

Social Pensions for the Elderly or Social Assistance for Poor Households?

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Pensions Core Course
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World Bank, Washington DC

The Elderly are Not all Poor

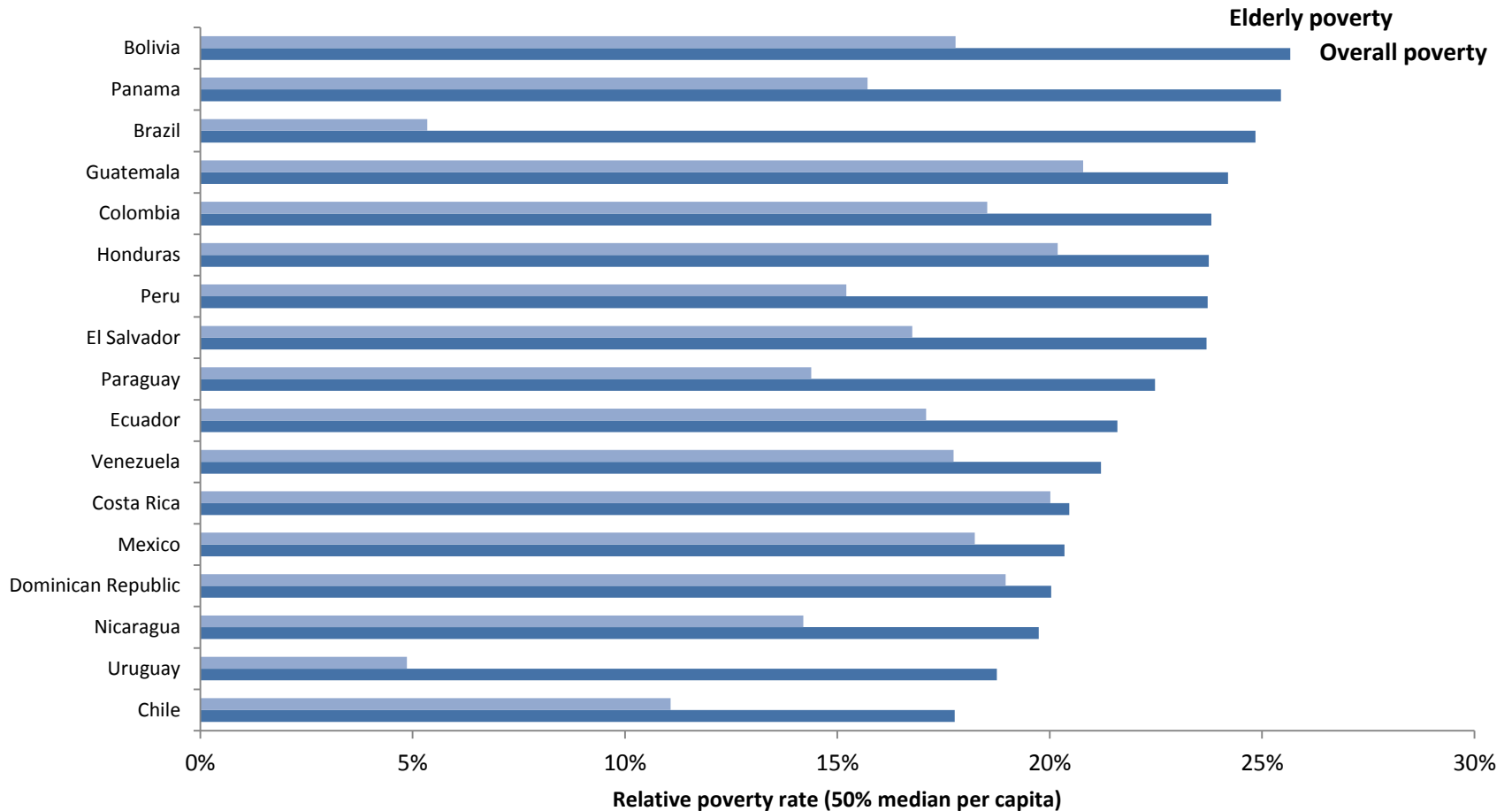


- In fact, many studies show that in most countries they are not poorer than average, and even in countries where elderly are poorer than average, it isn't by much

(Eg. Cotlear and Tornarolli 2009 for LAC, Kakwani and Subbarao 2005 for Africa, Braithwaite, Grootaert and Milanovic 1999 for ECA)

