


Data Management and Reform of Unemployment Benefit Scheme in Mexico

ERNESTO BRODERSOHN
EBRODERSOHN@GMAIL.COM

ECA REGIONAL FORUM ON MANAGEMENT INFORMATION SYSTEMS
AND MODERNIZATION OF SOCIAL PROTECTION PROGRAMS
WORLD BANK

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Structure of the presentation

- Implementation and Data Management
- Data Management creating synergies in Mexico's pension system reform from 1997, to 2007 ...
- Implementation built within policy decisions
- New Reforms in Mexico's Social Security System
- Integrating Unemployment Insurance

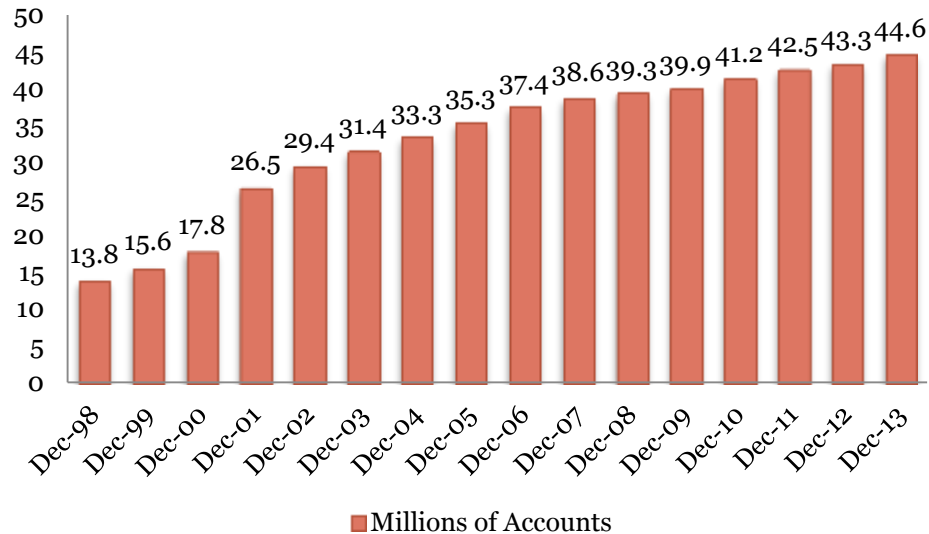


Implementation and Data Management

- A proper Implementation and Data Management will augment policy success and efficient use of resources.
- Same questions that are addressed at the policy level should be addressed at the implementation level...
 - How do we provide (better) services to the population
 - How do we make the best use of resources
 - How do we make it transparent, sustainable...
 - How do we make the policy last beyond our administrations
 - And more...
- “Vision without execution is just hallucination” – Henry Ford.
- Policy without Data and proper implementation is guessing and wishful thinking.

