"Social Protection Floors and Demographic Ageing: Regional Trends and Considerations”

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Social Protection Floors – Regional and International Experiences, 30 October 2015
HelpAge’s work on social protection

- Advocating for policy change
  - Campaigning and policy influencing in countries including Peru, the Philippines, Tanzania
- Holding governments to account
  - Eg. Older Citizens’ Monitoring of existing pension benefits
- Building global support
  - Working in coalitions to build support for (rights-based) social protection
- Providing technical support to governments
  - Studies on feasibility in countries including Tanzania, Kenya, Bangladesh, Belize, Sri Lanka
- Technical support to the MoSD of Kyrgyzstan,
- Sharing knowledge and evidence
  - Pension Watch: database, briefings, knowledge centre, costing calculator
ILO Recommendation 202 on social protection floors

- International-level recognition:
  - ILO Recommendation 202 on social protection floors
    - Call for countries to establish “social protection floors comprising basic social security guarantees”
    - Universal healthcare and income security across the life cycle

- Incorporated strongly into Sustainable Development Goals
  - Target 1.3: “Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.”
Social protection helps achieve the SDGs

- Tackles poverty and inequality: Goals 1, 10
- Strengthens food security: Goal 2
- Improves health and cognitive development: Goals 3, 9
- Strengthens education outcomes: Goal 4
- Promotes gender equality: Goal 5
- Enables better household-level environmental management: Goals 6, 13
- Strengthens social inclusion and cohesion: Goals 11, 16
- Fosters inclusive growth, decent work and more productive employment: Goal 8
- Improves macroeconomic resilience: Goal 12
- Strengthens opportunities for development partnerships: Goal 17
Traditionally...

Social Protection

Social insurance
- Pensions
- Vacations
- Paid AL...

LABOUR MARKET
- Public work
- Unemployment
- Trainings...

Social Assistance
- Social benefits, State
- benefits

Social services
- Residential care
- Day-care
- Rehabilitation centers
- Alternative care
Relevance of old age income security

Demographic ageing

- Population is ageing in almost all countries across the globe

- Main drivers:
  - Falling fertility rates
  - Increasing life expectancy

- Populations in LMICs are ageing **much faster** than in developed countries
  - USA took **69 years** to move from 7% to 14% population 65+
  - This change will take **20-25 years** in Czech Republic, Poland and Slovenia and etc. (8% or more)

Efforts to have ramifications – “we want to die old” Hans Rosling, 2015
Income Security in Relation to the Life Course
Key policy trends

Low pension coverage globally

Only ½ of older people globally receive a pension.

Major issue in LMICs:
Heavy focus on contributory pensions

Variables design parameters for income security in later life.

Different options open for policy
- Most systems a mix of strategies
- Different options are suitable for particular scenarios
- Need a focus on long term sustainability
Variables design parameters for income security in later life.

Only contributory system
Variables design parameters for income security in later life.

*Targeted social pension scheme and gap created by informality and other related economic conditions*
Variables design parameters for income security in later life.

*Social pension - means/ pensions tested*
Variables design parameters for income security in later life.

*Universal social pension with possibility of tapering for higher incomes - possibly via tax system*
China
130 million older people receiving social pensions since 2009 (70% of population 60+)

Latin America
Introduction of major extension of social pensions since 1990:
Belize | Bolivia | Brazil | Chile | Colombia | Ecuador | El Salvador | Mexico | Panama | Paraguay | Peru | Venezuela

Thailand
Existing scheme made universal in 2009 – now covers 9 million older people.

South Africa
Pension eligibility equalised for all races following end of apartheid. Previously means-tested scheme now moving to universal

Key
- Social pension - high coverage
- Social pension - low coverage
- No social pension

Pension watch
Social protection in older age
Social pensions:
Impacts on variety of outcomes

Rigorous impact evaluation in South Africa, Mexico, Bolivia, Nigeria and Peru. Some findings:

- **Health:** In Yucatan, Mexico, 25 percent decline in individuals reporting not buying medicines because there were too expensive. (Aguila, A. et al, 2011)

- **Livelihoods:** Increase in food consumption in rural areas of Bolivia 1.5 x value of pension (Martinez, 2004)

- **Nutrition:** Girls in households with grandmothers receiving pension in South Africa better 3-4 cm taller than others (Case, 2001; Duflo, 2003)

- **Child wellbeing:** Impact of universal pension in Bolivia on recipient households:

  - Poverty rate: 53.6% → 40.1%
  - School enrollment: 96.7% → 88.7%
  - Child labour: 13.9% → 5.5%


- **Inequality:** Pensions up to the minimum wage contributed to 1/3 of reduction in inequality in Brazil, 1994-2005 (Soares et al, 2006)

- **Economic stimulus:** Social pensions in China and Thailand used to boost household consumption.
Social pensions: Challenges

- Variety of challenges in terms of gaps in **coverage**, low levels of **adequacy** and poor **implementation**

- Key challenges: inadequate dependency rate (beneficiaries/contributors), migration, informal economy, low capacity of specialists, low awareness ...

- Often argued for on the basis of increased efficiency, but:
  - Political and social costs
  - Administrative costs
  - Perverse incentives

*Source: Khondker et al. (2013). Old Age Social Protection Options for Bangladesh*
But are universal pensions affordable?
Simulation of cost

Modest Social Pensions Would Generally be Affordable

Source: World Bank staff calculations.
But are universal pensions affordable?
Suggestions

• Develop any policy document taking into account the short- and long-term trends in economics, policy, migration, demography and etc.;
• Use life-long approach;
• All the people (including people in informal economy, migrants) should be included into the social protection system;
• Improve social services for older people;
• Involvement of older people into the decision making process;
• Use human-rights based approach in development and implementation of any document on and for older people;
• Use evidence-based approach;
• Use best practices of the world for each EECA country;
• Increase capacity of the Ministries, institutions, NGOs and etc., who work on older people’s issues;
• Disaggregate statistical data for better analysis;
• Conduct researches and studies on older people’s issues and etc.
Thank you!
Poverty rates before and after social transfers

Life Expectancy and Healthy Years Vary

Targeting
- Universal
- Pensions Tested
- Means Tested

Female $R^2$ Linear = 0.991
Male $R^2$ Linear = 0.995

Graph showing life expectancy and healthy years vary with different countries and gender.
Demographic Change and Migration – Shifting of Labor

Natural increase (decrease) and net migration in the ECA Region, 2000-2003

- Positive natural increase, negative net migration
- Positive natural increase, positive net migration
- Negative natural increase, negative net migration

Countries plotted:
- Albania
- Kyrgyzstan
- Tajikistan
- Uzbekistan
- Turkmenistan
- Kazakhstan
- Macedonia
- Armenia
- Serbia and Montenegro
- Bosnia
- Georgia
- Poland
- Slovakia
- Moldova
- Czech
- Slovenia
- Bulgaria
- Lithuania
- Latvia
- Estonia
- Belarus
- Russia
- Ukraine
- Croatia
- Lithuania
- Latvia
- Estonia
- Czech
- Slovenia
- Bulgaria
- Lithuania
- Latvia
- Estonia
- Belarus
- Russia
- Ukraine
- Croatia
Remittances help, but are only a portion
Data are from World Bank staff estimates for the period 2000-2003.
Figure 4: Balance of financial transfers and social support among adult family generations by age group and welfare regime.

Kohli 2015
Evidence from Pilot Study
Social Pension Use in Philippines
Figure 8 population and consumption: Slovenia
Figure 10 population and consumption: China