The Older are Not Always Poorer

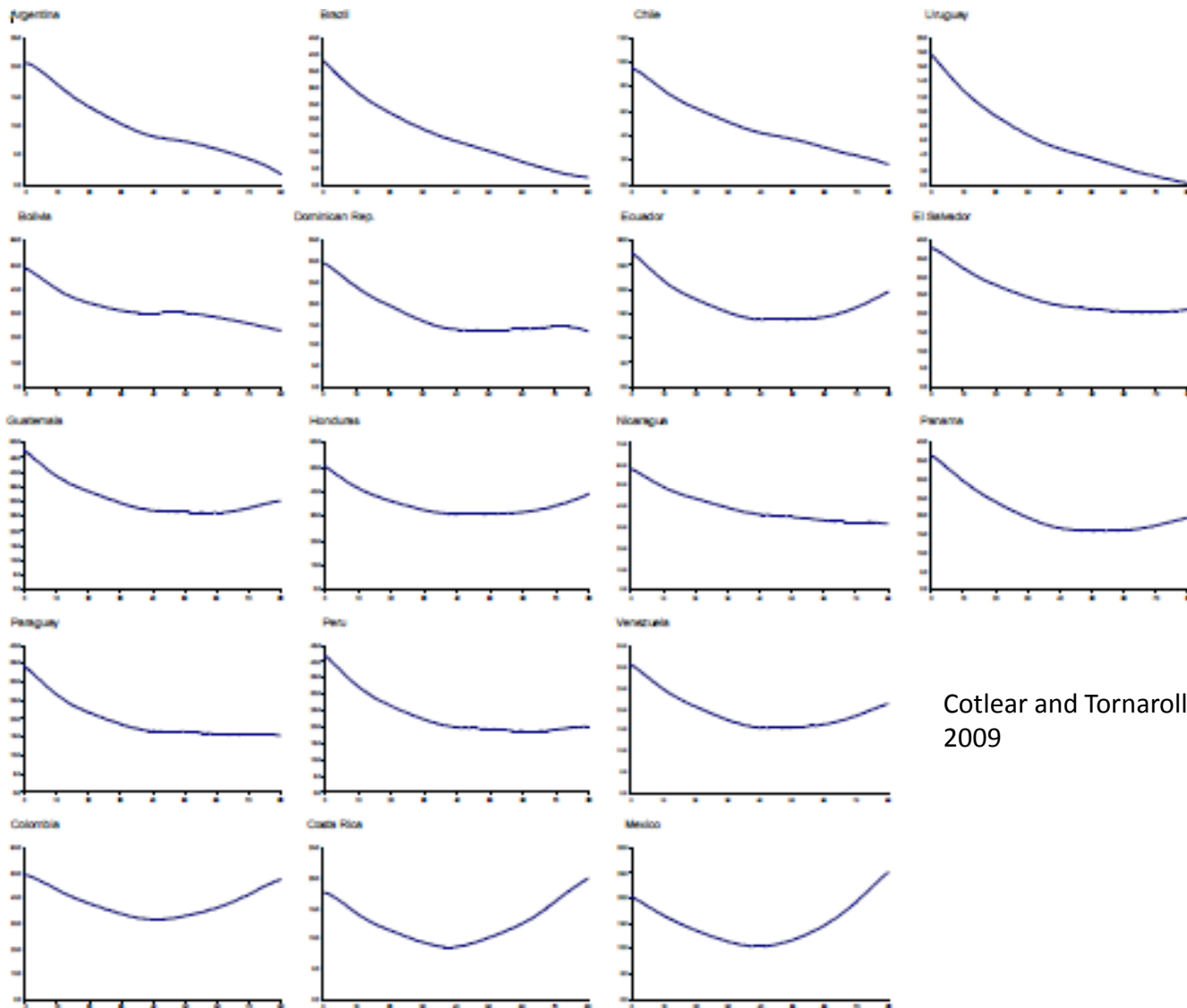
Relative poverty rates of the elderly and non-elderly in Latin America



