

Age and security

How social pensions can deliver effective aid to poor older people and their families



HelpAge
International

Leading global action on ageing

HelpAge International is a global network of not-for-profit organisations with a mission to work with and for disadvantaged older people worldwide to achieve a lasting improvement in the quality of their lives.

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Foreword

Speaking at a seminar hosted by HelpAge International and partners in Washington DC during 2002, Professor Joseph Stiglitz, Nobel prize winner and former Chief Economist of the World Bank, said: 'There is no subject of greater importance than the ageing of the population and the provision of social protection for older people. It affects the very nature of our societies and concerns not only older people, but all sections of the population.'

The objective of social protection is to provide insurance against the risks that people face, such as the uncertainty over how long they will live and how long they can earn an income. There are also social objectives for protection, such as the transfer of income in order to reduce poverty and inequality.

Professor Stiglitz went on to note some of the factors that need to be considered when designing social protection policies in developing countries. These include:

- the low income of countries, which often defines policy choices
- the huge demographic transition characterised by increasing longevity
- under-developed capital markets
- difficulties associated with insuring an ever-increasing informal sector
- the need to maximise gains to the economy while keeping transaction costs low.

The challenge for international financial institutions and national governments is to look very carefully at the design options for social insurance systems, and the ways in which they can provide better protection with better incentives.

For older people, pensions are a key element of social protection systems. However, research and debate has so far focused on contributory pension programmes. This report by HelpAge International focuses on social pension programmes. It sets out the economic and political issues, provides case study evidence – including the views of older people already receiving pensions – and puts forward an agenda for action based on sound research and experience.

Age and security shows that establishing, or extending, non-contributory pension programmes in other developing countries could have a significant impact on reducing poverty and vulnerability among households with older people (and their dependants). If international poverty reduction targets, such as the Millennium Development Goals, are to be achieved, urgent consideration must be given to the establishment and extension of social protection mechanisms in the form of non-contributory pension programmes.

Todd Petersen

Chief Executive Officer, HelpAge International



Executive summary

Social pensions tackle old age and child poverty

- **Half of developing country governments now identify population ageing as 'a major concern'.**
- **By 2050, nearly one in four people in Asia and Latin America and more than one in ten in sub-Saharan Africa will be aged over 60.**
- **Six million children in sub-Saharan Africa are cared for by their grandparents.**
- **100 million older women and men live on less than a dollar a day.**

In developing countries, as women and men age, they face spiralling debt, hunger, isolation and destitution. Old age brings with it reduced capacity for work, as well as difficulties in accessing health care and other essential services, increasing the likelihood of older people becoming and remaining poor.

Poverty in old age impacts on the whole family. New strategies must be found to target poor older women and men and their dependants. In South Africa, for example, one in three households are headed by older people. In 66 per cent of these households, older people care for children.

A proven means of reducing old-age poverty and supporting multi-generational households is to introduce a basic social pension. Social pensions target development aid to the poorest. They can regenerate local economies and re-distribute wealth. They improve the nutritional status of the young, support school attendance and improve the health of all household members. The social pension in South Africa reduces the scale of older people's poverty by 94 per cent and that of the population as a whole by 12.5 per cent.

The introduction of social pensions by governments, with financial support from the international community, would make a significant contribution to the achievement of the Millennium Development Goals (MDGs). Social pensions would fulfil government obligations to further the rights of older people, including the right to social protection. This is set out in the Universal Declaration of Human Rights and reinforced by subsequent rights agreements, including the Madrid International Plan of Action on Ageing.

What is a social pension?

The term 'pension' is widely used to describe a range of cash income, mainly for older people, including both non-contributory and contributory cash transfers of various kinds. In this report, the term 'social pension' is used to refer to non-contributory pensions.

Universal non-contributory pensions are distinguished from those that are means tested. Universal pensions are unconditionally available to all. Means-tested pensions are targeted to the poor, and are conditional on tests of earning, income or assets.

Part of a package

Even very low-level social pensions are extremely valuable to poor older people. 'If I do not get this money I will die here in my bed and nobody will bother about me.' Dhanesara, a widow aged 80, lives in India and receives a pension worth US\$2.50 a month.



Resource-poor governments running social pension schemes in countries such as Bolivia, Nepal and South Africa attach great importance to them. South Africa has called the means-tested pension for the over 60s a ‘core poverty reduction measure’.

Evidence from existing pension schemes and research by a range of agencies, including the World Bank, the International Labour Organization (ILO), the UK Department for International Development and HelpAge International, demonstrate the benefits of social pensions as part of a package of social protection measures for all ages.

Developing countries providing social pensions

- **Africa: Botswana, Mauritius, Namibia, Senegal and South Africa operate large-scale social pension systems. The schemes in South Africa and Senegal are means tested; those in Botswana, Mauritius and Namibia are universal. Mozambique operates a cash transfer system targeting households headed by older, chronically sick or disabled people.**
- **Latin America and the Caribbean: Antigua and Bolivia offer a universal social pension. Means-tested programmes in Argentina, Brazil, Chile, Costa Rica, Dominica, Mexico and Uruguay provide social pensions to the poorest older people.**
- **Asia: Bangladesh and India provide a means-tested pension to the poorest older people, while Nepal has a universal social pension scheme.**

Impact of social pensions

Economic and social benefits

Small, regular payments to older people can improve their health and social standing.

With a pension, older people can afford to eat at least one meal a day. They can access basic services such as credit, health care and water. In South Africa the self-reported health status of women improves dramatically at 60, when they become eligible for the social pension, and in households that pool income, the health of all family members is better when a member of the household receives a pension.

Pensions can support whole families. Research shows that older people consistently invest the little money they have in income-generating activities and the health and education of dependants.

Social pension payments are a lifeline to the millions of older-headed households with children orphaned by HIV/AIDS or conflict. ‘Of the 180 HIV-positive families we are working with right now, over 100 are run by grandparents, usually with only their pensions for income,’ says Veronica Khosa, founder of Tatani Home Care Services in South Africa.

Introducing social pensions also increases state accountability. South Africa, Bolivia, Namibia and Nepal report greater levels of local accountability and support of citizens towards the working of government, due to the regular transfer of income to the older poor.

Social pensions play a significant role in reducing chronic poverty. They encourage investment in physical, human and social capital, including education, the benefits of which are felt by future generations. Regular income to older people relieves the

‘I get up in the morning with very painful joints. And yet I clean the home, bring water, prepare tea and get the kids ready for school. I go to work, then to the market and come back home to prepare food.’

Salome, aged 65, who lives with her six orphaned grandchildren in Juba, Sudan

need for adult children to support their parents, enabling households to invest in children’s health and education. This can break the pattern of deprivation from one generation to the next. Pensions also have long-term economic benefits. The *Research review on social security reform and the basic income grant for South Africa*, commissioned by the ILO, concludes that the social pension supports economic growth and job creation.

Equality and human rights

Although the majority of older people in the developing world work, few earn enough to cover their basic needs, let alone to support dependants.

Targeted cash transfers in old age can be seen as an essential component of a comprehensive social protection package designed to protect poor children, women and men across their lives. Other components target disadvantaged groups, such as disabled people and minorities, with affordable and accessible education and health services, access to safe and reliable water, food and housing, and protection in times of conflict or natural disaster.

Regular income support to the older poor can be considered as a core element of the global commitment to reduce poverty, in line with international development and human rights targets. Yet developing countries saddled with intractable economic problems, including crippling debt repayments, are advised that universal income transfer in old age should be conditional on the capacity to generate income nationally. The social pension should be included as a legitimate part of development spending.

Antonio Olmos/HelpAge International



Social pensions...

Help achieve MDG 1

- Social pensions can reduce the number of people living below a dollar a day. In South Africa, the pension reduces the number of people living below the poverty line by 5 per cent (2.24 million).
- They can reduce the poverty gap ratio. The pension reduces the ratio by more than 13 per cent in South Africa and nearly 8 per cent in Brazil.
- They can increase the share of the poorest quintile in national consumption. Social pensions increase the income of the poorest 5 per cent of the population by 100 per cent in Brazil and by 50 per cent in South Africa.

Contribute to the human rights agenda

- Social pensions deliver on the rights of older people and support their contribution to development.
- They build good governance and political support for citizenship.
- They support social cohesion and household coping mechanisms.

Effectively target aid at minimum cost

- Social pensions are feasible at less than 2 per cent of GDP.
- In Brazil, pensions reach 5.3 million poor older people at 1 per cent of GDP. Having a pensioner in the family reduces a household's probability of becoming poor by 21 per cent.
- In South Africa, pensions reach 1.9 million poor older people at 1.4 per cent of GDP. Having a pensioner in the family reduces a household's probability of becoming poor by 11 per cent.
- Social pensions target older women, who are among the poorest and most vulnerable people in developing countries.
- Social pensions deliver support to children, bringing educational and nutritional benefits.

Improve the life chances of orphans and vulnerable children

- In Tanzania, where there is no pension, out of 146,000 children orphaned by HIV/AIDS, only 1,000 attended secondary school, because their grandparents could not afford fees.
- In Zambia, a pilot cash transfer scheme to older people caring for orphans has resulted in improved school attendance.
- In rural Brazil, pensions are strongly associated with increased school enrolment, particularly of girls aged 12-14.
- In South Africa, girls living in a household with an older woman in receipt of a pension are 3-4 centimetres taller than girls in households with older women who do not receive a pension.



The urgent need for pensions

- **Today, 375 million people over 60 live in developing countries. By 2050 the figure will be 1,500 million.**
- **80 per cent of older people in developing countries have no regular income.**

Older people are particularly vulnerable to the effects of economic change; those without savings, assets or capacity to generate income are among the least able to withstand economic shocks.

Large numbers of older people in the developing world, especially women, live in extreme poverty. Those over 70 face greater poverty than other age groups. Those over 80, who are predominately female, are at greatest risk of multiple chronic deprivation. Comparisons between households with and without older people show that, almost without exception, poverty rates in households with older people are up to 29 per cent higher than in households without.

Traditionally, older people in developing countries have had a reciprocal relationship with their adult children, receiving support in return for work in the home or on the farm. In many countries, however, where unemployment, migration, conflict and the HIV/AIDS epidemic are having a profound impact on intergenerational support, this is no longer the case.

In countries affected by HIV/AIDS, the role of older women and men is changing. Many are acting as the main family breadwinner and caring for sick adult children and orphaned grandchildren. About 15 million children have lost one or both parents to HIV/AIDS, the vast majority in sub-Saharan Africa. UNICEF and UNAIDS data show that in southern Africa, over 50 per cent of orphans live with older people (usually just the grandmother). This figure is increasing rapidly as the epidemic progresses. Income from social pensions helps older people care for orphans.



Antonio Omos/HelpAge International

Social pensions are especially valuable to women

Women are, in general, less able than men to save money and accrue assets. More of their work is concentrated in the informal sector, often at a lower wage than men, or paid in kind, not cash. Women's participation in the labour force is also constrained by child-rearing responsibilities. Rights to land and property disadvantage women, reducing their ability to access credit or have a secure home when they are old, especially upon the death of their husbands.

Social pensions are feasible and affordable

Public and political support

The popularity of social pensions may be explained by their simplicity, transparency and obvious fairness, to recipients, taxpayers and policy makers alike. Social protection for older people, especially the poorest, commands widespread public and political support. In countries where governments have made a commitment to social pension provision, public pressure has been exerted if they attempt to renege on their obligations.

Experience in countries such as Bolivia, Nepal and South Africa shows that developing countries can deliver social pensions. The effectiveness of schemes varies, even within countries, and older people sometimes encounter difficulties in receiving their entitlements, but the overriding conclusion is that these payments are a lifeline to the chronically poor.

Minimal costs

The cost of delivering universal benefits, even at very low levels, is often assumed to be beyond the means of resource-poor countries. However, evidence from a number of countries shows administration to account for a low proportion of costs. In Botswana and Mauritius, for example, administration accounts for 2-3 per cent of benefit payments. The experience of existing schemes demonstrates that universal provision of social pensions to older people is administratively simpler and less expensive than means-tested provision.

Evidence from countries that are already implementing large-scale social pension schemes indicates that the overall cost of these schemes, in terms of GDP, is relatively low. In Namibia, the social pension programme costs less than 2 per cent of GDP. South Africa's scheme, funded through general taxation, represented 1.4 per cent of GDP in 2000. The Mozambique targeted programme is scheduled to be US\$13 million in 2005, or 1.4 per cent of the government budget.

Allocating resources

The discussion of affordability needs also to look at the economic and social benefits that social pensions can deliver. Benefits are such that a number of developing countries, including some of the poorest in the world, have chosen to allocate resources to social pensions and increase their value over time.

The monthly pension in Nepal was increased from 100 Rupees (US\$1.41) to 150 Rupees (US\$2.21) in 1999-2000. The number of pension beneficiaries has also grown significantly since 2000. In March 2004, the South African Government increased the social pension to 740 Rand (US\$111) a month. Increases in recent years have been above the inflation rate.

Any developing country government that is planning to introduce a social pension scheme faces the challenge of mobilising resources of around 1-2 per cent of GDP. Given multiple demands on limited resources, it may be best to start by offering a minimal pension to very old people.

The pension level and age at which it is offered will need to be related to other components of the social protection package. The important point is to construct national budgets that encompass a realistic investment in social protection, including cash transfer schemes.

Role of donors

There is growing recognition that donors need to address the issue of financing social protection. At a meeting of donors hosted by the UK's Department for International Development in 2000, explicit links were made between social protection and new forms of global finance for global social goods.

The meeting report described the role of donors as enhancing and supporting the dialogue of social protection policy at country level – Poverty Reduction Strategy Papers (PRSPs) might be one of the instruments used to promote dialogue. However, analysis indicates that, as yet, few PRSPs have addressed the role of social protection in poverty reduction.

The ILO has embraced this idea and is calling for a global fund to finance social protection, including a social pension. Pro-poor poverty reduction programmes could also increase the proportion of funding going to targeted social protection measures, including cash transfer schemes to support the chronically poor of all ages.

Currently aid is not reaching the poorest. Poverty-reduction funding needs to include increased amounts for social protection, including cash transfers to the chronically poor. Mechanisms may include budget support, debt reduction arrangements and international financing initiatives.

'Macro stability is important. Social protection is important. Social protection that blows the budget will be ineffective. A budget that is so stringent that it doesn't allow social protection is self-defeating.'

Nicholas Barr, London School of Economics

An agenda for action

The poverty of increasing numbers of older women and men in developing countries provides a growing challenge to the achievement of the Millennium Development Goals.

Protection against poverty in old age is included in the UN's Declaration of Human Rights and other international agreements to which all member states are committed.

Social protection measures are a proven means of ensuring the basic material security which enables poor people to benefit fully from development.

HelpAge International calls for the following actions:

- Women and men over 60 years of age in poor countries should be targeted as key recipients of regular income transfer.
- Universal social pensions, universal basic education and universal health care should be incorporated as a single social protection goal in international development agreements.

