4 Coverage by social security pensions: Income security in old age

The main risk when one reaches old age is poverty or income insecurity owing to the loss of one's ability to earn income, whether partially or completely. This was the main justification for the first pension schemes, which emerged at first only in the highly developed countries but which have since spread across the whole world.

A pension scheme is an arrangement by which individuals are provided with an income (a regular periodical payment) when they have reached a certain age and are no longer earning a steady income from employment. Countries where social security is more developed usually have a number of different pension schemes either covering certain groups of the population or with various specific objectives. Some of the latter include the prevention of poverty through the provision of basic income, the replacement of pre-retirement employment income in order to "smooth" consumption (that is, to prevent a fall in living standards after retirement), and the supplementation of this partial replacement income with additional income at retirement. These different pension schemes may be contributory or non-contributory, defined-benefit or defined-contribution, mandatory or voluntary, publicly or privately managed, social insurance or occupational or personal, basic or supplementary. What is important is that all these different schemes are designed to play complementary roles in order to provide comprehensive coverage, reaching different groups of the population and meeting different objectives; as such they constitute a national pension system. The specific mix of components in the national pension system generally reflects national circumstances such as the country's policy stance and history of economic development.

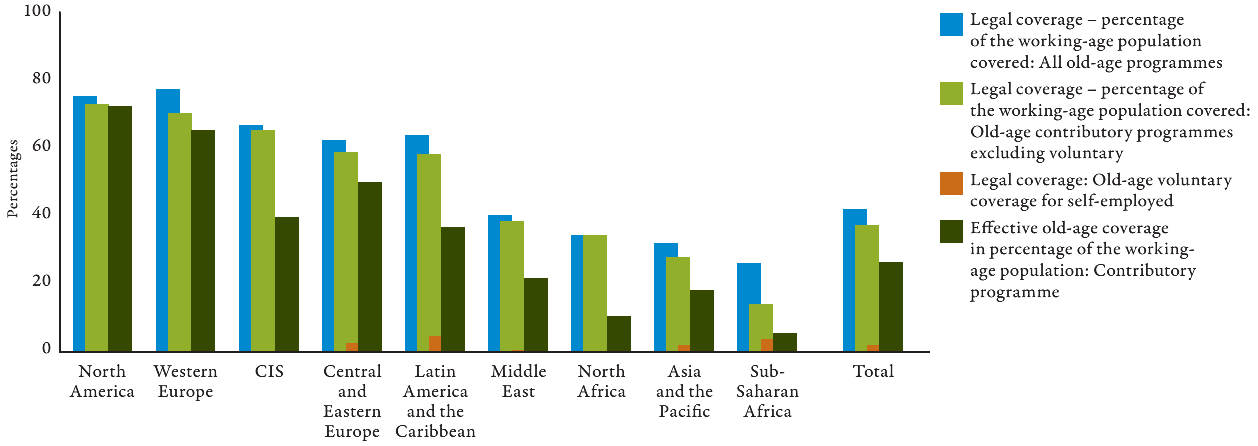
4.1 From legal to effective coverage by old-age pensions: An overview

In many OECD countries pension systems have proved effective in reducing income poverty and other forms of poverty among older people (OECD, 2009b, Part III). On the other hand, in developing countries the numbers of the older poor are increasing and older people are over-represented among the chronically poor. According to HelpAge, two-thirds of older people receive no regular income, while 100 million live on less than US$1 a day.

Coverage by old-age pension schemes around the world, apart from in the developed countries, is concentrated on formal sector employees, mainly in the civil service and large enterprises. Figure 4.1 shows the distribution of coverage measured in terms of persons protected around the world. It can be seen that the highest coverage is found in North America and Europe, the lowest in Asia and Africa. Existing legislation stating theoretical coverage may however differ significantly from effective coverage in terms of actual contributors to pension schemes.

Worldwide, nearly 40 per cent of the population of working age is *legally* covered by contributory old-age pension schemes. But the regional situation is very

Figure 4.1 Old-age pensions: Legal coverage and effective active contributors in the working-age population, by region, 2008–09 (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15143

Sources: ILO Social Security Department based on SSA/ISSA, 2008, 2009; ILO, LABORSTA (ILO, 2009e); national legislative texts; national statistical data for estimates of legal coverage; and compilation of national social security schemes data for effective coverage. See also ILO, GESS (ILO, 2009d). Country data are available in the Statistical Annex.

diverse. In North America and Europe this number is nearly twice as high, while in Africa less than one-third of the working-age population is covered even by legislation. The former communist countries, including the poorer countries in Central Asia, have inherited comprehensive pension schemes which provide much higher coverage than schemes in other countries of comparable GDP per capita. In all regions, the proportion of voluntary contributory programmes hardly reaches 4 per cent of the working-age population; this sheds light on the significance of mandatory contributory schemes.

As stated previously, effective coverage is significantly lower than legal coverage. With the exception of North America and to a lesser extent Western Europe, effective coverage is quite low in all regions, although it is still at nearly 50 per cent in Central and Eastern Europe. However, in sub-Saharan Africa only 5 per cent of the working-age population is effectively covered by contributory programmes, while this share is about 20 per cent in Asia, the Middle East and North Africa.

