

# Realizing Income Security in Old Age: The Feasibility of a Universal Old Age Pension in Malawi



**Universal social pensions, which provide a basic pension to older people regardless of income or assets, are an increasingly popular approach in Sub-Saharan Africa to ensure a live in dignity and wellbeing for the elderly.**

This brief summarizes findings of a study by the Malawi Network of Older Persons' Organization (MANEPO), HelpAge International, and the Ministry of Gender, Children, Disability and Social Welfare (MoGCDSW), which finds that a universal social pension is both needed and feasible in Malawi.



**Countries in Sub-Saharan Africa with universal, or near-universal, social pensions in place**

## Poverty, vulnerability and old age in Malawi

**Despite strong economic growth in recent years, Malawi continues to face substantial challenges of pervasive poverty and rising inequality.** Half of the population (52.4 per cent) were living in poverty at the last count (2010), while many more are vulnerable to falling into poverty over time. Inequality has also risen sharply, meaning the benefits of Malawi's growing economy are limited to a select few.

**Older Malawians spend their lives contributing to the Malawian economy and society and continue in old age.** The 0.7 million older people aged 60 and over in Malawi today have spent their lives contributing to the development of the nation, and most continue to be active in their communities and wider society, as breadwinners, caregivers, and leaders in community, family and political life.

Older people have also provided an invaluable safety net for Malawian society by caring for orphans left behind by the HIV/AIDS pandemic, with 62 per cent of double orphans cared for by their grandparents.

**Growing old comes with numerous challenges.** Levels of chronic illness and disability increase with old age, which make it harder for older people to continue working in Malawi's primarily agricultural economy. As health issues kick in, older people face a choice between continuing to work in increasingly vulnerable conditions, and looking for support from families that are already struggling with poverty. Most choose to continue working as long as they possibly can, despite challenges to remaining productive, and often having to work in pain.

**As a result, many Malawians spend their later years marginalized from family and community life.** As in many other countries, traditions of reciprocity are strong in Malawian society, with the idea that support must be both given and received. The increasing challenges that older people face in reciprocating the support they receive means they are often marginalized from decision-making in families and communities. In extreme cases, this social exclusion is one of the reasons that older people – and particularly older women – are vulnerable to accusations of witchcraft.

## Existing social protection

**Social protection floors are increasingly recognized as a necessary and effective approach to ensure the benefits of development are shared fairly, and no one is left behind.** This issue is no more relevant than for older people who – despite the contribution they have made throughout their lives – often struggle to secure an income.

**The current pension system has limited scope to provide security for most Malawians.** Currently, fewer than 5 per cent of older people receive a pension, and most of these are relatively better off. This is mainly due to the fact that most Malawians enter old age after a lifetime of poverty, working in informal agricultural work where they never had the opportunity to contribute to a pension.

**While there is need to strengthen contributory pensions, international experience suggests that coverage is unlikely to increase significantly for many decades.** Universal, or near-universal non-contributory, pensions in the form of cash transfers should therefore be the priority.

**The expansion of the Social Cash Transfer (SCT) has provided a lifeline for many older people.** Nearly a quarter of older people (65+) live in a household receiving the transfer, while 16 per cent are direct recipients (as household heads). A number of studies have shown the positive impacts of the scheme on increasing incomes and food security.

**However, most older people – including many of the very poorest – are not covered by the SCT.** Three quarters of older people are not in receipt of the SCT, The challenges of poverty targeting, as well as the focus on household-level labour capacity, means that the scheme fails to reach some of the very poorest. Rather than empowering older recipients, in many cases the targeting process has been found to create conflict and jealousy in communities. Older people only marginally benefit from other social assistance programmes such as food and cash for work, and school feeding. Analysis of the IHS3 shows that only 16 per cent of older people (60+) live in households receiving social assistance, and only 3 per cent of older people are the direct recipients of this support.

