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# Income Poverty in Old Age:
## An Emerging Development Priority

60+ COUNTS

> Where poverty is endemic, persons who survive a lifetime of poverty often face an old age of deepening poverty
>
> *Source: Madrid International Plan of Action on Ageing, para. 45*

### Poverty is a major threat to the well-being of older persons

Getting old presents a significant, additional risk of becoming or remaining poor. In later life, people reduce their working hours or stop working because of retirement options or health issues, and when they need or prefer to continue working, many earn lower wages. In many countries, the absence of social protection systems with high coverage and adequate benefits, their assets and savings, when savings exist, are usually not sufficient to guarantee adequate income security until the end of their lives. This makes older persons particularly vulnerable to economic insecurity as well as poverty, with limited options for escape.

### Estimates of poverty among older persons are limited

Accurate information about old-age poverty is hampered by the absence of an international harmonized database of poverty rates disaggregated by age. Currently, evidence of poverty rates among older persons is limited to selected country- or regional-level studies. According to the latest available figures, the incidence of poverty among persons aged 60 years and older ranged from 2 per cent in the Netherlands in 2013 and 3 per cent in Czech Republic in 2012, to high poverty rates of 34 per cent in Australia in 2012 and 50 per cent in the Republic of Korea in 2009[1], reaching up to 80 per cent of older persons under the national poverty line in Zambia in 2005[2]. Available figures reflect the extensive gaps that exist in terms of poverty data availability and comparability, where less developed countries continue to lag behind.

### In most countries, the risk of poverty increases with age

On average, the poverty level for persons among the over-75 years of age, across OECD countries is 14.7 per cent, which is 3.5 per cent higher than the poverty level among 66 to 75 year-olds[3]. The "oldest-old", aged 80 years or over, are less able to work than younger older persons; are more likely to have spent their savings; and are most in need of age-appropriate health and long-term personal care services[4]. Globally, the number of the "oldest-old" is growing even faster than the numbers of older persons overall. As a result, the share of people aged 80 years or over is increasing virtually everywhere and is projected to more than triple to 434 million by 2050, when two out of three oldest-old persons will live in developing regions.

### Older women are at much greater risk than older men

Access to social security in old age is closely associated with existing gender inequalities. While this may partly be due to gender-biased design of pension schemes, it is more significantly a result of

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[1] OECD (2015). *Pensions at a Glance 2015: OECD and G20 Indicators*
[2] OECD (2015). *Pensions at a Glance 2015: OECD and G20 Indicators*
[3] OECD (2015). *Pensions at a Glance 2015: OECD and G20 Indicators*
[4] UNDESA (2015). *World Population Ageing Report*

women's lower labour force participation, the large number of women who are self-employed, and the fact that women often have shorter and interrupted careers due to child bearing and rearing[5]. This is evident where pension systems in many countries fail to meet the needs of men and women equitably; with contributory pension coverage often significantly lower for women.

As a result, research findings from sub-Saharan Africa show that households headed by older women, whether single, divorced or widowed, are more prone to poverty than households headed by older men, especially in parts of the region that are patriarchal[6]. Similarly, in developed countries, older women living alone/in one-person households are more likely than men to be living in poverty[7]. In many countries, the survivor benefits paid through a husband's contributory pension are the only source of income for older women.

### Achieving SDG1 "End poverty in all its forms everywhere" hinges on addressing the specifics of poverty in old age

The risk of increasing old-age poverty rates is serious unless policy changes are made. Over the next 35 years, the population aged 60 and over is forecasted to more than double its size reaching nearly 2.1 billion. In 2015, there are 602 million people aged 60 years or over living in developing countries, and 298 million older persons residing in more developed regions. Their numbers are projected to grow reaching 1 billion and 375 million respectively in 2030 – the target date for the Sustainable Development Goals (SDGs)[8].

In view of the sheer magnitude of the growth in the old-age population globally, particularly in low and middle-income countries, ending poverty in all its forms everywhere, as called for by the 2030 Agenda for Sustainable Development, depends on the international community and national Governments recognizing and addressing old-age income insecurity[9].