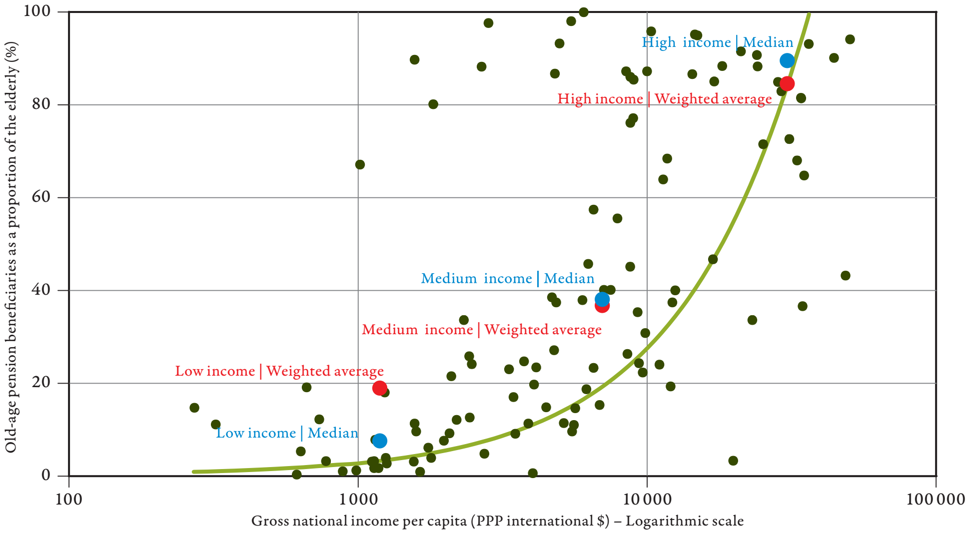
In Asia some countries have made major efforts to extend coverage beyond the formal sector. Sri Lanka, for example, has a scheme covering farmers and fishers which has achieved substantial coverage rates (57 per cent of the farmers and 42 per cent of the fishers). India too has made efforts to cover the informal sector through its new pension scheme. But other countries such as Cambodia or the Lao People's Democratic Republic have hardly any broad pension schemes. Nepal has introduced a basic non-contributory pension for all those in extreme age. Thailand implemented a similar allowance for all the elderly as a temporary anti-crisis measure, but is now debating whether to replace it by a permanent basic pension scheme.

At the same time, while in high-income countries 75 per cent of persons aged 65 or over are receiving some kind of pension, in low-income countries less than 20 per cent of the elderly receive pension benefits; the median in this group of countries is just over 7 per cent (see figure 4.2).

4.2 Coverage gaps and employment status of the elderly

The need to extend coverage applies thus first and foremost, and urgently, to developing countries where formal coverage rates are low (see figure 4.3). To begin with, pension schemes in these countries tend to cover a restricted proportion of the workforce, mainly those in formal wage employment as shown in figure 4.4. In high-income and an increasing number of middle-income countries universal pension coverage has been – or is being – achieved. But with increasing longevity and relatively short working lives, as well as increasing demands for long-term care of older people, social security systems are under growing financial stress. This often leads to reforms which will result in lower benefits for future generations of retirees.

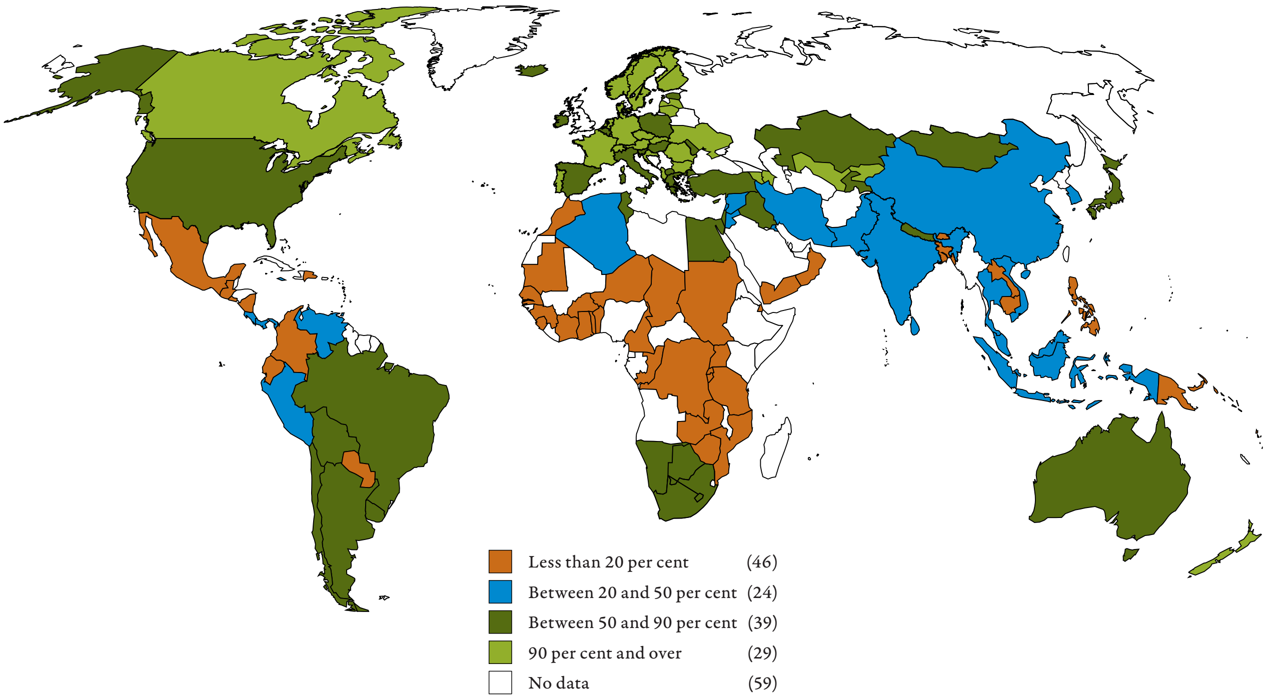
Figure 4.2 Old-age pension beneficiaries as a proportion of the elderly by income level, various countries, latest available year



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15144

Sources: ILO Social Security Department, compilation of available national data collected from national pension social security schemes; UN data. See also ILO, GESS (ILO, 2009d).

