Policy Brief

Towards a social pension for all older people in the Occupied Palestinian Territory
Key messages

• Older women and men in the Occupied Palestinian Territory (OPT) face great challenges to meet their income needs, given their reduced ability to work and limited access to social protection.

• The Palestinian pension system is fragmented and has limited coverage. The establishment of a social security system for private sector workers is a key step towards strengthening the system, but high levels of informality mean that a social pension is needed to complement the contributory system and guarantee minimum income security for all Palestinians in older age.

• The legal framework for a social pension in OPT is already in place and there are feasible and affordable options to implement it.

• It is possible to implement a rights-based social pension in OPT. For as little as 0.4% of GDP, all women and men aged 70 and over would have minimum income security in older age.

Acknowledgements

Funding for this report was provided by the International Labour Organization (ILO) under the UN Joint Programme. The ILO further offered valuable advice and guidance, mainly through Charis Reid, Momin Badarna and Luca Pellerano. The authors would like to thank the El-Wedad Society for Community Rehabilitation, Juzoor for Health and Social Development and HelpAge International Regional Office for EME Region for reviewing this work. The authors would also like to thank Tareq Abuelhaj, Nadia Saad and Oxford Policy Management Limited for sharing their work.

HelpAge International is the secretariat to a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.

Towards a social pension for all older people in the Occupied Palestinian Territory.

The report has been written by Dr Flavia Galvani and Chandranshu from HelpAge International.

Published by:
HelpAge International (2022)
35-41, Lower Marsh
London, United Kingdom
SE1 7RL

info@helpage.org
incomesecurity@helpage.org
www.helpage.org

Registered charity no. 288180
Front page photo by Media Booth 2022

@HelpAge HelpAge International
Contents

Key messages ................................................................................................................................. 2
Acknowledgments ......................................................................................................................... 2
List of tables, figures, abbreviations ............................................................................................ 4

Ensuring income security for all Palestinians in older age ......................................................... 5

A. Growing older in the Occupied Palestinian Territory ................................................................. 6

B. Strengthening the Palestinian Pension System .......................................................................... 10
Possible impacts of Social Pensions – What does the evidence say? ......................................... 12

C. Feasible options for establishing a Social Pension in OPT ......................................................... 14
Understanding limitations of exclusion-based options ................................................................. 14
Cost Savings Strategies .................................................................................................................. 15
Progressive Universalism .............................................................................................................. 15
Progressive Adequacy ..................................................................................................................... 16
Potential scenarios with cost estimates .......................................................................................... 17

Conclusion ........................................................................................................................................ 19
List of Figures

Figure 1: Social Protection coverage across the life course in OPT.
Figure 2: Countries with a Social Pension in 2019
Figure 3: Multi-tiered Pension Systems
Figure 4: Impacts of social pensions: what does the evidence say?
Figure 5: Benefit levels of selected social pensions as a share of GDP per capita (2018)
Figure 6: Cost of social pension as percentage of GDP (2018)

List of Tables

Table 1: Population of older people in the OPT by sex
Table 2: Older people’s access to social protection in the OPT (%)
Table 3: Poverty levels
Table 4: Global experiences of gradually lowering eligibility ages of social pensions
Table 5: Annual cost in current (2023) million US Dollars (and % of GDP)

Abbreviations

ILO : International Labour Organization
IMF : International Monetary Fund
MoF : Ministry of Finance
OAA : Old Age Allowance
OPT : Occupied Palestinian Territory
PA : Palestinian Authority
PCBS : Palestinian Central Bureau of Statistics
PNCTP : Palestinian National Cash Transfer Programme
PPA : Palestine Pension Agency
SDG : Sustainable Development Goals
Ensuring income security for all Palestinians in older age

The human right to appropriate social security and social protection throughout the life-course is well-established, enshrined in the Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966) and the International Labour Organization’s Social Security (Minimum Standards) Convention, 1952 (No. 102). The content of these rights is further specified in the normative body of standards developed by the International Labour Organisation, which provides concrete guidance to countries to realise the right of older people to social security. Convention 102 on Social Security (Minimum Standards) (1952), Convention 28 on Old-Age, Invalidity and Survivors’ Benefits Convention (1967) and Recommendation 202 on Social Protection Floors (2012), provide an international reference framework and set out the range and levels of social protection that are necessary and adequate for ensuring income maintenance and income security in older age.