Implementation and Data Management

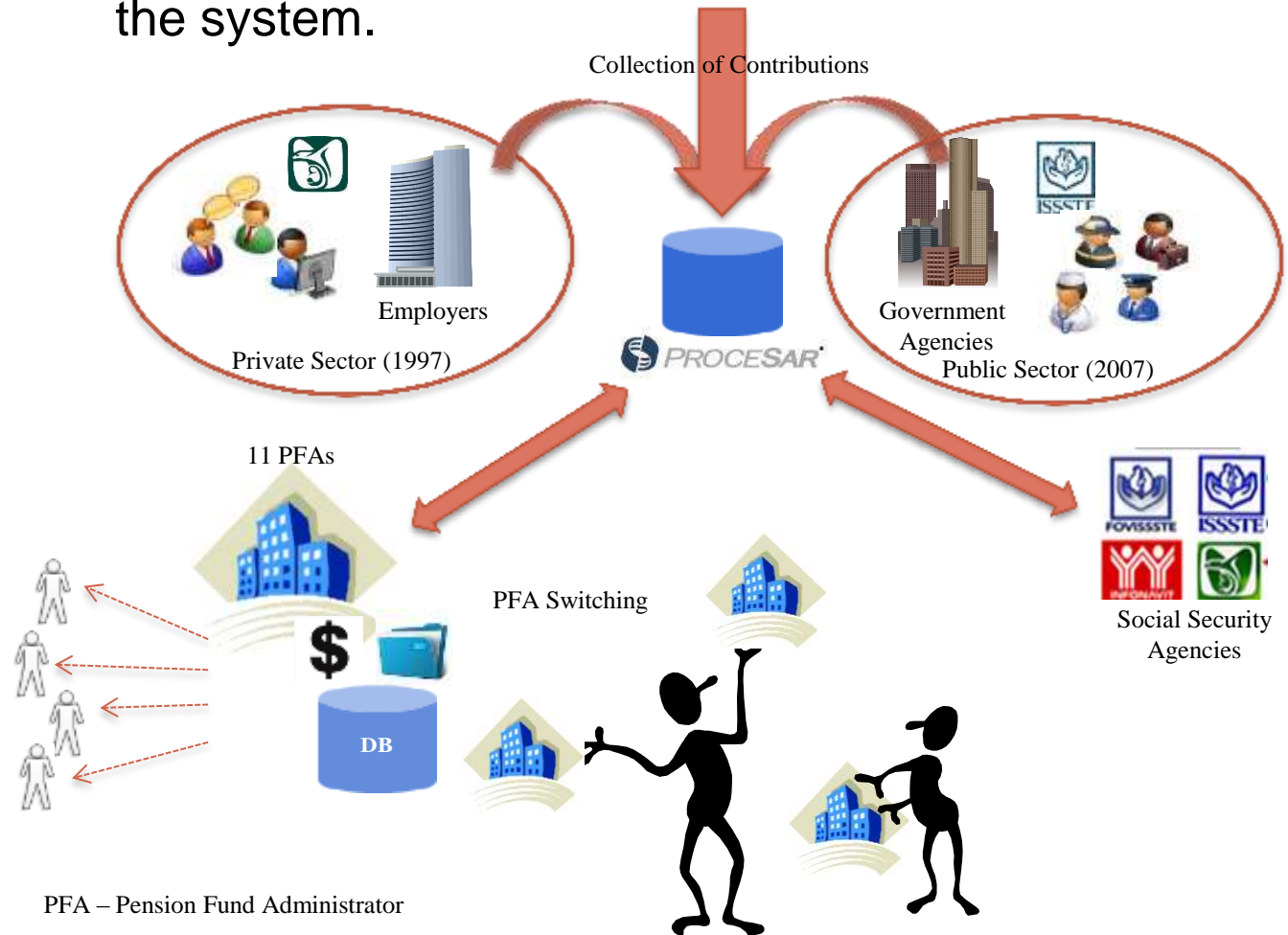
- Mexican pension system is based on individual accounts.



- It has been built with a strong Data Management infrastructure from the early days, even before the reform was in effect in 1997.

Data Management in Mexico's Pension System

- The heart of the implementation differentiator of the pension system is a centralized database management company which acts as a switch within the system.





Some Facts about Procesar

- Procesar is a government concession from the finance ministry, supervised by CONSAR
- Pension Fund Administrators (PFA) own Procesar, in equal shares.
- Procesar's core business is maintaining and operating the national retirement savings database which
 - Holds all historic records of transactions since the creation of the system (now almost 2 billion records)
 - Holds identity information of every individual in the system, as well as which pension fund administrator holds his/her account
 - Act as a switch between collecting banks, pension fund administrators and social security agencies.
- Procesar's got started by borrowing other banks "batch based" infrastructure and for the past 5 years has been moving towards becoming transaction based.
- Has played a key role in all pension reforms (1997 and 2007).



**Implementation
built within
policy
decisions**

- When looking at new policy, in Mexico, we always look at implementation.
- We need to build policy around accurate data to ensure
 - Budgetary constraints are met for the program itself,
 - Population target is accurate to maximize its benefit,
 - ... as much as it can be
- We need to make sure that the services and programs
 - Are simple to operate,
 - Efficient in the execution,
 - ... as much as possible
- Checks and balances need to be put in place.



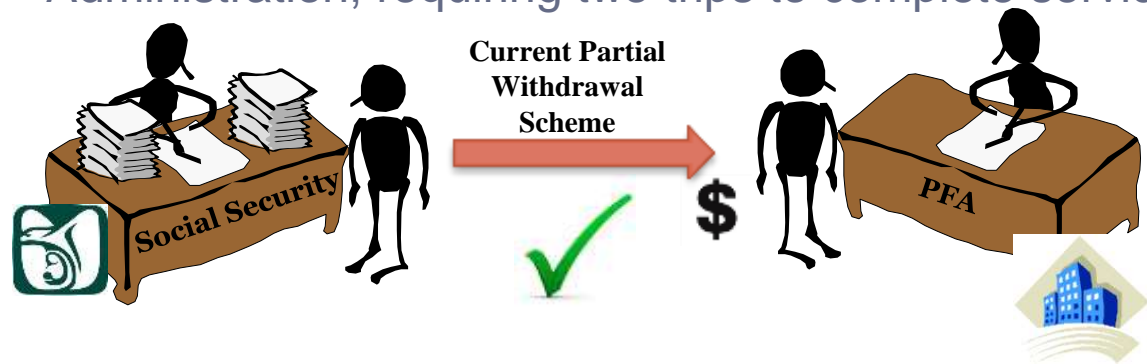
New Reforms in Mexico's Social Security System

