

The right to social security in old age: bridging the implementation gap

The majority of older women and men in low- and middle-income countries are denied their right to social security in old age.

- **Fewer than one in five people over 60 receive a pension.**¹
- **The informal economy accounts for an estimated 78 per cent of employees in Asia and as many as 80-90 per cent in Africa.**²
- **Only one third of all countries are estimated to have civil registration systems providing comprehensive and timely information.**³

Universal non-contributory pensions: critical to the right to social security

General Comment No. 19 on the right to social security acknowledges that non-contributory schemes are necessary to ensure universal coverage of social security.

Universal non-contributory pensions are an affordable, administratively simple way of meeting the normative requirements of the right to social security. They ensure availability because coverage is universal. They are non-discriminatory because they allow for the inclusion of otherwise excluded groups such as women who may have spent their lives doing unpaid work or made inadequate contributions to employee pension schemes; informal sector and migrant workers; and the very poorest who are hard to reach.

Universal non-contributory pensions must also be adequate in terms of benefit levels, be

accessible and sustainable. The experience of low- and middle-income countries that already have universal non-contributory pensions show that this is affordable and administratively possible.

Non-discrimination and accessibility

Social security must be accessible to all without discrimination. However, many older women and men are not receiving the social security payments they are entitled to because of ineffective or discriminatory targeting and registration processes.

Discriminatory targeting

Universal pensions avoid many of the challenges associated with means-testing and as such result in more equitable enjoyment of the right to social security. Poverty-targeted programmes that rely on community power structures cannot be guaranteed to be transparent and fair.

For example, a review of Sierra Leone's poverty-targeted Social Safety Net (SSN) cash transfer revealed that poverty-targeting resulted in limited coverage and exposed the programme to high rates of leakage and abuse. Beneficiaries were selected by local committees without recourse to eligibility criteria. Registration was done on a first come, first serve basis that disadvantaged those living in remote areas. Any grievance had to be made to the local chiefs who were themselves responsible for selecting beneficiaries. In turn, some local chiefs felt they had been put in a difficult position with responsibility to select the most eligible when nearly everyone was vulnerable.⁴

In contrast, universal non-contributory pensions with the categorical criteria based on age avoids such abuse and discrimination.

Weak registration systems

The weakness of civil registration systems in low- and middle-income countries is a major barrier to the enjoyment of the right to social security. In countries with weak registration systems, many people do not hold birth certificates and older people are less likely than other age groups to possess any legal records of their age or identity. Low literacy rates can result in misspelt names and ages. Women face additional barriers, such as lack of access to land ownership, formal employment and other opportunities to obtain official documents.

For example:⁵

- In Thailand, studies have highlighted the regional and ethnic disadvantages that older people face in accessing the Old Age Allowance and other government services. Muslims and people from hill tribes lack identity documents to prove citizenship which prevents them accessing their entitlements.
- In Kenya, during registration for the Older Person Cash Transfer members of the public regularly complained that they had been excluded from the programme on the basis of inaccurate ages on their national IDs.

Despite this, registration for age-based transfers is administratively simpler and thus easier to implement than other means-tested registration systems. Income and poverty level targeting require complex, inflexible and costly processes to identify and verify people or households on low incomes.

In contrast, national bureaus of statistics have developed a number of strategies to verify age in initial registration exercises and in an ongoing system that enrolls newly eligible pensioners and de-registers them on death.

These include:

- Requesting alternative identify records such as baptism cards or vaccination cards that may have a record of age.
- Asking how old people were in relation to a known birth date eg that of a younger sister.
- Using a calendar of significant events for older people to state how old they were at those times.

Sustainability

To meet the normative requirements of the right to social security in old age, pensions need to be adequate and sustainable while still being financially affordable for governments.

Cost

HelpAge International carried out a costing exercise of 50 low- and middle-income countries to see if this is possible. Age eligibility, pension levels and administrative costs all determine the cost of a pension.

The costing exercise looked at the eligibility ages of 60, 65, and 70. It used pension levels of 20 per cent of GDP per capita, which although in some settings would not lift people out of poverty, would constitute a meaningful, regular income. An administrative cost was set at five per cent of the total cost of transfers in line with international evidence.

The calculations show that a universal non-contributory pension for everyone over 65 in 50 low- and middle- income countries would cost less than 1.8 per cent of GDP, which amounts to no more than 8 per cent of government spending in any one of these countries.⁶

Pension costs will rise as populations age. However, this is something that can be controlled by governments. By indexing the value of the transfer to inflation, costs can be kept stable while real value is maintained.

Adequacy

The level of an adequate pension will vary in different economic and social contexts.

The costing above aimed to use a basic minimum transfer level, in this case 20 per cent of average income (GDP per capita). This is similar to levels of pensions in Bolivia, Mauritius and Nepal, all of which have been found to have a significant impact on older people and their families.⁷

Financing progressive realisation

To be sustainable, universal non-contributory pensions need to be affordable over the long term. Different financing options are available including general taxation, corporate and consumption taxes, expenditure switching and taxing of natural resources. Debt relief is also a possibility for HIPC countries as is international development aid in some contexts.

Above all, fiscal space needs to be considered in a country-specific context.

For example:⁸

- In Bolivia, the universal pension, the *Renta Dignidad*, is currently financed by a Direct Hydrocarbon Tax while the Government looks at ways of shifting financing to general tax revenue.
- In Brazil, the rural pension is partly financed by corporate taxes through a 1 per cent tax on rural produce and a separate 2.5 per cent wage levy on urban enterprises.

In poorer countries where people generally live shorter lives, there is strong logic that the age eligibility should be lower. However, to lower initial

costs, a country may decide to start with a higher eligibility age, with the intention to reduce the age as political support and financial resources grow, as in Nepal and Bolivia where initial eligibility ages of 75 and 65 respectively have been gradually lowered to 70 and 60 years old.⁹

While higher eligibility ages are not ideal where life expectancy is shorter, they can act as a pragmatic first step for putting in place a universal pension.

The way forward

Universal enjoyment of the right to social security in old age in low- and middle-income countries is not a distant hope or lofty aspiration. Universal non-contributory pensions provide an affordable and administratively possible way for low- and middle-income countries to meet their obligations to fulfil everyone's right to social security in old age.

For further information, go to www.pension-watch.net

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¹ HelpAge International, *Financing social pensions in low- and middle-income countries*, 2011, p.7

² Bacchetta M et al, *Globalisation and informal jobs in developing countries*, ILO & WTO, 2010, p.27 & p.29

³ Rao C et al, Improving death registration and statistics in developing countries: Lessons from sub-Saharan Africa, *Southern Africa Journal of Demography*, 9:2, 2004, pp.81-91

⁴ HelpAge International, *Strengthening state-citizen relations in fragile contexts: The role of cash transfers*, 2011, pp.2-3

⁵ For all examples see: HelpAge International, *Challenges and opportunities for age verification in low- and middle-income countries*, 2011, pp.3-4

⁶ HelpAge International, *The price of income security in older age: Cost of a universal pension in 50 low- and middle-income countries*, 2011, p.1

⁷ See footnote 6, p.2

⁸ For all examples see: HelpAge International, *Financing social pensions in low- and middle-income countries*, 2011, pp.6-8

⁹ See footnote 6, p.2