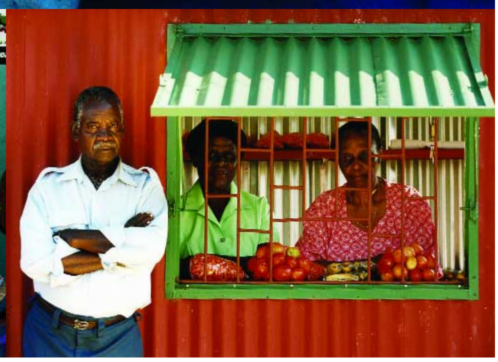
Age and security
summary report

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



HelpAge International

Leading global action on ageing

Jon Bugge/HelpAge International

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.

Age and security – summary report

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Social pensions tackle old age and child poverty

- **Half of developing country governments now identify population ageing as ‘a major concern’.[1]**
- **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).[2] 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.

1 *United Nations world population policies 2003*, New York, United Nations Population Division, 2004.

2 MDGs were agreed at the September 2000 UN General Assembly.

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'.[3]

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.


Antonio Olmos/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

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

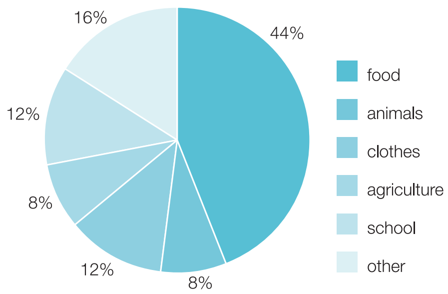
Small, regular payments to older people can improve their health and social standing. With a pension, older people can afford to eat at least one meal a day. They can access basic services such as credit, health care and water. In South Africa the self-reported health status of women improves dramatically 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.[4]

3 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.

4 Case, A and Wilson, F, 'Health and wellbeing in South Africa: evidence from the Langeberg survey', unpublished report, Princeton University, 2000.

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.

Pension spending by older people in Zambia[1]



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

Hein du Plessis/HelpAge International

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 Tateni 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 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.[5]

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.

5 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.

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.**

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.**


Neil Cooper/HelpAge International

'I started working when I was seven as a labourer in the rice plantations and then in the city as a domestic servant. I have not stopped since. I never have the chance just to go for a walk. I would like my own pension so I can rest a bit.'

Maria, aged 67, Rio de Janeiro, Brazil

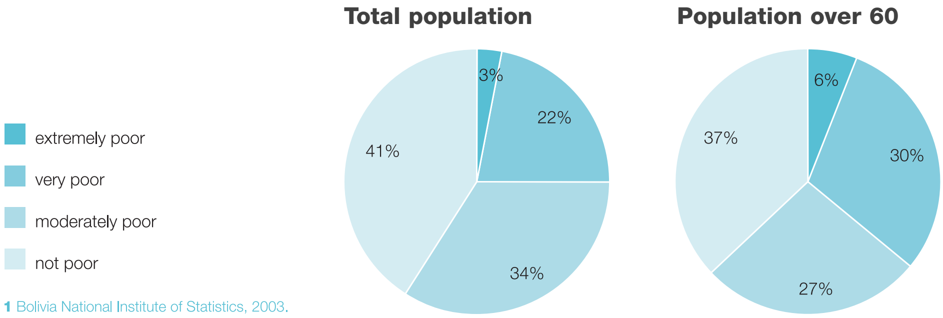
The urgent need for pensions

- **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.[6]

Bolivia poverty statistics disaggregated by age group[1]



1 Bolivia National Institute of Statistics, 2003.

'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

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.[7]

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.

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

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

Minimal costs

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.[8]

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.

'There is no subject of greater importance than the ageing of the population and provision of social protection for older people.'

Professor Joseph Stiglitz, Nobel Prize winner and former Chief Economist of the World Bank

John Cobb/HelpAge International

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

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.

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