To achieve these goals we urge the international development institutions, national governments and non-governmental organisations to consider the following strategies for action:

- Review existing experiences on income transfer to the poor in developing countries and initiate pilots to explore mechanisms and impact.
- Undertake social budgeting studies on income transfer to the chronically poor to enable decision making on social protection priorities.
- Monitor through intra-household and household surveys the impact of income-based social protection mechanisms, including existing safety net transfers, on the chronically poor.

In particular we urge the international donor institutions to give practical expression to the MDG 8 commitment to a 'global partnership for development' by:

- Assisting national governments to learn from the expertise of a number of international agencies in cash transfer programming.
- Providing funding to develop pilot cash transfer programmes.
- Assisting national governments to incorporate social protection measures into poverty reduction strategies.

This report provides an overview of the existing evidence supporting the case for cash transfers to the older poor. More evidence is needed. Key areas of knowledge still need to be gathered, and we urge for research into:

- The extent and coverage of formal pension provision in poor countries – who receives pensions and with what impact.
- Household poverty including that of older family members.
- Social assistance programmes specifically targeting older poor people.
- 'Traditional' or 'informal' social security for older people in developing countries.

Introduction

Increasing numbers of people in the developing world are ageing in poverty. There is also growing recognition that neglect of the rights of older people is unacceptable. The aim of this report is to support governments and donor institutions to ensure that no older person lives in extreme poverty or dies prematurely because she or he is poor. Just as ‘no child should go to bed hungry’ so, too, nobody should approach the end of their life in poverty and insecurity.

What is a social pension?

The term ‘pension’ is widely used to describe a range of cash income, mainly for older people, including both non-contributory and contributory cash transfers of various kinds. In this report, the term ‘social pension’ is used to refer to non-contributory pensions.

Universal non-contributory pensions are distinguished from those that are means tested. Universal pensions are unconditionally available to all. Means-tested pensions are targeted to the poor, and are conditional on tests of earning, income or assets.



Henri du Plessis/HelpAge International

This report makes the case for providing universal non-contributory pensions to older people in developing countries, as part of a comprehensive programme of social protection to the poor, and as a means to target the older poor in particular. It shows that a universal, basic ‘social pension’ can make a practical contribution to development, by providing social justice for older individuals, by promoting good governance, and by helping to stimulate economic growth. It draws on evidence from older women and men in the developing world, as well as from governments and international donor, academic and financial institutions.

- The report explains why we need to give higher priority to the issue of social pensions for older people, as the world’s population ages, as increasing numbers of older people in the developing world live in extreme poverty, and as there is growing recognition that neglecting the rights of the old is unacceptable.
- It describes how pensions can make a difference, by reducing the poverty of individuals and households, stimulating local economies and promoting economic growth, improving the life chances of children, and increasing the social, health and nutritional status of older people.
- It provides evidence that social pensions are both feasible and, with support from the international community, affordable in developing countries.

Enhanced social protection is increasingly seen as a key component in the achievement of the Millennium Development Goals (MDGs).¹ The MDGs already target improvements in basic education and health with specific interventions. This package of services would be completed by a social pension for older people. Poor people need support across the whole life course, and not just in old age; other vulnerable groups have a strong claim to social protection. However, the particular hazards of poverty in old age call for urgent action.

The simplicity of targeting by age, the need that grows with ageing, and the proven potential of old-age pensions for redistribution down the generations make a strong case for universal transfers to older people.

¹ World Bank Social Protection Advisory Service, *The contribution of social protection to the Millennium Development Goals*, www.worldbank.org/sp, August 2003.

Pensions, health and education costs as a percentage of GDP¹

Country	Type	Age of eligibility	Percentage of population aged 65+	Monthly pension (US\$) ²	Pension ³	Public health ⁴	Public education ⁵
Argentina	Means tested	70+	13	153	0.23	2.2	3.7
Bangladesh	Means tested and community selected	57+	5	2	n.a	1.4	2.4
Bolivia	Universal but restricted to those born before 1975	65+	6	20	0.9	4.4	4.8
Botswana	Universal	65+	5	24	0.4	1.8	9
Brazil RMV	Means tested	70+	8	87	0.15	3.2	5
Brazil BPC	Means tested	67+	n.a	87	0.15	n.a	n.a
Brazil rural pension	Means tested, minimal contributory record	60+ for men 55+ for women	n.a	87	0.7	n.a	n.a
Chile	Means tested, restricted in number	65+	11	60	0.38	3	3.3
Costa Rica	Means tested	65+	8	39	0.18	5.2	4
India	Means tested	65+	8	2	0.01	0.8	3
Mauritius	Universal	60+	9	58	2	1.9	4.6
Namibia	Universal	60+	6	26	0.7	3.7	8.6
Nepal	Universal	75+	6	2	n.a	0.7	3.1
South Africa	Means tested	65+ for men 60+ for women	6	93	1.4	3.3	6.8
Sri Lanka	Means tested	60+	10	1.25	n.a	1.6	3.4
Uruguay	Means tested	70+	17	90	0.2	2.2	2.9

¹ A Barrientos et al., *Non-contributory pensions and social protection*. Geneva, International Labour Organization 2002.

² These values are in current US\$ (but for different years so data is not strictly comparable).

³ Figures are from different sources for different years.

⁴ World Development Indicators 1996. Source: *World development indicators online*, Washington DC. World Bank, 2002. www.worldbank.org/data/onlinebases.htm

⁵ World Development Indicators 1996.

Experience of pension provision

The case for social pensions is not just a theoretical one. A significant number of developing countries are already providing non-contributory cash transfers to older people, as the table and the examples below illustrate.

Sub-Saharan Africa

Botswana, Mauritius, Namibia, Senegal and South Africa all operate large-scale social pension systems. The South African and Senegalese schemes are means tested, whereas those in Botswana, Mauritius and Namibia are universal.

The South African scheme, introduced in 1928 for white and coloured South Africans who lacked an occupational pension, was broadened in 1944 to cover all South Africans. The scheme currently provides 740 Rand a month (US\$105) to men aged 65 and over and women aged 60 and over. In practice, the scheme is almost universal, as the majority of the older black population qualify. In 2002 there were an estimated 1.9 million recipients.

Namibia's social pension system, established for whites in 1949, was extended to cover black Namibians in 1973. Botswana's system was launched in 1996. Mozambique operates a cash-transfer system targeting about 70,000 urban households headed by older, chronically sick or disabled people, with an annual budget of approximately US\$6 million.

Latin America

Only Bolivia – the poorest country in Latin America – offers a universal non-contributory cash transfer. The Bono Solidario, or Bonosol, is a fixed benefit of 1,800 Bolivianos (US\$248) paid annually to all Bolivians over the age of 65. The Bonosol was established in 1996 to provide coverage for those outside the formal pension system. It is funded by proceeds from the privatisation of five large public enterprises, using returns on shares representing the government's 50 per cent ownership of these enterprises. Payment is implemented by two private financial institutions, which are responsible for managing these assets.

Several other Latin American countries provide social pensions for the poorest older people, as part of wider contributory systems. Tax-financed programmes in Argentina, Brazil, Chile, Costa Rica, Mexico and Uruguay cover significant proportions of their older populations.²

Brazil has a range of schemes, covering 5 million older people in total. In rural areas, social pensions have been provided since 1963, although they were initially restricted to the very old. In 1991, a new old-age pension for rural workers, the Previdência Rural (PR) was established. Its value was increased from 50 per cent to 100 per cent of the minimum wage in the same year. The PR can be claimed by men from the age of 60 and women from the age of 55. It has many features of a universal social pension, since it is not based on a means test or prior contributions.³

In urban areas of Brazil, state pension provision has been more limited. The Renda Mensual Vitalicia (RMV) was introduced in 1974, paying a flat rate of 50 per cent of the minimum wage to people aged 70 or over who had no other income, and who had paid national insurance contributions for at least 12 months. In 1993, the Benefício de Prestação Continuada (BPC) was introduced for disabled people and those aged 67 or over, who had a per capita household income of less than 25 per cent of the minimum wage. The BPC pays the equivalent of the minimum wage (200 Reais or US\$55) per month. Both the PR and the BPC are funded by government and administered by the National Social Security Institute (INSS).



Samah Hertzog/HelpAge International

² Bertranou, F, van Ginneken, W and Solorio, C, 'The impact of tax-financed pensions on poverty reduction: evidence from Argentina, Brazil, Costa Rica and Uruguay', *International Labour Review*, January 2003.

³ Barrientos, A et al., *Non-contributory pensions and poverty prevention: a comparative study of Brazil and South Africa*, Appendix C, London, Institute for Development Policy and Management/HelpAge International, 2003. <http://idpm.man.ac.uk/ncpps/report.htm>



Neil Cooper/HelpAge International

Caribbean

Antigua recently became the first country in the English-speaking Caribbean to introduce a universal old age pension. The newly elected government announced in March 2004 the provision of a monthly pension of EC\$750 (US\$ 281) to all aged 60 and over. This amount is set to increase to EC\$900 (US\$ 337) in January 2005, and EC\$1,000 (US\$ 375) by January 2006.

More typical is the situation in Dominica, where a contributory scheme provides pensions to people of 60 years and over. There is also a non-contributory scheme that pays EC\$100 a month (US\$37) to older people below the poverty line.

South Asia

During the 1990s a number of countries developed social pension schemes with varying degrees of coverage. The Government of India introduced a means-tested National Old Age Pension Scheme as part of a wider National Social Assistance Programme in 1995-1996. The aim was to ensure that social protection was uniformly available throughout the country, in addition to provision by individual states.⁴ The old-age pension of 75 Rupees a month (US\$1.50) is paid to women and men aged 65 years and over who would otherwise be destitute.

An estimated one-third of older people in India are entitled to the national pension. However, not all of those entitled receive it, because the central government, which funds it, sets cash ceilings for each state, thus limiting the number of beneficiaries. In 2000, the government introduced the Annapurna scheme, which provides 10 kilos of rice or grain per month to older people who are eligible for the national pension but do not receive it because of cash limits. In some states the national pension is supplemented by means-tested state government pensions. Uttar Pradesh was the first to introduce a state pension in 1957, followed by Kerala in 1960. The amount paid varies between states. Uttar Pradesh, for example, pays those eligible 50 Rupees (US\$1.10) per month.

In 1997-1998, the Government of Bangladesh introduced the Boishka Bhata, a means-tested old-age pension scheme paying 100 Taka (US\$1.72) per month to extremely poor people aged 57 and above living in rural areas. The amount was increased in the 2002-2003 and 2003-2004 budgets. It is currently 150 Taka (US\$2.58) per month. Initially, coverage was very limited, but there are plans to expand the scheme to cover up to 1 million (14 per cent) of older people in Bangladesh. A similar scheme exists in Thailand.

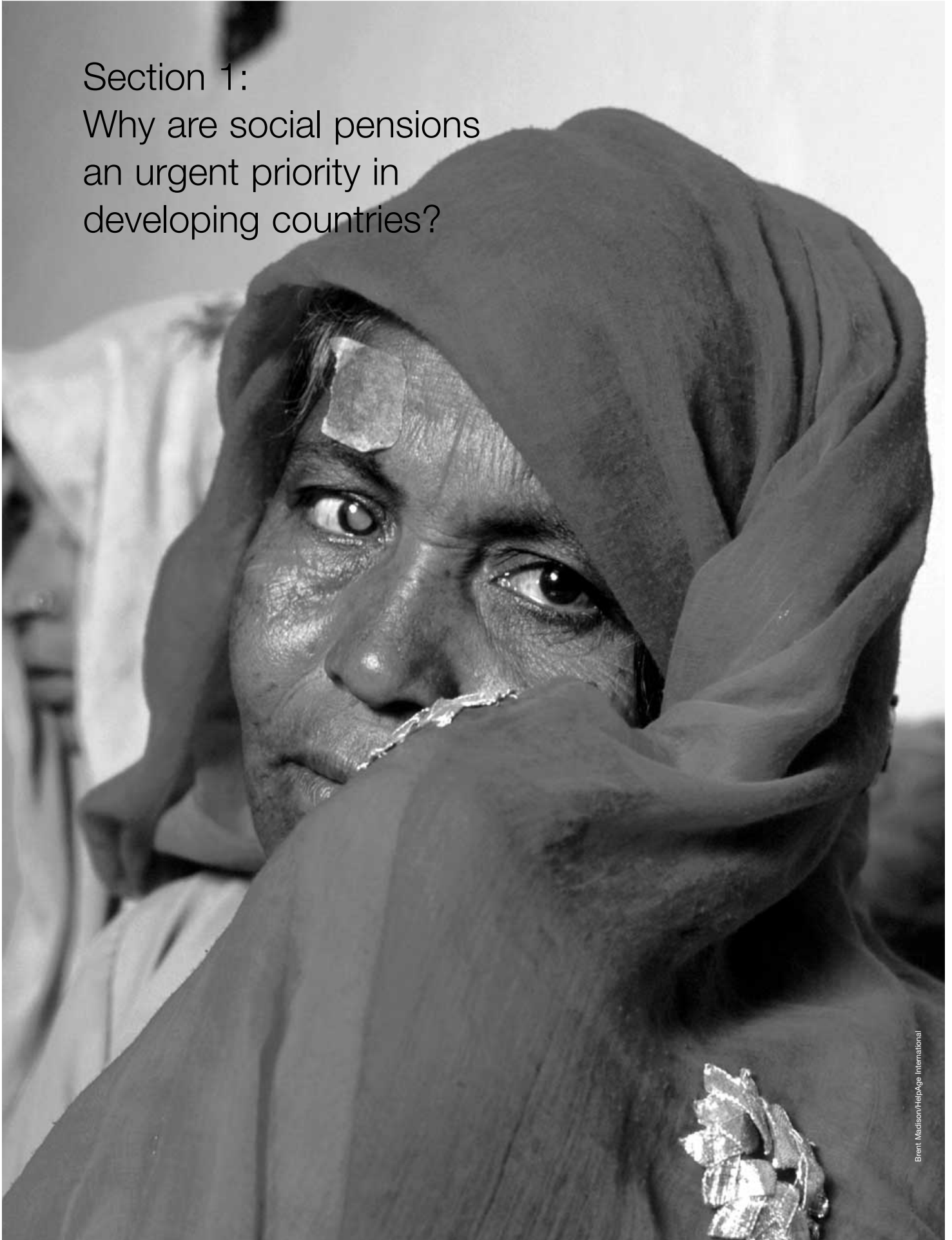
Sri Lanka also has a means-tested scheme, introduced in 1939, which covers approximately 10 per cent of the over 65s.

Nepal – one of the poorest countries in the world, with nearly four in ten people living below the poverty line – operates a universal social pension scheme, the Old Age Allowance Programme. In 1995, the Government of Nepal introduced a pilot scheme for people aged over 75 in five districts. The scheme was extended to cover the whole country in 1995-1996. To start with, the amount paid to each beneficiary was 100 Rupees per month (US\$1.40). This was increased to 150 Rupees (US\$2.12) in 1999. Currently, the social pension scheme (Old Age Allowance Programme) and the means-tested Widows Assistance Programme cover more than 400,000 older people.⁵

⁴ Soneja, S, 'Non-contributory pensions in India: a case study of Uttar Pradesh', unpublished report, HelpAge India/HelpAge International, 2003.

