Recibido: Junio 2 del 2019
Aceptado: Julio 30 del 2019

What pension policy lessons could Colombia draw from New Zealand?

¿Qué lecciones de políticas de pensión podría Colombia sacar de Nueva Zelanda?
Que lições de política de pensões a Colômbia pode adotar da Nova Zelândia?

DOI: https://doi.org/10.21803/pensam.13.25.391

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Abstract

The article addresses the feasibility that a less developed country, such as, Colombia might adopt a universal policy scheme, such as, the one that functions successfully in a developed nation, specifically, the one in New Zealand. Starting in the 19th century, the pension schemes in Colombia, and in New Zealand, were designed differently, and have resulted in different outcomes. I conclude that there are several factors, such as, geographic proximity pattern, ageing population, financial sustainability, and superannuation pillar design that would enable Colombia to adopt the first pension pillar successfully. Even so, there are also some challenges, such as, policy legacy, simplicity, pensionable age, institutional weakness, population size, and homeland security that Colombia will need to address to ensure its success – specifically how to decrease poverty among the elderly population without affecting the long-term sustainability of the retirement system.

Keywords: *Superannuation policy; Policy innovation; First pension pillar; Ageing population.*

Resumen

El artículo aborda la posibilidad de que un país menos desarrollado, como Colombia podría adoptar un sistema político universal, como el que funciona debidamente en una nación desarrollada, específicamente, la de Nueva Zelanda. Empezando el siglo 19 los sistemas de pensión en Colombia y Nueva Zelanda fueron asignados de distinta forma, y han concluido en distintos resultados. Concluyo que hay un número de factores, tales como, patrones de proximidad geográfica, envejecimiento de la población, sustento financiero y el diseño del pilar de la jubilación que podrían permitirle a Colombia adoptar el primer pilar de pensión efectivamente. Aun así, hay algunos retos, como, políticas legales, simplicidad, edad pensionable, debilidades institucionales, tamaño de la población y seguridad nacional que Colombia necesitara abordar para asegurar su suceso – específicamente, como reducir la pobreza en la población mayor sin afectar la sostenibilidad a largo tiempo del sistema de retiros.

Palabras clave: *Política de jubilación, Política de innovación, Primer pilar de pensión, Envejecimiento de la población.*

¿Cómo citar este artículo?
Ruiz, W. (2020). What pension policy lessons could Colombia draw from New Zealand?. *Pensamiento Americano,* 13(25) 76-89.
DOI: https://doi.org/10.21803/pensam.13.25.391

Resumo

O artigo aborda a viabilidade de que um país menos desenvolvido, como a Colômbia, adote um esquema de política universal, como aquele que funciona com sucesso em um país desenvolvido, especificamente, o da Nova Zelândia. A partir do século 19, os esquemas de pensão na Colômbia e na Nova Zelândia foram concebidos de maneira diferente e resultaram em resultados diferentes. Concluo que há uma série de fatores, como padrão de proximidade geográfica, envelhecimento da população, sustentabilidade financeira e desenho do pilar da aposentadoria que permitiria à Colômbia adotar o primeiro pilar da previdência com sucesso. Mesmo assim, existem também alguns desafios. Como legado de políticas, simplicidade, idade de aposentadoria, fraqueza institucional, tamanho da população e segurança interna que a Colômbia precisará enfrentar para garantir seu sucesso – especificamente como diminuir a pobreza entre a população idosa sem afetar a sustentabilidade a longo prazo do sistema de aposentadoria.

Palavras-chaves: *Política de aposentadoria, Inovação em políticas, Primeiro pilar da providência, Envelhecimento da população.*

Perfil

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Introduction

States have developed retirement schemes to look after their fellow citizens against the risks linked with old age and labour activities. Nonetheless, a remarkable amount of nations face challenges for providing retirement benefits to their population (Sadhak, 2013). Among these challenges are identified fiscal burden, inequality, low coverage rates, and labour informality (Neugschwender, 2016; Kleinjans, 2003; Salazar-Guatibonza, 2011; and Blake & Mayhew 2006). These latter two challenges affect in a significant manner in less developed countries. Analysts and politicians have tried to answer the question of how public policies can be improved. In doing so, analysts have used diverse approaches.