Social protection is also crucial for realising the sustainable development agenda, as success in achieving several SDGs depends significantly on the effective implementation of social protection policies and instruments. Specifically, social protection is expected to contribute to SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and improved nutrition), SDG 3 (ensure healthy lives and promote well-being for all at all ages), SDG 5 (achieve gender equality and empower all women and girls), SDG 8 (sustained, inclusive and sustainable economic growth), and SDG 10 (reduce inequalities).

The Palestinian Authority (PA) is committed to expanding and improving national social protection policies and programmes in line with the country’s National Policy Agenda, the Social Development Sector Strategy (2021-2023), and the National Strategy for Older Persons (2021-2026).

This policy brief sets out to discuss options for strengthening the Palestinian pension system by presenting alternatives for the implementation of a social pension that would effectively ensure basic income security for all older women and men.

Drawing on International Labour Organization (ILO) background analysis on the feasibility of a social pension for Occupied Palestinian Territory (OPT) and on HelpAge’s experiences of working in numerous low- and middle-income countries across the globe, the brief makes a case that the establishment of a social pension in OPT is urgent and feasible.

Background studies include a feasibility assessment of social pensions, a needs assessment of people with disabilities and older people in the OPT, a social protection floor assessment in OPT as well as an exercise on social pension costings.
A. Growing older in the OPT

Older people in OPT, in particular older women, are more likely to live in poverty, as they face great challenges meeting their income needs given their reduced ability to work and limited access to social protection.

Older people, especially older women, will represent a growing share of the Palestinian population due to ongoing demographic transformations. The OPT has a population of 5.350 million people, of which 5 per cent are aged 60 or over. The number of older people is expected to remain stable over the next decade or so and then start to increase more rapidly, as a result of declining fertility rates and improvements in life expectancy.¹

Women tend to live longer than men and are more likely to be widowed and live alone. In the OPT, while over 90 per cent of older men are married, less than half of women aged 60-64 are married. Older women are 7 times more likely to be widowed than older men.² This has important implications for their wellbeing as spouses play a major role in supporting each other in older age, providing material, social and emotional support as well as personal care in times of illness or frailty - women are much less likely to be able to have this form of support.

Table 1. Population of older people in the OPT by sex

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 60+</td>
<td>289,872</td>
<td>48%</td>
</tr>
<tr>
<td>60-64</td>
<td>110,853</td>
<td>51%</td>
</tr>
<tr>
<td>65-69</td>
<td>72,720</td>
<td>49%</td>
</tr>
<tr>
<td>70-74</td>
<td>49,448</td>
<td>48%</td>
</tr>
<tr>
<td>75-79</td>
<td>28,726</td>
<td>45%</td>
</tr>
<tr>
<td>80+</td>
<td>28,125</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: 2021 Palestinian Central Bureau of Statistics (PCBS) population projections

The high levels of ill-health and disability experienced by older people often restrict their ability to earn an income. Census data (2017) shows that 39 per cent of older people experience at least one health issue, the most common being mobility difficulties (24 per cent) followed by difficulties in seeing (22 per cent). Indeed, the vast majority of older people who took part in the ILO needs assessment in OPT reported having difficulties seeing and walking (76 per cent and 68 per cent, respectively). They also reported facing significant health challenges

¹ PCSB. Press Release on World Elderly Day, 1 October 2019. Available at: <4D6963726F736F667420576F7264202D20C7E1EDE6E320C7E1D4C7E1E3ED20E1E1E3D3E4E4205FC7E4CCE1ED2E5F> (pcbs.gov.ps)
including strokes, diabetes, heart disease, and high blood pressure. High levels of ill-health and disability not only limit older people’s ability to earn an income, but also entail medical expenses that place additional financial burdens on older people and their families.

**Older people who are able and willing to work often struggle to find employment opportunities.** Unemployment across all age groups is high, and older people often face additional barriers due to lower levels of education and age discrimination. As a result, labour force participation declines markedly in older age. According to the Palestinian Central Bureau of Statistics (PCBS) Labour force data for 2019 only 14 per cent of older people participate in the labour force, with marked differences between the West Bank where 18 per cent of older people participate in the labour force, and the Gaza Strip where only 6 per cent do. Older women are even less likely to be in employment given the low levels of labour force participation of women across all ages.

**In recognition of the reduced opportunities that older people have of earning an adequate income, old age is widely acknowledged as one of the crucial stages in life that require social protection,** particularly through pensions. Although social protection coverage is limited across all age groups in OPT, it actually declines in older age as shown in Figure 1.