⁵ Rajan, S I, 'Old age allowance programme in Nepal', unpublished research study, 2002.

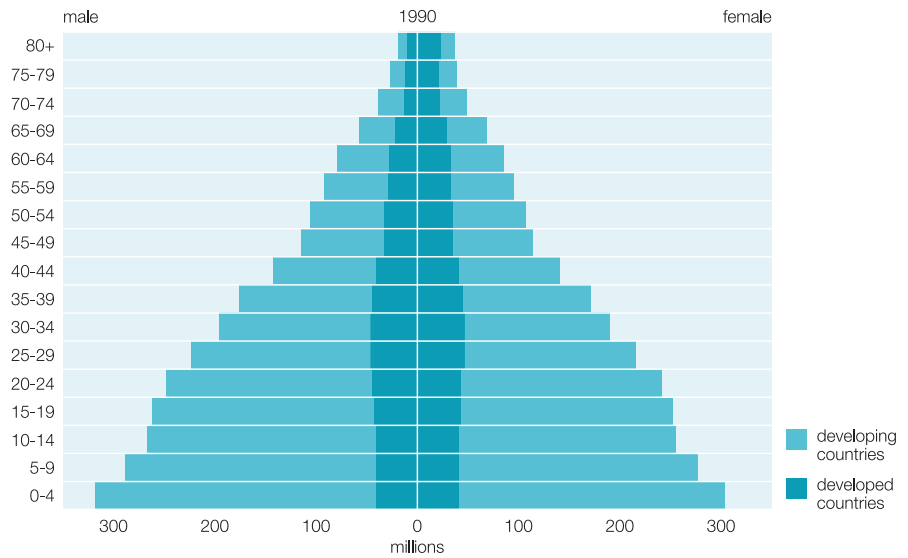
Section 1:
Why are social pensions
an urgent priority in
developing countries?



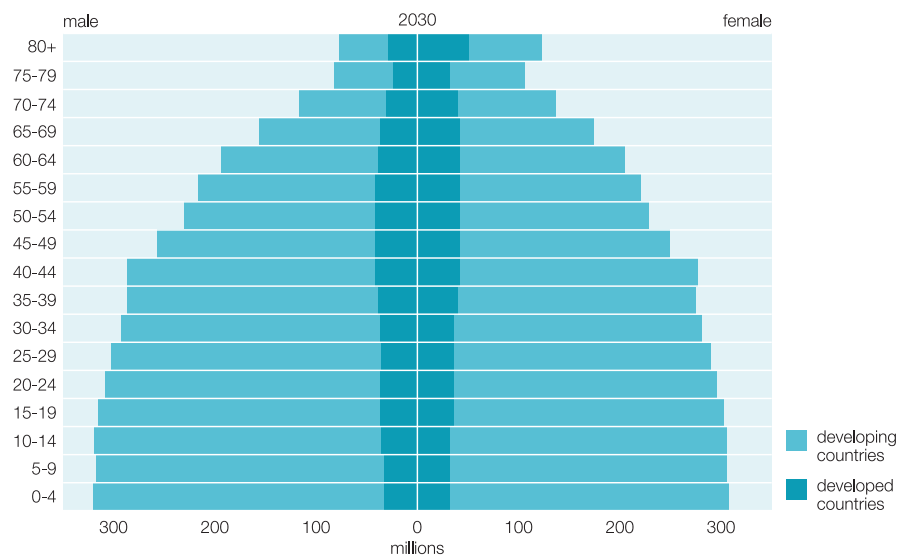
1. Why are social pensions an urgent priority in developing countries?

1.1 Demographic, economic and social change

Population by age and sex 1990



Population by age and sex 2030



The world's population is ageing

Globally, the population is ageing, and the number and proportion of older people is increasing. The world is experiencing rapid demographic transition, as people have fewer children and live longer. Populations are ageing in all countries, including in the developing world. By 2050, less developed regions will have a population age structure similar to today's developed world,⁶ with almost equal proportions over 60 and under 15.

Already two-thirds of the world's older people live in developing countries.⁷ By 2050, this will increase to 80 per cent. The number of people aged over 60 in the developing world is predicted to rise from 375 million in 2000 to 1,500 million in 2050. Even in developing countries with relatively young populations, the proportion of older people will rise significantly, as a result of declining fertility rates and rising life expectancy. In sub-Saharan Africa the number of people aged 60 and over will more than double in the next 30 years, despite the impact of HIV/AIDS on life expectancy at birth.⁸ By 2050, nearly one in four people in Asia and Latin America and more than one in ten in sub-Saharan Africa will be over 60.

Ageing has an important gender dimension. Universally, women tend to live longer than men. The number of widows and older never-married women is rising rapidly in most parts of the world.⁹ The highest growth rate of any age group will be among those aged 80 and over, who are mostly women.¹⁰

Population ageing, though often regarded as a crisis involving the increasing 'burden' of older people, should be seen as a significant achievement. Rising life expectancy is a key indicator of progress in human development. The challenge is to ensure that population ageing brings real gains for all older people, in terms of material wellbeing, health and personal security. The problem is not that there are too many older people, but that too many people spend their lives in poverty and ill-health. For the majority of people in developing countries these are the major risk factors in later life.

Older people are vulnerable to economic and social change

Unemployment and landlessness are adversely affecting poor communities throughout the developing world. Older people are particularly vulnerable to the effects of economic change, and those without savings, assets or the capacity to generate income are among the least able to withstand economic shocks.

Demographic and economic transition is also leading to social change, increasing the need for pension provision. Traditionally, older people in developing countries participated in household exchange systems, based on reciprocity between generations. In many countries, this can no longer be relied upon; people are having fewer children and adult children are moving away to find work. Migration and unemployment have had a major impact on intergenerational support.

HIV/AIDS is escalating the caring role of older people

The HIV/AIDS epidemic is also having a profound impact on intergenerational support. In the worst-affected countries, high death rates in young adults mean that many older people can no longer rely on their children in old age. A much-neglected side effect of the epidemic is the devastating and under-reported impact it has had on older people over the last decade.¹¹ Older women and men in AIDS-affected countries are the primary caregivers of people living with AIDS, the guardians of millions of orphaned and vulnerable children, and are playing a crucial role in the survival and sustainability of families and communities.

'Our children these days do not support us any more. There is rampant unemployment and people would die of starvation without the pension.'

66-year-old woman, South Africa

⁶ United Nations Population Division, *World population prospects: the 2002 revision*, New York, United Nations, 2002.

⁷ United Nations Population Division, *World population prospects*.

⁸ Lutz, W et al., 'The end of world population growth', *Nature* 412, 2001.

⁹ Kinsella, K and Gist, Y J, *International brief: gender and aging*, Washington DC, US Bureau of the Census, 1998.

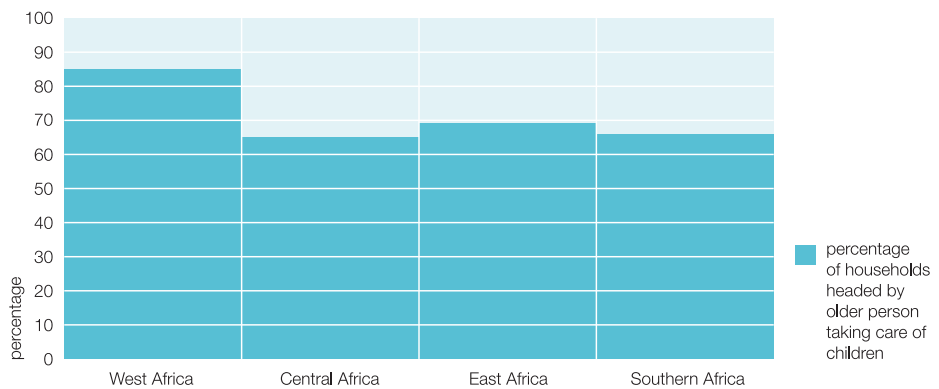
¹⁰ HelpAge International, *State of the world's older people 2002*, London, HelpAge International, 2002.

¹¹ HelpAge International, *HIV/AIDS and ageing: a briefing paper*, London, HelpAge International, 2003.



Hein du Plessis/HelpAge International

Proportion of older-headed households caring for children in Africa¹



¹ R Monasch, 'The role of older people as carers of orphans in sub-Saharan Africa: a quantitative analysis', 2004.

Many older-headed households are responsible for children regardless of the AIDS epidemic. In sub-Saharan Africa, 30 per cent of households are headed by a person over the age of 55 and two-thirds of these have at least one child under the age of 15.¹² Households headed by the over 55s also contain more children, on average, than those headed by 35-54 year olds. Over 60 per cent of orphaned children in Namibia, South Africa and Zimbabwe are living with their grandparents¹³ and over 50 per cent in Botswana, Malawi and Tanzania. As the AIDS epidemic advances, the responsibility of caring for orphaned children shifts ever more onto older-headed households. In Namibia, the overall percentage of orphans living with their grandparents increased from 44 per cent in 1992 to 61 per cent in 2000.

These families of older people and children face increased poverty and financial hardships, which may in turn increase the risk of HIV infection, especially among young people and children. Households affected by HIV/AIDS are having to sell their assets to pay for medicines, health care, and funeral costs for those who are sick and dying, and then deal with the expense of raising orphaned children. This not only affects the current generation but also has a long-term impact on the poverty of future generations.¹⁴

¹² Monasch, R and Clark, F, 'Grandparents' growing role as carers', *Ageing and Development* 16, June 2004, London, HelpAge International.

¹³ UNICEF, *Africa's orphaned generations*, New York, UNICEF, 2003.

¹⁴ HelpAge International and the International HIV/AIDS Alliance UK, *Forgotten families: older people as carers of orphans and vulnerable children*, International HIV/AIDS Alliance/HelpAge International, 2003.

Average household income for older-headed households in some communities affected by HIV/AIDS in Kenya is a third of the minimum required household expenditure. A World Health Organization study on AIDS and older people in Zimbabwe¹⁵ found that nearly two-thirds of caregivers identified financial difficulties as the main barrier to caregiving. The economic strain placed on these families means that older people are under pressure to engage in income-earning activities, and that children often drop out of school to find work, or because the family cannot afford the school fees.

The epidemic is changing the role of older people. Increasingly they are acting as the main family breadwinner, as well as caring for sick adult children and orphaned grandchildren. Many African women over 60 are caring for young children.¹⁶ Roles are not only changing in Africa. In Thailand, older people care for two-thirds of young adults who die of AIDS and almost half of all orphans live with their grandparents.¹⁷

South Africa: Supporting three generations

Molly, 63, and her husband Elias, 72, live in Elim, Northern Province with three daughters and eight grandchildren. Two other daughters died of AIDS, leaving five children to be cared for by their grandparents. Molly and Elias each receive a non-contributory pension of 640 Rand a month (US\$75 in December 2002). The state pays this means-tested pension to men aged 65 and over and women aged 60 and over. The pension is the main income supporting a household of 13 people. 'Money is very tight, but you can't throw the children out. It's what God gives you.' The family is behind with the rent and uses wood for cooking to save electricity. Molly and Elias plan to see their grandchildren through primary school, which costs 70 Rand a year per child, but cannot afford the 150 Rand fee for high school.¹⁸



Hein du Plessis/HelpAge International

¹⁵ World Health Organization, *The impact of AIDS on older people in Africa: Zimbabwe case study*, Geneva, WHO Ageing and Life Course Unit, Non-Communicable Disease Prevention and Health Promotion, 2002.

¹⁶ Burman, S, 'Intergenerational family care: legacy of the past, implications for the future', *Journal of Southern African Studies*, 22:4, 1996.

¹⁷ Knodel, J et al., *AIDS and older persons: the view from Thailand*, PSC Research Report 2-497, February 2002.

¹⁸ The case studies in this report were collected by HelpAge International partner agencies during 2003.

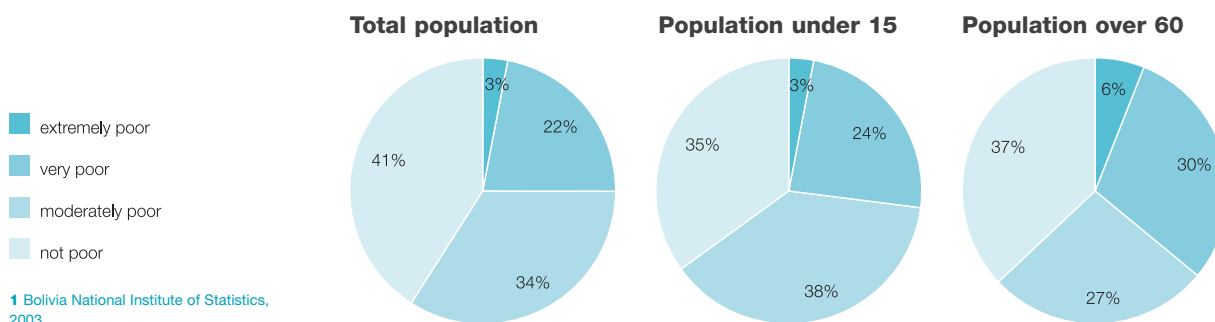
1.2 Poverty in old age

Many older people live in extreme poverty

‘All evidence, regardless of the data used, suggests that a large number of older people in developing countries... are either poor or at serious risk of poverty.’¹⁹ People entering old age in poverty are likely to remain poor; their chances of improving their situation become more limited as they get older and their capacity to work is diminished.

Some have argued that poor people are less likely to survive to old age and that older people are no more likely to be poor than other groups. But there is little evidence to support these arguments. Indeed the number and proportion of older people has increased even in the poorest countries. Available data shows that older people are more often poor than other age groups, with those over 70 facing the greatest risk of poverty of any age group.^{20,21} In Malaysia, for example, older people account for 5.9 per cent of the population but 32 per cent of the poor.²²

Bolivia poverty statistics disaggregated by age group¹



¹ Bolivia National Institute of Statistics, 2003.

India: Pensions and poverty

Dhanesara, a widow aged 80, lives alone in Madhopur village in the state of Uttar Pradesh. She used to be an agricultural labourer but can no longer work. She has four daughters and a son, who lives in the same village, but is not supported by her family. She depends on the money she gets from the national and state non-contributory pension schemes. Limited as it is, the pension is essential for her survival. ‘If I do not get this money I will die here in my bed and nobody will bother about me.’ She receives 125 Rupees a month (US\$2.75), 75 Rupees from the national pension scheme and 50 Rupees from the state pension scheme. She collects her pension every six months, spending it on her daily needs, but cannot make it last. When the money runs out she has to depend on her neighbours for food.

¹⁹ Schwarz, A, *Old age security and social pensions*. Washington DC, World Bank, May 2003.