Policy scholarship has proposed the lesson-drawing framework in order to increase the understanding of how a nation can advance its policy challenges by learning from other countries´ experiences. In this regard, scientists are interested in examining lesson-drawing, diffusion studies, policy convergence, and policy transfer. Those kinds of studies have expanded in the last period of time (Dolowitz & Marsh, 2000). Colombia drew pension lessons from Chile in 1993 and 2003 reforms. Several Latin American countries implemented an analogous superannuation policy. This could be related to policy convergence Bennett´s concept. Those South American nations are located nearby. In that sense, pension policy adoption could also be linked with Weyland (2006) diffusion Studies trend.

However, these countries have not overcome the problems of low pension coverage rates. For that reason, this paper proposes a new retirement reform for Colombia by drawing a pension lesson from a developed nation, New Zealand, which solved such a challenge with a universal superannuation policy design. With the purpose of contributing to the state of art linked with advancing public sector performance by analysing policy lessons from one nation to another, a case of retirement policy is studied in this paper. Such case makes the analysis up of Aotearoa retirement policy experience as an endeavour for improving the Colombian superannuation scheme through a reform, particularly the pension policy related to the first-pillar universal coverage. Besides, it is explored some ambiguities that this proposal contains which can cause difficulties in interreligious dialogue by García (2016). The research question is: What pension policy lessons can Colombia draw from New Zealand? New Zealand has a universal pension system. This system is defined as flat-rate payments received by pension recipients regardless of their wages (Sadhak, 2013). Adopting the theoretical approach Rose (2005) learning policy lessons from other nations. The retirement policy and institutions that impact superannuations schemes are studied in this work. Subsequently, based on secondary information and such a theoretical framework, a basic explanation is developed for New Zealand and Colombian superannuation results, indicating several limitations for implementing policy lessons from Aotearoa in Colombia.

Theoretical Framework

Lesson drawing like other types of policy spread, such as policy transfer, convergence, and diffusion studies, are associated with the procedure of learning about one policy issue from one country to another (Karna, 2017). Policy diffusion is focused on geographic variables (Weyland, 2006). Policy convergence is related to common decision-making among nations (Bennett, 1991). Dolowitz and Mash (2000) observe that the process of policy transfer among nations has a relationship with the characteristics and reasons for developing such policies.

The objectives of the literature review are I) to analyse scholarly materials focus on gaps in the current literature, such as the lack of examination of pension experiences centred on universal coverage in South American countries and II) to state the lesson drawing approach to be applied in this study. Afterwards, based on the theoretical framework and secondary data, is develop an explanation for the New Zealand and Colombian pension outcomes, highlighting a set of limitations and benefits for implementing New Zealand policy lessons in Colombia.

The Diffusion of Policies Framework

The diffusion of policies extent from the fact that their adoption among nations is based on geographical closeness (Weyland, 2006). Preceding diffusion studies addressed only developed nations (Fadgen, 2013). This policy diffusion trend among prosperous nations has included deeper analysis of the institutional environment and development policy crosswise countries (Stone, 1999). Contemporary policy diffusion research uses akin framework among neighbouring countries and this inquiry is linked with the process of policy between the movements of jurisdictions (Dolowitz, 2018). Nevertheless, this framework is not suitable for analyzing policy lessons due to the distinction between policy learning and policy spread is not clear (Baddeley, 2010).

