International Conference on Social Protection for the Elderly

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BADAN KEBIJAKAN FISKAL
KEMENTERIAN KEUANGAN
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TNP2K
TIM NASIONAL
PERCEPATAN PENANGGULANGAN KEMISKINAN

Australian Government

DEVELOPMENT PATHWAYS

An overview of social pensions

by Stephen Kidd

New Zealand's Minister of Finance, when arguing for his country's universal pension

"The ability to retire in a degree of personal comfort, without worry and with dignity, is the least that citizens can expect in a modern, developed economy."

However, people "cannot expect the state to maintain in retirement the incomes people became accustomed to during their working lives."

Aims of pension systems

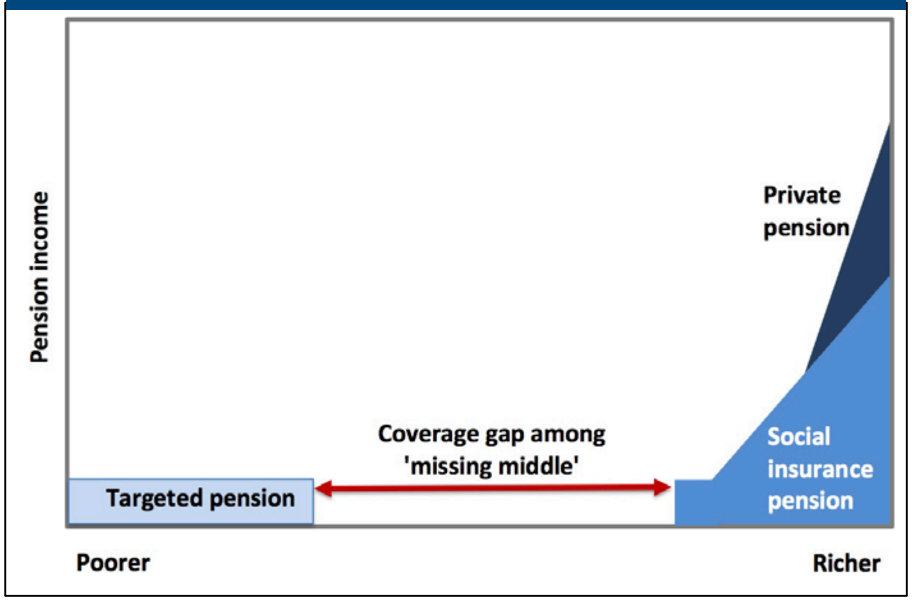
1. To ensure that everyone has access to a minimum income once they reach old age (**tax-financed social pension**)

2. To enable working age people to undertake consumption smoothing, by giving up some income during employment which they can draw on once they retire, thereby providing themselves with a higher income in old age **(contributory pension)**

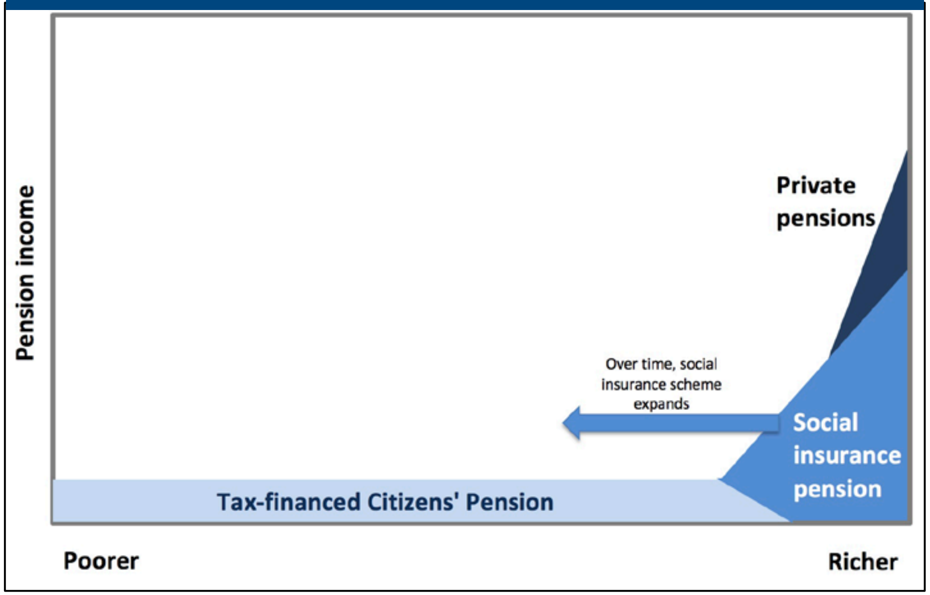
3. Offer insurance against the [welcome] risk of long life, guaranteeing people an income for as long as they live.

