

Financial protection and care for older people in the developing world: status and challenges

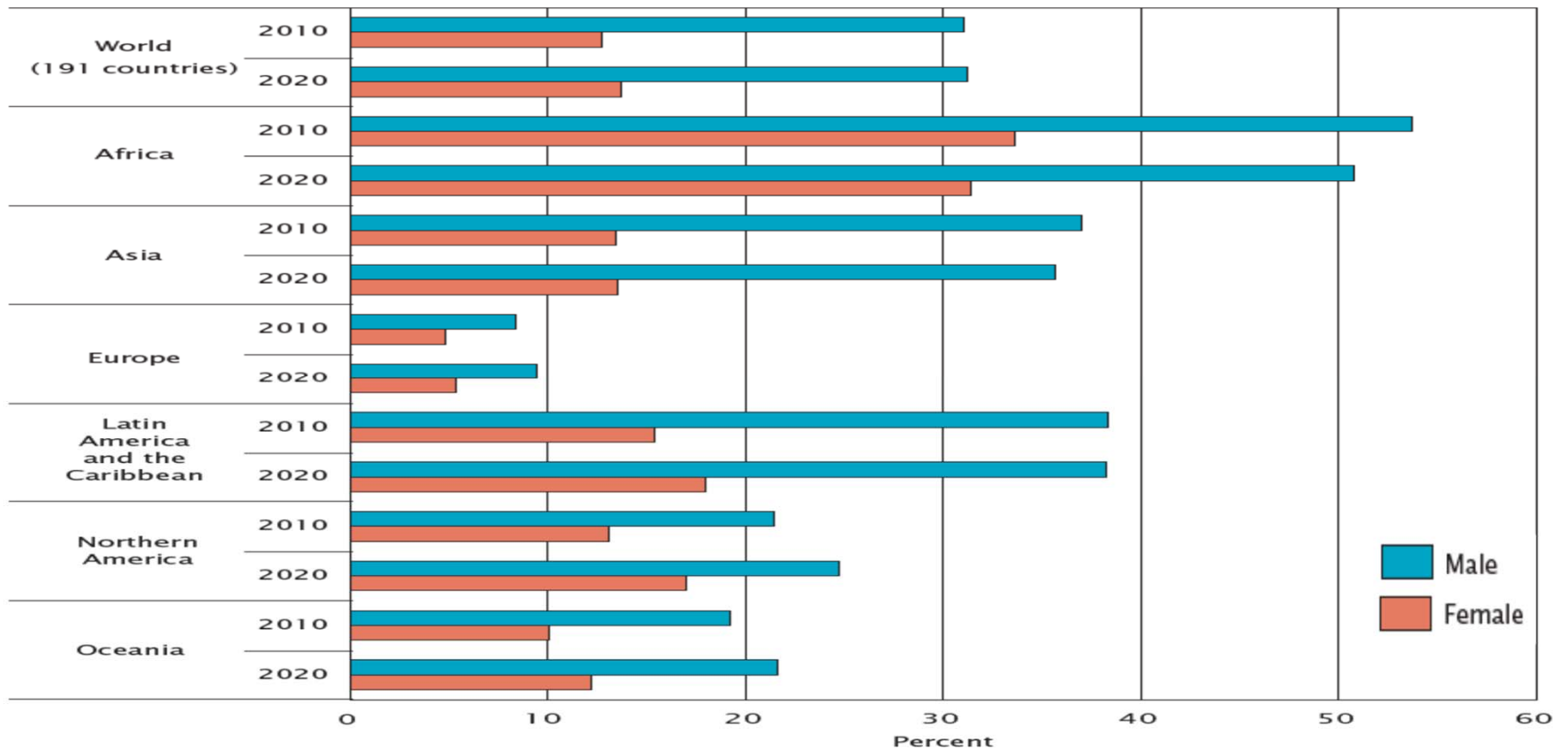


Philip O'Keefe, World Bank
Measuring Population Ageing: Bridging Research and Policy
Bangkok, 25–26 February 2019



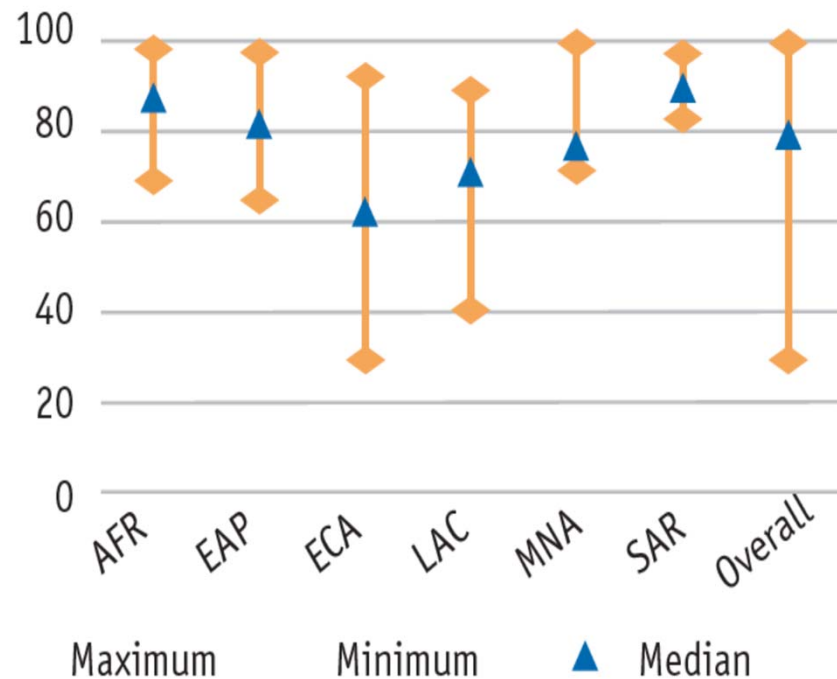
For many older people, work remains the primary source of financial protection, particularly in LICs

(US Census Bureau, 2016, LFPR by gender 65+)

