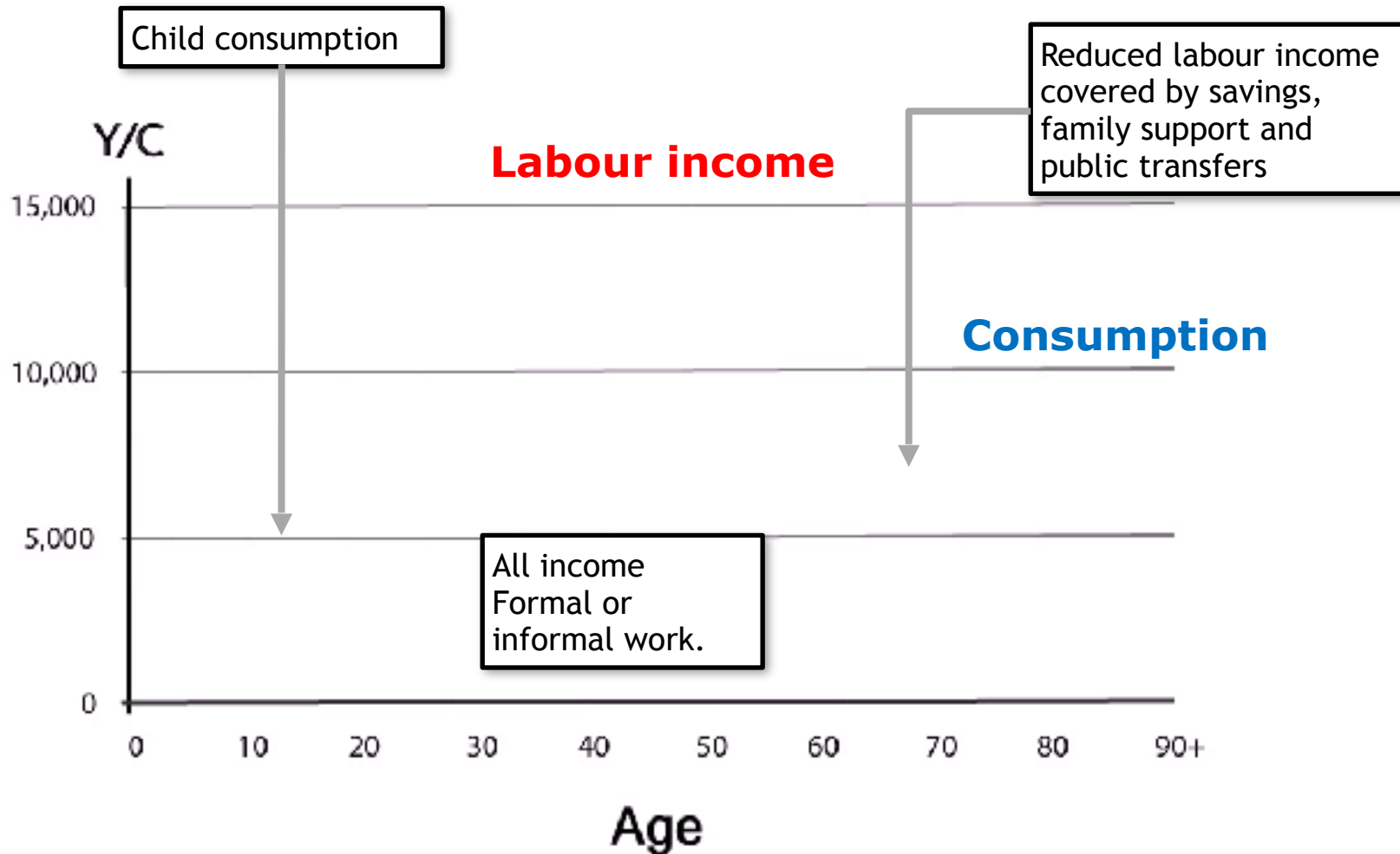


Social Pensions as an Important Component of Public Transfers

Workshop on
Effective Use of Data for Policy Making on Ageing
5-6 December 2017, Chiang Mai, Thailand