Figure 4.3 Old-age pension beneficiaries as a percentage of the population above retirement age, latest available year

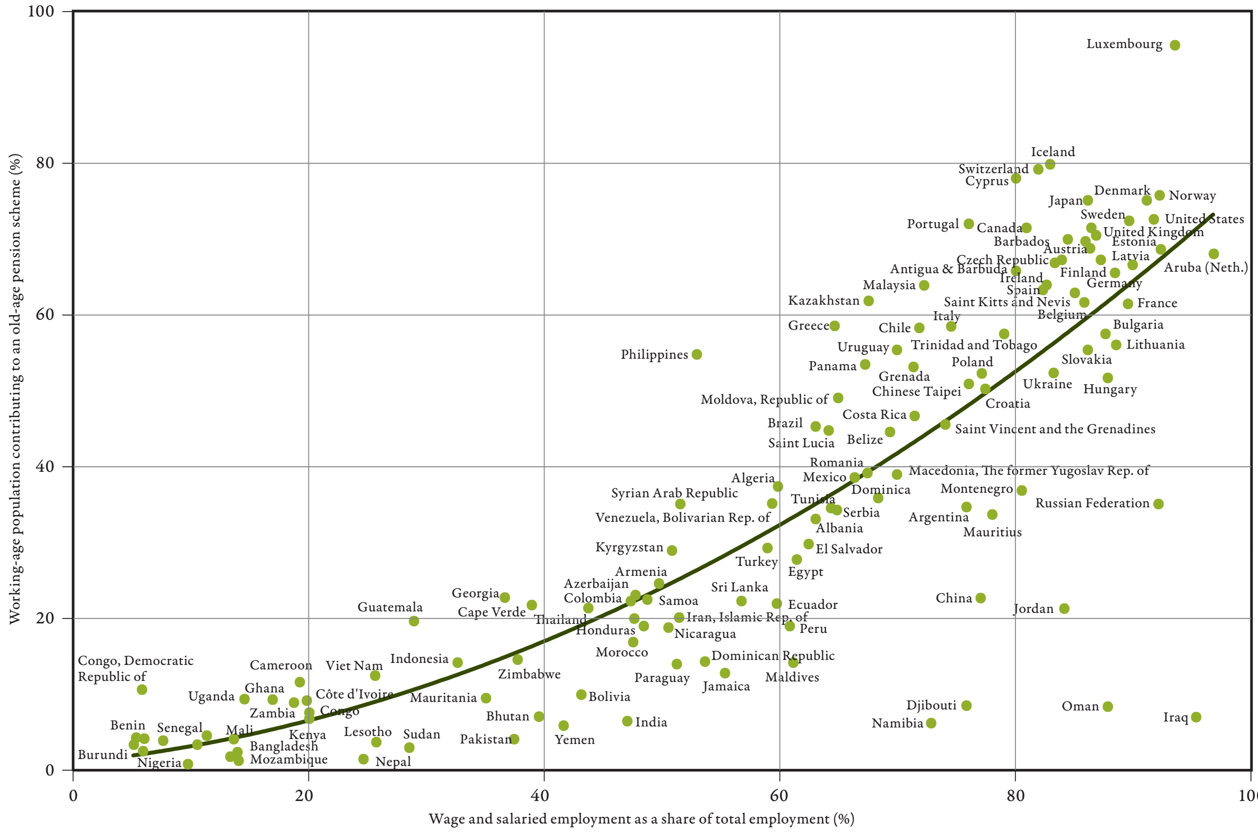


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15145

Note: Latest available year: for country data with corresponding year see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; UN data. See also ILO, GESS (ILO, 2009d).

Figure 4.4 Old-age pensions: Effective active contributors as a percentage of the working-age population by the share of wage employment in total employment, latest available year (percentage of working-age population)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15146

Note: Latest available year: for country data with corresponding year see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; ILO, LABORSTA (ILO, 2009e), completed with national statistical data. See also ILO, GESS (ILO, 2009d).

At the same time, the majority of older people in the world – particularly in low-income countries – are obliged to continue working, mainly in the informal economy, because they are not entitled to pensions, or if these exist they are too low. Since most of these people have been working in the informal economy or in rural areas, they have not contributed to pension schemes during their working life. Moreover, in most lower-income countries they cannot benefit from non-contributory social assistance or universal pensions that could lift them out of poverty when they reach retirement, because such schemes are non-existent.

Levels of economic activity rates of the elderly and the extent of a decline in economic activity with advancing age can thus be treated as indicators of how many people are actually retiring – although it is still not known how many are forced to retire either because they are unable to work or because there is no employment for them. There are no data detailed enough to make it possible to calculate average ages of exit from the labour market in all countries. However, table 4.1 shows how labour force participation rates of those 65 and older compare with average economic activity rates for all those aged 15 years and over. Here again, it can be clearly seen that "retirement" from economic activity in old age, while widespread in developed parts of the world, is rare in developing countries. In sub-Saharan Africa men are able to reduce their economic activity rates only slightly – by up to 20 per cent – as they get older. It is striking that this situation had not changed in Africa between 1980 and 2005, differing from most other regions. South and East Asia are other regions where, apparently, an exit from economic activity in old age is less common than elsewhere. Women nearly everywhere reduce their economic activity as they reach old age more than men do; however, it is obvious that very often they switch to occupations not seen by labour force surveys as "employment": caregiving and running the household for other members of their families.

Table 4.1 also shows life expectancy at age 65 for men and women in different parts of the world: while the large gap between developed and developing parts of the world for life expectancy at birth is well known, it appears that in old age the gap is much smaller. Even in the poorest countries people will live another ten years on average once they reach the age of 65 – the question is how dignified a life that will be, and what kind of income security can society provide.

