

# **Non-contributory pensions**

## **For everyone or only the poor?**

Peter Morrison  
HelpAge International

IFA Global Conference  
May 2010

# What are **social pensions**?

- regular cash transfers
- for older citizens
- provided by the State
- non-contributory

## **Two approaches:**

1. universal
2. means tested

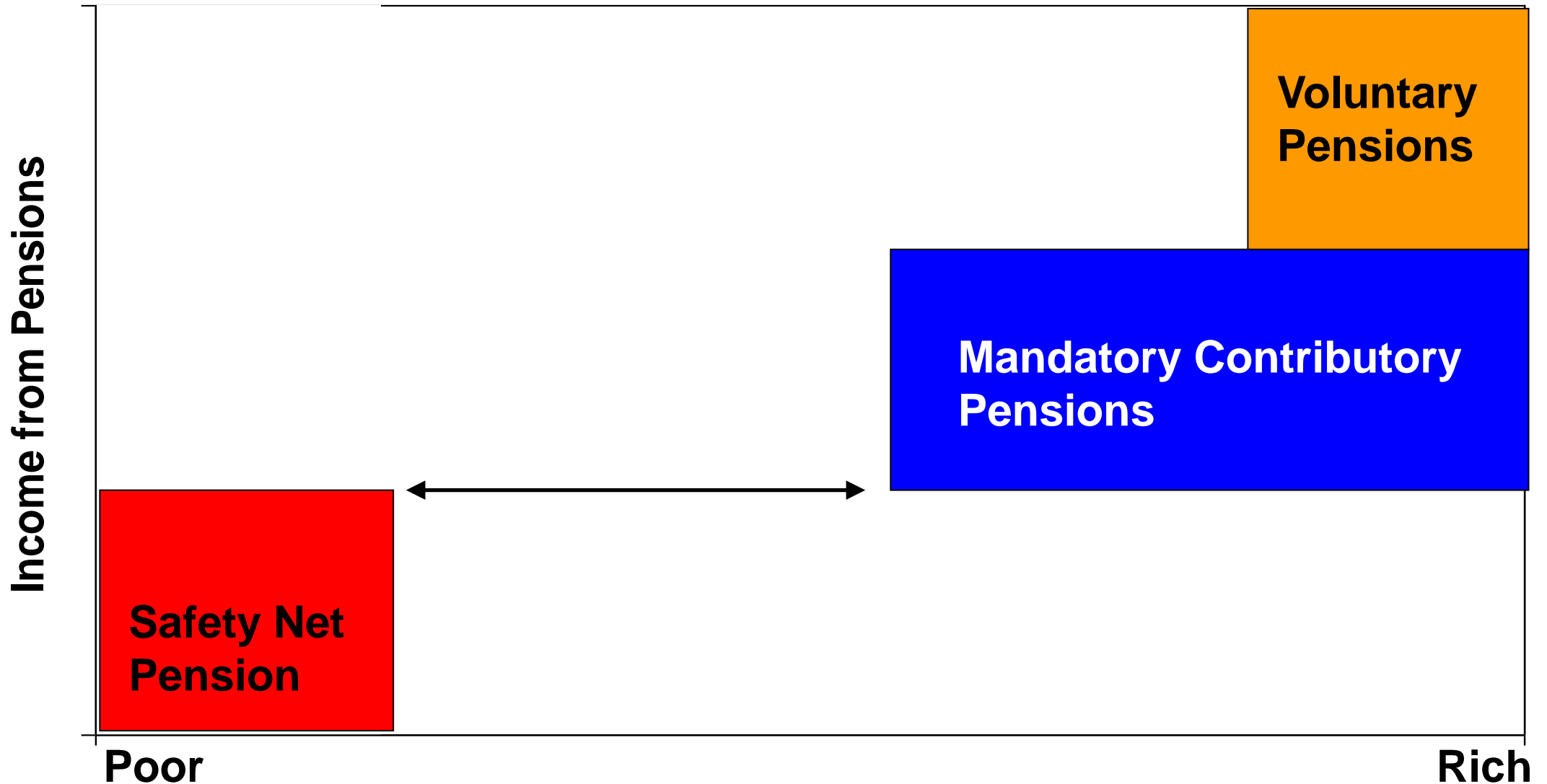
## Why **social pensions**?

