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Policy Brief 2

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Global ageing – its implications for growth, decent work and social protection beyond 2015

Key messages

- Decent work as defined by the ILO is essential both to achieving the MDGs and in developing the post-2015 sustainable development framework. As one of the four pillars of the Decent Work Agenda, it is critical that social protection is at the core of the future framework to ensure that all people can participate in and benefit from growth.
- Decent work and social protection must be viewed in the context of demographic change. Life-course and intergenerational policy-making and programming are required to enable older people to work their way out of poverty. Otherwise, older men and women will face old age characterised by vulnerability that will be passed on to younger generations.
- Pensions are critical to enhance older people's livelihood strategies. They represent a regular income that is vital in contributing to daily living needs and to support the whole household.
- An acknowledgement of the reality of work in old age and its increasingly informal nature, particularly in developing countries, is crucial to ensure that the design of a post-2015 framework does not marginalise certain groups.
- Income brought in by older people is invested in households and shared between family members. Assumptions that older people cannot or are not working must be challenged and their contributions through work and income are recognised and supported.

Older people account for an increasing proportion of the world's population today, and this number continues to grow as a result of increasing life expectancy and declining birth rates. By 2020, older people (aged 65 and over) will account for nearly 10 per cent of the

world's population and will outnumber children under five.¹ This trend is expected to accelerate in future years: by 2040 there will be 1.3 billion older people in the world – accounting for 14 per cent of the total.

All countries are experiencing these changes, which are particularly marked in Asia. In Vietnam, for example, the proportion of share of older people in the population (aged 60 and over) is expected to rise from 9 per cent in 2009 to 26 per cent in 2050.² In China, the population of older people (aged 60 and over) is expected to outnumber children under five by 2029 and by 2035 older people will account for between 20 and 25 per cent of the total population.³

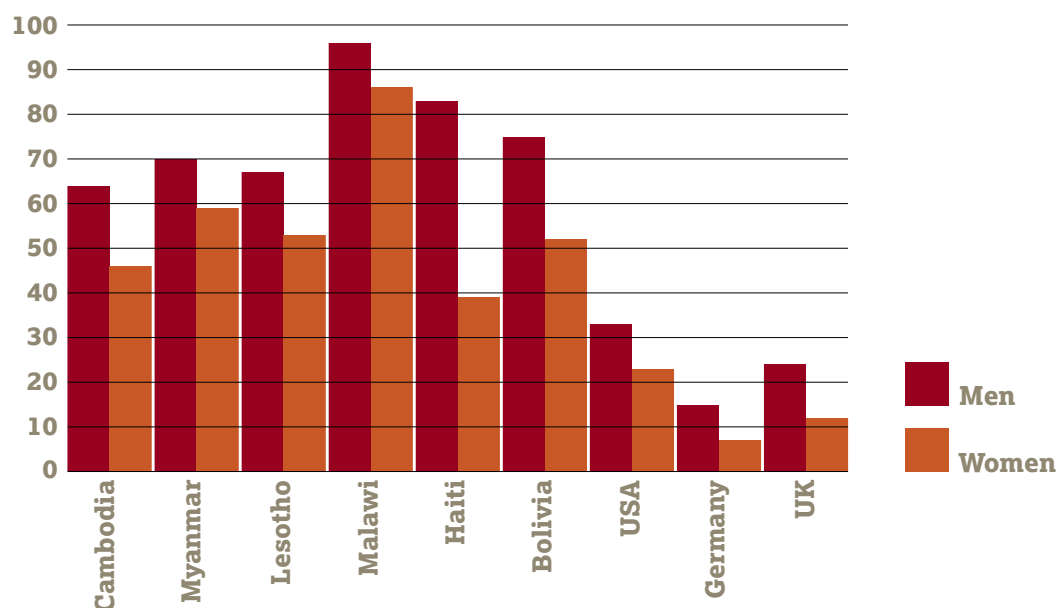
The march towards an ageing world raises important questions in the current context of slow economic growth in some countries, uncertainty and rising unemployment. A recent report by the International Labour Organisation (ILO) shows a slow reduction of the number of working poor, with 456m workers earning less than \$1.25 a day along with low/un-paid and unstable employment (such as own-account and unpaid work) increasing in sub-Saharan Africa and South Asia.⁴

