

Old age income security in the Philippines

Work, family and social protection



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Summary:

- Close to half of Filipinos work beyond the age of 60, but the likelihood of working decreases significantly at more advanced ages, and is lower for older women. Poorer older people are more likely to be working than those who are better off.
- Despite the strong culture of family support in the Philippines, many struggle to financially support older people, particularly because of competing demands for household resources.
- The expansion of the Philippines' social pension since 2010 has more than doubled the coverage of the pension system as a whole; however, the benefit is small and nearly 40 per cent of older people still receive no pension.
- The means-tested design of the social pension results in exclusion errors, meaning many of the poorest miss out. This is similar to experience in other countries such as Bangladesh (currently) and Thailand (pre-2009).
- A universal social pension would be more inclusive, boost the dignity of older people and contribute to reducing family poverty. It could reduce the national poverty rate by 3 percentage points.
- The cost of a universal pension would be modest, and could be expanded gradually. Universalising the current scheme would cost 0.2 per cent of GDP (in addition to 0.1 per cent of GDP already spent on the scheme).

How does growing older affect a person's income security in the Philippines?

This brief explores this question by assessing three of the most important income sources for older people: work, family and social protection. The analysis is based on results of a study of income security in five Asian countries: Bangladesh, Nepal, the Philippines, Thailand and Vietnam, undertaken in partnership between HelpAge and UNFPA. It also draws on two recent studies on pensions in the Philippines by HelpAge and the Coalition of Services of the Elderly.¹

The limits of work and family support

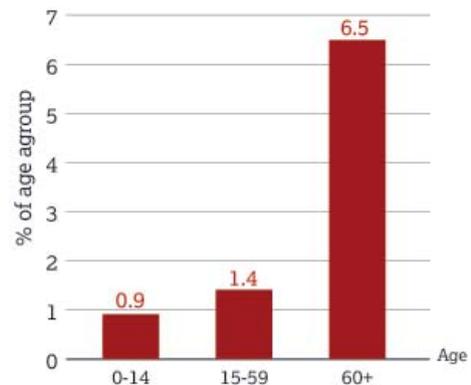
While many older Filipinos continue to work into old age, ill health and disability make this increasingly challenging. In total close to half of older people over the age of 60 (44 per cent) are in paid work, yet levels of employment are significantly lower at more advanced ages (Figure 1). Illness and disability are the main reasons for older people not working or reducing levels of work, and this finding reflects the higher levels of disability found amongst older people in census data (Figure 2). Levels of chronic illness are also high at older ages: over half of older people (54 per cent) report having arthritis, neuralgia or rheumatism, while a quarter (25 per cent) have back pain, and a just under a quarter have cataracts (24 per cent).² For those who do continue to work, this is often out of necessity rather than choice, and poorer people are more likely to work than those who are relatively better off. All this said, it should be noted that many older people not in paid work continue to contribute to their families in a variety of ways, including unpaid care for young children and other family members.

Figure 1: Levels of employment by age (15+), males and females



Source: Labour Force Survey 2013

Figure 2: Disability by age



Source: Census 2010

Note: The Census likely underestimates the number of people with disabilities in the Philippines, so the purpose of this figure is to show relative difference by age, not prevalence.

1. Charles Knox-Vydmanov, *Work, Family and Social Protection: Old Age Income Security in Bangladesh, Nepal, the Philippines, Thailand and Vietnam*, HelpAge International 2017; Charles Knox-Vydmanov, Aura Sevilla, and Daniel Horn, *The Feasibility of a Universal Social Pension in the Philippines*, COSE, 2017; Charles Knox-Vydmanov, Daniel Horn, and Aura Sevilla, *The Philippine Social Pension at Four Years: Insights and Recommendations*, COSE, 2016.

2. Grace T. Cruz et al., *Aging in the Philippines: Findings from the 2007 Philippine Study on Aging*, University of the Philippines Population Institute, 2016, p.52-53.