ASPIRE data, presented in Pensions at Glance, IDB, OECD, World Bank 2014

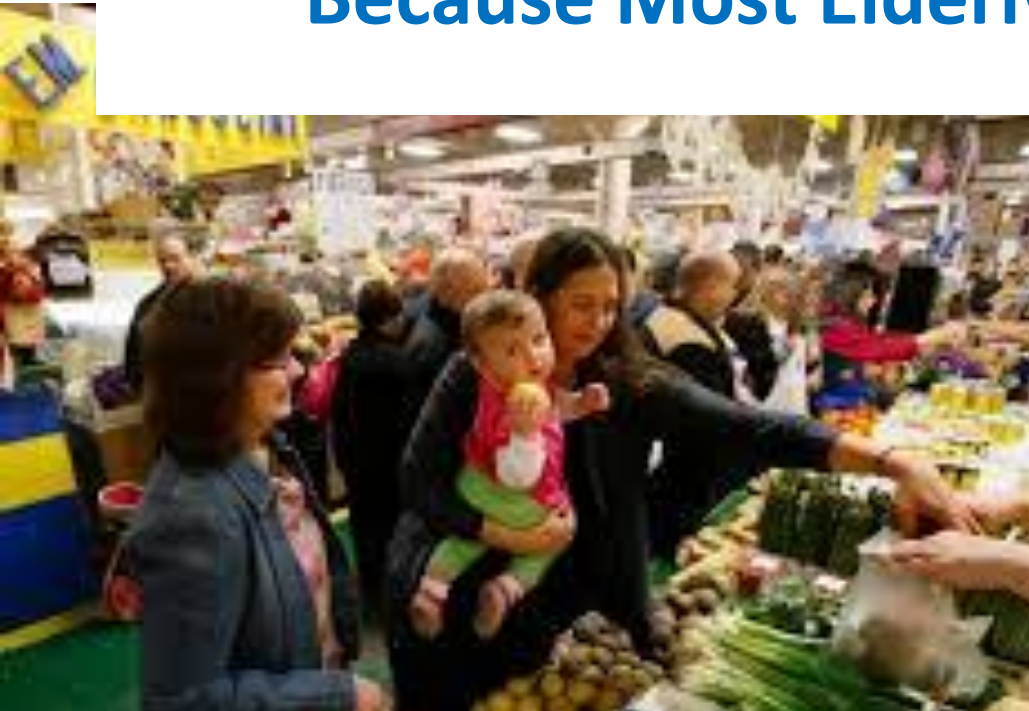
The Older are Not Always Poorer

Poverty Headcount Ratio by Age

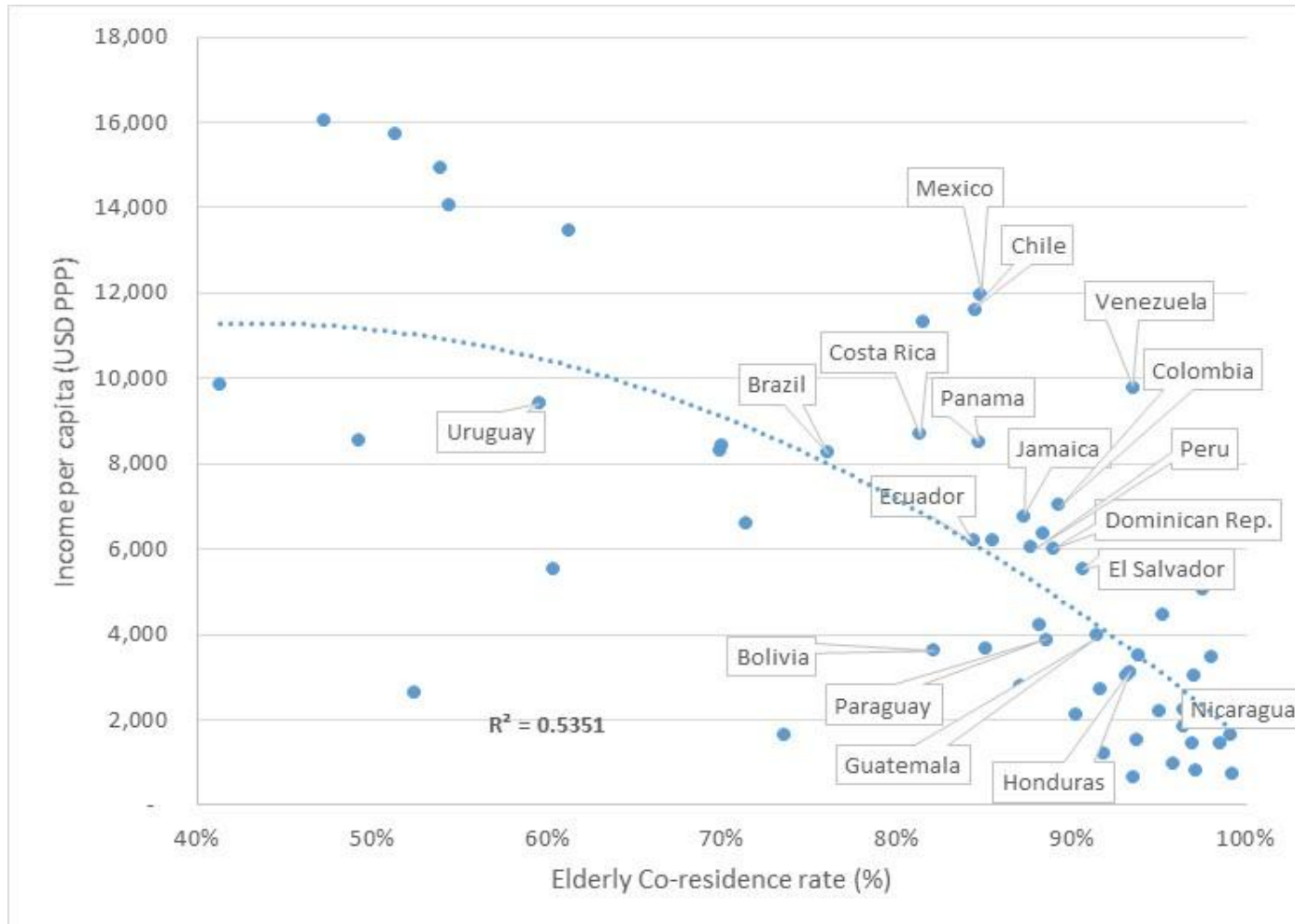


Cotlear and Tornarolli,
2009

Because Most Elderly Live In Families



Co-residency is high in LAC, even in upper middle income countries



Co-residency is higher, but not that much higher, among lower income households within each country

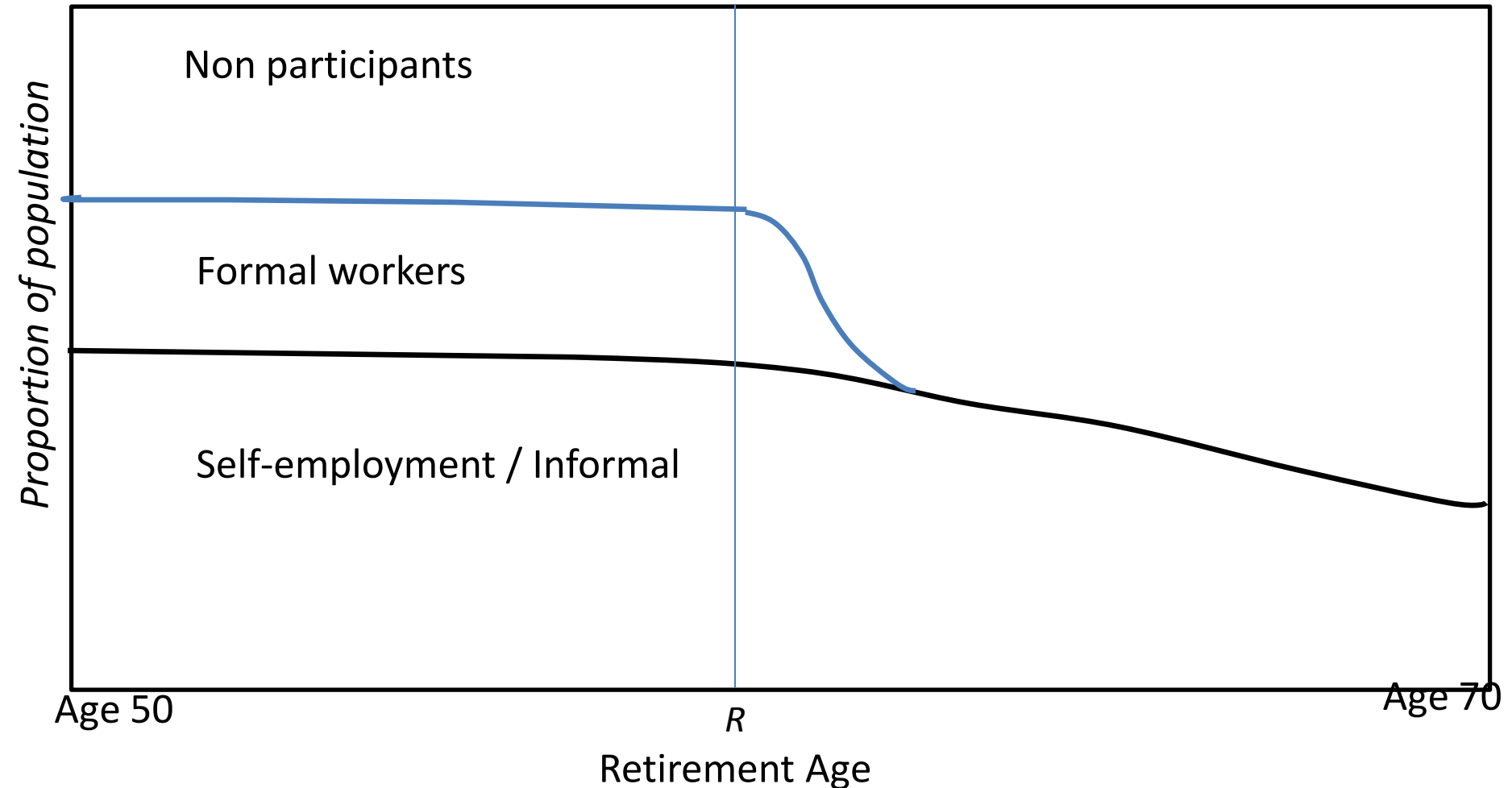
	Poorest	2	3	4	Richest
Argentina	68%	56%	42%	47%	40%
Bolivia	79%	54%	68%	66%	64%
Brazil	85%	59%	59%	57%	55%
Chile	79%	65%	61%	64%	57%
Colombia	74%	81%	84%	75%	61%
Costa Rica	67%	55%	70%	73%	65%
Dominican Republic	87%	78%	75%	75%	65%
Ecuador	64%	70%	70%	68%	60%
El Salvador	81%	84%	80%	74%	69%
Guatemala	78%	80%	84%	78%	75%
Honduras	85%	84%	85%	82%	77%
Mexico	66%	72%	71%	69%	65%
Nicaragua	95%	92%	92%	87%	78%
Panama	68%	76%	68%	65%	51%
Paraguay	74%	82%	80%	72%	67%
Peru	70%	73%	71%	73%	66%
Uruguay	64%	42%	40%	33%	27%
Venezuela	80%	88%	86%	85%	73%