The Convergence of Policy Approach

Bennett (1991) considers that the processes of harmonization, emulation, elite networking, and penetration are linked with the adoption of comparable policies among nations. This procedure of choosing analogous decisions is related to the concept of policy convergence. Emulation is associated with policy imitation from one nation to another country. Nevertheless, Bennett observes that emulation not only entails the adaptation of policy but includes a deep analysis of foreign policies. He points out that elite networking is strongly supported by comparative policy studies. Policy spread is related to the development policy among nations by taking into account the domestic institutional context. This theoretical approach may be not appropriate because of the deficiency of not involve sound policy responses.

The Policy Transfer Framework

Policy transfer is a concept associated with the fact that one nation designs its public policies by taking into consideration the institutional structures of another country (Dolowitz & Marsh, 1996). Those researchers point out that policy transfer is a germane topic to investigate because it is a prevalent field of studies. The policy transfer literature has been associated with efforts for spreading successful public policies. However, that aim is not always possible. (Dolowitz & Marsh, 2000). Policy spread framework has some drawbacks. Dolowitz & Marsh (2000) note that this theoretical underpinning has been mainly addressed on the voluntary way, which is directly linked with the rational approach. Taking into account the limitations of the above frameworks, let us consider the lesson-drawing approach, which is states as the main framework for this policy paper.

The Lesson-Drawing Approach

The concept of lesson drawing is linked with learning about policy experiences from foreign governments rather than to create programmes with not reference (Rose, 2005). Dolowitz (2018) notes that bounded rationality is a prevailing assumption in transfer policy studies. Rose (2005) observes that there are ten steps for analyzing policy lessons from one nation to another. This theoretical framework entails an analysis of policymaker's political agenda, to master the fundamental concepts of policy, to review international experiences that can be reproduced in a national context. Analyze directly foreign public policy, for example by travelling to a specific nation, may be positive for learning in a deep manner. To investigate both ends and means for carrying out overseas policy experiences and lastly to assess the potential result of foreign policy. The likelihood of policy success among nations would increase if they follow these group of steps.

The lesson-drawing framework has some disadvantages. Dolowitz (2018) points out that this approach is based on rational precepts. Another drawback of this theoretical underpinning is the voluntary side of policy spread measure. It is viable to transfer policy voluntarily among rich nations, but it is less feasible to do so among rich and less developed countries. This implies a considerable theoretical restraint for this policy paper because it implicates to learn a pension policy experience from a developed nation like New Zealand to a less developed one like Colombia.

Nonetheless, as preceding scientists have noted lesson-drawing framework is appropriate for drawing policy lessons among countries. In fact, there is an ample amount of lesson-drawing scholarship that helps countries to design their policies. Among this scholarship between industrialized and developing nations Pirsoul (2018) studies the multicultural policy in New Zealand and Colombia. He concluded that there is a gap in both nations related to general population and elites understand multicultural policies that have been not successful. Another policy study between rich and developing nations is carried out by Sakuyama (2006). He analyzed the Japanese environmental payment scheme as a policy experience for developing nations. Sakuyama concluded that poor countries can have a better environmental policy by designing and implementing incentives. Those incentives are linked with decreasing transaction costs.

According to Rose (2005), if countries look for public policy lessons, they have to find countries that face analogous policy challenges. As Rose notes: 'Go where you can learn something useful is a rule that underscores the instrumental character of lesson-drawing; it can lead to visits to distant and unfamiliar places' (Rose 2005, p. 42). In that sense, New Zealand may be considered an unfamiliar nation for Colombia. Nevertheless, the first-pension pillar from New Zealand is considered as a role model for both developed and less developed nations. Therefore, Colombia pension system would be improved by designing and implementing a similar pension policy adjusted to the Colombian context. In doing so in a successful manner, the Colombian State may provide retirement income for a large proportion of the elderly population. This is important due to many of those old age groups live in poverty conditions. The reverse is true for the same population in Aotearoa.