²⁰ Schwarz, A, *Old age security*.

²¹ Coady, D, Grosh, M, and Hoddinott, J, ‘The targeting of transfers in developing countries’, Washington DC, World Bank Regional and Sectoral Studies series: forthcoming 2004.

²² Omar, R (ed.), *Poverty and ageing: the Malaysian experience*, NACSCOM/University of Malaya, 2000.

Comparisons are also drawn between older people and other age groups to identify the 'poorest'. Studies estimating poverty rates by age group generally conclude that poverty is higher among the very young and the very old.

Qualitative and participatory studies have also highlighted other dimensions of poverty experienced in old age, revealing the broader reality of later life and contributing to a wider range of indicators for tracking old age poverty. Gender, marital status, property and land rights, access to markets, employment and services (health, financial and educational) and social networks are all important factors in determining poverty in old age.²³

Households with older people are poorer

Comparisons between households with and without older people show that, almost without exception, households with older people are poorer – poverty rates are between 1 per cent and 29 per cent higher in these households.²⁴ Most poverty-reduction measures and indicators have yet to include analysis of the factors that put people at risk in old age. However, some poverty analysis shows how poverty is transmitted through the generations. Poverty experienced in adulthood is likely to deepen with age. Old-age poverty has intergenerational impacts within households.²⁵ Additionally, the failure to support the vital social and economic contributions made by older people to their households and communities exacerbates these impacts.

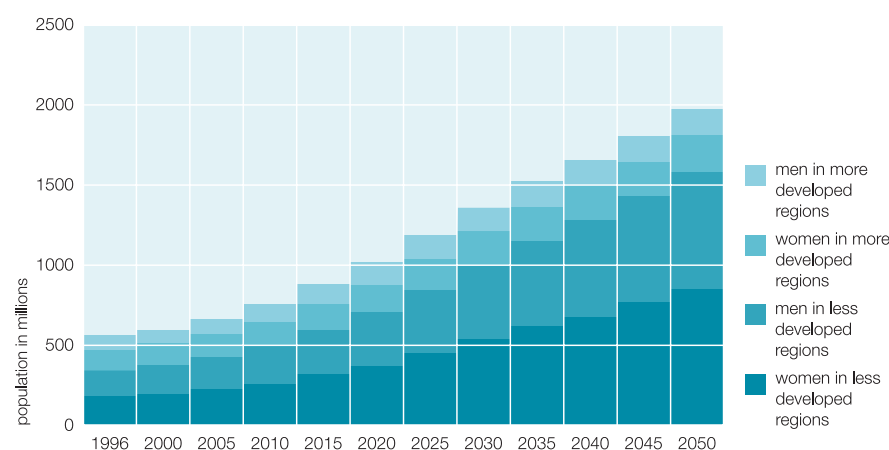
Gender affects poverty levels in old age

Economic security over the life course and the capacity to save are closely connected with gender. Gendered opportunities, needs and constraints combine with poverty to determine women's and men's ability to secure a livelihood in old age.

Women are, in general, less able to secure a stable income than men. More of their work is concentrated in the informal sector, often at a lower wage than men, or paid in kind, not cash. Women's participation in the labour force is also constrained by child-rearing responsibilities. Rights to land and property disadvantage women, reducing their ability to access credit or to have a secure home when they are old, especially upon the death of their husbands.²⁶ Women are less able than men to save and accrue assets, and they have less opportunity or incentive to contribute to a pension fund.²⁷

This cumulative gender disadvantage is compounded by situations of extreme poverty, HIV/AIDS and other crises, such as conflict or natural disasters. Poor women, in particular, are less able to mitigate these shocks.

Distribution of men and women in the population of over 60s



²³ Gorman, M and Heslop, A, 'Poverty, reciprocity and older people in the south', *Journal of International Development* 14, 2002.

²⁴ Schwarz, A, *Old age security*.

²⁵ Chronic Poverty Research Centre, *The chronic poverty report 2004-05*, Manchester, Chronic Poverty Research Centre, 2004.

²⁶ Gorman, M, 'Older people and development: the last minority?', *Development in Practice* 5:2, Oxfam, 1995.

²⁷ Clark, F C, 'Old age, gender and exclusion. Development for the elderly in Peru: a case study of Lima', unpublished MA dissertation, University of East Anglia, 1998.



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A second gender-related issue is life expectancy. Women's life expectancy from birth onwards is generally higher than that of men. This, combined with women's propensity to marry men older than themselves, substantially increases their likelihood of being widowed, especially as they are less likely than men to re-marry. Even if a widow receives a survivor's pension, this is often a mere fraction of the full amount paid to her husband.

For men, receiving a pension is often inextricably linked to their social status as much as survival; it provides a form of recognition for their role as breadwinners, heads of household and earlier life as workers. While older men are likely to suffer loss of status and lack of recognition if they are denied a pension, for older women it is often a case of finding themselves in extreme poverty.

However, both older men and women are usually poorer than younger men and women, and have less opportunity for generating income. For men and women who have lived most of their life in rural areas and whose livelihood has depended upon production and barter, the reality of survival in a cash economy can be harsh.

1.3 Social protection and human rights

Neglect of older people is unacceptable

Social pensions have not been considered as an option in mainstream development policy, since conventional wisdom has been that ‘income transfers to the poor, and safety net policies more generally, are at best a short-term palliative and at worst a waste of money’.²⁸ In addition, older people have been perceived as having limited ‘growth capacity’, and are viewed primarily as consumers of welfare services rather than as having the same rights as everyone else to development benefits.²⁹ Even in India, which makes some public provision for the older poor, pensions are seen as ‘largesse... to the destitute’³⁰ and not as a right.

These views are beginning to change. There is now a consensus that older people have the same rights as everyone else to the benefits of development.³¹ There is growing recognition of the contribution older people make to development and agreement that the neglect of older people is unacceptable. There is also increasing interest in social protection, with social pensions as a key element in old age. Older people who have worked hard all their lives deserve no less than this.

Brazil: No rest after a lifetime of working and caring

Maria is 67 and lives in Rio de Janeiro with her husband and 80-year-old brother. ‘I started working when I was seven, as a labourer in the rice plantations and then in the city as a domestic servant, and have not stopped working since. My brother is unable to speak and when my mother died I took responsibility for him. I have tried to get the pension, but was told that I do not have the right because my husband and brother already get it. I do everything – wash clothes, prepare food, clean, care for my brother and do odd jobs. I never have the chance to just go for a walk. My church organises outings but I never have the time to go. I would like my own pension so that I can rest a bit.’

Social protection is both necessary and a right

Three factors are responsible for the growing interest in social pensions. First, the increasing recognition that where ‘a high proportion of the world’s poor are chronically unable to engage in the productive economy through old age... transfers... should be formalised and publicly funded’.³²

Second, an increasing number of organisations have adopted a rights-based approach to development and are reaching a common understanding of how such an approach can provide standards for development cooperation.

A 2003 UN agencies agreement on human rights specifies that ‘all programmes of development cooperation, policies and technical assistance should further the realisation of human rights as laid down in... international human rights instruments’.³³

‘Social protection is a right established in the Universal Declaration of Human Rights, which states that ‘everyone has the right to a standard of living adequate for the health and the wellbeing of himself and his family... and to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.’

The rights laid out in the Universal Declaration of Human Rights have since been reinforced by a range of treaties, known collectively as the International Human Rights Framework. The Madrid International Plan of Action on Ageing (MIPAA)

²⁸ Ravallion, M, ‘Targeted transfers in poor countries, revisiting the trade-offs and policy options’, paper for the Chronic Poverty Research Centre Conference, www.chronicpoverty.org, April 2003.

²⁹ Mullen, J, ‘Support for very poor and marginalised individuals through appropriate social protection’, University of Manchester SD Scope Paper no. 3, January 2000.

³⁰ This comment was made during discussion at the World Bank Seminar on Social Assistance for the Elderly, New Delhi, January 2004.

³¹ United Nations, *Madrid International Plan of Action on Ageing 2002*, New York, United Nations, 2003.

³² Farrington, J, Slater, R and Holmes, S, ‘Synergies between livelihood protection and promotion: the agricultural case’, unpublished paper of Overseas Development Institute, London, October 2003.

³³ *Human rights based approach to development cooperation; towards a common understanding among the UN agencies*, Stanford, Connecticut USA, May 2003.



Antonio Ormos/HelpAge International

specifically builds on this body of human rights instruments and also commits governments to further the 'right to development' for older women and men.

The UN gives high priority to achieving adequate social protection within this rights framework, rather than just as a technical aspect of poverty reduction. Seen in this way, social protection has been called 'a mobilising idea'. However, at the same time 'it is necessary to institutionalise social protection... based on a human rights framework.'³⁴

Third, it is increasingly recognised that contributory pension schemes are not sufficient when large proportions of populations (sometimes up to 80 per cent) are outside the formal employment sector. This is true not only of the poorest countries, but also of the so-called 'middle-income' countries such as those of Latin America. Extension of coverage to the poorest workers in these countries has been called 'a critical measure of the success of old age income-security systems in the future'. Non-contributory pension programmes could provide universal coverage, though they would need to overcome their image as 'government-run charity' with poor funding and low access.³⁵

There is by no means widespread acceptance of these ideas. Some donors and developing country governments have challenged the feasibility of social protection and the universal rights approach, given that choices have to be made between competing priorities in resource-limited contexts. It is argued that, while it may be desirable, provision of social protection is dependent on 'high-quality growth that is sustainable over time... accompanied by investment in the future, including human capital'.³⁶ However, generating substantial social investment from economic growth may take decades, and indeed the provision of material security for the poor may be an essential aspect of the process of economic growth.

Some developed countries have acknowledged the importance of social protection to the poor as the bedrock of stability on which their own economic growth became possible. A rights framework establishes an obligation upon governments to provide a measure of social protection now, as far as is possible within fiscal constraints, rather than waiting for the achievement of economic growth in the future.³⁷

Global commitments and standards should be reflected in pension provision

Most governments have agreed to a set of global standards in basic social policy. These include provision for universal access to social security and the establishment of core social protection functions. There is also a range of global commitments to adequate funding of basic rights, supported by global financial transfers where necessary. Pension provision is a key element in meeting these global standards and commitments.

Effective pension provision can encourage wider citizen participation

The infrastructure for delivering basic services in developing countries is often weak and lacks public credibility. However, some governments have established effective systems for pension provision, and there is scope to build on this experience. Successful management of cash transfer schemes to vulnerable groups such as older people could be seen as a benchmark of good and effective government, providing an incentive for greater citizen participation and commitment, for example, to taxation.

³⁴ Conway, C, de Haan, A and Norton, A (eds), 'Social protection, new directions for donor agencies', Department for International Development conference report, 2000.

³⁵ Rofman, R, 'Protecting the elderly – old age security reform in Latin America', *Generations Review* 14:1, January 2004.

³⁶ Robert Gillingham, of the IMF, quoted in the report on a seminar on 'Population ageing and development – new strategies for social protection', HelpAge International/Institute for Policy Dialogue/National Academy of Social Science, Washington DC, October 2002.

³⁷ Conway, T et al., 'Social protection, new directions for donor agencies'.

Section 2: How do pensions make a difference?



‘When I was widowed I lost my property and experienced reduced social status. I get a pension every month. Although it is very low it contributes a lot to buy food.’

83-year-old woman, Nepal

2. How do pensions make a difference?

2.1 Economic benefits

Pensions reduce individual poverty

Evidence from developing countries that provide social pensions indicates that cash transfers have a positive impact on individual poverty, enabling the poorest older people to pay for at least some of the basic necessities of life. Without a pension, many older people would be destitute.

Dominica: A lifeline for the poorest older people

‘If I was not getting this allowance I would be dead. It has really helped me to continue to live,’ says Geraldine Sango, aged 72. She uses her pension allowance to pay for food, electricity, toiletries and funeral expenses. She works as much as she can to earn a little extra money but still struggles to live on her income. ‘After all my expenses, sometimes I have nothing and go to bed without having eaten.’ Rafael Hector, also aged 72, finds it hard to make ends meet, even with his monthly allowance, and owes money for hospital fees. He lives alone in a rural community, preparing his own meals and doing his own household chores. He uses some of his pension each month to buy kerosene, charcoal and soft drinks, which he sells on at a small profit. Most of his money goes on rent, utilities, groceries, transport and health care. He says he would feel totally helpless without the pension.

Even very small cash transfers have a significant impact on the lives of the poorest. As the case studies above show, the public assistance payment is a lifeline for poor older people in Dominica, even though it is not enough to meet all their basic needs. In Bolivia, the annual ‘pension’, the Bonosol, while only a small amount of money, represents a larger proportion of income for poorer beneficiaries than for richer ones. Pensions are particularly important for women who have few employment opportunities and limited economic independence.

India: Making ends meet

Chamari, aged 75, who lives in the state of Uttar Pradesh, highlights the crucial importance of his pension of 125 Rupees (US\$2.76) a month. ‘I am too sick to do physical work and if I do not get my pension money then how will I eat and pay for the doctor and medicines?’ With increasing age and failing health, 75-year-old Sarju does not know how he would make ends meet without his pension. Like many older people, he finds that his pension does not last the whole six months. Budhan, aged 85, says that when his pension runs out, he has to beg for food from relatives.

Pensions are also an effective way of targeting the poorest older people. In both South Africa and Brazil, two developing countries with the most comprehensive social pension schemes, analysis of a range of deprivation indicators shows that pension recipients have a lower level of deprivation, especially in urban areas.³⁸

According to the South African Government Committee of Inquiry into Comprehensive Social Security, the pension is the main source of income for older people who would otherwise be living in poverty. It is estimated to reduce the poverty gap (scale of poverty) for older people by 94 per cent.³⁹ Similarly, in Brazil the social pension, the Benefício de Prestação Continuada, available to the poorest older people, makes a considerable difference; tax-financed pensions are estimated to reduce individual poverty by almost 25 per cent.

Brazil: Having a pension means being able to buy food and medicines

'I used to work in construction. I didn't have a social security card. In those days it was difficult to get the documentation and I didn't know how to read. Then I started working on and off and did not manage to contribute to the INSS (National Social Security Institute). My wife used to work as a cleaner and her employer used to deduct her contributions from her salary but when she went to the INSS she discovered that they had not been paid.' The Benefício de Prestação Continuada (BPC) of 200 Reais a month (approximately US\$55), equivalent to the national minimum wage, is their only income. 'Now we can buy medicines.' Another couple said that the BPC means they can buy food and pay water and electricity bills. Ana, a 75-year-old widow, uses her pension to support her daughter and granddaughters. 'We just live off my pension. At least we now have enough money to buy food, but only food. The electricity bill is so overdue that they took away the meter.'

Pensions reduce household poverty

There is evidence that cash transfers to older people reduce household poverty. Many older people live in multi-generational households, where income is commonly pooled. A pension therefore represents a cash transfer to a household rather than to an individual. Analysis of the role of the pension in households in Kwa-Zulu Natal, South Africa, found that more than 60 per cent of households contained three or more generations, and that households with pensioners were more likely to be able to survive. There is also clear evidence that pension income makes the most difference to the poorest households.