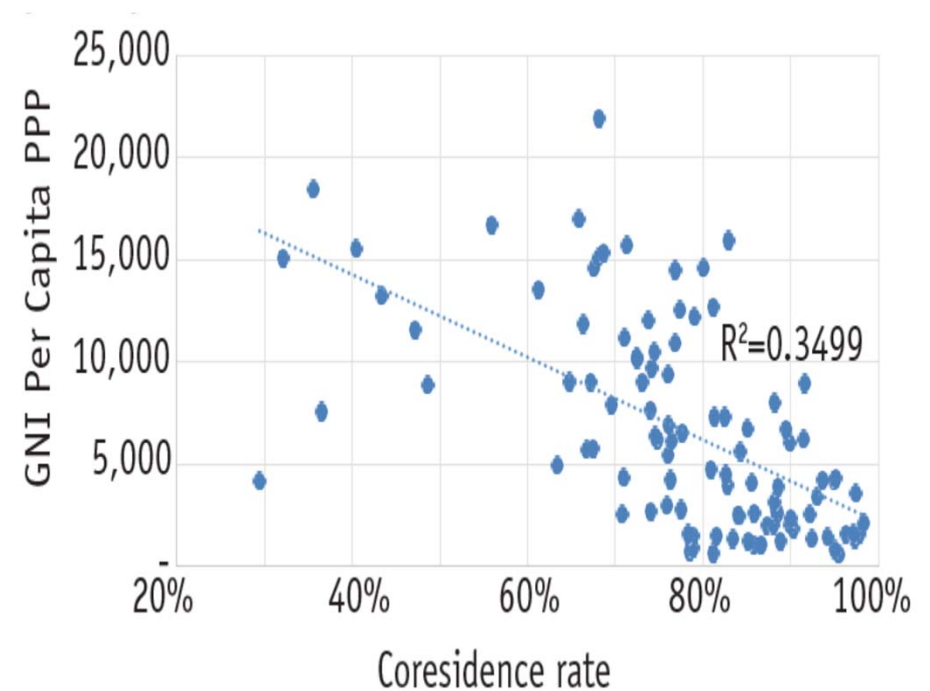


Elderly co-residence with adult children remains another source of financial protection in developing countries – but inter-generational financial flows are complex (see NTA)

Co-residence rates remain high in developing regions (Palacios+Evans, WB 2015)

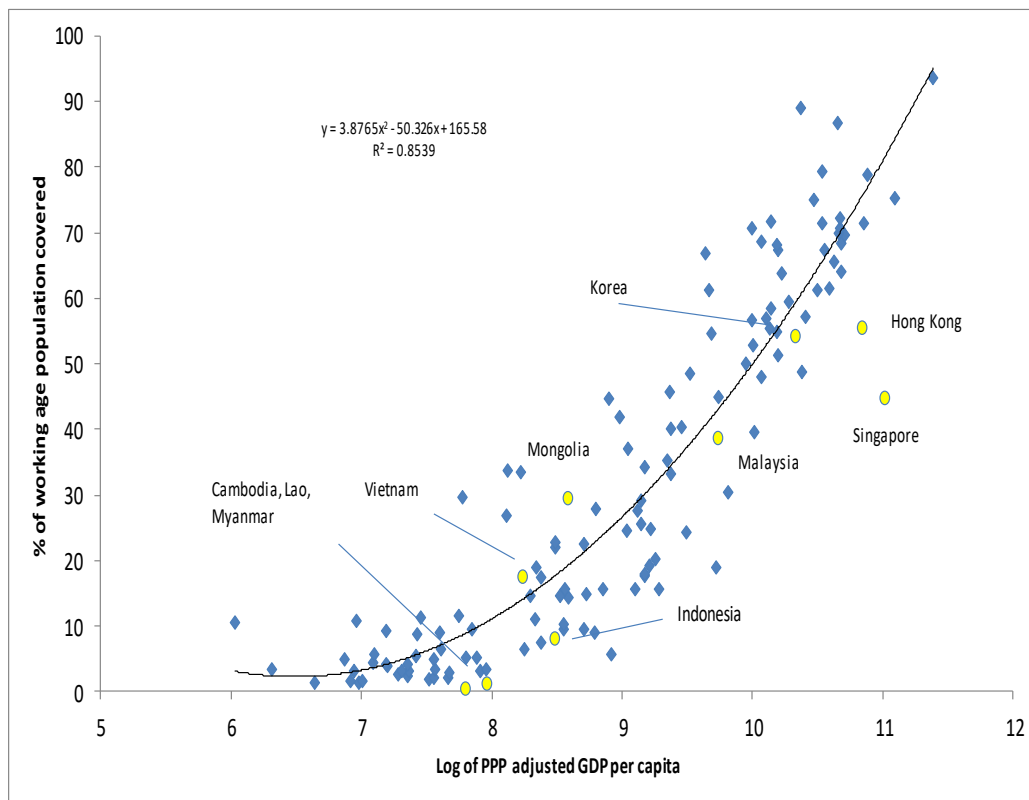


But decline with country income level and by income within countries

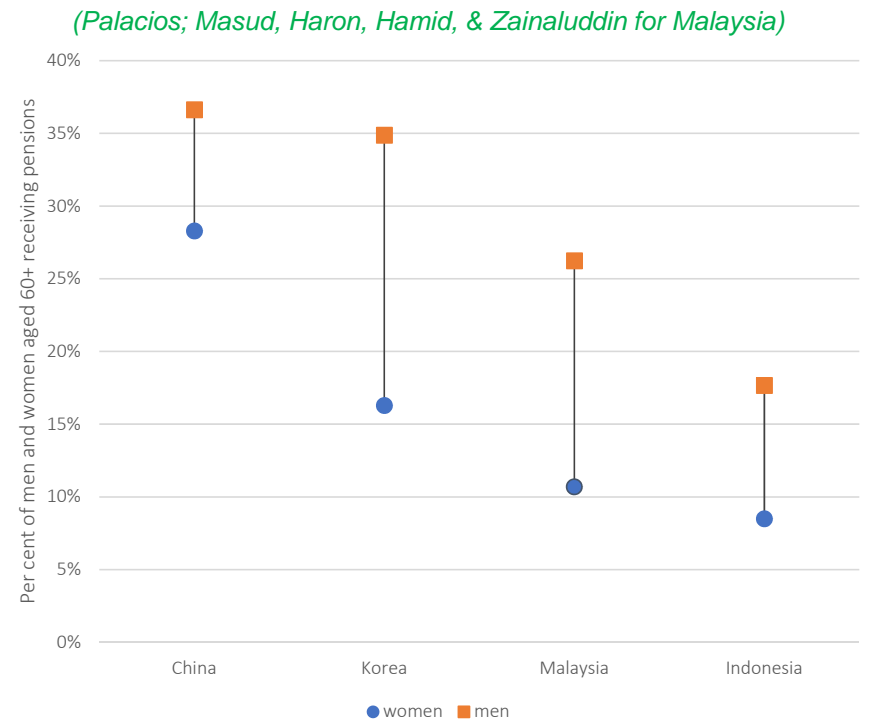


In contrast, coverage of contributory pensions remains low (esp. for women) and strongly correlated with country income levels

