The Politics of Aging

The Risk of Old Age Poverty in Emerging Countries

Caroline E. van Dullemen
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ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad Doctor aan de Vrije Universiteit Amsterdam,
op gezag van de rector magnificus prof. dr. V. Subramaniam,
in het openbaar te verdedigen ten overstaan van de promotiecommissie
van de Faculteit der Sociale Wetenschappen op dinsdag 23 mei 2017 om 9.45 uur
in de aula van de universiteit, De Boelelaan 1105

door

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isbn: 978 90 5383 272 1

Cover image: C.E. van Dullemen

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My mother used to say: ‘It doesn’t matter how old you become. What matters is the way you become old.’ In Dutch: ‘Het doet er niet toe hoe oud je wordt, maar hoe je oud wordt.’

This mindset helped me founding WorldGranny, partner of HelpAge International, a global network of organizations set up to improve the quality of the lives of older people and their families.

First and foremost I thank my supervisor, Jeanne de Bruijn, who agreed to become the chair of the first WorldGranny board in 2004. About seven years later, she also agreed to supervise my PhD-trajectory. Without her patience and theoretical guidance, especially during the last phase of writing, I would have lost track on the academic path. We spent many great hours together discussing politics and society in various countries. Our sociological curiosity brought us in faraway places such as Accra, Havana and Yokohama.

My thanks and appreciation to the members of the Reading Committee: Willem Trommel, Geske Dijkstra, Inge Hutter, Robert Lensink and Pauline Meurs for taking the time to assess my manuscript.

I am even more grateful to Pauline Meurs, who has been an acting chair of WorldGranny for almost a decennium. You have always been very committed, not only during sparkling events in the Rijksmuseum or conferences hosted by De Nederlandsche Bank, but also in more stressful situations. I learned so much from you. Thanks for your confidence in me, that has be very reassuring.

Earlier in my life there had been moments when I thought of writing a PhD. Somehow, I always knew I would do it, but delaying tactics prevailed. When I met Lucienne van der Meer, I knew the moment had come. She combined her
As a psychologist at Leiden Academic Hospital, testing potential Huntington patients, with a great family life, playing the cello and writing a PhD! We decided to spend the Fridays writing together. Lucienne, thanks a lot for showing me the way!

Another friend who showed me the way was Heleen Mees. We started writing a paper together about the high savings rates in China. As an economist the rise of Chinese economy was your focus. For me, the country was of interest because of the rapid aging as the consequences of one-child policy from the seventies onwards for the older generations. Having struggled with the dataset for a while, you choose another path to finalize your thesis which you did in due time. Thank you for all our late night skype discussions, for your support, your proofreading and our skating trips together!

Ineke Nagel, thank you for assisting me to finally mold the Chinese dataset in decent variables. You insisted to properly describe all details of the methodological analysis. So we might write another paper together.

Christine Fenenga, for long, we regularly met in the Victoria Hotel. I cannot remember why we had chosen that place, but I always enjoyed our conversations. At some point you suggested I could add some questions to the survey you were conducting in Ghana in order to write a joint paper. With your colleague Stephen Duku we analyzed the answers. I remember how surprised we were when we found out that not all 70+ Ghanaians used the national health premium exemption. Sometimes people do not behave according the laws of policy makers.

Ruth Oldenziel studied in Yale when we first met. I admired you for following a sometimes thorny path, in the academic heights. I want to thank you for your reading my introduction and concluding chapter and your useful suggestions. It was you who connected me to Val Kidd, with her unparalleled editorial skills. Val, I thank you very much for cleaning up some of the chapters. We both enjoyed talking about our knitting groups and I loved your reports about the community shop in Coupar Angus selling locally grown veg, showcasing arts and crafts etc. Hope one day I can visit you high up in Scotland.

Annemarie de Wildt, I simply thank you for your ongoing friendship and standing behind me on the day of my promotion.

I am also grateful to my beloved family, my soulmate, motivator and intellectual bullfighter Meindert, my daughter Flora and Meindert’s daughter Reina, none of them ever seemed to notice that I worked during weekends or holidays. At the same time, they never showing any doubts about me reaching my final goal. My other family, extended family, my DD group and Dames Diner group and friends, I embrace you, since you all carried me to the point where I am today.

Else Marie van den Eerenbeemt taught me to think contextual and intergenerational. Without you, I would have been another person. Thank you for being a great ambassador for WorldGranny.

With my colleagues of BluePrint Pension Services, I am discovering the nuts and bolts of micro pension. You probably recognize the cover picture taken in Fiji. In cooperation with the UN Pacific Financial Inclusion Fund and the national provident funds, we develop micro pension schemes for the informal sector in Solomon Islands and Fiji. Thanks, Robert Timmer and Beryl van Andel for taking me along this fascinating journey.

Finally, I dedicate this thesis to my parents. My father, while still in adolescence, made a wrong political choice for which he was punished by not being admitted to university. Still, he studied all his life and transferred his intellectual curiosity to me. I know he would have been proud of me now. My mother left high school when she was 15 years old to go to a school that prepared her for domestic labor (huishoudschool). When she was in her fifties, she obtained a degree in English language and literature and became an English teacher. After she became ill with MS and was confined to a wheelchair, she translated various books. Her optimism and endurance have always been an example for me.
ACCOUNT

CHAPTER 1:
Principal author C.E. van Dullemen. J.G.M. de Bruijn contributed with respect to theory, structure and editing.

CHAPTER 2:

All authors accounted for an equal part (stated in the paper and as such published in *Journal of Aging & Social Policy*).

CHAPTER 3:

Principal author C.E. van Dullemen. J.G.M. de Bruijn contributed on structure and editing.

CHAPTER 4:

Principal author C.E. van Dullemen, responsible for research-format, introducing the data base and conceptualizing the variables as part of methodology. I. Nagel contributed with data processing. J.G.M. de Bruijn contributed on structure and editing.

CHAPTER 5:

Principal author C.E. van Dullemen. J.G.M. de Bruijn contributed with respect to theory.

¹ For account on data collection and analysis, see chapter 1, par. 1.3.
² The authors, all PHD candidates, contributed on an equal basis.
1 CHAPTER 1 - THE SUBJECT OF THE RESEARCH

1.0 WorldGranny

1.1 The contextual framework: demographic and socio-economic perspectives
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   - Socio-economic development - welfare regimes in emerging countries
   - From de-commodification to de-clientelization
   - Welfare Matrix of Wood and Gough
   - Current social protection developments in emerging economies

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   - Old Age Poverty
   - Social economic inequality and old age poverty
   - Health and old age poverty
   - Gender and old age poverty

1.3 Research and data collection
   - Selecting case studies

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Annex 2  Ranking Global Welfare Regimes
Annex 3  Incidence of old age poverty in developing countries
Annex 4  Benefits and coverage of social pensions in middle- and low-income economies
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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. Many governments are taking more responsibility of mitigating old age poverty risks. Some countries, like China, have achieved unprecedented progress in pension coverage last decade. Elsewhere, social protection for older people is being addressed by government (health) policies as well as (non)commercial financial institutions. Nevertheless, in rapidly aging emerging countries, increased life expectancy and declining family support threatens older people from a poor or low-income background. The risk of old age poverty is particular high for women since they live longer and they often had and still have fewer opportunities to create a pension due to less (formal) labor force participation. This process of rapid aging in emerging countries can be described as the ‘paradox of development’: people live longer, but they run a greater risk of falling into

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1. In this thesis we use the term ‘older people’, not ‘elderly’ or seniors.
2. The concept ‘support’ is understood here as financial support. Family contributions in kind like food and clothing are considered as financial support, unlike ‘care’ which refers to socio-psychological well-being or to taking care on a personal level or care as in managing the household.
3. For Social protection, many definitions can be found. The World Bank defines social protection as a collection of measures to improve or protect human capital, ranging from labor market interventions and publicly mandated unemployment or old-age insurance to targeted income support. Social Protection interventions assist individual, households, and communities to better manage the risks that leave people vulnerable. Social Protection defined by the United Nations Research Institute For Social Development, is concerned with preventing, managing, and overcoming situations that adversely affect people’s wellbeing. (Bangura, 2010).
Social security is defined in the constitution of the International Social Security Association as any scheme or programme established by legislation, or any other mandatory arrangement, which provides protection, whether in cash or in kind, in the event of employment accidents, occupational diseases, unemployment, maternity, sickness, invalidity, old age, retirement, survivorship, or death, and encompasses, among others, benefits for children and other family members, health care benefits, prevention, rehabilitation, and long-term care. It can include social insurance, social assistance, mutual benefit schemes, provident funds, and other arrangements which, in accordance with national law or practice, form part of a country’s social security system.
old age poverty because family support is declining and this is not replaced by social security measures in the same speed. The Chinese government is aware of these socio-demographic changes. Building a million-dollar museum on Filial Piety no doubt shows the Chinese public a rapidly fading social world.

This thesis addresses the question how to mitigate the anticipated risk of old-age poverty in developing countries? Two perspectives are relevant for this research topic. The demographics perspective: how far advanced is the demographic transition due to declining birth rates and rising life expectancy? (section 2) The second perspective is the socio-economic one: what is the risk of old age poverty for people over the age of 60 - the United Nations standard - compared to the average poverty risk for the entire population? (section 3) In this research, this UN 60+ age standard is used as well. Currently, the population of the developed nations are relatively the most aged. But in terms of numbers, the majority of older persons reside in developing countries or ‘emerging economies’, in particular in Asia (UN, 2013).

The literature offers various definitions for developing countries, mostly referring to low industrial economy, low GDP, and low ranking on the Human Development Index. In this thesis the terms “emerging countries” or “emerging economies” refer to middle and low income developing countries that are not considered failed states.4 Europe today is in the most advanced stage of demographic aging (23.2% of the population is over 60 years), while Africa is in the earliest stage (5.4% > 60). By 2050, these continents are expected to have respectively 33.6% and 8.9% of their population to reach over 60 years old (Global Age Watch Index, 2014).

From a demographic perspective the transition in emerging countries differs from that of western societies. One of the main differences is that the expected pace of aging is much faster than it was in European countries over the last century. France doubled its older population over 100 years from 7 to 14% from 1865 to 1980; it took Spain almost 50 years. China is expected to take about 25 years, and Brazil and Indonesia about only 20 years to double in the same size (Magnus, 2009). The emerging countries have, or at least will have, significantly less time and fewer resources to meet the aging challenges. This situation makes it much harder to develop appropriate social protection for older people in the emerging countries than it was in the developed countries in the past (Kunkel et al., 2014). One could state that emerging countries “are getting old before they become rich”.5 Therefore it is likely that the development of social security for the older people will take different forms in these countries than it did in the earlier developed welfare states in western countries. The academic interest in the consequences of rapid aging in the emerging countries is increasing, though still low. The scholarly research conducted on the risk of old age poverty will be summarized in section 3.

How has ‘old age’ become an issue? Sociologist Phillipson gives an overview in the context of social gerontology. In his Reconstructing old age; New Agendas in Social Theory and Practice, he starts the reconstruction of old age in western countries in the 50ies where it is related to the building of the institutions of retirement and the welfare state. In the 70ies and 80ies the notion of a secured old age began to fray at the edges. Early retirement arrangements created pressure on the financial system resulting in blaming the old for being a burden to society. At the same time another identity emerged for senior citizens who entered their ‘third age’ full of activity and leisure. Phillipson acknowledges the gains made in most Western societies but he also points to crucial similarities between regions worldwide. Millions of people, even in the west, face at some point in their old age: the fear of poverty and loss of income, fear about the adequacy of the provision for healthcare and fear about the use of time and leisure (Phillipson, 1998).

In emerging countries these fears are well grounded because of the transition period in which socio-economic family support starts to become insufficient
and state support is still inadequate. Sometimes churches or NGOs take on part
of the caring role for the growing numbers of dependent older people. In 1992,
Kendig et al. already analyzed the changing family relations and aging in the
developing world. In Family support for the elderly: The international experi-
ence, they focus on the cultural diversity of aging, which refers to the various
definitions of 'family' and show that support for the older generation in the
eighties and early nineties still depended largely on family care. This informal
care then started to be complemented with more formal health and social ser-
vices since family caregivers were not always able to provide adequate care
(Kendig et al., 1992).

In the reader International Perspectives on State and Family Support for the
Elderly, Bass and Morris (1992) acknowledged the same trend. Over ten years
after the United Nations World Assembly on Aging (1983), there is at least
a recognition on the part of policymakers in developing nations that families
often need some outside support if they are to continue to carry out their tra-
ditional roles of caregiving for frail elders. Bass & Morris concluded that few
governments had been able to follow through and enact the policies and pro-
grams to make that support a reality (Bass & Morris, 1993). The researchers
recognize the plight for older people is becoming more serious as the extended
family continued to break down under the growing pressures of internal and
external migration, urbanization, and modernization. They also pointed to
the new "grandparenting" responsibilities imposed upon older people in both
developing and more developed nations as growing numbers of the middle
generation were wiped out or made ineffective by HIV/aids, drug abuse or the
consequences of violence.

In the last two decades, family support systems are changing even more rap-
idly in a global geographical context. Studies show that demographic changes,
declining fertility rates, changing gender roles, urbanization, and the HIV/aids
pandemic are the main drivers of diminishing family support for older people
worldwide (Williams, 2003; Aboderin 2006). What are the implications of
these changes for the poverty risks of (future) older people in emerging coun-
tries if ‘Filial Piety’ is gradually becoming a historical concept, featuring in a
museum rather than in daily reality?

1.0 WORLDGRANNY

One of the awareness raising NGOs on risks of old age poverty is WorldGran-
ny. This Dutch organization was established in 2004 as a partner of HelpAge
International and works with and for older people, mainly women, in Asia,
Africa, and Latin America, to improve the quality of their lives. HelpAge In-
ternational (HAI) was formed earlier in the wake of the United Nations (UN)
adopting the 1982 Vienna International Plan of Action on Aging. The UN was
then focused on western countries where population aging was emerging at the
time. Twenty years later, the 2002 UN Madrid International Plan of Action on
Aging addressed old age as a global issue, also in less developed and emerg-
ing countries. Governments were committed to include aging in all their social
and economic development policies. In this thesis we will study in what re-
spect some emerging countries have followed this international commitment
to adjust their social protection policies for older people.

WorldGranny addresses the increasing gap between the inadequate family
support structures for older people in emerging countries and the insufficient
coverage of social security by government or private pensions. As a founder
of WorldGranny, various experiences in the field motivated me to undertake
this thesis on this topic. In 2009, WorldGranny organized a conference The
Challenges of Global Aging at the Dutch Central Bank (De Nederlandsche Bank).
George Magnus, author of globe-spanning book The Age of Aging (2009), was
the keynote speaker. He analyzed how demographics were changing the global
economy, emphasizing that the whole world is experiencing a fundamental
demographic shift, which has no parallel in human history. With a growing

6 Though the reader itself focuses on more developed regions as it compares family care and state
policies in Canada, the United States, Sweden, the United Kingdom, Hong Kong, Austria, Denmark,
Israel and the People’s Republic of China.
ageing/docs/vipaa.pdf
group of academics, Magnus focused on the consequences of aging in terms of global insecurity, inequality, and poverty (Jackson et al., 2008; Osberg & Sharpe, 2012; Ferrarini et al., 2015). This perspective has influenced the focus of my thesis on the specific risks of old age poverty. The combination of a micro perspective of households with a macro perspective of the state led to the main research question: How do households and governments deal with the risk of old age poverty in emerging economies? Later in this chapter the selections of the case studies on specific countries will be motivated.

1.1 THE CONTEXTUAL FRAMEWORK: DEMOGRAPHIC AND SOCIO-ECONOMIC PERSPECTIVES

The demographic transition
As mentioned above, the risk of old age poverty in emerging countries cannot be analyzed without taking into account the context of demographic changes. This ‘demographic transition’ - a country’s population structure changing from high birth rates and death rates, to low birth rates and death rates - is a set of interrelated social and demographic changes that results for a period of time in rapid population growth and in a later phase in population aging. This prototypical demographic transition occurred throughout western Europe during the 19th and early 20th centuries. Scholars point to industrialization, urbanization, disease control and birth control and the spread of literacy and education as triggering the demographic transition (Bloom et al., 2003; Kunkel, et al., 2014).

The demographic transition theory is based on an interpretation of demographic historical data by the American demographer Warren Thompson in 1929 (Thompson, 1930). Thompson discovered similar patterns in the transitions in birth and death rates in all industrialized societies over the previous 200 years. Thompson’s model in Figure 1 shows that the demographic transition patterns are the same in the different countries, but the countries vary remarkable in the stages of transition they are in.

Most developed countries are in stage 3 or 4 or entering stage 5 of the above model: birth rates drop to near death rates, and the population is stabilizing. Most emerging countries, however, have only reached stage 2 or 3; (child) death rates drop, but birth rates not yet. Therefore eventually a period of rapid population growth will follow. According to the demographic transition theory, this will lead to the so called ‘demographic dividend’. This means a period in which the number of dependent young people starts decreasing and the number of old dependents is not yet growing. Therefore the size of the economic active population is for a period relatively high compared to the inactive population (the number of dependent young and old people). This leads in most countries to a relatively prosperous period of economic growth. A few countries (in sub-Sahara Africa) are still in phase 1 with high birth rates and high child mortality. Most countries of rural sub-Saharan Africa are in phase 2, as well as countries in rural Asia and countries in the Middle East and Latin-America. Some are entering phase 3 like Ghana, Ethiopia, Kenya, and Malawi8 with likely some economic dividend.

http://www.newsecuritybeat.org/2013/08/demographic-transition-stalled-sub-saharan-africa/
The speed of the demographic transition also varies remarkably per country or region. How quickly a given country reaches the post-transition stage depends on an array of as-of-yet poorly understood cultural and social factors (Kunkel, 2014; Lloyd-Sherlock, 2000; Lloyd-Sherlock, 2004). For instance, in large parts of sub-Saharan Africa, a quick fall in birth rates was expected to follow after the drop in child mortality, but this didn’t happen. The decline in birth rates was dramatically slower than earlier in the western world. Some countries in sub-Saharan Africa, for instance Niger, Nigeria, and Mali, still have a very slow decline in birth rates, even though their rate of child mortality dropped already in the 1960s and 1970s. According to some demographers, like Moultrie et al. (2012) a high level of desired birthrate, is still expected to be a rational response to the uncertain personal and institutional context in which the majority of African women finds themselves in. Due to poverty and economic insecurity children are still expected to be extra hands with earning capacity, expected to be a guarantee for later life security or, maybe, children will migrate and will send remittances. Others indicate the low female literacy rate as a main cause of ongoing high birthrates (Hanmer, Lensink & White, 2003) as there is a strong correlation between the level of education of women and giving birth at very young age (Gupta & Mahy, 2003). At the same time, there are also countries that show the opposite: after the decline in (child) mortality had set in, the fall in birth rates occurred much quicker than in western countries. This is mostly in Eastern Asian, Latin America, and Caribbean countries.

From a demographic perspective, with the different time lags in the demographic transition and therefore different phases in aging of the population, it begs the question: is there a ‘right moment’ in a country’s demographic development to start with social protection for the aged? The phase in the demographic transition obviously is an important factor when studying old age poverty risks.

**Socio-economic development – welfare regimes in emerging countries**

Looking for an answer to this question, when is the right moment to start social protection for the aged, the socio-economic development context as well as the type of governance in the researched countries becomes relevant. From an economic perspective, by means of a historic benchmark exercise, the economist Desai (2015)\(^9\) shows that Asian states are lagging well behind in developing social protection. India today is richer than Germany was when that country introduced social pension for all workers in the late 1880s; Indonesia is now wealthier than the United States was in 1935, when the Social Security Act was passed; and China is more affluent than the United Kingdom was in 1948, when the National Health Service was introduced. What the explanatory factors are, is difficult to generalize. Is a weak government a factor in lagging behind on non-contributory welfare schemes? Is it due to powerful transnational corporations, which break the bargaining strength of trade unions to realize worker’s pensions? Is it the relevance in some emerging countries of a large informal sector which is excluded from formal contributory pension schemes? (Holzmann & Jörgensen, 2000; Chandy et al., 2015).

The different welfare regimes in western countries are often compared by their coverage of social security for vulnerable groups. Do these regimes resemble those of countries outside the group of the Organization for Economic Co-operation and Development (OECD)\(^10\) countries, the so called non-OECD countries as well? Esping-Andersen (1990) categorizes the different (welfare) regimes by how they react to misfortunes like widowhood, unemployment, illness, orphan-hood and old age. He theorizes that three societal institutions could potentially serve as protective institutions: the state, the family, and the market. Esping-Andersen researched 18 developed OECD countries\(^11\) on their rate of decommodification – the extent of independency of market or family - and coined three types of welfare (state) regimes: Liberal, Social Democratic and Conservative. Each has a historically developed, specific combination of the state, the market, and the family, the so-called ‘welfare’ triangle. A liberal regime shows primarily market-oriented (commodified) solutions; A social democratic regime developed the state as main provider of social security provisions.

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\(^11\) The OECD’s goal is to promote policies that will improve the economic and social well-being of people around the world. Its 34 members include the wealthiest countries in the world.

\(^12\) [http://www.oecd.org/about/membersandpartners/](http://www.oecd.org/about/membersandpartners/)
(highly decommodified); and in a Christian democratic (called conservative by Esping-Andersen) regime, the family primarily provides basic needs for its members (decommodified for families in need). The categorization of Esping-Andersen received criticism from various angles, including critique from a methodological and a gender perspective. From a gender perspective the critic was that the role of women in society (carer or female labor participation) is a crucial underlining factor, which was initially omitted by Esping-Anderson. He replied in 2009 with the publication of *The incomplete revolution: Adapting to women’s new roles*. It focuses especially on the quest for gender equality, on the role of families in the reproduction of social inequalities, and on major inequities associated with an ageing population. Yet, some scholars (Walby, 2009; Dowd, 2013) argue that Esping-Anderson’s gender analysis is too limited and is mainly focussed at the family (Walby, 2009, p. 63, 64).^{13}

**From de-commodification to de-clientelization**

After Esping-Andersen constructed his model, more research was conducted on the changing European welfare states (a.o. Brandsen, Trommel & Verschuere, 2014). Also a broader conceptualization of welfare regimes was proposed with respect to non-OECD countries.

Instead of Esping-Anderson’s *de-commodification-index*, Wood and Gough (2006) put forward the *de-clientelization index* for the variations in (welfare) regimes in developing countries. Esping-Andersen looked at the security for people to become less vulnerable/less commodified to the capitalistic market forces. In emerging countries clientelism renders people dependent of much more other relations and institutions like hierarchical and patriarchic family relations (vulnerable older people, women and children), nepotism and patronage in community relations and in weak state institutions. Also new rapid global capitalism and the exploitation relations that come along or sometimes also drugs- and other crime economies (weapons, waste, organs, human trafficking) create new vulnerabilities. Wood and Gough frame two other umbrella types of regimes, *the informal security regimes* and *the insecurity regimes*, besides the welfare state regimes of Esping-Anderson (fig. 2). Dependency patterns of various kinds intermediate between the needs of poor people (shelter, employment, etc.) and the imperfect institutions in the state and market domains.

**Figure 2. A taxonomy of global welfare regimes.**

*Informal security regimes* define the traditional institutional arrangements where people rely heavily on community and family and household coping strategies and clientelism for their security needs (*filial piety*). These relationships are usually patriarchal, hierarchical and asymmetrical whereby poorer people trade some short-term security in return for longer-term vulnerability and dependence, like f.i. teenagers in criminal gangs. The underlying patron–client relations are then reinforced and can prove extremely resistant to civil society pressures and to measures to reform them along welfare state lines with a strive for equal securities for all, and with entitlements for the most vulnerable groups or individuals (Wood & Gough, 2006).

Weak states have often little chance to develop and implement social security policies. Wood and Gough call them *insecurity regimes* which are rarely confined within national boundaries. The unpredictable environment (violent conflicts, natural disasters, crime economies) undermines former stable tra-

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13 The concept Esping-Andersen uses to capture the changes in gender relations are “famialism” and “de-famialism”. He asserts that ‘given women (or at least mother’s) family responsibilities easily restrict their ability to gain full economic independence solely via work, their de-famialization, as many studies have shown, depends uniquely on the welfare state’ (Esping-Andersen, 1999:45).
ditional society patterns of clientelism (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). These regimes emerge often in fast and unequally modernizing societies, because of e.g. an emerging oil economy, entrance of powerful multinational cooperation’s or a drugs- or crime economies like in some Latin American and African countries with weak governments.

Wood and Gough distinguish further an extra new type of regime, in particular referring to the ‘tiger-economies’ in Asia, which are, conversely to most insecurity regimes, characterized by strong states. They call them emerging productivist welfare states. These economies are based on strong state guidance, an emerging capitalist market orientation, with the emergence of marketized social welfare as an outcome. These countries continue to be governed by unified, relatively strong states in terms of steering and infrastructural capacities.

The concept of welfare regime of Wood and Gough refers (like Esping-Anderson) to systemic arrangements through which people seek livelihood security, both for their own lives and for those of their children and older relatives (Wood & Gough, 2006). The researchers claim that in the end the ‘formal security’ of welfare states (in the sense of individual, guaranteed, non-personal and justiciable rights independent of birth, wealth, gender, status or other ascribed characteristics) is the most satisfactory way of meeting universal human needs including those for security. And therefore they see a moral hierarchy of regime types on a continuum from insecurity to informal insecurity to formal security of welfare state regimes.

Welfare Matrix of Wood and Gough

Wood and Gough developed a theoretical framework to categorize Non-OECD countries. In order to deal with the different conditions in poorer and transitional countries, they transformed the Esping-Anderson triad of state-market-family into an octagon (see Figure 3, institutional responsibility matrix box). First, they add a community domain to the other three. “The notion of community here refers to the multitude of sub-societal organizational forms, including NGOs, and the related notion of civil society”.

They also added a global dimension, “recognizing that poorer, and now transitional, countries have a greater over-reliance in all four domains upon international actors and transfers. This results in a supra-national equivalent of the four domestic components: global markets; donors and other international governmental organizations; international NGOs and other “voice” organizations; and the “internationalized household” - trying to avert risk predominantly through migration and remittances” (Wood & Gough, 2006, p.1702).

This leads to the octagon welfare mix of eight institutional settings (four times two). In their framework country’s basic institutional conditions are: the pervasiveness and character of markets, the legitimacy of the state, the extent of societal integration, cultural values and the position of the country in the global system (top left of Fig 3). In the bottom right of the figure, the model measures the welfare outcomes by Human Development Index and by the Millennium Development Goals. The stratification system (bottom left of Figure 3) refers to a.o. the existing distribution of power in a society, political mobilization by elites and other groups and the range of societal inequalities (Wood & Gough,
2006). This welfare mix and variety of outcomes will also influence the nature of political mobilizations in the future. We will use this model for non-OECD countries to position the countries that will be studied in this thesis.

Later on Abu and Gough (2010) developed a methodology for a more precise clustering of 65 non-OECD countries, with those data. They ranked them by the octagon matrix into eight clusters/type of regimes (annex 2), and assessed their stability over the decade 1990–2000. Cluster A - liberal Informal regimes: these countries have relatively good welfare outcomes, close to those of OECD countries. These liberal Informal regimes show relatively high levels of state responsibility including social security. It comprises 14 of the 65 non-OECD countries, mostly in Eastern Europe and parts of the ex-Soviet Union, Israel, and the Southern countries of Latin America and Costa Rica.

Cluster B contains relatively strong states that exhibit low state expenditures (notably on social security), but have yet relatively good welfare outputs and outcomes. It contains one third of the 65 countries including China.

Cluster C countries distinguish themselves due to their reliance on remittances from abroad, which account for 9% of gross national income on average. Cluster C mainly comprises countries in the Caribbean and Central America, plus Ecuador, Morocco and Sri Lanka. Here migration and remittances provide new international mechanism of informal insecurity on household level.

Cluster D represents a novel combination of characteristics: middle-income countries with relatively high spending on health and education, moderately good welfare impacts and high literacy but with still very low life expectancy. This cluster D comprises five countries, all in southern Africa (plus Kenya), who have been hard hit by the HIV/aids pandemic.

Cluster F, G, H, all have in common that they have relatively weak states, with (very) low but still different levels of security combined with low levels of public responsibility. Cluster F, comprising the Indian sub-continent, Papua New Guinea and two African countries, exhibiting increasing life expectancy with still high youth illiteracy (though somewhat higher girls’ secondary enrollment). Clusters G and H have very low levels of life expectancy and very poor secondary school enrollment. All are in sub-Saharan Africa. They are highly dependent on international resource flows, whether by aid or by remittances or both.

Abu and Gough (2010) make the role of international actors (lacking in Esping-Andersons model) rather central in their research of non-OECD welfare regimes. In particular referring to young, small or weak states for which the international institutions became much more important in the processes of developing citizenship and social security. International recommendations and pressures from international bodies apparently turned out to be a dominant factor in the formation of welfare states in non-OECD countries. In one of our case studies, this international influence will be identified as part of the research.

Current social protection developments in emerging economies

There is a growing consensus around the view that social protection policies constitute an effective response to poverty and vulnerability in developing countries, and an essential component of economic and social development strategies. Contrary to earlier analyses (Dixon, 1999) which identify social security in poor regions as still largely “irrelevant to the basic material needs of most ordinary people”, more recent academic evidence shows that social security systems and social protection programs do actually reduce (old age) poverty (Ahmed et al., 2006; Barrientos & Hulme, 2008; Kenworthy, 2011; Holmes & Jones, 2013). This positive impact has also been acknowledged in policy circles by many multilateral and regional organizations, national governments, and INGOs (IADB, 2000; UN, 2000; ADB, 2001; ILO, 2006; World Bank, 2001; HAI, 2003; DFID, 2005). The G8 Summit Declaration in 2007 described social protection as “an investment in a country’s economic future and a cost-effective way of fighting poverty”. Since 2012 the ILO, together with Human Rights organisations, strives for the human rights-based implementation of the social protection guarantees (ILO recommendation nr. 202, 2012) (Ginneken 2013).

14 See footnote 3 for definitions.
Globally there are large disparities in the budget percentages that governments spend on social protection (varying from less than 1 percent in Afghanistan to about 14 percent in South Africa\(^{15}\)). Barrientos and Hulme (2016) describe the progress in governmental social expenses over the last decade as “the quiet revolution of social protection”. This means a reduction in poverty levels which is partly due to the impact of state organized, social pensions (first pillar pensions). Those pensions are not only impacting on the direct expenses of beneficiaries but also on the expenses on (grand)children in the household, leading to significant improvements in their education and health. Usually pension systems are categorized in three different types, the so called pillars according to the World Bank categorization. The first pillar refers to state provisions, tax based, non-contributory or social pensions. These schemes can be universal (non-contributory) or means tested pensions. The second pillar is the funded private pillar, which refers to formal labor related savings, negotiated by employers and employees. The third pillar consists basically of individual savings that cover self-employed workers in the informal economy or savings additional to the first and second pillar provisions.

One of the most debated topics in the social protection of older people is whether it is preferable to offer first pillar so called social pension schemes to all (universal pension) or target only the poor (means tested). Across both developed and developing countries, many examples of both schemes exist.\(^{16}\) According to the International Labor Organization, 36 countries offer universal social pension schemes while 53 countries means-test them (ILO, 2014). HelpAge International calculated that from the more than 80 countries which have set up social pensions, 47 are low and middle income countries.\(^{17}\)

The group of non-covered individuals is often a rather heterogeneous group. In the emerging economies they are, first of all, the self-employed, mainly in small and medium-sized enterprises as well as in the informal economy. There are also the still large groups of unpaid family workers, mainly working in agriculture. Also, a large group of casual laborers exist who work without a labour contract. And finally, there is a large group of mainly women who are (self)employed as home-workers or domestic workers (Ginneken, 2003).

From an academic perspective, there is clear evidence: a universal pension provision is vastly superior in reaching those living in poverty and in reducing both poverty and inequality (Ginneken, 2003; Willmore, 2007; Mujahid, et al., 2008; Kidd, 2009; Pellissery & Rajan, 2010; Dethier et al., 2010). In his overview, Kidd (2009) summarizes various studies that indicate that the universal social pension type is more effective than means-tested pension schemes.

Dethier et al. (2010) examine the impact on old age poverty and the fiscal cost of universal minimum old age pensions in Latin America using household survey data for 18 countries. They conclude that a universal minimum pension would substantially reduce poverty among older people except in Argentina, Brazil, Chile and Uruguay where minimum pension systems already exist and poverty rates are low. At the same time, these new social protection policies (macro perspective) could affect household savings behavior (micro perspective). Whether there will be a ‘crowding out’ effect of universal social protection on household saving behavior is a research questions in one of our case studies.