There are a variety of pension system models

Targeted social pension



Inclusive social pension

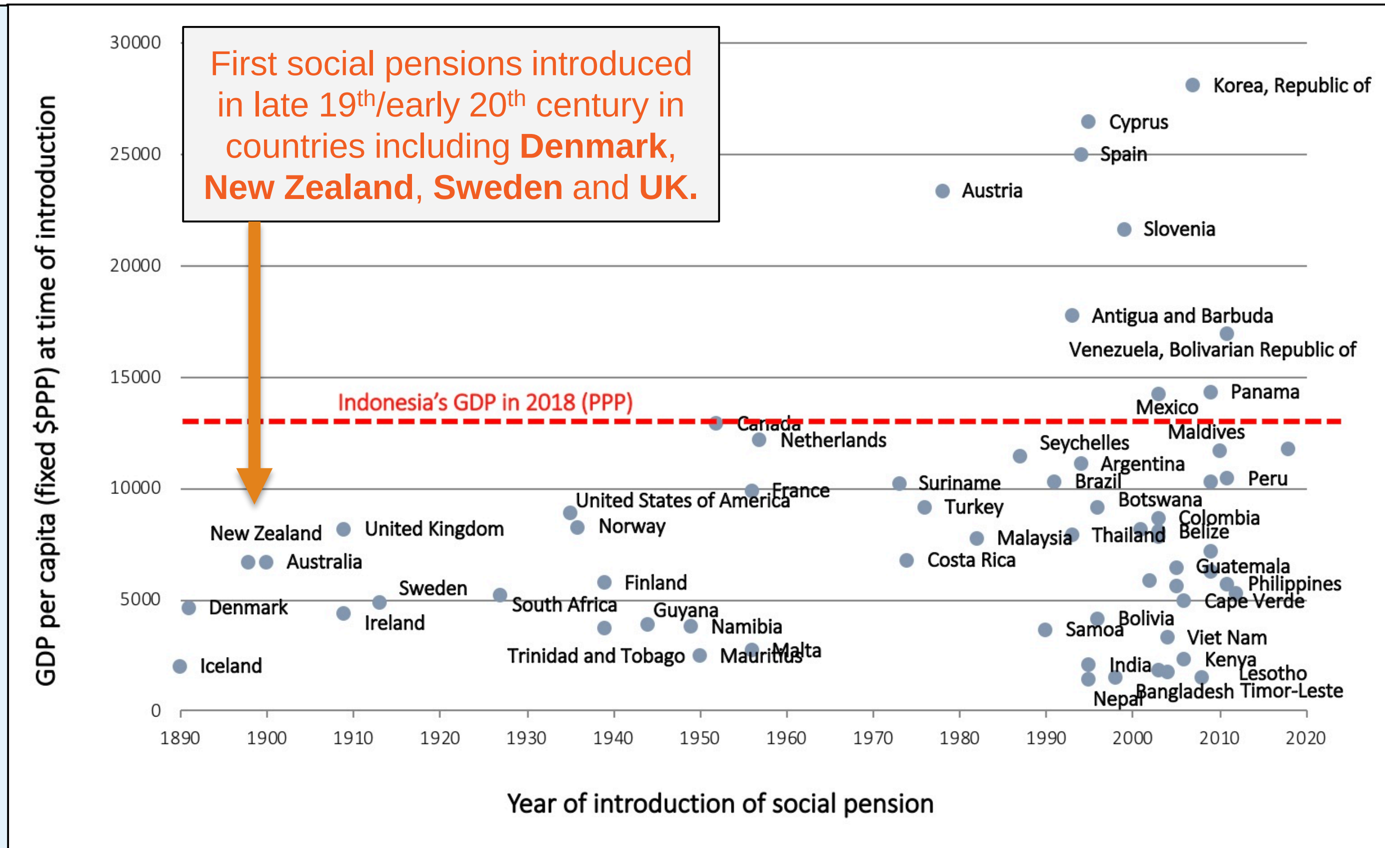


Introduction of social pensions across the world

First national state pension was introduced in 1889, by Bismarck in Germany.