**Figure 1: Social Protection coverage across the life course in OPT.**

Contributory pension coverage in OPT is very limited and inadequate. As shown in table 2, the majority of older people in OPT are excluded from any form of social protection.
Table 2. Older people’s access to social protection in the OPT (%)

<table>
<thead>
<tr>
<th></th>
<th>Receiving PPA*</th>
<th>Receiving Government Social Assistance**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 60+</td>
<td>17.4%</td>
<td>27.7%</td>
</tr>
<tr>
<td>60-64</td>
<td>17.4%</td>
<td>28.5%</td>
</tr>
<tr>
<td>65-69</td>
<td>21.6%</td>
<td>26.5%</td>
</tr>
<tr>
<td>70-74</td>
<td>12.4%</td>
<td>34.7%</td>
</tr>
<tr>
<td>75-79</td>
<td>17.8%</td>
<td>26.8%</td>
</tr>
<tr>
<td>80+</td>
<td>14.8%</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

Source: 2017 PECS

*includes all receiving a civil, military, and survivors pensions as well as an estimate of East Jerusalem recipients of Israeli National Insurance

**includes direct and indirect beneficiaries of “government aid cash and in kind”, as per the PECS questionnaire; mostly household benefits

Social assistance, charity or zakat offer some relief, but the support is also very limited, often ad hoc, and highly inadequate. For instance, benefits from the Palestinian National Cash Transfer Programme (PNCTP), the largest social assistance programme in the OPT, were suspended for most of 2021. Indeed, older people interviewed as part of the ILO needs assessment shared their perception that older people were marginalised when it comes to receiving cash assistance.

“The MoSD gives 750 shekels every three months, but it is insufficient and currently ceased. I haven’t worked in 20 years; I am 80 years old. What can I possibly do?”

An older man in Jenin interviewed for the ILO Needs Assessment

Severely constrained from earning an income and without access to social protection, most older people rely on their families to cover their basic needs. However, this support is also often inadequate as high levels of poverty and economic vulnerability faced by the population as a whole mean that many families have limited resources to share.

“A while ago I visited an elderly woman who has two sons and a daughter, but when I entered the home, I couldn’t breathe because it was so dirty. She lived in an unsuitable environment; she was sleeping on a mattress on the floor, and when she saw me, she covered her head. I was able to get in touch with one son, but he wasn’t even taking care of his own children, his situation was very bad. She is 75 years old, she lived on stale bread and canned food, there was no one to care for her and no food.’

Social worker in Hebron, West Bank, interviewed for the ILO needs assessment.

As a result, a high proportion of older people in OPT live in poverty. PCBS data indicates that over a quarter of older people - about 27% - were poor in 2017, a significant increase from 2011 poverty levels (Table 3). Given the COVID-19 and Ukraine war crises and the continued political and financial instability in the country, it is very likely that the situation has deteriorated
further. The situation is particularly critical in the Gaza Strip where nearly half of older people live in poverty and over a third live in extreme poverty. Older people headed households are also more likely to be poor than non-older people headed households.

Table 3. Poverty levels

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Older People</td>
<td>Older People</td>
</tr>
<tr>
<td>All OPT</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>West Bank</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Gaza Strip</td>
<td>36%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: PCSB. Press Release on World Elderly Day, 1 October 2019
B. Strengthening the Palestinian Pension System

Pensions are the main social protection instrument to protect people from the socioeconomic risks and vulnerabilities that can be associated with older age.

Social Pensions are tax-financed cash transfers paid regularly to older people, regardless of their employment history or social security contributions.

Social pensions have become an increasingly popular policy in low- and middle-income countries in the last three decades. The first social pensions were introduced in countries such as Australia, Denmark, New Zealand, Sweden, and the United Kingdom in the late 1800s and early 1900s. By the mid-1980s only around 33 countries had social pensions. However, during the past thirty years that there has been a rapid increase in the number of countries introducing and expanding social pensions. It is estimated that 109 countries have social pensions and most of them are low- and middle-income countries.

Figure 2: Countries with a Social Pension in 2019

In OPT, the pension system is shaped by the Law of Public Retirement No. 7 of 2005 and its amendments which covers public sector workers, security personnel, and private sector employees.\(^3\) However, the implementation of the Law is limited, and the pension system fails to provide income security to the vast majority of older people in the OPT.

