BRIEF 5

Social protection and old-age benefits in Asia and the Pacific

For older persons to live independently and with dignity, they need income security. Ageing societies are resulting in fewer children to support each older person. It is not only unsustainable but also unfair to expect families alone to provide the support needed. The security of receiving a pension upon retirement means younger family members can support their own children's nutrition and education, and their own life prospects. Effective old-age pensions are particularly important for women, who live longer than men and often have a shorter employment history.

A wide variety of schemes

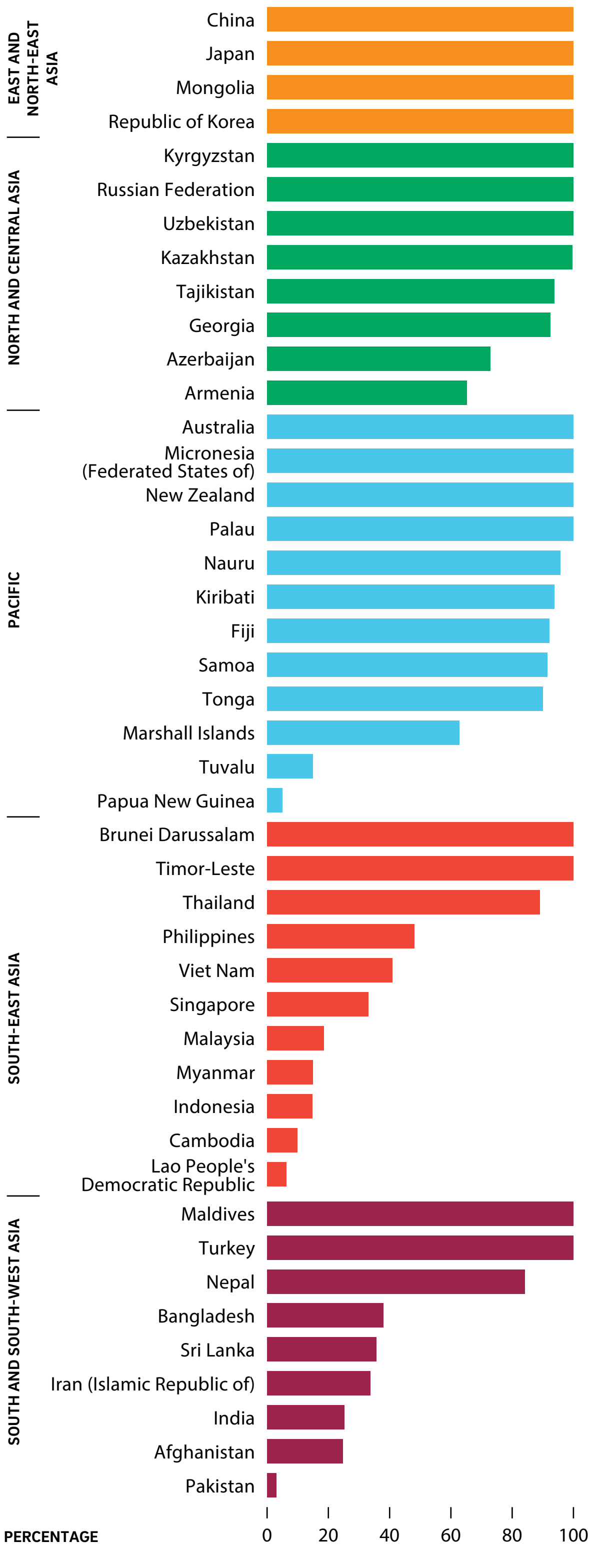
Countries in Asia and the Pacific combine a mix of contributory and non-contributory schemes of which the designs vary. Social insurance pensions are the dominant form of contributory schemes. They provide income security by pooling risks among members and pay regular, predictable benefits until the end of a person's life. Individual saving schemes include provident funds, which collect members' contributions into individual interest accruing savings accounts and pay a lump sum on retirement. These funds are sometimes transformed into an annuity which becomes a pension. Occupational pensions are mandatory in several countries.

Non-contributory pensions are often called social pensions. These can be provided through universal schemes where all older persons over a certain age receive a benefit, regardless of other or previous income. They can also be provided through a means-tested scheme, often based on other income, assets, or other indicators of poverty or vulnerability.

Coverage of old-age pensions is increasing

Countries in Asia and the Pacific have achieved a relatively higher coverage of old-age pensions compared to other areas where social protection is needed. The recent expansion of non-contributory and subsidized contributory schemes has contributed to the increase in coverage. Thailand and China have achieved coverage of over 70 per cent of all persons aged 60 and above. Fiji and the Philippines reach more than a third of their older populations. Nepal's long standing old-age pension scheme covers all people aged 70, with a lower age threshold for vulnerable groups.