## Policy responses and challenges

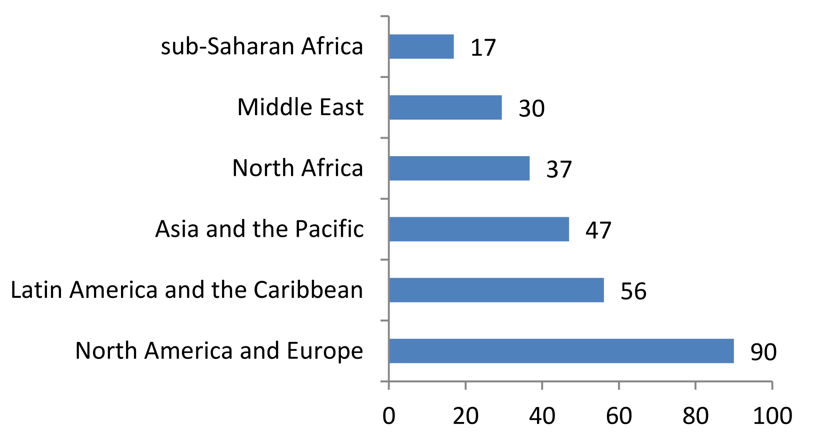
The risk of old age poverty is generally more pronounced in less developed countries where social protection coverage is inadequate or absent, and where many older persons rely only on family support. However, amidst socioeconomic pressures and increased longevity, customary family-based support is very often far from sufficient and reliable, with a significant number of older persons at greater risk of either falling into poverty or remaining below the poverty line. This implies the need for policy interventions; primarily through social protection.

### Public social security pensions are important institutional solutions to ensure income security in old-age

Public social security pensions have become essential tools to ensure that older persons receive a stable income after the end of their working life and throughout their old-age. However, many older persons continue to live without adequate social protection coverage. In 2010/12, nearly half of all people over pensionable age did not receive a pension **(Figure 1)**.

[5] A/69/180
[6] UNDESA (2015). *World Population Ageing Report*
[7] UN Statistics Division (2015). *The World's Women 2015: Trends and Statistics*
[8] UNDESA (2015). *World Population Ageing Report*
[9] A/70/185

**Figure1. Percentage of older persons in receipt of pension, by region**
*Source: ILO (2014/15) World Social Protection Report*



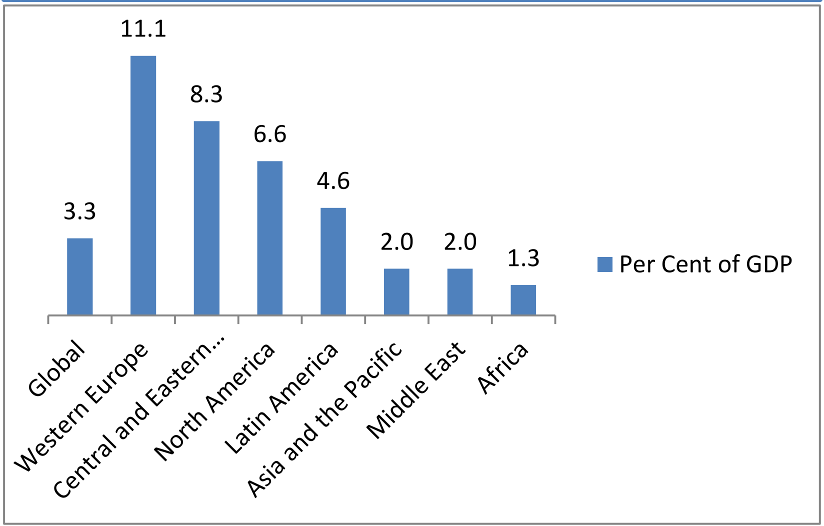

Considering that two thirds of the world's older persons live in developing regions where the informal economy accounts for a large proportion of their employment, is cause for concern. Workers in the informal economy usually have insufficient or no social protection coverage, as the systems for collection of contributions or tax payments to finance public pension systems is underdeveloped. Unless significant investments are made to broaden social protection coverage by introducing non-contributory schemes to help close the gap, the majority of workers in the informal sector will face income insecurity in old age[10]. At the same time, even in countries where pension coverage is higher, the adequacy of pension benefits remains a challenge. Many older persons receive public pensions that are inadequate to keep them from living in or falling into poverty, and therefore continue to work into old age. In many cases, combining non-contributory and contributory indexation mechanisms is key to ensure adequate pension levels and guarantee income security for people in old age.

Public expenditure on social protection for older persons varies among regions **(Figure2)** and is influenced by projected levels and trends in the numbers and share of older persons in the population, as well as by variations in the policy mix between public and private provision for pensions and social services. Many countries have undertaken steps to expand social protection coverage, whether through establishment or expansion of non-contributory pension schemes which provide a basic level of protection for many older persons, or through the expansion of contributory schemes to previously uncovered groups such as the self-employed, domestic workers, farmers and other low-income groups.