1.2 SCHOLARSHIP ON THE RISK OF OLD AGE POVERTY RELATED TO INEQUALITY, HEALTH STATUS, AND GENDER

This section reviews the main research with respect to old age poverty in emerging economies, the dependent variable in this study. Poverty, including old age poverty is a disputed concept which scholars conceptualize in various ways. We will distinguish absolute and relative poverty and a third position which is the concept of deprivation of capabilities. After the different definitions of old age poverty are outlined, three concepts are introduced that are closely related to the risk of old age poverty: social economic inequality, health and healthcare and gender.


\(^{16}\) Founded in 1927 under the auspices of the International Labour Organization, the International Social Security Association (ISSA) counts more than 320 member organizations in over 150 countries.

\(^{17}\) http://www.pension-watch.net/about-social-pensions/about-social-pensions/why-social-pensions/
Absolute and relative poverty

When it comes to understanding poverty, scholars make a distinction between absolute poverty and relative poverty (Duclos & Gregoire, 1999; Madden, 1999; Ruiz-Castillo, 2006; Walker & Bantebya-Kyomuhendo, 2014). Both positions are clearly distinguished in academic as well as in policy debates.

The absolute poverty scholarship describes absolute standards of living (in calories or money), pre-determined by governments or international organizations, in which people cannot reach certain basic consumption needs (Foster, 1998). For instance, in India, the daily consumption of 2100 calories in urban areas and 2400 calories in rural areas was defined as the poverty line for a long time. The Indian government refers to the poverty line also as minimum income level, which is thus a standard for determining the proportion of a population living in poverty. Most well-known is the poverty line of $1.25 dollar per day, the standard developed by the World Bank. In this context, the economist Paul Collier introduced the concept of the bottom billion: the estimated number of people around the world who have to live on less than $1.25 a day (Collier, 2007). This standard was also used in the setting of the Millennium Development Goals (MDGs)

In 2015 this standard was raised to $1.90 per day. According to research by Mack (2009), absolute poverty causes about one third of all human deaths (some 18 million annually) and billions of lives from hunger and disease.

Recently, there is reason for optimism. Since 2000, despite the global financial crisis, economic growth as well as policy changes contributed to the rise of about 1 billion people out of extreme poverty. According to the World Bank, most developing countries saw solid income growth for the bottom 40 percent of their income distributions between 2000 and 2015. The Millennium Development Goals played an important role in stimulating this progress. With an estimated 900 million people in 2012 and a 700 million in 2015 on less than $1.90 a day, extreme poverty still remains unacceptably high. However, for the first time in history the percentage of extreme poverty has declined to a single digit. For 2015 the World Bank estimated it to decline to 9.6 percent of the world’s population, mostly concentrated in Sub-Saharan Africa and South Asia (WorldBank, 2016).

The concept of relative poverty refers to a line that varies according to a country’s average purchasing power. Relative poverty also reflects the norm of what is generally considered to be deprivation within a specific society. The concept broadens the notion of poverty’s impact beyond the obvious lack of basic necessities (Hagenaar & Van Praag, 1985). Critics argue that if the relative poverty concept is taken to its extreme, it means poverty occurs wherever there is inequality: those below the average would be defined as poor, even if that society as a whole is considered wealthy (Wagle, 2002, 2008; Mack 2009).

Both approaches lead to different social policy. From an absolute poverty perspective poor people need enough calories to survive or the minimal aid according to the MDG. Social policy from a relative poverty perspective will lead on average to higher social security.

Hagenaars & Van Praag (1985) suggest a synthesis of the two poverty concepts. They propose a poverty line definition that is not a priori meant to be either absolute or relative: the definition should depend on a society’s perception of poverty. If the poverty line is higher in countries with higher median income (as indicator of ‘general style of living’), the poverty line is said to be relative; if the poverty line does not vary with median income, it is absolute. Hagenaars and van Praag’s synthesis is useful because the definitions of international organizations and nation states fall within their approach. The OECD defines income below 50% of the median equalized household disposable income as the standard poverty line. The World Bank uses $1.90 as the (absolute) poverty line.

A third position, in between the concepts of absolute or relative poverty, is taken by Nobel Prize winner Amartya Sen. He defines poverty as deprivation of...
capabilities (Sen, 1981). ‘Capability’ relates to people’s ability as well as their opportunities to generate valuable outcomes. Sen adds functional capabilities like the ability to live to old age; to engage in economic transactions (mostly financial inclusion); or to participate in political activities. He proves that these are equally important as capabilities like access to resources (income, commodities, and assets) mostly used by the absolute poverty scholars, and utilities (happiness, desire-fulfillment, and choice) more in line with the relative poverty approach. Sen’s capability theory could be useful to understand how old age poverty is addressed by governments and households.

Old Age Poverty

Old age poverty refers to the socio-economic situation of people over 60. As a relative concept, old age poverty refers to the comparison between a country’s national poverty rate and poverty rates in those households that include people over 60. This section analyzes for emerging countries if households with older people are poorer than other households in a country. Research that compares the economic situation of people over 60 with general national poverty levels, takes old age poverty as a relative concept (Barrientos, 2003; Kakwani & Subbarao, 2005; Evans, 2007; Gasparini & Lustig, 2011; GAWI index, 2015).

Barrientos, Gorman and Heslop (2003) focussed on old age poverty in over thirty developing countries (Annex 3). They estimated the incidence of poverty among older people from sources like household surveys, headcount poverty estimates based on household expenditure, and income studies. These researchers reviewed the evidence from quantitative, qualitative, and participatory studies on poverty in later life in developing countries. Despite issues with comparability, their results indicate that poverty in later life is a significant risk. Barrientos also provided estimates of poverty rates by age groups and concludes that poverty is higher among the young and the old, compared to the working age population (U-curve). These results suggest that in later life, the risk of old age poverty rises compared to earlier (working) stages in life (Barrientos et al., 2003).

Kidd and Whitehouse (2009) summarized a number of studies on the relationship between old age and poverty in different continents (p. 42). Researchers Kakwani & Subbarao (2005) conducted research in fifteen Sub-Saharan African countries. Their preliminary results showed statistically significant differences in nine countries: households with older people were poorer than those without older people. In the remaining six countries, these differences are not statistically significant: no clear causal relationship exist between poverty rates in households with or without older people. The authors concluded on this rather thin statistical basis that in Sub-Saharan Africa, households with older people tend to be poorer than in the general population households (Kakwani & Subbarao, 2005). No social pension scheme existed in any of these countries at that time.

Turning to Latin America and the Caribbean, Gasparini et al. (2007) investigated 18 countries to assess if poverty rates among households with older people were higher than in households in the rest of the population. They found that the poverty rate was only higher among households with older people in six of the 18 countries. The researchers also calculated poverty rates as if pensions did not exist: simulating that older people received no pensions, they concluded that poverty rates in 14 countries were higher among households with older members than national poverty rates. The researchers identified social pension programs as a key explanation for lower poverty rates in households with older people (Gasparini et al., 2007). In the past decade, social pension coverage in Latin America has increased.

In Asia, Evans et al. (2007) conducted research in Vietnam, comparing the poverty rate of households with only older people to the national poverty rate. They found that households with only people over the age of 60 had slightly higher average incomes than those with people under 60. However, if pension income (for these older people) was removed, these households with only older people were found to be poorer. In other words, in the Vietnamese case, like in Latin America and the Caribbean, social protection in the form of pensions makes a crucial difference for households with older people.
For the Middle East and North Africa, Robalino, Rao & Sluchynsky (2008) calculated that in Djibouti, the Arab Republic of Egypt, Jordan, Morocco, and the Republic of Yemen, the poverty rate for households with older people was lower than for households without older people. The smallest difference was in Djibouti: 43.5% poverty rate in households with older people compared to 45.1% in other households (Robalino, et al., 2008). The researchers did not take into account the proportion of income provided by pensions.

For research on old age poverty in India, Pal and Palacios (2008) used older data: the 1995–1996 Indian National Sample Survey, with household data from 16 states. They found that in six states the poverty rate for households with older people was lower than in the total population. The opposite was found in the more developed state, Kerala: households with older people were significantly more likely to be poor. In the other states, no significant correlation was found. The authors suggest that the results are partly due to differences in the demographic composition of the households (households with young parents and young children were assumed to be poorer than households with more middle aged members and older people) and a possible ‘survivorship bias’ due to the positive correlation between household incomes and life expectancy. This basically means that in richer households older people have more chance to survive.

Research by Holzmann et al. (2009), titled Closing the coverage gap: Role of social pensions and other retirement income transfers, assesses the risk of old age poverty by analyzing current pension systems worldwide. Less than 20 percent of the older people are covered, and only about 25 percent of the labor force is contributing to pensions or accruing from pension rights. Coverage by mandatory pension systems is particularly low in South Asia and Sub-Saharan Africa, where less than 10 percent of the workforce is protected by pensions. The researchers demonstrate by citing various studies that the role of social pensions is crucial in reducing the old age poverty risk (see annex 4). They state that even in OECD countries poverty rates among older people would be significantly higher without the transfers. In France, for instance, the poverty rate would be almost 90 percent in the absence of public pensions, rather than the present 6 percent (Holzmann et al., 2009).

From the above described body of knowledge (Kalwani & Subbarao, 2005; Robalino, Rao and Sluchynsky, 2008; Gasparini et al., 2007; Evans et al., 2007; Pal & Palacios, 2008; Holzmann et al., 2009) we can conclude that there is mixed evidence on the question whether the risk of old age poverty in emerging countries is greater for households with older people than for the entire population, but the results tend to confirm it is. This study focuses on how households and governments in emerging economies address this risk of old age poverty.

Social economic inequality and old age poverty
In this section and the next paragraphs three factors often associated with old age poverty, namely inequality, health, and gender will be addressed. Many studies show a linear relationship between socio-economic inequality and national poverty levels, mostly identifying this inequality as a result of market and policy failures (Abounoori & McCloughan, 2000; Gorman, 2007; Kanbur, 2014), or due to government and institutional weakness (Scharf & Keating, 2012; Stiglitz, 2012; Piketty, 2014), and as a result of social exclusion (Zhuang, 2010; Ravallion, 2001). A widely used inequality instrument is the Gini coefficient.

There is little research explicitly focused on the relationship between inequality and old age poverty outside the OECD-countries. Some studies have examined the correlation between social policies and poverty reduction. Scruggs et al. (2005) analyzed the relationship between welfare state generosity and poverty levels in advanced industrial democracies in the last quarter of the 20th century by the effect of three social insurance programs—unemployment, sickness, and pensions. The results show that more generous entitlements to key social insurance programs are associated not only with lower absolute poverty, but also lower relative levels of poverty. The countries with more generous welfare commitments, as indicated by the generosity of their programs, also have fiscal systems that reduce poverty and overall inequality more than states with less generous benefit systems. This supports the argument that promoting relative economic equality can contribute to equality as well as to improving the absolute material well-being of the poor (Scruggs, 2005; Rudra et al., 2007, Stiglitz, 2012, World Bank 2016).
The debate between absolute and relative poverty in which researchers identify the right standard to measure poverty, is mirrored in the field of inequality studies. In this field two perspectives can be distinguished. Contrary to Scruggs, Rudra and Stiglitz, some researchers argue that inequality should be conceptualized more broadly than as a purely economic term measured by GINI coefficients (Barrientos, 2010; Sachweh, 2012). In their view, poverty and inequality are not only indicators in terms of income, but these concepts refer to a broader range of wellbeing indicators, particularly related to socio-political (in)security (Sen, 1981; Green, 2007; Collier, 2007; Barrientos, 2008). Poor households adopt unproductive coping strategies, such as removing children from school, delaying health care, and selling livestock, buffeted by shocks like drought, cyclones, floods, conflict, policy reforms, health problems, and unemployment. In this study we follow Barrientos and Sen taking inequality as a significant contextual variable when studying the risk of old age poverty and how governments and households address this risk. As inequality also has strong implications for the health and mortality of various (age) groups (Leon & Walt, 2001), the relationship between health and old age poverty is analyzed in the next section.

Health and old age poverty
Health is a key risk variable for old age poverty, since health condition strongly correlates with income as well as with old age. The World Health Organization shows a prevalence of disability in lower income countries among people aged 60 years and above of 43.4%, compared with 29.5% in higher income countries (WHO, 2011). Also other elements of the socio-economic status like education, social class, and employment correlate highly with rates of mortality and disability a country faces (Hutter et al., 2000). Thus, low rates of mortality and disability imply a low risk of old age poverty at national level. Many studies show inequality in education as an important explanatory factor for inequalities in health and life expectancy (McIntyre et al., 2006; Graham, 2007; Robinson, 2007).

The relationship between health and poverty in emerging countries is studied on household level as well as on policy level. Research on household’s level addresses socio-economic status as a key-determinant for health. If people’s capacity to work in or outside the household diminishes, the need for healthcare increases (Alam, 2008; Cruz & Zelenev, 2010). Alam clearly demonstrates that when older people no longer contribute to the household fi. by taking care of grandchildren or working in the home-garden, they receive less family care than was expected in terms of social and religious values. The studies of Bloom and Canning (2003) and Blakely et al. (2004) refer to the negative spiral in which a poor health condition influences the socio-economic status. Other studies, like Peters et al. (2008), address the impact of illness and limited access to health care on productivity. He presents a review of studies carried out in low and middle-income countries on the economic consequences of illness and health care use for households. He shows the growing evidence of households driven into poverty or even forced into deeper poverty when faced with substantial medical expenses, particularly when combined with a loss of household income due to ill-health (Peters et al., 2008). Peters et al. show the impact of direct costs (medical treatment and related financial expenses) and indirect costs (productive time losses resulting from illness) at the household level. The findings highlight that health care financing strategies which place considerable emphasis on out-of-pocket payments increase the risk for households of falling into poverty. In this same strand of research often the focus is on accessibility to healthcare facilities (Baru, 2010). This refers to practical issues of mobility and (health) infrastructure, but also to the ability to finance healthcare services by the government. Both topics are taken into account while researching the impact of premium exemption on the accessibility of healthcare facilities for older people in Ghana.21

On policy level, socio-economic research shows that national healthcare policies reduce the risk of old age poverty (Kim, Millen, Irwin & Gershman, 2000). As mentioned before there is a clear relationship between income and health.

21 Ghana was one of the first countries in Sub Saharan Africa to launch a National Health Insurance Scheme in 2003. This policy aimed to improve access to quality healthcare for all residents and has indeed helped to reduce poverty. A premium exemption policy for older people was also introduced to increase access to health care.
Cheng et al. (2016) estimate the causal effect of income on health outcomes of older people and investigates underlying mechanisms by exploiting an income change induced by the launch of China’s New Rural Pension scheme (NRPS). Using this policy change, the researchers find that pension enrollment and income from the NRPS both have had a beneficial impact on physical health, cognitive function, and psychological well-being of the rural older people. And the introduction of this rural pension also reduced mortality over a three-year horizon by 6 percentage points.

Often governments have to make policy choices between national health care policies or national old age pension policies, because budgets are not sufficient doing both at the same time. Disparities among and within countries with respect to health outcomes can be partly attributed to differences in spending on health care services, health research, and access to (health) technology and information. Then, from the perspective of the demographic transition theory, it could be rational for governments in the early stages of demographic transition, with many young people and relatively few older persons, to implement national healthcare policies before they develop social pension schemes. Improvement in older people’s health status could be a main anticipating policy of emerging countries to lower the risk of old age poverty, though one might argue that it only postponed the risk of old age poverty to an older age. Focusing on health issues and productivity requires further contextualization regarding gender. The health risks (and therefore the poverty risks) for men and women differ substantially. The next section makes a gender analysis of different socio-economic situation in old age.

Gender and old age poverty
Men and women live different lives and often face different risks, even more so in traditional patriarchal societies. Women in most cultures have socially ascribed responsibilities for the care work of family members and therefore their wage labor participation is mostly limited. What specific risks do older women face regarding old age poverty in emerging regions? Research shows that gender differences, resulting in a higher risk of (old age) poverty have their roots in unequal access to resources and in a lack of political rights (Bussemaker, 1999; Fukuda-Parr, 2003; Rodenberg, 2004; UNDP, 2005; Franco et al., 2007). In many emerging countries poverty rates rise with both age and changes in living arrangements (more or less communal or family based), though living alone has a greater poverty impact on women than on men (Thakur et al., 2009). Therefore, poverty amongst older women is highest among the divorced, widowed and never-married, groups whose prevalence within the older population will rise significantly over the next decades (Smeeding & Sandstrom, 2005).

The following factors with respect to the risk of old age poverty for women were extracted from the studies mentioned above:

First of all, becoming a widow or getting divorced is one of the major risks for women to fall into old age poverty (UN, 2005). According to studies by Dutt et al. (2010), at least 245 million women around the world have been widowed and more than 115 million of them live in devastating poverty. The most dire consequences are faced by 2 million Afghan widows, at least 740,000 Iraqi widows who lost their husbands as a result of the ongoing war conflicts, and by widows and children evicted from their family homes in sub-Saharan Africa (Dutt, 2010). In many (sub)cultures—especially on the Indian sub-continent, Middle East and Africa—widowhood still represents ‘social death’ for women (Apt, 1996; Fuwa et al., 2006). It is not merely the loss of their husband, the main breadwinner and supporter of their children, but widowhood leads to loss of social status and often confines these widows to the margins of society. The high percentage of widowhood is partly the result of women living longer, and men marrying younger women or having several wives.

A second factor that increases the risk of old age poverty for women is the grandchild care responsibilities for older women in countries where HIV/aids or military destabilization took away young parents (mostly responsible for the family income), leaving behind high numbers of parentless children (Lund & Srinivas, 2000; Nyesigomwe, 2005). UNICEF estimated in 2014 that 18.0 million children worldwide had lost one or both parents to aids.22

http://data.unicef.org/hiv-aids/care-support.html
A third factor is the limited earning capacity of women during their working life-time, which means they cannot save enough to cover the risk of longevity (Van Dullemen, 2013). This is among others a consequence of less access to education and limited possibilities to work on the labor market due to family care work obligations related to specific gender roles. Thus women can’t build up enough employment pensions (second and third pillar pensions). In almost every country worldwide, on average women still have less income and much less wealth than men.

In general, the risk of old age poverty enhances as larger numbers of older women come to live alone by choice or by necessity, because children have died or live far away, or husbands have died or migrated (Kinsella et al., 2009). About one out of seven older people in the world, approximately 90 million, live without relatives. Almost 20% older women live alone (about 60 million) compared to 8% of older men (about 25 million) (UN, 2005).

Living alone is no longer necessarily a negative feature of women’s lives, certainly not in the western world because the lower risk of old age poverty. Some scholars show that the phenomenon of older women living alone could be related to emancipation as well (Knodel & Ofstedal, 2003; Hooyman, Kawamoto & Kiyak, 2015). These women have more freedom since they are not caught up in tight family structures or gender roles.

1.3 RESEARCH AND DATA COLLECTION

Developing the research ideas for this dissertation on the politics on global aging, the fieldwork of WorldGranny became an important entrance and resource for the case studies in this book. From 2011 to 2015, WorldGranny has been working on a five-country program in Asia, mainly on themes like capacity building self-help groups, financial inclusion - financial literacy, micro-pensions-, and access to healthcare. In Latin America, particularly Peru, WorldGranny has been a NGO advisor in the process towards a growing social and political movement striving for social pensions. WorldGranny has also worked extensively on income-generating projects worldwide. And in Africa, WorldGranny teamed up with partners that implemented poverty alleviating programs for older women and their orphaned grandchildren. The substantial number of monitoring and evaluation studies focused on the impact of the applied method with respect to the welfare outcomes of older people, but they lacked a theoretical framework and a more in depth understanding of the politics of aging.

From the main research question, how households and governments in emerging countries anticipate on reducing the risk of old age poverty, four sub-questions were developed, each for one case study:

1. If no non-contributory - Pillar 1- pension 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? (Case study in Ghana)
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? (Case study in India) 
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? (Case study in 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 of introducing such Pillar 1 pensions policies and what is the expected effect on the risk of old age poverty? (Case study in Peru) 

Selecting case studies

In order to study these four sub-questions, this dissertation offers four case studies selected according to following five criteria:
With respect to the demographics, we selected countries with a middle or higher range of life expectancy after 60. Life expectancy after 60 is 23 years in Peru, an estimated 19 years in China, whereas 17 years in both Ghana and India.

Also, the selected countries scored low or middle range in terms of quality of life, according to the Global Age Watch Index (GAWI). This index is comparable with the Human Development Index, which is also based on Amartya Sen’s work on human capabilities (Zaidi, 2013). The GAWI 2015 index ranks 96 countries according to the social and economic wellbeing of older people. This represents 91% of people over 60 across the world. The data are gathered through quantitative studies and more qualitative surveys. The GAWI Index uses four domains: income security, health status, capability (combination of rate of employment of older people and educational status of older people), and enabling environment (combination of social connections, physical safety, civic freedom and access to public transport) as well as variables per domain directly related to the concepts discussed above like relative poverty rate, pension coverage, income, health and life expectancy. The GAWI country scores are Ghana 81, India 71, China 52 and relatively the best score in Peru with 48 (GAWI, 2015) (Annex 6).

With respect to social economic criteria (pensions), the selected countries are characterized by a low state spending on social protection (see Annex 4 for the coverage of social pensions); regarding total social security expenditures, three of the four countries of case-studies are in the lowest strata: Ghana 2.1% of GDP spending on social protection, China and India 1.5%; Peru is in the middle with 8.3% spending of GDP (INEI, 2012). Furthermore, these countries have in common a high economic growth and unequal distribution of income, thus a high GINI coefficient. The minimum value is zero, everybody has the same income. The maximum can be one, which means 1 person has all the countries income. The GINI scores of the four selected countries are: China 0.55; India 0.34; Ghana 0.43; Peru 0.46. The Gini coefficient is the most common statistical index of diversity or inequality in economic and social sciences (Abounoori & McCloughan, 2003). Though not undisputed, it is widely used in economics as a standard measurement of inter-household inequality in income and wealth (Sen, 1973).

With respect to geography, we selected the spread of the countries and regime types according to Wood and Gough taxonomy of informal regimes:

- one country in sub-Saharan Africa – Insecurity regime – Ghana
- one country in South-Asian – Informal regime – India
- one country in East Asia- Productivist category – China
- one country in Latin America - the Liberal-Informal category – Peru

With respect to a welfare classification criteria, we selected countries that fall into category B – F of Welfare regime classification Abu and Gough (2010).

- The selected countries China and Peru are classified as category B (reasonably good welfare outcome). Ghana is in category E, which implies relying on relatively high foreign aid and having low rates of girls’ schooling but paradoxically high levels of youth literacy. India is categorized in cluster F, which comprises countries of the Indian sub-continent that exhibit high levels of illiteracy and low numbers of females in secondary education. These countries all have directly targeted social programs and informal security mechanisms; however, the absence of effective schooling, health, and social protection policies coupled with highly gendered outcomes (according to indicators such as the population sex ratio), lead to high levels of insecurity in the majority of the population (Abu & Gough, 2010).

With respect to the NGO-engagement criteria, we selected countries in which WorldGranny was engaged between 2004 – 2016.

In Ghana, WorldGranny has had contact with HelpAge Ghana and supported older people’s projects since 2004 (Van Dullemen, 2006). In India the NGO funded the feasibility study on micro pensions for its partner
organization, the Dhan Foundation in Tamil Nadu (2007/2009). And in Peru WorldGranny has been actively engaged with several groups and organizations since 2006 (Caspam, HelpAge International, older women’s associations) and funded conferences on old age pensions as well as lobby and advocacy work and income generating activities. Only in China WorldGranny did not have particular connections with older people groups.

Applying these criteria led to the following selection of case studies: Ghana (Insecurity Regime, West Africa); India (South Asia); China (Productivist, East Asia) and Peru (Liberal-Informal regime, Latin America). 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.

**Figure 4. Case study countries placed on the continuum of social security regimes based on the way governments address the risk of old age poverty.**

The four case studies are based on data partly collected by the author, and partly by co-authors with additional survey questions.

- In the Ghana case study, the author has contributed to the setup of the survey by formulating specific questions related to the older generation. The raw data are collected in Ghana by the co-authors.

- In India the data collection has been conducted by the partner of WorldGranny. The first author has been involved with the setup of the research format (two-step process) and the data analysis of the baseline study. The raw data itself are collected in the field by the Dhan foundation (more in particular supervised by its knowledge department, known as the Tata-Dhan Academy).

- For the case study of China, raw data of the survey are used of the China Health and Retirement Longitudinal Study (CHARLS), presided over by the Peking University, based on a nationally representative sample of households with members aged 45 years or above. The first author is responsible for the data-reduction, the modeling and transforming of the data set in order to formulate the variables used in the model.

- In the Peru case study, the qualitative interviews were conducted by the first author as well as the participating observations which were conducive in conceptualizing the research format.

- The desk research in all case studies was done by the author of this dissertation.

Chapter 2 focuses on the first sub question: if no non-contributory pension policies exist, as in many insecurity 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?

Ghana is an example of a country that in the model of Wood and Gough (2006) can be classified as an insecure regime (fig. 4). Ghana is one of the first countries that passed a National Policy on Aging in 2010. Moreover, Ghana is also one of the first Sub Sahara African countries that launched a National Health Insurance Scheme (NHIS Act 650, 2003), with the aim to improve access to quality healthcare for all citizens and as such can be considered as a means of poverty reduction for older people. As part of the politics of aging the Ghanaian government issued a premium exemption policy for people over 70. The Ghana case study assesses whether health care premium exemption policies for older people improve their access to health care and subsequently reduce the risk of old age poverty. The differences in enrollment coverage among four age groups are assessed. Does Health Insurance Premium Exemption Policy for Older People Increase Access to Health Care? Evidence from Ghana. The case

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23 http://www.dhan.org/tda
study uses primary data from the COHEiSION project “Towards a client-orient- ed health insurance scheme in Ghana”. Data were collected in 2011 and 2012 among clients of 64 primary healthcare facilities in the Western Region and the Greater Accra Region, characterized by mixed urban and rural populations. Both qualitative\(^{24}\) and quantitative methodologies were employed, whereby the qualitative findings informed and ground the questions in the household questionnaire and helped to interpret the quantitative findings (for further details see chapter 2).

Chapter 3 is geared towards the second sub-question: 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? In India, the number of people over sixty will rise from the present 90 million to an expected 200 million by 2030. Giving the changing demography, family structure and settlements, the need for politics of aging is increasing. This counts particular for women since they live longer and have less opportunities to create a pension by lack of formal labour force participation. What are the recent initiatives taken in India to prevent women’s old age poverty? And are Indian women (and households) themselves able and willing to save for their old age? The main research question will be: How can the low pension coverage in India—in particular for low income female workers in the informal economy—be increased? In this India case study data came from a household study conducted by World Granny’s Indian partner organization the Dhan Foundation. The household study is conducted amongst financial self-helpgroups. The second was to conduct a feasibility study. This study was executed among about 400 respondents, spread over 5 age categories (<30, 31–40, 41–50, 51–60, >60). From each of the 10 selected locations 8 members of a financial Self Help Group and Farmers Association were interviewed, all women. The feasibility study sample of 400 is representative for the total membership of the Dhan foundation states and contexts. This means that the 10 wealthiest locations out of 20 were chosen because these 10 wealthiest locations are considered as those comprising the test market for the micro pension pilot of the Dhan Foundation (Van Dullemen & de Bruijn, 2015).

Chapter 4 is resolving the third sub-question: 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? According to the model of Wood and Gough (2006) this country can be classified as a productivist regime - strong state, a developing capitalist market orientation - which is aging rapidly. Two generations after introducing the one-child policy in the late 70-ies, support for older (grand)parents becomes an increasingly demanding obligation. The Chinese government took the responsibility to mitigating old- age poverty risks and realized unprecedented progress in pension coverage in the last decennium. During that periode, the household savings increased to about 30 percent of disposable income(with even international effects). Built on previous research on the politics of aging, we were interested in the households responses to the established governmental and firm pension programs as well as to the New Rural Pension Scheme (NRPS), introduced in 2009. The central question will be: will participation in the established and new pension programs lead to higher current Chinese household expenditures and therefore to lower savings? This is relevant with repect to the coverage of the risk of (old age) poverty.

We contacted the Chinese Academy of Social Science to gain permission to use data from the China Health and Retirement Longitudinal Study (CHARLS) for academic purposes. CHARLS is based on a multistage probability sample in which first counties were sampled (except Tibet) then villages or neighborhoods, and, next, households within these. In total 17.708 individuals from 10.069 households in 450 communities participated in the research. Information on the household income, expenditures and collectively held assets is provided by the household’s financial respondent. Community-level information was collected by county-level interviews with a representative from the village committee or community office.

\(^{24}\) For the qualitative study, individual interviews and focus group discussions were held with clients (n=223), healthcare providers (n=22), and health insurance staff (n=16).
CHAPTER 1

As the aim of this China case study is to estimate the effect of future benefits from pension on current household expenditures, we only include households in which the main respondents and their spouses are both below the age of retirement, have not retired early, and do not currently receive a pension. 2330 households are included in the final analyses, nested within (after selection) 422 communities (within counties).

Chapter 5 centers around the fourth sub-question: if no non-contributory pension policies exist in economically better developed liberal-informal regimes like in some Latin American countries, what are the drivers of introducing such Pillar 1 pensions policies and what is the expected effect on the risk of old age poverty? This chapter introduces the research in Peru. This country could be classified as liberal-informal in Latin America according to the model of Wood and Gough (2006). Compared to other Latin American countries, Peru responded late in introducing politics of aging. However, in 2011, a significant step was taken towards protecting older people. This opened the opportunity to research the (inter)national factors leading to the introduction of “Pensión 65” and its expected poverty reduction, particularly for women.

The main three research questions in the Peru case study are:

What conditioning factors contributed to the arrears in social protection for older people in Peru compared to other Latin American countries?

Which socio-economic and political factors (according to the institutional responsibility matrix) eventually shaped the actual introduction of “Pensión 65”? Was this mainly a national process or could regional and international influences be seen as the drivers behind the introduction of this social protection policy?

The 3rd question in this Peru case study was: What will be the impact – the wellbeing outcomes – of “Pensión 65” on the poverty of older people, women in particular? Mainly qualitative data were collected out of interviews with key persons in politics, (inter)national organizations, in the state departments and with older people activists. The data were used to analyze the main factors in the political process: international pressure, national demands of civil society organizations in the last decade, individual politicians and the role of the “Pensión 65” proposal in the presidential elections.

Chapter 6 summarizes the main findings, answers the research questions and formulates recommendations for future research. In the model below, the four case studies are positioned in a model, with their main variables related to the dependent variable: the Risk of Old Age Poverty.

Figure 5. The Politics of Aging research model.

This dissertation intends to make both theoretical and methodological contributions. The field of academic research on aging and the various ways to mitigate the risk of old-age poverty in emerging countries is relatively small. A first contribution is to combine several case studies inspired by WorldGranny’s experiences, in different parts of the world and analyze from theoretical perspectives the precautionary behavior of men and women, their households, organizations and governments regarding rapid socio-demographic changes.

Secondly, by examining the various practices of governments in emerging economies introducing social protection policies and the impact of these policies, the study searches for understanding the conditions in which governments in these countries are willing and able to prevent old age poverty. As an
overarching theoretical model we use the model of Wood and Gough (2006) and tailored it into a model for the Politics of Aging. This framework may be conducive in understanding future developments. And it might be helpful interpreting what is exhibited when I finally visit China’s The Modern Filial Piety Culture Museum with my own family.

1.4 REFERENCES


PERÚ: INEI, Instituto Nacional de Estadística e Informática.


Waglé, U. (2002). Rethinking poverty: Definition and measurement. UNESCO.


### Annex 1. The comparative welfare regimes framework

<table>
<thead>
<tr>
<th>Welfare state regime</th>
<th>Insecure regime</th>
<th>Predatory capitalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant mode of production</td>
<td>Capitalist: technological progress plus exploitation</td>
<td>Present economies with peripheral capitalism; uneven development</td>
</tr>
<tr>
<td>Dominant social relationship</td>
<td>Exploitation and market inequalities</td>
<td>Variegated exploitation, exclusion and domination</td>
</tr>
<tr>
<td>Dominant course of livelihood</td>
<td>Access to formal labor market</td>
<td>A portfolio of livelihoods with extensive conflict</td>
</tr>
<tr>
<td>Dominant form of political mobilization</td>
<td>Class coalitions, issue-based political parties and political settlements</td>
<td>Diffuse and particularistic based on ascribed identities; patron-clientism</td>
</tr>
<tr>
<td>State form</td>
<td>Relatively autonomous state</td>
<td>Shadow, collapsed and contested state with porous, contradictory boundaries</td>
</tr>
<tr>
<td>Institutional landscape</td>
<td>Welfare mix of market, state and family</td>
<td>Broader institutional responsibility matrix with powerful external influences and extensive negative permeability</td>
</tr>
<tr>
<td>Welfare outcomes</td>
<td>Varying degrees of disembedding plus health and human investment</td>
<td>Insecurity modified by informal rights and adverse incorporation</td>
</tr>
<tr>
<td>Park dependent development</td>
<td>Liberal, conservative and social democratic regimes</td>
<td>Less autonomous path dependency with some regime breakdown</td>
</tr>
<tr>
<td>Nature of social policy</td>
<td>Countervailing power based on institutional differentiation and positive permeability</td>
<td>Less distinct policy due to permeability, contamination and foreign access</td>
</tr>
</tbody>
</table>

Source: Wood & Gough (2006) – The nine underlying common features in Esping-Anderson's categorization of the types of Welfare States that the authors re-examined when their attention turned from the North to the South. The results of these interrogations are summarized in this table. The result is that, alongside the above welfare state regimes, two other quite different meta-welfare regimes: informal security regimes and insecurity regimes are identified. The latter two embrace extensive non-state as well as state institutions in the reproduction of security and insecurity and acknowledge the wide and varied experience of peripheral capitalism.
Annex 2. Ranking Global Welfare Regimes

<table>
<thead>
<tr>
<th>2009</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Argentina, Bulgaria, Costa Rica, Croatia, Ecuador, Lithuania, Poland, Romania, Ukraine</td>
<td>Chile, China, Korea, Malaysia, Mexico, Paraguay, Peru, Philippines, Tajikistan, Turkey</td>
</tr>
</tbody>
</table>

Source: Abu & Gough (2010).
Cluster A represents relatively good welfare outcomes, close to those of OECD countries.