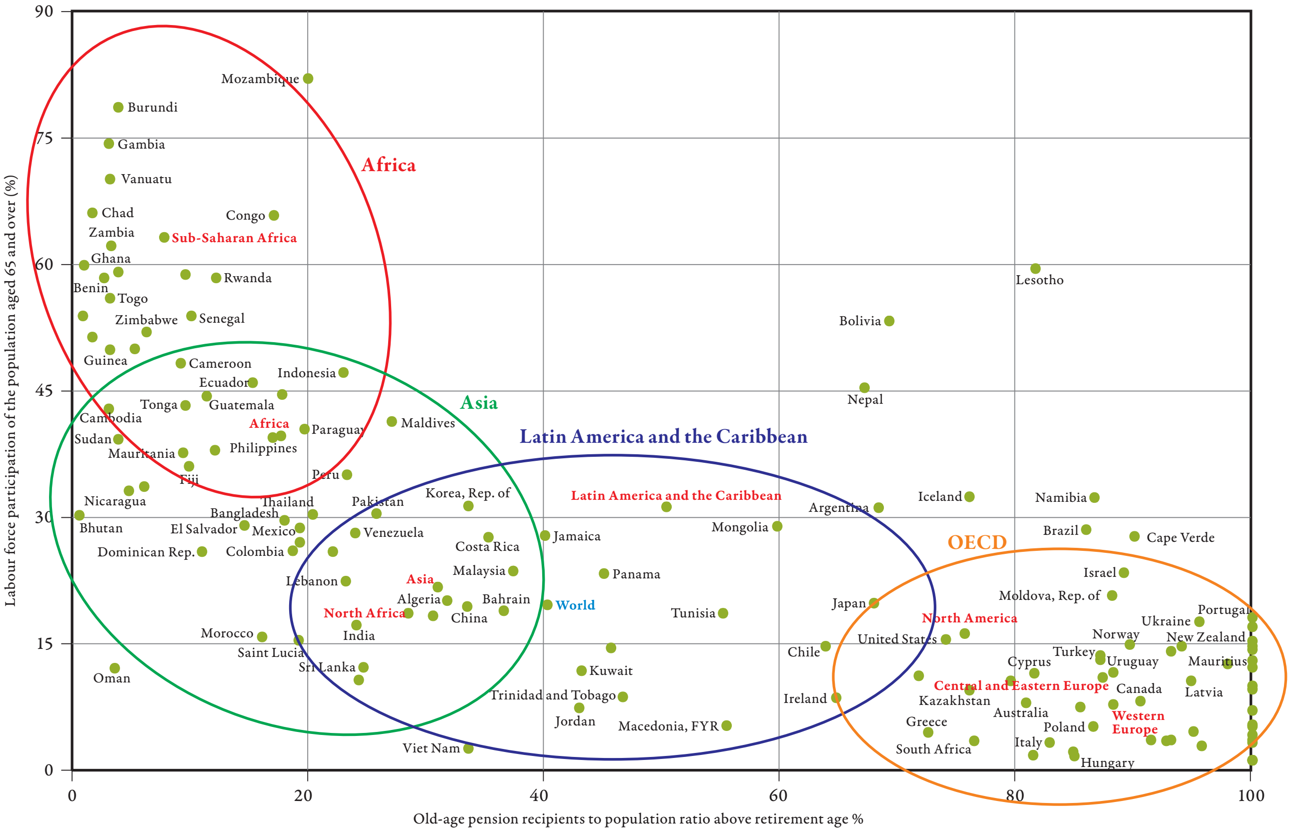
There is a strong link between old-age pension coverage and labour force participation in old age, as shown in figure 4.5. In Bolivia, for example, more than 50 per cent of those aged 65 years or older still work, despite the universal pension system that exists. This demonstrates the low amounts of pension payments per person on the one hand, and on the other hand draws attention to the gap between legal coverage of beneficiaries and actual beneficiaries: as figure 4.9 shows, only two-thirds of all elderly Bolivians actually receive pensions, although by law everyone is entitled to them. In Namibia in 2008, the flat rate amount of the old-age pension grant was 450 Namibian dollars a month. There is no statutory minimum wage law, but the mining, construction, security and agricultural sectors set basic levels of pay through collective bargaining. The level of the old-age grant is almost half the minimum wage (N$860 per month) for agricultural workers. In Mongolia, where a high level of coverage coexists with a high labour force participation rate among those aged 65 and over, the situation is different. According to the law on pension and benefits provided by the Social Insurance Fund, the minimum pension should be not less than 75 per cent of the minimum wage. In July 2007 the average pension

Table 4.1 Participation in the labour market of elderly (65+), and life expectancy at age 65, 1980–2005 (percentages)

	Labour force participation at age 65+ as a percentage of labour force participation at age 15+				Life expectancy at 65	
	Men		Women		2000–05	
	1980	2005	1980	2005	Men	Women
Middle Africa	84.4	85.0	55.1	56.5	10.96	12.38
Western Africa	81.4	82.3	58.7	56.3	11.36	12.50
Eastern Africa	82.7	81.5	62.5	59.1	11.31	13.00
South-Central Asia	68.5	60.2	39.3	43.8	13.36	14.58
South-Eastern Asia	62.0	57.9	38.4	32.7	13.36	15.33
Central America	73.6	56.6	53.4	34.0	16.24	18.16
South America	43.5	44.5	22.2	25.4	15.35	17.98
Northern Africa	59.9	42.9	61.5	22.3	12.81	14.58
Western Asia	46.2	42.7	35.7	40.5	13.16	15.14
Caribbean	47.3	38.2	29.1	17.0	15.30	17.67
Eastern Asia	38.3	33.5	10.8	16.9	14.81	17.53
Southern Africa	33.0	32.9	20.6	12.5	10.69	14.18
Australia and Oceania	19.1	19.9	10.4	9.9	16.49	19.86
Eastern Europe	20.2	15.4	8.7	10.7	11.56	15.27
Northern Europe	17.0	13.7	8.9	7.5	15.76	19.05
Southern Europe	20.3	12.8	15.7	9.7	16.12	19.75
Western Europe	10.1	5.7	7.3	3.2	16.06	20.01
WORLD	**40.6**	**38.2**	**18.4**	**21.5**	**14.39**	**16.95**
More developed regions	21.9	19.3	12.2	12.2	15.47	18.92
Less developed regions	54.2	48.5	24.9	27.8	13.80	15.64

Source: (1) Labour force participation: ILO calculations based on the ILO database Economically Active Population Estimates and Projections, 1980–2020 (ILO, 2009g); (2) Life expectancy: United Nations, 2007. Country groupings according to UN World Population Prospects (see http://esa.un.org/unpp/index.asp?panel=5).

Figure 4.5 Persons above retirement age receiving pensions, and labour force participation of the population aged 65 and over, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15147

Note: Latest available year: for country data with corresponding year see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; ILO, LABORSTA (ILO, 2009e) for economically active population aged 65 and over. See also ILO, GESS (ILO, 2009d).