The contributory social security schemes cover mainly public sector workers, a small number of private sector and civil society employees. According to the Palestine Pension Agency’s (PPA) actuarial valuation data, total number of recipients is approximately 49,000 including retirement, disability and survivors from all civilian and military schemes managed by the PPA and the Ministry of Finance (MoF). Although consultations and negotiations between social

partners are underway to reactivate the social security law covering the private sector, it remains suspended up to now by a presidential decree due to previous national protests. Once the Palestinian Social Security Corporation is fully operational, it is expected to provide coverage to 82,646 private sector workers, with this number increasing to reach 336,440 private sector workers in the OPT by 2030.4

High levels of informality in the Palestinian labour market mean that coverage of contributory schemes is unlikely to expand significantly soon. Latest available Labour Force data suggests that informality is approximately 50 per cent.5 Indeed, only 10% of the labour force in 2017 (approximately 130,000 workers) were active contributors to the PPA scheme. The Labour Law No. 7 (2000) entitles workers in the private sector to an end of service indemnity (EOSI), although recent research has shown that only 36% of workers with previous employment actually received this benefit. Even if it were paid, EOSI would not constitute a social pension as it is a one-off lump-sum, rather than a regular, predictable and guaranteed income security measure.

The Law of Public Retirement No.7 also has provisions for a non-contributory component, which has never been implemented. The Law determines the payment of a social pension to older people who do not have other sources of income. More specifically, Article 121 of the Law states that “with the exception of public employees, the Treasury of the National Authority should pay a basic retirement pension in the amount of one-hundred (100) dollars on a monthly basis for each person who has reached sixty (60) years of age and does not have any other income or source of financial support; if such income is less than one-hundred dollars, only the difference is paid”.

The PA has included provision for a social allowance for older persons (social pension) into it’s Social Development Sector Strategy (SDSS) and results framework, led by the Ministry of Social Development. Result 2.1 of the SDSS calls for the “establishment of a social protection floor,” including through the allocation of social allowances to marginalized groups. Indicators 30 and 31 envisage 10,000 social allowances for older persons and persons with disabilities each in 2021, 2022 and 2023.

The implementation of Article 121 would significantly strengthen the Palestinian Pension System by establishing a “zero pillar” or social protection floor to guarantee minimum income security to all Palestinians in older age and provide a strong foundation upon which to further develop a multi-tiered pension system (see figure 3 below). Social pensions

---

4 All figures on social security coverage and labour force are estimates informed by the latest actuarial valuation of the PPA (unpublished, 2017).
5 IOSTAT
often constitute the zero pillar or floor of pension systems, providing minimum levels of income security in older age.

**Figure 3: Multi-tiered Pension Systems**

![Image of Multi-tiered Pension Systems]

The establishment of a social pension through the implementation of Article 121 would have a transformative impact on older Palestinians and their families. Social pensions are of particular relevance to countries, like OPT, where the scope for expanding coverage of contributory pensions in the near future is limited given the economic and labour market structures, particularly high informality.

**Possible impacts of Social Pensions – What does the evidence say?**

The evidence from various low- and middle-income countries show that Social Pensions can have a wide array of impact on older people, their families, and communities.

**Figure 4. Impacts of social pensions: what does the evidence say?**

![Image of Impacts of Social Pensions]

- **Reduction in old age poverty**, household and national poverty rates
- **Increase in labour force participation and employment rates** for those in pensioner households
- **Stimulates local markets and economies**
- **Financial independence** of older people and protection against income shocks
- **Enables older people to access better healthcare services**
- **Enables older people to purchase medicines**
- **Positive impact on older people’s mental health**
- **Contributes to sense of dignity, self-worth and life satisfaction**