Cluster B exhibits low state expenditures (notably on social security) yet relatively good welfare outputs and outcomes. It contains one third of the total countries including China. Cluster C is distinguished due to their reliance on remittances from abroad, which account for 9% of gross national income on average. It mainly comprises countries in the Caribbean and Central America, plus Ecuador, Morocco and Sri Lanka. Here migration and remittances provide a newer mechanism of informal insecurity. Cluster D represents a novel combination in 2000: middle-income countries with relatively high spending on health and education, moderately good welfare impacts and high literacy but with very low life expectancy. This comprises five countries all in southern Africa (plus Kenya) that have been hard hit by the HIV-AIDS pandemic. Cluster E, F, G, H, all have in common high but different levels of insecurity with low levels of public responsibility. Clusters G and H have very low levels of life expectancy and very poor secondary school enrollment. All are in sub-Saharan Africa. They are much more dependent on international resource flows, whether aid or remittances or both. Cluster E, comprising the Indian sub-continent, Papua New Guinea and two African countries, exhibits higher life expectancy but high youth illiteracy (though somewhat higher girls’ secondary enrollment).

Annex 3. Incidence of old age poverty in developing countries

The second column of Table 1 shows the ratio of poverty rates for older groups and for the population as a whole. Values greater than 1 indicate that older people are overrepresented among the poor, while values less than one indicate underrepresentation. In only three countries, Brazil, Chile and marginally Hungary, this ratio is below two-thirds, indicating that older people are significantly less poor than the population as a whole. In Chile and Brazil this is a result of generous pension and safety net coverage (Barrientos, 2000a, 2000b). In seven countries, older people are overrepresented among the poor. In the rest, poverty rates for older people are close to poverty rates for the rest of the population.

Annex 4. Benefits and coverage of social pensions in middle- and low-income economies

Chapter 1: The Subject of the Research

Annex 5. Social security expenditure in selected high, middle and low-spending countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High-spending</strong></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>17.9</td>
</tr>
<tr>
<td>Germany</td>
<td>15.6</td>
</tr>
<tr>
<td>UK</td>
<td>14.2</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>9.9</td>
</tr>
<tr>
<td>Japan</td>
<td>9.1</td>
</tr>
<tr>
<td>Chile</td>
<td>8.2</td>
</tr>
<tr>
<td>United States</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>2.1</td>
</tr>
<tr>
<td>China</td>
<td>1.5</td>
</tr>
<tr>
<td>India</td>
<td>1.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.3</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.3</td>
</tr>
</tbody>
</table>


Annex 6. Global Age Watch Index domain values of the selected countries. The first bar (green) indicates income security. The second bar (orange) indicates health status. The third bar (dark red) indicates capability. And the last bar (yellow) indicates the enabling environment.[http://www.helpage.org/global-agewatch/population-ageing-data/compare-countries/].
CHAPTER 2
CASE STUDY GHANA
Does Health Insurance Premium Exemption Policy for Older People Increase Access to Healthcare? Evidence from Ghana

2.1 INTRODUCTION

Worldwide, socioeconomic developments have resulted in positive and improved health outcomes; more children survive, fertility falls, and longevity increases, reinforcing development (WHO, 2012a). However, of the 42 major countries in Sub-Saharan Africa (SSA), only four are upper-middle income economies, and six are lower-middle-income countries. Also, the impact of the HIV/AIDS epidemic is still visible in the demographic pyramid of the region. In spite of these facts, many parts of Africa are steadily aging as life expectancy increases and fertility is on the decline. It is estimated that by 2050, most countries in Africa will have doubled their aging populations (Apt, 2000). Debate on health policies focused on aging people in Africa has intensified, in particular with respect to their vulnerability to chronic diseases and their limited access to health services. As people, women in particular, live longer, they risk chronic poverty. In order to stay active their need for healthcare increased. In Ghana, the difference in life expectancy between men and women is about five years.

Across the world, health insurance is understood as a health policy that serves to protect households from the direct financial consequences of healthcare and therefore as a way of poverty alleviation (Blanchet, Fink, & Osei-Akoto, 2012; Asante & Atkins, 2008; Sulzbach, Garshong, & Owusu-Banahene, 2005). A study conducted by the World Health Organization (WHO) in Ghana, India, and Tanzania on global aging and adult health, found 11% of the population in Ghana to be aged 50 years and older in 2005 (Kowal et al., 2010). Five years later, in 2012, this percentage increased to 11.7%. Life expectancy at birth has also increased from an average 59.5 years in 2008 to 61.4 years in 2012 (CIA World Fact book). In light of these trends, understanding the health situation...
of older people is important. Kowal mentions recent studies showing that the effects of healthy life styles on subsequent disability among older people are large, particularly regular exercise and the absence of smoking. In general, expected health patterns have a gender dimension - better health for men than for women - and a socioeconomic dimension—better health for individuals with higher education and income levels.

Older people are more prone to chronic diseases (the United Nations use the term ‘non-communicable diseases’) such as heart disease, stroke, visual impairment, hearing loss, and dementia, which lead to reduced capacities to earn incomes. Besides that, there is a need for other types of treatments and geriatrics health staff. It is also evident that uninsured older people may be particularly at risk of adverse health outcomes. In short, the shift poses challenges to the country’s health system, which is insufficiently adapted to the needs of the aged (NPC & Council, 2007; Aboderin & Ferreira, 2008, 2010; Exavery, 2010; Apt, 1993; WHO, 2012b; Aboagye, Agyemang, & Tjerbo, 2013).

Our study focuses on Ghana, one of the few Sub-Saharan African countries that received cabinet approval for a National Policy on Aging in 2010. This policy captures the social welfare, health, and human rights, among other privileges, of older people in society. Since 2013, the Global Age Watch Index (GAWI) has been publishing income and health situations of older people in 96 countries. Ghana ranks 81 on GAWI and 77 on the specific health status. In general, African countries have low GAWI values, a reflection of the low priority given to aging issues on domestic policy agendas in most African countries (HelpAge GAWI, 2014). Lagomarsino, Garabrant, Adyas, Muga, & Ottoo (2012) analyzed nine low-income and lower-middle-income countries in Africa and Asia that have implemented national health insurance reforms designed to move towards universal health coverage; Ghana was one of those countries. The authors identified some common patterns, such as use of tax revenues to subsidize target populations, steps towards broader risk pools, and emphasis on the purchase of services through demand-side financing mechanisms.

Ghana is also one of the first SSA countries that launched a National Health Insurance Scheme (NHIS Act 650, 2003), with the aim to improve access to quality healthcare for all citizens, including the most vulnerable. By 2011, the cumulative uptake in Ghana’s NHIS was close to 70% of the population. However, active users of the insurance reached just 33% (NHIA Annual Report, 2011). Empirical evidence shows regional differences in enrollment, and enrollment among the poor is low (Jeju Appiah et al., 2011; Asante & Aikins, 2008; Mills et al., 2012; Dixon, Tenorang, & Lugunaah, 2011). The premium exemption policy under the NHIS refers to the categories of persons who do not have to pay the annual insurance premiums by virtue of their ages, types of care needed, being indigent, being Social Security and National Insurance Trust (SSNIT) Pensioners, or SSNIT contributors. The exemption policy of the NHIS provides exemptions on premium payment for children younger than 18 years who are SSNIT contributors, SSNIT pensioners over 60, people age 70+ years, indigents, pregnant women, and Livelihood Empowerment Against Poverty (LEAP) beneficiaries. Although all of these groups are exempted from premium payment, only the pregnant women, LEAP beneficiaries, and indigents are exempted from payment of processing fees as well. The others must pay a small processing fee before they are enrolled under the NHIS. The exemption policy was implemented to encourage vulnerable groups to enroll and renew; however, retention is a main concern to the NHIS. All over the world, health insurance exemptions are inherently difficult to design and implement; few countries have successfully implemented effective exemption mechanisms (Bennett & Gilson, 2001). The success of such exemption mechanisms to a very large extent depends on the context-specific issues of the design and implementation of the entire social health insurance financing mechanism. Successful exemption policies received high priority from both politicians and technocrats, had clear guidelines and eligibility criteria, were effectively communicated to health workers and the general population, and ensured that non-poor groups did not abuse the policy (Bennett & Gilson, 2001; Gilson et al., 2000; Gilson et al., 1998; Kutzin, 2001; Ekman, 2004; Jui-Fen & Hasiao, 2003; Sheikh et al., 2011).

As the fertility transition advances and the population in Ghana ages, the health sector has to anticipate the changing demand for healthcare. The pur-
pose of our study is to explore whether the exemption policy actually increases enrollment for elders significantly and whether this results in an increase in their utilization of healthcare. Because older people in general make more use of healthcare, we hypothesize that the age groups 60–69 and 70+ have significantly higher enrollment coverage than the 18–49 age group. We further hypothesize that there is a significantly positive relationship between the insured in age groups 60–69 and 70+ and health services utilization. Lastly, we expect to find age group differences in the determinants of enrollment in health insurance, such as gender (more women enrolled than men) and membership of social networks (more networks, more chance of enrollment).

2.2 DATA AND METHODS

This study uses primary data from the “Towards a client-oriented health insurance scheme in Ghana” project (COHEiSION project). Both qualitative and quantitative methodologies were employed in the data collections in 2011 and 2012. The qualitative method preceded the quantitative method. For the qualitative method, individual in-depth interviews and focus group discussions were conducted among 22 healthcare providers, 16 NHIS staff, and 223 clients at the national, regional, district, and community levels of the health insurance and healthcare delivery system to identify the barriers to enrollment in the NHIS in the Western and the Greater Accra Regions in Ghana. The qualitative findings were used to obtain an emic perspective (a native point of view) of people’s opinions. This allowed a better understanding of their behavior and decision-making in the local context. In addition, qualitative data informed and grounded the questions in the household survey questionnaire and helped with the interpretation of the quantitative findings. For the quantitative method, data were collected from 1,920 randomly selected households living within 10 kilometers (km) radius of 64 selected primary healthcare facilities in the two project regions. Respondents were sampled through a multistage sampling strategy where the 64 clusters of primary healthcare facilities were first selected on the basis of their ownership (public/private), location (rural/urban), and NHIS accreditation quality scores. Subsequently, 30 households were randomly sampled from within a radius of 10 km around each selected primary healthcare facility. In total, data on 7,097 individuals dwelling in the sampled households involving their socio-demographics, social capital and social schemas, employment status, health status and healthcare utilization behavior, NHIS enrollment status, perceived quality of healthcare services, perceived quality of NHIS services, consumption expenditure patterns, and dwelling characteristics were collected. This paper provides analysis of 4,214 individuals aged 18 years and older from the household survey.

Empirical Estimation

To study the differences in enrollment and some demographic characteristics of interest of the different age groups in our sample of 4,214 individuals of 18 years and older, we performed bivariate cross-tabulation between socio-demographic characteristics and enrollment status for individuals in the 18–49, 50–59, 60–69, and 70+ age group sub-samples. To test our hypothesis, we employed multivariate logistic regression analysis on the pooled sample. Current enrollments in any health insurance scheme were used as dependent variables of interest for the multivariate regression estimation. (Besides the NHIS, Ghana has few smaller private health insurance schemes, counting for 0.1 % of the health insured population in the country.) This was measured with a dichotomous variable equal to 1 if the individual is currently enrolled in any type of health insurance at the time of interview, 0 if otherwise. The four age groups, 18–49, 50–59, 60–69, and 70+, were our main independent variables with the 18–49 as the reference group. We controlled for sex, marital status, health status, membership of network, healthcare utilization, and wealth quintiles in the estimation. All statistical analyses were performed using STATA.

2.3 RESULTS AND DISCUSSION

The main objective of Ghana’s NHIS exemption policy is to increase access to insurance and provide free healthcare for people older than age 70 and for
SSNIT pensioners older than age 60. This paper presents and discusses scientific evidence that this policy has a significantly positive effect on insurance enrollment and utilization of healthcare by older people. However, despite the identified increase in enrollment and utilization, many eligible older people in these age groups remain uninsured. Some recommendations for health policy are therefore provided.

Demographic Characteristics and Current Health Insurance Enrollment

Table 1 presents the demographic characteristics of respondents in the four age groups. There were more females in all age groups. Most of the respondents in the 70+ age group (51.3%) were widow(er)s. The 70+ age group utilizes health services more than all the other age groups. Approximately 48% and 9% utilized health services between 1–5 and 6–10 times, respectively, in the past six months prior to the survey.

**TABLE 1. Characteristics of Respondents in Four Age Groups**

<table>
<thead>
<tr>
<th>Variable</th>
<th>18-49 Age Group</th>
<th>50-59 Age Group</th>
<th>60-69 Age Group</th>
<th>70+ Age Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N=3,281</td>
<td>N=451</td>
<td>N=283</td>
<td>N=199</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>42.9%</td>
<td>46.1%</td>
<td>49.8%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Female</td>
<td>57.1%</td>
<td>53.9%</td>
<td>50.2%</td>
<td>57.3%</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never Married</td>
<td>42.8%</td>
<td>4.3%</td>
<td>4.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Married</td>
<td>42.5%</td>
<td>70.7%</td>
<td>58.9%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Divorced/Separeted</td>
<td>6.3%</td>
<td>12.2%</td>
<td>10.6%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Widow(er)</td>
<td>1.6%</td>
<td>10.4%</td>
<td>25.2%</td>
<td>51.3%</td>
</tr>
<tr>
<td>Living Together</td>
<td>6.9%</td>
<td>2.2%</td>
<td>0.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Income/Wealth Quintile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poorest</td>
<td>15.6%</td>
<td>17.5%</td>
<td>15.3%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Poor</td>
<td>17.9%</td>
<td>16.2%</td>
<td>16.4%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Average</td>
<td>19.1%</td>
<td>20.0%</td>
<td>21.2%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Rich</td>
<td>22.6%</td>
<td>21.6%</td>
<td>25.2%</td>
<td>23.2%</td>
</tr>
<tr>
<td>Richest</td>
<td>24.9%</td>
<td>24.7%</td>
<td>21.9%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Health Status</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor Health</td>
<td>2.1%</td>
<td>4.3%</td>
<td>11.4%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Average Health</td>
<td>6.3%</td>
<td>12.3%</td>
<td>16.4%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Good Health</td>
<td>91.6%</td>
<td>83.4%</td>
<td>72.2%</td>
<td>53.3%</td>
</tr>
</tbody>
</table>

There was very little difference in the proportion of respondents in the five wealth quintiles for all the four age groups. While the majority of the 70+ (62.8%) age group was currently enrolled in health insurance, only 32.4% of the 18–49 age group had insurance enrollment. Of those enrolled, more than 90% of the 70+ age group were exempted from premium payment, and an even higher proportion of 97% got their enrollment through the 70 years and older exemption category.

The bivariate analysis of some demographic characteristics and current health insurance status of respondents in the four age groups are presented in Annex 1. There was no statistically significant difference between the insurance status of males and females in the 70+ age group, but that of the 18–49 age group was statistically significant at the 5% level (P-value=0.00). We found more males (67.1%) were enrolled in the 70+ age group than females, compared to more females (43.5%) in the 18–48 age group. The gender differences in enrollment are significant in the 18–49 age group but not in older age groups. This might
be explained by the reproductive age of women and the exemption from payment of premiums and registration fees by pregnant women in this group. Several studies have shown increases of enrollment by women as a result of the introduction of premium and registration fee exemption policy for pregnant women (Witter, Garshong, & Ridde, 2013; Aryeetey et al., 2013). Similarly, the effect of social capital, which, according to various researchers (Donfouet & Mahieu, 2012; Zhang, Wang, Whang, & Hsiao, 2006), is positively associated with utilization of healthcare services and use of the community-based insurance scheme, shows a significant positive association with enrollment in the 18–49 age group. However, the positive association gets less strong after 50 years. This could be explained by older people becoming less mobile with age and less engaging in group and network activities. This reduced the effect of social capital in the community on older people’s decision to enroll in the scheme. A further exploration and understanding of the types and densities of the networks for older people in this context could help to determine how certain social relations can overcome existing enrollment barriers.

In contrast, while we found the difference in insurance status between the different marital status categories of the 70+ age group to be statistically significant at the 10% level (p-value=0.096), that of the 18–49 age group was not significant. Approximately 90% of the divorced/separated were enrolled in the 70+ age group compared to only 33% in the 18–49 age group. We also found the difference between the insurance status and the various categories of health services utilization rates to be statistically significant at the 1% level for the 18–49 age group (p-value=0.00) but not for the 70+ age group.

**Reasons for Not Enrolling in Health Insurance Scheme**

We found evidence that suggests that the level of awareness about the exemption policy in the 70+ age group is not optimal, as shown in Table 2. A minimal percentage (approximately 3%) of the uninsured in the 70+ age group indicated they had never heard of the NHIS, while 8.60% indicated they could afford the premium. An even higher proportion (45.3%) of the 60–69 age group indicated they could afford the premium. We found that the proportion of uninsured who indicated that they have no confidence in the scheme increases with age, with the 70+ age group having the highest proportion of 45.7%. Figure 1 presents enrollment and utilization per age category. According to Fenenga and colleagues (forthcoming, 2014a), low confidence is partly based on disparities in explanatory models between healthcare clients and healthcare providers. Their socio-cultural beliefs and notions on illness, the need for care, the quality of healthcare, and health insurance services differ, easily leading to miscommunication, misunderstanding, and low trust. In particular in the older age groups, traditional cultural beliefs can be stronger and disparities between their explanatory models and those of professionals more pronounced. Further study into low confidence levels among this age group can help to explain and resolve low uptake.

**TABLE 2. Reasons for Never Enrolling in any Health Insurance Scheme.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>18-49 Age Group Never Enrolled (N=1,344)</th>
<th>50-59 Age Group Never Enrolled (N=154)</th>
<th>60-69 Age Group Never Enrolled (N=75)</th>
<th>70+ Age Group Never Enrolled (N=35)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannot afford premium</td>
<td>37.30%</td>
<td>38.30%</td>
<td>45.30%</td>
<td>8.60%</td>
</tr>
<tr>
<td>Never heard of the NHIS</td>
<td>0.70%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Covered by employer</td>
<td>3.20%</td>
<td>1.90%</td>
<td>2.70%</td>
<td>8.60%</td>
</tr>
<tr>
<td>Mostly healthy, do not need the NHIS</td>
<td>23.70%</td>
<td>22.70%</td>
<td>17.30%</td>
<td>14.30%</td>
</tr>
<tr>
<td>No scheme in my area</td>
<td>0.70%</td>
<td>0.70%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>No confidence in the scheme</td>
<td>20.10%</td>
<td>20.80%</td>
<td>30.70%</td>
<td>45.70%</td>
</tr>
<tr>
<td>Registration point too far</td>
<td>2.80%</td>
<td>1.30%</td>
<td>1.30%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Have private health insurance</td>
<td>0.20%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other reasons</td>
<td>11.40%</td>
<td>14.30%</td>
<td>2.70%</td>
<td>20.00%</td>
</tr>
</tbody>
</table>
Barriers such as “never heard about the NHIS” or “cannot afford premium” could be explained as inadequate information on the exemption policy or the NHIS in general to these groups of people. Indeed, the percentage of respondents who indicated “lack of confidence in the scheme” as a reason for not enrolling increases with age and accounts for over 45% in the 70+ group. This might be the result of a combination of factors related to the services of the NHIS as well as the services of healthcare providers. The so called vertical social capital or trust relations between people in the community and formal institutions, such as the healthcare provider and health insurer, diminishes when people’s perceptions to benefiting from the scheme reduce. Previous experience of poor quality, health staffs favoring uninsured, or inconsistencies in provided benefit packages were found to reduce people’s interest and trust in services (Fenenga et al., forthcoming, 2014b). Also, other studies have pointed to these and a variety of other barriers to enrollment (Aryeetey et al., 2013; Jehu-Appiah et al., 2011).

**Effect of Gender Differences**

We also looked at the differences between the enrollment of older men and women. In a study by Dixon and colleagues (2014) that focused on gender inequalities within Ghana’s National Health Insurance Scheme, they found that women with unreliable incomes who reported being food-insecure and living with young children were more likely to drop out of insurance. In contrast, men were more likely to drop out for being unsatisfied with services provided.

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 see the contrary. In the two oldest age groups, we found that men are more enrolled than women. In the 70+ group, 67.1% of the men and 59.7% of the women are insured (annex 2.). This can be attributed to the *level of education*. More educated people are more likely to enroll. This is a stronger feature than the fact that women use healthcare more often. There is a strong correlation between longevity and education (Rogot & National Institutes of Health, 1988). Therefore, this finding is interesting with respect to the situation of older people. It could suggest that the relatively low levels of education of older people (Annex 1.) leads to a lower level of enrollment, than when the older Ghanaians of today had been better educated.

It also may suggest that in the future, with the rising levels of education, more people will enroll. A second explanation might be related to financial constraints such as paying an entrance fee or transportation costs in order to realize enrollment.

**Effect of Exemption Policy on Health Insurance Enrollment**

The results of the logistic regression analysis of the effect of the premium exemption policy on health insurance enrollment of different age groups are presented in Table 3.
### TABLE 3. Health Insurance Enrollment by Four Age-Group Categories

<table>
<thead>
<tr>
<th></th>
<th>Odds Ratio (95% Confidence Interval)</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age (18–49 Years)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-59 Years</td>
<td>1.18</td>
<td>0.13</td>
</tr>
<tr>
<td>60-69 Years</td>
<td>1.68**</td>
<td>0.24</td>
</tr>
<tr>
<td>70+ Years</td>
<td>2.72***</td>
<td>0.51</td>
</tr>
<tr>
<td><strong>Sex (Male)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>1.41***</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>Marital Status (Married)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never Married</td>
<td>1.23**</td>
<td>0.09</td>
</tr>
<tr>
<td>Divorced/Separated</td>
<td>0.93</td>
<td>0.13</td>
</tr>
<tr>
<td>Widow[-er]</td>
<td>0.82</td>
<td>0.14</td>
</tr>
<tr>
<td>Living Together</td>
<td>1.11</td>
<td>0.17</td>
</tr>
<tr>
<td><strong>Health Status (Poor Health)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Health</td>
<td>0.59*</td>
<td>0.13</td>
</tr>
<tr>
<td>Good Health</td>
<td>0.60**</td>
<td>0.11</td>
</tr>
<tr>
<td><strong>Group/Association (Member)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Member</td>
<td>0.71***</td>
<td>0.05</td>
</tr>
<tr>
<td><strong>Health Care Utilization (No Utilization)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilization 1 – 5</td>
<td>1.70***</td>
<td>0.13</td>
</tr>
<tr>
<td>Utilization 6 – 10</td>
<td>2.10**</td>
<td>0.66</td>
</tr>
<tr>
<td>Utilization 11 – 15</td>
<td>0.68</td>
<td>0.39</td>
</tr>
<tr>
<td><strong>Wealth Quintile (Poorest)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor</td>
<td>1.36**</td>
<td>0.15</td>
</tr>
<tr>
<td>Average</td>
<td>1.48***</td>
<td>0.16</td>
</tr>
<tr>
<td>Rich</td>
<td>1.41**</td>
<td>0.15</td>
</tr>
<tr>
<td>Richest</td>
<td>1.90***</td>
<td>0.20</td>
</tr>
<tr>
<td>Constant</td>
<td>0.59*</td>
<td>0.13</td>
</tr>
</tbody>
</table>

Source: GHESI Project baseline survey of N=3,951 individuals aged 18 years and older.

Note:*P<0.05; **P<0.01; ***P<0.001. Pseudo R^2=0.046, Pearson Chi-Square=0.000, Log Pseudo likelihood Ratio=-2554.85.

We found the odds of enrolling in health insurance to be significantly higher in the aging groups (60-69 and 70+ years) than the two younger age groups (Annex 2). The 70+ and 60-69 age groups were 2.7 and 1.7 times, respectively, more likely to enroll than the 18–49 age group. The difference in enrollment between the 60–69 age group and the 70+ age group reveal the effect of the policy for SSNIT pensioners, who are exempted from the age of 60, and the larger group exempted at 70+. Thus, non-SSNIT pensioners at age 60 and older still have to pay premiums up till 70 years when they qualify for the 70+ premium exemption.

We also found that females and never married individuals were 1.4 and 1.3 times more likely to enroll than males and married couples, respectively. Appendix 1 shows that the majority of females (74.3%) has no formal education compared to 25.7% of the males. This could also be a possible explanation to the low level of enrollment among females in the 70+ age group. Individuals with poor health status were significantly more likely (OR=1.0) to enroll in health insurance than those in good health (OR=0.6).

We further found that people who do not belong to community groups or networks were 0.7 times more likely to enroll than those who do belong to groups or networks. Individuals who utilize health services more frequently had a significantly higher likelihood of enrollment. We found those who utilized health services 6-10 and 1-5 times in the six months prior to the survey were 2.1 and 1.7 times, respectively, more likely to enroll in health insurance than those who did not utilize health services within that time period. Again, as shown in Appendix 2, 66.7% and 100% of the insured in the 60-69 and 70+ age groups, respectively, utilized health services more than 10 times in the six months prior to the survey. This suggests that the exemption policy has a positive effect on the utilization of healthcare services by older people. Wealthy individuals were significantly more likely to enroll than the poor. Those in the richest quintile were 1.7 times more likely to enroll than those in the poorest quintile.
2.4 FINDINGS, POLICY IMPLICATIONS AND CONCLUSIONS

Findings and Policy Implications

We started the research with the theoretical assumption that premium exemption would lead to almost full enrollment and therefore almost maximum access to healthcare. In general, our results suggest that the NHIS exemption policy actually does increase insurance coverage for and the utilization of healthcare services by the aged. However, by focusing on the reasons why older people do not enroll in NHIS, we concluded that there are serious barriers. Therefore, in terms of policy implications, we see these options for policy improvements:

Some older people still consider participating in the scheme too costly. This might be due to the registration-process fees, which are determined by the District Scheme offices of the NHIS and vary across the 155 districts in the country. This fee must be paid by all age groups.

The relatively low level of education of older people (Annex 1.) leads to a lower level of enrollment.

The largest proportion (45%) of older people in the 70+ age group mentioned that they “have no confidence in the scheme” as the main reason for not enrolling. This could be a result of a combination of factors related to the services of the NHIS as well as the healthcare services of clinics. Other studies have indicated these as barriers to enrollment (Aryeeley et al., 2013; Jehu-Appiah et al., 2011).

To ensure the success of the exemption policy, there is a need for a closer look at barriers to enrollment as presented in Table 3. One differentiation to anticipate is that of premium and registration fees. The latter might still constitute a financial barrier for those older people not in the indigents group. We recommend as the policy next step that these exempted groups should also be exempted from payment of registration fees.

Furthermore, we recommend more emphasis be laid on informing the target group with effective communication geared towards older people, women in particular, and their levels of education and understanding.

Barriers such as “never heard about the NHIS” or “cannot afford premium” could be a result of inadequate information on the exemption policy or the NHIS. However, it could also be a result of a combination of factors related to the services of the NHIS as well as the healthcare services of clinics. Therefore, further investigation is necessary to contextualize these findings to determine policies to address the specific healthcare needs of the rapidly aging Ghanaian population.

2.5 CONCLUSIONS

Our main research question was: Does Health Insurance Premium Exemption Policy for Older People increase access to healthcare? By assessing differences and determinants of enrollment in the National Health Insurance Scheme in Ghana among different age groups, we found a significant increase in the likelihood of enrollment. Compared to the younger age groups, this likelihood was 2.7 and 1.7 times higher for the 70+ and 60–69 age groups, respectively. Also, the utilization of healthcare showed positive and significant increase with age.

Reasons for not enrolling could be explained as inadequate information on the exemption policy or the NHIS in general. The requirement for other exempted categories apart from the 70+ age group and indigents to pay registration fees will need further policy intervention. Our findings were quite similar to those mentioned in the research of Parmar and colleagues (2014), who found that with respect to enrollment of older people in social health protection programs in West Africa, social exclusion plays a significant part.

In general, we conclude that the Health Insurance Premium Exemption Policy for Older People is an important contribution to better healthcare for all. However, from the results of our research, further investigation is necessary to differentiate the effects of the different exemption categories under the NHIS. Further research is also required to determine the appropriate policies to address the specific healthcare needs of the rapidly aging Ghanaian population.
Study limitations
The NHIS exemption policy includes a number of groups benefitting from reduced or non-payment of insurance premium. Whereas these groups are well defined, some groups apparently overlap. One can be formally employed and pregnant, rightfully benefitting exemption in both categories. Because we compare the enrollment between the different exempted groups, it is informative to realize this overlap exist in particular in the age 18-49 years group.

2.6 REFERENCES


http://www.healtheconomicsreview.com/content/2/1/5


### Annex 1: Educational Level and Sex of 70+ Age Group

#### Annex 1. Educational Level and Sex of 70+ age Group

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>28 (42.4%)</td>
<td>38 (57.6%)</td>
<td>66 (100%)</td>
</tr>
<tr>
<td>Secondary</td>
<td>4 (6.6%)</td>
<td>2 (3.3%)</td>
<td>6 (100%)</td>
</tr>
<tr>
<td>Tertiary</td>
<td>7 (10.9%)</td>
<td>18 (27.2%)</td>
<td>25 (100%)</td>
</tr>
<tr>
<td>Post Tertiary</td>
<td>0 (0.0%)</td>
<td>1 (1.5%)</td>
<td>1 (100%)</td>
</tr>
<tr>
<td>None</td>
<td>75 (74.3%)</td>
<td>26 (25.7%)</td>
<td>101 (100%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>114 (57.3%)</td>
<td>85 (42.7%)</td>
<td>199 (100%)</td>
</tr>
</tbody>
</table>

Source: COHESION Project baseline survey of N=199 individuals aged 70 years and older.

#### Note:
No. = Number of respondents.

### Annex 2: Bivariate Analysis of Demographic Characteristics of Interest and Current Health Insurance Enrollment

<table>
<thead>
<tr>
<th>Variable</th>
<th>15-49 Age Group</th>
<th>50-59 Age Group</th>
<th>60-69 Age Group</th>
<th>70+ Age Group</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>Uninsured</td>
<td>Insured</td>
<td>Uninsured</td>
<td>Insured</td>
<td>Uninsured</td>
</tr>
<tr>
<td>Male</td>
<td>43.9%</td>
<td>67.8%</td>
<td>32.2%</td>
<td>46.1%</td>
<td>56.7%</td>
</tr>
<tr>
<td>Female</td>
<td>57.1%</td>
<td>51.4%</td>
<td>47.5%</td>
<td>51.8%</td>
<td>39.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45.9%</td>
<td>64.3%</td>
<td>37.7%</td>
<td>51.6%</td>
<td>54.6%</td>
</tr>
</tbody>
</table>

**Health Care Utilization**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Uninsured</th>
<th>Insured</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilization 0</td>
<td>71.3%</td>
<td>58.9%</td>
<td>0.000</td>
</tr>
<tr>
<td>Utilization 1-5</td>
<td>72.4%</td>
<td>60.0%</td>
<td>0.000</td>
</tr>
<tr>
<td>Utilization 6-10</td>
<td>9.3%</td>
<td>10.6%</td>
<td>0.867</td>
</tr>
</tbody>
</table>

**Membership of Networks**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Uninsured</th>
<th>Insured</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member</td>
<td>23.0%</td>
<td>47.5%</td>
<td>0.000</td>
</tr>
<tr>
<td>Non-member</td>
<td>74.7%</td>
<td>35.7%</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Premises for Exemption**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Uninsured</th>
<th>Insured</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged 70+</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.000</td>
</tr>
<tr>
<td>Under 16</td>
<td>13.3%</td>
<td>12.9%</td>
<td>0.000</td>
</tr>
<tr>
<td>Pregnant</td>
<td>2.9%</td>
<td>2.6%</td>
<td>0.000</td>
</tr>
<tr>
<td>ekuruku</td>
<td>9.0%</td>
<td>9.2%</td>
<td>0.000</td>
</tr>
<tr>
<td>Ineligible</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: CDHESION Project baseline survey of Total N=425 individuals aged 20 years and older.
CHAPTER 3

CASE STUDY INDIA

Micro Pensions for Women; Initiatives and challenges in India

3.1 INTRODUCTION

Ageing societies are characterized by fertility decline and increasing life expectancies, resulting in increasing old age dependency ratios - proportion of individuals aged over 65 to those aged between 16 and 64. Developing countries like India started to experience this only in the last 30 years. The fertility rate has declined from more than six children on average per woman in some states, to less than two in the most developed states of India today. Therefore, the share of the aged (60+) in the total population in India is gradually rising. The growth rate of the aged is more than twice as high, 3.8%, compared to the general population growth of 1.8% per year (Sadak 2009). General statistics show a share of 8.2% aged 60+ in 2011 to 10.7% in 2021. (Central Statistics Office Ministry of Statistics & Programme Implementation, Government of India, 2011). Hence it is expected that the 90 million 60+ people in India in 2011 will be more than doubled to nearly 200 million by 2030 (UNFPA 2012). In 2050 it is projected that the 60+ population in India will be increased by 312% (Jalal & Younis 2014). Along this demographic transition birth rates fall due to declining child mortality, increased age of marriage, economic development, increasing education of women (on average, an illiterate woman in India is bearing 1.2 children more than a literate woman - 3.4 against 2.2) and access to contraception (Cutler et al., 2006).