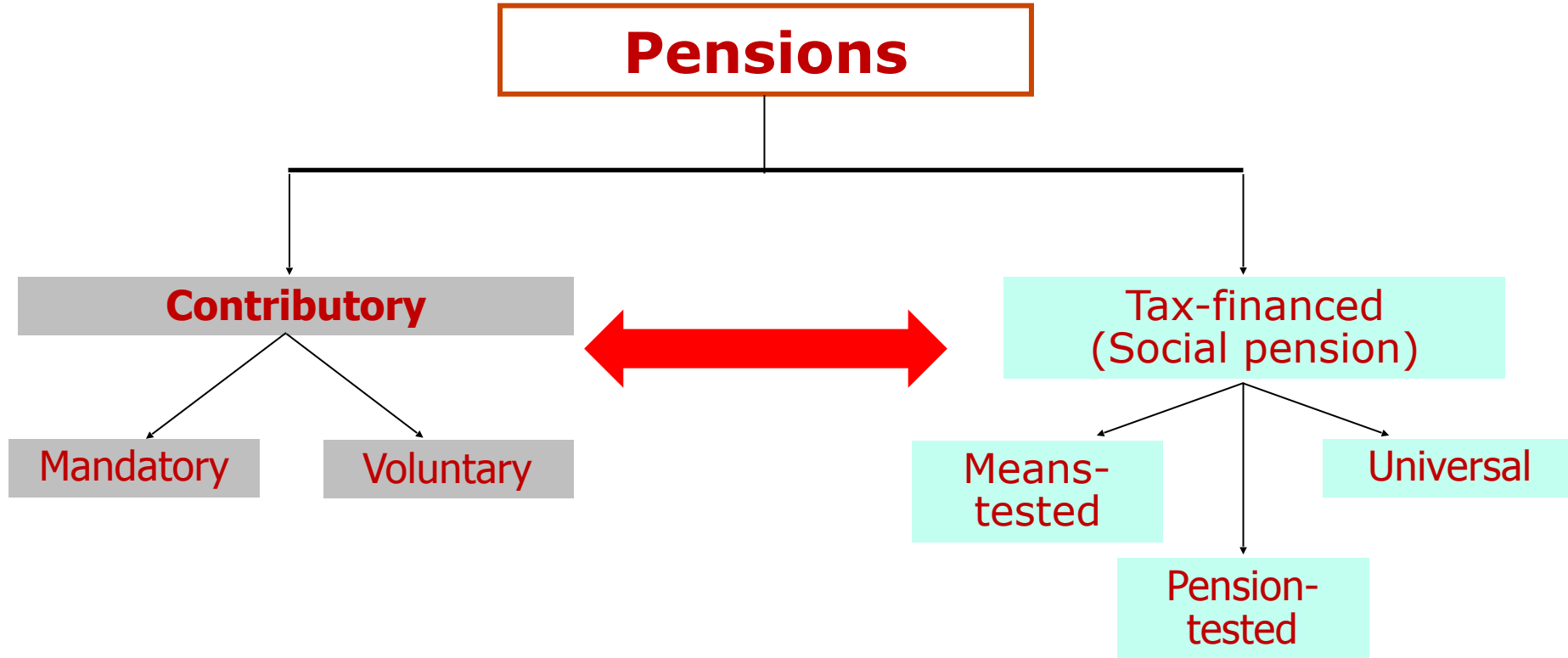
Eduardo Klien,
HelpAge International

How are needs met beyond labour income?



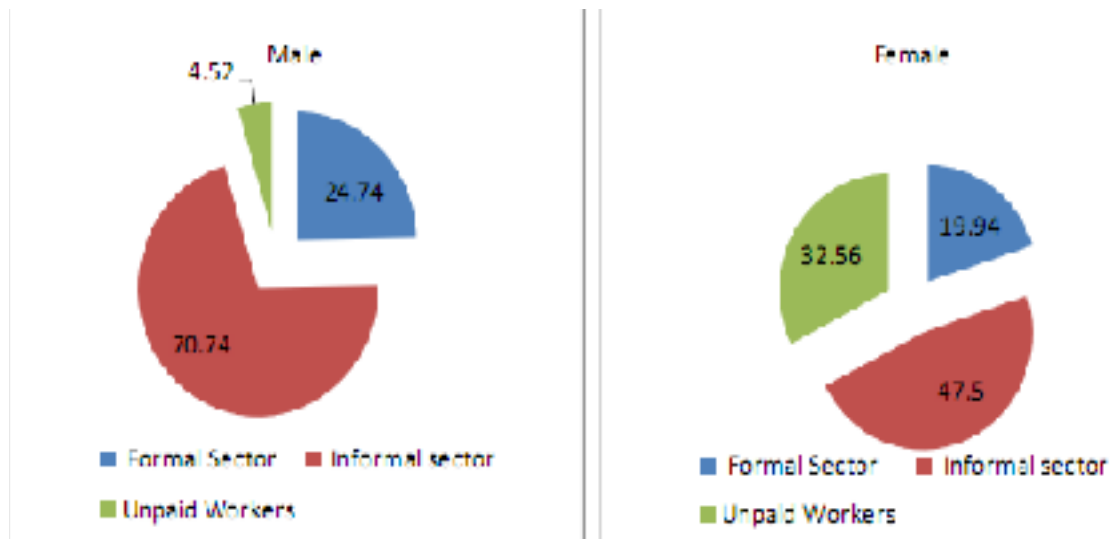
Income-Consumption Life Cycle (source: Mason and Lee)

Type of pensions



Indonesia

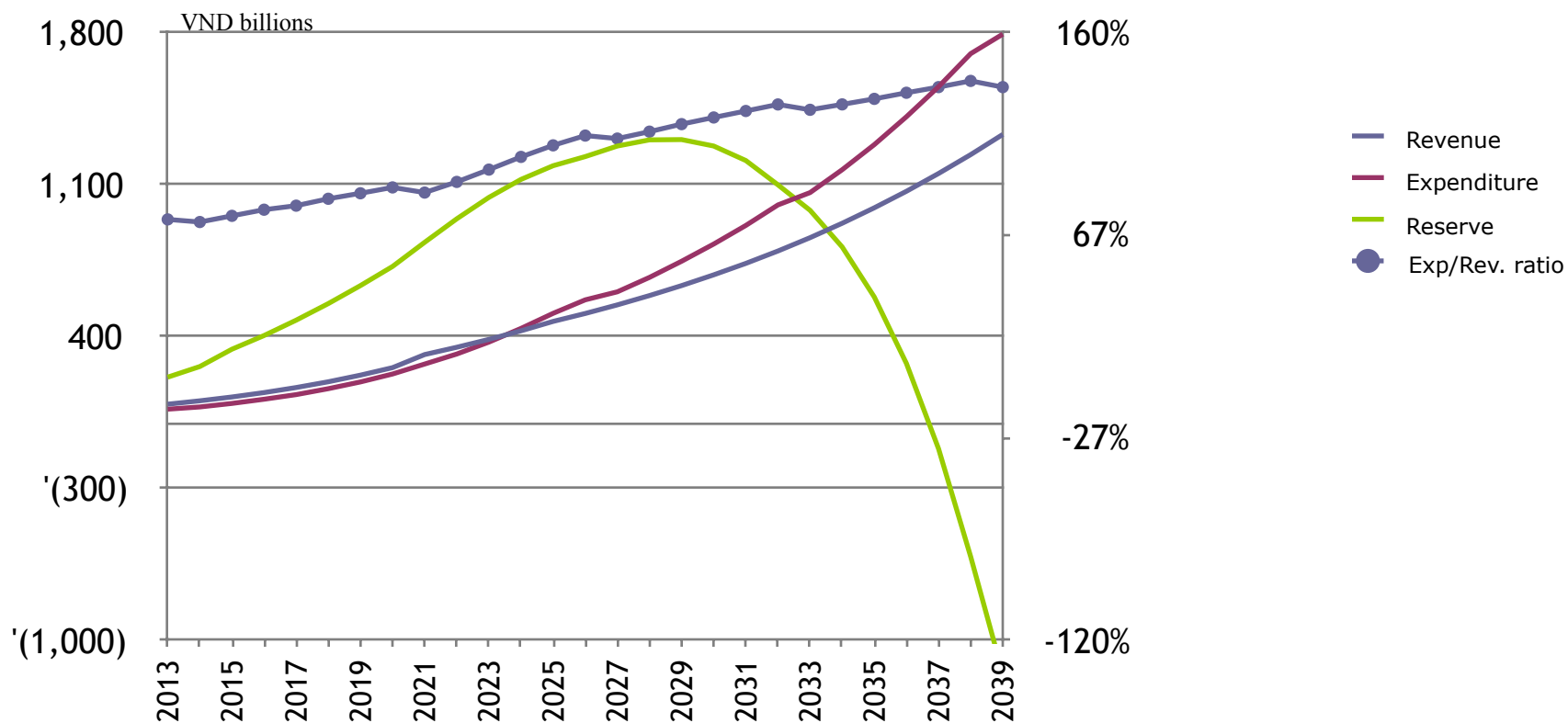
Older worker participation in the formal and informal labour market by gender, 2011



Source: HelpAge International and the Demographic Institute, Faculty of Economics at the University of Indonesia, Social assistance needs of poor and vulnerable older people in Indonesia, 2012

Vietnam -Pensions and income security

What if the national policies on pensions is not adapted to the rapidness of population ageing?



