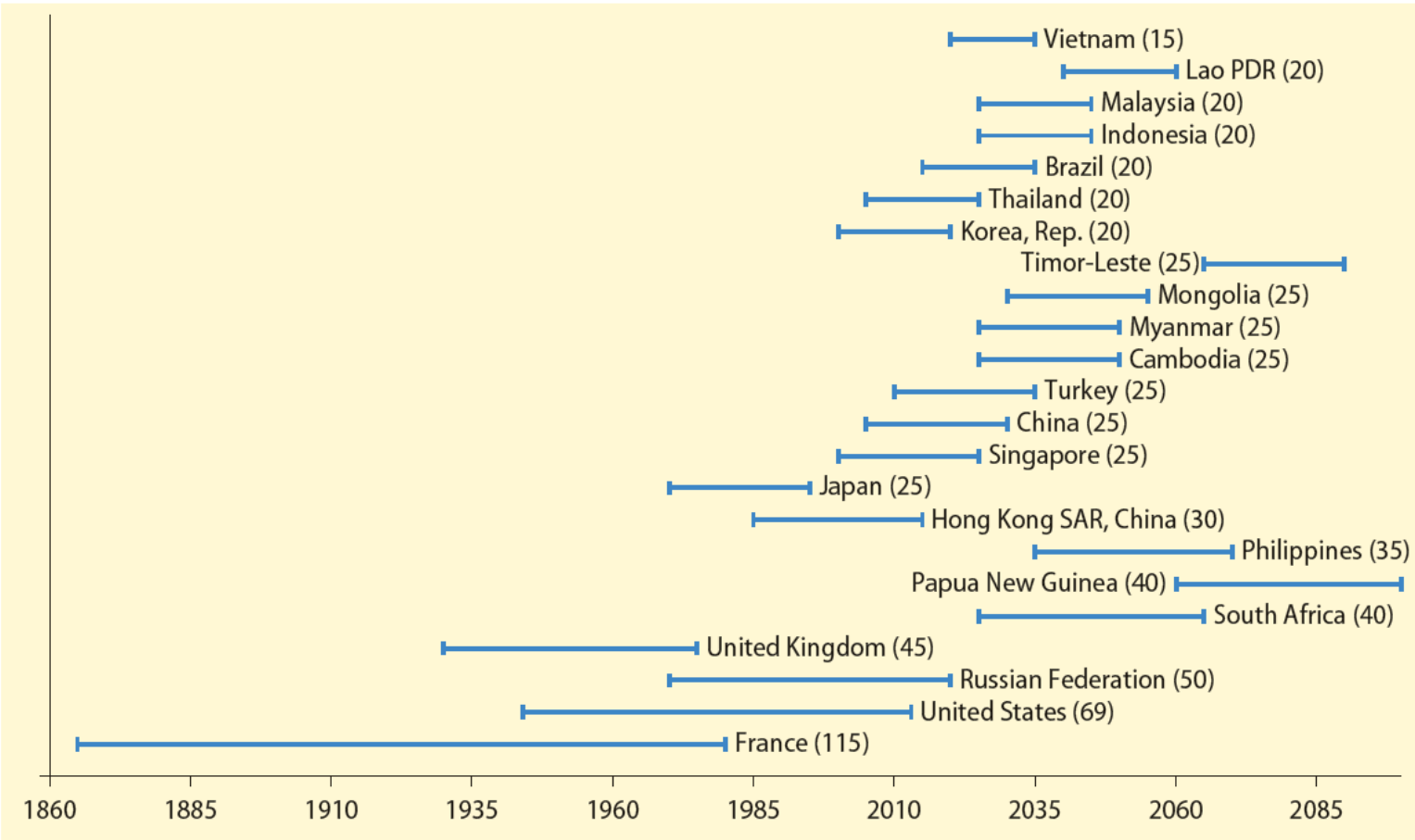


► Developing Human Capital

► Reinventing Social Protection

FIGURE 0.2 East Asian and Pacific economies are aging more rapidly than economies elsewhere