International Retirement Policy Experiences

Mesa-Lago (1999) studied the 1993 retirement innovation reform of Colombia. The retirement scheme of Chile was adopted in Colombia. Unlike the Chilean model, Colombia kept the public system and created a mix public-private scheme. That legislation was criticized because it does not help to increase the level of pension coverage, reduce the pension liability, eliminate privileged regimes in the public system, and fiscal subsidies. This latter element is crucial. Even though a small group of Colombian receive superannuation benefits, those pensioners get high subsidies from the government. That implies the existence of an inequitable system. Such criticisms from analysts, unions, and workers forced President Cesar Gaviria in 1992 to change the bill that he has sent to Congress and sent another bill with some adjustments in 1993. After several debates, Congress passed the Retirement Act 1993 No. 100. The pension system of Chile was a lesson partially implemented in Colombia.

Lesson-drawing pension reforms are analyzed by Ayala (1995; 1997) in Colombia and other South American nations. Ayala points out that the retirement scheme from Chile was the role model for those nations. He concluded that the pension system from Colombia had maximum institutional dispersión. It means that compared to Argentina, Chile, and Perú, Colombia used to have more superannuation administrators. In that sense, the 1993 reform improved the Colombian system by centralizing the administrator. Colombian insured employees could choose the preceding public fund. Nevertheless, newcomer workers had to choose the Social Insurance Institute because those previous pension administrators were gradually liquidated. Even though Colombia has partially drawn lessons from the Chilean pension policy, the superannuation coverage rate of Colombia remains low.

The next retirement innovation policy should be inspired to enhance pension coverage. In that sense, the first pension pillar experience from New Zealand Retirement System may be a foreign model that can expand the pension coverage in Colombia. Regarding the KiwiSaver hybrid second and third pension pillar, I consider New Zealand implemented such a scheme a little be late in 2007 year. Especially, for those highly educated workers who will get superannuation benefits in less than 10 years. However, this scheme is necessary to increase pensioners´ saving level in a period of an ageing population and fiscal burden. It means that maybe those highly qualified employees do not have incentives to retire. So they probably prefer to remain in the labour market with the purpose of increasing their savings on the private system. That private saving added to the flat rate of public scheme can be more suitable for maintaining skilled workers´ high living standards when they retired. It means to have a similar income before and after the retirement period.

New Zealand pillar one superannuation scheme has been a policy lesson for some countries. Hughes (2008) examined the New Zealand retirement design as a role model for Ireland. Hughes observes that there is a distinction in the role of Irish and the New Zealand States provide retirement benefits. New Zealand provides directly superannuation benefits for their citizens while Ireland just helps to boost a national retirement system. His manuscript describes the drawbacks of the Irish pension scheme. Private low coverage level and deficient replacement rate, financial restraint, ageing population and poverty among old age population included in the Green Paper on Pensions.

Hughes found that both retirement systems are simples, but he observes that the Irish scheme is slightly less simple than the New Zealand one. He notes that the old age population in Ireland has a higher poverty rate compared to twenty-five countries from Europe and New Zealand. Hughes acknowledges that this can be associated with the fact that New Zealand first-pillar benefits are higher than in Ireland. He concluded that Irish retirement scheme should implement a combination of policies drawn from the New Zealand superannuation system. It means that the New Zealand Superannuation may be a role model not only for less developed nations but also for industrialised ones.

Retirement Schemes in Colombia and New Zealand

Among other scholars, Villar et al. (2017) study the global lesson drawing on superannuation policy design. They point out that basically exist two trends linked with the design of pension systems. The German contributory retirement scheme of Bismarck and the Danish solidarity pension system. The latter was disseminated by William Henry Beveridge from England, in that sense this retirement model is known as the Beveridgean system (Poteraj 2009, as cited in Villar et al., 2017). Countries internationally design their superannuation policies by adopting one of this policy design. The objective of the Bismarckian model is to deliver a sufficient income during the retire stage, such pension design just covers the population associated with the labour market and the rest of employees do not get retirement benefits. The aim of the Beveridgean model is to supply minimum universal retirement benefits for almost all old age population financed with general taxes. It means that almost all workers are covered in a kind of retirement system. The Colombian retirement design may be linked with German style while New Zealand might be related to the Danish one.