Sustaining pension levels is also a considerable challenge for more developed countries, particularly as some Governments seek to find cost savings measures through reforms in public pension schemes as part of fiscal consolidation policies. Such adjustments undermine the adequacy of pension systems and therefore reduce their ability to prevent poverty in old age. It is alarming that, under existing laws and regulations, globally only 42 per cent of future pensioners can expect to receive a social security pension[11].

[10] ILO (2014/15). *World Social Protection Report*
[11] *Ibid*

**Figure2. Public social protection expenditure on older persons (without health), 2010-11**
*Source: ILO (2014/15) World Social Protection Report*

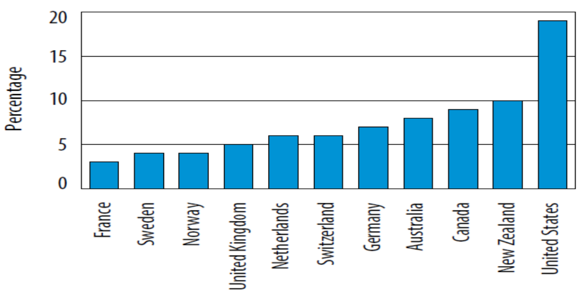



## Protection against health-related poverty is needed

Income security in old age also depends on the availability of and access to secure and affordable publicly-provided social services, including healthcare and long-term care[12]. Besides ensuring good health, equitable access and utilization of healthcare services provides a safety net for older people and protects them and their families, from falling into poverty in later life as a result of catastrophic out-of-pocket healthcare expenses[13].

The long-term care needs of older persons increase as they get to older ages, and where formal care is the only option, the costs can be overwhelming[14]. In many low-income countries, where Governments do not finance long-term care, the entire financial burden falls directly on older people or their families. Yet even in Europe, older persons' out-of-pocket payments account on average for 9.6 per cent of their household income, and in some countries up to 25 per cent[15]. Older persons who have not been able to accumulate sufficient income or wealth through contributory pensions, savings, intergenerational transfers or other sources, are not be able to access the health or care services they need without social-protection support. Some Member States require older persons to utilize savings and assets before they can access government-subsidized or -funded long-term care services[16].

**Percentage of adults aged 65 years or older who had problems accessing health-care services during the past year due to their cost, 11 countries, 2014**




In addition, poverty rates are higher for older persons in countries with a high prevalence of HIV. In particular, high mortality among young adults means not only that many older persons have lost potential family support from adult children, but have now also assumed greater responsibility for generating adequate income as well as to care for grandchildren[17].

Box (left)
*Source: WHO, World Report on Ageing and Health 2015, Figure 4.3*

12 ILO (2014/15). *World Social Protection Report*
13 WHO (2015). *World Report on Ageing and Health*
14 A/68/167
15 WHO (2015). *World Report on Ageing and Health*
16 A/67/188
17 UNDESA (2015). *World Population Ageing Report*

## Young employees face considerably greater challenges due to lack of opportunity to save for their retirement

A 2013 survey[18] conducted in 12 countries worldwide revealed that young employees between the ages of 20 and 29 years face considerable challenges in saving for retirement. Student debt, high levels of youth unemployment, economic uncertainty, as well as high housing costs, undermine the ability to plan and save for retirement. As a result, many young workers may find themselves worse off than their parents' generation when they enter retirement.

## Priority policy issues for discussion might include:

Research and analyse the specifics of poverty in old age, including its distinct causes, and ensure the collection and analysis of age disaggregated poverty data.

Mainstream ageing issues and gender concerns into national development planning and the implementation of national Sustainable Development Goals.

Explore policy options to achieve full social security coverage and sufficient benefits to guarantee income security in old age

Equal access for all older persons to affordable and good quality social services, including healthcare and long-term care

## For Further Reading

- Reports of the Secretary-General. Available at **social.un.org/ageing**
- UNDESA (2015). *World Population Ageing Report*
- ILO (2014/15). *World Social Protection Report*
- WHO (2015). *World Report on Ageing and Health*
- OECD (2015). *Pensions at a Glance 2015: OECD and G20 Indicators*

[18] AEGON (2013). *The Changing Face of Retirement. The Young, Pragmatic and Penniless Generation*