### **The rationale for a universal pension**

**Universal social pensions have proven to be a popular and successful approach to ensure income security, dignity, and wellbeing for older people and their families.** Such schemes have been of particular importance in low income agricultural economies where the role of contributory pensions is more limited. **In many countries in the region**

**Many Government in the region provide regular predictable government-financed cash transfers to older people regardless of their previous working history.** A number of countries in the region, such as Mauritius, Namibia and South Africa have had social pensions in place for many decades, yet in recent years there has been a rapid growth in the number of schemes in the region. Countries including Kenya, Lesotho, Uganda, Swaziland and Zanzibar have introduced social pensions in the last 10-15 years.

**Universal pensions have particular advantages in their administrative simplicity and political acceptability.** The fact that all older people are eligible means they effectively reach the very poorest and most vulnerable. This marks them in contrast to poverty targeted social pension which consistently fail to reach significant portions of poor older people. They are also able to include vulnerable older people living close to the poverty line. Their simple eligibility criteria also mean that they are relatively straight forward to implement at national scale, even in low income settings with limited administrative capacities. For instance, Zanzibar's universal pension reached 86 per cent coverage in the first month of implementation.

**By providing an entitlement that all citizens will one day benefit from, universal pensions tend to be politically popular, which supports the willingness of the population to see them financed through general tax revenue.**

**A universal pension in Malawi would support older people to live their later years in dignity.** Evidence from other countries in the region shows how, with some income in their pockets, older people are better able to take charge of their lives, and participate in family and community decisions. A universal pension piloted in the Katete district in Zambia was found to reduce accusations of witchcraft, with older people seen as an asset by the community, rather than a burden. A pension would also contribute to increasing gender equality, by addressing the acute vulnerabilities faced by older women.

**Further, universal social pensions would contribute to a range of Malawi's wider national development objectives and the SDG.** Microsimulation shows that such a scheme could halve the poverty rate of households with older people, and reduce the poverty gap by two thirds. It would also create positive economic multipliers within households and the wider community. There is strong international evidence of how pensions can reduce child poverty, child labour, and boost school enrolment. Finally, such scheme would provide a tool to systematically share the proceeds of growth amongst society and reduce inequality.

### **Affordability and financing**

**Affordable options exist for Malawi to introduce a universal pension in the near future.** Given the challenging fiscal context in the country, a pragmatic approach would be to begin by introducing a more limited scheme of, say, MWK 3,700 for older people over 70s. This benefit level is in line with averages for other social pensions across the region. A scheme of this nature would cost MWK 23 billion (0.4 percent of GDP), and provide a benefit of 20 per cent of average income. Despite the economic challenges facing Malawi in the short term, with political will, a pension of this nature could be financed through ongoing efforts to increase national revenue.

Starting small would also create space to put in place administrative systems before scaling up to higher levels of coverage and adequacy.

**In the medium to long-term the country could seek to lower the age of eligibility and increase the benefit level to the poverty line.** In line with current life expectancy, an age of eligibility of 60 years would be an appropriate ambition, which would create a scheme costing 0.9 per cent of GDP (MWK 33 billion, in today's prices), assuming a monthly benefit of MWK 3,700. Such scheme can be introduced initially at a higher age threshold, of 65 or 70 years old and progressively be decreased as economic conditions allow.

This brief has been produced by the Malawi Network of Older Persons' Organization (MANEPO) together with the International Labour Organization (ILO) based on a report on by the Ministry of Gender, Children, Disability and Social Welfare (MoGCDSW), HelpAge International, and MANEPO.

**The brief can be found under:**

<http://www.social-protection.org/gimi/gess/CountryProfileResources.action?id=408>

**For more information, please contact:**

Andrew Kavala  
Malawi Network for Older Person's Organization (MANEPO)  
Email: [akavala@manepo.org](mailto:akavala@manepo.org)

Florian Juergens  
International Labour Organization (ILO)  
Email: [juergensf@ilquest.org](mailto:juergensf@ilquest.org)