- Mexico is currently debating various reforms.
 - Universal pension for the population over 65 years
 - ✦ Provided you do not have another pension
 - ✦ *Substitutes*: “older” programs (Oportunidades & Sedesol).
 - ✦ *New benefit*: twice the pension (minimum wage), provide incentives to incorporate state level programs.
 - Unemployment Insurance
 - ✦ Provided you are not employed,
 - ✦ Provided you do not have another pension, and
 - ✦ Provided you do your share and try to find a job.
 - ✦ *Substitutes*: partial one time withdrawal schemes with no insurance scheme, unconditioned.
 - ✦ *New benefit*: percentage of your last 2 years wage with a government guarantee of minimum wage for 6 months.
 - ✦ *Funding*: Splitting the current 5% of housing contribution into two contributions, 3% for unemployment, 2% for housing.
- Make use of what we already have, substantially benefiting from the pension system's infrastructure.

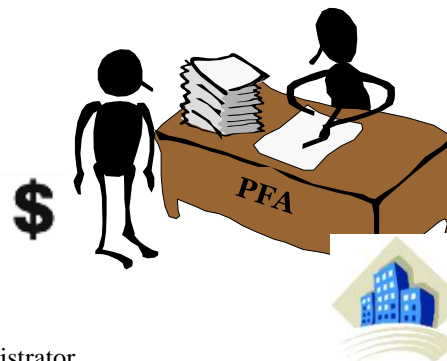
Integrating Unemployment Insurance

➔ A new unemployment insurance presents a challenge to the pension system.

- Current unemployment partial withdrawal is provided by PFAs, but certification is done at Social Security Administration, requiring two trips to complete service.



- Makes it unviable for a program where both certification and payout happens every month for 6 months.



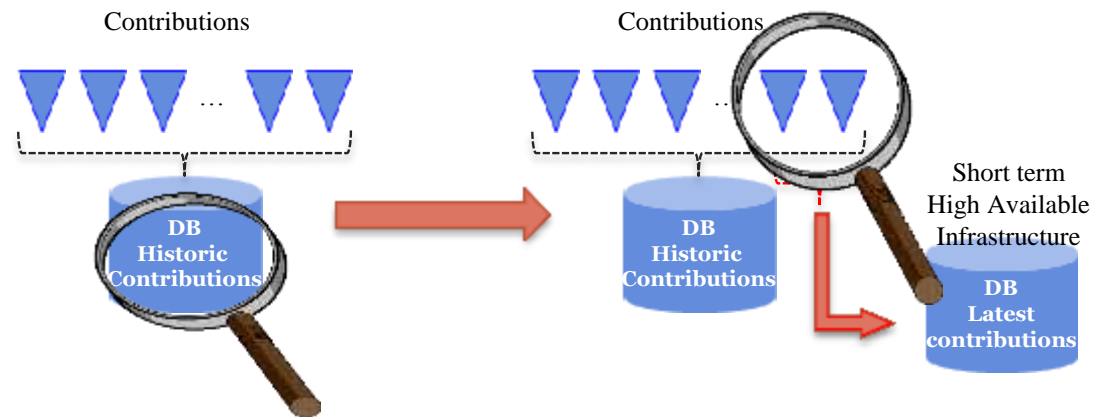
Enabling PFAs can only happen with the right MIS infrastructure and information exchange with the Social Security Agency

Current Point of Contact infrastructure needs to be strengthened

Integrating Unemployment Insurance

➔ A new unemployment insurance presents a challenges to the Data and Infrastructure requirements as well.

- ✦ Pension data requirements focus on the history of all contributions
- ✦ Unemployment does require some history but tend to focus on much shorter term data.



Integrating Unemployment Insurance

➔ If unemployment insurance policy is to be efficient, a single Unique ID needs to be used across all social security agencies.