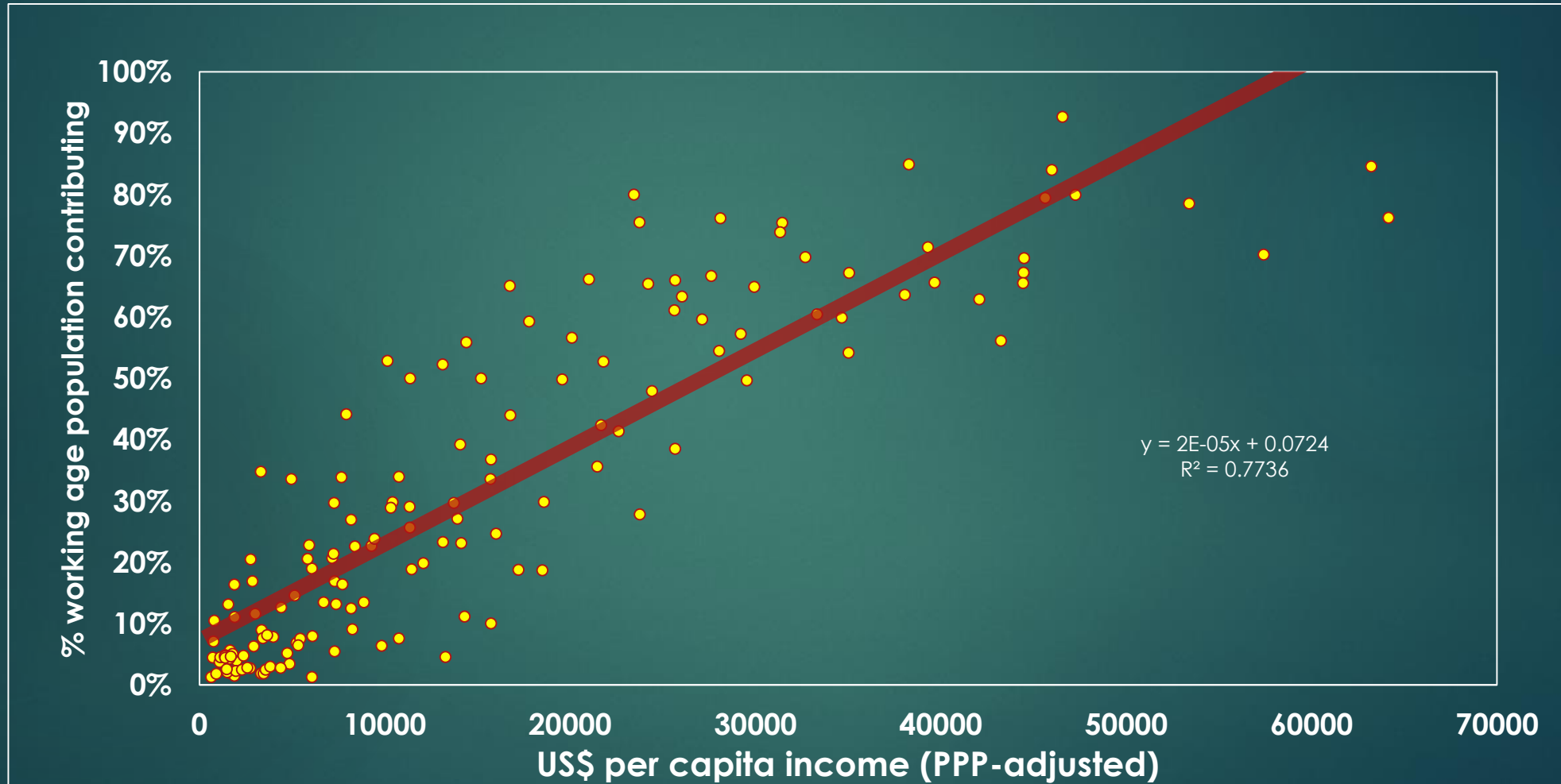
Years to move from 7 to 14 percent population share 65 years and older and the start and end years of transition

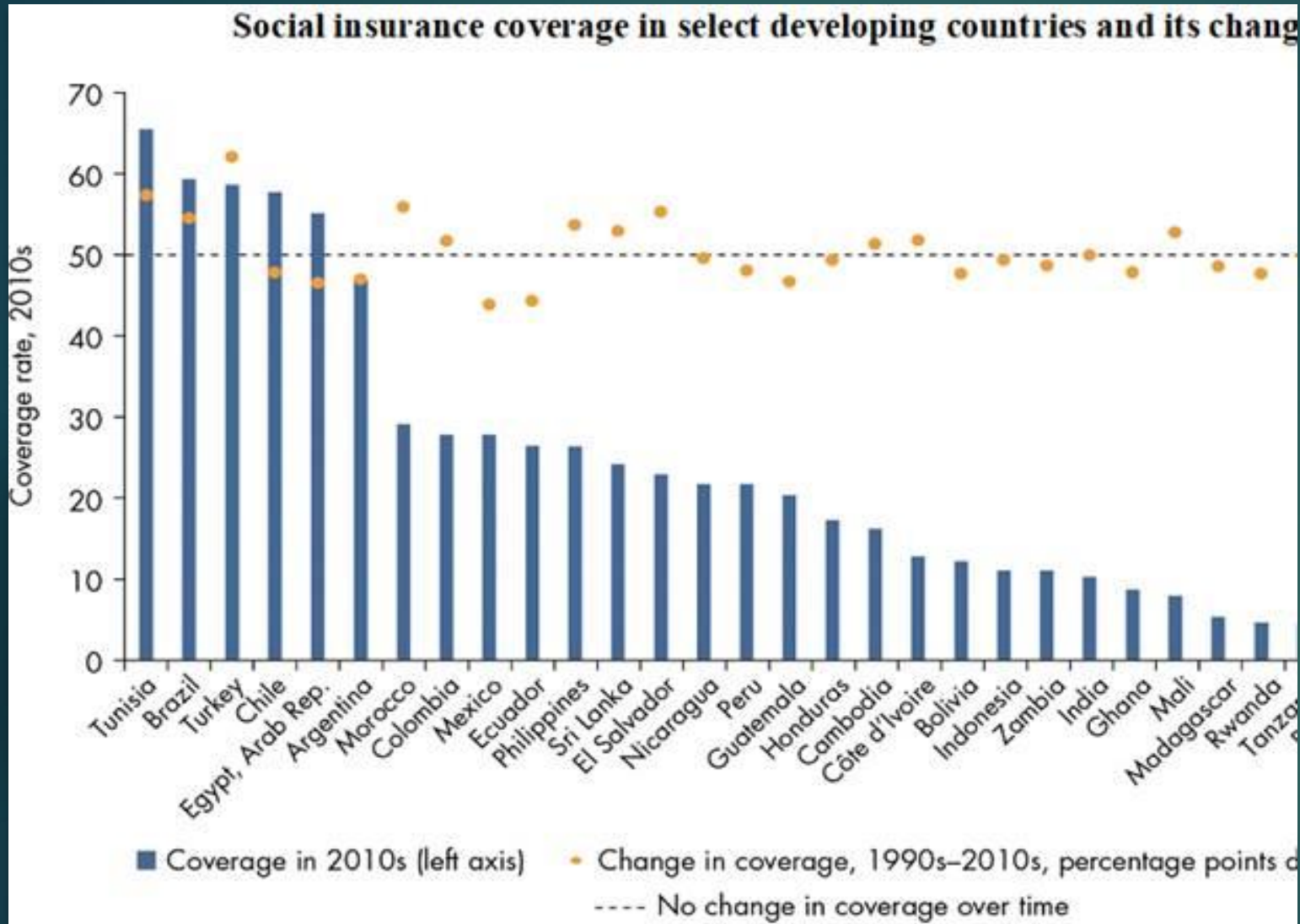


Sources: World Bank estimates based on data from UN 2013 and Kinsella and He 2009.