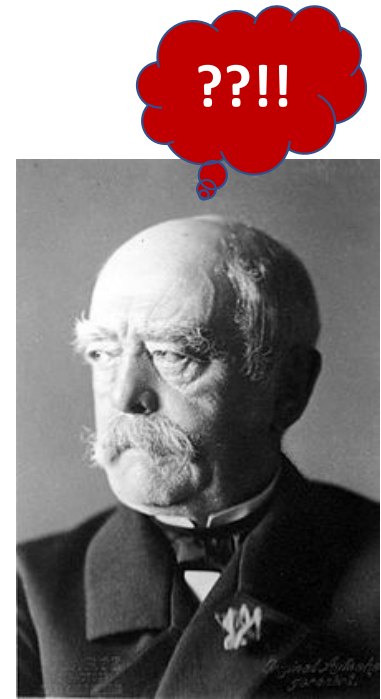
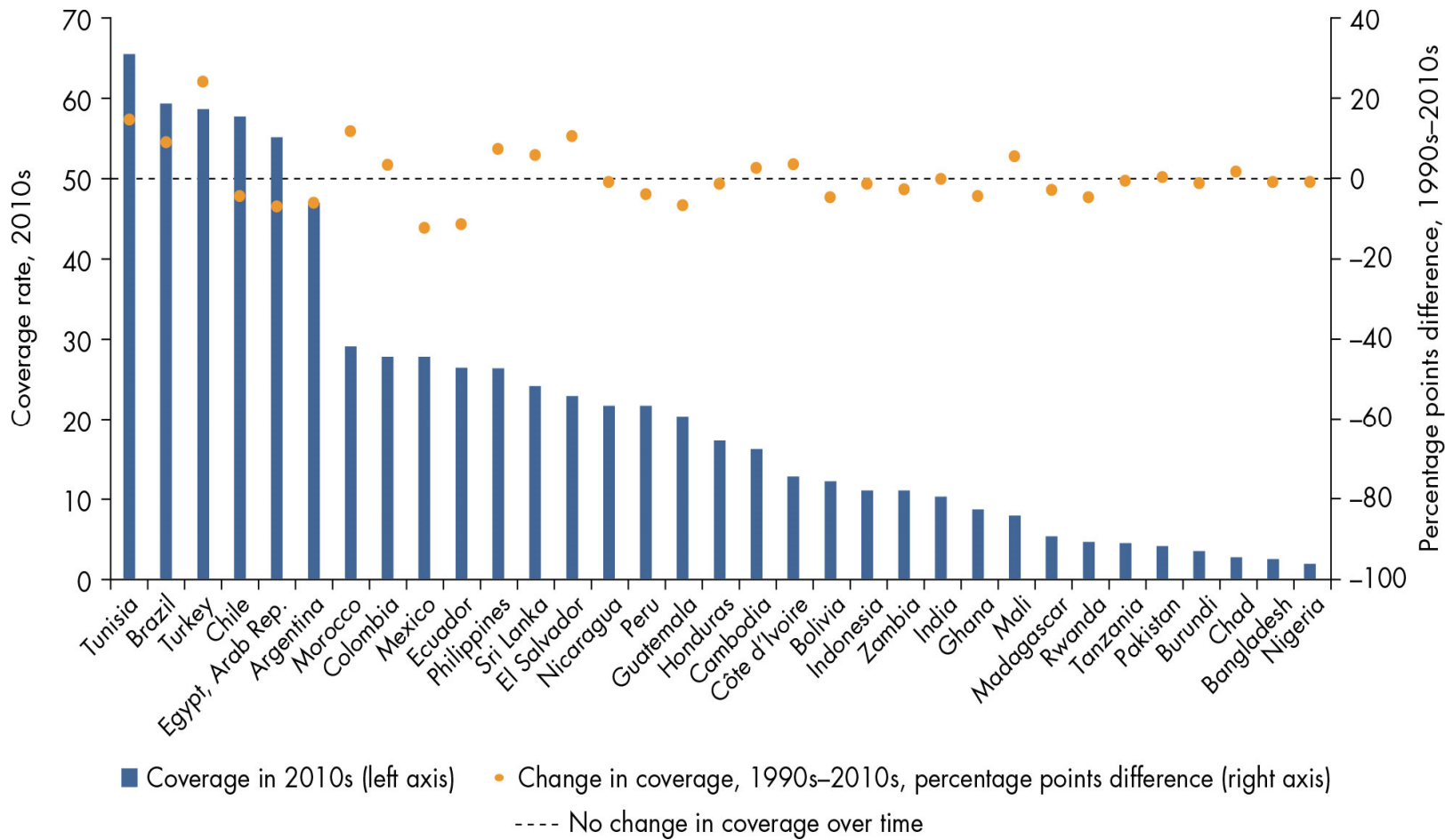
Share of working age contributing (WB)



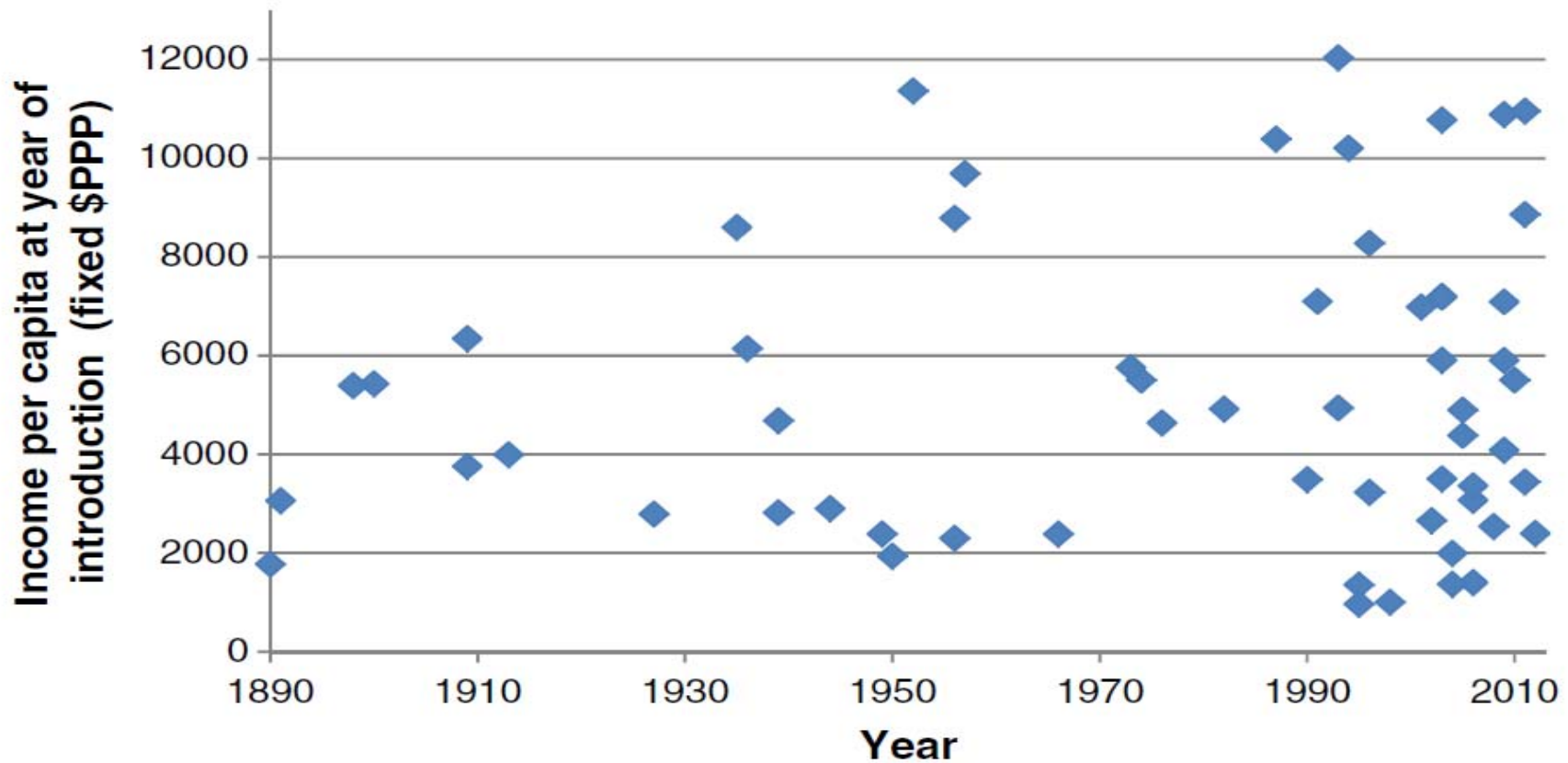
Share of older men and women receiving formal pension benefits