Most people who live in poverty are working poor, including increasing numbers of older people⁵ who are struggling every day to secure their livelihoods.⁶ While many older people contribute economically to family livelihoods in small-scale farming, petty trading or craft industries, many perform invisible enabling functions: looking after grandchildren (and great-grandchildren), guarding property or goods for sale on the street, or preparing meals so that younger adults are able to pursue economic activities. These critical enabling roles by older people should be well-acknowledged, and national policies and programmes should be shaped to support them, so as to recognise their needs for secure livelihoods, and their rights to decent work and social protection.⁷

Older people are working

It is a myth that older people cannot or do not work. Figures from the United Nations show that more than 70 per cent of men and nearly 40 per cent of women over 60 continue to work.⁸ In some countries, these figures are even higher⁹ and often do not account for the many older people, particularly women, who are doing unpaid work.

Figure 1: People over 60 still working



Source: UNDESA (2009)

In some countries, particularly in sub-Saharan Africa, the informal sector accounts for a substantial proportion of total employment¹⁰ and is generally higher for women. Most older people in low- and middle-income countries work in the informal economy – they are self-employed in informal enterprises or in low-paid employment in jobs without secure contracts, worker benefits, or social protection.¹¹

Developing countries will age at unprecedented rates in coming years and the informal economy will continue to grow. Two-thirds of the world's older people live in low- and middle-income countries,¹² and this proportion is set to rise to 80 per cent by 2050.¹³ There is a need to build effective social protection systems that can protect those vulnerable workers, including the growing numbers of older workers that are exposed to greater risks and insecurities.

As workers, older people face similar challenges to younger generations, but these are often intensified. Their work is likely to be more insecure and they face age discrimination when seeking work. They are more likely to experience health issues and to be offered lower rates of pay. As petty traders, they have greater difficulty in obtaining credit.

Social protection as an essential pillar for inclusive growth

Growth is essential for development, but economic growth alone is not sufficient to eradicate poverty. This is evident in the persistent acute poverty still experienced by many in countries that have seen higher growth rates in recent years. Seventy-five per cent of the world's poorest people live in middle-income countries. It is necessary to find ways to ensure that all people are able to participate in and benefit from growth.

Over the last decade there has been increasing recognition of the essential role of social protection systems to ensure an inclusive approach for all people to participate in and benefit from economic growth. Meanwhile, the positive impacts of social protection on outcomes such as health, nutrition and human capital development support a virtuous cycle of strong sustainable growth that will in turn enhance capabilities and further human development across the life course.

However, current social protection systems in low- and middle-income countries have usually been designed for formal sector workers, who are less poor and vulnerable than those in informal sector workers. Most of the older people who are currently working in the informal sector are not covered by any social protection system, especially schemes that give permanent income-based retirement packages.

The United Nations' Social Protection Floor Initiative¹⁴ (SPF-I) provides strong guiding principles for furthering social protection, emphasising the need for systems that provide minimum income and access to basic services across the life course.

In light of the increased vulnerability people experience as they age, social protection for older people emerges as a key pillar of any effective social protection system. This is recognised by the SPF, but also by many countries in the global south that have extended the coverage of pension systems over the last two decades. For example, in the last decade, over 20 countries have either introduced or significantly extended non-contributory pension systems (See Box 1 for the examples of three Asian countries). Many more have made changes to pension levels or eligibility that has benefited many older people.

Box 1: Social pensions for older people

Countries which adopt a positive approach on ageing have been seen to improve the wellbeing of their older populations. Studies carried out by HelpAge International and partners in Vietnam, Bangladesh and Thailand show that a relatively small pension level can have important impacts on older people, and wider poverty rates. In Bangladesh, increased empowerment and better family relationships were experienced by receiving social pensions. In Vietnam, a social pension scheme providing low benefits to a large number of beneficiaries was seen to reduce poverty more than a scheme providing high benefits to a small number of beneficiaries.