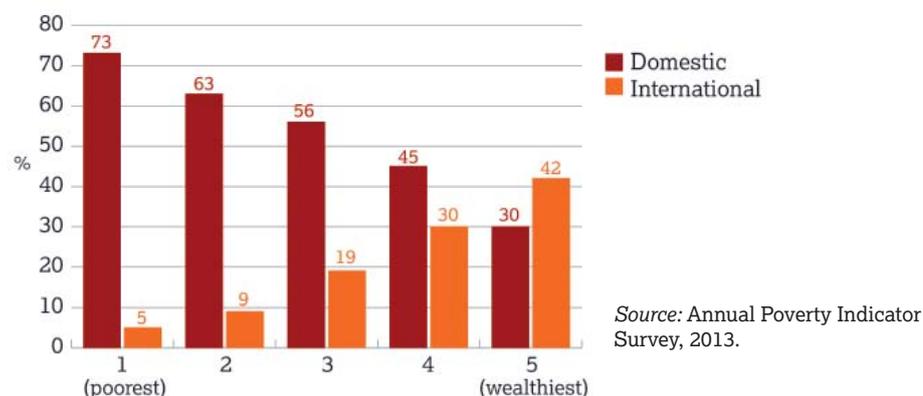
As work becomes more difficult, families are often expected to fill the gap, but many struggle to support their older relatives. There is a strong principle in Filipino culture that older people should be supported and cared for by their children, captured in the idea of *utang na loob* (debt of gratitude). Indeed, two thirds of older people live with their children and many receive income from them. Over half (58 per cent) receive income from children within the country, and a fifth (21 per cent) from children outside the country. Younger Filipinos also have a strong expectation that their children will provide financial support when they grow old. However, the reality is that not all older people receive financial support from children and when they do, it is often inadequate. A major reason for this is the widespread poverty and vulnerability amongst Filipino families. This emerged strongly from qualitative research on attitudes of younger Filipinos to ageing in the Philippines, as highlighted in the following testimony:

“They [older people] should be relaxing or have stopped working now, but they are still working. They are still working hard because their children do not earn enough. They work to help their children’s families. They don’t want to become a burden.”³

Jessa Mae S., Young Female, San Fernando, Pampanga

Despite the large number of overseas Filipino workers, their contribution to old age income security remains limited. Of the 21 per cent of older people who report receiving income from children abroad, only half (10 per cent of all older people) count this as their main source of income. International remittances also primarily benefit relatively better-off older people, while domestic remittances are more likely to benefit poorer older people (Figure 3).

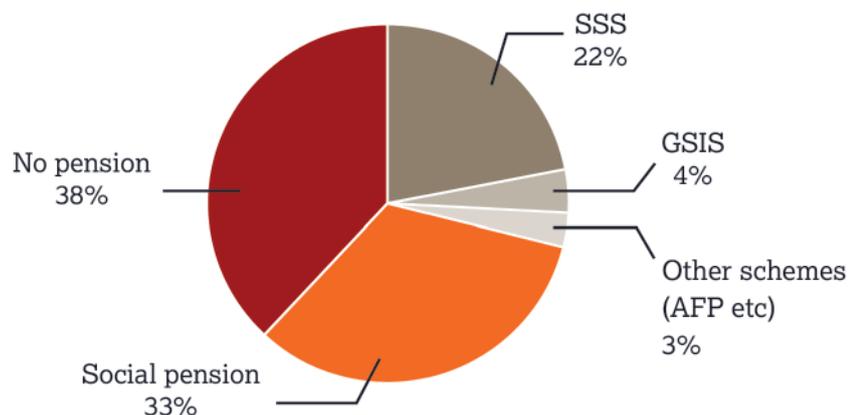
Figure 3: Share of households with older people (60+) receiving remittances, by wealth quintile