Source: MoLISA (2016)

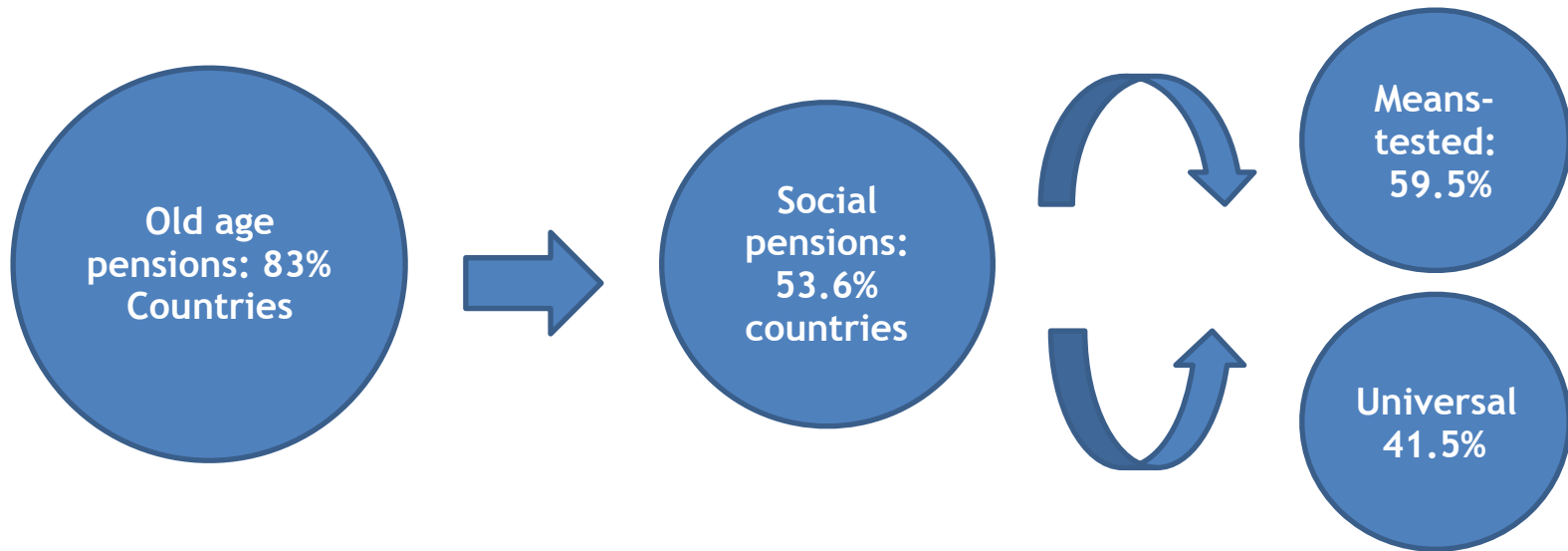
What is a 'social' pension?



- Function:
 - Providing a minimum income (poverty reduction)
 - Redistribution
- Eligibility:
 - **Always:**
 - Age
 - Citizenship and/or residency
 - **Sometimes:**
 - Means test
 - Pensions test
 - Geographical restriction
- Transfer value, regularity and methods of payment vary across countries

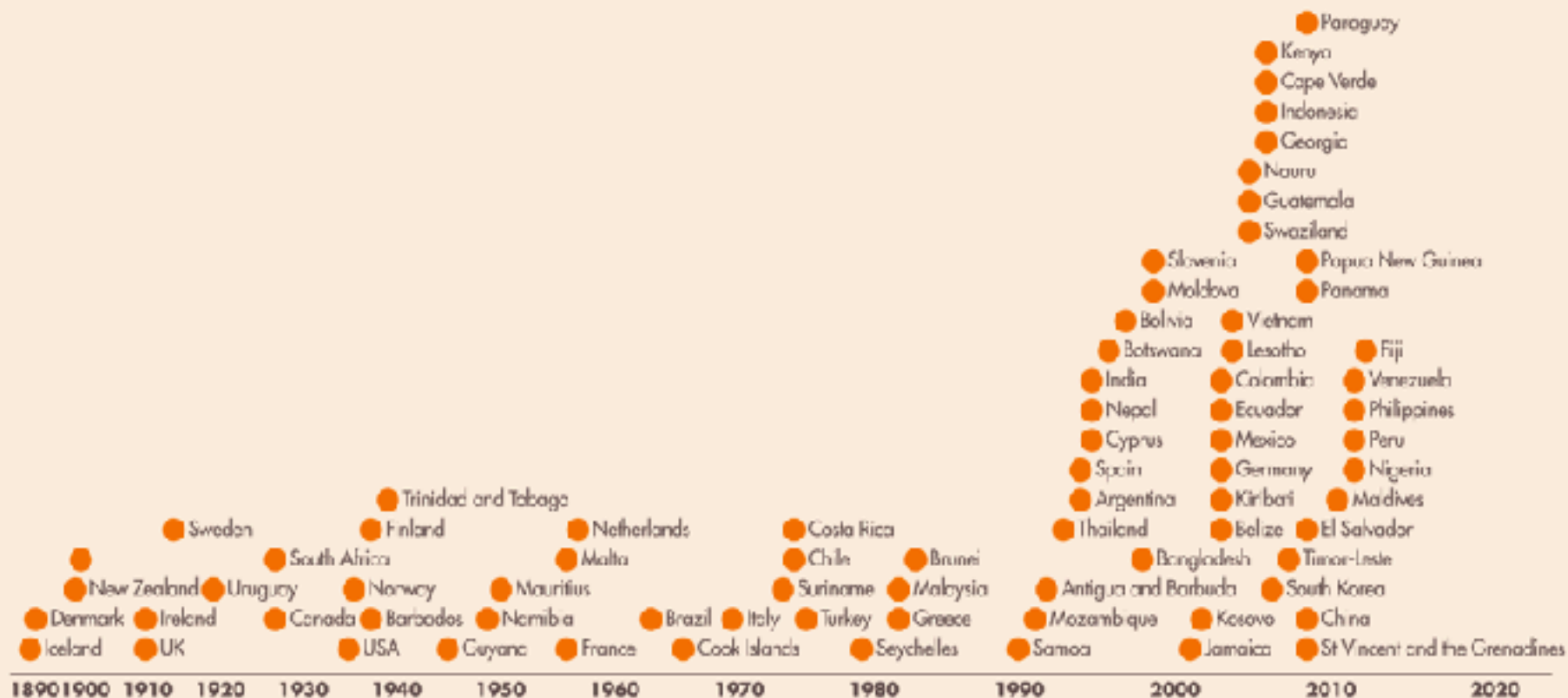
Pensions as priority

Number of countries with pension in place



Pensions as priority: Social pensions has been on the rise since 1990

Increase in Social Pension Schemes (1890-present)