Note: Figure shows starting and ending year for transition from 7 percent (aging) to 14 percent (aged) of population ages 65 and older. Aging and aged thresholds are based on United Nations definitions. East Asia and Pacific economies rounded to five-year increments.

Pension coverage and income level





Pension coverage has barely changed in 25 years

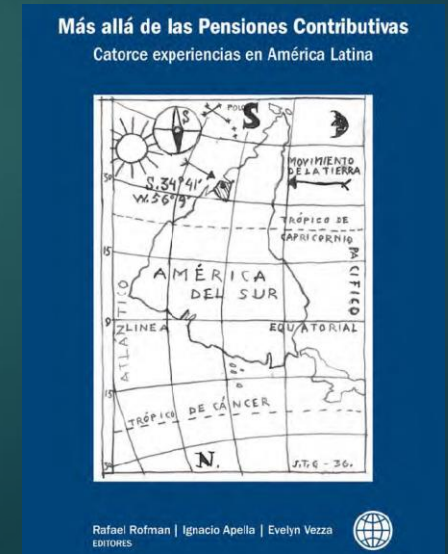
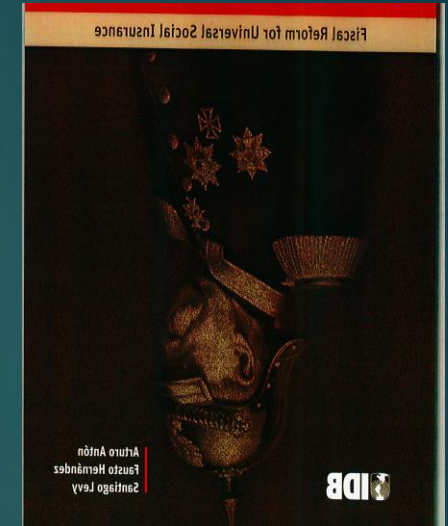
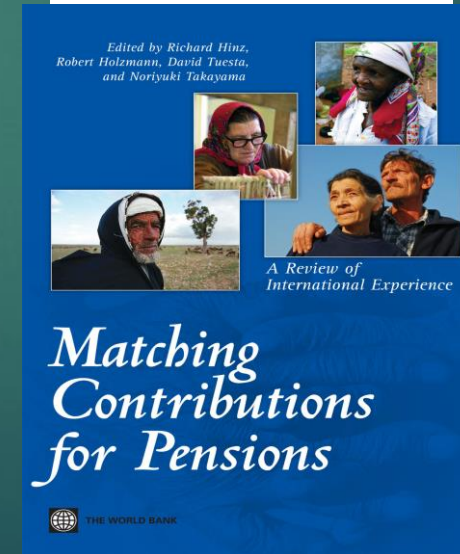
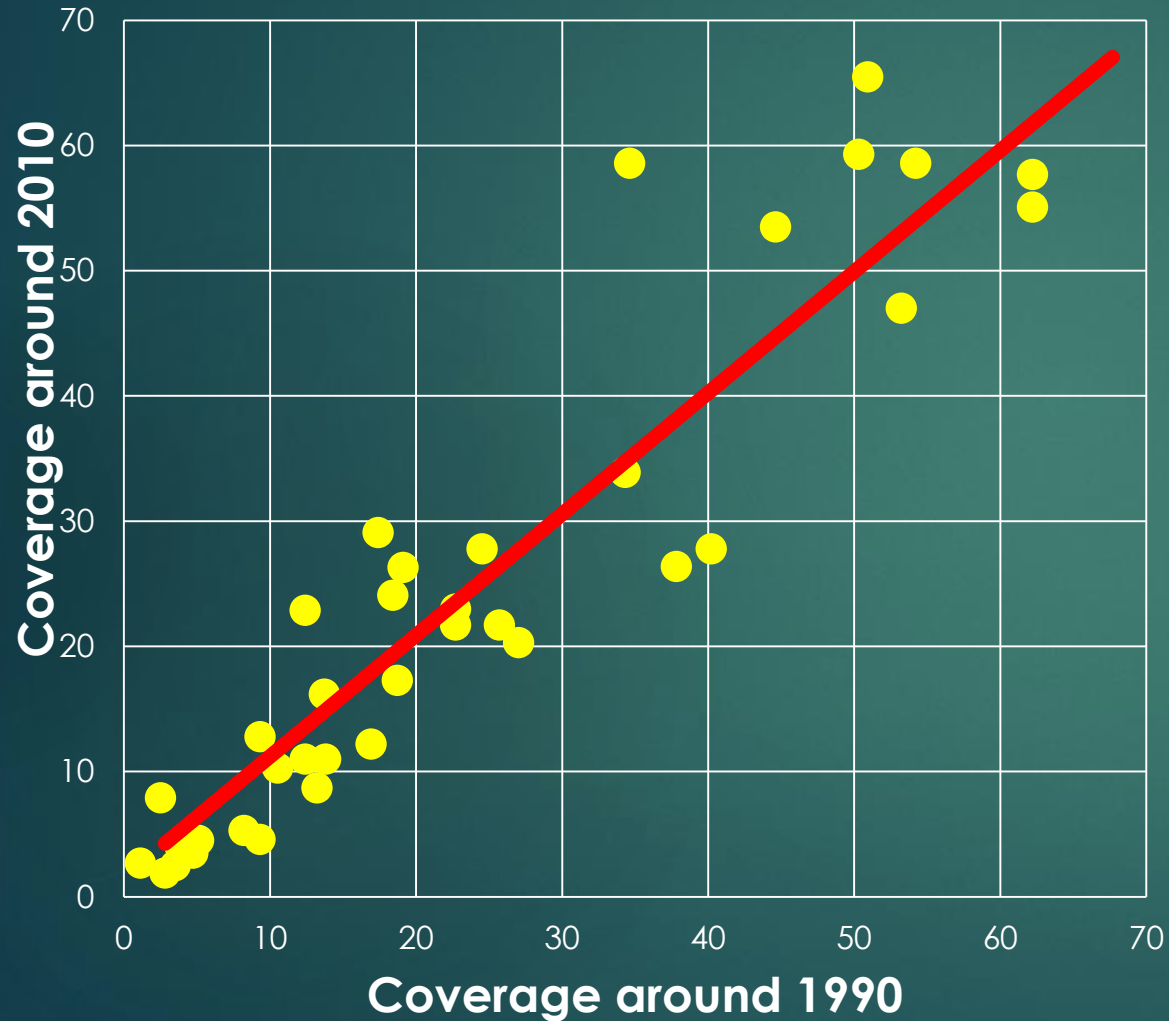
Source: Rutkowski (2018) based on World Bank global pensions database