It was a contributory pension.

But, Bismarck had originally proposed a tax-financed social pension



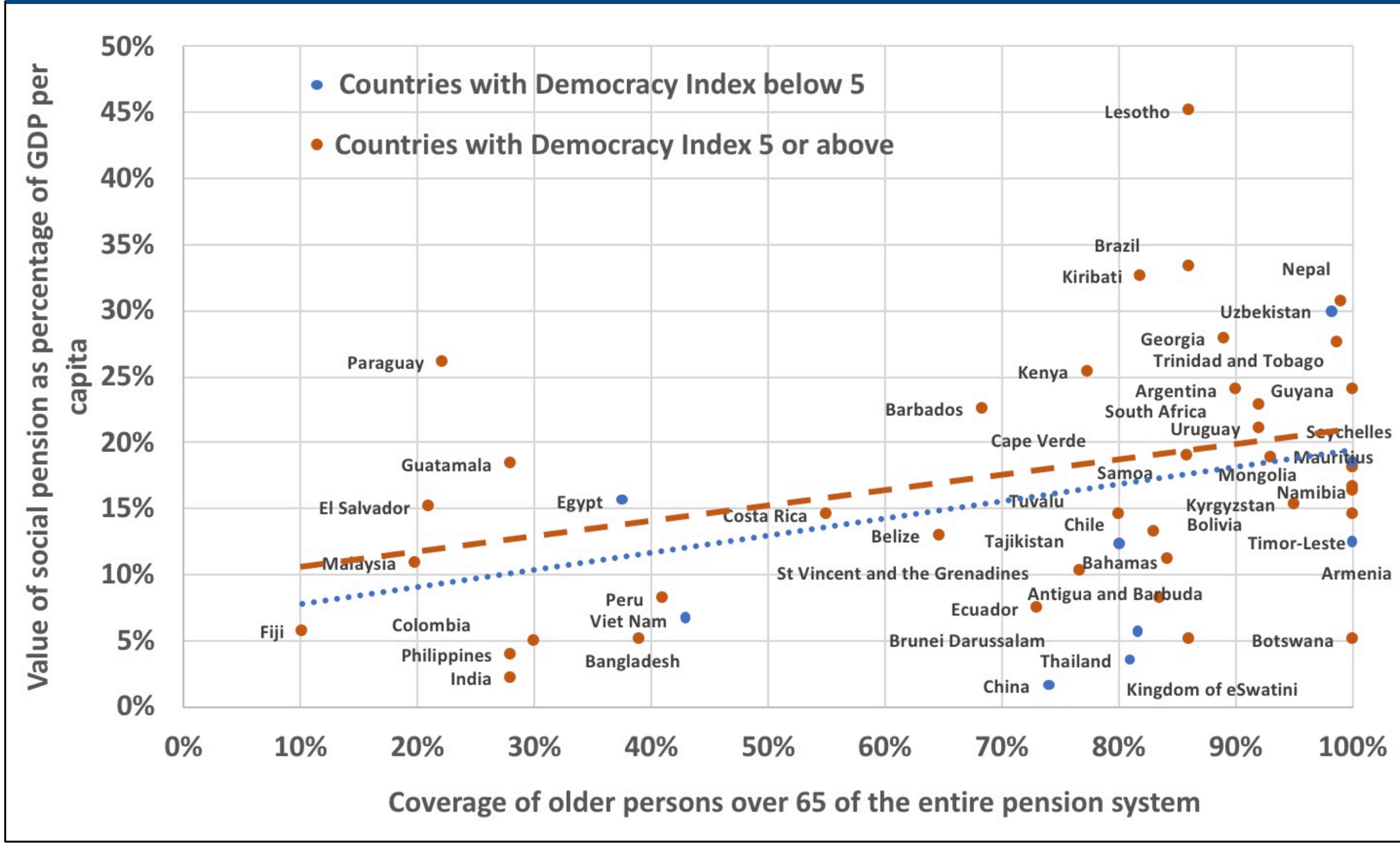
Higher coverage of pensions is associate with higher transfer values