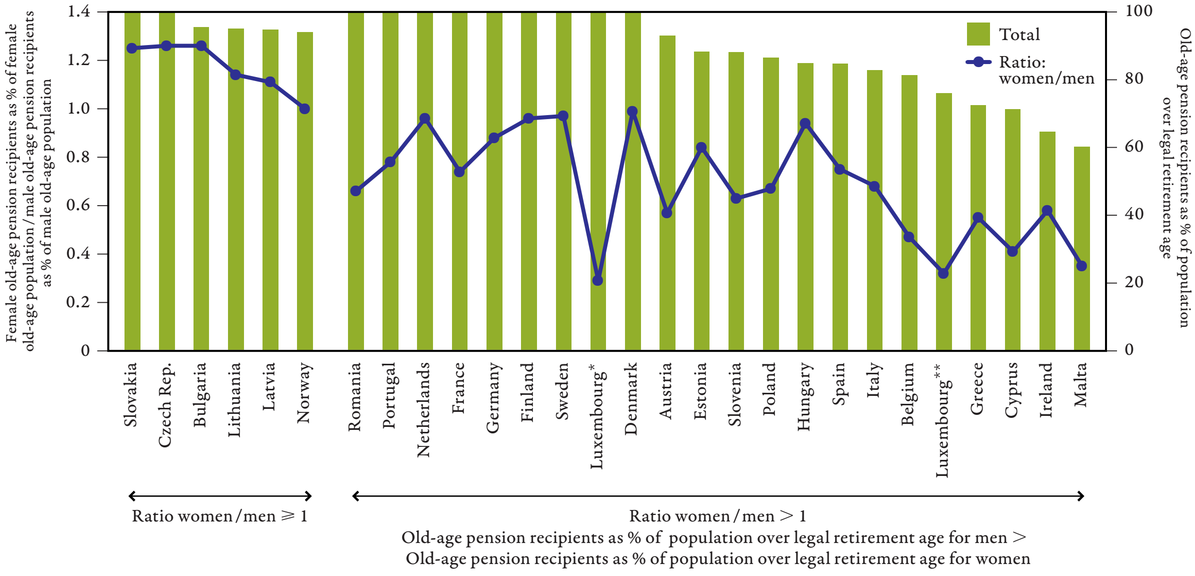
was 68,000 Mongolian tugrik (MNT) per month. The high labour force participation rate is probably linked to government policies: the Labour Law of Mongolia was revised in 1999 in order to promote the employment of elderly persons and to increase their income; this law enables the elderly to be employed in appropriate jobs. The majority of the elderly employed are self-employed; most of them are men, women being involved without payment in family businesses.

Higher beneficiary rates tend to correspond to lower proportions of elderly persons still working, and vice versa: in countries with relatively low coverage rates, the share of the elderly still working is comparatively higher. Japan, for example, has a coverage rate of around two-thirds of people older than 64, with one-fifth of this age group still working. This is the reason why the coverage rate in Japan is lower compared with other high-income countries.

4.3 Effective extent and level of coverage at the country level

For most of the OECD countries, the proportion of pension beneficiaries to the population over retirement age is close to 100 per cent or even higher. Among pensioners there are many younger than 60 years of age; besides, survivors' pensions need to be taken into account in addition to retirement pensions: many older women receive survivors' pensions awarded after the death of their spouse, either because they have no entitlements to an old-age pension in their own right, or because the spouse's pension entitlement was higher than their own. Figure 4.6 shows that in many European Union countries the ratio between the number of recipients of an old-age pension and the population over the retirement age is equal to or higher than 1. However, even in many of those countries for which figure 4.6 shows this ratio

Figure 4.6 European Union: Old-age pension recipients, ratio to population over the legal retirement age (excluding anticipated old-age pensions), 2006



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15152

Note: Luxembourg appears twice, depending on the retirement age: * statutory retirement age according to social security programmes throughout the world (SSA/ ISSA, 2008); ** standard retirement age as given in ESSPROS (European Commission, 2009a), pension beneficiaries. .

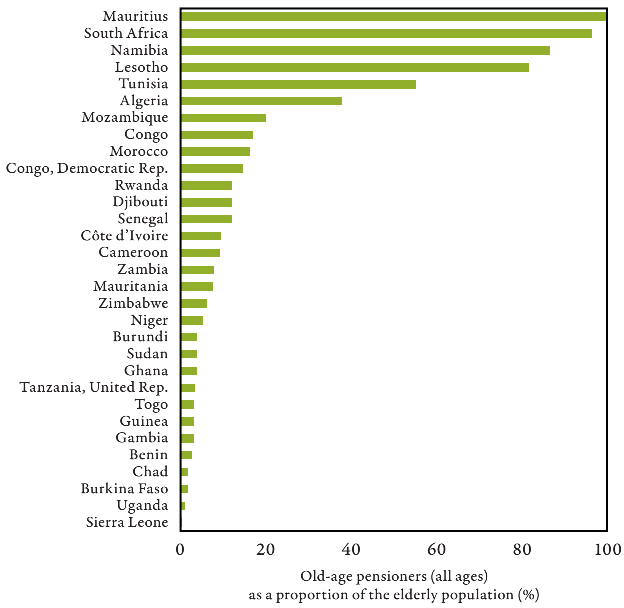
Source: ILO Social Security Department calculations based on ESSPROS (European Commission, 2009a): pension beneficiaries. See also ILO, GESS (ILO, 2009d).

to be below 1, the actual coverage is close to 100 per cent. In Poland, for example, many women over retirement age receive survivors' pensions rather than old-age pensions: the ratio of women to men among old-age pension beneficiaries is well below 1.