In these three countries, social pensions can work with a fairly small initial expenditure. In Vietnam, for example, the social pension scheme introduced in 2002 started with low coverage and benefits, implying low implementation cost at just 0.05 percent of GDP. Nevertheless, the pension improved recipients' standard of living, augmenting their spending on food, medicines, and other household needs.¹⁵

Non-contributory pensions – even where the benefits are relatively modest – have been found to have a significant impact on the lives of older people. This includes supporting older people who are no longer able to work, but also supporting the livelihoods of those who still can. In the meantime, they also support those who live with or share kinship networks with older people, therefore helping to break the intergenerational transmission of poverty. As such, non-contributory pensions have been shown to be an effective channel for the reduction of poverty and inequality across the life course. Greater poverty reduction impacts of the non-contributory pensions will require they be part of a multilayered system delivering comprehensive social protection, as contemplated by the wider social protection floor.

Older people also face serious health risks, but only a small number of older people have access to affordable health services. The ILO indicates that low- and middle-income countries, particularly those in sub-Saharan Africa, have extremely low coverage of health protection.¹⁶ Even where services are available in theory, access is difficult for older people in low-income countries due to poor quality and lack of healthcare infrastructure and high out-of-pocket payments.

Addressing older workers' rights in the post-2015 process

All people, including older people, have the right to decent work and to social protection.¹⁷ Decent work, which is essential for sustainable development and the eradication of poverty, provides protection to vulnerable people during old age.¹⁸ Many European governments are responding to increasing life expectancy and the relative decline in those of working age relative to older people, by raising retirement ages. However, in low- and middle-income countries, a time of retirement in which older people cease to work but continue to receive an income, is enjoyed by relatively few people. The great majority of older people continue to work in order to survive or to provide for young dependents in their care.¹⁹

For older people in low- and middle-income countries, working contributes a significant percentage of income and daily expenditure sources.²⁰ As such, maintaining work and income for older populations in these countries is crucial.

The post-2015 period will experience changes in economic growth and structure which will significantly affect work and employment patterns. Informal, low-skilled and agricultural work will be replaced by formal, skilled and industrial work. These changes will bring great challenges to older people, specifically the older poor, who are often involved in such work.

Despite these, however, older workers remain largely invisible in current policy debates and development programmes on decent employment. Facing the challenge of creating decent, productive jobs and livelihoods for the world's poor, and the deliberations on a post-2015 development framework must recognise and actively promote older workers' capabilities, needs and rights.

The economic contribution of older people places older people in the narrative of growth and development. However, not all older people are capable of work. Four out of five older people do not receive a pension. Older people are disproportionately concentrated in the poorest households. Their right to social protection must be upheld by governments through social pensions and access to affordable essential services that meet their needs.

Recommendations

HelpAge proposes some key actions and guiding principles for the post-2015 development framework, as ways of improving decent employment, social protection and livelihood security for older people:²¹

- Full implementation of the Decent Work Agenda and Social Protection Floor Initiative in the post-2015 framework, ensuring that mechanisms such as social pensions are fully utilised to address vulnerability and enhance resilience to current and emerging risks.
- Build and use age-inclusive data sets to expose gaps in and measure poverty, inequality, capability and wellbeing across the life course at national and international level.
- Investment in initiatives to support older peoples' work, including older people's associations which increase older people's livelihood security through empowerment, information sharing, improved confidence and reduced social isolation.
- Improve older people's access to information and training to enable them to explore and make use of formal and informal work and business opportunities.
- Encourage MFIs and NGOs to develop age-friendly livelihood activities including revolving funds, in-kind support, cash transfers and low interest loans with flexible repayment and savings mechanisms.
- Advocate to government for improved representation by, and services for, older people in the workplace and at community and national level.
- Develop age-inclusive, rights-based and age-specific recommendations for the post-2015 framework to ensure that action on ageing is mainstreamed and outcomes monitored.