**HelpAge International**

- **Increase in household expenditure & food intake**
- **Food & Security & Basic Needs**
  - Improved nutritional status
  - Improved sanitation and WASH facilities
  - Improvements to older people’s shelter
  - Improvement to the health and wellbeing of all household members
- **Global Impacts of Social Pensions**
  - Cements intergenerational relationships & improves OPs social status & decision making power
  - Contributes to an increase in school attendance rates
- **Women’s Empowerment**
  - Provides the means for independence
  - Pensions make granddaughters schooling easier, and more likely
  - Contributes to an increase in weight-for-height of children
- **Inter-generational Impacts**
  - Reduction in women’s poverty
  - Offset a portion of the rise in gender poverty gap
  - Positive impact on older people’s mental health
  - Contributes to a sense of dignity, self-worth and life satisfaction
Improved ability to meet basic needs
The evidence shows that social pensions enhance self-esteem and dignity of older people and can significantly improve the ability of recipients to meet their basic needs and support their families. In the Philippines, for instance, the social pension has been found reduce the proportion of households without sufficient income for food by 8 percentage points. Similarly, in Zanzibar (Tanzania), the Zanzibar Universal Pension Scheme (ZUPS) has increased the probability of a household eating three meals a day by 7 percentage points. In Brazil and South Africa, over 80 per cent of pensioners share the majority of their pensions with others, much of it with children. Georgia’s pension accounted for 69 per cent of the reduction in child poverty.

Transformative impacts for women
Social Pensions can be particularly transformative for women, who are mostly disadvantaged by contributory systems given the low rates of formal employment among women. For instance, the Old Age Allowance (OAA) in Bangladesh has significantly reduced the pension gap between men and women, as older women constitute the majority of recipients of the OAA.

Macro impacts on poverty reduction and inequality
The evidence also shows that Social Pensions can have important macro impacts on poverty reduction and inequality. For example, according to the World Bank, 65 per cent of poverty reduction amongst older people in Thailand can be credited to the expansion of the universal social pension between 2006-2010. In Georgia, the universal social pension has been found to contribute to a reduction in the Gini coefficient – a measure of inequality - from 0.41 to 0.37.

Better Health and Psychological Well-being
The evidence shows that social pensions increase access to healthcare and improve older people’s health. In Zanzibar, for instance, the ZUPS has been found to increase individual and household health expenditure. Social pensions have been shown to improve health outcomes in Vietnam, China and Myanmar. Social pensions have also been shown to enhance self-esteem and autonomy. Mexico’s social pensions has been found to reduce depressive symptoms, and feelings of sadness. Qualitative evidence from both Myanmar and Zanzibar suggest that social pensions have given recipients a renewed sense of dignity and autonomy.

Improved inter-generational bonding
The evidence also shows that social pensions can have important impacts on strengthening social relations and inter-generational support. Many older people use their pension to care for their children and grandchildren – in Brazil ad South Africa, for instance, over 80 per cent of pensioners share their pensions with others, much of it with their children.
C. Feasible options for establishing a Social Pension in OPT

The key design elements of a social pension are eligibility and benefit level. There are important trade-offs to consider when setting these parameters, as they will ultimately define the total coverage and cost of the programme, as well as its administrative complexity.

In the context of the OPT, both eligibility age and benefit level are defined in article 121 of the 2005 Law of Public Retirement. The Law stipulates that the Social Pension should be paid to people aged 60 and that the benefit paid should be 100 dollars. It also stipulates that those with “other forms of income” should be excluded. However, no specification is given on how this would be determined. Several options could be considered here including commonly used strategies such as:

(a) pensions-testing
(b) means-testing
(c) benefit-testing
(d) affluence-testing

Understanding limitations of exclusion-based options

Any exclusion strategy should consider potential trade-offs and the implications to the efficiency of the social pension given the risks of excluding the poor and marginalised, and the likely higher administrative costs resulting from the implementation of such strategies. The experiences from pension programmes in various low- and middle-income countries indicates ‘benefit-testing’ or ‘means-testing’ would not be appropriate strategies for the OPT.

Benefit-testing models exclude people whose households receive some kind of social assistance - such as the PNCTP - or humanitarian aid. These should not be considered as income sources for older people. Some of these programmes offer ad hoc, unreliable, or temporary transfers; whilst others – such as the PNCTP - are targeted at households and not individuals. Moreover, recipients of social assistance and humanitarian aid are likely to be among poorest and most marginalised and therefore, shouldn’t be excluded from a social pension.

Similarly, the means-testing options which require complex, bureaucratic, and expensive techniques to identify those that are eligible to receive a social pension. This approach is particularly challenging to implement in low- and middle-income countries:

- first, income levels of most of the population are relatively similar and fluctuating, and the differences between poor and non-poor older people tend to be small and constantly changing;
- second, it is difficult to establish and verify data on income or assets in largely informal economies;
- third, administrative systems are often not equipped to collect detailed data on the economic situation of older people.