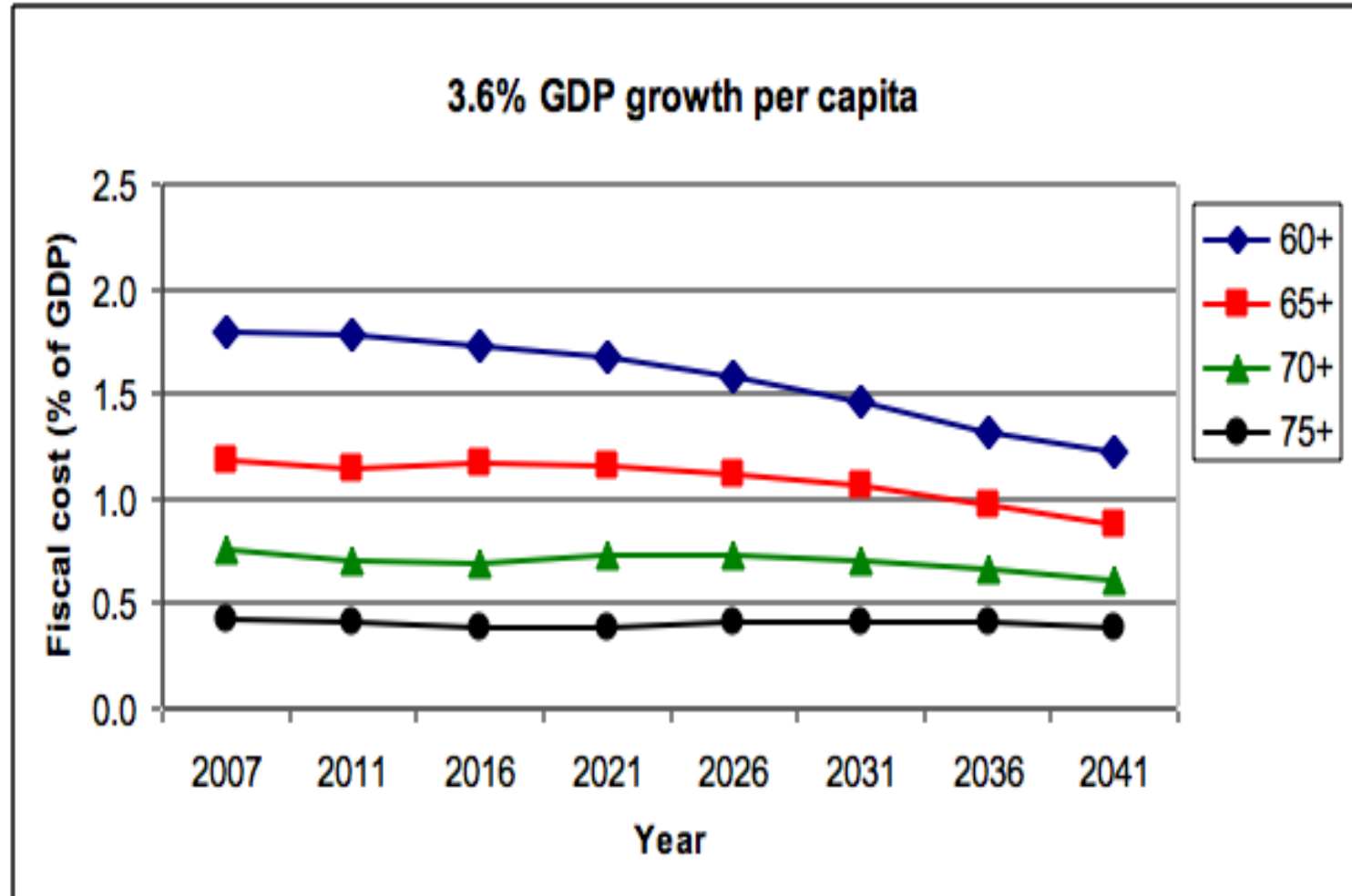


Source: HelpAge International, Social Pensions Database (London: HelpAge, 2014).

Technical analysis

Sri Lanka: cost to 2041

(15,5% of GDP per capita: \$21 per month)