In South Africa, the old age pension has an important redistributive effect, and is the most effective of any social programme in targeting and reaching economically vulnerable groups.⁴⁰ The pension of older family members is the main source of income for many poor households. Few pensioners use their pension income for their own needs. Most use it to meet the basic needs of the whole family, contributing to the costs of food, health care and education. In Namibia, too, the social pension has important benefits for the immediate family. Almost 12 per cent of households not headed by an older person rely on a pension as the main source of income. The social pension also 'sustains entire extended families throughout the country'.⁴¹

A similar picture emerges from Asia. In Indonesia, evidence from rural Java suggests that 'pension incomes represent important vehicles for economic redistribution in family networks'.⁴² In some Nepalese households, one pension is the main income for the family. In others, pension income makes an important contribution to paying household costs including water, electricity, food, education and health care.⁴³



John Cobbe/HelpAge International

³⁹ Department of Social Development, 'Report of the Committee of Inquiry into a comprehensive system of social security for South Africa, transforming the present – protecting the future', Pretoria, Government Printer, 2002.

⁴⁰ Møller, V and Ferreira, M, 'Non-contributory pensions and poverty study – South Africa survey report', unpublished, July 2003.

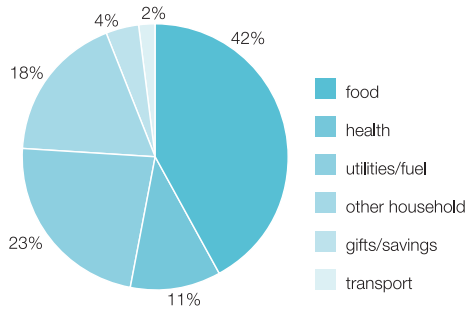
⁴¹ Devereux, S, 'Social pensions in Namibia and South Africa', University of Sussex, IDS Discussion Paper 379, 2001.

⁴² Schröder-Butterfill, E, 'Ageing in Indonesia – a socio-demographic approach', Oxford University, unpublished thesis for PhD, 2002

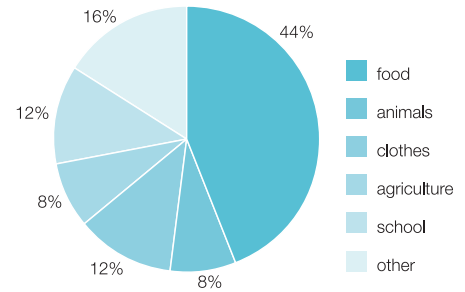
⁴³ Rajan, S I, 'Old age allowance programme in Nepal'.

Pension spending by older people

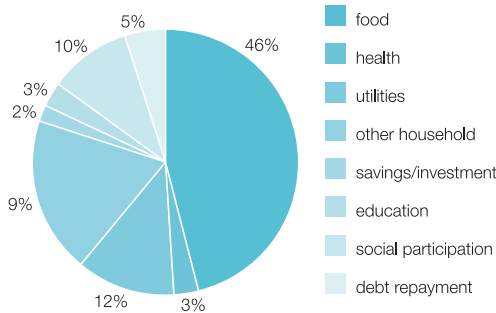
Brazil¹



Zambia²



South Africa³



¹ Saboia, J, 'Non-contributory pensions for the elderly in Brazil', NCPP Report, Rio de Janeiro, 2003. <http://idpm.man.ac.uk/ncpps/report.htm>

² Schubert, B, 'Test phase results of the Pilot Social Cash Transfer Scheme, Kalomo District. 4th Report'. Zambia, 2004.

³ Moller, V and Ferreira, M, 'NCPSS South Africa Survey Report', Cape Town, 2003. <http://idpm.man.ac.uk/ncpps/report.htm>



Resource Integration Centre (RIC)

India: Crucial contribution to household income

'Life will be miserable without pension money,' says 70-year-old Dallu, who lives with his wife, married son and daughter in Madhopur village in Uttar Pradesh. He runs the shared household, budgeting for food and other essentials. His pension of 125 Rupees (US\$2.76) a month helps, but the family is in debt to the local moneylender. Sita, 68, heads a household of eight people, including her unmarried son, separated daughter and her daughter's children, in the city of Varanasi, also in Uttar Pradesh. Sita suffers from eye and stomach problems but cannot afford to consult a doctor. Her pension supplements her income from selling vegetables and her daughter's wages as a domestic help, and is crucial for her family. 'I have to borrow money even when I am getting this pension. What would happen if I did not get it?' Rampati, a 78-year-old widow, lives in Harpur village in Uttar Pradesh with her married son and his family. Her son does not have a regular source of income and her pension money contributes significantly to overall household expenditure.

Children, in particular, benefit from the old age pension, and children living in the poorest households gain the most.⁴⁴ In view of the impact of HIV/AIDS and the increasing number of older people looking after orphans in sub-Saharan Africa, cash transfers to older-headed households have been proposed as an effective, targeted anti-poverty device.⁴⁵

Often, pensions are of value to households because they are the only reliable source of income.⁴⁶ A stable income enables poor households to access credit. Pension income is also used as a household coping device, enabling poor households to withstand economic shocks.

In Namibia, families exist on the pension of their older members when household income is low. In times of crisis, notably in years when there is a drought, the pension is used to purchase food for the whole household.

In Uruguay in the 1990s, almost 50 per cent of urban households reported some income from pensioners. They used this income to reduce poverty and to generate stability in income flows. Dollar a day pensions for older people have been called a promising avenue for rapid poverty relief with beneficial effects for whole families.⁴⁷

Reducing old-age poverty contributes to overall poverty reduction

Available evidence, although limited to a few countries, clearly indicates that reducing older people's poverty has an impact on wider poverty reduction. Pensions have an aggregate effect on poverty because of the association between poverty and households containing older people. Pensions not only alleviate immediate poverty and protect minimum living standards, but can also play a significant role in reducing chronic poverty by helping to promote better living standards in the longer term.⁴⁸

In Argentina, headcount poverty rates (proportion living in poverty) among households with a social pension recipient would be 5 per cent higher, and the proportion living in extreme poverty would be 16 per cent higher, in the absence of pension incomes.

In South Africa, the gross impact of pension incomes is to reduce poverty by 12.5 per cent. It is estimated that the poverty headcount would have been 5 per cent higher, at 40 per cent, without pension incomes.⁴⁹

⁴⁴ Case, A and Deaton, A, 'Large cash transfers to the elderly in South Africa', *Economic Journal* 108:450, 1998.

⁴⁵ Schubert, B, 'Social cash transfers for AIDS affected and other incapacitated and destitute households in Zambia', Lusaka, unpublished report, August 2003.

⁴⁶ Ardington, E and Lund, F, 'Pensions and development, how the social security system can complement programmes of reconstruction and development', Development Bank of Southern Africa, Development Paper 61, 1995.

⁴⁷ Cichon, M, (ILO) personal communication, May 2004.

⁴⁸ Devereux, S, 'Can social safety nets reduce chronic poverty?', *Development Policy Review* 20:5, 2002.

⁴⁹ Case, A et al., 'Large scale transfers to the elderly in South Africa'.

In Chile, the social assistance (means-tested) pension programme had an increasing impact on poverty over a 10-year period. The impact on the poorest was most marked, with a 69 per cent reduction in destitution among households receiving pensions. A review concludes that ‘tax-financed programmes have proved to be a powerful means of reducing poverty and destitution as well as a strong instrument of social reintegration for people who are traditionally excluded from social security and subject to vulnerability and economic insecurity’.⁵⁰

Social pensions enable families to become better off, not only through cash transfers but also through increased opportunity to take advantage of better employment. In Namibia, for example, the knowledge that the household has a secure income from regular pension payments has made it possible for younger adults to migrate in search of work.⁵¹

Social pensions also help to reduce poverty in the longer term, because they encourage and facilitate investment in physical, human and social capital.⁵² The ability of poor households to invest in children’s health and education determines the extent to which deprivation persists from one generation to the next. Cash transfers which provide ‘a steady and reliable source of income can have significant effects on the capacity of households to invest in human and physical capital and overcome the threat of long term poverty’.⁵³

Pensions can, therefore, not only alleviate immediate poverty and protect minimum living standards, but also play a significant role in reducing chronic poverty by helping to promote better living standards in the longer term.⁵⁴

Zambia: targeting older caregivers

Projects testing the viability of cash transfers to older people are few. One promising example is in rural Zambia, where the German government development agency GTZ is financing the Social Safety Net Project. This helps the Ministry of Community Development to implement and monitor a pilot social cash transfer scheme with the following objectives:

- **reduce extreme poverty and hunger in the 10 per cent most destitute households in the pilot region (approximately 1,000 households)**
- **focus mainly on households headed by older people caring for orphans and vulnerable children, in which the breadwinners are chronically sick or have died**
- **generate information on the feasibility, costs and benefits of a social cash transfer scheme as a component of a social protection strategy for Zambia.**

The poorest households are identified by community welfare committees with advice from traditional leaders. They are paid the equivalent of a second daily meal for a six-person household. This amounts to about 50kg of maize a month, or 30,000 Kwacha (US\$6.00). Transfers are made to local banks (where beneficiaries are helped to open accounts), or, in more remote areas, to local schools or hospitals.

Early reports indicate good progress. Heads of beneficiary households seem to have understood the selection process and the purpose of the transfers. They use the transfers to buy food, soap and blankets. Transfers are also invested in seed, getting a field ploughed by neighbours, or buying livestock. Some beneficiaries have left part of their transfers on account to use when

⁵⁰ Bertranou, F M et al., *The impact of tax-financed pensions on poverty reduction*.

⁵¹ Adamchak, D J, ‘Meeting the needs of the poor elderly in Zimbabwe and Namibia’ in Cliquet, R and Nizamuddin, M (eds), *Population ageing, challenges for policies and programmes in developed and developing countries*, New York, United Nations Population Fund, 1999.

⁵² Barrientos, A et al., *Non-contributory pensions and poverty prevention*.

⁵³ Barrientos, A and Lloyd-Sherlock, P, ‘Non-contributory pensions and social protection’ in International Labour Organization, *A global social trust network*, www.ilo.org/public/English/protection/socfas/index.htm, September 2002.

⁵⁴ Devereux, S, *Can social safety nets reduce chronic poverty?*

food becomes scarce. Members of beneficiary households say that the transfers have improved their wellbeing; headmen report that the incidence of begging has been significantly reduced.

About 60 per cent of members of beneficiary household are children under 19. They benefit both from better nutrition and better schooling. A local headmaster reports improved attendance of children from beneficiary households.

The flexibility of cash transfers, their regularity and reliability (unlike most other assistance reaching the villages) are regarded by the beneficiaries and other stakeholders as the most important features of the scheme. Also highly praised is the participatory targeting and approval process.⁵⁵



Nail Cooper/HelpAge International

Cash transfers to older people stimulate the local economy

Cash transfers to older people have significant effects beyond the immediate household, encouraging income-generating activities and providing support to the local economy. Poor people, including older people, are inclined to invest even small cash transfers in income generation and acquisition of productive assets.

In Brazil, where agricultural liberalisation has increased the vulnerability of rural communities, half of pensioners in rural areas use their pension income to finance rural economic activities and to invest in farming. 'The regularity, certainty and liquidity of pension benefits meant that they played a key role in shifting households from subsistence to surplus agriculture.'⁵⁶

Pensions deliver cash into remote rural areas not reached by other institutions. In rural communities where cash is scarce, this can have a significant impact on the local economy. In South Africa and Namibia, pension payment days attract traders and create markets.

Pension income also has more permanent benefits. In Namibia, 'the delivery of social pension income over several decades to isolated rural communities has provided a permanent stimulus to local trade, with grocery stores being established even in the smallest villages that would not survive without the business that pensioners bring every month. Social pensioners account for between one-third and two-thirds of turnover at retail stores in southern Namibia. More than half of these pensioners were granted credit facilities in these stores because of their guaranteed monthly transfer income'.⁵⁷ Other studies have also highlighted the role of pensions as 'the basis of credit facilities in local markets'.⁵⁸

Pensions have wide economic benefits

There are strong economic arguments for social protection. While some have argued that social protection may constrain growth, the secretary general of the International Social Security Association has noted that 'the sustainability of social security is linked closely with continued economic growth, steady improvements in productivity, and the creation of employment and decent work. A viable social security system can... make a critical contribution to continuing economic progress as well as to social justice'.⁵⁹

⁵⁵ Schubert, B, 'Social cash transfers for AIDS affected and other incapacitated and destitute households in Zambia', project reports 2003-4.

⁵⁶ Delgado, G C and Cardoso, J C, quoted in Barrientos, A, 'What is the impact of non-contributory pensions on poverty? Estimates from Brazil and South Africa', Chronic Poverty Research Centre Working Paper no. 33, 2003.

⁵⁷ Devereux, S, 'Social pensions in Namibia and South Africa'.

⁵⁸ Ardington, E et al., 'Pensions and development'.

⁵⁹ Hoskins, D, Address to the Second World Assembly on Ageing, Madrid, April 2002.



Jon Bugger/HelpAge International

In addition, the World Bank has argued that social protection can promote growth by increasing people's willingness to take risks. As the development community began to recognise in the 1990s, economic growth alone was not enough to guarantee poverty reduction. Development strategy 'increasingly emphasised social policies and appropriate social protection instruments, given their role in achieving inclusive growth'.⁶⁰ This acknowledges the essential difference of the policy context between the developing and developed worlds. 'It is important to recognise that the nature of the poverty trap is very different in rich societies (where it traps a welfare-dependent minority of the population outside the economy) compared to poor countries (where it traps an unprotected population, generally the majority, which is for the most part economically active but is unable to escape from low-productivity activities for fear of the consequences of failure).'⁶¹

Evidence of wider economic impact is clear. Researchers in Bolivia and South Africa have concluded that universal provision of social pensions could have positive macro-economic benefits.

The Bolivian government's Social and Economic Policy Unit (UDAPE) calculated that the Bonosol, a universal social 'pension',⁶² would distribute approximately US\$90 million (1.13 per cent of GDP) during 2003. UDAPE also predicts that the Bonosol will benefit the economy in two important ways – it will increase demand and savings, and stimulate home consumption, helping to revitalise economic activity and production.

The *Research review on social security reform and the basic income grant for South Africa*, commissioned by the International Labour Organization, concluded that the old-age pension supports economic growth and job creation.⁶³ Income transfers were found to stimulate economic activity, which may increase the supply of and demand for labour. This may in turn increase employment and economic growth, and help to sustain a dynamic growth process.

2.2 Social benefits

Children benefit when grandparents have a pension

The provision of cash transfers to older people has a positive effect on the wellbeing of children. In Bolivia, many grandparents take responsibility for young children, using their pension to buy food, clothes and schoolbooks. Likewise, in Namibia and South Africa, many older people spend the greatest proportion of their pension on food, clothing, education and health care for their grandchildren.