And coverage expansion has stalled or too slow in most developing countries... (WB 2019)

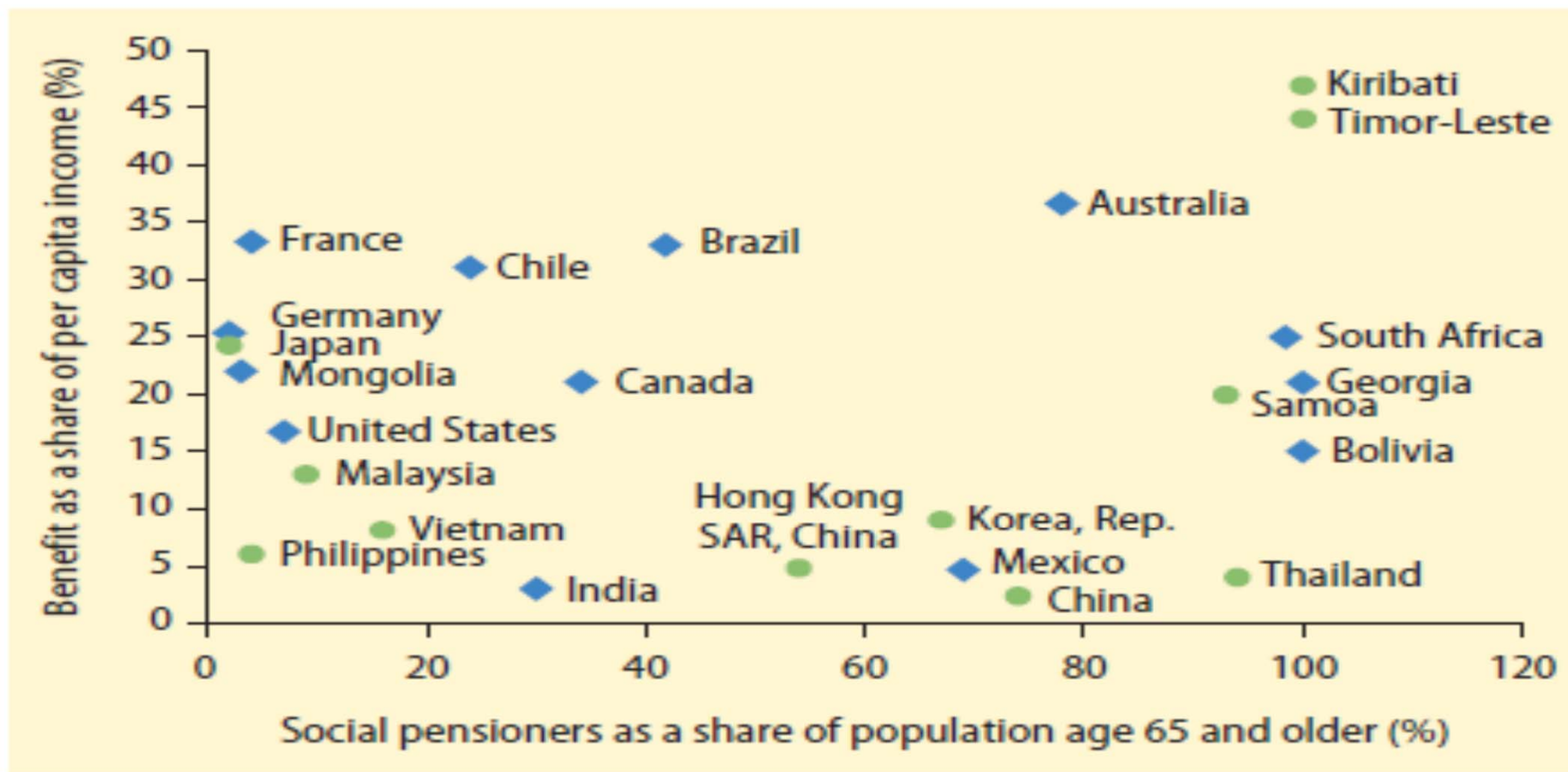


One response has been widespread introduction of social pensions (universal or targeted)...