ASPIRE data, presented in Pensions at Glance, IDB, OECD, World Bank 2014

**And because many work,
at among least the 'younger' elderly**



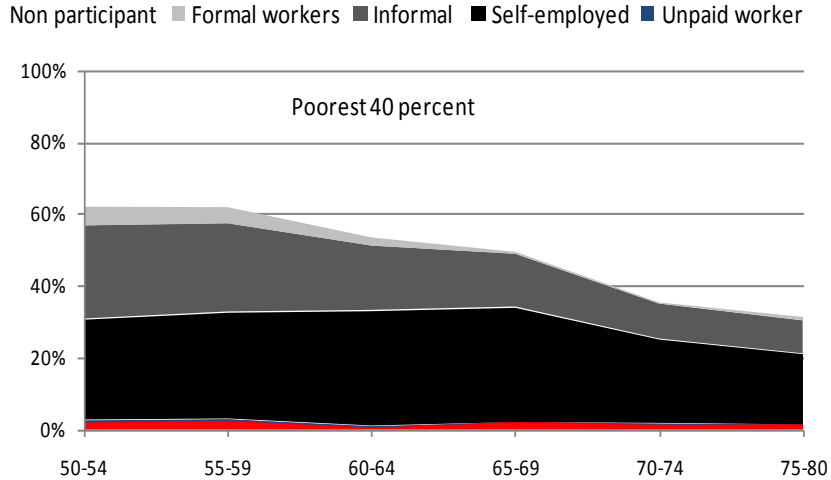
Where informality and self-employment are high, the earnings “cliff” is less an issue



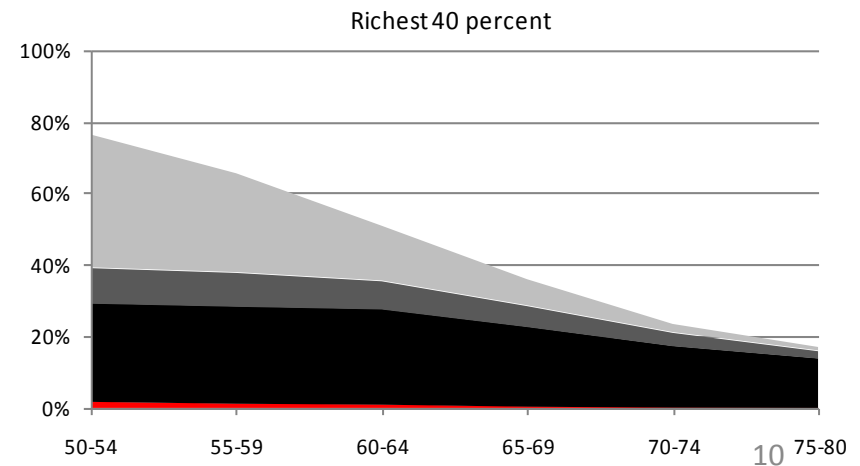
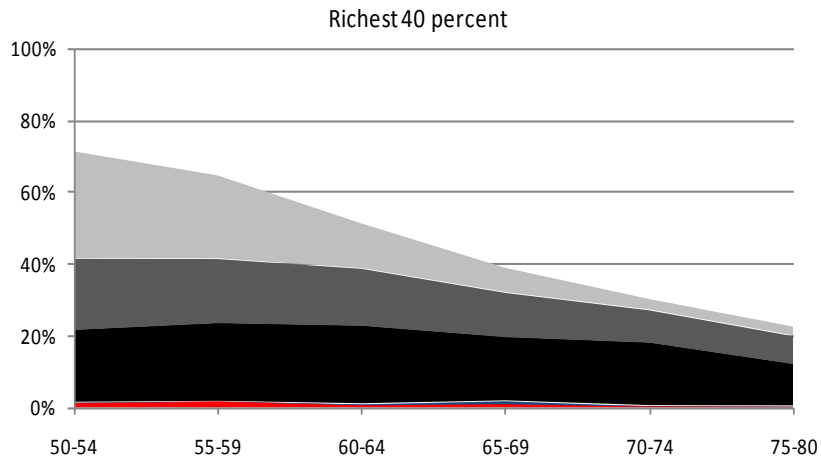
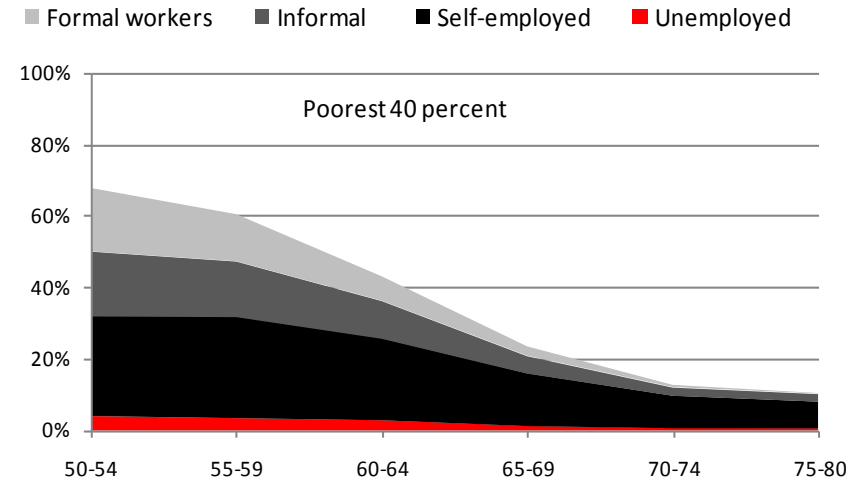
Employment Rates decline gradually with age

