

# Old age income security in Bangladesh:

*Work, family and social protection*



## Contents

- 2 The limits of work and family support
- 3 Low pension coverage and adequacy
- 4 The advantages of a Citizen's Pension

## Summary

- Many Bangladeshis continue to work into their old age, but disability and ill health make earning a living increasingly difficult.
- Older women are far less likely to have income from work than men, and two thirds (67 per cent) are widowed.
- While traditions of family support are strong, high levels of poverty and vulnerability limit the amount of support children can provide to their older parents.
- Less than a third of older people (60+) receive any kind of pension or allowance.
- There are significant errors in the targeting of the Old Age Allowance, and it has one of the lowest benefit levels of social pensions in the region and the world.
- Making the Old Age Allowance universal - truly a "Citizen's Pension" - and raising the benefit amount would be affordable today and sustainable into the future.

**HelpAge**

International



Disclaimer: Funding for this work was provided by the United Nations Population Fund (UNFPA). The findings, interpretations and conclusions presented in this document are those of HelpAge International, not necessarily those of UNFPA or the external reviewers.

## How does growing older affect a person's income security in Bangladesh?

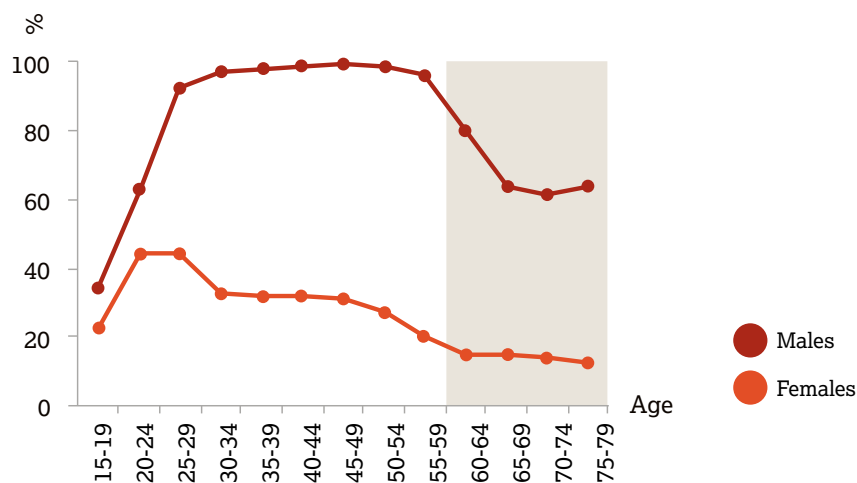
This brief explores this question by assessing three of the most important income sources for older people: work, family and social protection. The analysis is based on results of a study of income security in five Asian countries: Bangladesh, Nepal, the Philippines, Thailand and Vietnam, undertaken in partnership between HelpAge and UNFPA.<sup>1</sup>

### The limits of work and family support

**While many older Bangladeshis continue to work into old age, ill health and disability make this increasingly challenging.** In total, 64 per cent of men and 13 per cent of women aged 60 and over are in employment, much lower levels than those of their younger peers (Figure 1). For those in work, the average number of hours in work is also lower for older people. Illness and disability are reported as the main reason for older people not working, which reflects the rising levels of disability in old age (Figure 2). Those who do continue to work often do so out of obligation rather than choice, and they are more likely to be found in vulnerable sectors, such as informal and agricultural employment.

**Traditions of family support are strong in Bangladesh, but many families struggle to support their older parents.** Four in five older people (80 per cent) live with one of their children, and only a small minority have no children at all. However, many of these families find it difficult to make ends meet in the context of widespread poverty and vulnerability in the country. Around half the population can be considered either poor or vulnerable to poverty, and these families are unable to provide adequate support to their older members.<sup>2</sup> Women face a particularly precarious situation; they are less likely to have income from work, and widowhood means they are less likely to be able to depend on a spouse for support. Two thirds (67 per cent) of older women in Bangladesh are widowed compared to just 8 per cent of men.

