


Palacios, R. (2011). Early lessons from attempts to extend pension coverage in India through an MDC, World Bank Institute.


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**CHAPTER 7 EXECUTIVE SUMMARY**

In April 2015, *The Modern Filial Piety Culture Museum* opened its doors in China. ‘Filial piety’ in Confucian philosophy is the virtue of respecting one’s (grand)parents and ancestors. Like in most cultures, supporting older people in China used to be the adult children’s responsibility. They were expected to provide food, shelter, clothing, and medical care for their aging parents. Due to modernization processes, the combination of declining fertility rates and rising longevity with growing urbanization and migration, family support is becoming an increasingly demanding obligation in most regions of the world. Over half of the older population worldwide currently lack income security (ILO, 2014). Working with WorldGranny, the Dutch NGO and partner organization of the HelpAge International Network, in Africa, Latin America and Asia, we witnessed the everyday consequences of the diminishing family support and the feminization of poverty. The United Nations estimates that over 1.2 billion older people will be without access to a secure income by 2050, unless action is taken. That is why aging is often framed in terms of ‘crisis’, even in developed economies. This research brings together the analytics of the risk of old age poverty with the way households and governments perceive this ‘crisis’, guided by the main research question: *How do households and governments deal with the risk of old age poverty in emerging countries?*

In order to contextualize the research question, we made use of the theoretical framework of Wood and Gough (2006). This is basically a categorization of types of welfare regimes, structured as a continuum of global ‘social security regimes’ ranging from: 1. *welfare state* (systemic arrangements of the state and other institutions through which people can get livelihood security) 2. *informal security regimes* (in which people rely heavily on community and family for social security) and 3. *insecurity regimes* (where the unpredictable environment of f.i. violent conflicts, natural disasters or crime economies- undermines former stable traditional society patterns. These patterns are characterized by
clientelism which refers to the exchange of goods and services for political or military support- and informal rights within traditional communities, and can destroy traditional family and household-coping mechanisms) (Wood & Gough, 2006). The scholars define the middle-income countries in East Asia as productivist welfare regimes, based on dynamic emerging capitalist market economies under strong state guided pursuit of economic growth, with the emergence of marketized social welfare as an outcome. In our four case studies government initiatives will be examined (top-down) as well as household responses (bottom-up) in the continuum of countries with insecure regime, informal regimes and those that are on their way to becoming a welfare state.

Four case studies were conducted on Ghana, India, China and Peru guided by four sub-questions that refer to the above described theoretical framework of Wood and Gough. Pension systems are categorized in three so called pillars. Pillar 1 refers to tax based, non-contributory ’social’ pensions. The second pillar is the funded formal work related private pillar. The third pillar consists basically of individual and household savings. We concentrated in the case studies on the introduction and effects of the first and the third pillar pension schemes.

1. If no non-contributory pension – Pillar 1 - policies exist, as in many informal regimes - mainly on the African continent, would health insurance premium exemption policy for older people increase access to health care and therefore reduce the risk of old age poverty?

2. If low pension coverage exist, as in some informal regimes in South Asia - in particular for low income female workers - can the coverage be increased by strengthening third pillar micro pension provisions?

3. If an increase in pension coverage is realized by introducing Pillar 1 pension policies, will this reduce high household savings (third pillar pension provisions) as currently exist in many productivist regimes like China?

4. If no non-contributory pension policies exist in economically better developed liberal informal regimes like in some Latin American countries, what are the drivers for introducing such Pillar 1 pensions policies and what is the expected effect on the risk of old age poverty?

In our four case studies, we identified a broad awareness that aging and modernization lead to diversification of strategies to reduce the risk of old age poverty. Governments in emerging countries, depending on their country’s position on the continuum of insecurity, informal security or (liberal-informal) welfare state, have been introducing social protection policies for older people in the last decade. From an economic perspective, it is increasingly recognized that economic growth and social protection policies are intrinsically linked and mutually reinforcing, also in emerging countries. Our case studies in China and Peru are examples of this.

The three main conclusions from our case study analyses are the following.

-First of all, we found a growing awareness in societies, amongst governments as well as amongst households of the risk of old age poverty and the need for savings and pension products and policies. This also implies a growing awareness of ‘older people’ as a social category. However, at the same time we identified also some serious reluctance to change the existing behavior of household members with respect to financially preparing for old age. In the China case the strongly increased nationwide pension coverage did not lead yet to a robust decline of the household savings. Households, for the time being, still spread the risks for old age poverty in both pensions and savings. In the India case the women in the informal economy were willing to invest in a long term new micro finance pension product, but were not willing to move their short term savings in the old program into the new long term micro finance program.

-Secondly, we found that social protection policymaking in emerging countries often is no longer a purely national process, since on regional and international level various (research, policy making and financial) institutes encourage national governments to initiate or adjust their social protection policies with respect to older people. The case studies of Peru and of India show how this strong influence of international institutions and of NGO’s could lead to closing the pension coverage gap.

-Thirdly, we conclude that the policies and practices have a different impact on men and women, taking into account their age, educational level and care responsibilities, implying women’s limited presence in the labor market. We also
noted a serious deficit of gender-disaggregated social-economic data which could have made in-depth research possible into the different effect of social protection policies on the lives of older men and women. In the case study of China the household level data did not allow analyses to assess gender differences within the households. In the India case study the respondents were almost all women, who indicate their willingness and ability to join the new micro pension scheme. In the case study of Ghana we found low level of enrollment among females in the 70+ age group. Since older people in general and women in particular make more use of health services, one would predict that the enrollment would be significantly higher. However, we found the contrary. This difference could be attributed to the differences in level of education. In the case study of Peru the expert interviews indicate to expect higher impact of newly introduced social pension program for poor older women then for older men. The lack of gender specific data is serious shortcoming for further analyses on gender differences in mitigating old age poverty.

After having completed the four case-studies, the theoretical format of Wood and Gough has been applied to the outcomes in order to develop a framework in which the risk of old age poverty can be assessed. Our research design can be classified as mainly exploratory, aiming at providing insights into and understanding of the risk of old age poverty in emerging countries. The study has descriptive elements where it refers to functions and characteristics of (new) policy developments. The data collection has been different for the various case-studies subjectively selected to maximize generalization of insights. We did not conduct a comparative study. In terms of data-analysis a mixed method was use of mostly quantitative analysis in the case study of Ghana, India and China and partly qualitative analysis as in policy evaluations mostly applied in the case study of Peru. In terms of general conclusions addressing the overall research question we need to be more tentative than final as we consider the politics of aging as a steadily maturing research field. Alternative studies addressing this specific issue might have the advantages of the strictly quantitative comparative approach, though they might lack a deeper insight in the specific national or regional (institutional) context.

As the Age of Aging is coming into existence, the need for effective policies increases. But policy alone is not sufficient. The need for active participation of individuals and households is required. That is why this thesis is not titled The Policies for Aging, but The Politics of Aging. The welfare of older men and women, understood as their individual, guaranteed, non-personal and justifiable right irrespective of birth, wealth, gender, status or other ascribed characteristics, is relevant to older people of today, but also of crucial importance for the generations of tomorrow.