Life expectancy of Indians at birth is 67 years for men and 73 years for women (WHO 2013). But women who finally reach 70 years of age, will on average live another 13 years. This gender difference in life expectancy causes a higher number of aged women than aged men. Women’s longer life-spans compared to men, combined with the fact that they tend to marry men older than themselves, means that the number of widows will increase rapidly. Moreover, wom-
en face more (financial) vulnerability due to lower literacy, lesser participation on the labor market and less customary ownership of property (Jamuna 2000; Rajan 2010).

The World Health Organization (WHO) warned India already that feminization of its ageing population could lead to a rapid increase in its number of destitute widows, who need adequate resources to support themselves for approximately another 15 years on average after the decease of their husband and their ability to perform paid labor is often limited. Though the self help and microfinance movement addressed the feminization of poverty, the impact is still limited (Sivachithappa, 2013).

This increasing older female population urges to question the gender sensitivity of new pension schemes introduced by the Indian Government and by NGOs and MFIs. Are new pension provisions introduced that would reduce poverty among aged women in the near future? This is an important aspect of our main research question: How can the low pension coverage in India - in particular for low-income female workers in the informal economy - be increased?

In the first part, we focus on new state initiatives, and on micro pensions. In the second part we analyze under what conditions low-income women are willing and able to participate in a micro pension program as currently being developed by grassroots NGOs and microfinance institutes. In this paper we focus on women with low incomes in the informal - also called unorganized - economy since the pension coverage is among the lowest in that category, however they do earn at least some income. This is unlikely among the most extreme poor, living from less than $1.25 a day, which is still one third of the entire population in India (including children and the very old) (World Bank 2012).

The paper is structured as follows: In section 2 we briefly describe the changing demography, family structure and settlements in India. Section 3 describes the most recent trends in state pensions in India and their meaning for older women. Section 4 describes a variety of new micro pension provisions and their potential for poor aged women. A case study in section 5 focuses on the ability and willingness of women to pay for a micro pension program like that of the DHAN (Development of Humane Action) Foundation, a non-governmental organization, based in Madurai, South India (Dhan Foundation 2009). For this purpose we use a feasibility study among 400 selected female members of DHAN foundation. The original household survey covered 44,562 members of the foundation, most women. Section 6 contains conclusions and answers the main research question.

3.2 CHANGING DEMOGRAPHY, FAMILY STRUCTURE AND URBAN SETTLEMENT IN INDIA

In most societies children took and still take (financial and care) responsibility for their older parents. This intergenerational system is rapidly eroding as individualization and modernization are entering the Indian society. The National Report on the Status of Elderly in Select States of India (2012) of United Nations Family Planning Association shows the main reasons why.28 This report indicates urbanization (in the sense that younger people move to the cities and older people stay behind in the rural areas) and feminization of the older generation (in the sense that women are often expected to be the caregivers, they are not supposed to be taken care of) as main trends for eroding intergenerational family and elderly support.

Most of the 60+ Indians today still live with their relatives, in so-called co-residence. But urbanization of India is taking place at a faster pace than elsewhere in the world. By 2030, 40 % of India’s population will be living in urban areas compared to 28 % in 2007. Young people in the rural areas migrate to urban areas and abroad, leaving often their parents and children behind. In the rural areas more than twice as many older women live alone or with grandchildren than in urban areas (Rajan & Kumar 2003; NSSO 2006).

The ‘feminization’ of the aged is the second most significant change in the ageing scenario of India. 60% of the older women, in contrast to 25% of older men, are living without a spouse.

Families shrink by lower fertility rates (women’s choice). This is a prominent demographic transition in India as well. According to the National Family Health Survey (International Institute for Population Sciences 2007) 86% of the women with two living children do not want more children. Macroeconomic research shows that intergenerational families’ transfers from adult children to ageing parents are declining (Pal & Palacios 2008; Alam & Institute of Economic Growth 2008). At the same time the old age dependency ratio (less children, more aged people) increases (Alam 2004, Alam & Institute of Economic Growth 2008). Both arguments call for formal pension systems, particular for poor women and single women (Cigno & Rosati 1992; Drèze & Murthi 2001; Boldrin et al., 2005, Billari et al., 2008). The Indian government realizes this and initiated new policies (Shah 2005).

### 3.3 STATE PENSION PROVISIONS

The Indian government faces rapid urbanization, breakdown of the intra-family support system, growth of nuclear families and increasing longevity. This means more poverty risks for older people, especially for women, often widows. How does the Indian government address these risks?

Usually pension systems in countries are categorized in three so called pillars according to the World Bank categorization. The first pillar refers to (federal) state provisions, tax based, non-contributory ‘social’ pensions. The second pillar is the funded private pillar, which refers to formal labour related savings, negotiated by employers and employees. The third pillar consists basically of savings that cover self-employed workers in the informal economy.

#### Recent State Pension Initiatives (Pillar 1)

In 2007 the Indira Gandhi National Old Age Pension Scheme (IGNOAPS) was launched. This means-tested, first pillar scheme strives to provide a monthly pension to the very poor aged 65+ and classified as living below the poverty line of $1.25 (BPL families). In 2009 the Indira Gandhi National Widow Pension Scheme and the Indira Gandhi National Disability Pension Scheme came into place, with comparable provisions for widows and disabled, covering about 3.5 million BPL widows of 40–59 years.

Hence the IGNOAPS scheme faced mounting criticism for its small size and low coverage. It covers only around 20 % of India’s estimated 84 million older people. The actual pension received varies between states, with some people receiving as little as Rs.200 (US $4) a month. In 2013 a massive protest march to New Delhi resulted within a week in an unprecedented commitment of the Government of India: every aged 65+ would receive the Indira Gandhi National Old Age Pension Scheme (IGNOAPS). Earlier research of the World Bank showed that in India pillar 1 pensions do cover only about 5 % of poor older people (Pal & Palacios 2008; Asher 2007). It is too early to answer our first question: will the above new pension schemes of 2013, introduced by the Indian Government, prevent future old age poverty of women? With the launch of the Indira Gandhi National Widow Pension Scheme in 2009 the government responded to the feminization of older generation. However, its implementation needs improvement in order to cover a growing number of widows.

Another category that urgently needs some pension coverage are workers – particular the large number of women- in the informal sector in India. In the informal sector employment and income are irregular and there is no social security in case of accidents, illnesses, or ageing. According to the latest census (2011), 346 million people (more than 85 % of the Indian working population) work in the informal economy. At least 120 million of them are women. Informal wage employment is common among employees of informal enterprises; casual or day workers; temporary or part-time workers; paid domestic workers; unregistered or undeclared workers and industrial out workers (home workers) (Chakrabarti 2009; Bordia & Bhardwaj 2003). The Indian government improved social security for these categories, including the development of new pension plans and the public information improved by means of opening a pension portal by the government (Holzmann et al., 2009).
Job Related Pension Provisions (Pillar 2)

An interesting development in India in the context of a pillar 2 pension provision is the substantial government investment in the NPS-Lite scheme launched in 2010. This pension program specifically targets the informal workforce. The government contributes financially to the savings of every NPS-lite participant and therefore it acts as an “employer”. This NPS-Lite scheme aims at building a fund sufficient enough to buy an annuity (continuing payment with a fixed total amount) for old age.

Private Savings, Including NGOs and MFIs Pension Provisions (Pillar 3)

Pillar 3 refers to (voluntary) private savings. The provisions within this pillar are a new playing field in many developing countries for a variety of stakeholders, policy makers and interest groups. Also India develops a trend in this area. A long history of communal financing, credit unions and Rosca’s (rotating credit associations), could be seen as a forerunner for this new type of microfinance schemes and makes the development promising (see next section). In Fig. 3 the potential market for products within the realm of pillar 3 is outlined.

3.4 MICROPENSIONS IN INDIA

This section describes new developments in microfinance and in particular micro pension in India and their potential combating and preventing future poverty of aged women. Traditionally, the safest and most cost-effective way for people to improve their economic position and prepare for old age, is asset
accumulation (land, habitat, property) and diversification of savings (Attanasio & Burgiavini, 2003). Low-income workers take opportunities to invest in real assets, most common in small plots, cattle and farmland. For women, to invest in this way is not always an option because of customary laws that forbid female ownership or inheritance. Therefore women often save in gold and tradable goods. Older forms of communal financing or informal savings are found in Rotating Savings and Credit Associations (ROSCA’S) (Smets, 2000). A Rosca is a group of individuals who agree to meet and save communal for a defined period of time. Each participant gets one time the communal savings. In its simplest form: 10 people put every week 100 Rupees in the Rosca. Every week it is someone’s turn to get the 1000 Rupees in order to invest in their small business. In 10 weeks’ time every participant had her turn. Often Rosca’s are women’s groups. In the next sections we elaborate on the implementation of these ideas in microfinance.

Microfinance for Lifecycle Needs
Since the founding of the Grameen Bank in Bangladesh (1983), microfinance has become a global trend (Khandker & Samad 2013). Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to conventional banking services. Its founder, Dr. Muhammad Yunus, started with providing microcredit services whereby the group cohesion or ‘social capital’ formed in the lending and saving group was considered as form of social collateral. The participants could help each other and put pressure as well. (Yunus & Jolis 1999, Guha 2007).

Research shows that even people with a low income can actually save (Dowla & Barua 2006, Banerjee & Duflo 2007). Women in general save relatively more than men do and women are better re-payers of loans. They invest more prudently, which yields more benefit in the long run. Low-income women workers have also proven to be “better savers”, more reliable, and more effective investors (Seibel 2005, Fujita & Sato, 2014). They are able to frequently set aside small sums of money, but often they lack vehicles to convert these into funds large enough to support them during old age. Microfinance institutions are willing to fill this niche with new savings and insurance schemes, especially life insurance (Brau & Woller 2004). Brau and Woller summarize several reasons for this popularity:

1. Growing demand for savings products because the traditional assets of women like gold being vulnerable to loss, theft and value changes.
2. Micro Finance Institutions offer the possibility to use collected funds to finance own credit services and in this way reduce dependence on foreign donors (that used the MFIs as vehicles for their development strategy).
3. Awareness of changing family structures; less or no children for financial support at old age, children live far away or maybe abroad, women widow much more than man, all possible risks for poverty in old age.

Microfinance for Old Age Provisions
Much has changed in India since the beginning of microcredit strategies. The rural economy has diversified, the cash economy has expanded, the service sector has developed, and mobility has increased. These changes gave rise to re-think financial sector interventions, including new ways of thinking about how low-income workers, and mothers in particular, use financial services and which kinds of services these so-called under-served require. (Hatch, 2011).

Who made the first step in rural India to use microfinance for old age provisions? The Self Employed Women’s Association (SEWA) started as early as 1993 with a pioneer pension scheme. These women earned a living through their own small (one person) business or in agricultural work. Under the SEWA micropension plan, these women invested a defined sum of money on a monthly basis for a fixed rate of return, then of 7%. The deposit has a set tenure at the end of which the client retrieved its principal along with the interest earned during the investment period. More than 3,000 women subscribed in 1993 to this scheme. In 2002, SEWA launched a modified version of this original micropension product and gained 5,700 new participants. These clients were allowed to save as little as 30 rupees monthly. (Gianadda, 2007).

A second example on the Indian subcontinent is “Grameen II” based on the original micro pension scheme of the Grameen Bank in Bangladesh. The schol-
ars Dowla & Barua (2006) researched the pioneer years of the Grameen Bank and its programs and described the Banks’ motivation for adding a new long term saving scheme (micropension scheme) to its tradition of microfinance products. The principle is that Grameen-(female) members mandatory participate in this Grameen II saving scheme during paying back their loans.

Gianadda (2007) and Uthira & Manohar (2009) reviewed the new savings schemes clustered as micropension schemes. These saving schemes do not yet comprise any compulsory annuity of the accumulated funds as are known in more developed financial markets, due to the lack of reliable data on mortality rates of workers in the informal, unorganized and rural economy. This lack of mortality tables is a major stumbling block to develop appropriate micropension products (Shankar & Asher, 2011). Another risk politicians and those involved in NGOs like to stress, is the turmoil in financial markets that can generate pension fund losses, unaffordable for the poor. Another concern is insufficient basic knowledge of financial products. A mayor concern is the supposed high transaction costs for banks and therefore for clients, because of the small amounts they deposit.

We describe three different co-contributed funds:

1. The Invest India Micro Pension Scheme, IIMPS
2. The Abhaya Hastham schemes
3. A partner-agent model like UTI

1. Invest India Micro Pension (IIMPS) is a pension scheme for low-income, informal sector workers. IIMPS was established in 2006 as an administrative service provider. The company is developing a “national level micropension marketplace” through which low-income workers will be able to channel retirement savings into the stock markets. IIMPS advocates for targeted co-contribution by the government for low-income groups. Basically, Micro Pension clients, mostly women, save between Rs.200 and Rs.300 per month in a customized, integrated financial solution consisting of pension, insurance and savings products. The revenue model of IIMPS does not differ much from the NPS-Lite. Since inception, roughly 400,000 urban and rural low-income individuals across nearly 100 districts of 14 States of India use the Micro-Pension model to save for their old age. The target is to reach 5 million people before the end of 2014.

2. The Abhaya Hastham Co-contributory Pension is a co-contributory pension scheme for the women of Andhra Pradesh, delivered through the financial Self Help Groups (SHGs) of SERP, a government sponsored NGO. The pension comes with some different features like a life insurance cover of Rs.30,000 (US$672) and a scholarship of Rs.1,200 (US$26.89) per month for children of the clients. Until 2012 nearly 4.3 million members have enrolled for the pension scheme which is less than the expected 6 million in 2009. Though demonstrating fairly reasonable outreach, this scheme is highly dependent on the government subsidy and is expected to be nearly self-sufficient only by the year 2045.

3. The partner-agent model is a scheme whereby the MFIs act as partner and one of the state banks of India as the agent. This model delivers a win-win situation in which the asset management company (partner) reaches the low-income market while the MFI expands its product range. In addition, the partnership allows both institutions to focus on their core business and expertise, the NGO on their direct relations with clients and administration, the bank on their investment capacity (Gianadda, 2007). The UTI Retirement Benefit Pension Scheme is such a partner-agent pension scheme. More organizations like Mann Deshi Bank and the Shepherd have similar arrangements with one of India’s largest state banks.

29 Microfinance institutes aim to work more efficient, contain transaction costs by using new technology or reduce their operating costs by finding a way of innovative substantial insurance for microfinance loan; so as to partly shift the burden of non repayment from the poor to some third party. However further research is needed to establish an appropriate interest rate. http://www.cgap.org/about/faq/why-do-mfis-charge-highinterest-rates and http://www.tropentag.de/2006/abstracts/posters/58.pdf
We conclude that, based on our literature study, India is amongst the pioneers in elaboration of micro-financing schemes with new savings products for various groups. From a gender perspective this is positive; most participants are women with low incomes working in the informal economy. From a coverage perspective, these developments are just a beginning. Taking the demographic changes in consideration and the expected feminization of the aged, there is more room for new pension initiatives.

Sustainability of Micro Pension Schemes
Are micro pension schemes sustainable? This is a major concern because of the dropout of participants. Reasons for leaving are a.o: high training and administration costs; no monthly pension statements, so clients lack trust whether the savings were actually administrated; the information is given in English instead of the local language.

If these challenges could be addressed, more micro pension programs could have the potential to upscale enrollment. Uthira and Manohar (2009) executed a desk research on sustainability of micropensions in the era of pension reforms in India. They concluded that if strategically and judiciously used, micropensions could be a sustainable product that will contribute to poverty alleviation. Poverty alleviation as a state responsibility is so far partly complemented by financial Self Help Groups, NGO initiatives and partly by MFIs.

3.5 CASE STUDY: MICRO PENSION SCHEME OF THE DHAN FOUNDATION

In the case study below we research the question: “Under what conditions are low-income women in the informal sector willing and able to pay for a micropension provision as currently being developed by grassroots NGOs and the microfinance sector for their older female clients?”

The case study is about the new micropension scheme of the Development of Humane Action (DHAN) Foundation, a non-governmental organization (NGO) in Tamil Nadu, Madurai, South India. DHAN – which is Tamil for ‘giving back to society’ - is working with over a million households through different thematic programs to reduce poverty by diversifying the range of financial assets and sharing the social economic risks. Their microfinance program is executed by a separate entity, People Mutual, registered as a trust under Indian Trusts Act on December 11, 2003. People Mutual is a mutual insurance initiative promoted through collaboration between DHAN Foundation, Oxfam Novib, Rabobank Foundation and Eureko Re insurance company, all based in the Netherlands. People Mutual's mission is to safeguard poor people from risks and vulnerabilities through collaboration with insurance providers and mutual solutions to reduce poverty. (People Mutual Annual Report, 2011).

The members of People Mutual already save in their financial Self Help Groups (SHG’s) and Farmers Associations (FA’s). These SHG’s and FA’s, so called peoples’ institutions, were built on the principles of self-help and mutuality aiming to address poverty. This community banking of Peoples Mutual enables low-income families to decide on products and services suitable for them and building appropriate systems and operational mechanisms to sustain them.

Building on this experience, the DHAN Foundation in partnership with World-Granny, Pension Development Network and HelpAge India decided to pilot a Dhan’s micro-pension program for their clients. The asset management of the micropension product would be executed by the Life Insurance Company of India (LIC). Before the pilot could start, a household study and a feasibility study were conducted. The household study is conducted amongst financial self-help groups in 20 locations (branches). 44,562 households were interviewed by a pre-tested household interview. With the results of this household survey 10 locations were shortlisted for the baseline study. The locations are considered as comprising the test market for the micropension pilot of the Dhan Foundation. In this test market a feasibility study was conducted of which we review the results in this paragraph. This feasibility study was executed among about 400 respondents, spread over 5 age categories (<30, 31–40, 41–50,
51–60, >60). From each of the 10 selected locations 8 members of a financial Self Help Group and Farmers Association were interviewed, all women. The respondents are asked about their opinion without family members present to prevent a positive bias. The feasibility study sample of 400 is representative for the total membership of the Dhan foundation states and contexts.

Baseline Study

The baseline survey was undertaken to understand demographic composition (progressive age composition), savings patterns (household annual savings and household cumulative savings), income levels (household annual income and value of income generating assets) and access to pension and life insurance of the target group (Table 1. - People Mutual, 2010). The research objective was to describe the socio economic conditions of the aged poor and their (traditional) support mechanisms of the last decade in rural as well as urban contexts. This baseline study was conducted in order to determine which 10 locations could be chosen for more the more in-debt feasibility study.

Table 1. Composed variables of the researched locations of the Dhan Foundation (self help groups) applied to rank the top 10 locations used as resource for the feasibility study.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Statistics</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Progressive Age Composition</td>
<td>Median</td>
<td>1.5</td>
</tr>
<tr>
<td>- Household Annual Savings</td>
<td>Median</td>
<td>1.0</td>
</tr>
<tr>
<td>- Household Cumulative Savings</td>
<td>Median</td>
<td>1.0</td>
</tr>
<tr>
<td>- Household Annual Income</td>
<td>Median</td>
<td>0.5</td>
</tr>
<tr>
<td>- Value of Income Generating Assets</td>
<td>Median</td>
<td>0.5</td>
</tr>
<tr>
<td>- Access to Existing Pension Schemes</td>
<td>Median</td>
<td>2.0</td>
</tr>
<tr>
<td>- Access to Life Insurance</td>
<td>Median</td>
<td>1.0</td>
</tr>
</tbody>
</table>

3.6 RESULTS OF THE FEASIBILITY STUDY

The aim of the feasibility study is to investigate the willingness and ability of low income women in the informal economy to save for a micro pension product.

In the feasibility study the 45–60 age category is the main age group to investigate their willingness and ability for contributing to pension schemes. This age category comprises 26% of the sample. The 60+ age category concerns only 3.2% of the sample. More than half of the women of 60+ are widowed. The respondents have an average yearly income of $ 738 (40,620 Rs.). Urban locations show a higher annual income pattern (about $ 1,000 Rs. 60,000) than in rural and coastal locations (average annual income around $500 (Rs. 30,000).

On average 60+ women had 3 times less income than women aged between 31 and 40. Pension coverage in the sample ranged from 28% in (Mudhukulathur) to 0% (in Siraram). Access to existing pension schemes (state pension, pillar 1 or job pensions, pillar 2) is low. On average only 6.0% of the respondents (measured by location average) had access to a kind of pension provision on national or state level. Annual savings were on average 1347 rupees (>100 R per month) per household ($ 29). The average amount of cumulative savings (=total saving over a life time) of the interviewed households was 8439 rupees ($ 185), in about 6 years of savings.33 However, the value of income generating assets such as land and other assets is still a multi fold of the annual savings per household. Households have on average total assets of 43362 rupees ($ 953).

In the next part the demographics are related to the variables “willing to pay for a micro pension product” and “ability to contribute”.34

33 The variance between the locations is quite significant. In the location of Athun, the amount of saving per household is 24,259.84 rupees - US $ 54, and in Kondalampatti the households savings numbered almost threefold, with an average of US $158
The Motivation for Participating in Micropension

The central question for the case study is: Under what circumstances are the female clients in the case study willing and able to pay premiums for a micropension product?

Several approaches to measure willingness-to-pay have been presented in academic literature. Breitner et al. (2006) provide a systematic overview on these competing approaches. This is important because different studies have shown that minor variations of prices and the corresponding consumer behavior can have notable effects on revenues and profits. For long-term products like micropensions this is of even more importance in order for individuals to establish their proper returns.

In the case study, the respondents are not asked for their actual reasons to pay, just whether they would be willing to pay. In every age group we found a gap between the perceived financial needs in old age and the perceived availability (see Table 2). The gap increases per age group, for the 30–45 it is 13 %, for the 60+ the assumed gap between actual and needed income is about 60 %.

Regardless of age category, the overall majority of respondents (90 % or more) expressed the need for a micropension. There was no relationship between the size of the assumed income gap (actual and needed income) and respondents’ opinion on needing a micro pension. Only those respondents who expressed ‘no need for a micro pension’ showed some variety in age. This showed a relationship with the size of the assumed income gap. The age groups with the smallest assumed gap answered more often with "no need for micro pension". A possible explanation, indicated by literature on the use of savings (a.o. Mees & Ahmed, 2012), can be found in the amount of savings or assets that can be used as old age provisions. From earlier focusgroup conversations (the author visited the Dhan foundation in 2009) we know that the younger generation is more willing to pay for micro pensions because they no longer expect much financial family support once they become aged.

The gap between needed and received money is the highest in the >60 years category (Table 2). On the other hand, the expected benefits of the respondents (Table 4) are higher than the need (Table 2). The main reason why the 45–60 age category is willing to pay for a micropension is because of the very low pension coverage in pillar 1 and because they have no access to job related pensions (pillar 2). For this category micro pension scheme like of Dhan Foundation is at least a possibility, although not yet attractive enough to invest their savings from their savings account with the Self Help Group/Farmers’ association (Table 6). Younger respondents are even more reluctant, most probably because of other life-cycle needs. The liquidity of normal savings compared to a pension scheme is more attractive for younger people. This is an important condition to cope with as NGO or MFI.

<table>
<thead>
<tr>
<th>Table 2 Financial needs of individuals versus availability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Money required per month (Rs.)</td>
</tr>
<tr>
<td>Money got different sources for spending</td>
</tr>
<tr>
<td>Unmet amount (Rs.)</td>
</tr>
</tbody>
</table>

The need is calculated as the difference between the perceived amount required as minimum living standard and the amount received. The willingness to participate in a micropension program is taken as the expressed preparedness to join a potential pension program.

<table>
<thead>
<tr>
<th>Table 3. The need for a micropension (per cent).</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Yes, I need</td>
</tr>
<tr>
<td>No, I don't need</td>
</tr>
<tr>
<td>I can't say</td>
</tr>
</tbody>
</table>
Coming back to the average savings of 100 rupees per month it is interesting to see that this amount is more or less the same regardless of income levels. The average annual savings in all locations is close to 100 rupees, as well in case of rural and coastal locations with average annual income around 30,000 rupees, as in urban locations with incomes around 60,000 rupees per year. This standard 100 rupees saving is remarkable the same amount as other micropensions schemes require as a monthly minimum, like NPS, Shepherd, Mann Deshi Bank and ASA –Activists for Social Alternatives Trichirapalli.

Combining these data on savings with the need and ability, it suggests that younger respondents (from the same lower income group of women) would be more willing to participate in a micropension program, since they are not required to transfer their already accumulated savings in a pension scheme, but they can start saving directly in a pension fund and receive interest on their savings. In the age category 41–50 the dependency is somewhat lower, probably due to own income out of labour.

Respondents report a high dependency for personal financial needs in every age group. The respondents of >60 group are for 72.5 % to be financially depending on spouse, family or friends (table 7). These data are similar to those figures presented in the report from the Indian Government (see Fig. 2) with this difference that a larger percentage of older people is dependent on the children with respect to a lesser percentage on spouses. The average opinion on the family support is positive, though it diminishes during the life-cycle.

Table 4. Pension benefits expected per month (rupees)

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Amount (year) in Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;60 years</td>
<td>841.88</td>
</tr>
<tr>
<td>51–60 years</td>
<td>1,265.00</td>
</tr>
<tr>
<td>41–50 years</td>
<td>1,241.25</td>
</tr>
<tr>
<td>31–40 years</td>
<td>1,733.75</td>
</tr>
<tr>
<td>&lt;=30 years</td>
<td>1,903.75</td>
</tr>
</tbody>
</table>

Table 5. Willingness to pay premium (Rupees).

This is also in line with the research of a.o. Alam (2004) and Alam & Institute of Economic Growth (2008) and implies the need for financial self-reliance for women in later life.

3.7 CONCLUSIONS

The main question in this paper was:
How can the low pension coverage in India - in particular for low-income female workers in the informal economy - be increased?

<table>
<thead>
<tr>
<th>State initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stratum</td>
</tr>
<tr>
<td>&gt;60 years</td>
</tr>
<tr>
<td>51–60 years</td>
</tr>
<tr>
<td>41–50 years</td>
</tr>
<tr>
<td>31–40 years</td>
</tr>
<tr>
<td>&lt;=30 years</td>
</tr>
</tbody>
</table>
Looking at the new social security programs for the ageing low-income women in India, there are positive developments emerging in all 3 pillars of the social security system; governmental, job related schemes and in the realm of private/micro pension systems. The feminization of the ageing population could lead to a rapid increase in its number of widows living in poverty. Our question whether the new pension schemes introduced by the Indian Government will reduce old age poverty, can be answered positively. Though the state is actually participating in private microfinance initiatives that are mainly geared to women, this does not mean that the gender-specificity of the demographic transition is fully addressed. India is half way the demographic transition, which is expected to be finished only at the end of the 21st century. India’s population will still increase with about 60 % during the 21st century. Therefore India’s old age dependency rate is still much smaller than in developed countries, but is growing quickly. According to World Bank only about 5 % of older Indians have access to a pension provision. 6 % of the Dhan-clients stated to have access to pension. India has governmental pension provisions (pillar I) and job related pensions (pillar II). These are insufficient especially for low-income workers in the unorganized sector where most women earn their income.

Table 6. Willingness to use savings in SHG/FA as lump sum premium payment towards micro-pension (percent).

<table>
<thead>
<tr>
<th>Willingness</th>
<th>&gt;60 years</th>
<th>51–60 years</th>
<th>41–50 years</th>
<th>31–40 years</th>
<th>&lt;=30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, I am willing</td>
<td>58.75</td>
<td>45.0</td>
<td>42.5</td>
<td>33.75</td>
<td>36.25</td>
</tr>
<tr>
<td>No, I am not</td>
<td>27.5</td>
<td>36.25</td>
<td>45.0</td>
<td>52.5</td>
<td>53.75</td>
</tr>
<tr>
<td>I can’t say</td>
<td>13.75</td>
<td>18.75</td>
<td>12.5</td>
<td>13.75</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Table 7. Dependence for personal financial needs (percent).

<table>
<thead>
<tr>
<th>Dependence</th>
<th>&gt;60 years</th>
<th>51–60 years</th>
<th>41–50 years</th>
<th>31–40 years</th>
<th>&lt;=30 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own</td>
<td>27.5</td>
<td>32.5</td>
<td>40.0</td>
<td>38.75</td>
<td>37.50</td>
</tr>
<tr>
<td>Spouse</td>
<td>26.25</td>
<td>37.50</td>
<td>50.0</td>
<td>58.75</td>
<td>58.75</td>
</tr>
<tr>
<td>Other family members</td>
<td>35.00</td>
<td>23.75</td>
<td>6.25</td>
<td>1.25</td>
<td>3.75</td>
</tr>
<tr>
<td>Friends, relatives and other external sources</td>
<td>10.25</td>
<td>6.25</td>
<td>3.75</td>
<td>1.25</td>
<td>-</td>
</tr>
<tr>
<td>Dependancy</td>
<td>72.50</td>
<td>67.50</td>
<td>60</td>
<td>61.25</td>
<td>62.50</td>
</tr>
</tbody>
</table>

**Micropensions**

The Government executed Invest India Income and Savings Survey 2007 indicated that approximately 61 million low-income unorganized workers are interested to save for retirement, and nearly 25.8 million of them can afford (and are willing) to pay Rs.2,300 ($51.56) per year for a private contributory pension scheme. This is 42.30 % of low-income workers.

In 2010, the Indian national government initiated an interesting policy of funding micro financing schemes in order to stimulate the unorganized sector workers to save. Microfinance institutes (MFIs) investigated the chance for developing micro pension products as a way to increase pension coverage. The micropension schemes offered in India are amongst the pioneers, like the most recent program of the Dhan-Foundation.

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35 This survey is supposed to be the most comprehensive pan-India market research ever produced on the financial capabilities, preferences, behaviour and outlook of India’s mass market for retail finance, insurance and retirement products. www.cafral.org.in/docs/Renuka%20Sane%20%20Round%20Table%20Discussion%20Measuring%20financial%20inclusion%20from%20demand%20side.pdf
Feasibility study
In the second part we analyzed under what conditions low-income women were willing and able to participate in a micropension program as currently being developed by grassroots NGOs and microfinance institutes. The results of this case-study lead to the following conclusions:

The need for micropension is perceived in all the age groups. The gap between money required and money received is higher for people aged >60. The expected pension benefits (Table 7) by the respondents are higher than the financial need (Table 2).

There is a common reluctance among this (mostly female) respondent group to move savings already invested in the savings program of the Self Help Group (SHG/ Farmers association) towards premium for micropension. Maybe because the micropension scheme is a long term saving schemes and therefore sets restrictions to the liquidity. This result is comparative with other research showing also less likelihood for long term financial liabilities for people facing life cycle costs, like healthcare, education and even wedding expenses (Hatch 2011).

Table 8. Opinion about support of other family members.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>&gt;60 years</th>
<th>51–60 years</th>
<th>41–50 years</th>
<th>31–40 years</th>
<th>&lt;=30 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>47.50</td>
<td>58.75</td>
<td>65.00</td>
<td>71.25</td>
<td>68.75</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>18.75</td>
<td>28.75</td>
<td>26.25</td>
<td>23.75</td>
<td>28.75</td>
</tr>
<tr>
<td>Not satisfied: feel lonely</td>
<td>28.75</td>
<td>11.25</td>
<td>6.25</td>
<td>23.75</td>
<td>28.75</td>
</tr>
<tr>
<td>Can’t say</td>
<td>5.00</td>
<td>2.50</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Almost three quarters of the respondents (women) are dependent on family for financial needs.