**Figure 1: Levels of employment by age (15+), males and females**

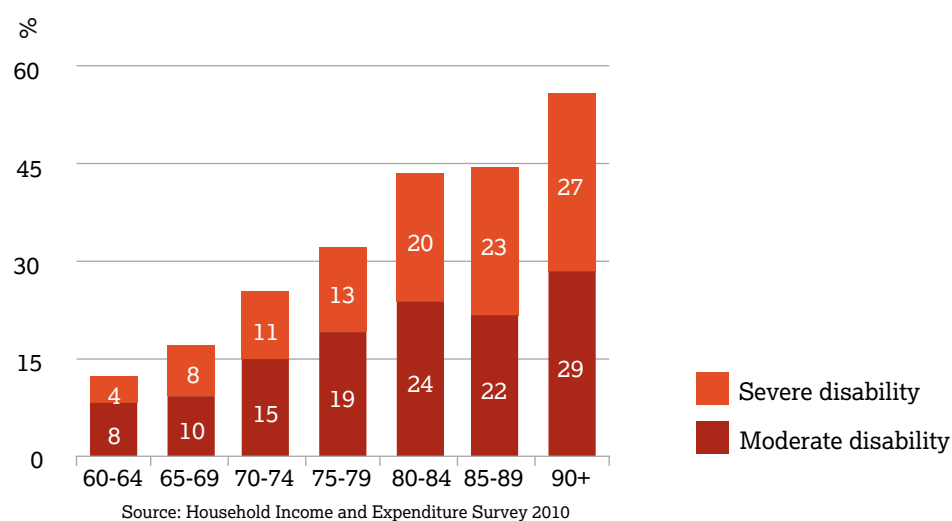


Source: Labour Force Survey 2013

<sup>1</sup> The report can be downloaded at <http://www.helpage.org/download/589dd3c47875b>

<sup>2</sup> General Economics Division, "National Social Security Strategy (NSSS) of Bangladesh" (Dhaka, 2015), x.

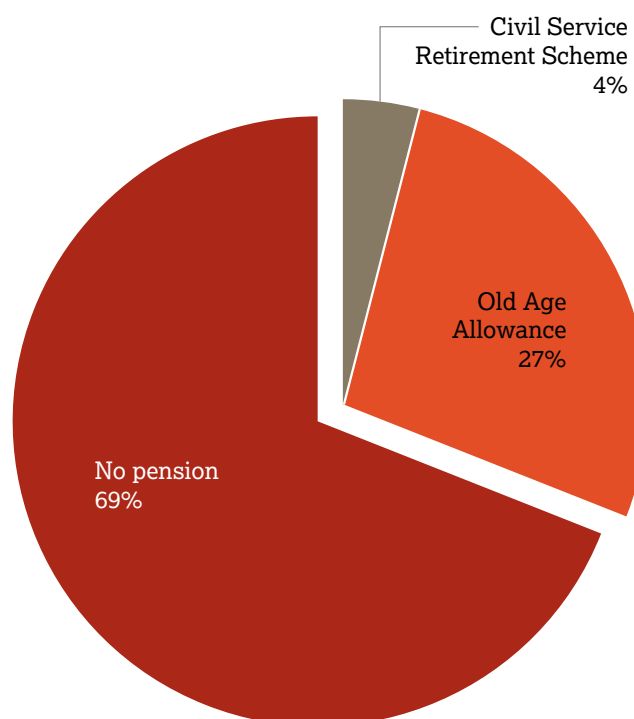
**Figure 2: Prevalence of severe and moderate disability in Bangladesh, by five-year age group**



## Low pension coverage and adequacy

**At least two thirds of older people in Bangladesh receive no pension at all.** Figure 3 shows that just 27 per cent of older people aged 60 and over receive the Old Age Allowance (OAA), and a further 4 per cent receive a civil servant pension. In reality, coverage of the older population may be even lower, as it has been found that many beneficiaries of the OAA are below the age of eligibility.<sup>3</sup> This represented the lowest pension coverage of the five countries studied.

**Figure 3: Coverage of older people (60+), by different kinds of pensions**



<sup>3</sup> Strengthening Public Financial Management for Social Protection (SPFMSP) Project, “A Diagnostic Study on Old Age Allowance Programme and Allowance to the Husband Deserted Destitute Women and Widows Programme” (Dhaka, 2017).