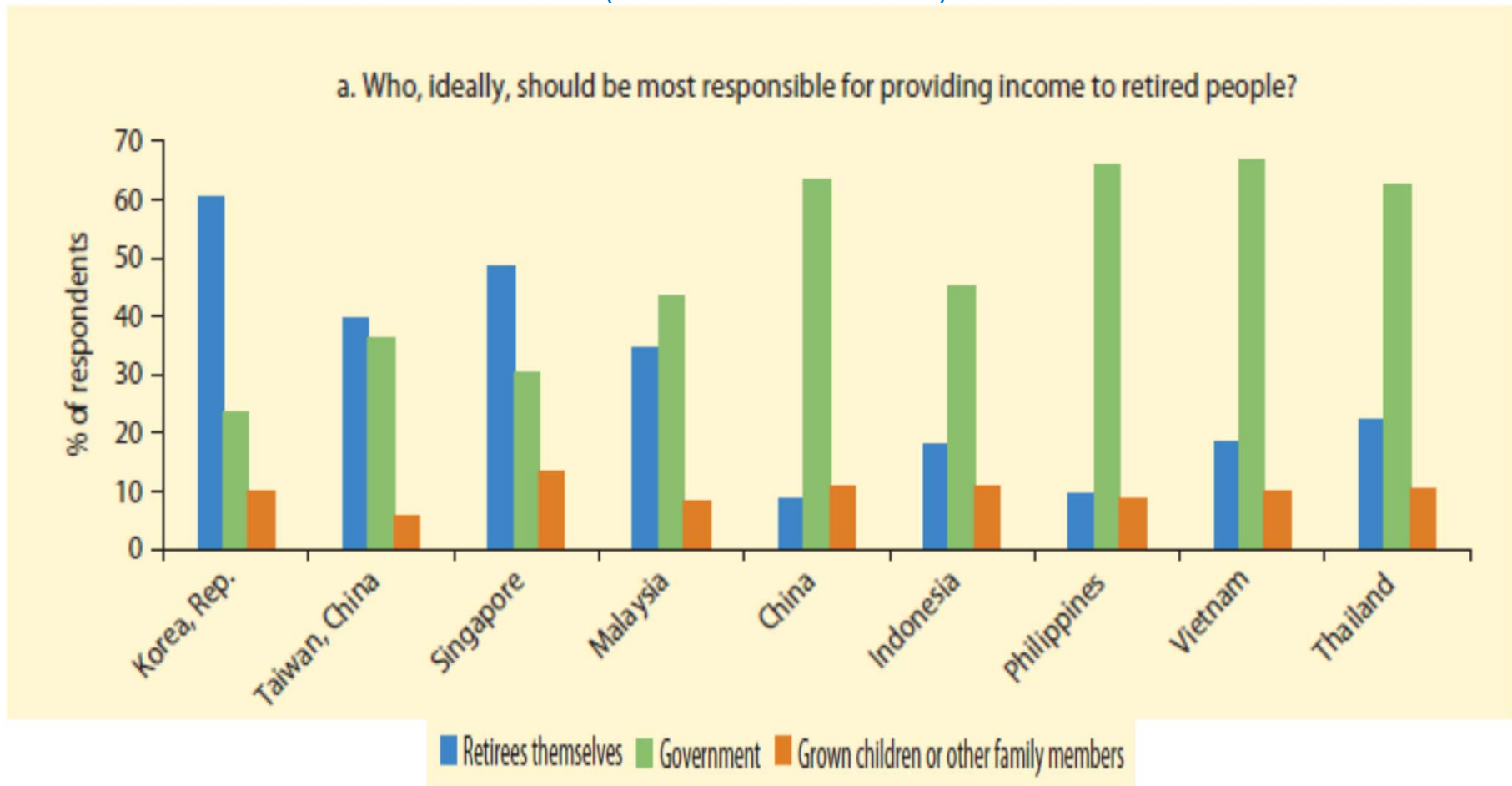


Source: HelpAge International 2012 and Gapminder 2013.

But social pension benefit levels are highly variable & in many cases too modest to provide financial protection... (WB 2016)

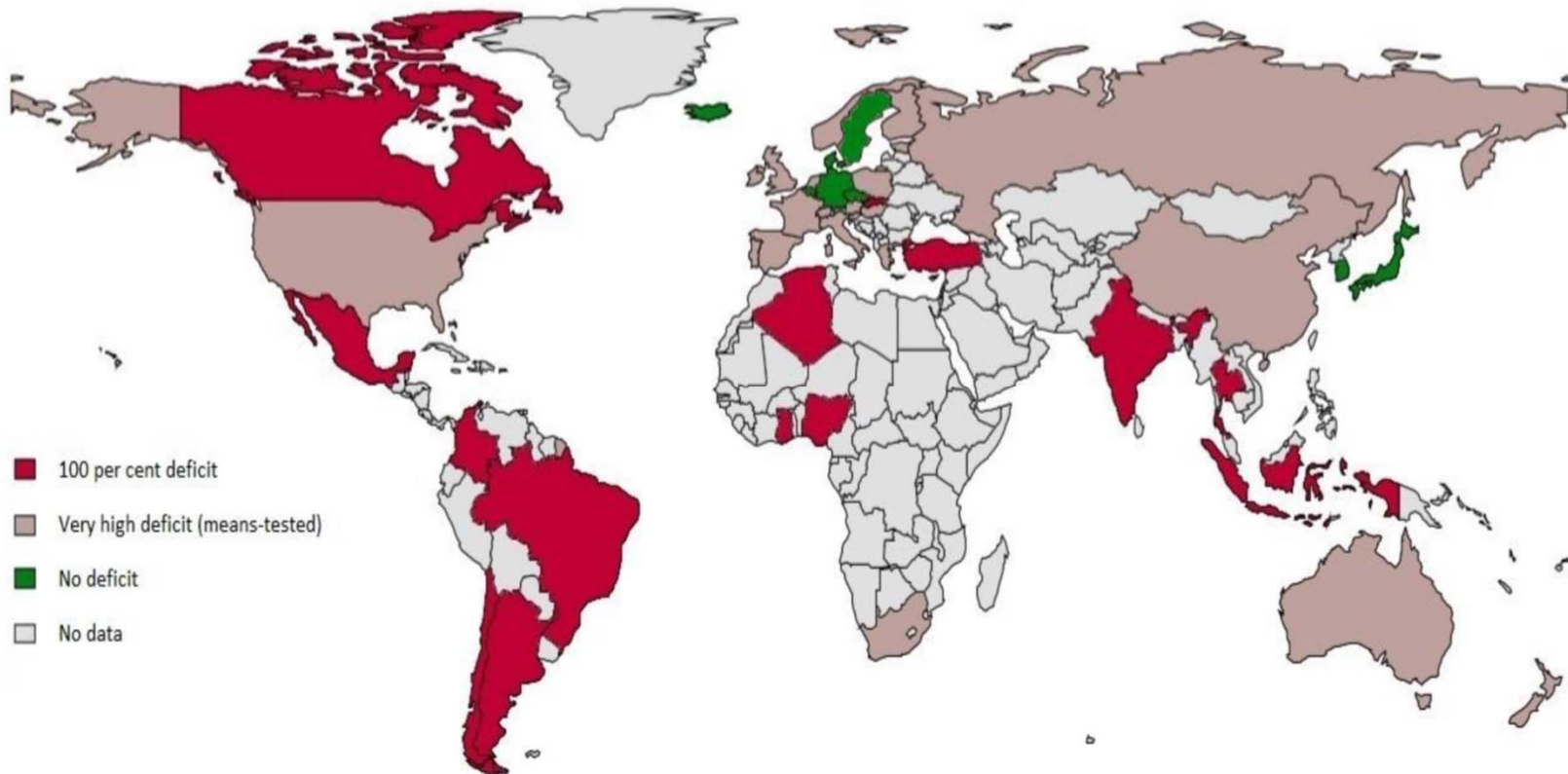


Despite limited financial protection from public sources, older peoples' expectations of the state are often high
(Jackson & Peter 2015)