Poorer older workers are self-employed or informal

Mexico: Employment during Aging Transition, by Income Level
(percent of population by labor status)



Brazil: Employment during Aging Transition, by Income Level
(percent of population by labor status)



Source: ENIGH 2008.

Source: PNAD 2008.

Moreover,
the elderly are not the only poor



There are Advantages to Integrating Social Pensions with Social Assistance

- Avoids age-related horizontal inequities
- Minimizes administrative costs, avoids duplication of functions
- Potential synergies
 - in helping with links to enrollment in social health insurance, or
 - encouragement via CCTs of use of health care that would be helpful in managing chronic conditions such as diabetes or cardiac risk
 - Links to activation measures
- Allows SS administration to stay service-oriented rather than become gatekeepers

And yet the trend is otherwise:

Illustrations from LAC

- Of 15 countries with CCT programs (eg poverty targeted social assistance), 11 also have separate social pensions programs
- Many of the social pensions programs are targeted
- Many social pensions set up after the CCT

- Average spending:
 - CCT program: 0.30% of GDP
 - Social pension: 0.37% of GDP
- Average coverage:
 - CCT program: 16% of population
 - Social pension: 2% of population

Possible reasons for separate social pensions and social assistance programs

- Political support for social assistance is often less than political support for pensions; and politicians may get rewarded for new or multiple programs;
- Differences in perception and stigma
- Receipt of family-based social assistance won't empower the elderly within the household the way receipt of an individual-specific pension might;

DISCUSSION

IF Social Pensions are Integrated with Social Assistance

Some possible issues:

- Some adjustments to social assistance programs may be helpful:
 - to eligibility formulae: -- asset disregards, allowance for higher medical expenses, etc;
 - to benefit formulae: -- to provide higher income if no other adult earners in household, economies of scale if living in small households, etc.

What do we mean by integrating social assistance and social pensions?

- Is it in the program name?
- Is it in the eligibility or benefit formulae?
- In the back office systems – targeting questionnaire, information system, payment system? In linkages to other programs?

Targeting controversies: Should/can social pensions be effectively targeted?



Fiscal Space:
Not enough
currently to
provide 100%
and big benefit



Targeting Know-How:
Progressive outcomes for
targeted programs but
errors of both inclusion
and exclusion;
administrative and other
costs

Targeting controversies: Should/can social pensions be effectively targeted?

Universalist:

Optimistic that social unity will garner bigger budget
Pessimistic about track record or future practice on targeting



Fiscal Space:
Not enough currently to provide 100% and big benefit

Targeter:

More pessimistic about fiscal space;
More optimistic with respect to targeting practice and/or potential



Targeting Know-How:
Progressive outcomes for targeted programs but errors of both inclusion and exclusion; administrative and other costs

An increasing number of countries have poverty targeted cash transfers; eg have decided that targeting is desirable for some social assistance and invested in administrative capacity to do it

Figure 2.6 Consideration of Cash Transfers by Governments or Donors in Sub-Saharan Africa as of 2010