The feasibility study of the Dhan Foundation shows that 74% is willing to pay a premium for micropension provisions (in all age categories except for aged >60). That is about twice as much as in the earlier governmental survey of 2007 (see Table 6). Most probably this has to do with the gender aspect. Other researchers (Palacios 2011) show that women are far more likely to join a pension scheme; that income positively correlates with willingness to join; that the married are more likely to participate; that landholders are less likely and that there is a high correlation with insurance coverage. The Dhan respondents are almost all women and have quite some financial awareness, due to their membership of the Dhan foundation. Our sample is probably also a somewhat higher segment of the low-income unorganized workers than in the governmental survey of 2007 (Kannan & Papola 2007). But it could also be another indication that since 2007 longevity awareness further increased and therewith the readiness to pay premiums for micropension provisions.

The pension coverage by direct governmental provisions is still low (1st pillar). This is also the case for pension coverage by job related provisions and hybrid schemes like NPS and (though to a lesser extent) NPS-lite (2nd & 3rd pillar). Our research on the Dhan-foundation data shows the increasing readiness for 3rd pillar provisions like micropension schemes, in particular among one of the most difficult population groups in this respect in India, the low-income unorganized workers, in particular women. Our findings among this female respondent group with relatively higher financial awareness supplement those of others and give insight in opinions of an actual local situation.

In this research, we did not pay attention to the flexibility of payments by women working in the informal sector. They have a small and irregular income. Flexibility of contributions encourages contribution of small but frequent amounts resulting not only in a smaller amount of contributions but also in high transaction costs and consequently low benefit payouts. Voluntary contributions meant to encourage enrollments resulting in the participants not prioritizing pension contribution; high enrollment lowers administrative costs but results in diseconomies of scale in the long run and saving for the future minimizes old age poverty but lowers the amounts available for daily consumption earlier in life especially given that informal sector participants do not have enough means for today (Njuguna, 2012). It would be interesting, as a point of attention for future research, to pay attention to the options of daily,
weekly or monthly payments to the scheme in relation to the costs-structure and efficiency of the total scheme and whether this is beneficial to low-income participants. The results could be of added value for a multi-trajectory (pillars) approach in social security policies for India as the road to wider pension coverage in the informal economy.

3.8 REFERENCES


UNFPA (2012). *By choice, not by chance: Family planning, human rights and development*.


### 3.9 ANNEX

**Table 9. Household Annual Income.**

<table>
<thead>
<tr>
<th>SL No.</th>
<th>Locations</th>
<th>State</th>
<th>Programme</th>
<th>Context</th>
<th>Annual Income in rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Thiramangalam (RFDT)</td>
<td>TN</td>
<td>RFDT</td>
<td>Rural</td>
<td>53,000</td>
</tr>
<tr>
<td>2</td>
<td>Mudhukulathur (Tank)</td>
<td>TN</td>
<td>TANK</td>
<td>Rural</td>
<td>30,000</td>
</tr>
<tr>
<td>3</td>
<td>Thiruppathi</td>
<td>AP</td>
<td>KCBP</td>
<td>Urban</td>
<td>72,000</td>
</tr>
<tr>
<td>4</td>
<td>Chittoor</td>
<td>AP</td>
<td>KCBP</td>
<td>Urban</td>
<td>42,000</td>
</tr>
<tr>
<td>5</td>
<td>Kuppam</td>
<td>AP</td>
<td>KCBP</td>
<td>Rural</td>
<td>50,400</td>
</tr>
<tr>
<td>6</td>
<td>Shanti Nagar</td>
<td>AP</td>
<td>KCBP</td>
<td>Urban</td>
<td>36,000</td>
</tr>
<tr>
<td>7</td>
<td>Mgadi</td>
<td>KA</td>
<td>KCBP</td>
<td>Rural</td>
<td>36,000</td>
</tr>
<tr>
<td>8</td>
<td>Bannur</td>
<td>KA</td>
<td>KCBP</td>
<td>Rural</td>
<td>24,000</td>
</tr>
<tr>
<td>9</td>
<td>Sellur</td>
<td>TN</td>
<td>KCBP</td>
<td>Urban</td>
<td>60,000</td>
</tr>
<tr>
<td>10</td>
<td>Sanarpatti</td>
<td>TN</td>
<td>KCBP</td>
<td>Rural</td>
<td>36,000</td>
</tr>
<tr>
<td>11</td>
<td>Mullia</td>
<td>TN</td>
<td>KCBP</td>
<td>Rural</td>
<td>30,000</td>
</tr>
<tr>
<td>12</td>
<td>Sirpam</td>
<td>TN</td>
<td>CALL</td>
<td>Coastal</td>
<td>24,000</td>
</tr>
<tr>
<td>13</td>
<td>Sanganam</td>
<td>TN</td>
<td>CALL</td>
<td>Coastal</td>
<td>36,000</td>
</tr>
<tr>
<td>14</td>
<td>Sigaram</td>
<td>TN</td>
<td>CALL</td>
<td>Coastal</td>
<td>26,000</td>
</tr>
<tr>
<td>15</td>
<td>Ponnampapuriti</td>
<td>TN</td>
<td>KCBP</td>
<td>Urban</td>
<td>60,000</td>
</tr>
<tr>
<td>16</td>
<td>Athoor</td>
<td>TN</td>
<td>KCBP</td>
<td>Rural</td>
<td>40,000</td>
</tr>
<tr>
<td>17</td>
<td>Kondalampatti</td>
<td>TN</td>
<td>KCBP</td>
<td>Urban</td>
<td>50,000</td>
</tr>
<tr>
<td>18</td>
<td>Veerapandi</td>
<td>TN</td>
<td>KCBP</td>
<td>Rural</td>
<td>36,000</td>
</tr>
<tr>
<td>19</td>
<td>Periyakulam</td>
<td>TN</td>
<td>KCBP</td>
<td>Rural</td>
<td>33,000</td>
</tr>
<tr>
<td>20</td>
<td>Puducherry</td>
<td>PY</td>
<td>CALL</td>
<td>Coastal</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Are the Chinese saving for old age? The relationship between future pensions benefits of 45-60 years old Chinese and current household expenditures

#### 4.1 INTRODUCTION

Over the past two centuries, the family care system changed in a wider geographical context. Also in Asia, demographic changes, declining fertility rates, changing gender roles, urbanization, and the HIV/AIDS pandemic are the main drivers of change of the family care system (Binstock et al., 2006, Schaie & Uhlenberg, 2007; Jackson et al., 2008). At the same time, the quality of living in China is steadily advancing, poverty has declined, the average life expectancy has increased from less than 60 years in 1990 to almost 75 years today (CIA Factbook, 2012). Even more remarkable is the rise of the average life expectancy after 60: from 10 to 19 years.36 The average retirement age in China today is 60 for men and 50-55 years for women. These demographic, as well as the economic changes, have been heavily influenced by the one-child policy. What are the implications for the wellbeing of (future) older people if support can no longer be fully provided by the family?

In the last decades, the Chinese government gradually took up the responsibility to mitigate the risk of old age poverty. From the nineties onwards, the pension system was developed from pension programs for then mainly state enterprise employees and the reform of the Basic Old Age Insurance Scheme (BOISE), to the introduction of a New Rural Pension Scheme (NRPS) in 2009 (Shen & Williamson, 2010, Quan, 2012; Zhen Li, 2013, Liu & Sun, 2016). For the first time, compulsory coverage quotas for both urban and rural systems were included. Since its introduction, 89 million people have started receiving

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pension payments under the NRPS. Combined with those receiving payments under earlier established pension schemes, this means that 60 percent of those aged 60 plus, received a monthly pension in 2013. Will this income security encourage the Chinese to spend more of their current income and therefore start saving less?

Until today, the household savings rate is 30 percent of disposable income, one of the highest saving rates in the world after India. Why the Chinese save so much is a central issue in the debate on global imbalances and is not yet fully understood (Cristadoro & Marconi, 2010). This brought up the research question for this paper: will participation in the established and new pension programs lead to higher current Chinese household expenditures and therefore to lower savings? This is relevant in order to assess whether household financial situation will de facto increase. If this is not the case, the risk of old age poverty will stay the same.

Based on theories and earlier research, we analyzed a dataset collected in 2011 by the researchers of the China Health and Retirement Longitudinal Study (CHARLS) to estimate the impact of pension coverage on the current expenditure rates of “middle-aged” households. The empirical literature on household savings in China is quite ample. It consists mostly of aggregated data analysis and shows a positive relationship between income and household savings. Very few studies on savings include pensions as a form of future income security. The contribution of our research is that we use a research design on household level instead of aggregated level. Furthermore, we compare different pension programs as well as current expenditures of households in urban and rural areas in China.

The paper is structured as follows: section 2. addresses the contextual factors like the demographic and socio-economic changes and other determinants that contributed to the explanation of Chinese high saving rates since the last 25 years. Section 3. presents the data, method, and variable construction, as well as the research design and results.

In section 4. we present our conclusions and discussion.

4.2 CONTEXTUAL FACTORS

China’s socio-economic and demographic developments

In the economic literature, savings are often conceptualized as household income minus household expenditures. In this research, household expenditures are taken as a proxy for savings. Not much research is conducted to the effects of pension programs on the current expenditures/savings of “middle-aged” households (with members of 45–60 years). Before we present our empirical findings, we first analyze the various household saving motives presented in the existing literature. Loayza, et al. (2000) review the current state of knowledge on the determinants of saving rates based on a research project “Saving Across the World.” This review identifies the non-policy determinants of saving. These include persistence, income, growth, demographics, and uncertainty. We use these determinants as a classification and apply them to the Chinese context.

Persistence – the gradually changing household saving rates

According to Loayza et al., household saving rates tend to show persistency or inertia; that is, they are highly serially correlated (Loayza et al., 2000). How did the saving rate in China change over time? From 1958–1975, the average Chinese household saving rate was quite low, around 5.3 percent (Gomel, et al., 2013). In this period, the great famine killed at least an estimated 30 million Chinese as a result of new policy and bad weather conditions that devastated the harvests (Meng, et al., 2015). Under the Communist plan economy, basic housing, healthcare, and pensions were provided to workers in state enterpris-
es, in rural areas nothing. In the seventies, the savings rate gradually increased to around 11 percent in 1980. After the 1990s, this social system included in the lifelong job security for party members (“iron rice bowl”) was reformed. The state-market economy was introduced, new social security systems were set up by the state as well as commercial enterprises. The household savings kept rising steadily further to over 30 percent in 2009. These savings are partly destined for old age (Hung & Quian, 2010; Mees & Ahmed, 2012).

Also on an aggregate level, Horioka and Terada-Hagiwara analyze the determinants of the domestic saving rate in developing Asia during 1966-2007. They find that the main determinants appear to be the aged dependency ratio, income levels, and level of financial development. They project future trends in domestic saving rates in developing Asia for 2011-2030 and, based on their estimations, they predict the saving rates in developing Asia as a whole will stay steady, at least for the next two decades.

Income and growth
The far-reaching economic reforms from the eighties onwards, as well as the one-child policy, have fueled a remarkable economic growth, an increase in per capita income and an unprecedented decline in the poverty rate. In three decades, from 1981 onwards, the proportion of the population living in poverty in China fell from 53 percent (World Bank, 2016) to about 6 percent in 2011.

To explain why households kept saving despite rapid income growth, IMF-economists Chamon and Prasad (2008) use household-level data from statistical yearbooks. They find that the saving curve is U-shaped: households with relatively young members as well as households with relatively older member save more than “middle-aged” households. The economists conclude that these high savings are related to the expected expenditures on housing, education (for younger households), and healthcare (for older households).

Demographics
The rapid demographic changes, due to the one-child policy, lead to an increasing dependency ratio. This ratio refers to the number of younger and older dependents per total wage earners. It relates to the so-called demographic dividend (fig. 1), to the economic growth potential that results from the transition of a population’s changing age structure. This demographic dividend is supposed to be a driving factor that fuels the economic growth which led to higher incomes as well as higher saving rates (Chamon, Liu, Prasad, 2010).

Figure 1. Changes in China’s population age composition.


39 The old age dependency ration should have a negative impact on the saving rate, and similarly, since children typically consume without earning income, the youth dependency ratio (the ratio of children to the working-age population) should also have a negative impact on the saving rate. Moreover, a higher youth dependency ratio means more children to provide care and financial assistance during old age and less need to save on one’s own for old age, and hence the youth dependency ratio could have a negative impact on the saving rate for this reason as well. (Horioka et all, 2012)

In their quantitative analysis of Chinese household savings, Curtis, Lugauer and Mark (2011) show that birth rates are inversely related to a country’s savings potential: having only one or two children gives the possibility to save more. Other researchers like Horioka and Wan (2006, 2007), Hung and Quian (2010) see China’s still relatively low old age dependency ratio as predominant driver of its high saving rate, and further, to a lesser extent, its economic growth rate and weak social safety nets as well as educational levels.

Demography and growth are also the main determinants of aggregate saving in the research of Modigliani and Cao (1996). They tested the life cycle perspective (younger and older people spend more and middle-aged people save more) with Chinese aggregate data spanning almost 50 years (1953-2000), concluding that the theory fits the data well (Modigliani & Cao, 1996). Their evidence has been questioned by research based on provincial level data by Horioka and Wan (2006) and household level data by Zheng et al. (2009), Chamon and Prasad (2010) and Brugiavini et al. (2013).

Demography and income security are also related to son preference, often related to greater anticipated old-age support from sons than from daughters and the absence of formal financial mechanisms for families to save for retirement. Ebenstein & Leung uses the introduction of a voluntary old-age pension program in rural China in the 1990s to show that parents with sons are less likely to participate in pension plans and that providing access to pension plans affects parental sex-selection decisions. Wei & Zhang (2009) identify Chinese parents with a son, who raise their savings in order to improve their son’s relative attractiveness for marriage. According to the researchers, this factor could potentially account for about half the actual increase in the household savings rate during 1990–2007.

The old-age dependency was one of the main determinants of household savings rates besides disposable income in the research of Mees and Ahmed (2012). They use a dataset that covers 5 decades of savings rates in China (1960–2009) and show that the main determinants of China’s household savings rates are disposable income and the higher old-age dependency rate. The decreasing young age dependency rate and the average economic growth rate played only a limited role. Their results indicate that the Chinese are saving less for their children’s education than for their own expected health and old age expenses.

**Uncertainty**

Theory predicts that greater uncertainty raises the saving rate since risk-averse consumers set resources aside as a precaution against possible adverse changes in income and other factors (Sandmo, 1970; Skinner, 1988; Zeldes, 1989; Miao, 2004; Loayza et al., 2000). Cristadoro and Marconi (2010, 2011) find that precautionary motives and what they identify as liquidity constraints - inability to make a purchase due to lack of cash - are the likely causes of the high household savings. They use aggregated data on disparities in saving rates between rural and urbanized provinces in China. Their results suggest that in order to reduce the propensity to save of Chinese households it is necessary to improve social services provisions and to facilitate the access to credit.

In contrast, Kraay (2000) in his empirical study on China, finds that income uncertainty or demographic factors have no effect on savings, although he suggests that the fact that saving rates of rural households are often higher than those of urban households may partly reflect the greater uncertainty of rural incomes. Kraay uses panel data on Chinese provinces from China’s household survey to analyze the determinants of the saving rates of rural and urban households between 1978-83 and 1984-89. He finds that in rural areas, the expectations of future income growth, as well as income levels higher than subsistence consumption, play a significant role in the evolution of savings in rural areas. In urban areas, according to his findings, virtually none of the explanatory variables has a significant impact on the household saving rates.

In conclusion, the favorable low dependency rate - few children, few older people- made household expenditures and savings possible. At the same time, in the uncertainty that the future holds, with high old age dependency rates and
only one child to take care of older parents, households might rely on precautionary savings. In rural areas, where income uncertainty is higher than in urban areas, this counts even more.

4.3 POLICY CHANGES: REFORMS OF THE PENSION SYSTEM

Part of the spectacular poverty reduction was due to government policy. In 1991 China’s pension system was developed for then mainly state enterprise employees and consists of three “pillars”: a public social security net (Pillar 1), a job based basic pension insurance (Pillar 2) and a supplementary private pension insurance funds (Pillar 3). In 1997 the pension (pillar 2) coverage was extended to all enterprises: state-owned enterprises, collective enterprises, foreign-funded enterprises, joint-venture and private enterprises. Also, the Basic Old Age Insurance Scheme (BOISE) was reformed and covered statutory participants, employees with labour contracts (migrant workers included) but also self-employed as voluntary participants.

In the Five Year Plan of 2005 – 2010, the Chinese government aimed to re-balance the skewed economic development and introduced a new pension scheme to improve the coverage of the 357 million urban residents (Lu, 2012). In the Twelfth Five-Year Plan (2011-2016) rural pensions were prioritized. 42 With the NRPS, introduced in 2009 and cemented in 2011, the older generation is better safeguarded from old age poverty. The Chinese government has the ambition to implement a unified and standardized pension system to cover its rural and urban population before 2020 (Dorfman, 2010, 2012; Zheng & Zhong, 2016).

4.4 PENSIONS IN RELATION TO SAVINGS AND EXPENDITURES

To what extent increasing government social expenditures, like this standardized pension system, can make a substantive contribution to increasing the household expenditures in China and therefore diminish savings? This is also the interest of Baldacci et al. (2010). They find that a sustained 1 percent of GDP increase in public expenditures, distributed equally between education, health and pensions results in an increase of the household consumption rate of 1.25 percentage points of GDP (Baldacci, et al., 2010). This outcome is interesting with respect to our research question since the NRPS is a matching program (individuals have to contribute themselves as well) and therefore a government social expenditure.

With respect to the direct correlation between pension reform and household savings, Feng, He and Sato focused on the high household saving rates in urban China. Their outcomes show that the pension reform, which was less generous for future pensioners, boosted the household saving rate up by about 6 percentage points for cohort aged 25-29 and by about 3 percentage points for cohort aged 50-59. Their results also indicate that declining pension wealth reduces expenditure on education and health more than on other expenditures items, in order to save more (Feng, He & Sato, 2009).

The study of Wang Zhenhui (Wang, 2014) uses the CHARLS pilot wave of 200843. He compares urban and rural areas and different types of endowment insurance (= pension) and uses the household expenditures as a proxy for savings. He finds that the Chinese partially funded pension system stimulates consumption and squeezes out the savings to some extent which differs for the various pension types: when a pension increases 1 yuan, the growth rate of average monthly consumption will rise up


43 The pilot survey of CHARLS was conducted in two provinces (Gansu and Zhejiang) in 2008 and collected data from 48 communities/villages in 16 counties/districts.
by about 0.3%–0.6%. However, to what extent this effect is actually caused by the pension coverage is a question.

4.5 DATA, METHOD, AND VARIABLE CONSTRUCTION

Data and research design

The survey of the China Health and Retirement Longitudinal Study (CHARLS)\(^44\), presided over by the Peking University, is based on a nationally representative sample of households with members aged 45 years or above (see also Zhao, 2012). The purpose of CHARLS is to study the main health and economic adjustments to rapid population ageing in China.

CHARLS is based on a multistage probability sample in which first counties were sampled (except Tibet) then villages or neighborhoods, and, next, households within these. Only households, in which a member was 39 or older, were eligible as the main respondent. If present, also the spouse of the main respondent was selected for participation in the research. In total 17708 individuals from 10069 households in 450 communities participated in the research. The face-to-face interviews were held between June 2011 and March 2012 at the respondents’ home by trained interviewers using CAPI technology. Information on the household income, expenditures and collectively held assets is provided by the household’s financial respondent who is most informed on these issues. Community-level information was collected by county-level interviews with a representative from the village committee or community office.

As the aim of this study is to estimate the effect of future benefits from pension on current household expenditures, we only include households in which the main respondents and their spouses are both below the age of retirement\(^45\), have not retired early, and do not currently receive a pension. We also left out 198 households where information was available from only one of the spouses in a married couple. After selection of respondents in households that apply to the selection criteria and some remaining missing values in the variables of interest, we included 2330 households in our final analyses, nested within (after selection) 422 communities (within counties). We correct standard errors for this clustering in our analyses, that are conducted in Stata 13.0 (StataCorp., 2013). In the cross-sectional research design of the CHARLS survey, both participation in a pension program and current expenditures may be outcomes of the same processes. OLS regression coefficients, therefore, cannot be interpreted as causal effects. To deal with this problem of endogeneity we use instrumental variable regression to estimate the causal effect of participation in these pension programs in a more stringent way (Angrist and Pischke, 2008). In the next section, we first describe the construction of the variables of interest (see Table 1), and then return to the choice of instrumental variables that are used to estimate causal effects.

### Table 1: Descriptive information dependent and independent variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Min</th>
<th>Max</th>
<th>mean</th>
<th>Stddev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly expenditures on necessities (in 100 yuan)</td>
<td>.01</td>
<td>260</td>
<td>14.26</td>
<td>14.25</td>
</tr>
<tr>
<td>Monthly expenditures on luxury (in 100 yuan)</td>
<td>.01</td>
<td>235</td>
<td>7.38</td>
<td>14.31</td>
</tr>
<tr>
<td>Participation in pension program of government and/or firm (^a)</td>
<td>.00</td>
<td>1.00</td>
<td>.08</td>
<td>.24</td>
</tr>
<tr>
<td>Participation in pension program of NRPS (^a)</td>
<td>.00</td>
<td>1.00</td>
<td>.24</td>
<td>.41</td>
</tr>
<tr>
<td>Participation in private pension program (^a)</td>
<td>.00</td>
<td>1.00</td>
<td>.08</td>
<td>.25</td>
</tr>
<tr>
<td>Expected monthly amount of firm/government pension (^b)</td>
<td>-.02</td>
<td>113</td>
<td>0</td>
<td>9.25</td>
</tr>
<tr>
<td>Expected monthly amount of private pension (centered) (in 100 yuan)</td>
<td>-.0</td>
<td>43</td>
<td>0</td>
<td>2.17</td>
</tr>
</tbody>
</table>

\(^44\) For more info: China Health and Retirement Longitudinal Study to be found at http://charls.ccer.edu.cn/en

\(^45\) In China, the general age of retirement for men is 60; for women between 50 and 55. Though the eligible age of NRPS is 60 years for men and women equally, we selected men younger than 60; women younger than 55 to keep the average age between the comparison groups equal.
CHAPTER 4

CASE STUDY CHINA

<table>
<thead>
<tr>
<th>Communities (N = 422)</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Stddev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricelevel (percentile ranking 0-1)</td>
<td>.00</td>
<td>1.00</td>
<td>.49</td>
<td>.29</td>
</tr>
<tr>
<td>Modernity (percentile ranking 0-1)</td>
<td>.01</td>
<td>1.00</td>
<td>.49</td>
<td>.29</td>
</tr>
<tr>
<td>Urban: rural village or urban community</td>
<td>.00</td>
<td>1.00</td>
<td>.29</td>
<td>.44</td>
</tr>
<tr>
<td>Year of introduction NRPS 2008</td>
<td>.00</td>
<td>1.00</td>
<td>.13</td>
<td>.33</td>
</tr>
<tr>
<td>Year of introduction NRPS 2009</td>
<td>.00</td>
<td>1.00</td>
<td>.17</td>
<td>.37</td>
</tr>
<tr>
<td>Year of introduction NRPS 2010</td>
<td>.00</td>
<td>1.00</td>
<td>.12</td>
<td>.33</td>
</tr>
<tr>
<td>Year of introduction NRPS 2011</td>
<td>.00</td>
<td>1.00</td>
<td>.09</td>
<td>.29</td>
</tr>
<tr>
<td>Year of introduction NRPS 2012</td>
<td>.00</td>
<td>1.00</td>
<td>.47</td>
<td>.50</td>
</tr>
</tbody>
</table>

Source: CHARLS 2011

*average of main respondent and spouse

SUMMARY OF VARIABLES

Household expenditures

For the analysis, we differentiated between household expenditures to basic needs and to luxury goods. The idea is that luxury goods, more than necessities, will be influenced by decisions to save or to spend money. As basic needs we considered food, utilities (water and electricity), fuel (including gas, coal), local transportation, toiletries (soap, toothpaste), heating, medical expenditures, purchase, maintenance and repair of transportation vehicles and communication products, taxes and fees turned over to the government and property management fees (parking). As expenditures on luxury goods we defined the costs of eating out, alcohol and tobacco, communication fees (telephone, internet use), fees for servants, culture (books, newspapers, DVD’s, cinema, bars), clothing and bedding, long distance travelling, furniture and durable goods (refrigerator, tv), education and training, fitness expenditures, beauty (facials, massage), automobiles, electronics, and donations to society. All items were added up to arrive at the two measures of household expenditures. Finally, we took the natural logarithm of both measures of expenditures to correct for the skewness in these measures.46

Independent variables

Participation in a pension program and expected amount of pension.

Respondents who ever worked and did not process retirement (yet) were asked if they were enrolled in a pension program of the government and institutions or of the firms. The answer defines the two pension variants: government pension and firm pension, both assumed to be part of the Basic Old Age Insurance Scheme (BOISE), aimed to cover all urban employees (Quan, 2012). Subsequently, participants were asked for the expected amount of pension, in yuan per month or as a percentage of the pay at retirement (as the latter was not asked) we took the percentage of current wage from employment). For

46 Zero expenditures were coded as 1 yuan (to be able to compute the natural logarithm).
those who indicated that their participation in the pension program was too short to receive a pension and they would therefore get a one-time payment at retirement instead of pension, the amount was set at the median of those in the same situation but who would pay extra premiums. For those with a future government or firm pension the average pension benefits are estimated at monthly 1487 yuan, monthly.

All respondents, regardless if they ever worked, were asked whether they were enrolled in one of the following ‘private’ pension programs: supplemental pension insurance of the firm, commercial pension, rural pension, residents’ pension, urban residents’ pension, or another pension. In the analyses we consider all these pensions as private pensions. Respondents that had a commercial pension reported the expected amount of pension per year, per month, or if this applied to them, as a lump sum. If the respondent had a rural, residents’ or urban residents’ pension, or another kind of pension, the expected amount could be given in yuan per month or, if that applied, as a lump sum. If there was a lump sum, it was divided by 139 months, as an estimate of remaining years after retirement. The very few respondents that had a supplemental pension insurance of the firm (.1%) all reported the expected amount of pension in yuan per month. The estimated amount of pension from a private pension program is on average 256 yuan. If the respondent said to participate in the New Rural Social Pension Insurance program, it was first established since when he or she (maximum 4 years) participated and how long it would take to age 60 (men) or 52.5 (women retire between 50 and 55 years). The number of participation years was then multiplied by the annual payment and the factor 1.3, to get a measure of the contribution to the pension program. If the contribution was given as a lump sum amount, this amount was multiplied by the factor 1.3. The pension amount for the New Rural Social Pension Insurance program was constructed as 55 plus the contribution divided by 139 (the expected number of months after retirement). The pension benefits of the NRPS pension program are on average 70 yuan per month. 2.0 percent of the respondents reports participating in more than one pension program. The expected amount of pension is expressed in 100 yuan.

To attain variables at the household level, we took the average of the main respondents’ participation in each pension program. Therefore, household participation in a pension program can be 0, .5 or 1. To arrive at the household’s expected amount of pension we summed the expected pension amount of the main respondents.

Control variables

Following Wang (2014) we analyze both household expenditures while controlling income, which is expected to be the main determinant of expenditures. Moreover, current saving, which is the main interest of this study, is defined by income minus expenditures.

Apart from income we include some other variables that may explain some variation in household expenditures, and to ensure that any direct effects of the instrumental variables are captured by the controls. Moreover, the effects of the control variables give an indication of the validity of the dependent variables. Next to income, we controlled for the price level of the community, income, education, age (as in Wang, 2014)47, and also family size, the level of modernity and the degree of urban-rural of the community.

47 Wang (2014) additionally controls health condition and family assets.
**Income.**

Individual incomes of the main respondent and the spouse were asked at two points in the questionnaire. In the section on household income respondents reported the amount of wage and bonus income in the past year. From the information in the module on work retirement a total measure of monthly wage income is constructed as the sum of (self)employment, farming and unpaid family business. We took the average of two measures of individual income as a measure of individual income from salary ($r = .45$). Besides this measure, a separate measure of individual income is from stocks, funds, and other investments which can also take a negative value. A third measure of income is from subsidies or individual-based transfers: pensions, unemployment compensation, pension subsidy, worker’s compensation from Industrial Accident Compensation Insurance, elderly family planning subsidies, medical aid, other government subsidies, social assistance, other income sources like alimony and child support. The household income consists of income from agriculture, self-employed activities, income from wage and subsidies of individual household members other than the main respondents, household subsidies, household income from other resources. All measures of income are expressed in the amount of 100 yuan per month.

**Household education, age, size of the household.**

The highest level of education attained varies mainly between no formal education (illiterate) (14.2%) to some education (capable of reading or writing, elementary school) (35.7%) and middle or high school (46.0%). 4.0% has attained vocational school or college. For the measure of education of the household we took the average of the main respondents. Age is based on the year of birth, and if missing, on a subsequent question that directly asked for age. In our selection of the sample, age varies between 45 and 59. For the analyses we subtracted 45, so that it is expressed as deviations from 45. Here also we took the average age of the household, and expressed it in 10 years of age. The size of the household apart from the main respondent and spouse was constructed as the maximum of the number of household members named in the household roster when asked for gender and birth year. The total number of persons in the household number varies between 1 and 12.

**Community price level, modernity, urban.**

Following Wang (2014), we control the community’s price level of food and other commodities, as provided by the village committee or community office (the liji part of pork, chicken eggs, rice, flour, natural gas, LPG, water, electricity, coal, a new and used apartment, and the rental price of an apartment). The measure of price level was constructed as the average of the percentile rankings of these variables (Cronbach’s alpha .75, eggs left out) and ranked it into a 0-1 range. We also include a measure of modernity, based on information given by the village committee or community office on the management of waste in the community, main type of toilet, availability of different schools, services, and stores. As a measure of the level of modernity we took the average of the percentile rankings of these variables (Cronbach’s alpha .80), ranked this variable again into a 0-1 range. The correlation between modernity and price level is .475. As part of the household interview the interviewer was asked to take down the type of the neighborhood, rural village or urban community. As a community level measure of urbanization we took the community average of these answers. Although most of the interviewers – on average 23 (between 2 and 53) per community - agree on the type of neighborhood, in 11% of the cases their ratings differ somewhat, in which cases the community level variables is between 0 and 1.

**Instrumental variable regression.**

We use instrumental variable regression analysis (ivregress in Stata) to deal with the endogeneity problem, i.e. that participation in the pension programs and the household expenditures could be outcomes of the same processes, or to confounding variables that are omitted from the analysis. Instrumental variables have to fulfill two assumptions. The first is that the instrument correlates reasonably well with participation in the pension program. The second assumption, the exclusion restriction, is that the instrument approaches random assignment, independent of the outcome, conditional on covariates and that instruments only affect the outcome variable via the treatment variable (Angrist and Pischke, 2008, 117).
As the first set of instrumental variables to estimate the effect of participation in a pension program we use the year of introduction of the NRPS pension program. The pension program NRPS was officially introduced from 2009 onwards, not at the same rate in all provinces, first in pilot locations (Quan, 2012, 14). The year of introduction of NRPS could serve as an instrumental variable if we assume earlier introduction will, through increased public knowledge, affect the probability of taking part in the NRPS pension program, and (only) this way will affect the current expenditures. The community’s year of introduction of the NRPS program, however, does indeed relate to participation in this pension program. As we think it is reasonable to assume that the community’s year introduction does not directly affect the household expenditures, we use this as an instrumental variable.

As an additional instrument, we use individual HuKou status, the Chinese household registration system. Due to policy measures of the communist regime in the previous century in which people were forced to live in rural areas, the HuKou status – agricultural or non-agricultural – is at least partly exogenous. Residents with an urban HuKou are thought to participate more often in government and firm pension programs; for the NRPS pension, only those with an agricultural HuKou are eligible. For two pension programs residents with an urban HuKou are allowed to participate; for the NRPS pension, only those with an agricultural HuKou are eligible. As access to the two pension programs is also conditional on the HuKou status, we use HuKou status as an instrument for participation in both pension programs. More precisely, as a minority of respondents changed their HuKou status, we use their first HuKou status. Here we follow Lizardo (2006) who uses region of residence in childhood and ‘type of locale’ as instruments in his study on cultural taste and networks size (795). Respondents were asked to report their first HuKou status, that varies between agricultural (91.3%) and non-agricultural (8.7%) HuKou.

Table 2 presents the first stage instrumental regression results: the determinants of participation in the two pension programs that are instrumented, the government or firm pension program for urban employees, and the NRPS program, for rural residents. These first stage regression results are interesting in itself, but also serve to test the first assumption that the instrumental variables significantly affect participation in these pension programs.