In the majority of countries outside the OECD only a minority of the elderly are receiving any pension at all from the formal social security system. The worst situation is in Africa, where 10 per cent of the elderly or fewer have any pension entitlement. Nor will the situation improve radically in the foreseeable future: although most of the African contributory pension schemes are young, and thus not many people have contributed long enough to develop entitlements to benefits, usually fewer than 10 per cent of all those in the labour force or in employment contribute to a pension scheme. The majority of people work in the informal economy and are thus not covered by any contributory social security scheme. In countries with a longer tradition in social security and a larger formal economy (such as Tunisia or Algeria, as shown in figure 4.7), the situation is significantly better

The highest coverage is in those African countries where, in addition to contributory schemes for those in the formal economy, universal pensions (Lesotho, Mauritius and Namibia) or social assistance pensions which

Figure 4.7 Africa: Old-age pensioners (all ages) as a proportion of the elderly population, latest available year (percentages)

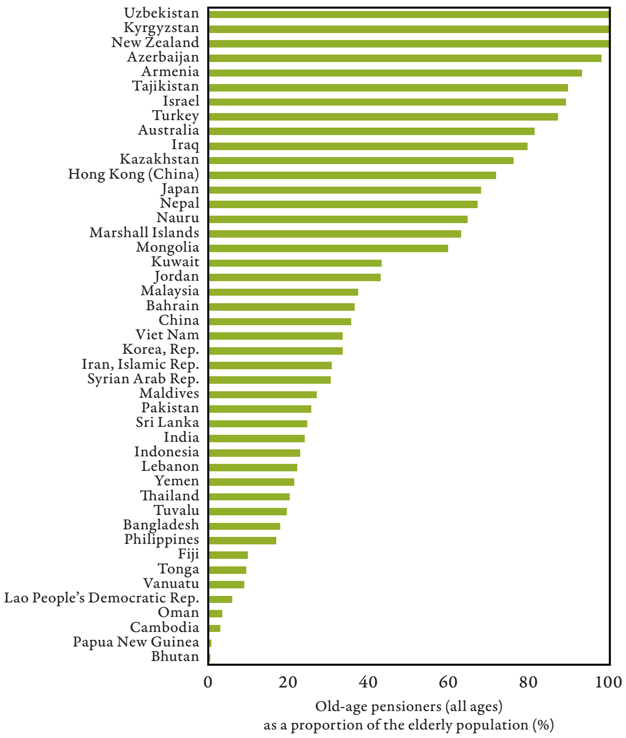


Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15149

Note: Population aged 60 and over, in some cases 65 and over, depending on the national legal retirement age. For further details, see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

Figure 4.8 Asia Pacific and the Middle East: Old-age pensioners (all ages) as a proportion of the elderly population, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15150

Note: Population aged 60 and over, in some cases 65 and over, depending on the national legal retirement age. For further details see the Statistical Annex.

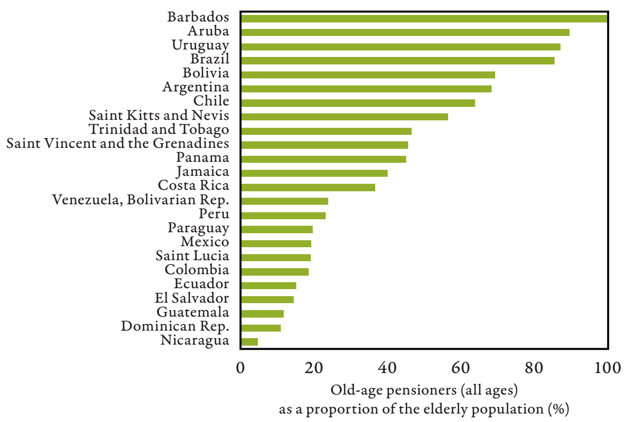
Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

reach a large section of the population (South Africa) have been introduced. Achieving high coverage requires resources to be invested: Mauritius and South Africa spend more than 5 per cent of their GDP on pension and other social security benefits, while the majority of the sub-Saharan African countries allocate not more than 1 per cent of GDP, and even this is used mostly to pay for civil service pensions.

In Asia relatively high coverage is enjoyed by the populations of Mongolia and countries of the former Soviet Union, but low social security expenditure in some of these countries as well as other evidence indicates that actual pensions paid are very low and often not sufficient to keep the elderly out of poverty. In Japan the indicator is only below 100 per cent because many Japanese retire much later than 60. For the rest of the Asian population, it seems that a minority still have effective coverage rates of between 20 and 40 per cent, with the exception of the South-East Asian countries where coverage is lower. Taking into account the policy reforms already under way, improvements in coverage may be expected in future in some countries (such as the current efforts in China to cover the rural population in some way), but the majority of countries are still faced with the challenge of how to effectively prevent widespread and deep poverty among rapidly ageing populations where a majority work in the informal economy and have no access to any contributory social security scheme (see figure 4.8).

In Latin America and the Caribbean, with its long history of social security, coverage in the majority of cases reflects the proportion of those working in the formal economy: 30–60 per cent with the exception of some Caribbean islands where the formalization of the economy is higher. In Brazil, contributory pensions combined with tax-financed rural and social pensions seem to allow for a majority of the population to receive some income support, although many are still not covered. Bolivia, which introduced small universal pensions several years ago, has also succeeded in covering a large section of the elderly population, but evidence shows that there are still many people who by law should be receiving benefits but who are not reached by the system (see figure 4.9). The reforms introduced recently in Argentina (Plan de Inclusión Previsional: 2006–2007) and in Chile (Pension Reform: 2008–2009) will soon allow these countries to reach levels of coverage comparable with Brazil and Uruguay.

Figure 4.9 Latin America and the Caribbean: Old-age pensioners (all ages) as a proportion of the elderly population, latest available year (percentages)



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15151

Note: Population aged 60 and over, in some cases 65 and over, depending on the national legal retirement age. For further details see the Statistical Annex.

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

The above examples clearly show that only if efforts to gradually expand coverage through contributory schemes are coupled with the introduction of non-contributory pensions, which can immediately provide income support to those already in the old-age brackets, can coverage be expected to reach all (or at least the majority of) those in need.

Poverty in old age has a strong gender dimension. Life expectancy for women is higher than for men; therefore women may be in poverty for a longer period of their lives. A woman's chance of losing her partner is higher, and women are less likely to remarry than men. Women over 60 who have lost their partners greatly outnumber their male equivalents. In many countries women are obliged to maintain certain levels of activity to compensate for declining intra-family support and the absence of universal pension schemes. They not only face the threat of poverty in old age but, living longer, must assume this burden for longer periods. And further, since they are likely to outlive their husbands, in some societies they have to deal with exclusion due to the stigma of widowhood.