The initial Colombian retirement system was created by the session of July 11th, 1823. Then, Pension Acts 44 and 70 of 1888 were approved. This pension system was designed for military groups. Later, the Superannuation Act 1905 No. 29 provided pension benefits for magistrates of Supreme Court. Subsequently, the Retirement Act 1946 creates the Colombian Social Insurance Institute in order to protect workers of labour risks. Nevertheless, many public, domestic and foreign private companies continue designing their own employees' pension plans. It means that such a scheme used to have a high dispersion administrator compare with other countries. Colombian workers must be insured with the purpose of protecting them against some risks: a) maternity and non-professional illnesses; b) elderly and disability; c) occupational illnesses and labour accidents, and d) death. The Social Security Institute according to Article 8 of this Act has the following functions: administering the social insurance system in the entire country. That regulation implies that all employees who have a formal or surmise work contract have to be insured. However, those employees aged sixty or over cannot be covered for the above risks. This retirement scheme provided defined pension benefits to insured employees.

The above domestic regulations sanctioned by the Congress of Colombia constitute the primary endeavour for preventing employee's labour risks. Presumably, this effort does not necessarily mean that Colombia had a sound superannuation system. Nonetheless, those retirement acts were fundamental to create later better pension policies. In fact, the Superannuation Act 1993 No. 100 might be considered the essential retirement act due to it unified the Colombian Social Insurance General System. It means that before Retirement Act 1993 Colombia had a lot of pension designers and administrators that made it very difficult to control the system. In that sense, each public and private firms used to manage their individual superannuation fund.

However, one of the historical problem associated with the Colombian retirement scheme has been the low coverage rate. For that reason, Congress enacted the Pension Act 2003 No. 797, which changed the previous pension voluntary affiliation to a new obligatory scheme. The aim of the latter regulation was to upswing the number of citizens covered by the retirement scheme, including not only the dependent employees but also the independent ones. This public policy is relevant due to the Superannuation Act 1993 No. 100 allowed independent employees the opportunity of contributing or not to the social security system.

The Retirement Act 2003 No. 797 addressed another issue related to the time limit for changing the pension regime. The minimum time was established in five years. After this period of time affiliates to the public pension system can be accepted to the private one. This provision is especially important because the Colombian superannuation scheme has a high-level inequality between the public and private system, that is, the public regime delivers better beneficiaries than the private one. Financial constraint was another problem that this public policy tried to overcome. The superannuation contribution rate was increased by two per cent from 2004 to 2006.

The Colombian Congress passed the Legislative Act 2005 No. 01 in order to eliminate special and exempted superannuation regimes. Among these regimes are the Colombian Oil Company (Empresa Colombiana de Petroleos – ECOPETROL) and social security of primary and secondary teachers. According to that provision, the only special retirement systems are applicable to military forces and the president of the republic. In addition, this legislative act shortened from fourteen to thirteen the yearly superannuation payments that pensioners receive. An additional restriction posed by this regulation was to limit the maximum pension income in 25 times the legal minimum wage. The current legal minimum wage is $828.116 Colombian Pesos – COP. In this regard, the highest retirement income in Colombia in 2019 is twenty million seven hundred and two thousand nine hundred Colombian pesos $20.702.900 COP. This value converted to New Zealand Dollar is NZD $9.647 monthly.

The Legislative Act 2005 also put a limit to celebrate pacts, legal acts, and concerted labour agreements related to retirement schemes. Specifically, it is not legal to create a pension policy that provides more benefits than those established in the General Superannuation Scheme. The focal point of such policy is to reduce the financial burden of the Colombian pension scheme.

The Retirement System of New Zealand was also established for specific groups. For instance, the Superannuation Acts 1913, 1926, and 1938 provided benefits for miners, widows, military, and for the elderly population. More recently, the Pension Act 2001 was approved with the purpose of unifying in one disposition all retirement regulations, improve the financial viability, establish a manager for a superannuation fund, and continue to provide retirement rights to New Zealanders. The target of this law was to raise regulatory management and improve the financial feasibility.