Year that each country reaches income level consistent with full coverage

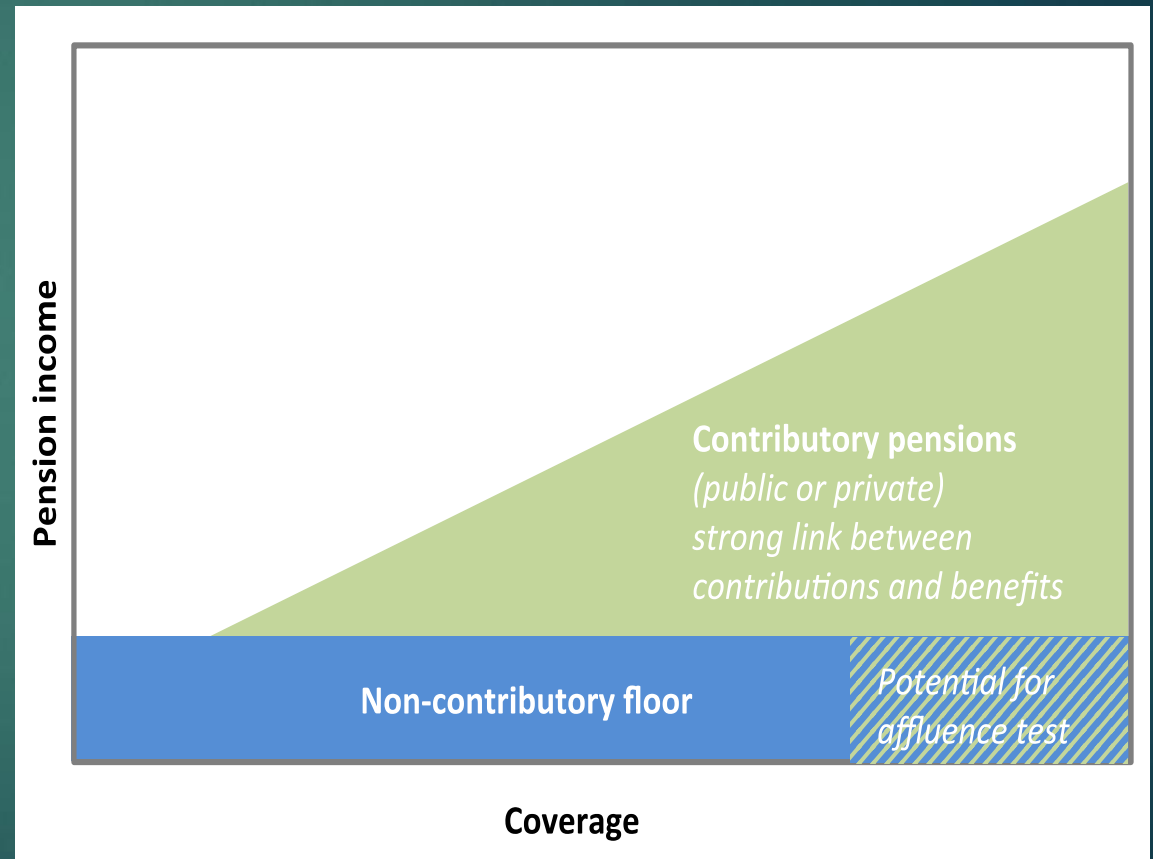
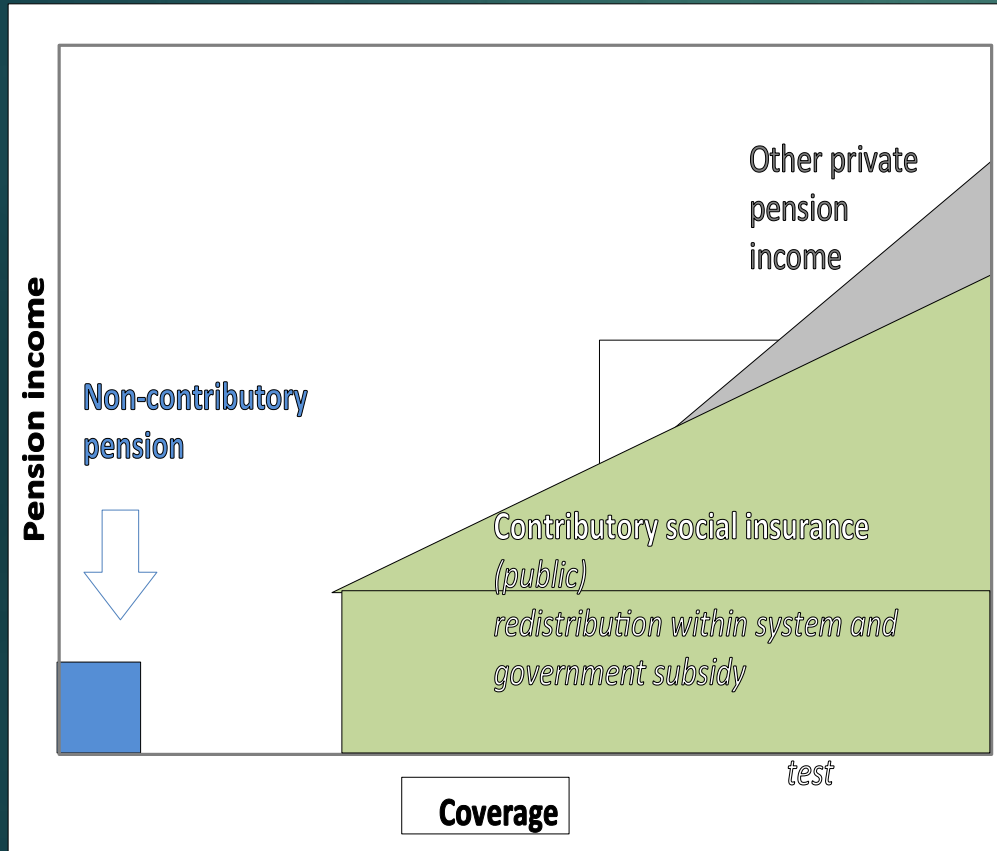


