



Aging and Poverty in Africa and the Role of Social Pensions

In many low income African countries, three factors are placing an undue burden on the elderly. First, the burden on the elderly has enormously increased with the increase in mortality of prime age adults due to the HIV-AIDS pandemic and regional conflicts. Second, the traditional safety net of the extended family has become ineffective and unreliable for the elderly. Third, in a few countries, the elderly are called upon to shoulder the responsibility of the family as they became the principal breadwinners and caregivers for young children. While a number of studies have examined the welfare consequences of these developments on children, few studies have systematically analyzed the poverty situation among the elderly (relative to other groups) in low income countries in Africa, and the role of social pensions. This study aims to fill this gap.

Drawing on household survey information, the study has delineated the profile of the elderly for 15 African countries which include both East and West African countries, and countries with a high and low prevalence of the HIV-AIDS pandemic.

The findings show much heterogeneity across countries with respect to the proportion of the elderly population, the living arrangements and the composition of households, and household headship. The variations in household types and living arrangements presumably reflect the variations in, and changing character of, the traditional family

support system and household coping strategies in the wake of covariate shocks and the HIV-AIDS pandemic. However, the proportion of the single elderly is still very small in most countries. A household type “elderly and children” or what is known as “skipped generation household” has emerged as an important structure in some countries. In addition, “households headed by the elderly” has also emerged as a significant household type in several countries.

The analysis shows that the poverty situation, and especially the poverty gap ratio, for the household types the “elderly only”, the “elderly with children” and the “elderly-headed households” is much higher than the average in several countries and the differences are statistically significant. For example, in Malawi, Uganda and Zambia, the poverty gap ratio for various household types in which the elderly are living is 6 to 20 percentage points higher than the average (national) ratio. Likewise the poverty gap ratio among the “elderly-headed households” in 11 countries is higher than the national average. Such differences are particularly large in rural areas. However, it is worth stressing that the elderly are not always over-represented among the poor in every country: on the other hand, the study finds, for example, children in Madagascar, Mozambique and Nigeria are in a much worse situation than the elderly. Careful identification of which particular group is in a dire situation requiring immediate social assistance calls for a critical analysis of the risk and vulnerability

situation in each country, and a relative ranking of groups by risk and vulnerability – an analysis beyond the scope of this paper. While the study finds the case for an universal social pension for all of the elderly to be weak, it does point to the need to consider a non-contributory social pension targeted to certain groups of the elderly.

The study then examines the impacts on group-specific and national incidence of head count poverty and poverty gap ratios of providing a social pension for various categories of the elderly and explores its fiscal implications. The analysis shows that the fiscal cost of providing a universal non-contributory social pension to all of the elderly will be quite high – 2% to 3% of GDP, a level comparable to, or even higher, than the levels of total public spending on health care in some countries. The study also notes that the case for such an universal social pension also appears to be weak even on welfare grounds inasmuch as there are other competing groups and claims on scarce safety net resources in some countries (such as families with many children) whose incidence of poverty is much higher than that of the elderly.

Since such a universal social pension program is fiscally unaffordable and also cannot be defended on welfare grounds in some countries, the study explored the options for a targeted social pension with a fixed budget constraint (0.5% of GDP), and with a fixed benefit level (70% and 35% of the poverty threshold) for the elderly defined as persons 60+ and 65+. First, two household types, the “elder living with children” and the “elderly-headed households” were considered. A program of social pension targeted to these groups yields considerable reduction in the incidence of poverty and poverty gap ratio, for the particular groups targeted, and also at the national level. The case for covering the “elderly only” also under the pension program appears strong because the impact of a pension for this group leads to significant reduction in the poverty gap ratio of the group.

While categorical targeting of a pension for the above groups yields the maximum poverty reduction impacts, and is also fiscally sustainable even in low income countries, its operational feasibility is considered to be weak. Moreover, targeting a social pension for such specific groups among the elderly is most likely to lead to adverse incentive effects and possible induced changes in household types in order to claim a pension. Bearing this in mind, two other simulations were done: impacts of a social pension for “all elderly,” i.e., universal social pension, and “poor elderly,” i.e., a targeted social pension, regardless of whichever household type they live in. The simulation also assumes the realistic scenario that the pension is shared within households.

Taking all things into account – the need to keep the fiscal cost low, minimize adverse incentive effects, and maximize the poverty reduction impacts both at the national level and at the level of the targeted group, and bearing in mind the fact that there are other groups among whom the incidence of poverty is about the same or much worse than that of the elderly – the study concludes that the case for a universal approach is weak. The best option appears to be to target the pension only to the poor among the elderly, keeping the benefit level low (say at about one-third of the poverty threshold), and eligible age limit at 65+. The study underscores the need for more country-specific work to explore the feasibility of the recommended option in diverse country settings. The availability of credible household survey information should enable one to assess the benefits and costs of various targeting approaches (simple means tests, proxy means tests, community targeting, self-selection, conditional cash transfers, etc.) in a given country situation, and help policymakers decide on an appropriate approach to targeting to identify the poor among the elderly for purposes of eligibility to a social pension.

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