Therefore, **means testing has been found to generate high exclusion errors**, ranging from around 50 percent to 93 percent.⁶ Analysis by the ILO in OPT found that the current PMT formula produces exclusion errors of 47.6% among the deep poor at the national level. This would improve to 38.2% exclusion errors if the new PMT formula is used; however, excluding 4 out of every 10 intended recipients by design does not qualify as a good targeting approach. Qualitative evidence also corroborates these findings, with many studies reporting complaints by community members that many living in extreme poverty were excluded from programmes, while many they regard as affluent were included. These high levels of inclusion and exclusion errors can create animosity between beneficiaries and non-beneficiaries and weaken social relations.

**Cost Savings Strategies**

There are a range of **cost savings strategies** that have been used by other low- and mid-income countries in the design and implementation of social pensions that could be considered by the PA which are administratively simpler, politically popular, and more effective in reaching the poorest and most marginalised, including:

**A. Progressive Universalism:**

A common strategy used in many lower- and middle-income countries is to set a relatively higher eligibility age for the social pension and then, as finances improve and implementation systems are in place and tested, gradually lower the eligibility age. Some countries may also have different eligibility ages for men and women, for certain geographical areas or ethnic groups. Nepal, for instance, introduced its universal pension in 1995 for older people aged 75 and over, but reduced the age to 70 in 2008 (60 for Dalits and those resident in the Karnali zone). Bolivia introduced its universal pension for all older people 65 year and over in 1997, reducing the age to 60 years and over in 2008. Other countries including Mexico, Vietnam, and Myanmar have all followed a similar path, see table 4 below.

---

Table 4. Global experiences of gradually lowering eligibility ages of social pensions

<table>
<thead>
<tr>
<th>Country</th>
<th>Age of eligibility and year of policy change</th>
</tr>
</thead>
</table>


B. Progressive Adequacy:

Another cost saving strategy is to start with a lower benefit level and increase the benefit gradually as finances allow. A monthly benefit level of US$100, stipulated in Article 121, is about 35 per cent of GDP per capita. This is significantly higher than the benefit levels of social pensions in most low- and middle-income countries. The average transfer level of a social pension as a percentage of GDP per capita in Africa and Latin America is 17 per cent, and 15 per cent in Asia. Some countries may have tiered levels of benefit – in Thailand, for instance, pension benefits are higher for older age groups in recognition of their increased health and care costs.

Figure 5. Benefit levels of selected social pensions as a share of GDP per capita (2018)

Source: Data Source: HelpAge International, Social Pensions Database. www.pension-watch.net

7 US$3,240 GDP per capita (current US$) - West Bank and Gaza | Data (worldbank.org)
8 Social pension recipients aged between 60-69 receive a social pension of 600 Baht a month; those aged between 70-79 receive 700 Baht; between 80-89 receive 800 Baht, those over 90 receive 1,000 Baht a month. Note: 100 Thai Baht = 9.66 ILS
**Potential scenarios with cost estimates**

While a social pension with lower age of eligibility and a relatively high benefit levels would be optimal, it is important to identify which scenarios are **feasible and fiscally sustainable** in the short, medium- and long-term.

Table 5 below presents cost estimates for the implementation of a Social Pension within the parameters stipulated in Article 121, as well as alternative scenarios for the gradual implementation of the Article 121, exploring different eligibility criteria and alternative benefit levels. Parameters used in the alternative cost scenarios include:

- **Eligibility age:**
  - 65 years and above
  - 70 years and above

- **Benefit levels:**
  - 40 per cent of the Minimum Wage\(^9\), in line with the ILO Convention 102, 1952;
  - 20 per cent of per capita GDP, in line with international experience of low- and middle-income countries implementing social pensions.\(^10\)

Costs are expressed in millions of USD and as percentage of the GDP, excluding administrative costs.