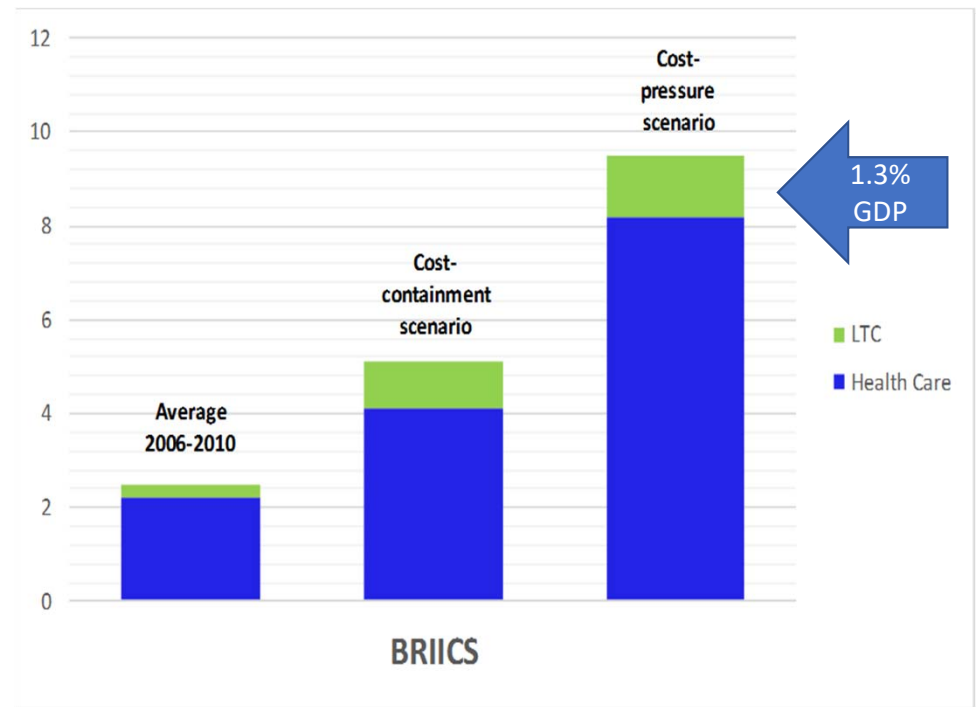
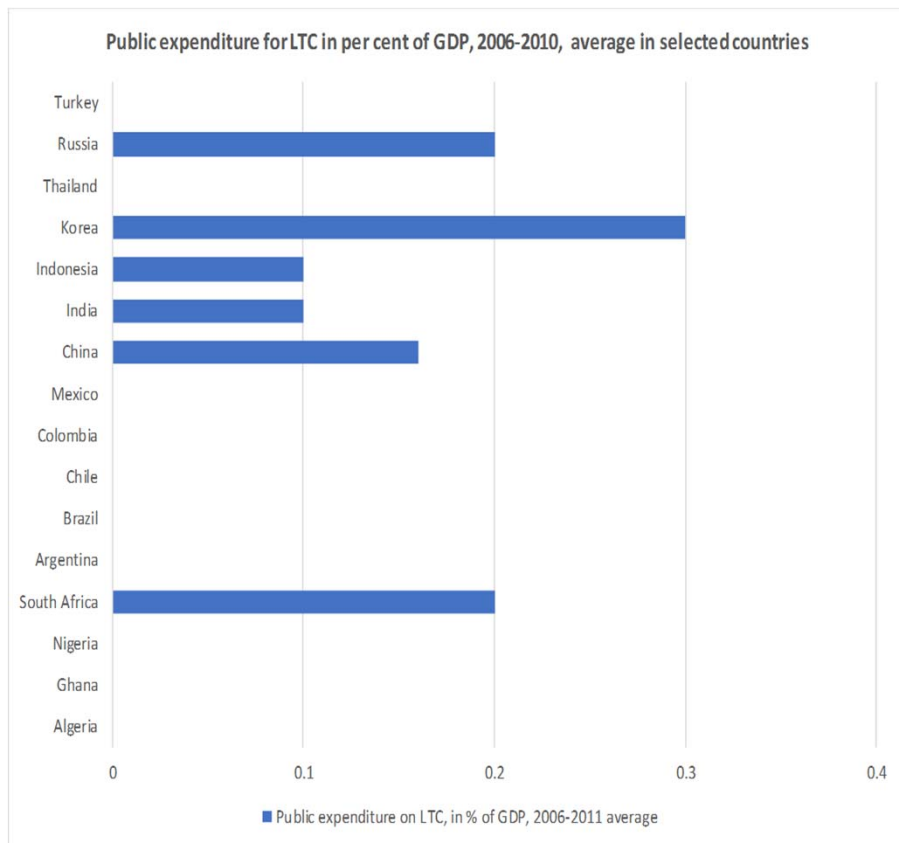
Legal rights to public-supported long-term care are largely limited or unclear in developing countries

Legal right to LTC coverage, 2015 (Scheil-Adlung)



Current LTC public spending in developing world negligible but limited projections suggest potential steady increase

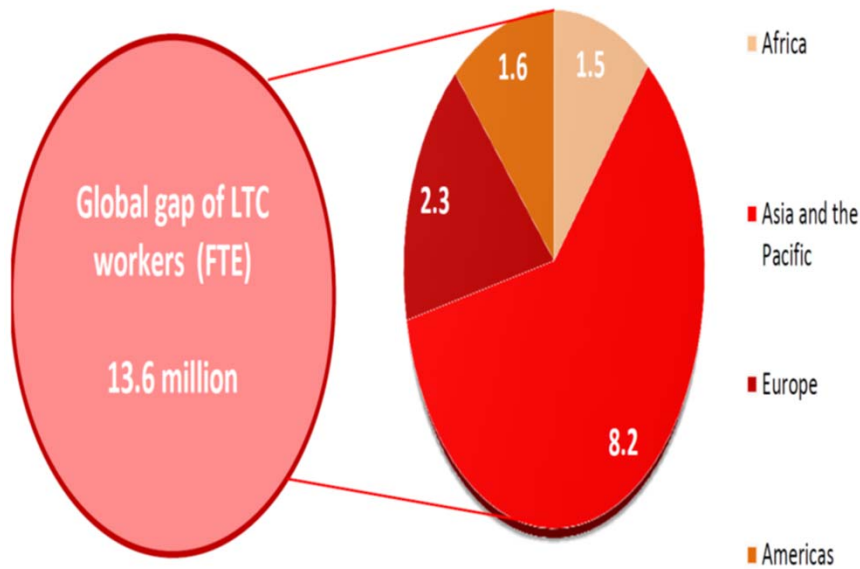
(Scheil-Adlung LHS; OECD projections for 2060 as GDP % RHS)



