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HelpAge

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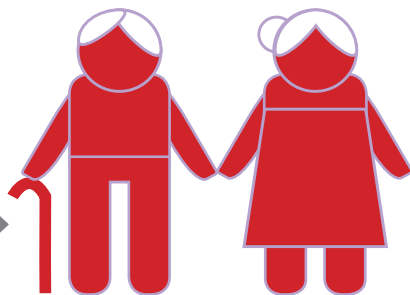
# UNIVERSAL SOCIAL PENSION: FEASIBILITY IN THE PHILIPPINES



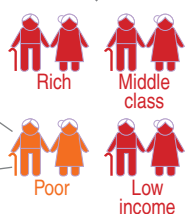
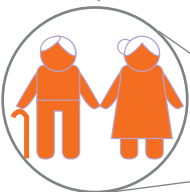
## I. WHAT IS UNIVERSAL SOCIAL PENSION?



The **Universal Social Pension** is a tax-financed program that guarantees a standard minimum income in old age.



Unlike the current **Social Pension Program**, it is given not only to indigents\*, but to all Senior Citizens or at least to those without any pension.



Can be found in a number of ASEAN Member States:



BRUNEI DARUSSALAM



THAILAND



VIETNAM

\* "frail, sickly or with disability, and without pension or permanent source of income, compensation or financial assistance from his/her relatives to support his/her basic needs" — RA 9994 or Expanded Senior Citizens Act of 2010

## II. WHY DOES THE PHILIPPINES NEED IT?

### Challenges for the Filipino family

Household shocks that can quickly lead to poverty:

Sickness

Death of a breadwinner

Old age

Unemployment

Disability

48%

Households spent some time in poverty (2004-2010)<sup>1</sup>

50%

of the population are either low-income or poor<sup>2</sup>

SSS | GSIS

and other social protection systems provide little security for those living below or close to the poverty line



poverty

vulnerability

inequality

### Barriers in securing work in old age

65

years old

Mandatory age retirement policy and age discrimination makes working at an old age harder



ILL HEALTH  
DISABILITY

Reasons for less chances of being employed after the age of 60<sup>3</sup>



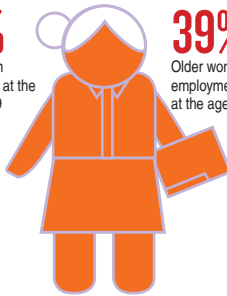
FAMILY  
RESPONSIBILITIES

Older women find this more important than work



58%

Older men in employment at the age of 65-69



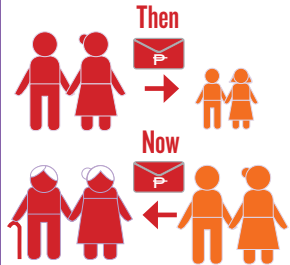
39%

Older women in employment at the age of 65-69<sup>4</sup>

### Family financial struggles

#### UTANG NA LOOB

still prevalent, with older persons relying on their kids for income



#### HIYA

Depending completely on their children for financial support threatens the dignity of older persons

#### SANDWICH GENERATION

Families sometimes have to choose either to supporting their parents or their child's education



### Limited coverage and benefits on existing pensions



38%

Senior citizens still not covered even with expanded social pension in 2017

1 out of 5

Senior citizens who receive pensions either from GSIS or SSS and other pensions<sup>5</sup>



Majority work in informal employment and disposable income is insufficient to save for a pension

Benefits are low for SSS retirees:

34% → Less than PhP2,000

52% → Less than PhP3,000

Social pension → PhP500

### III. WHY UNIVERSAL INSTEAD OF JUST TARGETING THE POOR?



No targeting errors; All poor senior citizens will be reached



It provides security for low-income informal sector workers



Eligibility criteria is transparent and easy to understand



Receiving pension is a right, not a gift, avoiding the stigma of being poor



Cheaper to implement with lower administration costs.

### IV. WHY INVEST IN UNIVERSAL SOCIAL PENSION?

In terms of impact, the scheme would support a dignified old age for all Filipinos, while boosting a wider set of developmental outcomes, such as:



#### Older persons

- Promote a sense of dignity, often lacking when older persons are supported exclusively by their children
- Provide basic income for older persons
- Improve access to healthcare



#### Family

- Reduce child labor and increase school enrollment
- Support families to invest in livelihood activities



#### Poverty and inequality

- **3 MILLION** Filipinos can be lifted out of poverty (highest percentage point reduction in Bicol and Northern Mindanao Region)<sup>6</sup>
- Reduce inequality and strengthen inclusive growth



#### Macro-Economy

- The macro-economic impact of a universal pension would be particularly large for agricultural activities and for boosting household consumption<sup>7</sup>

# V. IS UNIVERSAL SOCIAL PENSION AFFORDABLE AND SUSTAINABLE?



Expanding coverage and adequacy of social pensions can be done in a way that is affordable and sustainable in the future.

- Simply expanding the current social pension to all senior citizens would cost:

**PhP 48 BILLION**  
(0.32% GDP)  
(1.60% Government Budget)

- While closing the pension gap of 38% senior citizens who do not have any pension will only cost:

**PhP 35 BILLION**  
OR  
**PhP 17 BILLION**  
(If you consider the budget already pledged for 2017)

- This is significantly less than the budget allocated to pensions for government groups in 2017 :

**PhP 142 BILLION**

- Armed forces
- Police
- Judges
- Others under the Pension and Gratuity Fund (PGF)

Only **3%** of the older population

- The PGF has actually increased between 2016 and 2017:

**PhP 32 BILLION**  
**ENOUGH TO UNIVERSALIZE THE CURRENT SOCIAL PENSION**

- A scheme with a benefit level of PhP 1,500 (a little below poverty line) appears to be an affordable ambition in medium term :

**PhP 1,500 = 1% GDP = 5% government expenditure (PhP 143 billion)**

**BOLIVIA and LESOTHO** has lower GDP per capita than the Philippines but spend more than this amount on their social pensions

- Projections suggest the cost of a universal pension indexed to inflation would remain stable, even with low growth

## COST OF UNIVERSAL SOCIAL PENSION IN 2045:

**1% GDP** 2017 | **.78% GDP** Trend growth | **1.24% GDP** Low growth

<sup>1</sup> Vicente B. Paqueo et al., "Analysis of the Near-Poor Challenge and Strategy Development Ideas," 2014, <http://slideplayer.com/slide/5267448/>

<sup>2</sup> Jose Ramon Albert, Raymond Gaspar, and MJ Raymundo, "Who Are the Middle Class?," Rappler, July 8, 2015.

<sup>3</sup> Labor Force Survey (2012) Author's calculation

<sup>4</sup> Ibid

<sup>5</sup> Authors' calculations based on administrative data shared by SSS (September 2015) and GSIS (December 2015).

<sup>6</sup> Microsimulation of PhP 2000 social pension based on APIS 2013

<sup>7</sup> Simulation based on Social Accounting Matrix (SAM) model

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