The worldwide pattern of pension *coverage* also has a strong gender dimension. In most countries of the world women are less represented in the formal economy than men are, and are therefore contributing relatively less to social insurance pensions. When women do receive social security pensions they will generally receive them on the same basis as men, according to their earnings and years of service. The gender bias here is that women are often employed in jobs with lower pay than that of men. In addition, women may have fewer years of service – either because they interrupt their careers to look after their children or for other care responsibilities, or because women are encouraged to leave the labour market earlier than men. If the pension scheme is based on individual savings, women may have comparatively lower pensions than men.

Another common scenario is that the husband contributes to a social security pension scheme, while his wife is dependent on his pensions. This is the classic model of the male breadwinner. In this situation women are entitled to derived pension rights which are typically lower than for men. In addition, these entitlements are often conditional on the continuation of the marriage, which leaves women in a potentially vulnerable position. How women will benefit during retirement depends on the intra-household decision-making process. After the possible death of her husband, the wife normally receives less of her husband's previous pensions. In case of a marriage break-up, there is generally no splitting of pension claims between husband and wife. In the best of cases, wives will then be eligible for lower-level tax-financed pension assistance benefits.

The most common worldwide scenario, however, is that neither husband nor wife is entitled to social security pensions, since they have worked in the informal economy. In that case, income security in old age depends on accumulated assets over life, such as savings, housing, livestock and land. Moreover, various family support mechanisms are likely to play an important role. All these aspects are naturally also important for people who do receive social security pension benefits. Where tax-financed pensions exist, relatively more women than men tend to benefit from such transfers. In most low- and middle-income countries contributory pensions tend to benefit mainly men, while tax-financed pensions benefit mainly women.

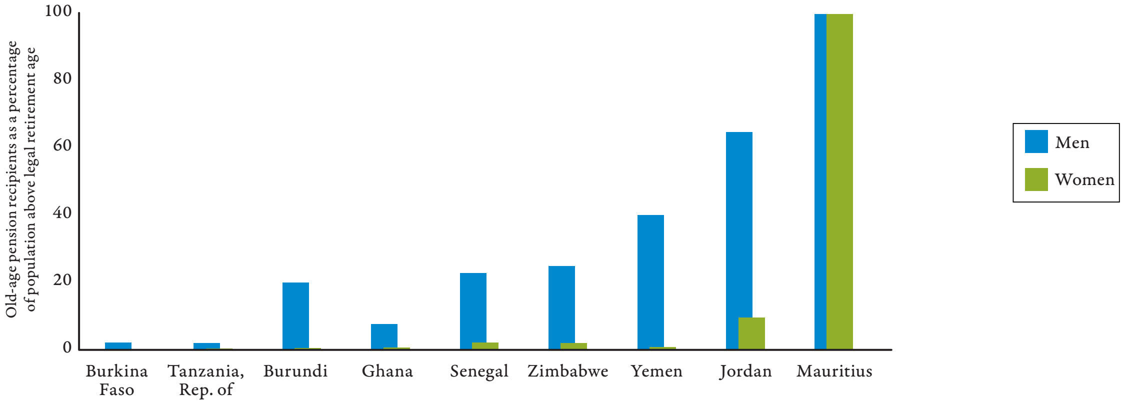
Although average indicators of coverage may be lower (as in Africa) or higher (as in Europe), a significant gender gap shows up everywhere: in nearly all countries elderly women are covered to a much lesser extent than elderly men (see figure 4.10). The key to gender equality in pensions is therefore the extension of such social security pension schemes as to enable the provision of pension rights to women through non-contributory and universal minimum guarantees, and through compensating disadvantages in the labour market such as shorter or broken careers, lower wages, or even total exclusion. Such provision cannot be provided by purely earnings- or contribution-related, "actuarially neutral" pension schemes; it requires clear, usually tax-financed redistribution mechanisms to be built into the pension systems. There is also a need for pension splitting rules, in case of a marriage or partnership break-up. Equal rights between men and women with regard to the inheritance of resources, such as savings, housing, livestock and land, are also most important in ensuring old-age income security for women.

Incomplete coverage is a widespread phenomenon; it is seen not only in developing countries but in industrialized countries too. Given the fact that a large proportion of pension schemes provide benefits on an earnings-related basis, some groups with incomplete past work records tend to fall behind. Notably hard-hit groups include women (as discussed above), low-skilled workers and ethnic minorities.

While there is a certain body of knowledge on the *extent* of old-age pension coverage, only for a very limited number of countries is there information which would permit an assessment of the *level* of coverage, that is, benefit amounts relative to national and international

Figure 4.10 Male and female old-age pensioners (all ages) as a proportion of male and female populations respectively, aged 60 and over, latest available year (percentages)