FIGURE 1 Percentage of persons above statutory pensionable age receiving a pension, by country, latest available year



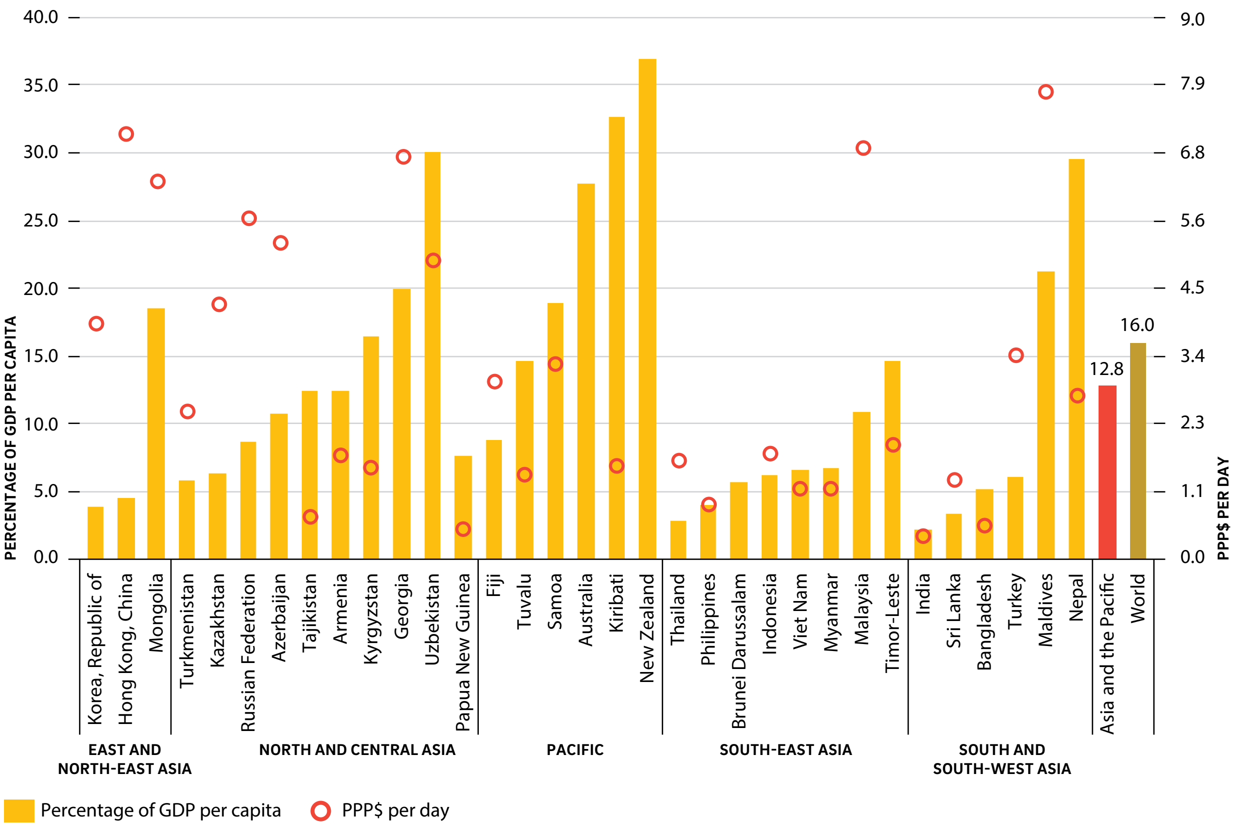
Source: International Labour Organization, World Social Protection Database. Available at https://www.social-protection.org/gimi/ShowTheme.action?id=10.

How non-contributory pension schemes are designed determines their beneficiaries. Some schemes set retirement ages earlier for women than men, others try to target benefits to the poorest or those living alone. Coverage of contributory pensions tends to be low in countries with high labour market informality. They also tend to provide lower coverage for women than men, a reflection of women's lower labour force participation and wages and their higher share of informal jobs. Women are therefore more likely to receive non-contributory pensions than men.

Benefit levels remain inadequate

Despite the rapid increase in coverage of non-contributory pensions, benefit levels are frequently inadequate. Often, old-age pension benefits correspond to less than 10 per cent of GDP per capita. In countries such as Bangladesh, India and the Philippines and Thailand, benefit levels are below the international poverty line of $1.90 a day. Where benefits are low, older persons need to continue to work or rely on family support to avoid living in poverty.

FIGURE 2 Benefit levels of non-contributory old-age pensions as share of GDP per capita, and in PPP $ per day, by country, latest available year



Source: HelpAge International, Social pensions database. Available at: www.pension-watch.net/social-pensions-database/social-pensions-database--/

Contributory social insurance pension schemes generally provide higher benefit levels, although this is not guaranteed. These benefits often require many years of formal work with a minimum level of income. Contributions are pooled so that risks are shared and redistribution takes place among scheme members. Women often receive lower pensions as a result of shorter interrupted careers and lower incomes due to care responsibilities and gender biases in the labour market.

Population ageing is expected to place large pressure on the financial sustainability of social insurance pensions schemes, unless retirement ages, benefit formulas or contribution rates are adjusted. This has led several countries to individualize their schemes by strengthening the link between lifetime contributions and benefits, while also reducing the responsibility of the State as a guarantor.

This brief presents a summary of Chapter 5 of the ESCAP-ILO publication *The Protection We Want: Social Outlook for Asia and the Pacific*, 2021. For further information, please visit https://www.unescap.org/publications/protection-we-want-social-outlook-asia-and-pacific.