At current pace, pension coverage will lose the race with ageing

Stagnant coverage has led to new proposals 7

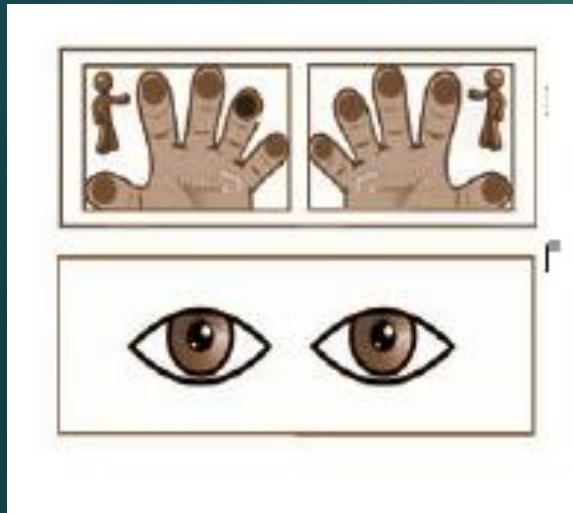


But this approach may be expensive or cause distortions

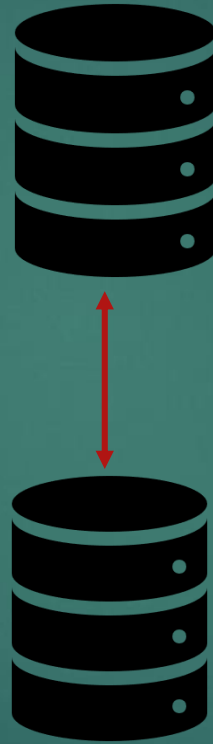


New technologies can help...