The higher the coverage, the higher the value of the transfer

This is due to the popularity of schemes with higher coverage

Often, promises to introduce pensions have helped governments win elections

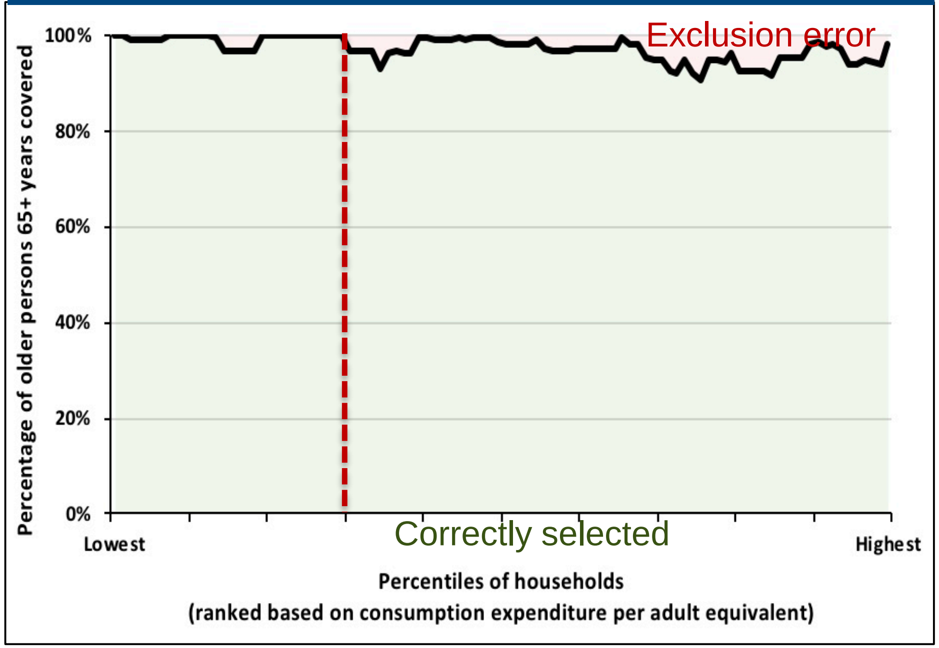
Relationship between pension coverage and transfer value



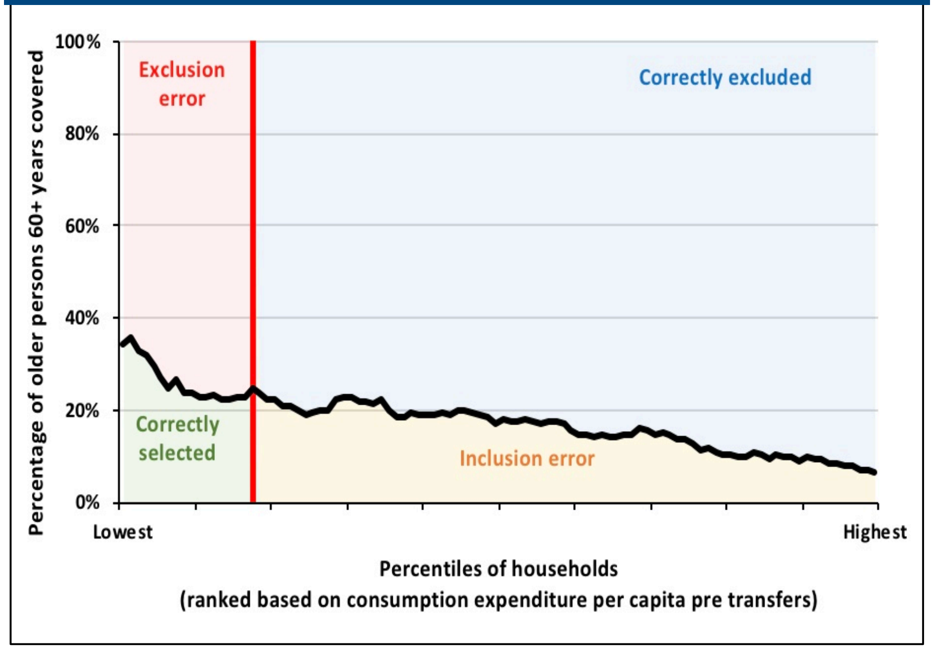
Average transfer value is around 15% of GDP per capita:
in Indonesia, this would translate into a transfer of IDR 700,000 per month

