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SERIES:

SOCIAL SECURITY EXTENSION
INITATIVES IN SOUTH EAST ASIA

PACIFIC:
UNIVERSAL PENSIONS IN THE PACIFIC COUNTRIES

ILO Subregional Office for South East Asia

Decent Work for All **Asian Decent Work Decade**

Universal pensions in the Pacific countries

One option is to provide universal benefits to groups such as the very elderly where there are grounds for concluding that most of the groups are in fact in poverty. Universal pensions are more expensive than targeted social assistance pensions, since they also go to people who may be rich or middle income, including those who already have retirement pensions from contributory or employer provided schemes. These people are excluded from entitlement in social assistance type pensions.

However, in some societies a universal pension may be a way of solving some policy dilemmas such as the administrative cost and political unpopularity of means tests on pensions. Also, universal pensions can provide a separate income for older women, who may not other wise have any separate source of income. A trade-off for the higher cost of universal pensions may be the setting of lower pension rates, and a higher pension entitlement age. In the case of South Africa the universal pension for the elderly appears to have been beneficial. Living standards of the elderly improved, and studies showed that some of the assistance was also spent on other extended family members, such as grandchildren. Also, adult children were more willing to take older people into their homes when they could make a cash contribution out of their pension The South African case was of course quite distinctive, since the great majority of older Africans were living in poverty before the pension was introduced. This situation is not necessarily found in other countries.

In the developing Pacific universal retirement pensions are paid in Samoa from age 65 and Kiribati from age 70. Amongst the developed countries in the Pacific New Zealand has a universal pensions from age 65, but Australia has an income and assets test on its retirement pension. Elsewhere in the world universal pensions are rare. Amongst developing countries Botswana, Mauritius, Namibia, Nepal, and Bolivia have some form of universal retirement pension or grant, but most other developing countries do not. Amongst the developed countries they are also rare, since the main reliance is on contributory social insurance and other contributory pensions. However, several Scandinavian countries have a low level universal pension which complements a predominant use of contributory social insurance pensions. One other group which is sometimes the beneficiary of universal benefits consists of children. New Zealand had a universal family benefit up till 1991, though it was paid at a low rate. This benefit was abolished in 1991, and family assistance retargeted to low and moderate income families only.

Universal family benefits usually only emerge when birth rates show signs of dropping below population replacement level. The current demographic situation in the Pacific Island States is very different from this.

References

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ILO, *Social Security for All Men and Women – A sourcebook for extending social security coverage in Samoa*, 2006