Table 2: First stage 2 sls regression of participation in pension program of government and/or firm and NRPS pension, OLS regression coefficients and t-values based on robust standard errors (N households = 2330, N communities = 422).

<table>
<thead>
<tr>
<th></th>
<th>Pension government / firm</th>
<th>NRPS pension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>t</td>
</tr>
<tr>
<td>private pension</td>
<td>-0.0134</td>
<td>-0.8</td>
</tr>
<tr>
<td>Income salary</td>
<td>0.0018</td>
<td>3.6  *</td>
</tr>
<tr>
<td>Income other</td>
<td>-0.0008</td>
<td>-0.9</td>
</tr>
<tr>
<td>Income subsidy</td>
<td>0.0016</td>
<td>0.5</td>
</tr>
<tr>
<td>Income household</td>
<td>-0.0005</td>
<td>-2.0  *</td>
</tr>
<tr>
<td>Age</td>
<td>-0.0124</td>
<td>-0.9</td>
</tr>
<tr>
<td>Education</td>
<td>0.3333</td>
<td>7.5  *</td>
</tr>
<tr>
<td>Household size</td>
<td>0.0009</td>
<td>0.2</td>
</tr>
<tr>
<td>Price level</td>
<td>0.0314</td>
<td>1.4</td>
</tr>
<tr>
<td>modernity</td>
<td>0.0187</td>
<td>0.7</td>
</tr>
<tr>
<td>Urban</td>
<td>0.0681</td>
<td>2.4  *</td>
</tr>
<tr>
<td>Community introduction NRPS 2009</td>
<td>0.0199</td>
<td>0.9</td>
</tr>
<tr>
<td>Community introduction NRPS 2010</td>
<td>-0.0068</td>
<td>-0.3</td>
</tr>
<tr>
<td>Community introduction NRPS 2011</td>
<td>0.0060</td>
<td>0.3</td>
</tr>
<tr>
<td>Community introduction NRPS 2012</td>
<td>0.0162</td>
<td>0.8</td>
</tr>
<tr>
<td>HuKou agricultural</td>
<td>-0.1805</td>
<td>-4.2  *</td>
</tr>
<tr>
<td>Cons</td>
<td>0.0942</td>
<td>1.7</td>
</tr>
<tr>
<td>F (18, 2311)</td>
<td>10.37</td>
<td>*</td>
</tr>
<tr>
<td>R-squared</td>
<td>.26</td>
<td>.30</td>
</tr>
</tbody>
</table>

*p < .05

---

48 We first used also the province’s coverage rates as provided by Quan (2012) of the two main pension programs, BOISE for urban employees and NRPS for rural residents. Unfortunately, the province’s coverage rates of these two basic programs do only very weakly correlate with the participation in these programs among the 45-59 years old in the sample, which makes them unfit as instrumental variables.

49 For the .5% with unified residence HuKou, we took their former HuKou status.
The first column of Table 2 shows that households with (one or two) government or firm pensions tend to have a higher average income from salary, are higher educated, live in urban regions, and have lower household income, and, have less often an agricultural Hukou status. People who are enrolled in NRPS live in less "expensive communities". Participation in NRPS negatively relates to participation in private pension program. Households with (one or two) agricultural Hukou’s indeed are more likely to participate in the NRPS pension program. Also, and as expected, the year of introduction of NRPS in the community, does affect participation rates in NRPS, though not linearly, as was expected. With respect to the first assumption, both Hukou status and year of introduction of NRPS are valid instruments.

Although we cannot really test the second assumption that the instruments affect the expenditures only via participation in the pension program, we approach such a test by an OLS regression of expenditures on the instrumental variables and control variables, following Lizardo (2006). The results (in Table 3a) show that the relation between expenditures and the year of introduction of NRPS is not significant, given the control variables. The same holds for the effect of Hukou status on expenditures on necessities. However, the effect of Hukou-status on the household expenditures on luxury is significantly positive, which points to a violation of the exclusion restriction. However, if we would exclude the Hukou status as an instrumental variable, in particular participation in the pension program of government and firm is very poorly predicted by the available instruments, which is not in line with the first assumption again. We decided to leave Hukou status as an instrument in the analyses, and, as the effects of participation in the pension programs cannot fully be interpreted as causal, we will interpret the results with caution.

We also estimate the effects of participation in private pension programs and of the amount of pension. However, as we could not find any variables to instrument these effects, also with respect to these, we will be cautious in interpreting the effects as causal.

50 These are perhaps rural communities, although the measure of urban rural does not additionally affect participation in NRPS.

### 4.6 Results

Table 3a presents the effects of participation in pension programs on monthly household expenditures to necessities. In the first two models, the OLS estimates, in the third the estimates from the instrumental variable regression. The results for the OLS regression reveal that there is a positive association between participation in a government or firm pension program and current household expenditures on necessities. Those with a government pension spend 28% (exp(0.2437)) more on food, electricity, medical expenditures and other basic needs than those do not participate in such programs. Participation in NRPS or in a private pension program is not related to more expenditures on necessities.

In the second model we examine the future expected amount of pension instead of participation in the pension programs. Again, positive relations are found between the amount of government or firm pension or a private pension, whereas no differences in expenditures by the amount of expected NRPS pension occur.

In the third column of Table 3a we estimate the causal relation between participation in a pension program and expenditures on necessities. These results show that there is no evidence of any causal effects of participation in government and firm pension programs nor of participation in the NRPS program on the expenditures on necessities. In comparison with the OLS estimates in model 1, there are no significant effects of participation in government and firm pension anymore. This means that differences in expenditures on necessities between households that do participate in pension programs of government and firm and those that do not, are not caused by participation in the government or firm program. This implies the groups are different on variables that are not tested, e.g. individual characteristics like risk-adversity of household members who keep resources aside as a precaution against possible adverse changes in income instead of consumption, or lifestyle preferences that are more persistent and less depend on changes of income could also be an explan-
atory factor. With respect to the effects of NRPS, the results lead to the same results as are obtained from the OLS regression. There are no differences between households that do and do not participate in these programs and these do not turn up when only systematic variations according to the instrumental variables examined.

There are no effects of private pension on expenditures either. Here we cannot draw conclusions on the causality of the effect, but as neither the OLS nor the IV regression points at any differences between households that take part in these programs and those that do not, there is not much evidence for a causal effect either. If we take a look at the relations between expenditures on necessities and other characteristics, we find, as expected, that expenditures vary with the income from the salary of the main respondents in the household. Households of a larger size spend more money, and also households in communities with a higher price level. As these relations are as expected, they give confidence in the validity of the expenditures measures. A bit less straightforward are the relations with age and education. Younger households spend more money and also higher educated spend more money. In modern communities, more money is spent, and also in urban communities more is spent on basic needs. There are no additional effects of Hukou status on expenditures on necessities.

### Table 3a: Household expenditures (natural logarithm) on necessities and participation in pension program of government and/or firm and NRPS pension, OLS and 2SLS regression coefficients (instruments: year of community introduction NRPS, agricultural Hukou status), z-values based on robust standard errors (N households = 2330, N communities = 422).

<table>
<thead>
<tr>
<th></th>
<th>1 OLS</th>
<th>2 OLS</th>
<th>3 2SLS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( b )</td>
<td>( t )</td>
<td>( B )</td>
</tr>
<tr>
<td>Pension government / firm</td>
<td>0.2437</td>
<td>3.6 *</td>
<td>-0.2534</td>
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<td>0.0872</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government / firm</td>
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<td>2.2 *</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
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<td>0.0034</td>
</tr>
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<td>-1.5</td>
<td>-0.0021</td>
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<td>Income subsidy</td>
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<td>0.1</td>
<td>0.0027</td>
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<td>Income household</td>
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<td>0.0001</td>
</tr>
<tr>
<td>Age</td>
<td>-0.2305</td>
<td>-3.9 *</td>
<td>-0.2342</td>
</tr>
<tr>
<td>Education</td>
<td>0.5053</td>
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<td>0.5162</td>
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<td>10.4 *</td>
<td>0.1341</td>
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<tr>
<td>Price level</td>
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<td>2.8 *</td>
<td>0.2680</td>
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<td>0.2738</td>
<td>2.6 *</td>
<td>0.2693</td>
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<td>0.1330</td>
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<td>0.1292</td>
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<td></td>
</tr>
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<td>0.4</td>
<td>0.0395</td>
</tr>
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<td>0.0139</td>
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<td>0.0407</td>
</tr>
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<td>Introduction NRPS 2012</td>
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<td>-0.2</td>
<td>-0.0122</td>
</tr>
<tr>
<td>Hukou agricultural</td>
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<td>0.0874</td>
</tr>
<tr>
<td>Cons</td>
<td>1.4956</td>
<td>11.5</td>
<td>1.5456</td>
</tr>
</tbody>
</table>

R-squared                  | .15              | .15             |                  |
Wald chi2(13)              |                   |                  | 284.3            |

*p < .05
In Table 3b the household expenditures on luxury are modeled. In the first two models, OLS estimates are presented, in the last column the results of the IV regression. Model 1 makes clear that there is a positive relation between the household’s participation in a pension program of firm or government and the expenditures on luxury. Those with a government pension spend 80% \((\exp(0.5871))\) more on luxury than those who do not participate in this program. Household expenditures on luxury do not vary with participation in NRPS or in a private pension program. This might be due to the low amount. The maximum respondents could contribute to NRPS are men of 45 years old who would pay contribution for 15 years.

The second model, in which the amount of pension is included, shows positive relations between the amount of pension, of all types of pension, and the expenditures on luxury. The larger the amount of pension that is expected, the more households spend on luxury. However, these analyses do not answer the question to what extent the participation in a pension program causes the amount of expenditures on luxury.

### Table 3b: Household expenditures (natural logarithm) on luxury and participation in pension program of government and/or firm and NRPS pension, OLS and 2 SLS regression coefficients (instruments: year of community introduction NRPS, agricultural Hukou status), z-values based on robust standard errors (N households = 2330, N communities = 422).

<table>
<thead>
<tr>
<th></th>
<th>1 OLS</th>
<th>2 OLS</th>
<th>3 2SLS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>(t)</td>
<td>(b)</td>
</tr>
<tr>
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<td>-2.0425</td>
</tr>
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<td>Pension NRPS</td>
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<td>0.1817</td>
</tr>
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<td>0.1556</td>
</tr>
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<td>0.0156</td>
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<tr>
<td>government / firm</td>
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<td>Amount of private pension</td>
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<td></td>
<td>0.0087</td>
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<tr>
<td>Income salary</td>
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<td></td>
</tr>
<tr>
<td>Income other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income subsidy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income household</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
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<td>Education</td>
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<td>Price level</td>
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<td>Modernity</td>
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<td>Urban</td>
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<td>-0.2003</td>
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<tr>
<td>Introduction NRPS 2008</td>
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<td>0.0463</td>
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<td>3.7</td>
<td>0.5197</td>
</tr>
<tr>
<td>Cons</td>
<td>-0.3084</td>
<td>-1.4</td>
<td>-0.1952</td>
</tr>
</tbody>
</table>

R-squared: .17
Wald chi2(13): 252.6

*p < .05
CHAPTER 4

The third model estimates the causal effects of taking part in the pension programs of government or firm and of NRPS. The positive effect of participating in a government or firm pension has disappeared now if only the exogenous variations in the instrumental variables are modeled. The effect has even become negative, meaning that participation in the pension program would lead to spending less on luxury, which is the opposite of what was expected. As there was a direct effect of the Hukou status on the household expenditures on luxury (in model 1), we are a bit careful with drawing firm conclusions. However, it seems justified to conclude that participation in this pension program does not cause an increase in the household expenditures on luxury goods. Participation in NRPS or in a private pension program does not affect expenditures on luxury either. These results are the same as in model 1.

Expenditures on luxury goods also vary with income, also from other household members, household size, age, education and are higher in modern communities and those with a high price level. Unexpectedly, households with an agricultural Hukou spend more on luxury as compared to those with a non-agricultural Hukou, but that are similar in income, education, age, pension participation and the other characteristics that were held constant. Though taking a closer look at the content, it becomes an understandable outcome. Rural inhabitants will spend more on communication fees (telephone, internet use), long distance traveling and probably also spend more on donations to society.

4.7 CONCLUSION AND DISCUSSION

In China, over the past three decades, demographic trends have converged strongly with economic growth as the birthrates dropped and the aged population was not yet that sizeable. This so-called demographic dividend has contributed to the rapid socio-economic development. At the same time, Chinese household savings are with about 30 percent, one of the world’s highest savings rates. Now China is approaching a tipping point. In the next three decades, demographic trends will lead to an increase of older people to an expected third of the population in 2050. The old-age dependency burden will gradually rise; tripling today’s level by 2030 and the total dependency will double.

The Chinese government realizes this challenge and is steadily working on fulfilling its promise of full pension coverage, which is particularly important in the rural areas. Pension policies could be expected to have a correlation with household expenditures and savings as we analyzed in this paper. Our central question was: will participation in the established and new pension programs lead to higher current Chinese household expenditures and therefore lower savings?

In the literature, we found consensus over the following factors having a major impact on household savings in China, including persistence, income and expected growth, demographics, and uncertainty. Research done by Feng, Jing, He & Sato (2009), Mees and Ahmed (2012), Cristadoro & Marconi (2010, 2011) and Curtis, Lugauer and Mark (2011) all shows that the demographic transition explains a significant amount of the variation in the household saving rate in China.

By analyzing the CHARLS 2011 database, we found empirical evidence for a positive relationship between participation in established pensions programs and monthly household expenditures. However, after introducing a more stringent test on causality, we did not find evidence that this is a causal relationship.

We have partly built on the work of Wang Zhenhui who analyzed the pilot-wave of the CHARLS dataset. He found that if the pension increases 1 yuan, the growth rate of average monthly consumption will rise up by about 0.3%-0.6%. The differences with our findings can be explained by the fact that Wang used the data of the pilot study, which was not a nationally representative sample as was the wave of 2011. Furthermore, he included retired respondents who already received a pension and the fact he did not apply an instrumental variable regression to estimate the causality of the relationship. And we used an instrumental variable regression to tackle the problem of endogeneity and
to estimate the causal effect of participation in various pension programs in a more stringent way. By doing so, we did not find any difference between the consumption rate of those who expected to participate in the NRPS and those who did not. Also, the amount of the expected pension did not make a difference. Our results indicate that household expenditures of “middle-aged” households are not influenced by pension participation. This suggests that there will be no influence on the rural household saving rate when the Chinese government will extend the pension coverage with the ambition to reach full coverage 2020.

Though our findings can also be an indication that, in spite of being enrolled in a pension, people still save more because they do not see the current NRPS as a sound income security yet. This might be due to the low amounts or as an indication of persistency of household savings. Though earlier studies show similar results that might support this, more research is required to confirm this hypothesis.

Discussion.
The scope of our research on the relationship between future pensions benefits and current Chinese household expenditures reaches beyond their domestic borders. The high Chinese savings rate has worldwide economic implications because of its perceived contribution to the global imbalances (Cristadoro & Marconi, 2010) and even to the 2008 financial crisis (Obstfeld & Rogoff, 2009). Some studies find a clear correlation between participation in a pension program and the amount of savings. (Ebenstein & Leung, 2010; Wang, 2014). We also find this relationship; those who participate in governmental or firm pension programs save less (measured by higher household expenditures as a proxy). However, by using methodological more stringent tests like instrumental variable regression method, we do not find a causal relationship. For the rural areas, this relationship between expected future benefits and current household expenditures is not found at all. This implies that future pensions benefits are not (yet) a determinant of current more household expenditures (and thus lower savings), though we recognize that persistency could be an explanatory factor of the absence of this relationship. The trust in rural areas in more future income security by participating in the rural pension program is probably not yet augmented enough to increase current household expenditures. Repeating this research with the next waves of the CHARLS data-set could be a way of verifying and fine tuning our results. Our findings are in line with Horioka and Terada-Hagiwara (2012) who expect that the domestic saving rate in developing Asia as a whole will remain roughly constant between 2007 and 2027. They envision that rapidly ageing economies will show a sharp downturn in their domestic saving rates by 2030 because the negative impact of population ageing will dominate the positive impact of higher income levels.

Another interesting issue for future research is the gender dimension of future pension benefits and current household expenditures (c.q. savings) in China. In our analyses on household level was a step ahead compare to aggregated data analyses, but we could not analyze the gender differences within households. This could be seen as a limitation because of our broader interest in income security for the aged poor, who are predominantly women. Very few academic studies are available yet on gender differences of the Chinese household savings.[1] According to a number of studies on aggregated levels, in general, women save more than men. This is found in a study based on data from South Korea (Kim, 1997; Lee & Pocock, 2007), from Kenya (Anderson & Baland, 2003) and the USA (Hungerford, 2006). Seguino and Floro (2003) showed in the context of developing countries, that the higher women’s income is relative to that of men, the higher is a country’s gross domestic savings rate. However, there are also researchers who make a link to marital status as the main explanatory factor of gender differences. For instance, Kureishi & Wakabayashi (2013) analyzed precautionary savings due to staying single in the presence of income uncertainty. Comparing young women who are likely to get married within 3 years, with those who are not planning to get married, the last ones have 44 percent more savings for precautionary purposes, and 108 percent more for retirement than the first. These researchers suggest that in facing a higher risk of income fluctuation, due to choosing to marry late or remain unmarried, young women intend to have more wealth to mitigate the income risk (of losing...
their job and not be compensated by income of a husband) inherent in single life. Similar results are found by Grossbard & Pereira (2010). They show that a scenario of higher marriage rates and higher divorce rates will be associated with higher savings rates. In the context of traditional gender roles, this implies higher saving rates by young men and lower saving rates by young women. In more modern countries, the opposite is the case with higher saving rates of married women relative to those of married men.

The study of Seguino, & Floro indicate that when women’s discretionary income and bargaining power increase, aggregate saving rates rise, implying a significant effect of gender on aggregate savings. These findings demonstrate the importance of understanding gender relations at the household level in planning for savings mobilization and in the formulation of financial and investment policies (Seguino & Floro, 2013).

In general, women live longer than men and they run a larger old age poverty risk. This might lead to lower expenditures and higher savings than men. Would this be a motive for the Chinese government to stimulate the enrollment of more women in pensions in order to realize a lower savings rate? It would be interesting to have more in-depth knowledge about the gender differences in saving behavior; again, because the Chinese saving rate has global implications. More research would be required to analyze this gender dimension as well as its relationship with various pension programs.

4.8 REFERENCES


4.9 ANNEX

Annex 1

In the NRPS all rural residents aged 16 or above who are not enrolled in the urban basic pension program can participate voluntarily. The pension fund consists of two main parts: an individual premium and a government subsidy. The individual premium comprises five categories: 100, 200, 300, 400, and 500 Renminbi51 per year per person. The higher the premium, the higher the nominal payments received in the future. The government subsidy comprises two sources: one from the local government, which is required to be no less than 30 Renminbi per person, and the other from the central government, also called the basic pension benefit. When a beneficiary turns 60, he/she starts to receive a monthly benefit (1/139 of the total accumulation) from the individual account for a maximum 139 months. At the same time, he/she receives a basic pension benefit (currently 55 Renminbi per month).

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51 Renminbi and yuan are used as equivalents in this paper.
CHAPTER 5
CASE STUDY PERU
How peru overcame its arrears in social protection for older people

5.1 INTRODUCTION

Latin America can still be considered a young continent, however the proportion of older people will increase from 9 to 15 percent between 2006 and 2025 (UNPF, 2012). In the context of strong regional economic development, social pension52 for the aged has become a hot political issue in the last decade but, interestingly, not so much in Peru. What conditioning factors made Peru different in this respect?

Social expenditure has increased both as a percentage of GDP and of total public spending in almost all Latin American countries (LAC), growing on average to 15.4 percent of GDP in 2009-2010 (CEPAL, 2012). Peru spent only 8.4% of GDP in 2009 (Baanante et al., 2013).53 At the same time, longevity had steadily increased.

According to the World Health Organization (WHO), between 1990 and 2012, life expectancy in Peru increased by 10 years to 79.54 Life expectancy after 60 is currently over 23 years (HelpAge, 2014). This augmented life expectancy is a major indicator that living conditions in Peru have improved dramatically in the past two decades. During this period, the country transformed from a state caught up in political violence and economic turbulence to more political and economic stability (Copestake & Wood, 2007). Over the period 2002–12, the Peruvian economy almost doubled, real GDP grew at an average annual rate of 6½ percent, and the average annual inflation rate fell to 2¾ percent, the lowest in the region (IMF, 2013). In what way these developments contributed to the introduction of social protection in Peru?

52 In this paper, social pensions, non-contributory pensions and social protection for older people are treated as synonyms.
53 The percentage of social spending in other Latin American countries is higher partly because of the social pensions included. In Peru until 2011, the government did not spent any funds on social pensions.
Our three main research questions are:

1. What conditioning factors contributed to the arrears in social protection for older people in Peru compared to other Latin American countries? Can they be found in demography or do political and economic factors dominate the analysis of the arrears?

2. Which socio-economic and political factors (the institutional responsibility matrix - IRM) eventually shaped the actual introduction of “Pensión 65”? Was this mainly a national process or could regional and international influences be seen as the drivers behind the introduction of this social protection policy?

3. What will be the impact—the wellbeing outcomes—of “Pensión 65” on the poverty of older people, women in particular?

Theory on social policies and welfare regimes

To address our first two research questions, we review studies on the determinants of social spending or social protection. The number of these studies has increased since 2000, because of growing interest in the differences between developing and industrialized countries (Mayoral & Nabernegg, 2015). One set of studies encompasses comparative analyses and focuses on regime level. They analyze the differences in social welfare regimes, including Latin America, to conceptualize a typology, or they quantify the determinants of social spending. (Barrientos, 2004; Rey de Marulanda et al., 2006; Copestake & Wood, 2008; Figueroa, 2014; Noy, 2011, Dethier et al., 2011, Böger, 2013). Another cluster of research explore the political and economic conditions leading to the implementation of pension reforms (Barrientos, 1998; Arce, 2001). A third body of knowledge encompasses the pension’s potential impact on poverty (consumption) and inequality (Fan, 2010; Olivera & Zuluaga, 2014; Bando, et al., 2017).

In their paper Reproducing unequal security: Peru as a wellbeing regime, Copestake & Wood (2007) developed a model that map these multiple dimensions of vulnerability and wellbeing, particular for developing countries. In their view developing countries have different phases and wellbeing regimes than the Nordic countries, as described by Esping-Anderson in his three welfare state regimes model (Esping-Andersen, 1990). Copestake & Wood (2007) identify primarily the specific combinations of state, market, community and household on domestic as well as supra national level. Together with the mechanisms of reproducing the stratification of society these establish the wellbeing outcomes of a specific regime.

Figure 1. Model for Wellbeing Regimes,

Taking Peru as an example, this model mentions the conditioning factors differentiation socio-cultural factors like identity, political economy, labor and financial markets. With the so-called institutional responsibility matrix (IRM) the division of obligations is indicated between state, market, community and household level and between the domestic versus international level. The model incorporates the reproduction consequences which refers to the reproduction of stratification (inequality, exploitation, domination) and to the mobilization of elites as well as establishing new alliances and mobilization of the poor. Finally, the wellbeing outcomes describe various conceptions of well-being. We apply
CHAPTER 5  CASE STUDY PERU

this model to clarify the introduction of “Pensión 65” in 2011 and its expected outcome in terms of social protection for older people. Earlier, Gough and Wood (2004) had also studied the various security and welfare regimes in Asia, Africa, and Latin America. They distinguished three types of social security: 1. welfare state, 2. informal security, 3. insecurity. The informal security regimes describe institutional arrangements where people rely heavily on community and family for their security needs, to greatly varying degrees. These relationships often lead to problematic inclusion, whereby poorer people trade some short-term security in return for longer-term dependence. The underlying patron–client relations are then reinforced and can prove extremely resistant to civil society pressures and measures to reform them along welfare state lines (Wood & Gough, 2006). A new phase many Latin American countries moved into could be described as insecurity regimes. These are rarely confined within national boundaries, for example international drugs and lottery syndicates undermine neighborhood countries. In a third phase a welfare regime could be at stake, which refers to systemic governmental arrangements through which people seek livelihood security both for their own lives and for those of their children and elders (Wood & Gough, 2006). In addition to this typology of welfare regimes, Abu and Gough (2010) specified the role of international actors in their research on the development of global welfare regimes.

Our three research questions about the historical deficiency, the political process leading to the introduction and the impact of “Pensión 65” on old-age poverty, will be analyzed according to the conditional factors, the institutional responsibility matrix (IRM), and the reproduction consequences as wellbeing outcomes. In 2007, Copestake and Wood depicted Peru as an “unsettled regime”. We analyze the country almost a decade later. We applied a qualitative mixed approach, using the regime approach combined with an in-depth analysis of the domestic political dynamics to explain the introduction and the expected impact of social protection for older people.

Research design

To identify the different phases of Peru’s wellbeing regime and compare socio-political developments with neighboring countries, we obtained data from the World Bank, ECLAC, ILO, IMF, INEI, UN agencies, HelpAge International and Peruvian government agencies. In line with the wellbeing regime theory described by Wood and Gough (2006), we studied the literature on the conditional factors in order to answer our first question. One conditioning factor Copestake and Wood did not mention: the consequences of the advancement of the second demographic transition. These changes lead to an ageing society, making the introduction of social protection for older people more urgent.

FIGURE 2. Revised model for Wellbeing Regime in Peru.
interviews with policy experts. The first author visited Peru three times and interviewed government officials (including Viceministerio de prestaciones Sociales), experts from IPEMIN (Institute for the development of fisheries and mines), experts in Peru’s HelpAge Network, advisors at ANAMPER (Organizations for Older Adults in Peru); social security advisers at ILO and civil society organizations like CASPAM Centro de Apoyo Social para las Personas Adultas Mayores, Organización de Estudios y Desarrollo de la Seguridad Social, and academics. Furthermore, focus group discussions were held with older people to create a framework for the expert interviews.

The outline of this paper is as follows: Section 2 describes the demographic transition and other conditioning factors like economic aspects to explain the arrears in social protection. In section 3 we focus on our second question: which supra national factors influenced the initiation of “Pensión 65”. Section 4 then relates these supranational forces of section 3 to the internal political process, including the changes in inequality, in the exclusion of older people, in the domination of the traditional political elite and the mobilization of the poor and to the alliances building to assess if “Pensión 65” can be considered a breakthrough. Section 5 addresses the perceived impact of “Pensión 65” on poverty particularly among older women, before we present our conclusions in section 6.

5.2 COMPARATIVE ARREARS IN SOCIAL PROTECTION; CONDITIONING FACTORS

In this section we analyze conditioning factors in Peru conducive to explaining the country’s arrears in social protection: the demographic transition, economic developments in terms of labor markets, societal integration, state form – legitimacy, differentiation in cultures and values and the position of Peru in the global and regional system.

Demographic transition

From a demographic perspective, Peru is a young country; only 9 percent of the population is aged over 60. However, like in other LAC, rapid demographic changes will see this percentage more than double by 2020. Because of its relatively young population, Peru is expected to take advantage of the demographic dividend, the transitory situation that occurs when there are growing numbers of people in the workforce relative to the number of dependents (children and older people). The dividend is generated partly by a rapid decline in birthrates rates within a still relatively young population. Peru’s fertility rate dropped from 7 children in 1965 to about 3 in 2005. The total fertility rate in 2014 was 2.2 (CIA World Factbook) and the old age rate was only yet 9.2% in the same year.

The speed of the demographic transition in Peru - increasing longevity combined with declining birthrates- does not substantially differ from most other LAC, except Argentina (already further in the transition) and Uruguay (behind in the transition) (Cruz-Saco, 2008). Why did countries like Brazil, Costa Rica, Chile, Bolivia, Paraguay, Guatemala, Ecuador, Mexico, Bolivia, Panama, El Salvador as well as Argentina, all precede Peru in introducing a non-contributory pension system?

Economic factors – labor market and income distribution

Of the LACs’ 588 million inhabitants in 2011, one in three still lived in poverty (ECLAC, 2012). But according to the World Bank (2013), in most coun-
tries labor force income was the main driver of poverty reduction after 2003. Transfers and pensions also played an important role, explaining more than one-third of the decline.

Was that the case in Peru as well? The poverty fell from 42.7 percent in 2007 to 21.8 percent in 2015 (World Bank, 2016). However, there are large disparities between the urban and rural regions, where most of the indigenous population and the majority of older people live. While poverty was relatively high, the Peruvian economy boomed with high growth levels of GDP and dropping inflation rates. Brazil and Colombia had comparable average growth figures in the last decade, only Chile was doing even better. These figures imply that economic growth in itself does not explain the introduction of social protection policies (Cecchini, 2014). Labor market participation, income distribution and political factors are better conditional explanatory factors.

**Societal integration; different cultures**

What made this labor participation and income distribution different for other LACs? Peru is a vast country of 31 million inhabitants, the 5th largest country in Latin America. It has very distinct provinces (coastal, Andean and Amazonian) which are deeply differentiated by cultural and social conditions which lead to a pervasive reproduction of social-economic inequality, in particular the exclusion of the indigenous population. This group comprises about one-third of the total population, mostly living in rural Andean and Amazonian provinces. This marginalization existed during the Spanish colonization and continued in independent Peru (Figueroa, 2014; Thorp & Paredes, 2010). Other large LACs like Brazil and Mexico also have a very differentiated population. The main difference with these countries and Peru is the political stability in these large LACs was established about a decade earlier. In Peru, the widespread discrimination of the indigenous population led to the mobilization of the poor. The revolutionary organization Shining Path (Sendero Luminoso) grew more violent over the years resulting in a brutal internal conflict between the rebel group and the army. Between 1980 and 2000, this civil war caused an estimated 70,000 deaths and disappearances, 80 percent of whom were young men of indigenous descent (Boesten & Fisher, 2012). In 2000 three guerilla leaders were captured which seriously weakened the movement. In the same year, the first president of indigenous background was elected, Alejandro Toledo.

Until then, Peru as a state could be classified as an “insecurity regime” (Wood & Gough, 2014), where people live in a very unpredictable environment that destroyed traditional household-coping mechanisms.

In conclusion, the conditional factors mainly responsible for Peru’s arrears in social protection for older people are rooted in socio-political history. For long, the ruling elites had left out a large part of its indigenous population, leading to the reproduction of inequality, exclusion, domination and finally mobilization of the poor in the guerilla movement Sendero Luminoso. Only by the use of extreme state violence, political stability was realized. However, the reproduction of an rather unequal societal stratification, excluding the indigenous people continued with a fragile democracy with a weak civil society as a result.

**5.3 ALLIANCE BUILDING - RISING EXTERNAL PRESSURE**

Our second question was: which factors contributed to the supranational and domestic political process shaping “Pensión 65”? In Copestake and Wood’s model the conditional factors influenced the supranational and domestic alliances building that contribute to a particular institutional responsibility matrix.

**Supranational incentives**

As part of the World Bank’s assistance to Peru a policy paper was presented which suggest to extend Peru’s formal protection against the risk of old age poverty at a fiscally sustainable cost (Restoring the Multiple Pillars of Old Age Income Security, 2004). In 2005, the World Bank published "Old-Age Income
Support in the 21st Century” with proposals for universal coverage (e.g. Holzmann, 2005, Giugale et al., 2007). Other international organizations like UNFPA and the ILO also exerted influence with research on non-contributory pensions in Peru (Aragonez & Clark, ILO, 2009). Not much later, this reached the domestic political process as one of the Peruvian parliamentarians brought this knowledge into the national political arena (ILO, 2011).

In 2010, the Economic Commission for Latin America and the Caribbean (ECLAC) published a book titled: Ageing, human rights and public policies (Huenchuan, 2010), examining the ageing process, guaranteeing human rights in old-age, and the public policies in neighboring countries. The book emphasizes the need for policy responses to the demographic panorama of the coming decades. Also in 2010, the General Assembly of the UN established the ‘Open-Ended Working Group on Ageing’ that reviewed the existing international framework of human rights of older persons. This knowledge gradually reached the Peruvian stakeholders and started to influence the domestic political process.

**International NGOs**

Also international NGOs became contributing factors in the domestic political process in Peru. HelpAge International (HAI), the only international organization solely advocating social protection for older people, is also an actor in the dissemination of global social policy. HAI’s strategy in Peru consisted of five phases (Leutelt, 2012):

1. finding opinion leaders
2. finding domestic allies
3. Find access to parliament
4. start working with political representors
5. public meetings to discuss social pensions with different (indigenous) groups

In terms of contributing to the developing Institutional Responsibility Matrix (IRM), the steady and multiparty alliance building of the supranational organizations like UN organizations (mobilization of elites) was influential at the national level in Peru. However, the main prerequisite to becoming effective still depended the domestic political dynamics because of the state’s decision making power: When would a window of opportunity appear?