**Table 5. Annual cost in current (2023) million US Dollars (and % of GDP)**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>60+</th>
<th>65+</th>
<th>70+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal Pensions tested</td>
<td>755</td>
<td>600</td>
<td>439</td>
</tr>
<tr>
<td>Universal Pensions tested</td>
<td>439</td>
<td>439</td>
<td>439</td>
</tr>
<tr>
<td>Universal Pensions tested</td>
<td>357</td>
<td>357</td>
<td>357</td>
</tr>
<tr>
<td>Universal Pensions tested</td>
<td>289</td>
<td>289</td>
<td>289</td>
</tr>
<tr>
<td>Universal Pensions tested</td>
<td>208</td>
<td>208</td>
<td>208</td>
</tr>
<tr>
<td>40% Minimum wage</td>
<td>352</td>
<td>352</td>
<td>352</td>
</tr>
<tr>
<td>US$100 (Article 121)</td>
<td>352</td>
<td>352</td>
<td>352</td>
</tr>
<tr>
<td>20% GDP per capita</td>
<td>352</td>
<td>352</td>
<td>352</td>
</tr>
<tr>
<td>20% GDP per capita</td>
<td>200</td>
<td>159</td>
<td>126</td>
</tr>
<tr>
<td>20% GDP per capita</td>
<td>159</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>20% GDP per capita</td>
<td>200</td>
<td>159</td>
<td>126</td>
</tr>
<tr>
<td>20% GDP per capita</td>
<td>126</td>
<td>126</td>
<td>126</td>
</tr>
</tbody>
</table>

The cost of implementing a Social Pension within the parameters stipulated in Article 121 - a monthly benefit of US$100 paid to all older people aged 60 and above without other forms of income\(^11\) - would be in 2023 USD 279 million or 1.5 per cent of GDP. This

\(^9\) The minimum wage in the OPT is currently set at ILS 1,880. Therefore, the transfer value under this option is set to ILS 752 monthly.

\(^10\) Per capita GDP in 2023 is projected by the IMF to reach ILS 11,514. Therefore, the transfer value under this option is set to ILS 199 monthly.

\(^11\) In these calculations we used pension-testing to exclude those with "other forms of income", excluding older persons receiving benefits from the PPA as well as an estimate of the number of future private sector Social Security Pension recipients. The estimate is achieved by assuming that the ratio of private sector contributors to the number of private sector Social Security Pension recipients will match the ratio.
is relatively high compared to the average cost of social pensions in low- and middle- income countries which is around 0.5 per cent of GDP.¹²

As shown in table 5, there is a variety of design options and trade-offs to be considered. 
At the **higher end of the spectrum**, a benefit set at 40 per cent of the Minimum Wage to all Palestinians aged 60 or older would cost 4.1 per cent of GDP; At the **lower end**, a benefit set to 20 per cent of per capita GDP to older people aged 70 years not in receipt of a pension would cost just 0.3 per cent of GDP.

- **Increasing the eligibility age** generates significant savings as the number of beneficiaries decreases considerably at older age brackets (see Table 1). The cost of a US$100 monthly social pension to all older people aged 70 and above would be 0.7 per cent of GDP – close to the average cost of social pensions in low and middle-income countries.
- **Decreasing benefit levels** to 20 per cent of per capita GDP would bring the cost of a social pension to all over 60 years old to 1.1 per cent of GDP.
- **Pension testing generates significant savings in relation to universal pensions in higher cost options, but relatively small ones in lower cost scenarios**; these savings can however become more significant in the medium-term if the number of social security recipients increases.

While selecting a design and identifying fiscal space have technical dimensions, these are inherently political processes reflecting societal choices and preferences. Global experiences and research demonstrate that social pensions are affordable even in low-income countries and can generate important impacts for older people, their families, and communities.

![Figure 6. Cost of social pension as percentage of GDP (2018)](Figure 6.png)

* Tanzania: 0.003%

Source: Data Source: HelpAge International, Social Pensions Database. www.pension-watch.net

---

Conclusion

Social protection is an effective mechanism to reduce existing poverty, deprivation and marginalisation, but its real potential lies in its capacity to provide protection against universal risks and shocks that everyone faces throughout their lives, thus ensuring that people do not become destitute in the first place.

Old age is widely recognised as one of these universal risks, as growing older is associated with increasing challenges to engage in decent and productive work, earn an adequate income and maintain an acceptable standard of living, while expenditures, especially on healthcare, often increase.

OPT’s pension system offers protection to only a small proportion of its citizens, leaving behind a large number of men and women, who, with no income security, face increased risk of poverty, loss of dignity and autonomy. A social pension would be a feasible and affordable policy solution to this problem.
Find out more:

https://www.helpage.org/
http://www.pension-watch.net/

HelpAge International (2022)
35-41, Lower Marsh
London, United Kingdom
SE1 7RL

info@helpage.org
incomesecurity@helpage.org

www.helpage.org

Registered charity no. 288180
Front page photo by Media Booth 2022

@HelpAge  HelpAge International