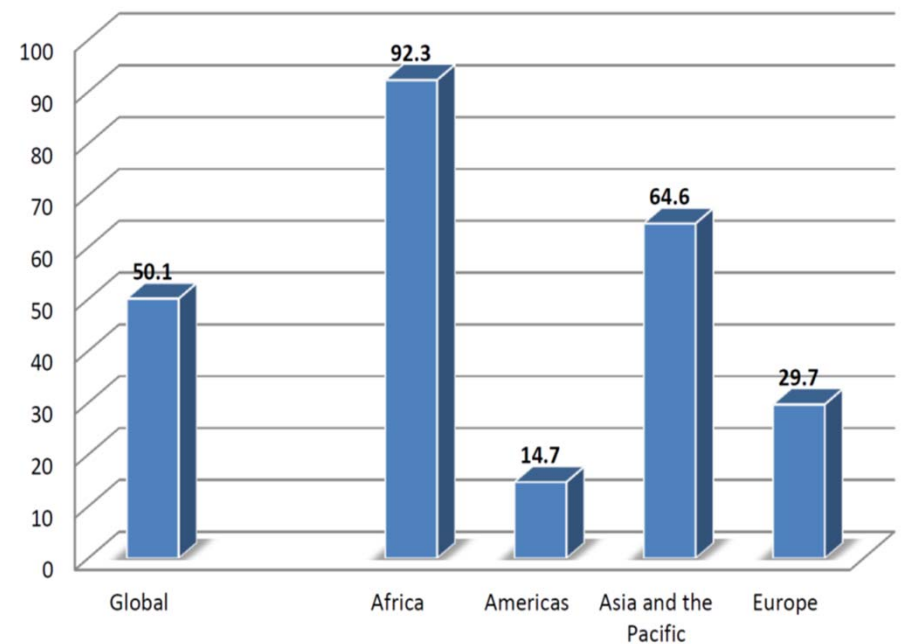
Cost pressure: healthy ageing, income elasticity=0.8, residual=1.7% per year
Cost containment: healthy ageing, income elasticity=0.8, residual phasing out over the projection period

LTC workforce shortages are acute in both developing and many developed countries

Gap in LTC workforce (million FTE), 2014

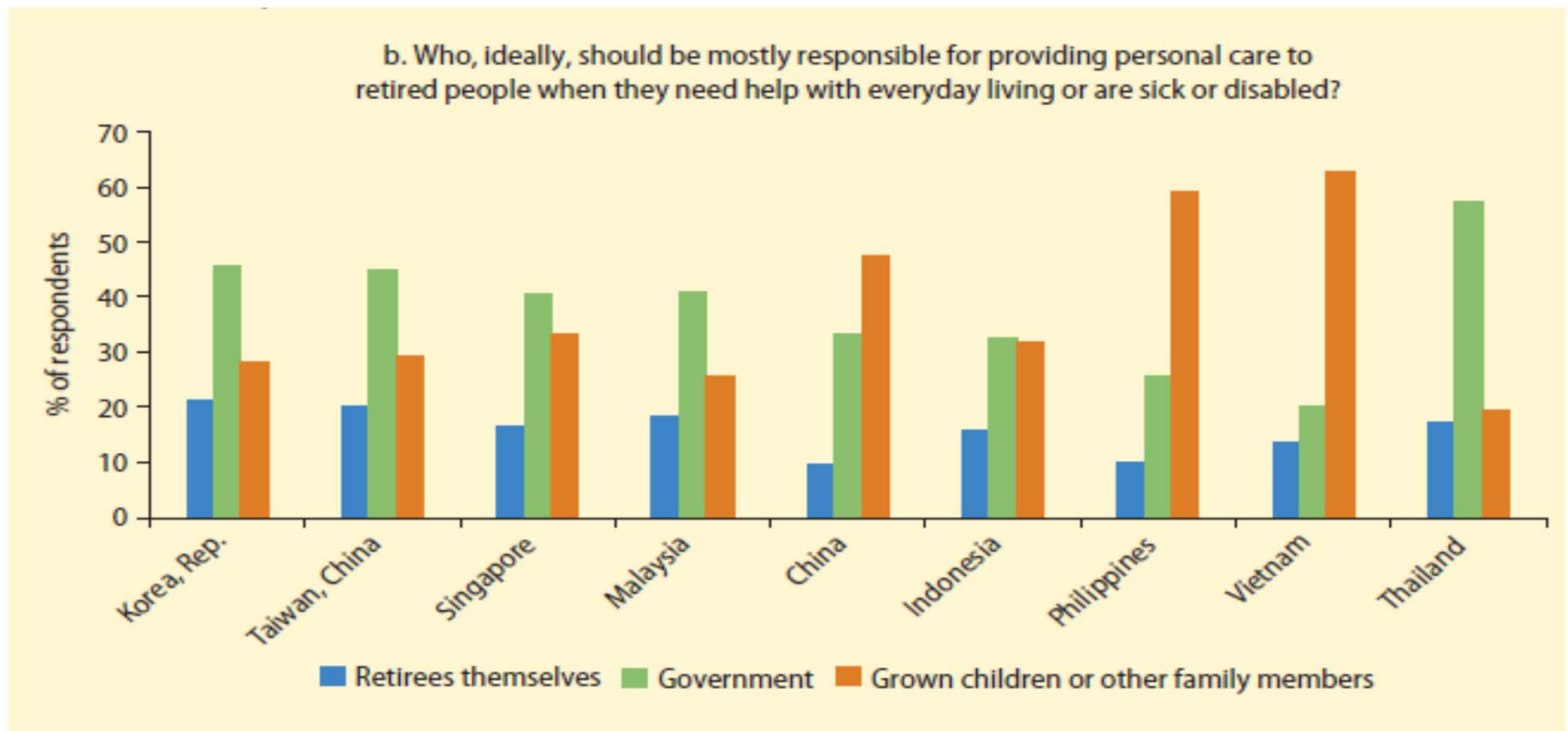


LTC access deficits as % of 65+, 2014 (relative to 4.2 FTE workers per 100 65+)



Despite the nascent stage of publicly-financed aged care, hopes of the state also often significant

(Jackson & Peter 2015)



Financial protection: some suggestions...