Analysis between Colombia and New Zealand

Superannuation and Pensionable Age Policy

There are many nations, which the pensionable age is established through national dispositions OECD (2011). The actual New Zealand retirement age is 65 years old for women and men Superannuation Law (2001). The opposite is applicable to Colombia. The Retirement Act 2003 stipulates that women get superannuation benefits at 57 while men at 62 years old. That discrepancy in the qualification age between New Zealand and Colombia may be associated with the development level. Aotearoa is an industrialized nation while Colombia is a developing one. In that sense, the former country has a greater living expectation compare with the latter. In fact, according to The World Bank (2017), the lifespan at birth in 2017 in Colombia was 75 while in New Zealand was 82 years old.

This seven years difference also might be linked with the fact that New Zealand is a peaceful country while Colombia has faced a long domestic conflict. In 2018, in accordance with the Global Peace Index New Zealand was ranked 2 out of 163 nations. That is to say, Aotearoa is the second most peaceful nation globally. The case of Colombia is quite distinct, it was rated 145. (Institute for Economics and Peace, 2018). That placed entails Colombia is a risky country.

Pension Policy and Fiscal Constraint

According to OECD (2011) in the following forty years, their member countries will raise the financial burden associated with superannuation schemes. The public spending between 2007 and 2060 is expected to increase by 8.8 per cent in 23 OECD nations. It would raise public spending from 9.2 to 18 per cent of GDP. Such financial issue linked with retirement systems is relevant for New Zealand because Aotearoa has a universal and special first pension pillar that has helped to achieve elderly New Zealanders have one of the highest lifespans compare with other age groups (St John, 2015). This superannuation policy design has been considered successful among industrialized nations (McDonald & Guest 2019; Hughes, 2008).

Nevertheless, taking into consideration the fiscal restraint of New Zealand Superannuation St John (2015) suggests four policy actions in order to improve the budget viability. I) to stamp out the living alone flat rate, II) to adopt a two-tiered tax system, III) to maintain single sharing rate in order to align it with the married flat rate, and to augment the subsidy related to the cost of accommodation. In like manner, Littlewood (2010) observes that the ageing population effects in a meaningful way the financial feasibility of the New Zealand Superannuation Fund – NZSF.

Littlewood points out that it is possible a retirement vulnerability associated with the NZS Law and NZSF. In fact, opposed to the two-tiered tax scheme recommended by St John (2015), Littlewood (2010) considers that the NZS should be completely reformed to the past pay-as-you-go system. Such latter policy action might be considered more pertinent than the former to achieve the fiscal viability of NZS. Even though New Zealand has an international recognized pension system, it does not necessarily mean that this pension scheme is perfect. The second pillar KiwiSaver was created barely in 2006 and entered rigour in 2007. Such pension policy did not boost private saving during the work life of many workers. In that sense, many employees in Aotearoa just will receive pension benefits from the public system and a reduced component of the private scheme.

Pension Coverage and Superannuation Policy Design

The difference in retirement coverage between Colombia and New Zealand is meaningful. Colombia provides pension benefits only for a low portion of the elderly. According to the Colombian National Administrative Department of Statistics-DANE for 2019 January-March quarterly, only 51.5% of employees were affiliated to a pension plan. The reverse is true for New Zealand. Aotearoa has a universal coverage scheme. Such scheme corresponds to its first pension pillar more known as the New Zealand Superannuation. This disparity in the pension coverage probably can be associated with the requirements of those pension schemes. In New Zealand, old age people must meet two basic requisites. The pensionable age 65 years old and residential qualification. In that sense, almost all New Zealanders who meet these two simple requisites get a weekly pension benefit. Unfortunately, the Colombian case is quite different.