Pensions make a difference both to children's health, by improving their nutritional status and access to drugs and health care,⁶⁴ and to their education. A South African study found that receipt of a pension by older women had a significant impact on the growth of girls.⁶⁵ Further research found a positive correlation between pensions and the height of girls: girls living in a household with an older woman receiving a pension were 3-4 centimetres taller than those in households with older women who did not receive a pension.⁶⁶

In rural Zambia a pilot cash transfer scheme focusing on vulnerable households headed by older people caring for orphans and vulnerable children finds that the children benefit in terms of better nutrition and education. A local headmaster reports that attendance of children from beneficiary households has substantially improved.⁶⁷ In rural Brazil, pensions are strongly associated with increased school enrolment, particularly of girls aged 12-14.⁶⁸

⁶⁰ Holzman, R et al., *Social protection sector strategy, from safety net to springboard*, Washington DC, World Bank, 2001.

⁶¹ Conway, T et al., 'Social protection, new directions for donor agencies'.

⁶² The Bonosol is paid as an annual cash transfer.

⁶³ Samson, M et al., *Research review on social security reform and the basic income grant for South Africa*, Cape Town, Economic Policy Research Institute, EPRI Policy Report no. 31, 2002.

⁶⁴ Barrientos, A et al., 'Non-contributory pensions and social protection'.

⁶⁵ Duflo, E, 'Grandmothers and granddaughters, old age pension and intra-household allocation in South Africa', Cambridge, MA, National Bureau of Economic Research, NBER Working Paper 8061, 2000.

⁶⁶ Case, A, 'Does money protect health status? Evidence from South African pensions', Cambridge, MA, National Bureau of Economic Research, NBER Working Paper 8495, 2001.

⁶⁷ Schubert, B, 'Progress report on the PWAS administered pilot scheme for AIDS affected and other destitute and incapacitated households, Kalomo District', fourth report, May 2004.

⁶⁸ De Carvalho Filho, I, 'Household income as a determinant of child labour and school enrollment in Brazil, evidence from a social security reform, MIT, unpublished paper, 2000.

Bolivia: Caring for grandchildren

Doña Eulogia, aged 65, has always lived in Esquencachi, an indigenous community in the high-plains Northern Potosi region of Bolivia. 'I live on my own apart from two grandchildren, Lucia, 11 and Dania, 6. I have four children – three girls and a boy. The girls have married and moved to other areas. My son's house is here, but he's working away. I look after my grandchildren, orphans of one of my daughters. Their father abandoned them so I have to feed us all.' It is not unusual for older people in rural areas of Bolivia to raise their grandchildren: whole villages consist of only the very old and the very young. Increasingly, young adults move to the cities to try to make a better living but, given Bolivia's recession, most earn only enough to keep themselves and cannot send money home for their children and parents. The burden of feeding and educating the children falls on grandparents like Doña Eulogia. 'We eat potatoes and wheat. It's not much. This year we don't have so many potatoes, we had a bad crop. I grow all our food myself and I keep animals. If there's no school, the girls help me with the llamas.' Cash has always been scarce but this year, when she turned 65, she qualified for the Bonosol. 'It is not much, but I bought some food, clothes for the grandchildren and some schoolbooks.' Doña Eulogia is weary, but there is no rest in sight. 'The work is the hardest thing, but how can I stop? We would have nothing to live on.'

'We have to support our grandchildren because their parents are not working. I use my pension to pay for food and my grandchildren's school fees.'

74-year-old woman, South Africa



Antonio Omos/HelpAge International

Pensions improve family cohesion and the status of older people

Pension income can provide an incentive for different generations to live together, especially when younger family members have limited income sources. Where older people have some control over their income, this can contribute to more equitable distribution of resources within the family in multi-generational households.

Some analysts, notably the World Bank in its 1994 report, *Averting the old age crisis*, have argued that publicly-funded cash transfers could ‘crowd out’ support to older people by families and communities. However, available evidence suggests that, when this happens, the outcome is often a reduced burden of support from the moderately poor middle generation to the severely poor old. The Bank itself has also argued that, in some circumstances, cash transfers may ‘crowd in’ support by increasing the status or bargaining power of older people.

Experience in a number of countries indicates that, when older people bring resources into the household, they are viewed as valuable family members, rather than as a burden.⁶⁹ Older people in Nepal and India, especially women, have commented that having a pension has given them a sense of self-worth and increased their status and social recognition within the family. ‘For older people in good health, access to a dedicated cash transfer can strengthen their capacity to contribute to household welfare... cement their position of household heads and enable them to hold families together in the face of crises associated with AIDS and extreme poverty. In the case of very old and frail individuals, access to a dedicated cash transfer may at least guarantee a basic level of care and status within households and reduce the risk of abuse.’⁷⁰

India: Not being treated as a burden

Bhagya is a widow of 75 living in Madhopur village in the state of Uttar Pradesh. She gives most of her pension money to her children and grandchildren. She says that her family treats her well, but her pension makes an important difference. ‘If I do not get this money I will be treated as an undesirable burden and my children will pass me from one house to another.’

Pensions make older people feel independent

Pensions promote a sense of security and dignity in older people who do not want to be dependent on their families as the case studies below illustrate.

Nepal and Dominica: Feeling secure and independent

Older people in Nepal appreciate the independence that the pension gives them. As Durga Laxmi Mulmi, aged 70, said: ‘I feel very happy with the pension I get every month. It has greatly improved my life because I have a feeling of independence, and I do not have to rely on my sons’ incomes. If the pension stopped it would affect my status and... I would have to depend for everything on my sons, which I think is not comfortable’. And Tapta Bahadur Mahat, aged 82, said: ‘This pension has made me independent and safe. I am respected and am living with dignity...’

Pensioners in Dominica feel the same. Doris Victor, aged 97, has no surviving family and is cared for by a neighbour. Her pension gives her a sense of independence. She gives some of it to her neighbour and, while it does not cover all her costs, she likes being able to contribute towards essential expenses. ‘I want to be able to buy my kerosene and other things. I do not want to depend on my carer all the time.’

⁶⁹ Devereux, S, *Can social safety nets reduce chronic poverty?*

⁷⁰ Barrientos, A and Lloyd-Sherlock, P, ‘Non-contributory pensions and social protection’.



John Cobb/HelpAge International

2.3 Health benefits

Pensions enable older people to pay for health care and medicines

Health care and medicines are an important priority for older people. They account for as much as three quarters of the income of the poorest older people.⁷¹ In South Africa, pensioners reported that they spent 40 per cent of their pension on health care and medicines. Income is a key determinant of whether or not older people use health services. For example, the sale of crops after harvest is associated with rising hospital attendance in Ghana, and older respondents to a research study suggested introducing a health insurance scheme tied to payments made at harvest time.⁷²

User fees also have a significant impact on health service utilisation by older people. A survey in Mozambique found that cost was a major barrier for older people, whether they were using 'modern' health services or traditional healers. Many respondents noted the rising costs of traditional medicine and the increasing tendency of healers to seek payment in cash rather than kind.⁷³

Having a pension enables older people to pay for treatment and medicines, especially in situations where public health services are non-existent or inaccessible. For the poorest older people in Brazil, the social pension makes the difference between being able to afford to buy medicines or not.

Pension income also makes a considerable difference to the health status of older people and, in some cases, of their families. Self-reported health status of South African women improves dramatically at 60 when they become eligible for a pension.⁷⁴ Also in South Africa, a study found that older people who received social pensions had a significantly better health status than other family members, when the household did not pool their resources.⁷⁵ In households that pooled income, the health status of all family members was higher than in households that did not contain a pensioner.

Pensions mean that older people can afford to eat

Pensioners are not spending their income on luxuries. There is strong evidence to show that many poor older people use their pension to buy food. Without this income, a significant proportion of older people would not be able to afford to eat regular meals, with adverse effects on their nutritional intake and health.

Case studies from Dominica and Bolivia illustrate how pension income improves the diet of older people and, in some cases, the children they care for. They also show how this income contributes to food security in households that are dependent on a single crop.

'The first thing I do when I get my pension is to buy medicines for my wife.'

Older man, Brazil

⁷¹ Randel, J et al. (eds), *The ageing and development report: poverty, independence and the world's older people*, London, HelpAge International, 1999.

⁷² Ahenkora, K, *The contribution of older people to development: the Ghana study*, London, HelpAge International, 1999.

⁷³ HelpAge International, 'Capacity and connection, a study of ageing in Mozambique', unpublished report, Maputo, 2001.

⁷⁴ Case, A and Wilson, F, 'Health and wellbeing in South Africa: evidence from the Langeberg survey', unpublished report, Princeton University, 2000.

⁷⁵ Case, A, 'Does money protect health status?'

Dominica: Pension income is mainly spent on food

Theodore is 77 years old. He has always lived in Goodwill on the outskirts of Roseau, the capital of Dominica. He was a shopkeeper, married with five children. His wife died a few years ago. He has had two strokes and has high blood pressure, and finds it difficult to get around. Despite his health problems Theodore feels that he is better off than many older people, as he receives the public assistance payment and has the help of family and friends. He spends most of his pension on food and house tax. Without this income, life would be very difficult. 'I can't depend on my family. They too have their life to live.' Mark, aged 78, has a similar view. He has not been able to leave the house for eight years because of back injuries and arthritis. He lives alone in a two-room wooden house. The local village council applied for the public assistance payment on his behalf. 'It is small but it helps a lot. It is my only income and I spend most of it on food.'

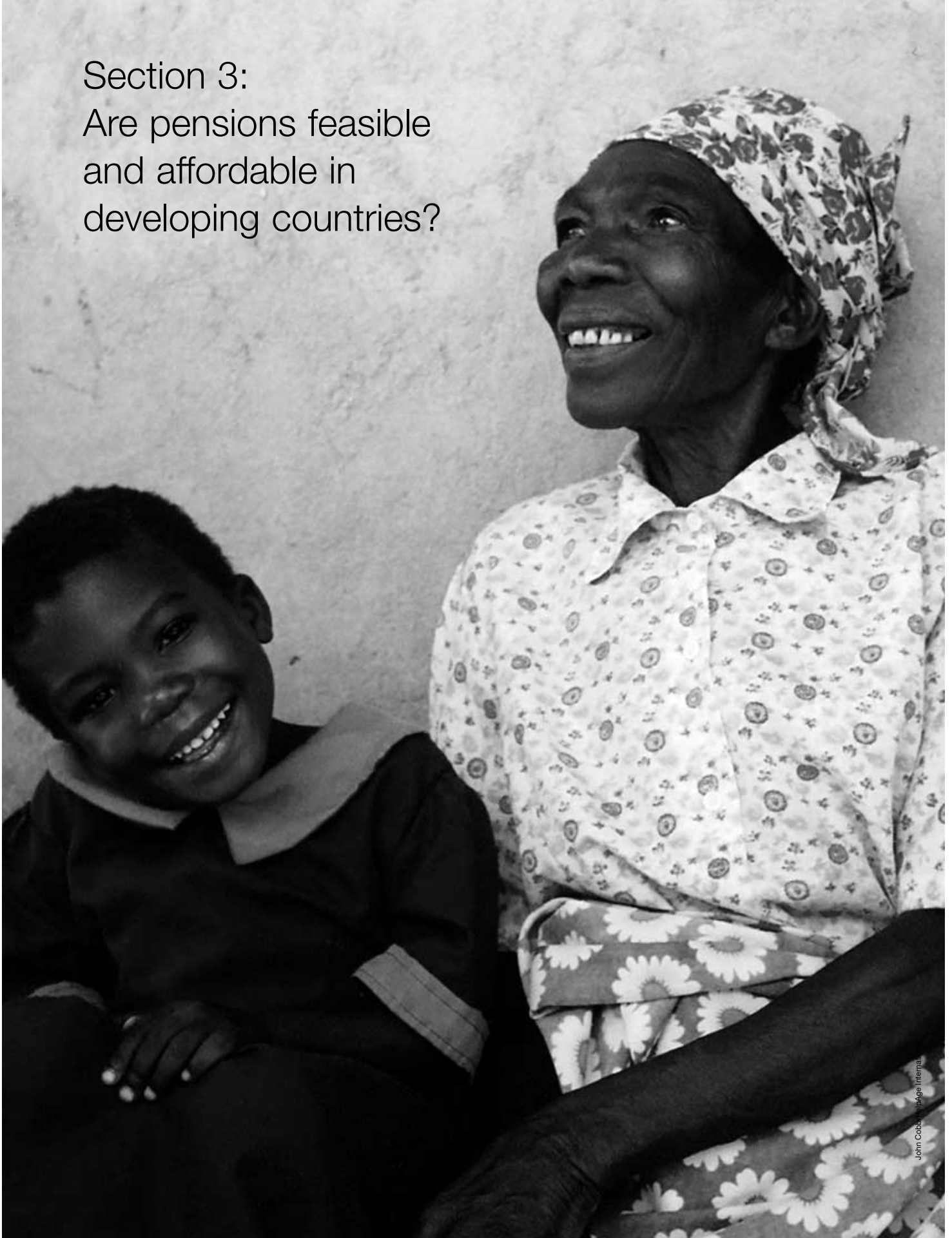


Antonio Cimco/HelpAge International

Bolivia: Food for the family

Simon, aged 73, lives in Bolivia. 'My wife, my son and his family and I support ourselves with our own produce. If we have a surplus we sell it and buy rice. But if there is no rain, the crops fail and we won't eat enough. I don't get a contributory pension because I never worked in the cities, just here on the land. There is no pension for that, but I do get the Bonosol every year on April 15th, my birthday... I use it to buy noodles, rice and sugar. I share the food I buy with my son's family. I've also bought animals, chickens and a donkey... But it's very little money for a whole year, especially since I also buy books for my grandchildren. In September, when my wife becomes eligible for the Bonosol, we will be able to buy more food.' Doña Filo, aged 71, agrees: 'My kids have never given me a penny. I don't expect it because they are poor. I consider the Bonosol a blessing from God. I always spend it on food... I get rice, sugar and the basic necessities. Before, I had nothing. For my future I want enough to eat. At my age, one doesn't need much money, only food.'

Section 3:
Are pensions feasible
and affordable in
developing countries?





Antonio Olmos/HelpAge International

3. Are pensions feasible and affordable in developing countries?

3.1 Political and operational feasibility of social pensions

Pensions command widespread public and political support

Available evidence suggests that protection for older people, especially the poorest, commands widespread public support in all countries. Even very small cash transfers create feelings of solidarity. This is due, in part, to the fact that ‘many societies still accord the elderly great respect and no one likes the spectre of destitute and disabled elderly, either as a reflection on society’s caring or as a possible fate for oneself’.⁷⁶ Another factor is growing public awareness of rising life expectancy; a study in Chile identified this as an important reason for increasing public demand for cover from formal systems.⁷⁷

The popularity of universal pensions may also be explained by their simplicity, transparency and obvious fairness, to recipients, taxpayers and policy makers alike. The universal pension is ‘an individual right, it treats all residents in the same way, regardless of gender, work history, marital status, ethnicity, or whether disabled or not’.⁷⁸ Universal social pensions are thus particularly favourable to poor older women, who are even less likely than men to have had any opportunity to save over their working lives.