Digital
Identification



Personal Data



Digital Payments and
Contributions

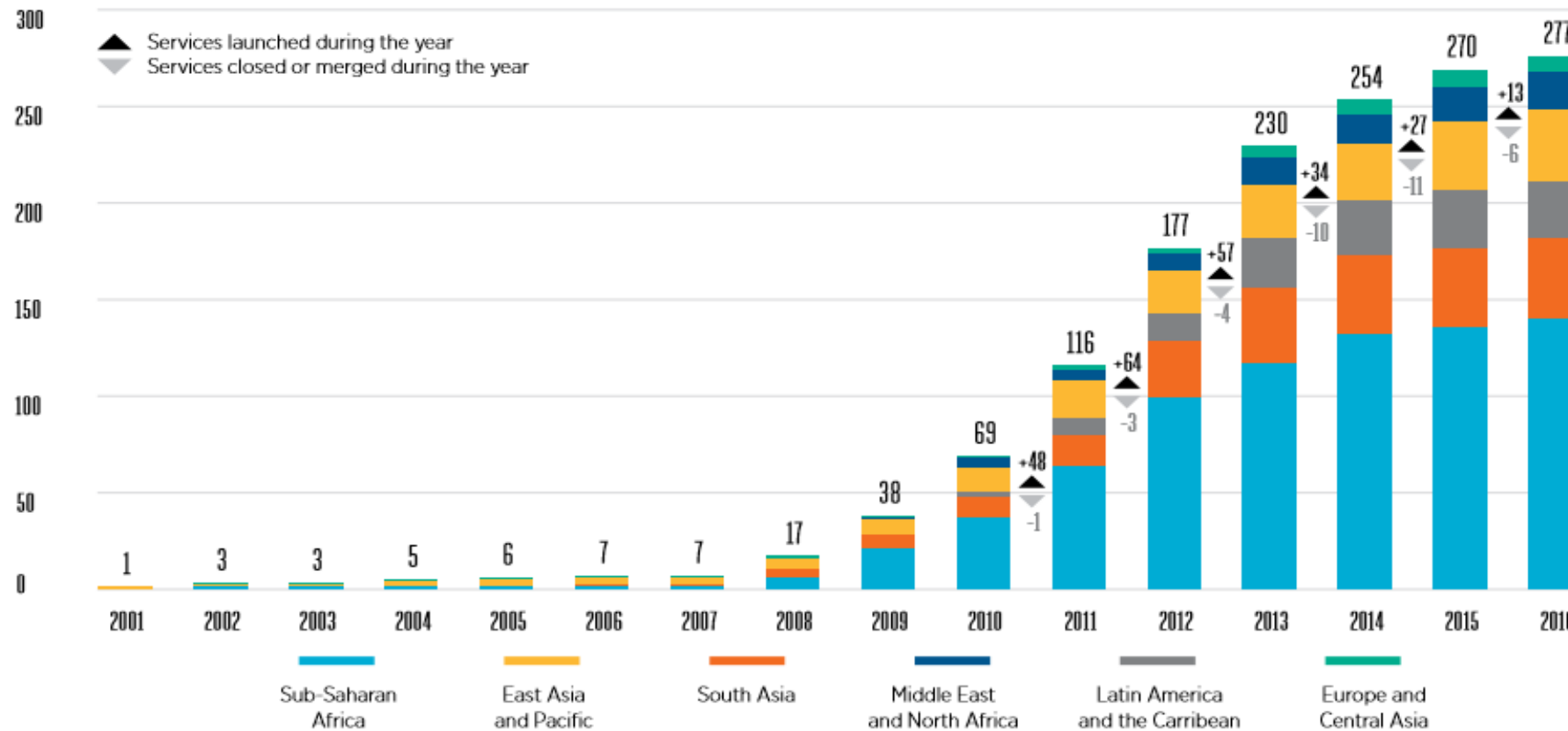


There is a massive shift towards digital identity

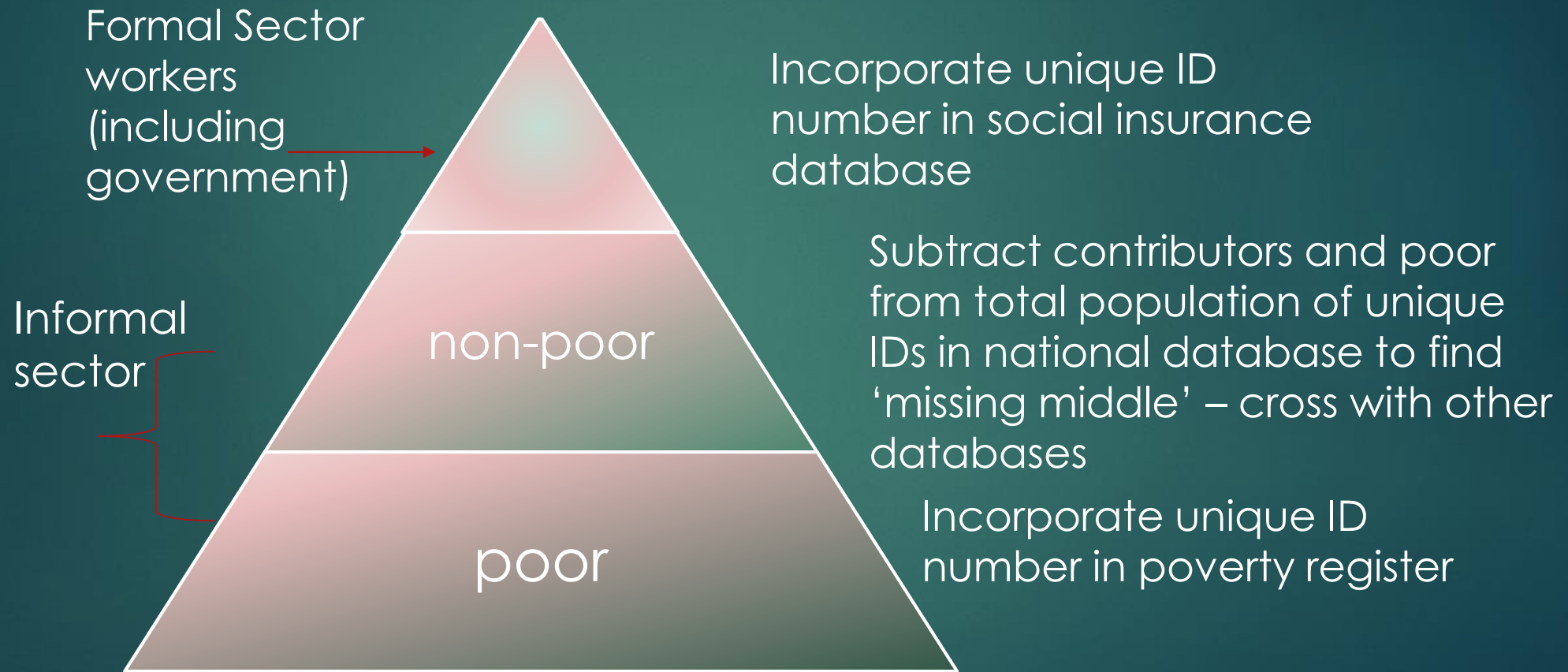
- ▶ India's Aadhaar is the most famous but many low and middle income countries have introduced modern digital identity (e.g., Bangladesh, Indonesia and Thailand) or are planning to do so (e.g., Philippines and Vietnam)
- ▶ Combined with digital commerce and mobile money, this can help formalize the economy and create financial inclusion

Mobile Money is growing rapidly

Figure 1: Evolution of the global mobile money landscape (2001 to 2016)