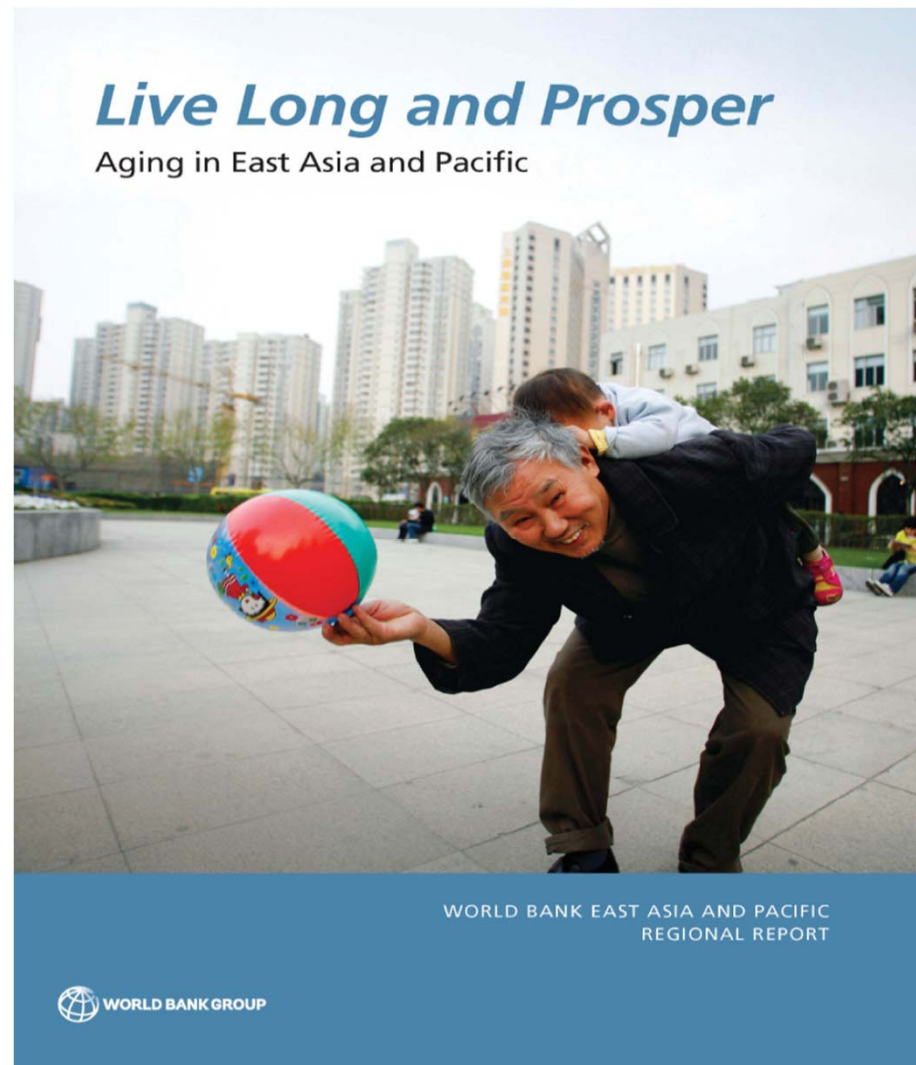
- A **pure contributory financing model will not do the coverage job** in large majority of developing countries: more public subsidies for informal sector will be needed & innovation in how they are provided (e.g., MDC; pre-funded social pensions)
- To **create the fiscal space** for such subsidies, many countries need: (i) deeper reforms of contributory systems to make them sustainable; (ii) to reallocate regressive consumer subsidies to poor and/or elderly; and (iii) to improve revenue performance on both traditional taxes and new or under-exploited revenue sources (e.g., property, carbon and even inheritance taxes)
- Pension reforms should ideally **remove mandatory retirement ages altogether, or at minimum adjust them automatically** in line with prospective ageing & don't incentivize early retirement or punish longer working lives in the pension and/or tax systems
- The “silver bullet” of **UBI** in most developing countries not affordable if adequate and not adequate if affordable

Aged care: some suggestions...

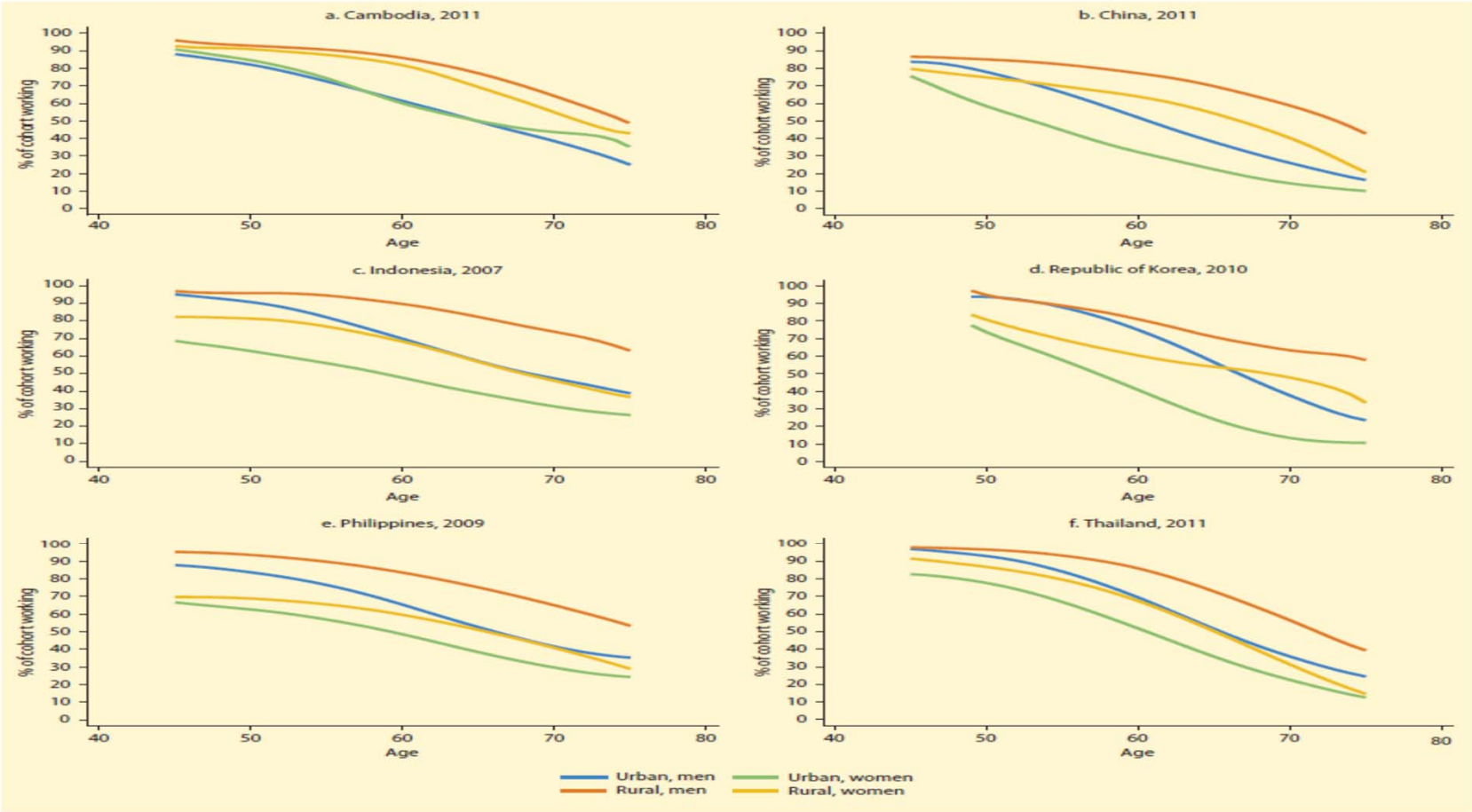
- Develop **dedicated policies and institutional clarity** on aged/LTC: don't simply default to families and the health sector (China offers nice example in EAP)
- Develop **basic regulatory oversight & stewardship capacity** for aged care sector (e.g. licensing & quality standards; needs assessment; information systems)
- Develop an **explicit & mixed financing model** for aged/LTC and focus public funding on provision of home- and community-based services > infrastructure
- Make a pragmatic decision on what is the **feasible level of professionalisation** of aged/LTC service providers and the role of enhanced community-based care
- Welcome, facilitate and regulate the **involvement of the private sector** (for-profit and not-for-profit) and communities: age care is a sector where the public sector will never do it all

Thank you

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Labor force participation rates by age, gender and location, selected EAP countries (WB 2016)



UBI would be very challenging to afford in most countries...