Source: Leandro Medina, “Assessing Fiscal Risks in Bangladesh” (Washington, DC, 2015); Department of Social Services, “Old Age Allowance,” accessed November 11, 2016, <http://www.dss.gov.bd/site/page/7314930b-3f4b-4f90-9605-886c36ff423a/Old-Age-Allowance>.

**Around half of the intended beneficiaries of the Old Age Allowance (OAA) miss out, according to analysis of household survey data (HIES 2010).** These issues are not unique to Bangladesh, and similar means-tested social pension schemes in Philippines and previously in Thailand have faced comparable errors. There is also evidence to show that alternative approaches to targeting only the poor would do little to reduce the errors.<sup>4</sup> In contrast, more universal social pensions in Nepal and Thailand have been extremely effective at reaching the very poorest older people.

**The OAA benefit amount is one of the lowest in the region and the world, and less than half the value of Nepal's.** The increase in the OAA benefit from 300 Taka in 2013 to a proposed 600 Taka (US\$ 7.4) in 2017 marks positive progress, yet this still represents just 6 per cent of average income (GDP per capita).<sup>5</sup> The average benefit for social pensions in developing countries in Asia is 11 per cent of GDP per capita, and 19 per cent in sub-Saharan Africa. Strikingly, the OAA benefit in Bangladesh is less than half the US\$ 19.4 (2,000 NPR) paid in Nepal, despite Nepal being a much poorer country.<sup>6</sup>

## The advantages of a Citizen's Pension

**A Citizen's Pension would be affordable today and into the future.** The National Social Security Strategy (NSSS) proposed the introduction of a "Citizen's Pension" for older people aged 60 years and above belonging to the poor and vulnerable population. However, given the challenges faced in targeting, Bangladesh may well want to consider a more universal approach. Cost estimates undertaken in 2013 found that a universal pension of 1,000 BDT (2013 prices) would cost a little over 1 per cent of GDP, which is comparable to the amount spent on social pensions by other countries such as Bolivia and South Africa, and less than countries like Brazil.<sup>7</sup> Without spending much more than it does for a means-tested scheme, Bangladesh could also start a universal pension at a higher age, such as 70 years or 75 years, and progressively reduce the age of eligibility over time. Although the population is set to rapidly age, there are various ways in which the country could contain the cost through indexation of benefits or adjusting the age of eligibility as life expectancy increases.

**Bangladesh should also take steps to build a sustainable contributory system upon the foundation of a Citizen's Pension.** The NSSS proposes the introduction of a National Social Insurance Scheme to provide contributory pension coverage to the private formal sector. This has the potential to provide higher levels of social protection for those who can afford to contribute; however, care is needed. Other countries in this study such as the Philippines and Vietnam are facing sustainability challenges with such pensions, which Bangladesh can learn from. Creating a sustainable pension system will also mean addressing the future approach to the civil service pension, which currently costs around 0.5 per cent of GDP (roughly five times the expenditure on the country's Old Age Allowance). It will be important to ensure the costs of this scheme do not crowd out other social protection expenditure into the future.

4 Bazlul Haque Khondker, Andrea Vilela, and Charles Knox-Vydmanov, "Old Age Social Protection Options for Bangladesh" (Dhaka, 2013).

5 Exchange rate: 1 USD = 80.9265 BDT (17/07/2016); Economic data from International Monetary Fund, "World Economic Outlook Database, April 2017," 2017.


6 Exchange rate: 1 USD = 102.870 NPR (17/07/2016).

7 Khondker, Vilela, and Knox-Vydmanov, "Old Age Social Protection Options for Bangladesh."

**HelpAge International is a global network of organisations promoting the right of all older people to lead dignified, healthy and secure lives.**

HelpAge International  
Bangladesh Country Office  
6<sup>th</sup> floor, (Maanco House)  
116 Arjatpara, Mohakhali,  
Tejgaon, Dhaka-1215 Bangladesh  
Tel +88 02 55022204-05  
info.bd@helpagesa.org  
**www.helpage.org**  
**www.ageingasia.org**

 @HelpAgeAPRO

 HelpAgeAPRO

Registered charity no. 288180

Copyright © HelpAge International 2017  
This work is licensed under a Creative  
Commons Attribution-NonCommercial 4.0  
International License,  
<https://creativecommons.org/licenses/by-nc/4.0>