### 5.4 LATIN AMERICAN ENCOURAGEMENT

Besides the supranational incentives, the best-practices of neighboring countries also stimulated Peru’s politicians to introduce new policies. Between 2000 and 2013, no less than 18 of the 26 LAC’s introduced social reforms covering old age poverty as shown in figure 3.

**Figure 3. Pension coverage of the older adult population in selected Latin American countries in 1990, 2000 and 2010.**

<table>
<thead>
<tr>
<th>Country</th>
<th>1990s</th>
<th>2000s</th>
<th>2010s</th>
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<tbody>
<tr>
<td>HO</td>
<td>100%</td>
<td>95%</td>
<td>90%</td>
</tr>
<tr>
<td>DR</td>
<td>80%</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>ES</td>
<td>70%</td>
<td>50%</td>
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<tr>
<td>PY</td>
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<td>N</td>
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<td>N</td>
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<td>10%</td>
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<tr>
<td>CO</td>
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<td>MX</td>
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<td>PA</td>
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<td>CL</td>
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<td>UY</td>
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<td>BR</td>
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<td>BO</td>
<td>70%</td>
<td>60%</td>
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</tbody>
</table>

58 Black bar most left represents 1990s, middle represents 2000s and most rights 2010s.
One of the two largest countries, Mexico, started as early as 1989 with Pronasol, later renamed Progresa in 1997 and Oportunidades in 2002 to give poor families cash in exchange for their meeting conditions such as enrolling their children in school and having health check-ups. It inspired Brazil to introduce Bolsa Família in 2003 covering all poorest households (Barrientos, 2007). Brazil’s poorest families derive over half their income from non-contributory cash transfers (Hall, 2008). This is not considered as a non-contributory scheme in fig. 3.

Bolivia introduced “Renta Dignidad” in 2008, a universal social pension for people over 60. Currently, this pension reaches 91 percent of people over 60. The results show clearly in fig. 3

Peru started feeling the pressure. The earlier made policy changes made in an earlier stage were all extensions of the contributory models. Pensión Mínima de Vejez, created in 2001, guaranteed a minimum pension for workers who had contributed for at least 20 years. In 2008 a more substantial step was made. A new voluntary pension scheme was introduced for micro-enterprises, a voluntary system with funding from (informal) workers and the state. Men and women had to have at least 300 contributions, higher than the mandatory pensions (Bernal, 2008; Lavigne, 2013). More important was the creation of the first conditional cash transfer program ‘Juntos’ to support the poorest.59

According Francke and Mendoza (2006), the success of programs like Oportunidades and Bolsa Familia inspired Toledo’s Peruvian government in 2005 to introduce this program.

In 2006 Alan García Perez won the elections and introduced the government program “Bono Gratitud”, a clear reference to Brazil’s policy. The program supported people over 75 living in extreme poverty. About US$ 10 million was budgeted for a 2-year program in specific districts were beneficiaries received a monthly contribution of 100 soles ($37). Although it was only for the very aged in extreme poverty and in specific districts, it was a breakthrough because for the first time old age poverty was clearly defined and institutional responsibility was taken.

Supranational pressures from the World Bank, UN, ILO followed by research and knowledge dissemination, combined with pressure from policy developments in neighboring countries, exerted high pressure on the domestic political process. This, combined with political stability and a positive economic outlook, led to this first minor breakthrough in Peruvian politics. Though “Bono Gratitud” comprised as a pension, it covered only a small group of people over 75 in limited number of areas.

5.5 NATIONAL DEMAND FOR NON-CONTRIBUTORY PENSIONS

In the context of these increasing supranational pressures, what domestic factors lead to the introduction of a non-contributory pension in Peru? The first alliance building was between the supranational organizations and domestic politics. The second new alliance was between several older people organizations and representatives of poor workers (trade unions).

Mekler and Urquizo Maggia’s proposals

The Peruvian parliamentarian, Isaac Mekler Neiman, convinced of the need for older people to have more social protection, contacted organizations like ILO and HelpAge International, older people’s organizations (CASPAM) and the trade unions (IPEMIN). With their assistance and the support of the Bureau of Coordination to Combat Poverty, Mekler prepared a new proposal. This “Pensiones no contributivas” (PNC)60 was the first to attract the attention of the media. However, the bill was rejected, without a voting. Although this non-voting was presented as a technical issue, “it was a political trick by opposing parties to prevent this proposal being put to the vote.” (respondent) The IPEMIN, CASPAM,

59 Supreme Decree No. 032-2005-PCM. Juntos was a conditional cash transfer (CCT) programme implemented in Peru since 2005. This programme transferred the equivalent of about US$30 monthly to poor families located, mainly, in the rural highlands, on condition that all children under the age of 5 were monitored on growth and health, all children and adolescents attended school, and all pregnant women attended regular check-ups.

60 Mekler Neiman, Isaac (Congresista de la República) “PENSIONES NO CONTRIBUTIVAS (PNC). Propuesta de proyecto de ley sustitutorio al Proyecto de Ley N° 3090/2008-CR”.
and HelpAge International respondents described the disappointment among the committed civil society organizations when at that time the political process seemed to come to a standstill. The domestic alliances were not yet strong enough.

But the pressure continued at various supranational and domestic levels. Grassroots meetings were held. The NGO CASPAM organized a conference attended by over 800 older people in Lima in 2008. Mekler was keynote speaker. The trade unions director (IPEMIN) stated: “For long, “older people” just did not exist in Peru. The policy debate around social protection was always held in terms of poor people, informal workers, inequality and access to education and healthcare”. This growing awareness stimulated the parliamentarian José Urquizo Maggia to formulate a new proposal: “Ley de pensiones no contributivas” in 2010. This bill proposed the setting up of a ‘Working Group’ to raising awareness of older people’s socioeconomic position. The working group proposed replacing the term elderly (anciano) in the 1991 constitution with “older people” (adulto mayor), the term used by the UN for people over 60. This change was adopted (Bill #3959).

While the working group was preparing its report, this process of combined political lobbying and mass-campaigning as well as international pressure continued. The government official responsible for the “Pensión 65” communication stated: “Raising awareness was one of the most important factors in attaining political support”. “Bono Gratitud” was introduced, but the program had a limited scope.

To continue to a next phase of more extensive institutional responsibility in Peru, raising awareness became also the main goal of civil society organizations in order to build alliances and mobilize resources. Having cooperated with Mekler, the National Association of Older People in Peru (ANAMPER) started reaching out to other parliamentarians. This led to a more comprehensive campaign for introducing a social pension with the financial support of the European Commission and donor organizations.

More than 500 older people took part in the first public hearing (2009). A group of organizations including the ILO, the UN Population Fund (UNFPA), the Office of the Ombudsman, the Commission on Social Security of Congress, and the Bureau of Coordination to Combat Poverty put together a bill proposal calling for a social pension. The national consultations were attended by government officials and widely publicized in the media. During a public meeting in March 2011, ANAMPER requested the presidential candidates to sign a commitment to implement a “pensión universal, vitalicia y solidaria”. The only presidential candidate who actually signed was Ollanta Humala. All the respondents stressed that Humala was a dedicated politician, founder of the Peruvian Nationalist Party ‘Gana Perú’ in 2005. Among his party members were Mekler and Urquizo who conducted preliminary political activities. Humala pledged to cut poverty to 15 percent before he left office, through social cash transfer schemes and by increasing minimum wages and work related pensions. As the presidential election in Peru ended in June, with Humala’s victory, HAIs 5-step strategy (see above) came to an end as the prospect of a social pension for all Peruvians was within reach.

The introduction of “Pensión 65”

Finally, in October 2011, the first phase of the “Pensión 65” program was launched in five pilot provinces of Peru. The beneficiaries received 125 Soles (US$ 41) monthly. The cost of implementing “Pensión 65” was estimated at $1.731 million, about 1.3 percent of GDP in 2010 (Ipemin, 2011). The respondents all stressed that this was an investment, not “wasted money”, the political opposition’s main objection. Most were convinced this program will become a law before the end of 2017. Some are less convinced, referring other political priorities, like education. One academic researcher stated: “Civil society is still not strong enough to push this high enough up on the political agenda. The feminist movement and movement for LGBT rights have been very successful in changing policies. Only a limited number of issues gets onto the political agenda. Besides, Peru still enjoys a demographic dividend (unlike Argentina and Uruguay). This means that improving older people’s lives is not top priority.”

61 MG. Urquizo Maggia, José. ‘Ley de pensiones no contributivas, Proyecto de ley N ° 4213. Foro Nacional Tripartido, Envejecimiento con Dignidad-Por una Pensión No Contributiva’.


63 Lesbian, Gay, Bisexual and Transgender.
In terms of our model we conclude that the pro-active role of the new alliances between supranational organizations in cooperation with the new domestic organizations, in particular the consorted efforts of the National Association of Older People and labor organization IPERMN, to organize massive awareness-raising campaigns, that finally put older people on the political agenda in order to develop new policy interventions.

5.6 EXPECTED IMPACT AND SUSTAINABILITY OF “PENSIÓN 65”

In this section the third research question will be addressed: "What is the welfare outcome, the perceived impact of “Pensión 65” on the position of older people living in poverty, particularly women? Pension coverage is higher for men than for women in the most countries, a consequence of the higher labor market participation. (Rofman et al., 2015).

These gender disparities in pension in Peru are a reflection of a deep-rooted gender discrimination. This culminated during the civil war. This war also produced sexual violence against women and girls on both sides. And in the post-war era, patriarchal, gender-based violence against women are still widespread. The WHO estimates that more than half of the women in Peru suffer physical and/or sexual violence during their lifetime (WHO, 2005). In 2014, the UN urged the Government of Peru to tackle the gender discrimination and violence and widespread lack of education of girls (Care Peru, 2013).

Figure 4. Pension coverage rate of older people by gender.

There is no comprehensive study on the impact of “Pensión 65” available yet, however, MIDIS (Ministerio de Desarrollo y Inclusion Social) provides a regular overview of the beneficiaries. Between December 2011 and April 2016 the number of number of beneficiaries of “Pensión 65” increased from 54.122 to 500.00064. This is above the initial goal set on 450.000 (MIDIS, 2014).

Figure 5 provides an overview of the established goals related to “Pensión 65”. The rate of extreme poverty in the 65+ group is decreasing and the rate of subjective poverty is declining.

### Figure 5. Indicators for social protection of older people

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Base line 2010</th>
<th>Progress 2011</th>
<th>Progress 2012</th>
<th>Goal in 2016</th>
<th>Annual variation in percentages</th>
<th>Goal achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protection of older people</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End Result</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of extreme poverty 65+ age group</td>
<td>8.3%</td>
<td>7.0%</td>
<td>5.9%</td>
<td>7.0%</td>
<td>-1.2%</td>
<td>X</td>
</tr>
<tr>
<td>Poverty gap in households with 65+ persons</td>
<td>7.1%</td>
<td>7.1%</td>
<td>6.6%</td>
<td>5.0%</td>
<td>-0.3%</td>
<td></td>
</tr>
<tr>
<td>Rate of subjective poverty in households with people 65+</td>
<td>48.2%</td>
<td>49.1%</td>
<td>43.0%</td>
<td>34.0%</td>
<td>-2.6%</td>
<td>X</td>
</tr>
<tr>
<td>Intermediate Result</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of people who receive a contributory pension</td>
<td>23.0%</td>
<td>21.7%</td>
<td>23.5%</td>
<td>40.0%</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Percentage of people 65+ who mentions to have untreated illnesses or accidents</td>
<td>63.8%</td>
<td>63.0%</td>
<td>61.0%</td>
<td>40.0%</td>
<td>-1.4</td>
<td></td>
</tr>
<tr>
<td>Percentage of people 65+ who can count on health insurance</td>
<td>69.3%</td>
<td>69.4%</td>
<td>70.3%</td>
<td>85.0%</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of people who receive non-contributory pensions</td>
<td>40,676</td>
<td>247,673</td>
<td>460,000</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Olivera and Zuluaga (2014) studied the direct impact of a theoretical non-contributory pension in Peru. Their research aimed to examine the ex-ante effects of implementing a non-contributory pension program in Colombia and Peru. Relying on household survey data from both countries, they simulated the potential impact of the transfer on i) poverty levels, ii) inequality, iii) fiscal cost, and iv) the probability of affiliation to the contributory pension scheme. The research shows that a non-contributory pension like “Pensión 65” contributes to reducing poverty of the older generation. There is a reduction of 8 percentage points to 28 percentage points extreme poverty for 65+ in rural areas.

The experts we interviewed consider the same possible outcome for Peru. They assessed that the “Pensión 65” program not only reduced poverty, but had an extra immaterial positive effect compared to the Bono Gratitud program. “Pensión 65” had an emancipatory effect on the beneficiaries with respect to alliance building and access to decision makers. Now older people themselves had better access to the state through their new social networks and membership of institutions so they would be able to exert political pressure. (see also step 3 and 4 of HAI strategy).

### Welfare outcomes and gender equality.

Most data on poverty reduction by pension programs as aforementioned are on household level and not on the level of individual men and women. Regarding the welfare outcome, there are no studies available on the impact of “Pensión 65” on the position of older women. As mentioned above, some researchers pointed to the gender inequality (also visible in high domestic violence) as one explanatory factor of the poverty amongst (older) women in Peru (Boesten, 2010; Glick et al., 2004). Efforts to redress gender asymmetries in social positions and control of resources like jobs, land, houses have been steadily gaining ground on public agendas in Latin America (Fultz & Francis, 2013).

For supranational organizations like the ILO, extending social protection as a means to redress both gender inequality as well as poverty is an important goal. In 2013, the ILO published the results of a comprehensive research project on cash transfer programs, poverty reduction and empowerment of women comparing experiences from Brazil, Chile, India, Mexico and South Africa (Fultz & Francis, 2013). The researchers show that these programs enable women to improve their families’ nutrition, girls’ schooling, and facilitate women’s access to healthcare. Transfer amounts, however, tend to be still insufficient to enable large numbers of women to leave poverty. (Fultz & Francis, 2013). This report does not focus specifically on the position of older women, though it identifies

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66 Peru’s HDI value for 2014 is 0.734 - which put the country in the high human development category - positioning it at 84 out of 188 countries and territories. Between 1980 and 2014, Peru’s HDI value increased from 0.577 to 0.734, an increase of 27.2 percent or an average annual increase of about 0.71 percent (HDI, 2015). In 2014 the Gender Development Index is introduced based on the sex-disaggregated Human Development Index, defined as a ratio of the female to the male HDI. But because UNDO only calculated only 2014 the contribution of “Pensión 65” cannot be estimated.
intergenerational aspects of Old Age Pension. This facility enables older women to finance the costs of job search and work migration for their daughters and other female relatives, as well as to care for their children.

The experts in our research were all convinced that “Pensión 65” had a positive impact on reducing poverty, in particular for women based on the same assumptions. Also they viewed that the legal position of women in Peru was improving. The main criticism of the respondents was that the program “Pensión 65” was based only on cash transfers, not on job creation (included for older people). “What will happen when the government program suddenly ends? Most probably the beneficiaries would fall back in (extreme) poverty again.” Some experts mentioned the link between social protection and the neo-liberal economic model in Peru. In their views, these policies only aimed to reduce extreme poverty, not the existing inequality. This is at odds with some scholars like Lustig et al. (2014) who concluded in a study on the impact of taxes and social spending on inequality and poverty in Argentina, Bolivia, Brazil, Mexico, Peru, and Uruguay that taxes and cash transfers reduce inequality and poverty by nontrivial amounts in Argentina and Uruguay, less so in Mexico and little in Peru. However, the Peruvian data are from 2009, even before the introduction of Bono Gratitud.

The majority of the respondents considered “Pensión 65” and its positive impact in terms of coverage as well as poverty reduction as a breakthrough with respect to the arrears in social protection in Peru. They expected this program to become a law in 2017, describing it as a major step in the transformation from an informal security regime to a formal security welfare regime. One expert was more pessimistic and considered the current alliance building not strong enough to introduce a potential institutional change.

5.7 CONCLUSIONS

Compared to other Latin American countries (LAC), Peru responded late in introducing policies to mitigate the consequences of ageing. This is remarkable since in the last decade Peru is one of the world’s fastest-growing economies (GDP growth rate of 6%) and is classified as upper middle income (World Bank, 2011). Only in 2011, after a decade of supranational pressure of WB, UN, ILO, (I)NGOs and by dissemination of knowledge and advocacy, combined with pressuring policy developments in neighboring LAC’s, increased political stability and economic progress, Peru could take a significant step towards a non-contributory national policy: “Pensión 65”.

In order to explain how Peru overcame its arrears in social protection for older people, we revised the model of Copestake and Wood (2007) on Social Welfare Regimes and added the conditional factors of the demographic transition to explain the current state of political economy. In terms of the model, this is the Institutional Responsibility Matrix in which we indicated the dynamics between the different stakeholders. First, we examined the conditioning factors that contributed to the arrears in social protection for older people. We analyzed the economic factors (labor market and income distribution) and the societal integration. Secondly, we identified the alliance building between supranational organizations and domestic political and civil society actors that shaped the actual political process towards the introduction of “Pensión 65” in 2011. And thirdly, we assessed the wellbeing outcomes, the estimated impact of “Pensión 65” on the poverty of older people, women in particular.

Regarding the first question, we found that neither the demographics (low ageing), nor economic (high growth) factors explained the late introduction of social protection for older people. Peru’s lack of social policies was mainly due to the century long social, cultural and economic divide which led to political domination of the indigenous population who comprise one third of the Peruvian population. In the eighties this exclusion finally lead to the upsurge of the guerilla movement Sendero Luminoso. The government spent large
sums of money waging this civil war and after political stability was realized in 2000 democracy was still weak. Therefore, for a long time, large parts of Peru could be qualified as an informal welfare regime, where people, especially the indigenous groups had to rely heavily on community and family relationships to meet their basic security needs. The conditional factors resulted in a lack of democratic institutions also mirrored in the absence of a well-organized civil society. Only when political change was realized and the first indigenous president Toledo was elected, the country could prepare for overcoming its arrears in social protection.

Our second question focused on the political run-up to introducing important new policies. Which factors eventually shaped the introduction of “Pensión 65”? The political process started by supranational powers disseminating knowledge and expertise that showed strong international evidence that a non-contributory pension should be introduced to reduce old age poverty and inequality. Some INGOs literally helped with bill proposals, lobby and advocacy trajectories in alliances with domestic organizations. The first window of opportunity occurred after political stability was realized and the economy showed promising outlooks. A first minor breakthrough was realized in 2010 with the introduction of “Bono Gratitud”. This pension scheme that embraced the idea of a social pension, though still in the fetal stage since it covered only a small group of people over 75 in a few regions.

By then domestic alliances have been built including Peruvian parliamentarians and mass-campaigns were organized to raise awareness on the situation of older people. Importantly, Peru’s presidential candidate Humalo was part of the lobby as he signed a commitment to implement a “pensión universal, vitalicia y solidaria”. This indicated the next phase and with the growing strength of civil society organizations it enabled the election of president Humalo who then launched “Pensión 65”. We conclude that the pro-active role of the new alliances between supranational organizations in cooperation with the new domestic organizations, in particular the concerted efforts of the National Association of Older People and labor organization IPEMIN, to organize massive awareness-raising campaigns especially amongst the indigenous population, that finally put older people on the political agenda. With the expertise of supranational organizations, ILO in particular, high level politicians were able to propose new policies as a part of presidential elections.

Our final question addressed the prospect wellbeing outcome of “Pensión 65” of alleviating older people out of poverty. More quantitative as well as qualitative research in other countries are promising in indicating a positive outcome in the short run in terms of poverty reduction. But Peru has not own research yet, except data from the ministry of Development and Social Inclusion (MIDIS) figures a poverty reduction of 1.2 from 2010-2012 and predict a reduction of 7 percentage points by 2016 for people over 65.

Does this count in particular for women? There is academic evidence that a non-contributory social pension has a positive impact on the socio-economic status of older women. Some experts mentioned the growing strength of the feminist movement could hamper more attention for older people. The majority of the experts assessed “Pensión 65” as relatively more beneficial for women because of their weak economic position. Interesting other – immaterial – prospect wellbeing outcome of “Pensión 65” was stated by the respondents. They presented the positive socio-economic effects of an emancipated older generation that participates more in institutions, have their own interests and could influence Peruvian politics. The most visible effect was the material reduction of the risk of old age poverty. Some experts mentioned wider effects like raising awareness of older people’s specific situation and interests of indigenous population. In general, “Pensión 65” was considered a breakthrough in terms of the arrears in social protection. Our experts expect this program will become a law in 2017 and thus be a major step towards Peru’s transformation from an informal security regime to a formal security welfare regime.
5.8 REFERENCES


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6.1 DEALING WITH THE RISK OF OLD AGE POVERTY

Most Europeans share the view of French philosopher Jean Jacques Rousseau, who stated that the Caribbean (i.e. non-European) man lived by the day to such an extent that he would sell his bed in the morning only to discover in the evening that he had no place to sleep. Our case studies prove this is not the case.

Aging has become a worldwide phenomenon. 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 even in relatively young countries in emerging regions. So we can speak of ‘global aging’. In response to this, many governments are taking increasing responsibility for mitigating old age poverty risks.

This chapter outlines the findings of our study, which was guided by the main research question: How do households and governments deal with the risk of old age poverty in emerging countries?

Firstly, we summarize the findings from the case studies, drawing three general conclusions. Subsequently, we assess the wider implications of our research in an attempt to contribute to the development of a novel framework for the Politics of Aging. This chapter concludes by mapping a future research agenda.

Over half of the older population worldwide currently lack income security (ILO, 2014). Working with WorldGranny, the Dutch NGO and partner organization of HelpAge International Network in Africa, Latin America and Asia, we witnessed the everyday consequences of the declining birth rates and in-
creasing life expectancy, the diminishing family support, and the feminization of poverty. Though many governments and NGOs like WorldGranny and HelpAge International are working on these issues, structural change is needed. Unless action is taken to improve the situation, the United Nations estimates that over 1.2 billion older people will be without access to a secure income by 2050 (Holzmann, Robalino and Takayama (Eds.), 2009, p. 41). That is why aging is often framed in terms of ‘crisis’, even in developed economies (Peterson, 1999). This research brings together the analytics of the risks of old age poverty with how households and governments perceive this ‘crisis’; also when and how they will take action to overcome the negative effects of aging, mostly via the implementation of social protection policies like national health insurance policies and social pensions.

6.1.1 PILLARS
According to the World Bank classification, pension systems typically come under three so called pillars. Pillar 1 refers to tax based, non-contributory ‘social’ pensions. The second is the funded private pillar, which refers to formal labor related savings, negotiated by employers and employees. The third pillar consists of individual and household savings. These savings also cover self-employed workers in the informal economy (micro-pensions). For the purposes of our studies, we concentrated on the introduction and effects of the first and third pillar pension schemes.

To analyze how households and governments in emerging countries reduce the risk of old age poverty, this study applies the concepts of political sociology such as (inter)national policy developments, socio-political relations between governments and households, and the influence of social movements and other forms of collective action on (savings) attitudes anticipating old age poverty. In order to contextualize the research questions, we used the theoretical framework devised by Wood and Gough (2006). This is a categorization of types of welfare regimes, structured as a continuum of global ‘social security regimes’ ranging from:

1. welfare state - systemic arrangements by the state and other institutions through which people can acquire 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 (violent conflicts, natural disasters, crime economies) undermines former stable traditional society patterns of clientelism (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). These scholars define the middle-income countries in East Asia as having a specific type of informal regime, which they identify as productivist welfare regimes, based on dynamic capitalist market economies emerging under the strong state-led pursuit of economic growth, resulting in marketized social welfare.

The researchers state that the continuum also implies a moral hierarchy of regime types going from “insecurity” to “informal insecurity” to “formal security” (Welfare State Regimes). Although the authors are aware of history, (eco) colonialism and persistent global inequality, they do claim that the “formal security” of welfare (meaning individual, guaranteed, non-personal and justiciable rights irrespective of birth, wealth, gender, status or other ascribed characteristics) is the most satisfactory way of acquiring universal human (social) security. That condition is supposed to be better for most people than the clientelist security conditions of ‘informal security’ and definitely better than the persistent instability and violence of ‘insecurity’ regime types.

We also addressed four sub-questions related to our main research question. These refer to Wood and Gough’s theoretical framework described above:

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?

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70 See the study of the relationships between state, society, and households by Manza (2011).
2. If low pension coverage exists, as in some informal regimes in South Asia, in particular for low-income female workers, can this 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 (LAC), what are the drivers of introducing such Pillar 1 pensions policies and what is the anticipated effect on the risk of old age poverty?

6.1.2. SELECTION OF THE CASE STUDIES

To select the case studies (see chapter 1), we applied specific demographic, socio-economic, geographical, welfare classification and NGO engagement criteria:

- Four countries with a middle or higher range of life expectancy after 60 of between 17 and 25 years;
- Lower or middle range country score in terms of quality of life according to the Global Age Watch Index; the four countries score between 48 and 81;
- Low state spending on social protection, ranging from 1.2 to 8.3 percent;
- Fast growing economy and unequal distribution of wealth, consequently a high GINI coefficient ranging from 0.34 to 0.55;
- A spread of countries and regime types according to Wood & Gough’s taxonomy of informal regimes and a form of NGO engagement like WorldGranny.

After applying these criteria, we selected Ghana, India, China, and Peru (see fig. 1) for our case studies, each addressing one of the sub-questions. For every country a specific data set was created and the data was collected in different ways: in the case of Ghana, by the co-authors with additional survey questions on the position of older men and women; for India: a data set was collected by the Dhan Foundation, supported by WorldGranny; CHARLS, the China Health and Aging Longitudinal Study, is a publicly available data set in China; and in Peru, a qualitative data set based on policy analyses and in-depth interviews with key persons. All four countries in the case studies show transitions from family based, savings oriented protection - to more government policy-based (health policy and social pensions) models (first pillar) and to new forms of savings models like micro pensions (third pillar).

In all four case studies our topics related to the recent introduction of new government social protection for older people and households’ reactions to these developments (fig. 1).

6.1.3 FINDINGS OF THE CASE STUDIES

In the four case studies, we looked at government policies and policy initiatives, strategic contributions by international organizations, and the responses at household level in terms of impact on the risk of old age poverty.

The first country studied was Ghana (chapter 2). In this West-African country, life expectancy after the age of 60 is 17 years, pension coverage rate is 7 percent since there is no social pension (pillar 1), and the old age poverty rate is 21

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71 The Global Age Watch Index ranks countries by how well their older populations are faring.
percent (GAWI, 2015). This country is still in an early stage of demographic transition: stage 2, with a very young population. In this stage, death rates are low and birth rates decrease, usually as a result of economic development; women’s education increases and there is access to contraception. In Ghana, child mortality and birth rates (3.5 children per woman) are both declining and the demographic dividend is progressing (high rate of economic active age population compared to fewer young and not yet many old dependent people).

Welfare regime researchers Wood and Gough (2006) describe Ghana as an insecure state, due to its very low ranking on the HDI (140 of 185 in 2015), low public spending (2.1 percent) and high international flows (3.2 percent). In many sub-Saharan African countries, social policy concentrates on social investment in youth and families, notably in education and basic or sexual reproductive healthcare rather than introducing social pensions. Nonetheless, Ghana is one of the first African countries that passed a National Policy on Aging in 2010.

If no non-contributory pension policies exist, as in many insecurity 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? This was the sub-question addressed in this chapter. Ghana is one of the first Sub-Saharan countries to launch a National Health Insurance Scheme (NHIS Act 650, 2003), aiming to improve access to quality healthcare for all its citizens. This policy can be considered a means of reducing old age poverty in a young, lower middle income country, classified by Wood and Gough as an insecurity regime.

As health is a critical issue for older people and has the greatest effect on generating income, the Ghana case study assesses whether health care premium exemption policies for older people improve their access to health care and consequently reduce the risk of old age poverty. We assessed the differences in enrollment coverage among four age groups. The specific research question was: Does health insurance premium exemption policy for older people increase access to health care? The case study uses primary data from the COHEISION project “Towards a client-oriented health insurance scheme in Ghana”. Data was collected in 2011 and 2012 among the clients of 64 primary healthcare facilities in the Western Region and the Greater Accra Region, characterized by mixed urban and rural populations. Both qualitative and quantitative methodologies were employed, whereby the qualitative findings informed and grounded the questions in the household questionnaire and helped to interpret the quantitative findings. Our study assesses whether a health care premium exemption policy for older people - those over the age of 70 do not have to pay insurance premiums - increases access to health care. We found higher enrollment for the 70+ and 60-69 year group. The likelihood of enrollment was 2.7 times higher for 70+ and 1.7 times higher for 60-69 than for the other age groups. Since older people in general and women in particular make more use of health services, one would expect the enrollment of women to be significantly higher. However, we found the contrary. We found more men (67 percent) were enrolled in the 70+ age group than women (59.7 percent), whereas more women (44 percent) than men (32.2 percent) were enrolled in the 18-48 age group. The main factor is the level of education. We found that higher educated people are more likely to enroll. This is a stronger feature than the fact that women use healthcare more often. A further explanation might be financial constraints such as having to pay an enrollment fee for the healthcare insurance or transportation costs to the health care registration venue. The bivariate analysis shows that gender differences in enrollment are significant in the age group 18-49 but not in older age groups. This might be explained by women’s reproductive age and the fact that pregnant women are exempt from paying premium and registration fees as well, just like older people.

The Ghana study also examined whether the exemption policy has led to higher health care utilization. We found that the health care premium exemption policy increased insurance coverage of the aged, that is to say more older people were insured. And this resulted in better access to healthcare and also in a

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73 http://bit.ly/2i8jEGR
74 http://data.worldbank.org/country/ghanap
75 For the qualitative study, individual interviews and focus group discussions were held with clients (n=223), healthcare providers (n=22), and health insurance staff (n=16).
higher use of healthcare services. The question whether the health insurance premium exemption policy for older people increases access to healthcare services can be answered positively. Whether there is a direct relationship between the exemption policy and a reduction in the risk of old age poverty is beyond the scope of this particular case study. However, given the results of other relevant studies (Peters et al., 2008; Baru, 2010), which address the impact of illness and limited access to health care on productivity, the positive effect of the exemption policy can be attributed to the reduced risk of old age poverty.

In Chapter 3, we focus on the second sub question: if low pension coverage exists, 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? In India, life expectancy after the age of 60 is 17 years, the pension coverage rate is 29 percent, and the old age poverty rate is 5 percent (GAWI, 2015). Public spending on social protection is 1.5 percent of GDP. This country is more developed than Ghana in terms of the demographic transition. India is steadily moving from stage 2 to 3, though the population is still young. Currently the birth rate in India is 2.4. Wood and Gough (2006) define India as an informal security regime, because of the low ranking on the HDI (130 of 185 in 2015) but with a steady economic development.

Our study describes the new pension schemes introduced by the Indian government and we assessed if these new schemes led to a declined risk of old age poverty. Because of the still very low pension coverage of 5 percent of all older people, we were interested if women are prepared, willing and able to save for old age. Our key research question was: how can the low pension coverage in India—in particular for low income female workers in the informal economy—be increased?

In this India case study, data came from a household study conducted by WorldGranny’s Indian partner organization the Dhan Foundation. This study of households was conducted among financial self-help groups in 20 locations (branches) of an NGO in the south of India. In addition a feasibility study was carried out among about 400 individual respondents by means of a pre-tested household questionnaire, spread over five age categories (<30, 31–40, 41–50, 51–60, >60 years). The feasibility study sample of 400 represents the entire membership of the Dhan Foundation.

The study results show that almost three quarters of the respondents (women) are dependent on family for their financial needs. The pilot initiative for the Dhan Foundation’s micro pension program revealed a clear need for micro-pensions in every age group. The Dhan Foundation’s feasibility study showed that 74 percent of women are willing to pay a premium for micro-pension provisions (in all age categories except above the age of 60). That is about twice as many as in the earlier 2007 government survey. We analyzed that this relates to the gender aspect, since women are more likely to save than men and tend to be more risk averse. Research by Palacios (2011) revealed the following: women are far more likely to join a pension scheme than men; income correlates positively with willingness to join; married couples are more likely to participate whereas landowners are less likely to participate; and there is a high correlation with insurance coverage.

We found that, given their willingness to participate in a micro pension scheme, women respondents are nevertheless commonly reluctant to move savings already invested in the Self Help Group (SHG/Farmers association) savings program to a micro-pension scheme. We identified this reluctance as a consequence of the micro-pension scheme’s long-term perspective, which restricts liquidity. This result is in line with other research showing less likelihood of long-term financial liabilities for people facing life-cycle costs like healthcare, education, and wedding expenses (Njuguna, 2012).