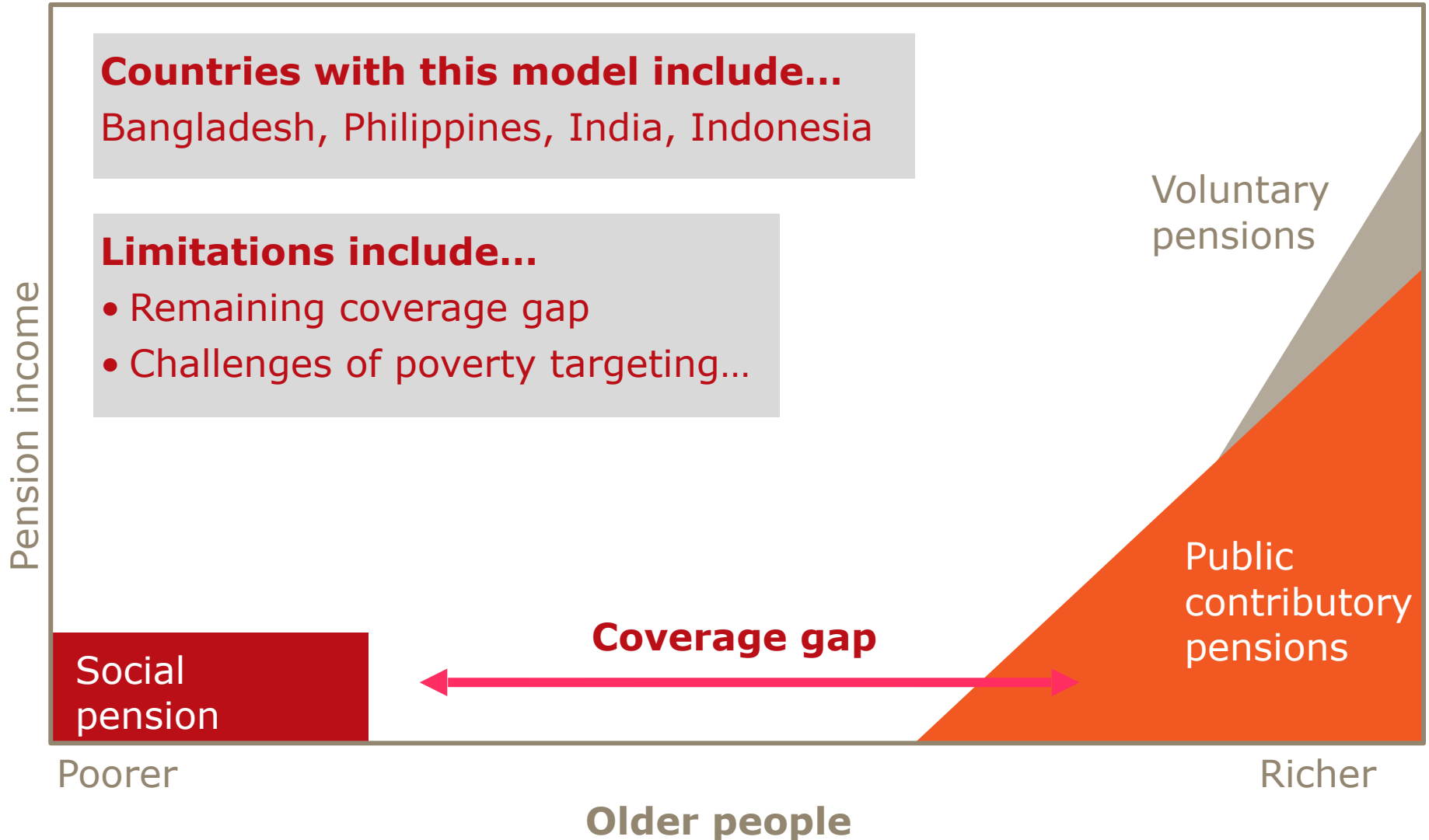
Option 1: Poverty-targeted social pension

Countries with this model include...

Bangladesh, Philippines, India, Indonesia

Limitations include...

- Remaining coverage gap
- Challenges of poverty targeting...

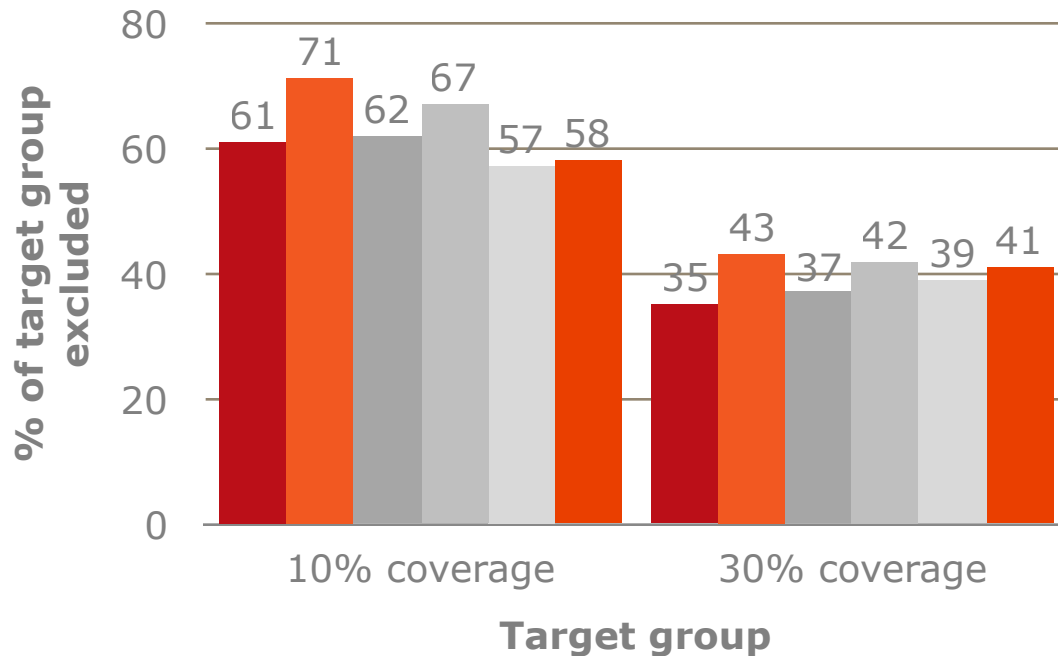


As a result...