Widespread public support may explain why a number of governments have been willing to invest in pensions for older people in the face of opposition from the international financial institutions. Once governments have made a commitment to pension provision, it is difficult to stop; in some countries, pressure has been exerted on governments that have been seen to renege on their obligations.

In Mauritius, a basic means-tested pension was introduced in 1950 as a temporary measure until a contributory, income-related system could be put in place. However, the pension has proved very popular and ‘the long awaited arrival of contributory pensions in 1978 has been followed not with a replacement, but rather [with] the strengthening of basic universal pensions for all elderly residents in the country’.⁷⁹

In Bolivia, the introduction of the Bonosol was partly motivated by the government’s desire to win public support for the privatisation of state enterprises, whose capitalisation funded the pension programme. The Bonosol was discontinued in 1998 but was reinstated in 2002, following protests during elections.

In India, in 2001, in response to drought conditions in Rajasthan, the Supreme Court directed state governments to publicise social protection schemes, including the pension, more effectively to potential beneficiaries.⁸⁰

NGO staff in Bangladesh report that there is less mistargeting and corruption with pensions than with other forms of grant. They attribute this to the public support for such grants and the perception that ‘stealing’ from older people is particularly immoral compared with other forms of corruption.⁸¹

Pensions also command support from politicians and government officials. In Nepal, in his 1997-1998 budget speech, the finance minister said: ‘It seems appropriate from the point of view of social justice to provide [old age and widows’ pensions] to a helpless poor and deprived community of people.’⁸² In Bangladesh, during consultations with groups of older people, local government officers expressed commitment to the old age allowance as ‘a right and recognition to older

⁷⁶ Coady et al., ‘The targeting of transfers in developing countries’.

⁷⁷ Packard, T G, *Pooling, savings and prevention, mitigating the risk of old age poverty in Chile*, Washington DC, World Bank Policy Research Working Paper 2849, May 2002.

⁷⁸ O’Connell, A, *Citizen’s pension, lessons from New Zealand*, London, Pensions Policy Institute, March 2004. This may help to explain the overwhelming vote (91.8 per cent on a turnout of 80.3 per cent) against replacing New Zealand’s universal non-contributory pension with a compulsory private savings system in 1997.

⁷⁹ Willmore, L, ‘Universal pensions in Mauritius, lessons for the rest of us’, New York, United Nations, DESA Discussion Paper no. 32, 2003.

⁸⁰ *Times of India* 10 July 2003.

⁸¹ Prof. David Hulme, personal communication, May 2004.

⁸² Rajan, S I, ‘Old age allowance programme in Nepal’, paper presented to Seminar on Social Assistance for the Elderly, New Delhi, World Bank, January 2004.

people’.⁸³ In India, Karnataka State has published a state policy for senior citizens, which includes a commitment to extend pension cover to ‘all persons 60+ living below the poverty line’.⁸⁴

Spending on social pensions is less likely to be subject to reduced funding than means-tested programmes, which generate less political support and are less robust.⁸⁵ ‘As a result, some of the most successful poverty reduction programmes are those targeted at the elderly precisely because they are less discretionary and continue to function even in difficult budget environments. The USA and Brazil are both examples of poverty reduction functioning well through specific old age programmes while other more general social assistance programs have not been well funded.’⁸⁶

Universal provision has administrative advantages over means-tested provision

The World Bank praises social pensions, given to everyone of pensionable age, regardless of income, wealth or employment history. ‘Administratively, this is the simplest structure, with the lowest transaction costs, for the public pillar – an important advantage in developing countries with limited institutional capacities and incomplete record-keeping systems. It avoids the disincentive to work and save inherent in means-tested plans. Its universal coverage helps ensure that the poverty reduction objectives are met, provides a basic income for all old people (co-insuring against low investment returns or high longevity), and might receive broad political support.’⁸⁷

Means-tested approaches require more sophisticated administration systems and are, therefore, not feasible in many developing countries. Means testing can also act as a disincentive to the poorest older people. For example, in some states in India, where pensions are means tested, costly and complex application procedures prevent many older people from claiming their entitlement.⁸⁸

Advantages of universal social pensions over means-tested pensions

Universal social pensions	Means-tested pensions
Clear target group	Target group needs to be identified
Transparent and easy to understand	Criteria often unclear
Administration simplified	Complex administration, especially where informal sector is large
No stigma attached as available to all who qualify	Can induce stigma – seen as residual poverty relief
Universal availability increases popularity	Selectivity undermines popular support
Reduced opportunity for corruption	Increases discretion of individual officials and potential for corruption
Work disincentives minimised	Potential work disincentives
Gender-neutral	Potential for disadvantaging the most marginalised, especially older women



Helena Legido-Quigley/IDPM

⁸³ Resource Integration Centre, Bangladesh, unpublished report, November 2003.

⁸⁴ Karnataka State, *Policy for senior citizens*, Bangalore, Government Order WCD/314/SJD/2003, September 2003.

⁸⁵ Willmore, L, ‘Universal pensions in low income countries’, Initiative for Policy Dialogue, Discussion Paper IPD-01-05, 2001.

⁸⁶ Schwarz, A, *Old age security*.

⁸⁷ World Bank, *Averting the old age crisis, policies to protect the poor and promote growth*, Washington DC, Oxford University Press, 1994.

⁸⁸ Soneja, S, ‘Non-contributory pensions in India, a case study of Uttar Pradesh’.



Jon Bugge/HelpAge International

Some have argued in favour of means testing because universal coverage benefits both the poor and the non-poor and could deter people from saving for old age. But there is little evidence to support these arguments. In countries with well-functioning tax systems, payments to better-off pensioners are clawed back through income tax.

Although many developing countries do not have efficient, progressive income tax structures, older people on higher incomes may be deterred from collecting the universal pension where this is a relatively small amount. For example, in Nepal, many of those on higher incomes do not collect the very low universal benefits.⁸⁹ Evidence from Chile indicates that there is no negative effect on pension contributions even where other, older household members are receiving social pensions. This may be because social assistance benefits for old age in Chile are low and thus do not act as a disincentive to saving among those of working age.⁹⁰

In practice, there is some evidence to suggest that means-tested schemes may act as a disincentive to work and save. In Mauritius, where the pension was means tested until 1978, 'these tests produced fiscal savings but they also sent distorted signals to workers from saving for their old age and from continuing to work, even on a part-time basis, beyond normal retirement age.'⁹¹

Universal rather than means-tested pensions may also be inherently less corrupting, as 'when an applicant has a right to a pension simply by submitting proof of age, the government official has little power... When an official is asked to certify the income of an applicant, he obtains power, which provides opportunity for corruption and for abusive invasion of privacy.'⁹²

The cost of delivering universal benefits is often viewed as a major impediment, but experience in a number of countries indicates that the proportion of costs represented by administration can be kept relatively low. In Botswana and Mauritius, for example, administration costs are 2-3 per cent of benefit payments. Certainly full coverage with a universal system may not be achievable at very low cost. In Namibia, a vast and sparsely populated country, improving coverage to just under 90 per cent of older people by 1998 increased administration costs from 7 per cent to 14 per cent of the value of the pension. While this is a significant rise, whether it is 'unaffordable' is questionable. 'Affordability' and 'sustainability' are often treated as though they were objective scientific concepts; however, 'there is no economic law that prevents societies from deciding to allocate more resources to old-age security and less to some other expenditure'.⁹³

Developing countries can deliver universal pension schemes

Experience in a number of countries shows that implementation of universal pension schemes is feasible. In countries where the social pension exists, such as

⁸⁹ Rajan, S I, 'Old age allowance programme in Nepal'.

⁹⁰ Packard, T G, 'Pooling, savings and prevention, mitigating the risk of old age poverty in Chile'.

⁹¹ Willmore, L, 'Universal pensions in Mauritius, lessons for the rest of us'.

⁹² Willmore, L, 'Universal pensions in Mauritius, lessons for the rest of us'.

⁹³ Beattie, R and McGillivray, M, quoted in Devereux, S, *Social pensions in Namibia and South Africa*, Brighton, Institute of Development Studies Discussion Paper 379, 2001.

South Africa and Nepal, systems are relatively well administered and succeed in reaching older people in rural areas. In South Africa the majority of older people receiving the pension find that they can claim it quite easily, although some have reported problems with long queues. People have also reported being robbed of their pension money or having it taken away by family members. This points to the need for strong legal protection for pension recipients.

The social pension system in Nepal is administered by the Ministry of Local Development. To receive the pension, beneficiaries have to prove their citizenship and the fact that they are aged 75 or over. Many older people in Nepal do not have documentation proving their age, but those without the required papers have been able to use alternatives such as their election identity card, which includes a record of age, and personal horoscopes, which the government accepts as a record of date of birth.

However, the effectiveness of this scheme is variable, and this corresponds with experience elsewhere. Older people sometimes have problems in getting their pension, due to such factors as complex procedures to establish entitlement, bureaucratic delays in processing applications, local corruption, and barriers to collection of pensions.

In India, administrative efficiency varies widely between states. In Uttar Pradesh applicants for the pension must have their age certified by a doctor at a government hospital and a photograph certified by their village head. Applications are then reviewed by the district social welfare department. A study found that it took between six months and two years for pension applications to be processed and approved, and that applications were sometimes refused without any explanation. Other difficulties encountered by older people included having to pay bribes to village leaders, erratic pension payments, and problems with payments made through banks that require account holders to maintain a minimum balance.⁹⁴ However, these problems are not insuperable. Older people have access to India Post, with its 137,000 branches in rural areas.⁹⁵ In a number of Indian states this postal service provides an efficient, safe and reliable pension delivery mechanism.

‘To collect my pension I have to go to the local bank, which is nearby. I claim it using the card the government provided. I feel safe and confident to collect it.’

Older woman, Nepal

India: Differing experiences of getting a pension

Some older people, such as Dhanesara, report no difficulties in obtaining their pension. She goes to the bank every six months to collect her pension, getting notice of collection times from other account holders in the village. Someone from the village takes her to the bank on his bicycle. Normally all the pensioners go together, so she is not scared of being robbed. While she says there is no problem in the present system with collecting the pension money, she would prefer it to be sent to her by post. In contrast, Bhagya, a 75-year-old widow, who travels to the bank with her son to collect her pension, said: ‘Sometimes bank officials harass us, sometimes we have to go again and again, only to be told that the money cannot be distributed for some reason.’ Sarju, aged 75, has also experienced problems. The village leader helped him to complete the formalities but when a new leader was elected, his pension was discontinued twice and he had to pay 500 Rupees to a local middleman to have it restored. Even now, when he goes to the bank, he has to pay a middleman to be able to withdraw his money. Bhudan, who is not literate, pays up to 50 Rupees to a retired schoolteacher to complete the withdrawal formalities at the bank. ‘If I refuse to pay, she threatens to get my pension discontinued.’



Resource Integration Centre (RIC)

⁹⁴ Soneja, S., ‘Non-contributory pensions in India, a case study of Uttar Pradesh’.

⁹⁵ Farrington, J, Saxena, N C, Barton, T and Nayak, R, *Post offices, pensions and computers. New opportunities for combining growth and social protection in weakly integrated rural areas?*, London, Overseas Development Institute Natural Resource Perspectives no. 87, June 2003.

In Bolivia, some older people have had no problems in claiming the Bonosol, while others, especially those from indigenous communities, have experienced difficulties because they do not have the official documentation required to prove their age.

Bolivia: Lack of documentation can be a barrier

Getting the Bonosol has proved challenging for some older people in Bolivia. While Simon, aged 73, said: ‘My son helped me to do the paperwork to get the Bonosol. I just go to the bank, show them my ID card and they pay me the money,’ others who are entitled have not received payments because they cannot provide the necessary documents. As one woman said: ‘My husband can’t get the Bonosol, because he has a problem with the name on his ID card,’ while another explained: ‘My father died when I was young and my mother never got me a birth certificate, so I don’t have the documents I need to collect my Bonosol. I did have a baptism certificate, and that would have let me get my birth certificate, but it’s lost. To get another one I have to travel to the church in my home province.’ Even those who have the right documents have experienced problems. Doña Eulogia reported that she had problems getting the Bonosol. ‘I needed to get photocopies of the documents – birth, marriage, baptism. It took a long time and my son had to help me. But at least I had the documents. Other people I know don’t have them.’



Antonio Orinos/HelpAge International

Similarly in Brazil, while some older people have found it quite straightforward to claim the BPC, others have found it difficult and stressful. One 78-year-old woman who looks after her adolescent grandchildren because their mother is dead, has been receiving the BPC for five years, but claiming it was not easy. ‘I had to take lots of documents. I waited for more than a year and nothing happened. Then I went alone to the INSS office and had to wait for a long time. I was crying because it was so complicated.’

Dominica: Delays cause significant hardship

Theodore applied for public assistance benefits when he was no longer able to work and his family was already over-burdened with expenses. However, it took two years from the date of application until he received his first pension payment. He believes that the system needs to be improved. 'A friend of mine applied and is yet to receive anything. He is really in need and there are many other people like him on the waiting list. I give him whatever I have. These people have made contributions to the development of Dominica and should be treated better.' Many older people have also reported that, even after the application has been approved, payments are not regular and are often delayed. This causes additional hardship and means that older people become dependent on credit.

There may be a role for civil society organisations in monitoring administrative performance. Some have argued that the voluntary sector should assist with the delivery of pensions, as this would be good both for public institutions and civil society.⁹⁶

International donors are placing increasing emphasis on governance and accountability in making funding decisions. Given the importance of increasing trust in social protection schemes through performance and service delivery, donor support for improved delivery and for civil society monitoring would be very appropriate.

Bolivia: civil society action on pension rights

The introduction of the Bonosol in Bolivia highlighted a major problem of access to benefits for older people. The majority could not claim it, because they had no birth certificates or other documents proving their age and hence entitlement. In response to this problem, the Archbishop of La Paz, together with the Older People's Network (Defensa del Anciano) and the Government, agreed to introduce a provisional documentation system, which reduced the requirements for obtaining an identity card for older people. For example, most of the older people in rural areas have no birth certificate, but were able to produce witnesses to testify to their approximate age. This highlighted older people's vulnerability, and showed what could be done by joining forces.

3.2 Affordability of universal social pensions**Analysis of affordability should be determined on the basis of costs and benefits**

There is a widespread assumption that poor countries cannot afford to provide social pensions. 'Despite a resurgence of interest in social safety nets – recently repackaged as “social protection” – for poor people in poor countries, safety nets remain relegated to the “social welfare” category of anti-poverty interventions. An unfortunate consequence is that institutionalised systems of social protection – beyond the minimal humanitarianism of emergency relief – are often dismissed as unaffordable luxuries for poor countries.'⁹⁷

Social safety nets have been regarded as fiscally unaffordable compensatory mechanisms that make no effective contribution to sustainable poverty reduction. This view is evident 'in the limited role ascribed to safety nets or social protection in most national PRSPs'⁹⁸

⁹⁶ Ardington, E et al., 'Pensions and development'.