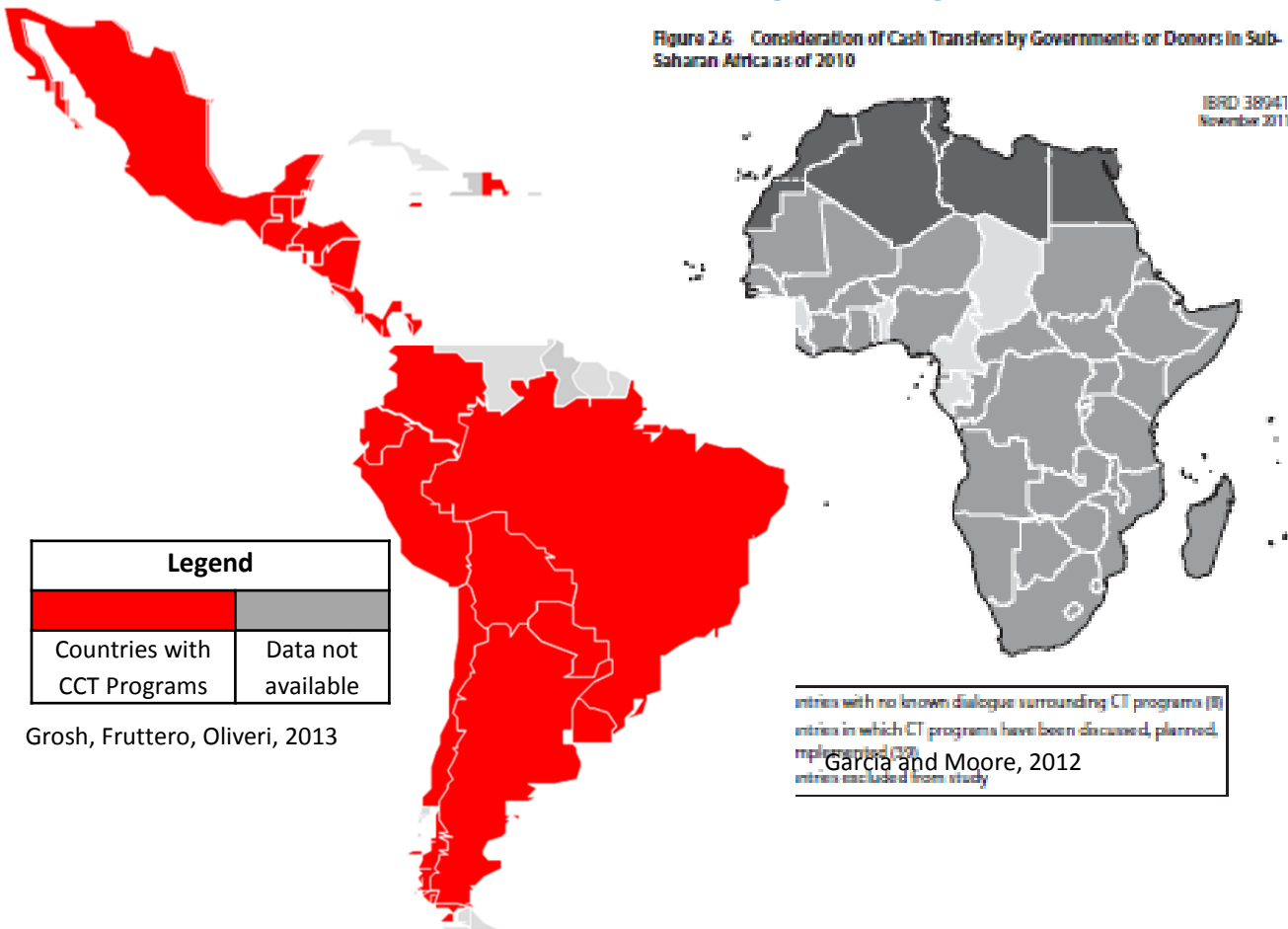
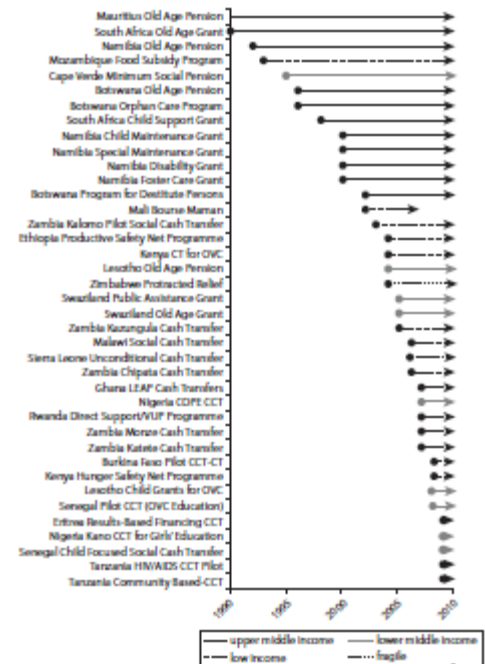


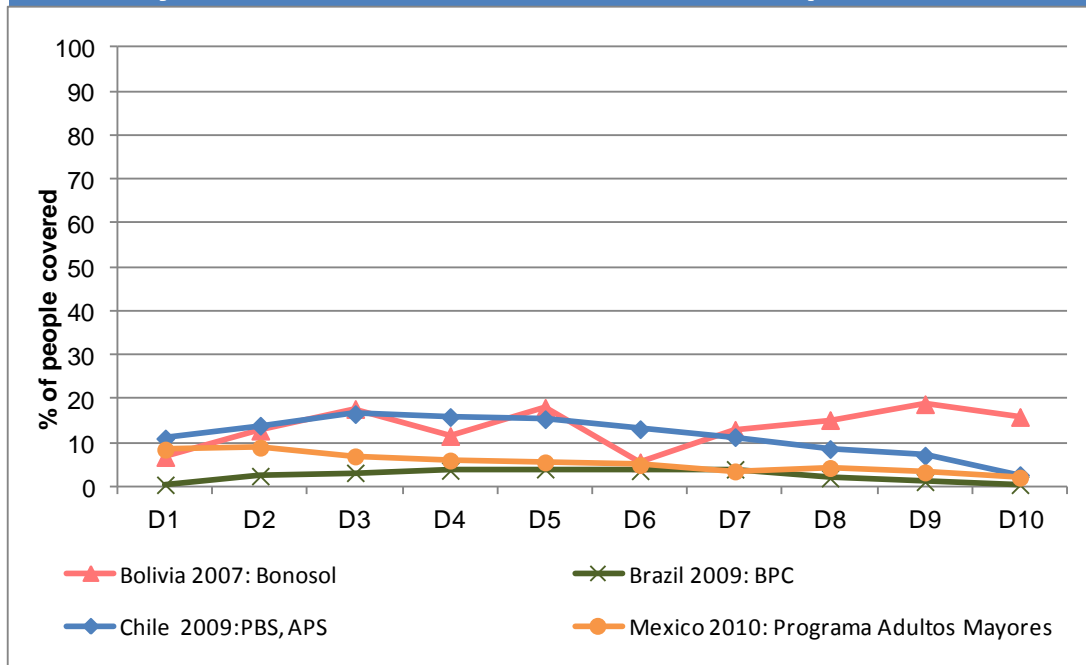
Figure 2.8 Start Dates and Durations of Sub-Saharan African Cash Transfer Programs, 1990-2010



Source: Author's representation.

