

Social security and ageing populations in developing countries

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It is common knowledge that life expectancy in Western countries has increased over the past several decades and will continue to rise. However, it may come as a surprise to some that the ratio of elderly people is rising faster in the developing world than in industrialized countries. What's more, in some instances the average life expectancy in emerging countries now exceeds that of richer nations. Already today, a majority of the world's older people live in low-income countries with no pension coverage. In 50 years, 80 per cent of the elderly will be in these countries. Alyssa Sewlal, an ILO intern, reports.

In the early 1950s, life expectancy at birth for the world as a whole was approximately 46.6 years. For 2010–2015, it is projected to be 68.9 years. In Asia, where life expectancy was just 41.2 in the period 1950–1955, it is now expected to reach 70.3 years for 2010–2015. In addition to increasing life expectancy, birth rates have also decreased in many parts of the world, resulting in a demographic shift where the population of people over age 60 is growing rapidly. However, in developing nations where this population ageing is happening, governments with limited resources now have a relatively short span of time in which to ensure that they have effective retirement income schemes in place.

The case of India

India is an interesting example, with nearly 80 million elderly people today, a number set to increase considerably in coming years. There are numerous reasons for this sharp demographic change, but advances in education, medicine, sanitation and family planning have a lot to do with it.

As well as affecting how long people live, these advances have also changed some of India's social dimensions, particularly one of the most distinct features of Indian culture: the joint family system.

In India, adult children have traditionally continued to live with their parents or in-laws, and play an important role in ensuring their care and support in old age.

But this is slowly changing as India's economy rapidly develops, leaving elderly Indians in a particularly precarious situation. Informal old-age income support systems have always been available, so for this and other reasons a state-financed pension in India has hardly been extended, and has until recently been largely denied to the workforce in the informal economy.

Bimal Kanti Sahu, Insurance Commissioner of the Employees' State Insurance Corporation in India, notes that some policy-makers have suggested reviving the joint family system by enacting laws that force adult children to take care of their elderly parents and relatives.¹ But, he says, such policies may actually exacerbate the problem. Others have suggested strengthening the requirement that the working population save for their retirement, whether in public or private schemes. Instead, it seems that India will have to find a balance between traditional family support and self-support in the form of pension and other retirement benefit schemes.

¹ Bimal Kanti Sahu: *Improvements in life expectancy and sustainability of social security schemes*, Report for the 6th International Policy and Research Conference on Social Security, Luxembourg, 29 September–1 October 2010.

Ageing: A major challenge for developing and emerging countries

The ILO report prepared for the International Labour Conference² shows that the challenge of caring for an increasingly elderly population is an issue not only for India, but for other rapidly developing countries in Africa, Asia and Latin America where population ageing is set to grow at increasingly higher rates. Just as in India, this means that the resources of these countries are being severely stretched.

As the report points out, the problem is compounded by the fact that a vast number of elderly people are employed in the informal economy and have little or no access to any contributory social security schemes; this means that it must be a matter of priority to address the issues of social security provision appropriately.

Where the development discourse once focused on limiting social expenditure, it is now widely understood that social spending is actually necessary for growth. In the Conference report, the ILO's social security experts point out that well-designed social protection programmes, particularly in the form of social security pensions, rather than being a hindrance to economic development have proven "very effective in preventing poverty and social insecurity throughout an individual's entire life cycle"; moreover, they fulfil a vital role as an economic stabilizer.

A basic social floor is affordable in developing countries

Some financial institutions and economists have argued that social security programmes are simply unaffordable in developing countries. But if crises are good for anything, it is to demonstrate how valuable to the most vulnerable in society social security benefits and assistance are. The truth is, says the ILO's social security team, that a basic social protection package is affordable in virtually all countries, costing – if appropriately designed – a relatively small percentage of GDP. For these programmes to be successful, the key may be for them to be implemented gradually.

Social security has long been a defining element of industrialized countries, playing a crucial role in easing the blow of not only a range of life-cycle crises but also of numerous economic ones, and serving to effectively reduce income inequalities. There are obvious reasons why governments of emerging and developing countries need to organize and implement universal social security programmes, in particular the fact that if nothing is done, the nation will soon face a vast number of elderly people living in poverty. But it is important, says Bimal Kanti Sahu, to recognize specifically the extent to which the ageing population have contributed in their younger days to the development of their countries, and ensure that these senior citizens live out their lives with dignity.

² ILO: *Social security for social justice and a fair globalization*, Report VI, International Labour Conference, 100th Session, Geneva, 2011.