Despite the fact that Colombians have more accessible pensionable ages 57 (for women), 62 (for men) compare with New Zealanders, the requisite of contribution density affect significantly the likelihood of getting superannuation benefits. In fact, just those Colombian employees aged 57 and 62 who accomplish a contribution level of 1.300 weeks can receive retirement income in the public system. Regarding the private scheme, Colombians affiliated to such regime do not have to attain any pensionable age or pension contribution level, but they have to save enough money for getting a minimum wage pension. It means that taking into consideration the labour instability in Colombia many workers in the private system do not meet the saving requirement to get retirement benefits.

Population and Retirement Policy

One important variable related to pension systems design is the population. Colombia and New Zealand have a relevant divergence population. In accordance with Stats NZ (2018), Aotearoa has 4.907.200 million inhabitants, while Colombia has, 49.078.980 million citizens DANE (2019). The fact that New Zealand has a smaller population compare with Colombia is considered positive, especially for a universal retirement policy design. This taking into consideration that this pension policy design would be more expensive for Colombia. It is possible to contemplate the idea of having a greater population can be associated with a higher GDP. However, considering the high informal rate and unemployment, there are many employees who do not participate properly in the labour market. As a result, New Zealand has a different and better retirement policy than Colombia. It means that the old age population in Colombia have a low living standard and they live in poverty conditions. For that reason, the Congress of Colombia passed the Legislative Act 2005. This provision allows the Colombian Public Pension Administrator- Colpensiones, to deliver superannuation benefits underneath the annual legal minimum wage. This regulation has helped to uninsured elderly population receive income subsidies such as Beneficios Económicos Periódicos BEPs and Colombia Mayor. Nonetheless, one drawback associated with those programmes is that they need to be expanded with the purpose of covering to a greater proportion of the uninsured poor elderly population.

Corruption and Institutional Weaknesses in Colombia

Colombia is a nation with a corrupted public sector (Kleinjans, 2003, p. 32). According to the investigation report of the Colombian Comptroller-General Office – CGR (2018), the social insurance system has been implicated in corruption cases. Just in such report, the Comptroller´s Office found criminal activities that affect the public budget in sectors such as health, education, transport, mines and energy, sport, and planning. I will address a corruption case that affects the General Social Insurance System due to the pension system is directly related to it.

If some corrupt politicians, public servers, and contractors of all public sector levels (top, medium, and low positions) appropriate the public budget, it affects the retirement scheme in a significant manner. The investment of those scare resources is focused on the construction of aqueducts, school feeding programs, schools, road infrastructure, and sports facilities among others. If these public investment projects were implemented following the regulation of Colombia, the number of firms and employees contributing to the General Retirement Scheme would be enhanced. Such expansion in the labour market is relevant due to the proportion of employees who contribute to the superannuation plan is low. Taking into consideration that Colombia followed the pension model of Bismarck and in such scheme, there is a direct relationship between the labour market and superannuation plans, the percentage of people aged 57 and 62 who receive retirement benefits is considerably low.

The case of corruption in the health sector of Córdoba´s State in 2012 is significant for two reasons. The social insurance sector wastes large sums of money and senior executives such as Governor Alejandro Lyons and Congressmen Musa Besaile and Bernardo Elías were implicated. There is an issue in Colombia associated with the way politicians fund their election campaigns. They spend enormous sums of their own money. Then, when they are elected, they try to recover more than the amount of money invested through corruption transactions. This corruption case is linked with a disease calls haemophilia. The Colombian State spends COP $44.812 million, this corresponds around NZD $20.78 million in medicines and medical treatments for false patients. If this case is just one among many, could be possible to consider corruption is a severe barrier to increase the amount of affiliated to the Colombian retirement scheme.

Institutional Arrangement and Successful Pension Policies in New Zealand

In accordance with Transparency International, New Zealand was considered the most transparent state in all over the world Corruption Perception Index - CPI (2017). This could be linked with the fact that such nation implements well-designed public policies. According to McDonald and Guest (2019), Aotearoa is a nation that implements public policies differently, its first-pillar superannuation policy, with a recent innovation of KiwiSaver has been successful. The New Zealand retirement system design can be a role model not only for developed countries but also for less developed ones.

