

The Challenge of Rapid Ageing: Development of Social Pensions in Asia

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Ageing populations are a global phenomenon with potentially significant consequences and repercussions for health care, pensions and old-age care. Asia is home to an ever-increasing number of older people or people aged 60 and over, with their number expected to triple from 410 million in 2007 to around 1.3 billion by 2050.

Economic growth and social protection: The rapid economic growth of the region in recent decades has exacerbated, not diminished, the challenges and costs of ageing populations. Traditional family and informal support systems for older people have weakened. Social protection schemes have historically been weak and fragmented in Asia and have failed to keep pace with economic growth. Consequently, old age has too often become an expensive burden for individuals, families and society.

Formal contributory pension system cover only a relatively small number of people, mainly because very few poor people can afford contributions. Such arrangements are also difficult to design and administer for the informal sector, where many poor people work. Thus, a potentially significant gap has appeared between the needs and delivery of basic income support for ageing populations. Some countries have introduced non-contributory pension systems that provide cash benefits to older citizens, but much is yet to be learned about their impact and possible replication in others.

Potential benefits of social pensions: Despite the enormous potential of social pensions, they remain an underutilised instrument for achieving just and equitable societies. Evidence from other regions suggests areas in which social pensions—aside from reducing the scope and severity of income poverty—can benefit individuals, families and wider society.

Among other benefits, social pensions can enable older people to gain access to health care; enhance the status and social standing of older people among families and communities; help enhance the well-being of successive generations owing to benefits shared with younger family members; support economic growth with pensions being invested in productive enterprises; and promote gender equality. However, social pensions are not a panacea. Rather, they should be part of a wide-ranging set of programme and sector reforms. Moreover, the differences in cultures and stages of economic development across the region must also be taken into account.

Some key observations

- Social pensions are relevant for policymakers in countries with high poverty rates.
- Data reveal that social pensions are affordable and sustainable.
- Social pensions reduce poverty and vulnerability, and support poor households, particularly children and socially excluded individuals.
- Evidence in Asia indicates the importance of minimising exclusion error in targeting beneficiaries, as this leads to the failure of pensions to reach poor and vulnerable people.
- Striking an appropriate balance between the development perspective of fiscal space and the fiduciary perspective emphasising fiscal and financial sustainability is needed to be successful in using social pensions to mitigate old-age poverty in Asian countries.
- Adoption of social pensions across the region faces challenges in providing basic protection to low-income and informal urban workers, building popular support, ensuring support for elderly people in political decision-making, and designing comprehensive and integrated systems.
- Introducing non-contributory interventions and going beyond earnings-related contributory pensions through redistributive measures such as state-guaranteed budget funds, employee subsidies or employer contributions, and a universal pension can deliver minimum income security.
- The level at which the pension is set poses a critical question on adequacy for current and future pensioners.
- The average level of benefits is just above the subsistence minimum for a contributory pension in Asia.
- The effectiveness of social pensions largely depends on coverage and size, choice of eligibility criteria, and design and implementation arrangements.
- Empirical knowledge of the impacts of social pensions needs to be strengthened.

Reference:

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