Private Sector Social Security Agency

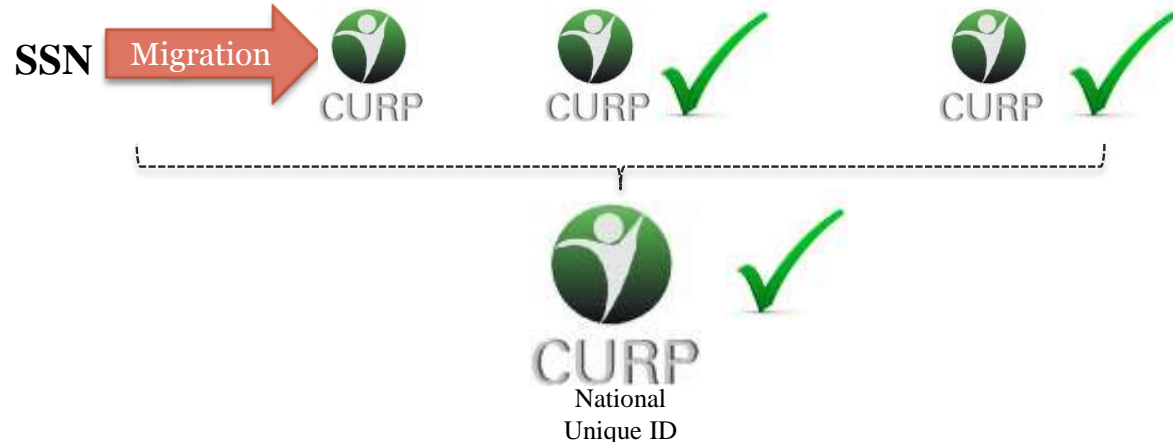


- Universal Pension
- Unemployment Insurance
- Program for Independent Workers

Public Sector Social Security Agency



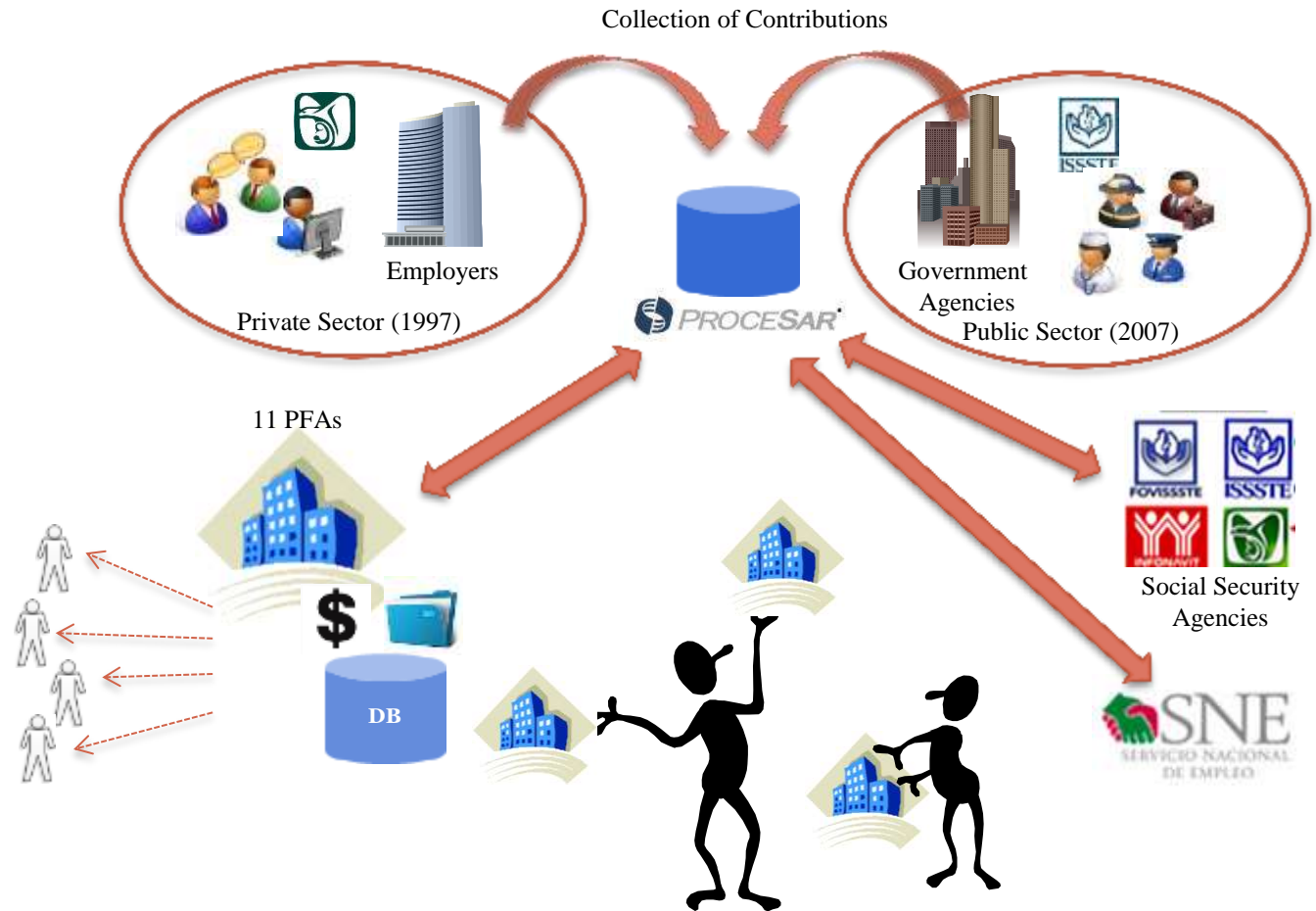
National Employment Agency



- Consensus reached that CURP, the national Unique Identification number in Mexico, will be adopted

Integrating Unemployment Insurance

- New unemployment insurance can use the same infrastructure used by PFAs for the last 17 years.

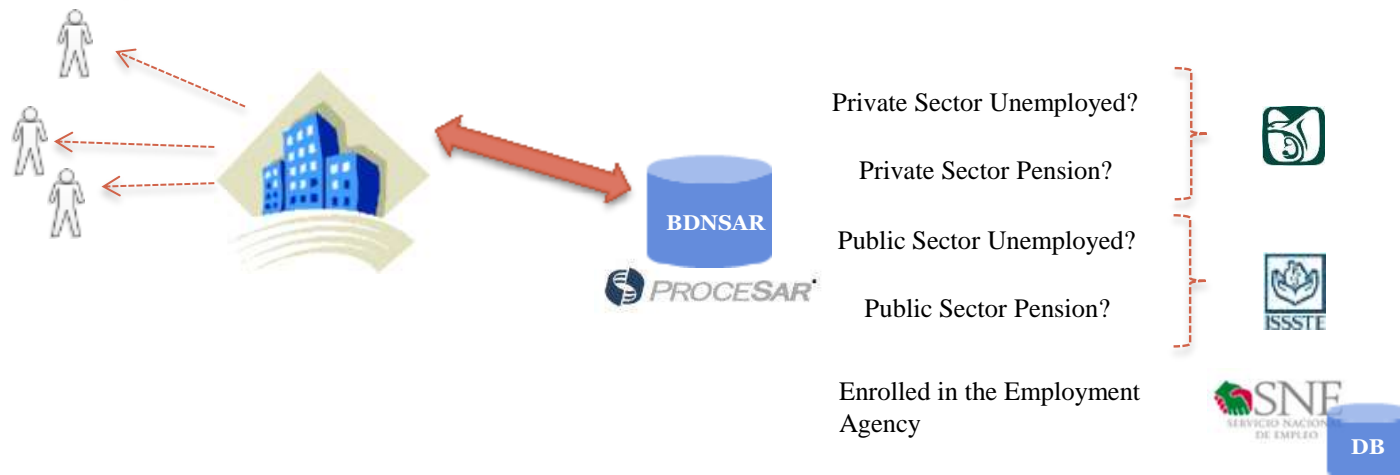


PFA – Pension Fund Administrator


Integrating Unemployment Insurance

Sure, but how do you implement it...

- The pension system already collects and keeps employment records...
- The pension system already collects and keeps pension records...



- A new player would be added to the model to certify if someone is enrolled in the employment service
- Proper handoff mechanisms reducing arbitrage of people who manage to get employed to continue receiving the benefit.



Implementation Takeaways

- Additional benefits from the implementation proposal
 - Advocacy
 - ✦ Provide population a better understanding of PFAs purpose, presence, and benefits.
 - ✦ Bring a short term benefit to pensions administration should help improve pension “awareness”
 - Administrative and Fiscal
 - ✦ Diminish administrative burden to Social Security Agency
- Changing the focus and “culture” of PFAs to a shorter term recurring service to the population can be a challenge.
- Reputation is key. It’s better to provide a short term solid solution which can be matured, than a perfect solution that could fail that would expose the policy to criticism.

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