Major targeting errors are normal

Normal for ½ of target population to miss out

Exclusion errors of proxy means testing



Social costs

- Divisions within communities
- Stigma

Economic costs

- Perverse incentives

Administrative costs

- Cost of poverty-targeted significantly higher

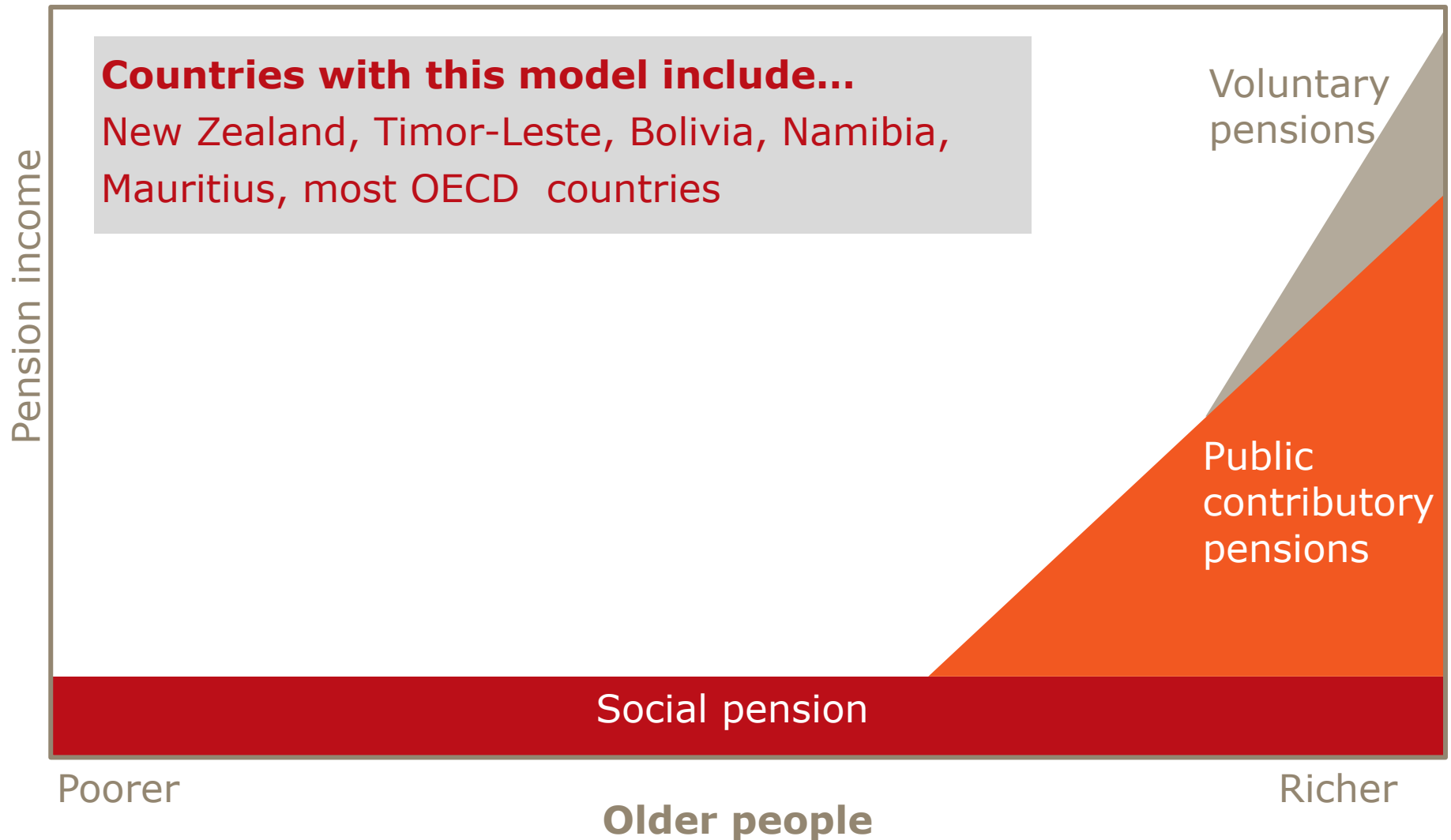
Political costs

- "Benefits meant exclusively for the poor often end up being poor benefits." Sen, 1995
- Poverty-targeted schemes secure relatively small budgets

Option 2: Universal pension (age and residency only)

Countries with this model include...

New Zealand, Timor-Leste, Bolivia, Namibia, Mauritius, most OECD countries



Option 3: Universal minimum pension (including a pensions-test)

Countries with this model include...

Moldova, Kyrgyzstan, Vietnam, Thailand (for government pensions)

Advantages

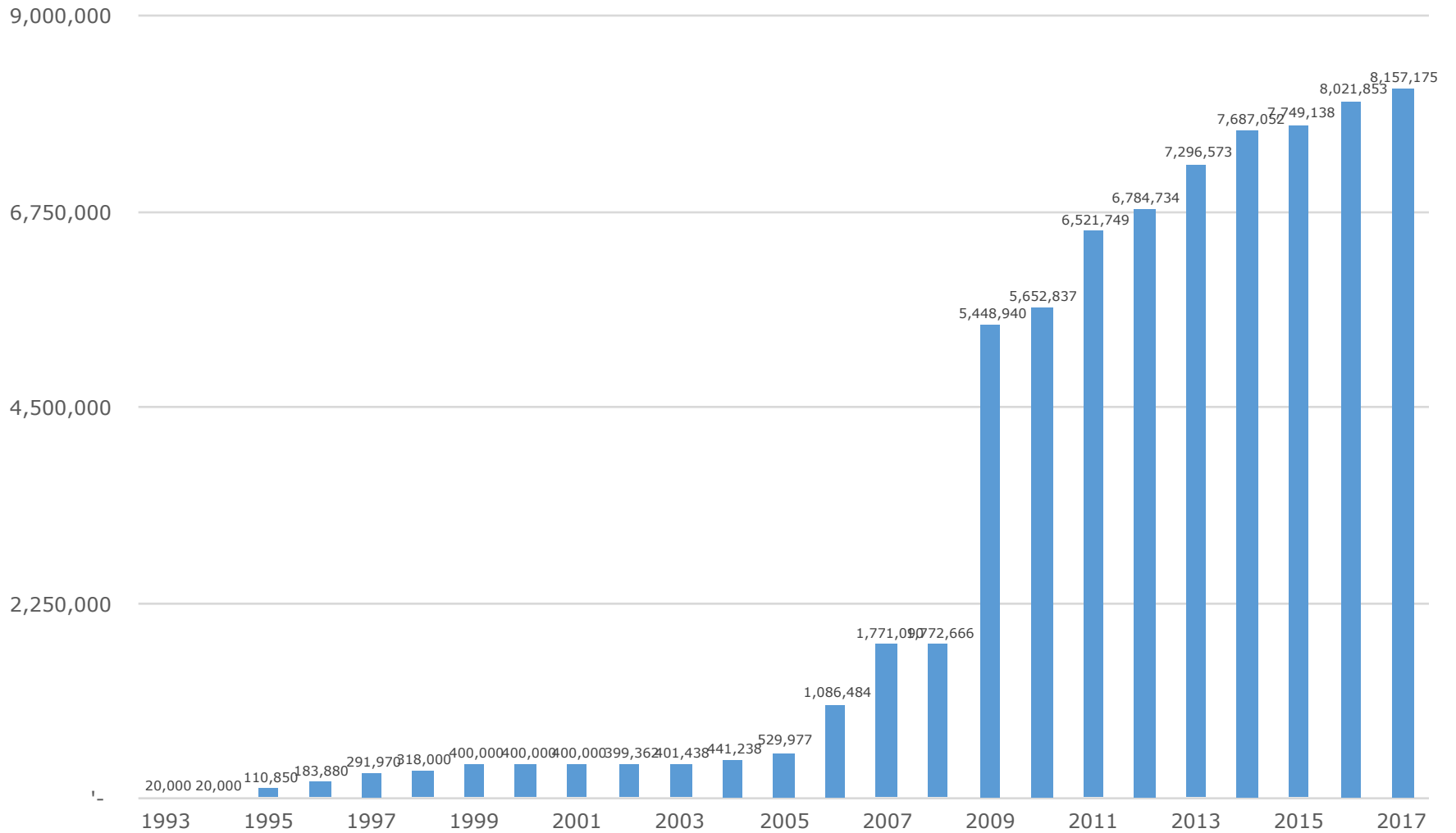
- Cost saving
- Easier to administer than means-testing

...but...