⁹⁷ Devereux, S, 'Can social safety nets reduce chronic poverty?'.

⁹⁸ Devereux, S, 'Can social safety nets reduce chronic poverty?'.

Tanzania: Identifying ageing in the poverty reduction strategy

The Tanzanian Government has identified ageing as a cross-cutting issue to be included in its review of its Poverty Reduction Strategy (PRS). In consultations with older people on the core issues they would like to see included, provision of regular income through a social pension has emerged as a top priority. This text is adapted from the submission by older people's groups to the PRS:

Older people said that lack of income made it difficult to buy even basic necessities and to get access to social services as well. Access to food was said to be especially difficult where older people were without children to rely upon. In some cases they had to beg for food. The same applies to access to other necessities such as clothes, shelter and bedding – older people went about in torn clothes, their houses were leaking and required repair, their beds were broken; some had no beds, blankets or bed-sheets, and could not afford even minimal sanitation. Although health services are supposed to be available free of charge to older people, older people were still charged levies of 500-1,000 Tanzania Shillings (US\$0.45-0.90). They also needed to purchase medicines since stocks in the public health units did not last. Lack of public water supplies (a common problem in most parts of the country) had resulted in the growth of water selling, with a container of 20 litres costing 200-300 Tanzania shillings (US\$0.18-US\$0.28) in some places. Cash-poor older people described their difficulties in getting water supplies. It was further acknowledged that HIV/AIDS had not only denied older people transfers from their adult children; in addition, the epidemic had imposed very heavy costs on older people who had to care for infected sons and daughters as well as orphans.



Hien du Plessis/HelpAge International

The debate about the affordability of pensions has concentrated on costs and the burden that these costs place on public expenditure. However, it has been pointed out that the more important questions relate to policy design. How much and how redistributive a government-provided pension should be are key issues regarding sustainability.⁹⁹ There is also increasing recognition that pensions produce benefits, and that analysis of affordability needs to weigh the costs of pension provision against these. For example, the Asian Development Bank noted that the financial crisis of 1997 caused a change in attitudes and that 'even in finance ministries, safety nets and social protection are discussed in ways which would have been largely inconceivable only a few years ago'.¹⁰⁰

Poor countries can afford to provide pensions

As the introduction to this report illustrates, a number of developing countries, including some of the poorest in the world, have chosen to allocate resources to older people. These countries demonstrate that social pensions are affordable and that their value can be increased over time.

The monthly pension in Nepal was increased from 100 Rupees (US\$1.41) to 150 Rupees (US\$2.12) in 1999-2000. The number of pension beneficiaries has also grown significantly since 2000.¹⁰¹ In March 2004, the South African Government increased the social pension to 740 Rands (US\$111) a month. Increases in recent years have been above the inflation rate.

While relatively few developing countries provide social pensions, many spend a significant amount on contributory pension programmes. However, only a small number of people benefit from contributory schemes, and in most developing

⁹⁹ O'Connell, A, *Citizen's pension, lessons from New Zealand*, London, Pensions Policy Institute, 2004.

¹⁰⁰ Ortiz, I, Strategy and Policy Department, Asian Development Bank, 'ADB's social protection framework', quoted in Conway, T et al., 'Social protection: new directions in donor agencies', 2000.

¹⁰¹ Rajan, S I, 'Old age allowance programme in Nepal'.

countries these individuals are not generally the poorest. There is, therefore, a case for allocating existing pension expenditure differently. In India, for example, it has been estimated that doubling the value of the national old-age pension would amount to just 0.04 per cent of GDP. This is the equivalent of the government contribution to the Employee Pension Scheme, which covers about 6 per cent of workers in the formal sector. ‘The central budget currently spends as much on subsidies to [these] workers as it does on poverty relief to the elderly across the country. This seems unjustified.’¹⁰²

However, the potential for such reallocation of funds may be restricted; for example, strong lobbies may exist for maintaining existing arrangements. Furthermore, there is a good case for operating contributory and non-contributory pensions alongside each other, as well as considering how ‘informal’ social protection structures (such as burial societies and savings groups) might work as complementary aspects of overall old-age social security. Again, international donors could give material assistance to governments wishing to develop these links.

Costs of pension provision overall and as a percentage of GDP can be relatively low

The cost of providing universal social pensions will depend on the number of beneficiaries, determined by the age at which people become eligible and projected numbers of older people, and on the value of the pension payment. Raising age of entry would focus on the most vulnerable and keep costs very low. For example, the global cost of providing a universal pension of 40 per cent of GNI (gross national income) per capita for all people over the age of 80 in the least developed countries has been estimated at US\$250 million in 2005, rising to US\$440 million by 2020.

Estimates have also been made of the cost in terms of GDP of providing a universal pension of US\$1 per day to those at different ages over 60 in 40 African countries. These estimates range from 0.01 per cent of GDP in the Seychelles to 17 per cent of GDP in Ethiopia. However, in much of Africa, US\$1 per day far exceeds per capita GDP. Therefore it may be more appropriate to assess the cost of providing a pension equivalent to a percentage of GDP per capita. On this calculation, to provide a pension of, for example, 40 per cent of GDP per capita only to those over the age of 75 is typically less than 0.5 per cent of GDP.¹⁰³

Percentage cost of providing a pension at 40 per cent of GDP to people aged 75+ in six African countries¹

Country	2000	2025	2050
Burkina Faso	0.3	0.4	0.5
Côte d’Ivoire	0.3	0.4	0.7
Ghana	0.7	0.6	1.2
Kenya	0.3	0.4	0.7
Mozambique	0.4	0.5	0.6
Tanzania	0.2	0.4	0.6

¹ A Schwarz, ‘Old Age Security and Social Pensions’, Washington, D.C. World Bank 2003.

¹⁰² Palacios, R et al., *India, the challenge of old age income security*, Washington DC, World Bank, 2001.

¹⁰³ Schwarz, A, *Old Age Security*.



Henri Piessis/HelpAge International

Evidence from countries that are already implementing large-scale social pensions schemes indicates that the cost in terms of GDP is relatively low. In Namibia, the old-age cash transfer programme costs less than 2 per cent of GDP. South Africa's pension scheme is funded through general taxation and, in 2000, represented 1.4 per cent of GDP. The Mozambique targeted programme costs US\$6 million per annum, scheduled to rise to US\$13 million by 2005 or 1.4 per cent of the government budget.

Concerns about future sustainability of pension provision are not justified

There are concerns about the future costs and sustainability of social pensions in poor countries. These concerns are based on demographic projections, which indicate that there will be a rapid increase in the number and proportion of older people in developing countries during the coming decades. It is assumed that, as in the industrialised world, this will result in a rising number of older people who are economically inactive and dependent on a declining 'working age' population.

However, these concerns ignore potential future economic growth. Increases in levels of GDP and lifetime earnings should counteract increasing demographic pressures.

Brazil: Incremental development of social pensions 1963-2000

1963	Basic entitlements introduced for very old in the rural sector.
1970s	Gradual upgrading in response to the mobilisation of rural workers and pressures for land reform.
1974	The Renda Mensual Vitalicia (RMV) introduced in urban areas. Value was half the minimum wage and entitlement limited to the over-70s who had paid over 12 months' social insurance in their lifetime.
1988	The Constitution recognised the right to social protection for workers in the rural sector, especially for those in the informal sector.
1991	A new rural old-age pension established; the Previdência Rural (PR). Age of eligibility was reduced from 65 to 60 for men and 55 for women. Reforms extended eligibility from heads of household to all qualifying workers, thereby including female rural workers who were not heads of households. Entitlement was also extended to include workers in subsistence activities including agriculture, fishing and mining, and to those in the informal sector. The pension's value also increased from half to a full minimum wage.
1993	Benefício de Prestação Continuada (BPC) introduced. Its value was the minimum wage, and entitlement was limited to those over 67 in rural or urban areas with per capita household income below a quarter of the minimum wage (220 Reais or US\$55 in 2002).
2000	Beneficiaries numbered 4.6 million under the PR, 0.3 million under the RMV and 0.4 million under the BPC.

Assumptions about who is economically active and who is dependent may also have to be adjusted as populations grow older. Economic growth may increase the demand for older workers and thus extend working lives in all countries. Moreover, concerns about ‘dependency’ fail to take account of the fact that most poor people in developing countries tend to work until an advanced age, and that affordability is only a problem when the working-age population is declining and there is no rise in per capita GDP. Also, the simplicity of universal pensions means that they are very responsive to future policy change. Since the costs of universal pensions are solely an outcome of the number of older people, future cost projections can be made on the basis of demographic changes. Different scenarios can thus be tested with relative ease.

Pensions will cost more in future, as the numbers and proportions of older people grow in all countries. However, as the ILO has pointed out, such benefits need not be very costly.¹⁰⁴

Low-cost ways to introduce social pensions

- **Countries with limited resources could consider replacing inefficient existing transfers, such as food programmes, with pensions.**
- **Pensions could be set at a relatively low proportion of average wages. The World Bank has advocated a flat benefit set at 20 per cent of average wages. In a country with a young population, this would require a payroll tax of only 2 per cent.¹⁰⁵**
- **A relatively high qualifying age could be set, or the qualifying age could be adjusted in line with rising life expectancy. In Nepal, only people aged 75 or over qualify for a social pension.**
- **Relatively small pension payments could be provided, or the level could be adjusted in line with prices, rather than GDP per capita or wages. This would keep the cost down and reduce the attraction to all but the very poor. In Bolivia, for example, the Bonosol is equivalent to only 75 cents a day, but still makes a big difference to the very poor.**
- **Benefits could be made more progressive through taxation.**
- **Pension entitlements could be introduced gradually; Belize is considering limiting the initial introduction of universal pensions to older women.**



Sawang Kapwani/HelpAge International

Any strategy to combat old-age poverty in developing countries would face the challenge of mobilising resources of around 1-2 per cent of GDP. This may sound reasonable, but shifts in government budgets are not easy to accomplish and would have to be phased in over a number of years as has been done in Nepal. Universal pension schemes can be introduced gradually by initially only covering sub-groups of older people (for example, people aged 75 and above) as well as survivors and possibly disabled people.¹⁰⁶

Given the multiple demands and limited resources in most developing countries, ‘the optimal strategy may be to begin with a universal pension, offered at an advanced age, but providing a minimal level of benefits. The size of the benefit and the age at which it is offered clearly have to take into account competing needs for the fiscal resources, such as education, health, other social protection, and infrastructure building’.¹⁰⁷ The key is to construct national budgets which can realistically accommodate social protection. ‘Macro-stability is important.

¹⁰⁴ International Labour Organization, *Social security, a new consensus*, Geneva, International Labour Organization, 2001.

¹⁰⁵ World Bank, *Averting the old age crisis, policies to protect the poor and promote growth*, Washington DC, Oxford University Press, 1994.

¹⁰⁶ Cichon, M, personal communication, May 2004.

¹⁰⁷ Schwarz, A, *Old age security*.



Neil Cooper/HelpAge International

Social protection is important. Social protection that blows the budget will be ineffective. A budget that is so stringent that it doesn't allow social protection is self-defeating'.¹⁰⁸

Donors need to finance social protection

The experience of the last decade has shown that poverty will not be solved by growth alone. Social protection programmes are now seen by many development policy makers as 'essential to reduce poverty over the long term and to protect gains already made'.¹⁰⁹ Governments signing up to the Madrid International Plan of Action on Ageing pledged themselves to ensure 'sufficient minimum income for all older persons, paying particular attention to socially and economically disadvantaged groups'.¹¹⁰

However, despite the rhetoric (and the implementation by the World Bank, among others, of over 100 social protection loan projects) development of income support systems for older people has been almost entirely confined to the actions of a handful of developing country governments. Meanwhile, increasing numbers of people enter old age in the developing world with every expectation of ending their lives in poverty. This is unacceptable. It is therefore time to move on from the rhetoric and take practical action to address the situation.

Until recently, donors have shown limited interest in financing social protection. 'There is a distinct shying away [by donors] from the open-ended commitments that, for example, non-contributory ('social') pension provisions imply, with not an exit strategy in sight.'¹¹¹ This may be because nearly all development organisations 'base their conceptual thinking and even more so their operational decisions on a rigid self-help orientation which systematically excludes households with little self-help potential...'¹¹² Greater emphasis has thus been given to informal systems of social protection, including solidarity-based groups such as families, cooperative membership-based social security systems, and private insurance. Although these informal systems are acknowledged to be a poor substitute for state provision, it has been widely accepted that multiple demands on limited budgets prevent developing country governments from meeting their obligations to the older poor.

However, this view is changing, and there is growing recognition that donors need to address the issue of financing social protection. At a meeting of donors hosted by the UK's Department for International Development in 2000, explicit links were made between social protection and new forms of global finance for global social goods. The meeting report stated that 'it is possible to challenge the presumption that social protection must be realised with a declining resource envelope'.¹¹³ It also described the role of donors as enhancing and supporting the dialogue of social protection policy at country level. PRSPs might be one of the instruments used

to promote dialogue, although analysis indicates that, as yet, few PRSPs have addressed the role of social protection in poverty reduction.

Donors need to take a more proactive approach to supporting social protection programmes, including the ILO proposal to provide international financing for social protection through a Global Social Trust, and to encourage the use of mechanisms such as budget support, debt reduction arrangements and international financing initiatives to finance pensions. There is a demonstrable need for social pensions and proven experience in response. All that is needed now is the political will to take action on a wider scale.

¹⁰⁸ Prof. Nicholas Barr quoted in HelpAge International, *Population ageing and development – new strategies for social protection*, report of a seminar held on 31 October 2002 in Washington DC.

¹⁰⁹ Holzman, R et al., 'Social protection sector strategy', from *Safety net to springboard*.

¹¹⁰ United Nations, *International Plan of Action on Ageing 2002*.

¹¹¹ Farrington, J et al., *Post offices, pensions and computers*.

¹¹² Schubert, B, 'Focussing poverty and hunger reduction strategies on the poorest of the poor', unpublished paper, 2002.

¹¹³ Conway, T et al, 'Social protection, new directions for donor agencies'.

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Hein du Plessis/HelpAge International

‘Our children these days do not support us any more. There is rampant unemployment and people would die of starvation without the pension.’

66-year-old woman, South Africa

Age and security makes a strong case for providing universal non-contributory pensions – ‘social pensions’ – to older people in developing countries. It describes how social pensions effectively target aid, reducing the poverty of older people and the families they so often support.

Evidence is presented from poor older women and men who claim pensions, and from research into the impact of social pensions on old age and childhood poverty. Issues of affordability and feasibility of social pensions in the developing world are explored, and an agenda for future action is set out.

Age and security

How social pensions can deliver effective aid to poor people and their families

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