Nonetheless, Colombia and New Zealand have an essential difference in their pension policy. The former has a mandatory contributory financed system (Littlewood 1998). Aotearoa has a superannuation scheme funded by general taxes. Such latter policy design has a better performance due to it has more advantages than deficiencies. Some advantages of unfunded compulsory systems can be the better distribution of pension income, is based on residential qualification, no contribution density is required, the social insurance contribution is not directly identified, it is more sustainable, affordable, and financed throughout general taxes (Littlewood 1998). One deficiency of unfunded systems could be the lack of incentives for private retirement saving. However, in the case of New Zealand, it was corrected through KiwiSaver.

One possible advantage of funded compulsory contributory schemes may be the creation of private and public saving incentives for retirement. Nevertheless, there are more deficiencies than advantages in funded superannuation schemes, the best retirement policy should be focused on stimulating employees' savings for retirements without considering an obligatory component (Littlewood 1998). Among deficiencies of funded superannuation systems, are found the problematic fact associated with obtaining consensus, administrative costs, economic costs, none competitive returns, and complicated administration structures (Littlewood 1998). In the Colombian case, the imbalance between labour supply and demand generates a considerable unemployment rate, which makes it more difficult to finance and expand the low coverage rate of such retirement system. In that sense, Colombia needs to change at least its first pension pillar from the Bismarck model to the Danish one, in order to be more equitable.

Conclusion

Lesson Drawing could be more suitable due to although some South American nations implemented and adopted similar retirement policies, such policies have not been a focus on increasing the pension coverage rate. In that sense, even though lesson drawing has several drawbacks, it is a more flexible approach that allows learning about one specific universal policy that may be useful to improve the living standards of many elderly populations in Latin America. Such a lesson can be sought in a nearby or far away nation.

There is a gap in lesson drawing framework associated with the lack of learning about universal retirement policy among industrialised and less developed nations. It means that such analyses are carried out separated among rich and poor nations. Lesson drawing approach might be suitable for learning about such pension innovation that may help to build a more equitable superannuation design in Colombia and other Latin American countries. This is also true for developed nations such as Ireland.

To implement such a scheme in Colombia is necessary the solidarity of all society members, especially those who are part of guilds, unions, scholars, and general employees in private and public sectors. The institutional weakness, corruption, low income, and insecurity concern of Colombia are among other problems, barriers for implementing the New Zealand pension policy. Nonetheless, Colombia should follow the first-pension pillar design of New Zealand with the purpose of enhancing the superannuation coverage rate. Colombia drew in the 1990s the Chilean lesson, but the pension coverage rate remains at a low level. In fact, Chile is a country in which many elderly populations do not receive pension benefits. The reverse is true in Aotearoa. The successful universal superannuation scheme from New Zealand should be seen as a lesson drawing for Colombia and other developed and less developed nations. The purpose of doing so is increasing in the medium and long term the number of citizens who receive retirement income.

The second-pension pillar from Colombia was enacted fourteen years before than KiwiSaver. Probably Colombian employees have had more time to save income for retirement purposes. However, New Zealand has a higher income compare with Colombia. Colombia should continue stimulating private superannuation savings. Nonetheless, the implementation of the New Zealand pension policy should focus not only on expanding the amount of Colombian pension recipients but also on stimulating the labour market. It implies that Colombian companies and workers have to contribute directly to the social security system, while employees and firms in Aotearoa do not have to. Possibly, for that reason, the unemployment rate in Colombia was 10.3% in April 2019 while in New Zealand was 4.2% in the March quarter of the same year. In that sense, the Colombian economy may receive a momentum due to employees and companies would save the contribution rates of social insurance. However, such impetus is viable only if national security is improved, rural areas are developed, and high rates of national and foreign investment are carried out in Colombia.

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