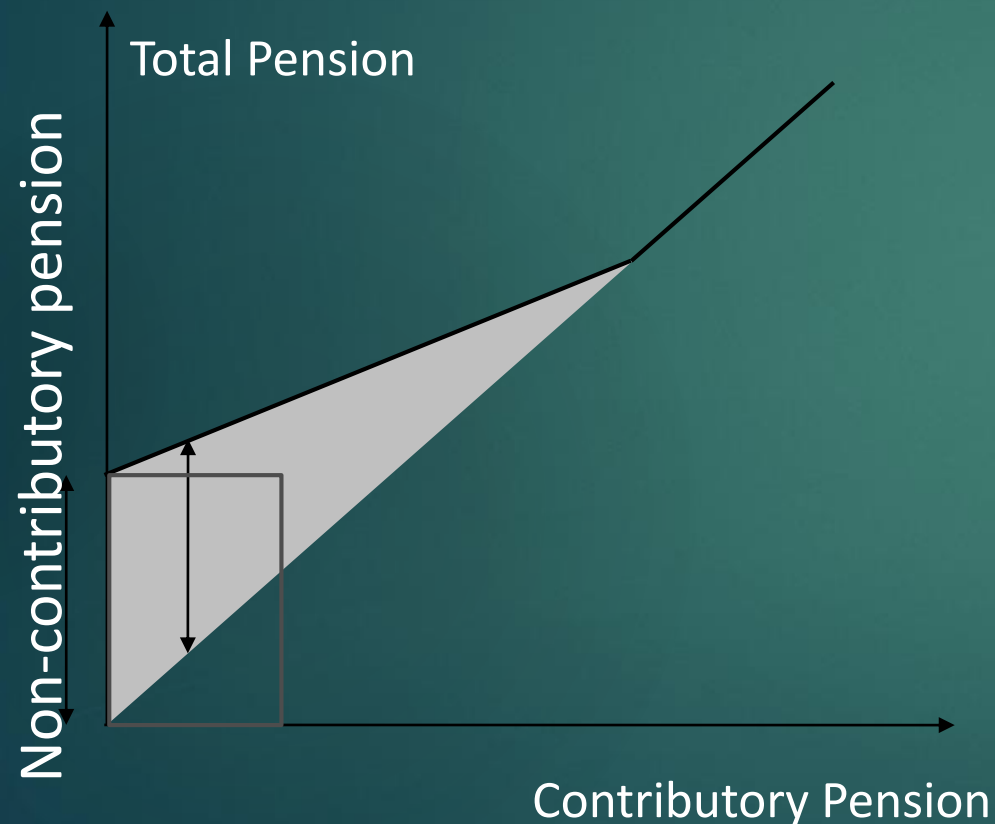
Aiming for universal coverage requires identifying the entire population