Low pension coverage and adequacy

Over a third of older people in the Philippines receive no pension at all, and most of those who do receive the small social pension. As shown in Figure 4, 29 per cent of older people receive some kind of contributory pension (SSS, GSIS and others) while an additional 33 per cent receive the tax-financed social pension which is targeted at “indigent” (very poor) older people. This scheme has significantly closed the coverage gap in recent years, yet close to 40 per cent of older people still receive no pension at all. The benefit level of 500 PhP is also one of the lowest in the region and the world for a social pension, at just 4 per cent of average income. It is notable that Nepal – a much poorer country than the Philippines – is able to provide a benefit equal to 1,000 PhP (31 per cent of average income) as part of a universal pension for all older people aged 70 and over.⁴

Figure 4: Coverage of older people (60+), by different kinds of pensions⁵



Notes: SSS (Social Security System), GSIS (Government Social Insurance System), AFP (Armed Forces of the Philippines)

3. Knox-Vydmanov, Sevilla, and Horn, *The Feasibility of a Universal Social Pension in the Philippines*.

4. 1 PhP = 2.00132 Nepalese rupees

5. Administrative data from SSS (September 2015) and GSIS (December 2015). Social pensions data from 2016 budget in Department of Budget and Management, *Technical Notes on the 2016 Proposed National Budget*, Manila, 2015. Other schemes are calculated based on analysis in Carmelo Mesa-Lago, Verna Dina Q. Viajar, and Rolly Czar Joseph Castillo, *Pensions in the Philippines: Challenges and Ways Forward*, Manila, Friedrich Ebert Stiftung, 2011, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2045654. The share of older people covered is calculated using age disaggregated population projections from Philippine Statistics Authority, *2010 Census-Based Population Projections in Collaboration with the Inter-Agency Working Group on Population Projections*, accessed October 23, 2015, https://psa.gov.ph/sites/default/files/attachments/hsd/pressrelease/Table1_8.pdf.

Like many other countries in the region, the Philippines has also faced major difficulty in implementing means-tested social pensions. A recent review of the impact and implementation of the social pension found signs of significant errors in the proxy means testing system for targeting older people, and major variations in how the criteria for indigent senior citizens were applied at the local level.⁶ Despite significant effort by government and civil society organisations, these issues persist. Similar issues were found in other countries in the five-country study, with over half of the target recipients of means-tested social pensions in Bangladesh and Thailand found to be erroneously excluded. Such exclusion error was one of the reasons that the Thai government decided in 2009 to expand its previously targeted social pension to cover all older people aged 60 and over. The scheme has been found to be extremely effective at reaching the poorest older people, with most of those not enrolled being relatively better-off older people who decide not to claim the pension.

Towards a universal pension

A universal pension would provide a major positive investment for Filipino families and the wider economy. There are currently proposals on the table in the Philippines to introduce a universal pension that would cover all older people, or at least those with no other pension income. Such a scheme would support all older people to meet their basic needs and live in dignity, but would also benefit their families. Analyses in countries including China and Thailand have shown how pensions are shared with other family members (particularly grandchildren) and can stimulate local economies. Simulations undertaken in the Philippines suggest a universal pension of 2,000 PhP (17 per cent of average income) to all older people aged 60 and over would reduce poverty – for people of all ages – by 3 percentage points, equal to three million people lifted above the poverty line.

A universal pension would be affordable today and into the future. A universal pension of 2,000 PhP per month for every person aged 60 and over would cost 1.3 per cent of GDP. This is significantly higher than what is spent on the current scheme (0.1 per cent of GDP) but comparable to levels of spending on social pensions in countries like Bolivia, Brazil and South Africa. More modest schemes could also be introduced at a fraction of the cost. Simply extending the current social pension to all older people would cost an additional 0.2 per cent of GDP (34 billion PhP) on top of current expenditure. Notably, this is similar to the size of the increase in the Pension Gratuity Fund from 2016 to 2017 (32 billion PhP), which provides tax-financed pensions to just 3 per cent of older people from sectors including armed forces, the police and ex-judges. A universal pension would also be sustainable despite an ageing population, and costs could be kept stable even in the context of low economic growth. This would allow it to support not only today's older people, but future generations when they reach older age.

6. Knox-Vydmanov, Horn, and Sevilla, *The Philippine Social Pension at Four Years: Insights and Recommendations*.

HelpAge International is a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.

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