The respondents in our research, almost all women, demonstrated a high level of financial awareness most likely because of their participation in the Dhan Foundation. The sample probably represents a somewhat higher segment of
CHAPTER 6

SUMMARY OF FINDINGS AND CONCLUSIONS

the low-income unorganized workers than in the 2007 government survey. On the other hand, the results could also be another indication of how since 2007, longevity awareness further increased within the female population along with their readiness to pay premiums for micro pension provision. This result implies a positive response to the research question if coverage can be increased by strengthening third pillar micro pension provisions, in particular for low income female workers.

In Chapter 4, we addressed the third sub question: 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? We studied the Chinese government’s recent pension initiatives in order to analyze the impact of pension insurance on consumption, which we take as a proxy for lower savings. In China, life expectancy after 60 is 19 years, the pension coverage rate is 74 percent, and the old age poverty rate is 24 percent (GAWI, 2015). The public expenditure on social protection is 1.5 percent of GDP. This country has experienced a very fast demographic transition in the past two decades and is now in phase 4. Currently the birth rate in China is 1.6. Wood and Gough (2006) define China as a productivist regime, because of its fast economic growth based on the introduction of a strongly state-led capitalist market economy.

This country has the highest savings rate in the world after India. Two generations after the introduction of the one-child policy in the late 1970s, filial piety has now become an increasingly demanding obligation. The Chinese government took responsibility for mitigating old-age poverty risks and has achieved unprecedented progress in pension coverage. The proportion of people enrolled in a pension almost doubled between 2009 and 2013. This was the result of the 2005-2010 Five Year Plan that included the introduction of pension schemes to cover all 737 million rural residents and 357 million urban residents. At the same time, household savings increased to about 30 percent of disposable income. This case study analyses households’ responses to the established governmental and company pension schemes as well as the New Rural Pension Scheme (NRPS) introduced in 2009. The key research question in this case study is: will participation in the established and new pension programs lead to higher current household expenditures and therefore lower savings in China?

The 2011 China Health and Retirement Longitudinal Study (CHARLS) dataset gave us the opportunity to study the impact of the then recently introduced NRPS. We expected to find a drop in household savings, because the risk of old age poverty had declined thanks to the newly introduced rural pension schemes. However the results showed that Chinese households whose members are between 45 and 60 years old and expect future benefits from the NRPS, do not have higher expenditures (= less savings) than those not covered by the scheme. Rather, for the participants in the established, mostly urban pension programs, the data indeed showed a correlation with higher current expenditures: 28 percent more spending on basic needs, 80 percent more on luxury items, and consequently lower savings as we expected. Further analysis, however, revealed that this correlation cannot be interpreted as a causal relationship. This implies that coverage by pensions, be it in urban or rural schemes, does not yet determine higher current expenditures and lower savings. Our research suggests that if the Chinese government extends the pension coverage in rural areas, this will not have an immediate impact on household saving rates.

Our findings might also be an indication that, in spite of being enrolled in a pension, people still save more because they do not yet see the current New Rural Pension Scheme as sound income security. This might be due to the low amounts received or an indication of persistency of household savings. Though earlier studies show similar results that might support this theory (Loayza, et al., 2000), more research is required to confirm this hypothesis. Moreover, other studies also showed the volatility of saving rates in China over time: from 1958–1975, the average Chinese household saving rate was quite low, around 5 percent (Gomel, et al., 2013) and rose to over 30 percent in 2009. So this

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78 http://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=CN&view=chart
might imply a time lag just before the overall household saving rate declines again. To find out whether an increase in pension coverage realized by introducing Pillar 1 pension policies reduces high household savings in productivist regimes like China, we need to repeat this case study in three or five years to confirm our current findings.

In chapter 4, we concentrate on the final sub question: if no non-contributory pension policies exist in economically better developed liberal informal regimes like in some Latin American countries, what are the drivers of introducing such Pillar 1 pensions policies and what is the expected effect on the risk of old age poverty?

To seek answers to this question, we focused on one of the latest social pension programs introduced in Peru. In this Latin American country, life expectancy after the age of 60 is 23 years, the pension coverage rate is 43 percent, spending on social protection is 8.3 percent of GDP, and the old age poverty rate is 25 percent (GAWI, 2015). This country is also steadily moving into a more advanced stage of demographic transition and is now considered to be at stage 3. The birth rate in Peru is 2.5\(^80\) which is hardly enough for the population to naturally replace itself. Furthermore, over 2 million Peruvians have emigrated in the last decade.

In their research in 2006, Wood and Gough assessed that Peru was still an informal security regime because of the political instability and extreme poverty levels. The HDI was 84 out of 185 in 2015, but based on our research, the country could be classified as in transition from an informal to a welfare regime. We examined the earlier arrears in social protection in Peru and focused on the policy process that led to the introduction of a non-contributory pension and its expected impact on reducing old age poverty.

The main three research questions in the Peru case study were: 1. What conditioning factors contributed to the arrears in social protection for older people in Peru compared to other LAC? 2. Which socio-economic and political factors (according to the institutional responsibility matrix) eventually shaped the actual introduction of ‘Pensión 65’? Was this mainly a national process or could regional and international influences be seen as the drivers for introducing this social protection policy? 3. What will be the impact—the wellbeing outcomes—of ‘Pensión 65’ on the poverty of older people, women in particular?

We analyzed policy documents and statistics from governmental sources, NGOs and international organizations. Seven key experts involved in the (preparatory) process of ‘Pension 65’ were interviewed in 2014 and 2015. Firstly, we examined the conditioning factors that contributed to the arrears in social protection for older people. We analyzed the economic factors (labor market and income distribution) and societal integration. Secondly, we identified the alliance building between supranational organizations and domestic political and civil society actors that shaped the actual political process for introducing ‘Pensión 65’ in 2011. And thirdly, we assessed the wellbeing outcomes, the estimated impact of ‘Pensión 65’ on the poverty of older people, women in particular.

Compared to other LAC, Peru responded late in introducing policies to mitigate the consequences of ageing. This is remarkable since in the last decade, Peru has been one of the world’s fastest-growing economies (GDP growth rate of 6 percent) and is classified as an upper middle income country (World Bank, 2011). Our results show that the factors mainly responsible for these arrears in social protection for older people are rooted in Peru’s socio-political history, particularly its longstanding exclusion of indigenous people who make up one third of the population. In the 1980s, this exclusion finally led to the upsurge of the guerilla movement ‘Sendero Luminoso’. The government spent large sums of money waging this civil war and after political stability was achieved in 2000, democracy was still weak.

Only in 2011, after a decade of supranational pressure from WB, UN, ILO, (I) NGOs and dissemination of knowledge and advocacy via alliances created with

\[^80\] http://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=PE&view=chart
national political and civil society organizations, combined with pressure from policy developments in neighboring LACs, increased political stability and economic progress, was Peru able to take a significant step towards a non-contributory national policy: ‘Pensión 65’. By analyzing the international and national political context as well as the economic developments, we could identify these drivers for Pillar 1 pension policies.

The second part of the question referred to the anticipated impact on the risk of old age poverty. Ministry of Development and Social Inclusion (MIDIS) data calculated a poverty reduction of 1.2 percent from 2010-2012 and estimated a 7 percent reduction by 2016 for people over 65. The majority of the experts assessed ‘Pensión 65’ as relatively more beneficial for women because of their weak economic position. However, this could not be confirmed since the MIDIS data was not gender-disaggregated. For this reason we analyzed comparable research (Fultz and Francis, 2013) which showed that a non-contributory social pension has a positive impact on the socio-economic status of older women. We concluded that the introduction and implementation of ‘Pension 65’ can be seen as a breakthrough in Peru and is expected to become law by the end of 2017. This pension scheme aims to reduce old age poverty and its introduction signifies Peru’s transformation from an informal to a more formal welfare regime.

We presented our methods for researching the above four sub-questions and the case studies in the model at the end of the first chapter. This Politics of Aging research model is shown again here as figure 2.

6.2 GENERAL CONCLUSIONS

In all societies, a social contract exists between generations. For example grandparents take care of their grandchildren. In turn, their adult children will take care of these (grand)parents when they need care. The Chinese call this bond “filial piety”, the virtue of respecting one’s (grand)parents and ancestors. However, in April 2015, the Chinese opened The Modern Filial Piety Culture Museum, a sign that after thousands of years, this virtue is no longer an obvious reality.

In our four case studies, we identified a broad awareness that aging and modernization lead to a diversification of strategies for reducing 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 past decade. It was often assumed that pensions are unaffordable in all but middle-income countries such as Brazil, South Africa and India (Barrientos & Hulme, 2008: p. 150). However, recent research has shown that basic protection for everyone is within each country’s reach (Barrientos et al. 2008;
Hagemejer, 2009; Townsend, 2009). From an economic perspective, it is increasingly recognized that pro-growth and pro-poor policies are intrinsically linked and mutually reinforcing, also in emerging countries (Calvo et al., 2016). Our case studies in China and Peru underline this.

The three main conclusions from analyzing our case studies are as follows. First of all, we found a growing awareness among governments as well as at household level, of the risks of old age poverty and the need for savings, 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 has not yet led to a robust decline in household savings. For the time being, households still spread the risks of old age poverty over both pensions and savings. In the India case, the women in the informal economy were willing to invest in a new, long-term micro finance pension product, but not 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 is often no longer a purely national process, since at regional and international levels, various (research, policy-making and financial) institutes encourage national governments to initiate or adjust their social protection policies with respect to older people. This is congruent with the model devised by Wood and Gough, who made an important contribution by adding this international level. The case studies in Peru and India show how the strong influence of international institutions and NGOs can close the pension coverage gap.

Thirdly, we conclude that these 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 enabled in-depth research into the effect of social protection policies on the lives of older men and women. In the China case study, the household level data did not enable analyses to assess gender differences within households. In the India case study, the respondents were almost all women who indicated their willingness and ability to join the new micro pension scheme. In the case study on Ghana, we found a low level of enrollment among females in the 70+ age group. Since older people in general and older women in particular make more use of health services, we expected the enrollment to be significantly higher. However, we found the contrary. This difference could be attributed to the level of education. The expert interviews in Peru indicated they expected higher impact from the newly introduced social pension program for poor older women than for older men.

The lack of gender-specific data is a serious shortcoming for further analyses on gender differences in mitigating old age poverty. Even the latest version of the Global Age Watch Index is not yet gender-specific due to the lack of this data.

6.2.1 GROWING AWARENESS IN EMERGING COUNTRIES OF AGING AND THE RISK OF OLD AGE POVERTY

In the last decade, many governments in emerging countries have taken action to develop social protection policies for the older generation. Of the over 100 countries that have already set up social pensions, 47 are low and middle-income countries (HelpAge International 2014).

At household level, we found that older men and women do the following: they make use of these social protection policies like exemption health insurance premiums; they explore market solutions like micro pensions; they join membership institutions like older people’s organizations, and call on local and national governments to set up social protection and pension programs—like they did in Peru while lobbying national politicians. Besides this active participation of middle aged and older people, also younger people are more aware of the

effect of demographic and cultural changes. The younger generations often no longer expect to receive financial family support once they become aged. At the same time, we identified hesitancy within households to reduce their savings even when their government introduced new social pension schemes. People working in the informal sector in India were reluctant to invest their savings in a micro pension scheme, despite the huge perceived need for such a provision within this group. Moreover, we found that in emerging countries like China, most probably related to the rate of old-age dependency, many households were even prepared to invest more to cover the risk of (old age) poverty, such as saving as well as participating in pension schemes. We conclude that households still choose to spread the risk of old age poverty if possible and do not yet rely too much on new national pension schemes. These households still have to become more convinced of the sustainability of a governmental long term pension program, sustainable health care provisions or sustainable third pillar provisions like micro pensions as serious alternatives worth considering. The case studies show that Wood and Gough’s model, with its four institutional levels of state provisions, community and household contributions and private market products, is relevant for emerging countries to mitigate together in different combinations a sustainable livelihood for older people.

6.2.2 SOCIAL POLICY MAKING IS NO LONGER ONLY A NATIONAL PROCESS

In 2002, the UN Madrid International Plan of Action on Aging addressed old age as a global issue. Governments were committed to include aging in all their social and economic development policies. In our case-study on Peru, we found evidence that in the last decade this international commitment clearly influenced the national government to adjust their social protection policies for older people. In the case study of India, international NGOs played an important role. Also in this respect the model of Wood and Gough offered a useful extra variable, the international influence on all for institutional levels. From the perspective of the demographic transition – a country’s population structure changing from high birth rates and high death rates, to low birth rates and low death rates – it is rational for regimes with many young people and relatively few older persons, to initially implement national healthcare policies before developing social pension schemes. The case study in Ghana was an example in which the improving of older people’s health status by specific premium exemption policy was a main anticipating policy to lower the risk of old age poverty.

Another example is the Indian government which had been warned by the World Health Organization (WHO) that feminization of its aging population could lead to a rapid increase in its number of destitute widows. After the decease of their husband and taking into account their limited ability to perform paid labor, Indian widowed women are extra in need for adequate resources to support themselves for approximately another 15 years. In our case study we identified several social protection initiatives taken by the Indian national and local governments to reduce old age poverty, but not in particular for older women or widowed women.

6.2.3. GENDER DIFFERENCES IN OLD AGE ARE NOT YET ADDRESSED PROPERLY

How are gender differences regarding the risk of old age poverty addressed by households and governments? We could not address this question very well in this type of study. We conclude that in general, women run a greater risk of old age poverty than men because on average, women live longer without comparable labor market productivity. Beside this risk of longevity, most generations of (older) women have not been working full time in the (informal) labor force during their prime age due to family-care responsibilities and cultural restrictions. Above all, long-term widowhood is one of the main features of women’s risk of old age poverty in emerging countries. In these countries, women's
longer life-spans compared to men, combined with the fact that men tend to marry women younger than themselves and women’s productive incomes are lower than men’s, imply that in general this risk is greater for women than for men.

In two case studies we developed a research design specifically geared to analyzing gender differences (Ghana, India). However due to data constraints, this was not feasible in every study. From our literature study, we found that women in emerging countries, mostly widows, run a greater risk of old age poverty than men. Although these women are able to frequently set aside small sums of money, they mostly lack the means to convert these into funds large enough to support them during old age. Microfinance institutions are willing to fill this gap with new saving and insurance schemes, especially life insurance and increasingly micro-pension programs.

Evidence from various parts of the world shows that the most positive impact on reducing the risk of old age poverty of older women is access to non-contributory social pension schemes (see annex 4 of chapter 1 and chapter 3 and 5). Social pensions have intergenerational effects as well since the middle generation can use the money they formerly spent on their parents’ living costs to invest in the education of their children, health, and their own business. Extending social protection as a means of reducing old age poverty is being stimulated more and more by international organizations. In that sense, we could argue that international law is a girl’s best friend.

6.3 A THEORETICAL FRAMEWORK FOR COMPARING WELFARE REGIMES ON SOCIAL PROTECTION FOR OLDER PEOPLE

In this thesis we attempt to develop a framework for analyzing the politics of aging at government and household level. The framework highlights forms of social protection, including health insurance premium exemption policy for older people and pension policy development, to reduce the risk of old age poverty. This risk of old age poverty is one of the important welfare outcomes identified in Wood and Gough’s study (2006). In their theoretical model (chapter 1, figure 3) comparing welfare regimes, these outcomes refer to the extent of poverty, the need-satisfactions and the insecurity the population experiences. These welfare outcomes are correlated to the Institutional Responsibility Matrix or welfare mix, the octagon of the institutional landscape—state, market, community, household at national and international level—in which people have to pursue their livelihoods and well-being objectives. According to Wood and Gough (2006), this welfare mix is in turn shaped by the country’s basic institutional conditions: the pervasiveness and character of markets, the legitimacy of the state, the extent of societal integration, cultural values, and the country’s position in the global system. Ultimately, the stratification system and pattern of political mobilization by elites and other groups are both the cause and consequence of the other factors. The stratification system refers to the existing distribution of power in a society and the range of societal inequalities. Having completed the four case studies, we applied the findings to Wood and Gough’s octagon to develop a framework for assessing the risk of old age poverty. The results of our research showed the key elements that significantly affect the risk of old age poverty: the stage of demographic transition, the labor market for older people, pension coverage, the financial (pension) market, the legitimacy and competencies of the state as well as culture and values such as filial piety. These institutional conditions affect the way the state, markets, communities and households address this risk, at national as well as international level. And the way these four levels of actors address this risk, mobilizes (or excludes) relevant groups that will mitigate the results of any actions taken. The final outcomes can be assessed in Global Age Watch Index reports, specific old age poverty studies or indices like the Financial Satisfaction and Happiness amongst Older People index (Hayes, 2014).83 These combined outcomes can be summarized as the welfare outcomes for older people (see fig. 2). For the future, we can envisage a gender-specific framework as well, in which the different outcomes for men and women are specified.

By developing this framework, we are attempting to contribute on an empirical as well as on a theoretical level to the growing academic research on the way old age poverty is being addressed in emerging countries. In the first place, the case studies combined in this thesis analyze the precautionary behavior of men and women, their households, organizations and governments regarding rapid socio-demographic changes. By exploring how households anticipate old age risks and highlighting the changing family care system (bottom-up), the outcomes might sensitize academic researchers and practitioners (NGOs, microfinance organizations) to inspire policy development and practices that can mitigate old age poverty. Furthermore, by examining the various practices of governments in emerging economies introducing social protection policies (top-down) and the impact of these policies on household level (bottom-up), the study increases our understanding of the conditions in which governments in these emerging economies are willing and able to prevent old age poverty. In this sense we can appraise our methodological contribution. 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 used 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 have the advantages of the strictly quantitative comparative approach, though they might lack a deeper insight in the specific national or regional (institutional) context.

6.4 MAPPING FUTURE RESEARCH

This dissertation invites further investigation. First of all, regarding the quality of the data analysis, we found that social protection policies were often not gender-specific and very little gender-disaggregated data was available to assess welfare outcomes. To properly evaluate social protection policies preventing old age poverty in emerging regions for women and for men separately, data on intra-household distribution is indispensable.

Secondly, in terms of the quality of the social protection policies and their overall design, it would be interesting to study the impact of various first pillar pension formats, such as universal social pension in a pay-as-you-go scheme, a nationally defined contribution scheme, defined benefit or matching programs. Also the impact of the quality of governments in emerging countries (Moore, 2004) on the risk of old age poverty is an interesting field in the context of global aging.

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84 Compared to the Global Age Watch Index that ranks the social and economic wellbeing of older people, this framework has a more structural orientation based on the institutional conditions and reproduction consequences. GAWI is based on data gathered through quantitative and more qualitative surveys. The GAWI Index uses four domains: income security, health status, capability, and enabling environment as well as variables per domain directly related to the concepts discussed above, like relative poverty rate, pension coverage, income, health and life expectancy (Chapter 1).
Thirdly, taking the theoretical framework for comparing welfare regimes’ social protection for older people into account, we found a shift from the domestic level of the Institutional Responsibility Matrix to the more supra national level (see chapter 5). In what way is this characteristic for all emerging countries? The hypothesis of an internalization of social protection policies for older people could be tested through comparative research. This could be focused on the different pension pillars as well as (the premium exemption of) healthcare policies. Are national governments directly stimulated and supported to develop social protection for older people by multinational organizations (like World Bank, ILO and other specialized UN organizations), and international treaties? Or are older people’s national organizations, NGOs or unions the main drivers of inspiring policy changes by making use of international knowledge and advocacy? What are the various implications of the way social protection policies are developed and implemented? Which groups are mobilized or excluded, are the policies introduced in a more top down or in a more bottom-up approach? And what would this imply in terms of the quality of these policies for older people’s welfare outcomes?

Finally, in terms of the model, we investigated the stakeholders’ strategies categorized in the octagon, except the international household ones like migration. More research could be conducted on the way remittances mitigate old age poverty in emerging economies. Because we were studying policymaking and household responses, this socio-economic issue was not addressed.

As the Age of Aging is coming into existence, the need for effective Politics of Aging increases. The welfare of older men and women, seen as their individual, guaranteed, non-personal and justifiable right irrespective of birth, wealth, gender, status or other ascribed characteristics, is relevant for the older people of today, but also of crucial importance for the generations of tomorrow.

6.5 REFERENCES


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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 i.e. 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.
HOOFDSTUK 7
SAMENVATTING

In april 2015 opende The Modern Filial Piety Culture Museum in China zijn deuren. ‘Filial piety’ is in het Confucianisme de deugd van respect voor ouders en voorouders. Net als in de meeste culturen is de zorg voor oudere mensen een taak van volwassen kinderen. Zij behoorden hun ouders voedsel, onderdak, kleding en medische zorg te bieden. Door de modernisering, die het gevolg is van een afnemend fertiliteit en een toenemende levensverwachting plus de verstredelijkings en migratie, wordt die familie steun een steeds zwaardere last. Volgens de ILO heeft wereldwijd meer dat de helft van de ouderen geen inkomens zekerheid. WorldGranny, partner van HelpAge International, werkzaam in Afrika, Azië en Latijns-Amerika, werd geconfronteerd met de dagelijkse consequenties van deze afnemende steun van familieleden voor ouderen en met de feminisering van de armoede. De Verenigde Naties schat dat, als er nu geen actie wordt ondernomen, in 2050 1,2 miljard ouderen niet van een inkomen verzekerd zijn. Daarom wordt vergrijzing vaak gekoppeld aan de term ‘crisis’, zelfs in ontwikkelde economieën. Ons onderzoek is gericht op het risico op oudedags-armoede en brengt dat in verband met de manier waarop huishoudens en regeringen dat risico inschatten.

Onze centrale vraagstelling luidt: Hoe gaan huishoudens en overheden in opkomende landen om met het risico van de armoede onder ouderen. Deze onderzoeksvraag wordt beantwoord met behulp van een theoretisch kader dat is ontwikkeld door Wood en Gough (2006). Zij maken onderscheid in verschillende types armoedebestrijding die zij plaatsen op een as van informele naar formele sociale (on)zekerheid.

de welvaartsstaat (een door de staat of andere instellingen gegarandeerd systeem van sociale verzorging) een informeel systeem van sociale zekerheid (waarin mensen afhankelijk zijn van lokale gemeenschap en familie) onezekerheid regimes (waarin mensen leven in een onvoorspelbare omgeving met
gewelddadige conflicten, natuurrampen of (on)georganiseerde misdaad, die
de traditionele sociale patronen kapotmaakt). Zulke systemen worden geken-
merkt door clientelisme, waaronder de uitruil van goederen en diensten voor
politieke of militaire bescherming.

Wood en Gough beschouwen de middeninkomens landen in Oost Azië als ‘pro-
ductivistische welvaartsregimes’, gebaseerd op dynamische markt economieën
onder strakke staatsterving gericht op economische groei, met als resultaat de
ontwikkelingen van een marktgericht systeem van sociale zekerheid.

In onze vier case studies zullen zowel overheidsinitiatieven (top-down) als ook
de reacties van de huishoudens (bottom-up) worden onderzocht in landen op
het door Wood en Gough ontwikkelde continuüm van sociale zekerheidsstelsels.

Vier case studies zijn uitgevoerd in Ghana, India, China en Peru die proberen
een antwoord te vinden op vier sub-vragen, die verwijzen naar de typolo-
gie van Wood en Gough. Pensioen systemen worden veelal ingedeeld in
drie pijlers. De eerste pijler refereert naar staatspensioenen die vaak uit de
algemene middelen worden gefinancierd. De tweede pijler wordt gevormd
door pensioenen die voortvloeien uit formele arbeidscontracten. De derde
pijler bestaat uit grotendeels uit individuele en huishoud spaartegoeden.

Wij concentreren ons in de vier case studies op de eerste en derde pijler van
dit pensioengebouw. De vragen die ons onderzoek leiden zijn de volgende:
1. Als er geen staatspensioen (eerste pijler) bestaat, zoals in grote delen van
Afrika, zou dan een systeem van (gedeeltelijke) premievrijstelling voor de
ziekteverzekering een bijdrage kunnen leveren om het risico van armoede op
oudere leeftijd te verminderen?

2. Als er wel een staatspensioen (eerste pijler) bestaat, zoals in grote delen van
Zuid Azië, in het bijzonder vrouwen met een laag inkomen, zou de pensioenvoorziening dan kunnen worden verbe-
terd door het versterken van de private, derde pijler (micro)pensioenen?
3. Als door de invoering van een staatspensioen meer mensen pensioen gaan
krijgen, leidt dit dan tot vermindering van de hoge huishoudelijke besparingen
(derde pijler) zoals die nu in veel productivistische economieën bestaan, bij-
voorbeeld in China?

4. Als er geen staatspensioen (eerste pijler) bestaat, zoals in sommige, meer
ontwikkelde economieën in Latijns-Amerika, wat zijn de factoren die de in-
voering mogelijk maken en wat is het verwachte effect ervan op het risico op
armoede onder ouderen?

In onze vier case studies ontdekken we een grote mate van bewustzijn dat
vergrijzing en modernisering kan leiden tot een grote diversificatie in strategieën
om oudeards-armoede te bestrijden. Regeringen in opkomende landen heb-
ben in de afgelopen 10 jaar verschillende vormen van sociale voorzieningen
geïntroduceerd. Er is meer besef dat economische groei en sociale verzekering
samengaan en elkaar wederzijds versterken. China en Peru zijn voorbeelden
hiervan.

Onze case studies resulteren in drie belangrijke conclusies.

Allereerst vonden wij een groeiend besef, zowel bij overheden als bij huishou-
dens, van de risico’s van oudeards armoede en dus van de behoefte aan spaar-
fondsen en andere pensioenproducten. Er is ook een toenemend bewustzijn
dat ‘ouderen’ een aparte sociale categorie vormen. Tegelijker tijd zagen we ook
een zekere terughoudendheid in het veranderen van het gedrag van huishoudens.

In China leidde de invoering van een nationaal pensioenstelsel niet tot ver-
mindering van de spaarquote van huishoudens. Deze huishoudens spreiden
voorlopig het risico van oudeards-armoede deels via pensioenen en deels via
sparen. In India bleken de vrouwen die werkzaam zijn in de informele sector
bereid te zijn te investeren in micropensioenen, maar ze waren niet bereid hun
bestaande spaargeld om te zetten in het nieuwe, lange termijn micropensioen
programma.

Ten tweede vonden we dat de beleidsvorming inzake sociale zekerheid niet
(meer) uitsluitend op nationaal niveau plaats vindt. Instellingen op regionaal
en internationaal niveau stimuleren nationale overheden om speciale sociale
voorzieningen voor ouderen op te zetten. Ons onderzoek in Peru en in India
laat zien hoe sterk de invloed is van internationale instellingen en NGOs op dit
terrein.
Ten derde blijkt dat het beleid inzake ouderdomsvoorzieningen verschillende uitwerking heeft op mannen en vrouwen. Dat heeft waarschijnlijk te maken met verschillen in levensverwachting, opleidingsniveau en zorgtaken, en met de beperkte toegang van vrouwen tot de arbeidsmarkt. Er is echter een ernstig gebrek aan genderspecifieke data, waardoor een diepgaande studie naar deze verschillen niet mogelijk is. Zo lieten de Chinese data op het niveau van huishoudens een genderspecifieke analyse niet toe. In de Indiase dataset waren bijna alle respondenten vrouwen, die bereid zijn deel te nemen aan een programma voor micropensioenen. In Ghana vonden we een lagere participatie van vrouwen dan van mannen in de gezondheidsverzekering van 70 plussers. Omdat ouderen en in het bijzonder oudere vrouwen meer gebruik maken van medische voorzieningen, hadden we een hogere participatiegraad verwacht. Waarschijnlijk wordt deze lagere participatie veroorzaakt door een lager opleidingsniveau.

In onze Peru studie meenden de experts dat het nieuwe staatspensioen programma voor vrouwen van grotere betekenis zou zijn dan voor mannen. Opnieuw geldt dat het gebrek aan genderspecifieke data een analyse van deze verwachte verschillen onmogelijk maakt.

Nadat we de vier case studies hadden afgerond, hebben we de uitkomsten toegepast op het theoretisch model van Wood en Gough om zo een raamwerk te ontwikkelen waarin het risico op oudedags-armoede kan worden ingeschat.

Onze onderzoeksoptzet was exploratief en gericht op het genereren van inzicht en begrip van het risico op oudedags-armoede in opkomende landen. De studies was beschrijvend van aard waar het gaat om de functie en eigenschappen van (nieuwe) beleidsonderwikelingen. De dataverzameling was per land verschillend juist om inzicht te vergroten. We hebben geen vergelijkend onderzoek gedaan in de strikte zin van het woord. Bij de analyse van de data is een ‘mixed methods’ aanpak gekozen. De analyses van de studies in Ghana, India en China waren grotendeels kwantitatief van aard, terwijl in Peru voor een meer kwantitatieve aanpak is gekozen.

Hoewel moeizaam zijn bij het trekken van algemene conclusies. Onze conclusies zijn tentatief van aard. Het gaat hier om een nieuw en een zich uitbreidend terrein van onderzoek, waar comparatief onderzoek met gender specifieke data dringend gewenst is. Alternatieve studies die dit specifieke onderwerp behandelen hebben mogelijk het voordeel van de strikte kwantitatieve vergelijkbaarheid, maar die missen dan het diepere inzicht in de specifiek nationale of regionale (institutionele) context.

Wij treden een tijdperk van vergrijzing binnen, waardoor de noodzaak voor beleid op dit terrein groeit. Maar het gaat niet alleen om beleid, juist ook om actieve deelname van individuen en huishoudens. Daarom heet dit proefschrift niet The Policies for Aging, maar The Politics of Aging. Het welzijn van ouderen, opgevat als hun individuele rechten, onafhankelijk van geboorte, bezit, sekse, status of andere toegeschreven eigenschappen, is relevant voor de ouderen van vandaag, maar is ook van cruciale betekenis voor de generaties van morgen.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ANANPER</td>
<td>Asociación Nacional de Organizaciones de Personas Adultas Mayores del Perú</td>
</tr>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>BOISE</td>
<td>Basic Old Age Insurance Scheme</td>
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<tr>
<td>CASPAM</td>
<td>Centro de Apoyo Social para las Personas Adultas Mayores</td>
</tr>
<tr>
<td>CHARLS</td>
<td>China Health and Retirement Longitudinal Study</td>
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<td>DHAN</td>
<td>Development of Humane Action</td>
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<tr>
<td>EC</td>
<td>European Community</td>
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<tr>
<td>ECLAC</td>
<td>Economic Commission for Latin America and the Caribbean</td>
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<tr>
<td>ECOSOC</td>
<td>Economic and Social Council</td>
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<tr>
<td>GAWI</td>
<td>Global Age Watch Index</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>HAI</td>
<td>Help Age International</td>
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<tr>
<td>IGNOAPS</td>
<td>Indira Gandhi National Old Age Pension Scheme</td>
</tr>
<tr>
<td>IIMPS</td>
<td>Invest India Micro Pension</td>
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<tr>
<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPEMIN</td>
<td>Instituto para el Desarrollo de la Pesca y la Minería</td>
</tr>
<tr>
<td>LAC</td>
<td>Latin American Countries</td>
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<tr>
<td>LDC</td>
<td>Less Developed Country</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<tr>
<td>MFI</td>
<td>Micro Finance Organization</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>NHIS</td>
<td>National Health Insurance Scheme</td>
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<td>NRPS</td>
<td>New Rural Pension Scheme</td>
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<tr>
<td>OAP</td>
<td>Old Age Poverty</td>
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<tr>
<td>OAS</td>
<td>Organization of American States</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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ABOUT THE AUTHOR

Caroline van Dullemen is a sociologist, who started her professional life as research-assistant at the Free University (1989-1990) and as a journalist for NRC Handelsblad (1991). In 1992 she joined the Ministry of Foreign Affairs as a secretary to the National Advisory Council for Development Cooperation. In 2000 she became the director of the scientific bureau of the Green Left Party in The Netherlands.

In 2004 she founded WorldGranny, partner of HelpAge International. With a total turnover of almost 7 million euros, WorldGranny has been able to support thousands of older people and their (grand)children in Africa, Asia and Latin-America. Since 2009 WorldGranny has the ECOSOC advisory status at the UN.

In 2010 WorldGranny’s Pension & Development Network supported micro-pension projects in India and Guatemala in close co-operation with the Dutch financial sector. The Dutch NGO was nominated four times for an award (a.o in 2011 for the Golden Shield, Corporate Social Responsibility Award of Dutch Insurance Branch, in 2013 for the Accenture Innovation Award).


Caroline van Dullemen joined BluePrint Pension Services (BPPS) in 2016 as research director. BPPS is a social enterprise dedicated to reducing old age poverty creating innovative micro pension solutions for workers in the informal economy. Working with BPPS, she continued the Pension & Development Network’s mission. The Pacific Financial Inclusion Program (UN body) assigned
BPPS to developing micro pension schemes in Fiji and the Solomon Islands. With prof. Jeanne de Bruijn, she presently conducts a Summercourse at the University of Utrecht.

She wrote two books and many articles about the political developments in South-Africa. And she wrote a book about growing up with a chronic ill parent ‘Altijd de sterkste thuis, opgroeien met een zieke ouder’ (Plataan, 2004).