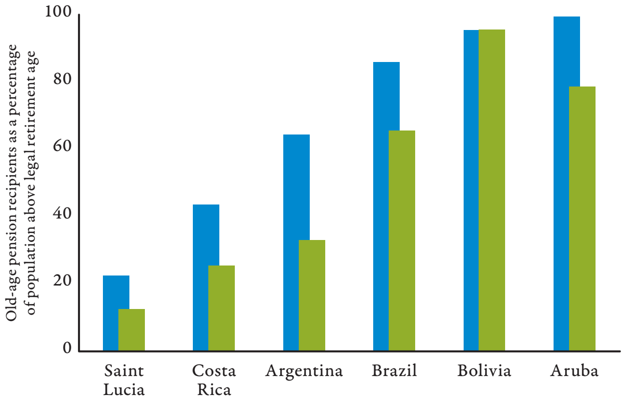
A. Africa



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15148

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

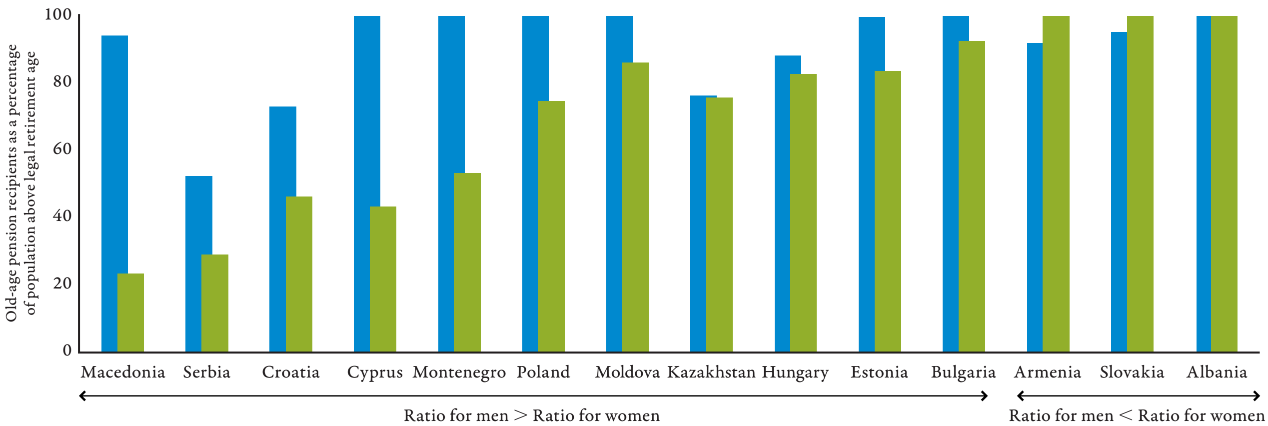
B. Latin America and the Caribbean



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15148

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

C. Central, South-Eastern Europe and Commonwealth of Independent States



Link: http://www.socialsecurityextension.org/gimi/gess/RessFileDownload.do?ressourceId=15148

Sources: ILO Social Security Department, compilation of national available data collected in national pension social security schemes; United Nations, 2009b, medium variant. See also ILO, GESS (ILO, 2009d).

benchmarks. The OECD (2007, 2009c) has developed for its member States quite a wide number of indicators measuring benefit levels. These include estimates of legally guaranteed benefit levels – from measures of "theoretical" current and future legal replacement rates calculated for various categories of individuals, to measures of so-called "pension wealth" for selected types of individuals reflecting the present value of the future stream of pension payments resulting from existing legal provision and the age at which people become eligible to receive a pension, life expectancy and how pensions are adjusted after retirement to reflect growth in wages or prices. The European Commission (2006) has also produced studies comparing current legal replacement rates with replacement rates to be expected in the future as a result of recently implemented reforms. The OECD has published a special report on pensions in Asia (2009d) which also includes estimates of theoretical legal replacement rates and of "pension wealth" for a number of countries in the region. There is certainly a need for further research on existing pension legislation in other parts of the world so as to be able to estimate these "theoretical" legal replacement rates for more countries.

But even for OECD and EU countries there is very limited statistical information at the international level on amounts of benefits actually paid. Such information is more often available at the level of individual pension schemes. Since every country usually has a number of pension schemes, and even retired persons often receive pensions from more than one source, there are problems with calculating national averages for all beneficiaries in the country. To assess the relative income position of pensioners, the OECD studies (2007, 2009c) look at household budget survey data and compare incomes of pensioners (including the portions coming from the various pension schemes and from other income sources such as work or assets) with incomes of those at pre-retirement age. Unfortunately, outside the EU and OECD countries there are not often household surveys with questionnaires designed in a detailed and focused enough way to allow similar analyses.

Levels of benefit received from the social security pension system are of course dependent on resources invested. High-income countries spend on average 6.9 per cent of GDP on social security old-age pensions (slightly more than the average they spend on social health protection); middle-income countries only 2.1 per cent of GDP; and low-income countries 0.6 per cent. The size of national benefit expenditure is a function of both the number of beneficiaries and the level of benefits. Pension spending per person above retirement age in a country, expressed as a percentage of its GDP per capita, is an average of 56 per cent in high-income countries, 33.2 per cent in middle-income countries and 17.8 per cent in low-income countries.

The world is ageing. Table 4.2 shows that while men and women at age 65 and over now constitute 8 per

Table 4.2 Projected elderly population in 2010 and 2050 (percentages)

	Population 65+		Proportion of population 65+ in total population		Proportion of women among 65+	
	2010	2050	2010	2050	2010	2050
World	100	100	8	16	56	55
More developed regions	37	22	16	26	59	57
Less developed regions	63	78	6	15	54	55
Less developed regions, excluding China	41	56	5	13	55	55
Africa	7	9	3	7	56	54
Asia	54	62	7	18	54	55
China	21	22	8	24	52	54
India	12	16	5	14	53	54
Europe	22	12	16	28	61	58
Latin America and the Caribbean	8	10	7	19	56	57
North America	9	6	13	21	57	56
Oceania	1	1	11	19	54	55

Source: United Nations, 2007, medium variant. Country groupings according to UN World Population Prospects (see http://esa.un.org/unpp/index.asp?panel=5).

cent of world population, they will be 16 per cent of the population by 2050. Most of the elderly live in countries where only small minorities are covered by any form of pension scheme and where social security in general – including affordable access to essential health-care services – is a luxury: over 60 per cent of the elderly now live in countries classified by the United Nations as "less developed". In 2050 the elderly in these countries – it is to be hoped, much "more developed" by then – will constitute nearly 80 per cent of the world's elderly population. Sixty per cent of them will be living in Asia, with over half in just two countries: China and India. These developing and ageing societies have to do something urgently to ensure the right to retirement in dignity and social security to their elderly members. Particularly dramatic is the situation of elderly women – the majority among this growing number of the elderly. In many countries women are excluded to a large extent from the labour market when they are still able to work, so that even if contributory pension schemes exist, many women have no opportunity to contribute and build their pension entitlements. Also, very often neither prevailing traditional societal rules nor more formal pension arrangements are providing them with even a minimum of security if they are abandoned or widowed by their male partners.

For these reasons the ILO believes that a guaranteed basic pension for all the elderly should be one of the components of the set of social security guarantees referred to as the social protection floor. A growing number of low- and middle-income countries have either already implemented a basic non-contributory pension scheme (whether universal or income-tested) or are currently discussing the possibilities. Examples from countries where such pensions have been put in place, and many studies from other countries, show that even in low-income countries the basic non-contributory pension is affordable, feasible and the most effective solution for closing the existing coverage gap quickly, thus reducing poverty among the elderly and also alleviating overall poverty in those households where older men and women live.