Perverse incentives? Unfairness?



Expansion of social pension in Thailand



Source: NESDB by Worawet Suwanrada, 2017

Option 3A: Universal minimum pension (with *tapered* pensions-test)

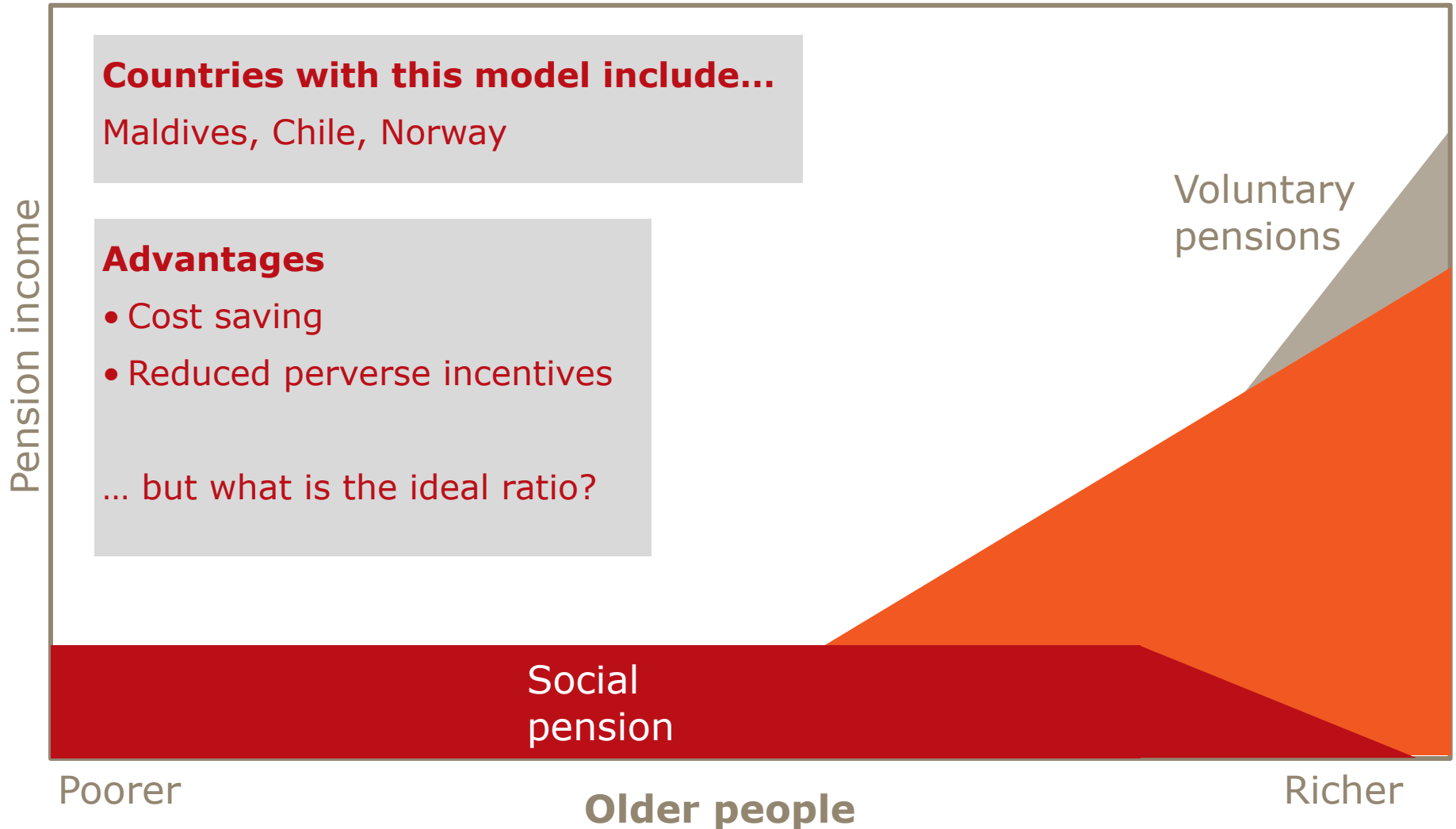
Countries with this model include...