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Notes

- 1 United Nations Department of Economic and Social Affairs, World Population Prospects 2006 revision, in Kinsella, K and Wan H, *An Aging World: 2008*, U.S. Census Bureau, International Population Reports, P95/09-1, Washington D.C., U.S. Government Printing Office, 2009.,p.8
- 2 General Statistics Office (GSO), Vietnam, *Population Projections of Vietnam 2009-2049*. Hanoi; GSO, 2010
- 3 Chen Wei and Liu Jinju, *Future Population Trends in China 2005-2050*, Monash, Centre of Policy Studies, Faculty of Business and Economics, Monash University, 2009
- 4 International Labour Organization (ILO), *Global Employment Trends 2012: Preventing a deeper jobs crisis*, Geneva: ILO, 2012
- 5 HelpAge International, *Working for life: Making decent work and pensions for older people*, London, HelpAge International, 2009, p.20
- 6 Livelihoods means the capabilities, assets and strategies people use to make a living and ensure food and income security.
- 7 At Cannes, G20 Leaders recognised “the importance of social protection floors in each of our countries, adapted to national situations” (C#6) using the ILO’s four-part definition comprising: “... access to health care, income security for the elderly and persons with disabilities, child benefits and income security for the unemployed and assistance for the working poor”. The Cannes Communiqué also noted “the report of the Social Protection Floor Advisory Group, chaired by Ms Michelle Bachelet.”
- 8 UNDESA, *Population ageing 2006, 2006*, www.un.org/esa/population/publications/ageing/ageing2006.htm
- 9 The UN estimates that more than 80 per cent of men aged over 65 in Central African Republic, Malawi, Mozambique and Tanzania, continue to work.
See UNDESA, *World population ageing 1950-2050*, 2001, p.30, www.un.org/esa/population/publications/worldageing19502050
In Bangladesh, Guatemala and Uganda, two thirds of men over 65 are still in the workforce. See Kinsella K and Wan H, *An aging world 2008*, Washington DC, US Census Bureau, 2009, p.103
- 10 International Labour Organization (ILO), *Decent work and the informal economy*, Geneva: ILO, 2002
- 11 For a comprehensive summary of definitions of the informal economy, see: www.wiego.org/about_ie/definitions%20and%20theories.php
Also see HelpAge International, *Unreported lives: The truth about older people’s work*, London: HelpAge International, 2010
- 12 United Nations Department of Economic and Social Affairs (UNDESA), Population Division, *World population ageing 2009*, New York: Population Division UNDESA, 2009, p.10
- 13 UNDESA, 2009, *op cit*.
- 14 For a comprehensive review of policies and impact see International Labour Organization (ILO), *Social protection floor for a fair and inclusive globalization*, Geneva, ILO, 2011

Op cit, p.xxii
“The SPF is integrated set of social policies designed to guarantee income security and access to essential social services for all, paying particular attention to vulnerable groups and protecting and empowering people across the life cycle.
It includes guarantees of:
- basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor;
- universal access to essential affordable social services in the areas of health, water and sanitation, education, food security, housing, and others defined according to national priorities.”
- 15 Giang TL and Pfan .D, ‘Ageing poverty and the role of social pensions: the case of Vietnam’, in *Development and Change*, 1, 1, pp.312-336, 2009
- 16 ILO, 2011, *op cit*.
- 17 See the Universal Declaration of Human Rights, 1948; the International Covenant on Economic, Social and Cultural Rights, 1966, 1976; and the Convention on the Elimination of All Forms of Discrimination against Women, 1979
- 18 See, HelpAge International, *Forgotten workforce: older people and their right to decent work*, London, HelpAge International, 2010
- 19 Samuels F and Wells J, ‘The loss of the middle ground: the impact of crises and HIV and AIDS on ‘skipped-generation’ households’, ODI Briefing Paper 33, London, Overseas Development Institute and HelpAge International, 2009
- 20 For instance, a recent National Survey on Aging in Vietnam (VNAS) in 2011 shows that working income account for 49 per cent of total household income, and about 30 per cent of their daily expenditures.
- 21 For a longer list of principles please see HelpAge International, *Making a living last longer: Insights into older people’s livelihood strategies*, London, HelpAge International, 2011