- Many poor older people are not covered by other schemes
- Reduce poverty and vulnerability
- Are affordable
- Contribute to economic growth

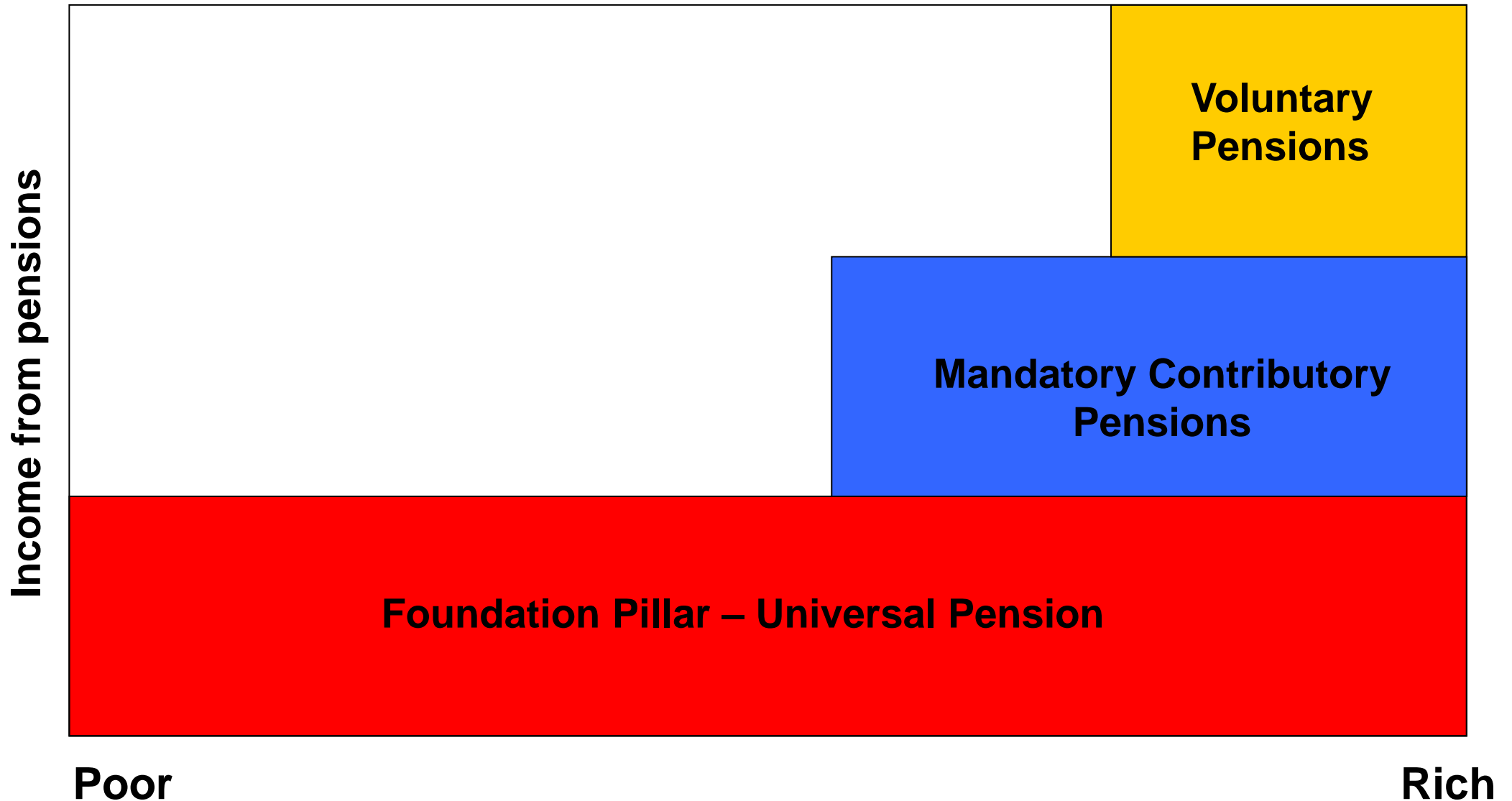
# Common model of pension system

HelpAge  
International

*age helps*



# Alternative model of the pension system

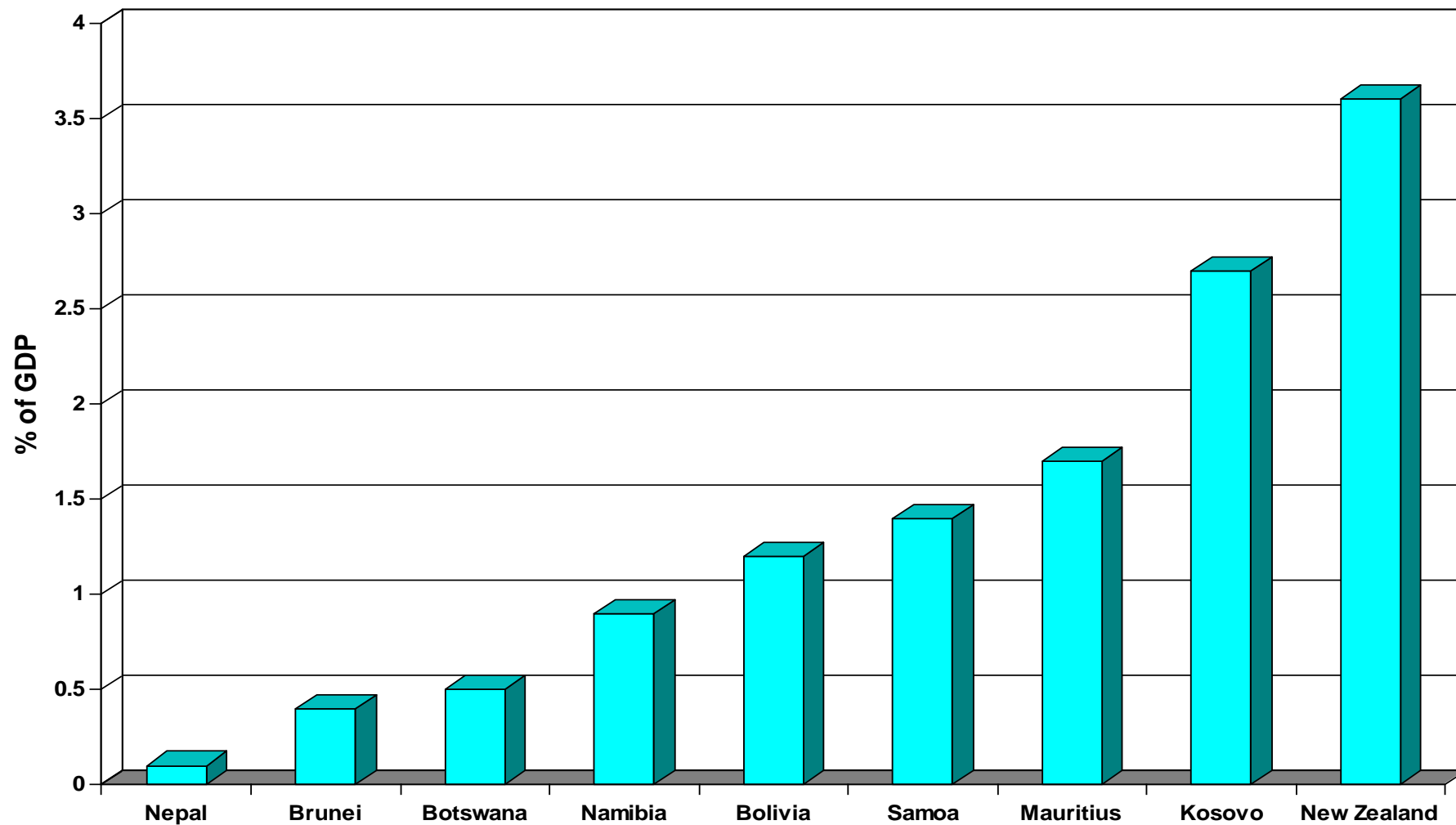


# Social pensions **reduce poverty and vulnerability**

- Predictable source of income and consumption smoothing for the poor
- Benefit the entire household
- Respect and voice in the household: Families more likely to want older people to live with them

# Social pensions are affordable

Cost of universal pensions as percentage of GDP



# Social pensions **contribute to economic growth**

- Evidence that families invest in productive activities and seek employment
- Cash injection stimulates local markets
- Builds social cohesion in divided societies



# For **everyone** or only for **the poor**?

- Context specific
- ... but universal systems have some advantages

# Why universal social pensions?

- Poverty targeting is difficult, especially in developing countries (e.g. India, Bangladesh)
- Administratively simpler and less expensive
- A right for all citizens can create greater political support for pension schemes:

*“A benefit for the poor is a poor benefit”*  
(Amartya Sen)

**Thank you**