Maldives, Chile, Norway

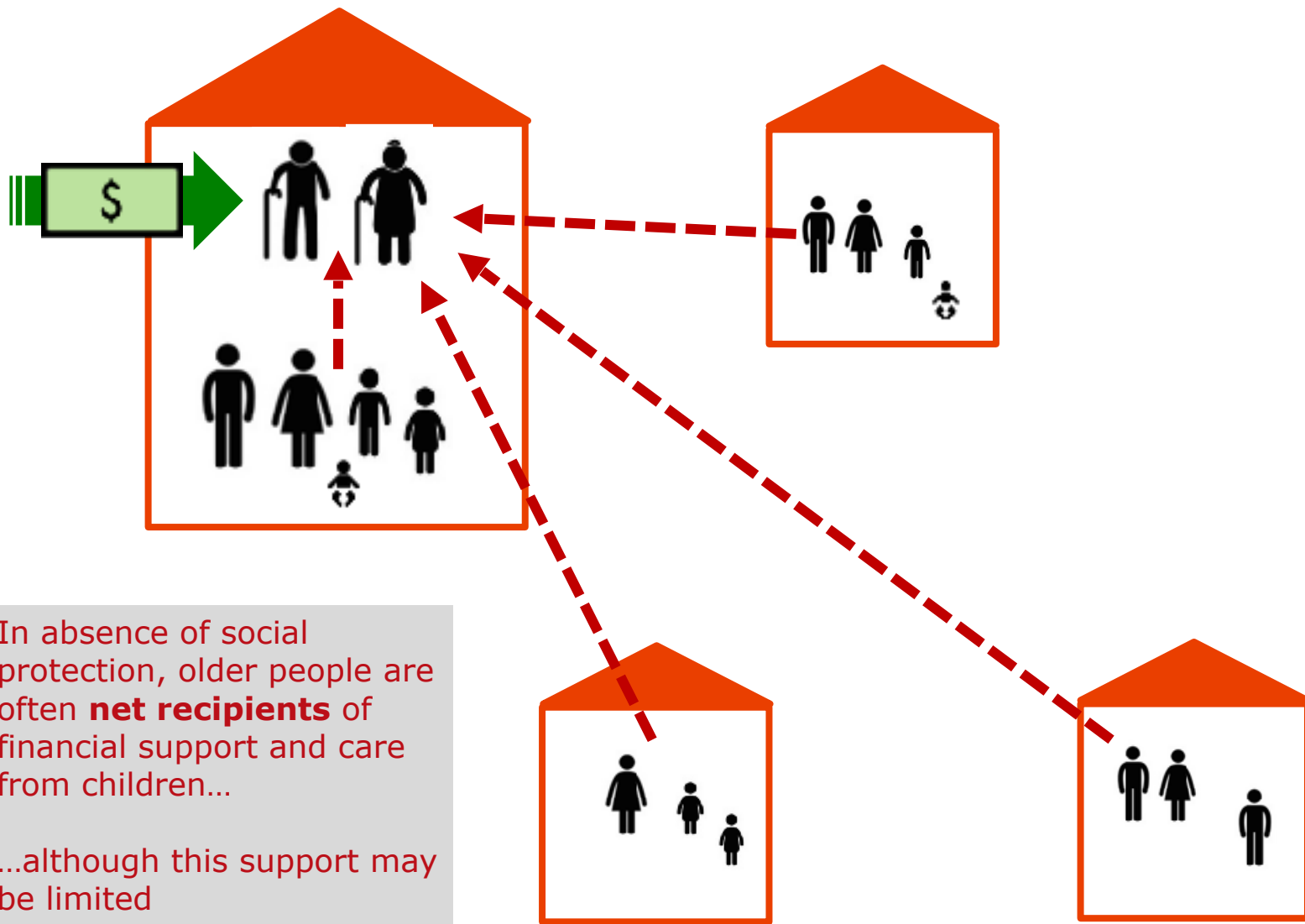
Advantages

- Cost saving
- Reduced perverse incentives

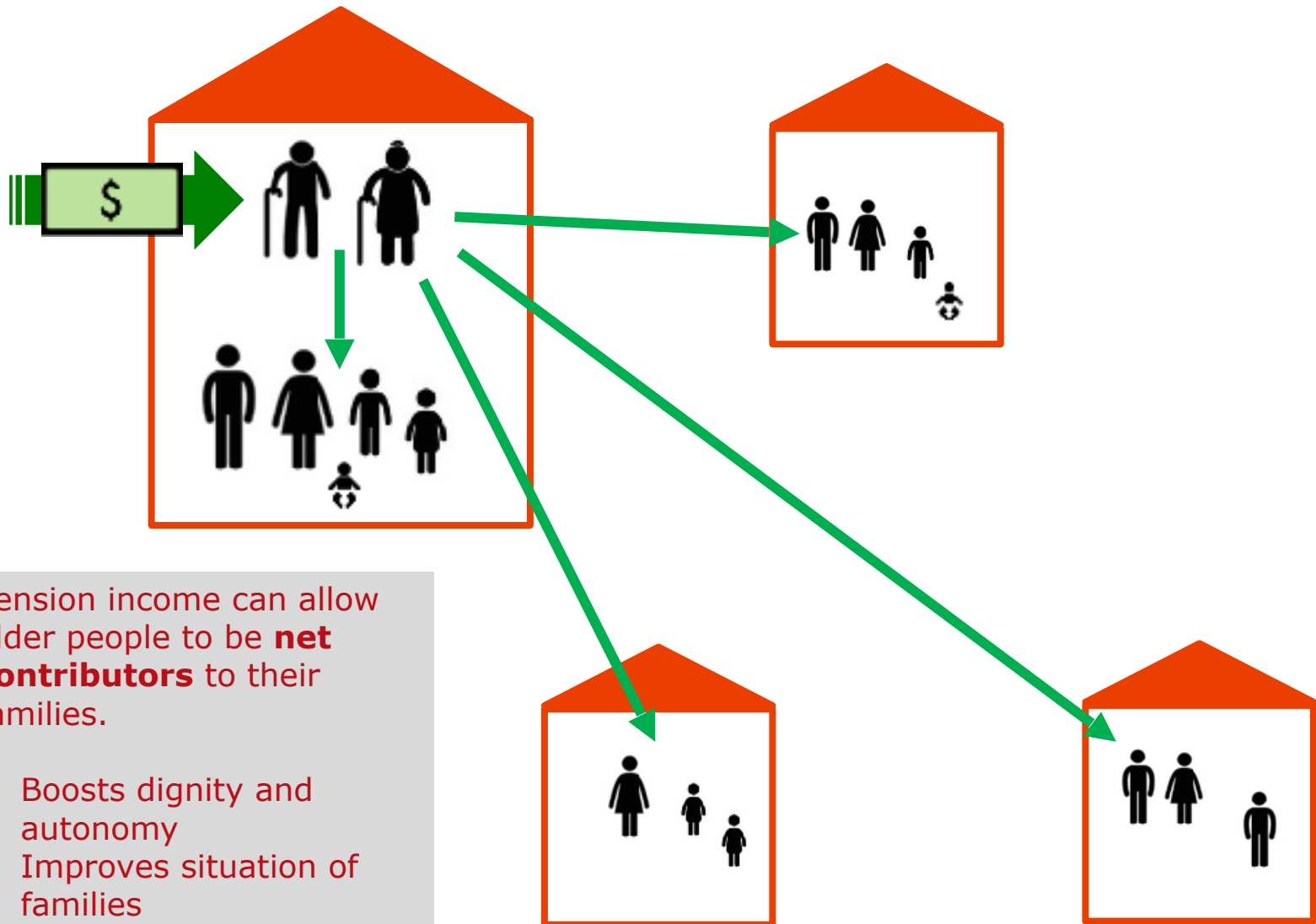
... but what is the ideal ratio?



Most older people are part of complex family and kinship networks



Pensions provide support to wider family and kinship networks



Pension income can allow older people to be **net contributors** to their families.

- Boosts dignity and autonomy
- Improves situation of families

In short

- Social pensions have an important role in addressing poverty and income insecurity in old age
- Social pensions have redistributive effects
- Social pensions are becoming an increasingly popular social policy across the globe
- There are major limitations in a means-tested approach to social pensions, universal pensions have significant advantages
- Affordability of the scheme is crucial and has to be demonstrated to policy makers