Efficacy of types of pension in reaching the poorest older persons

Georgia's universal pension



India's targeted pension



Impacts of social pensions on child wellbeing

Pensioners share their transfer with others, in particular their grandchildren

Namibia: half of pension given to children
South Africa and Brazil: 80% share majority of pension with others

Children living with pensioners have better nutrition

South Africa: Children in pensioner households are 5 cm taller
Uganda: Increase in height of 0.86 standard deviations

Children are more likely to attend school

Brazil: Pension reduced enrolment gap among girls by 20%
Bolivia: School enrolment is 8% higher in pensioner households

Increase in employment and income generation

Pensioners themselves more likely to engage in income generating and entrepreneurial activities

Uganda: 45% increase in older people buying productive assets
Bolivia: investment in productive assets improved consumption by 50%

Grandparents care for grandchildren enabling young parents to return to the labour force

South Africa: Young people more likely to migrate to towns for work
Uganda: 9% increase in employment and 16% increase in hours worked

Older people withdraw from labour force, opening up opportunities for younger people

Mexico: 20% of recipients withdrew from labour force
Uganda: Younger people able to replace older people in work

Impacts happen over time: Example from South Africa

Mamzoli cares for one child and six grandchildren

Two sons live in the city

At age 60 years, she began to receive a South African pension: around US$80 pm

Elder son reduced remittance he sent home and, therefore, could continue his education

He got a better job and helped his brother continue in school. He also got a better job

Eventually, they bought Mamzoli a fridge and she now has a business selling meat and beer

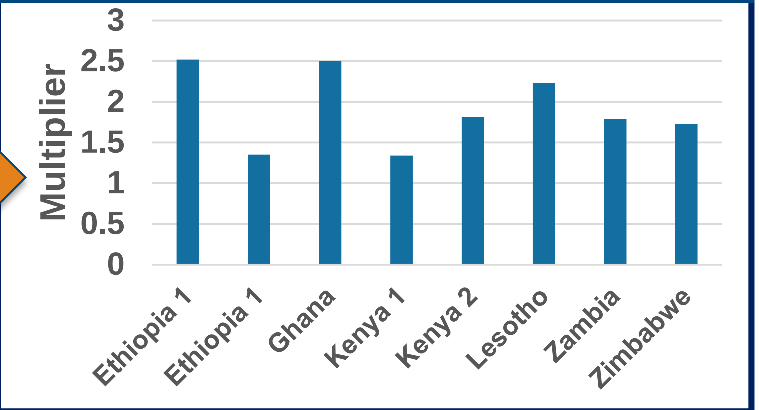
Now, everyone has a higher income and better lives.

And, it's all down to a pension…….

More dynamic local economies

Injection of cash into communities results in significant multipliers as cash circulates

Multipliers in local economies



Entrepreneurs and shopkeepers are able to sell their goods to a larger market, thereby building their businesses

Namibia, Uganda and Bangladesh: Strong evidence of traders benefitting from sales to older persons

Jobs created, including through older people offering employment

Uganda: In districts with pension, there was a 6 percentage point increase in labour and 80% increase in median wages

Importantly, older people live better lives, in greater dignity

Uganda: ‘My children and grandchildren came to reality when the pension came in. I was a burden to them but I now share in their life with my small support. We are more united than before the pension’

Brazil: 90% of pensioners express satisfaction with family relations and believe that they are shown respect by community members

South Africa: only 22% of pensioners dissatisfied with life

China: Disability rate among older people fell by 3% as a result of the rural pension, as well as reduced mortality

Mexico: Evidence of higher cognitive ability among older people

Across all nations, the main beneficiaries of social pensions are women

Conclusion

- All countries end up developing comprehensive old age pension systems, with coverage for all citizens
- Pensions not only benefit older people, but other members of society and the nation as a whole, including generating greater economic growth
- Politicians who introduce pensions gain significant political rewards: for example, in recent years, the promise of universal old age pensions have influenced elections in Peru, Kenya, Lesotho and Mauritius
- Social pensions for all citizens are ‘contributory’ schemes, since they are given in recognition of the contributions of all citizens to the nation over their lifetimes