Universal Social Pensions May not Have Large Coverage or Good Targeting, which will limit their impact on poverty overall

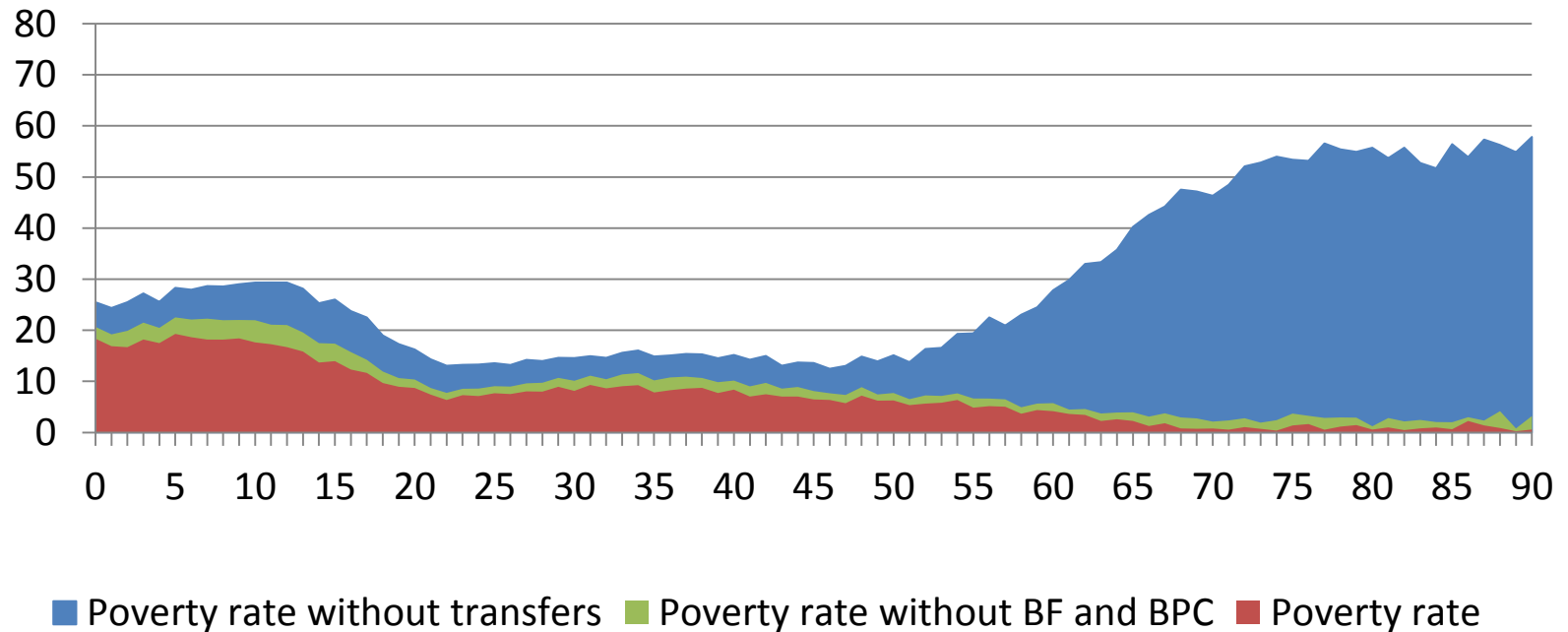
Figure 12: Coverage of Social Pension Programs by Country and Deciles of Income, Total Population