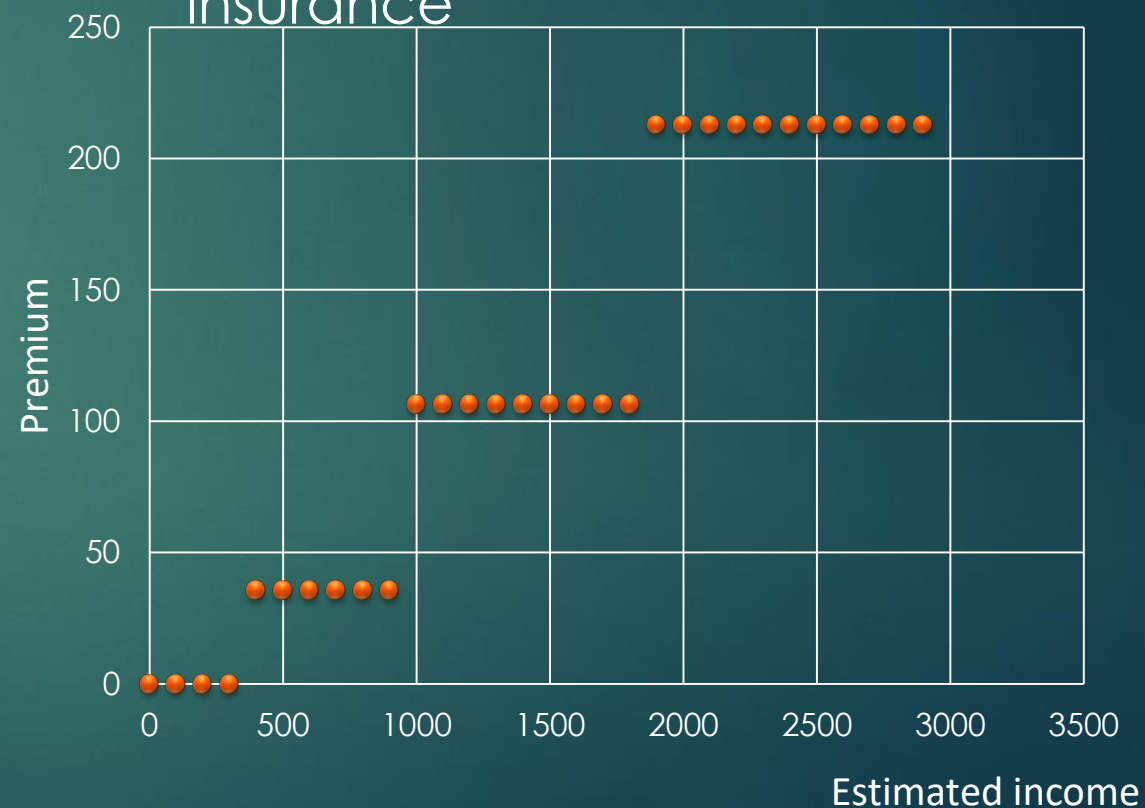
Two useful examples of integration

14

Chile's integrated pension



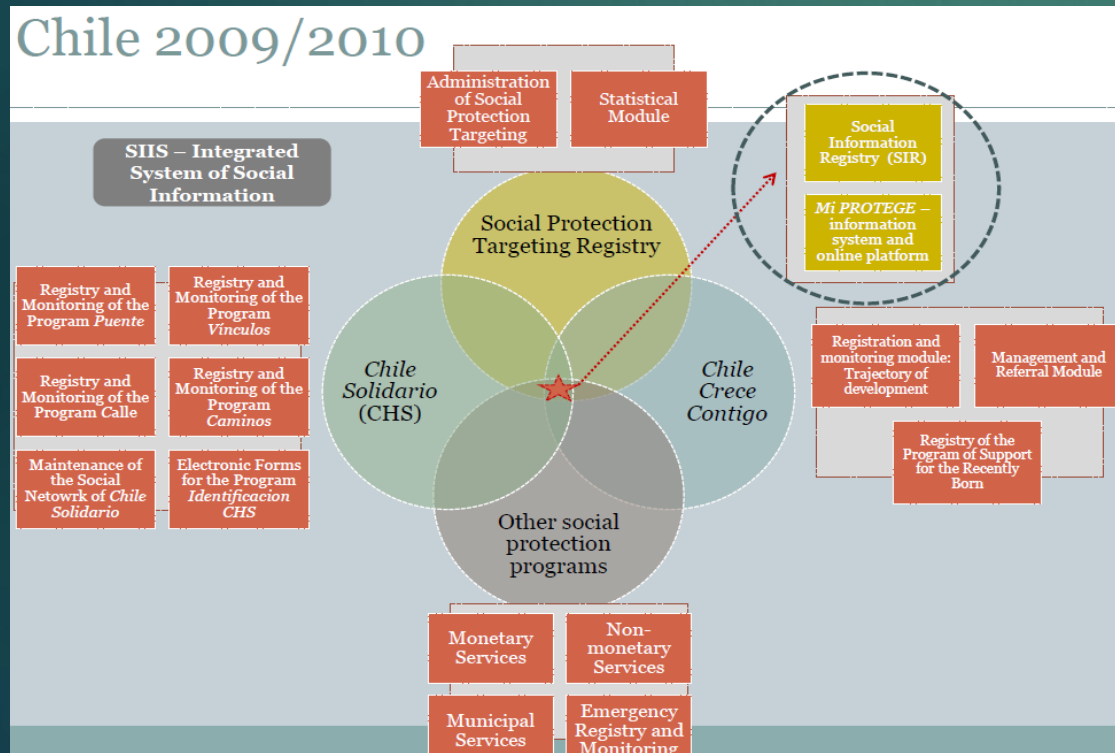
Turkey's subsidized health insurance



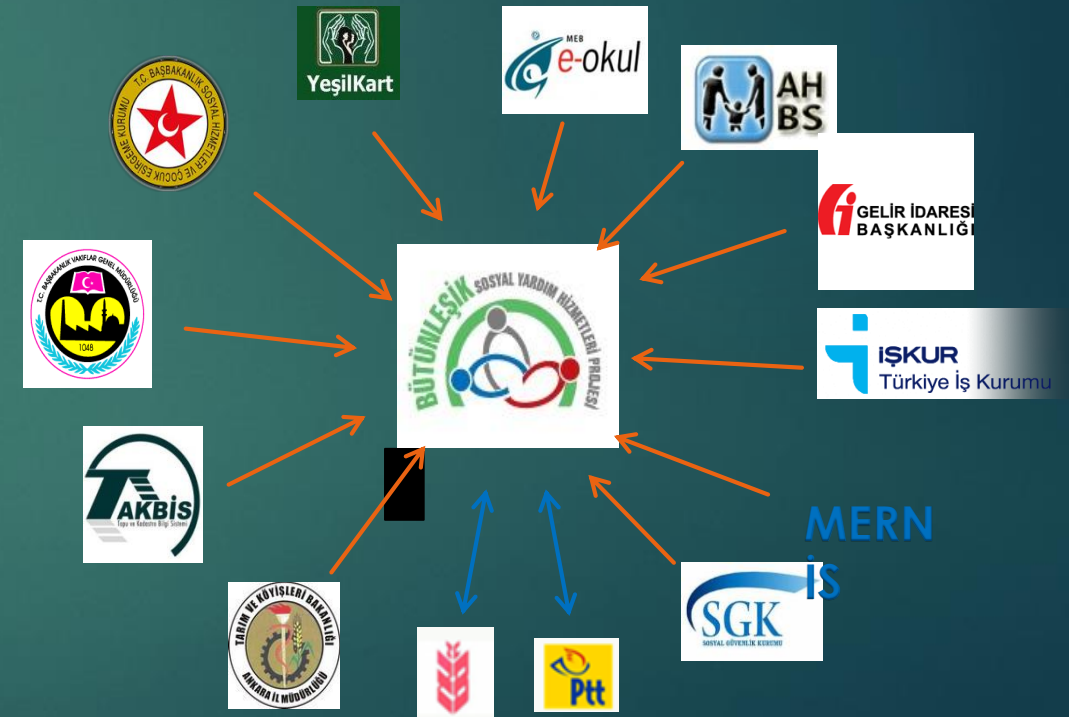
...made possible by a unique identifier and a digitized government

15

Chile's Integrated Social Protection System



Turkey's Integrated Social Assistance System



Seven steps to universal coverage

- ▶ Create a population registry based on uniquely identified individuals
- ▶ Ensure major registries including social assistance and insurance, tax, property, vehicle and others can be linked through the unique identifier
- ▶ Develop interoperable payment platform for use by all G2P/P2G and P2P
- ▶ Ensure universal financial inclusion including mobile/digital transactions
- ▶ Develop authentication infrastructure with risk-appropriate security levels
- ▶ Follow clear data sharing protocols based on best practice personal data protection rules and
- ▶ Determine level of subsidy or withdrawal through taper by using a social registry covering most or all of the population and/or link major government databases to provide proxies for consumption levels that makes it possible to mimic a progressive income tax

Conclusions

- ▶ Traditional social insurance coverage based on payroll tax deductions from formal sector workers will lose the race with population aging
- ▶ The approach of subsidizing health insurance premium for the poor informal sector is helping to increase HI coverage and shows the way forward
- ▶ Emerging technologies can help us to differentiate those in the informal sector that have more capacity to save or contribute so we can use limited resources more efficiently
- ▶ The line between social assistance and social insurance will increasingly be blurred in order to achieve universal SI coverage that is affordable

Thank you