From Cerutti, et al 2013 based on SP ADEPT data

Unequal Attention to Different Age Groups is Common

**Impact of Government Transfers on Poverty by Age Group:
Brazil 2008, Poverty Rate 9.6% overall**

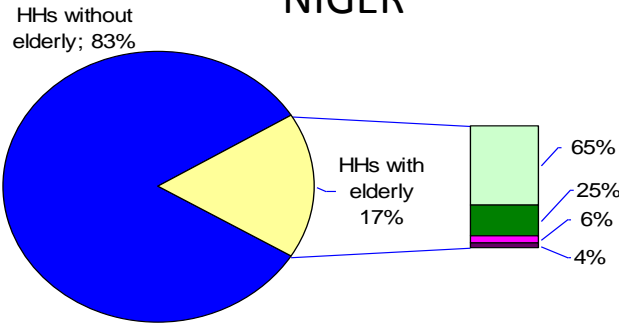


MORE EMPIRICS

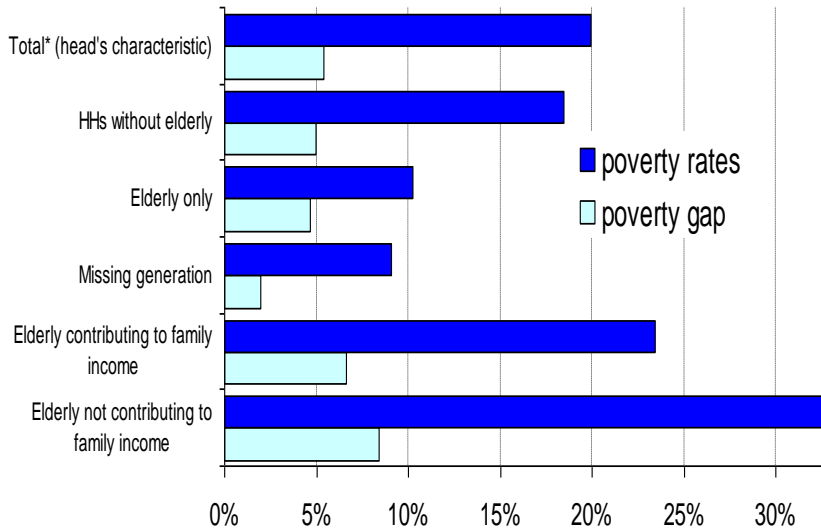
WITH LATIN AMERICAN EXAMPLES

Myth busting: poverty and the elderly in Niger and Panama

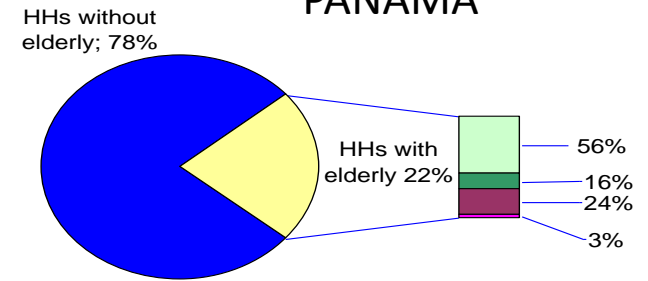
NIGER



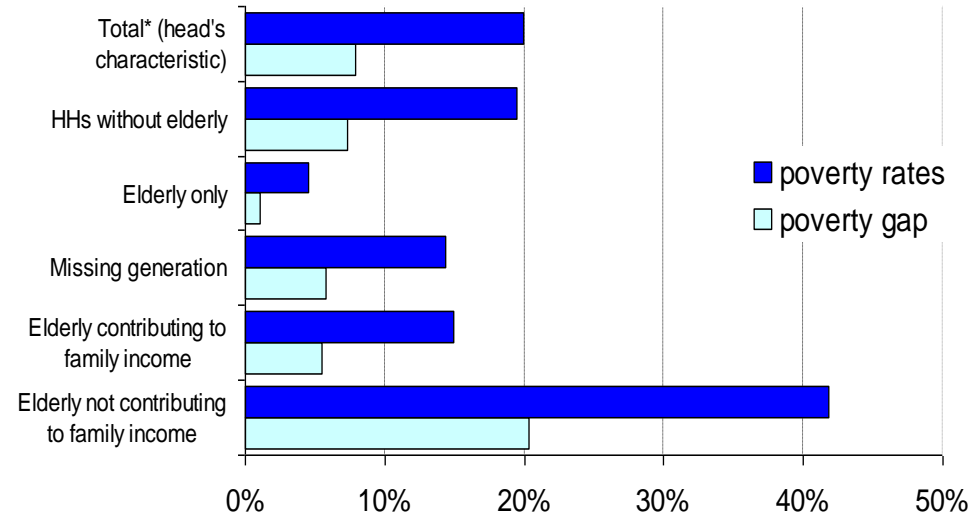
- Elderly contributing to family income
- Elderly not contributing to family income
- Missing generation
- Elderly only



PANAMA



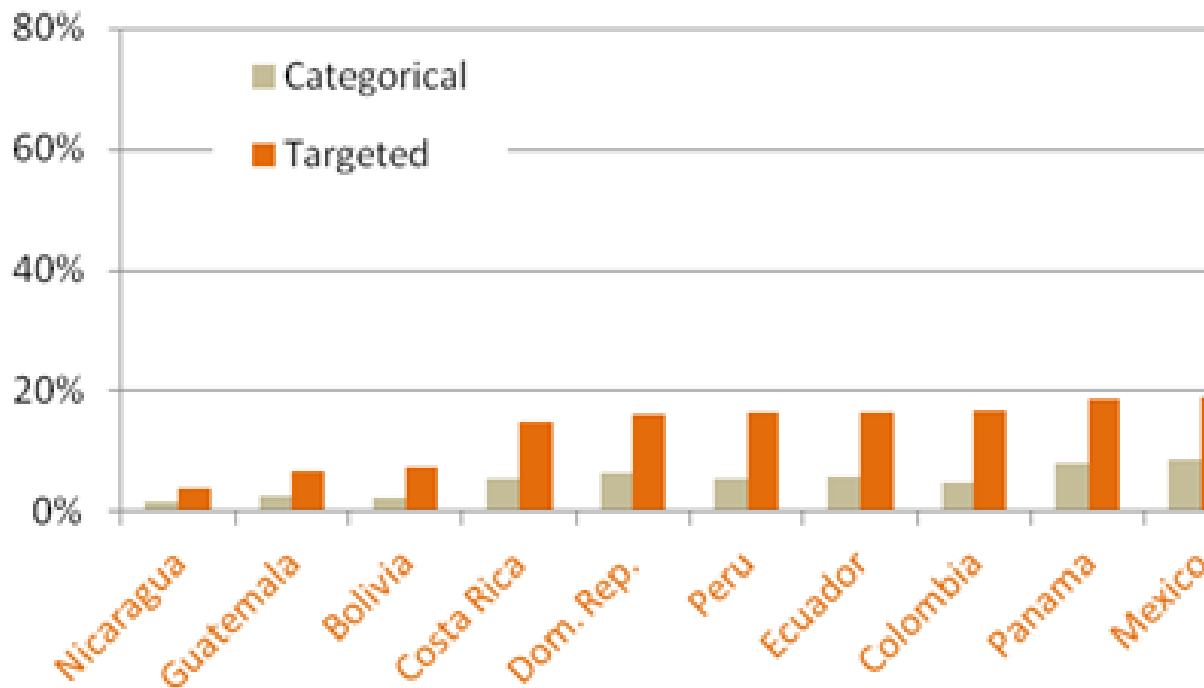
- Elderly contributing to family income
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Results largely insensitive to specification of economies of scale (over plausible range of θ from 1 to 0.7); to FGT(0); FGT (1), etc.

Targeted social pensions would reduce poverty more than universal social pensions

Changes in Extreme Poverty Rates
Simulation with .5% of GDP given to all elderly (65+)
vs poor (<US\$2.5/day) elderly (65+)



**Significant but lower
labor force participation
among the elderly;**

**Significant variation by
country**

Table 1. Labor Force Participation in Latin America: Adults and Elderly

	Adults (25-64)	Elderly (65+)	Ratio Elderly/Adults
Costa Rica	72.8	14.3	0.20
Argentina	77.4	15.5	0.20
Uruguay	82.2	17.3	0.21
Chile	72.3	18.5	0.26
Brazil	77.4	23.1	0.30
Colombia	73.6	22.1	0.30
Barbados	86.7	27.0	0.31
Guyana	70.4	23.0	0.33
Panama	74.7	25.4	0.34
Dominican Rep.	68.4	23.6	0.35
Venezuela	78.1	27.6	0.35
Jamaica	82.5	31.7	0.38
Mexico	72.0	30.1	0.42
El Salvador	73.3	31.0	0.42
Belize	68.7	32.8	0.48
Paraguay	79.2	39.2	0.49
Nicaragua	73.9	37.2	0.50
Ecuador	78.0	39.5	0.51
Haiti	76.2	41.7	0.55
Honduras	68.3	38.6	0.57
Peru	84.9	51.1	0.60
Bolivia	83.1	57.8	0.70
Source: CEDLAS.			

Source: Murrugara, 2012