Analysis of Elderly Poverty

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1. Introduction

80% of the world's populations do not have sufficient protection in old age to enable them to face health, disability and income risks (ILO, 2002). In developing countries alone, about 342 million older persons currently lack adequate income security. That number would rise to 1.2 billion by 2050, if the coverage of current mechanisms designed to provide old-age income security is not expanded (UN, 2008). With more people getting old, developed nations also face such a challenge.

Over the past decade, China has made great achievements in promoting socio-economic development marked by accelerated industrialization and urbanization, improved living standards and well-established market-based economic system. In the context of sustainable and rapid macro-economic growth, and through conscientious implementation of the *Outline for Development-oriented Poverty Reduction for China's Rural Areas 2001-2010*, China has raised living standards and lifted many people out of poverty. As its economy cools down, China has decided to narrow development gap and facilitate restructuring through urbanization. When rural residents are moving to cities in the future, new structural issues will occur as well. Relatively low per capita income, widening income gap, worker-farmer disparity, urban-rural divide and regional disparity, a large number of low-income individuals and special disadvantaged groups, employment of low-income farmers migrating to cities, income and security of those who stay in rural areas are among challenges facing China in the process of urbanization. One challenge, in particular, is an aging population. Given that backdrop, old-age poverty is more evident an issue. This report focuses on poor seniors who are categorized into a special disadvantaged group and identifies a serious mismatch between their poverty status and national efforts of targeted poverty reduction: ill-established social old-age security scheme, public-benefit old-age service facilities, networks and market, weak social management, and a lack of anti-poverty policies and institutional arrangements for the elderly.

In the "12th Five Year Period" when China hits the first peak of growing older population, aging process will pick up pace.

Between 2011 and 2015, seniors aged over 60 will grow from 178 million to 221 million with about 8.6 million people getting old annually; the share of older population will rise from 13.3% to 16% with an average annual increase of 0.54 percentage point. The aging process accompanied by more nuclear families and empty-nest families as well as conflicts during socio-economic transition will boost demand for social old-age security and services. In the next 2 decades, more Chinese will get old; by 2030, the size of older population in China will double, hence making poverty reduction efforts doubly hard. Reducing elderly poverty and addressing relevant conflicts are key to China's future anti-poverty objectives and pivotal to tackle the challenges of an aging society. The central government has issued the *Outline for Development-oriented Poverty Reduction for China's Rural Areas 2011-2020* and made an important judgment that China has entered a new historical stage of poverty reduction and development, a stage featured by a shift from basic subsistence to better subsistence, more assets, improved ecological environment, enhanced development capacity and narrowed development gaps. How to enable middle- and low-income earners and the poor to benefit from China's growth and to get equal opportunities for development in the process of urbanization are key policy considerations for the government in its "12th Five-Year Development Plan" and in the process of building a moderately prosperous society in an all-round way by 2020.

This report will analyze elderly poverty in China over the past 2 decades and its dynamic changes systematically, identify causes of elderly poverty and put forward appropriate policy suggestions to provide a frame of reference as to reduce elderly poverty, narrow development divide and entitle low-income seniors to share the fruits of economic growth. It is divided into 4 parts. The first part introduces the international background of aging population worldwide and their development status, and in specific, older population living in poverty in major developed and developing countries. The second part illustrates income poverty of China's senior citizens. The third part describes anti-poverty policies adopted by China and other countries. The fourth part summarizes the whole report.

2. An Aging World and Elderly Poverty

2.1 Overview

2.1.1 The "Oldest" and "Youngest" Region in the World

Europe is the "oldest" region while Africa is the "youngest". Currently, older population aged 65 and over account for 8% of the total. Percentage of the population over 65 in Europe is 16%, followed by Oceania (11%), America (9%) and Asia (7%), and that in Africa is only 3%. It is evident that Europe is the most elderly region while Africa is the least elderly one.

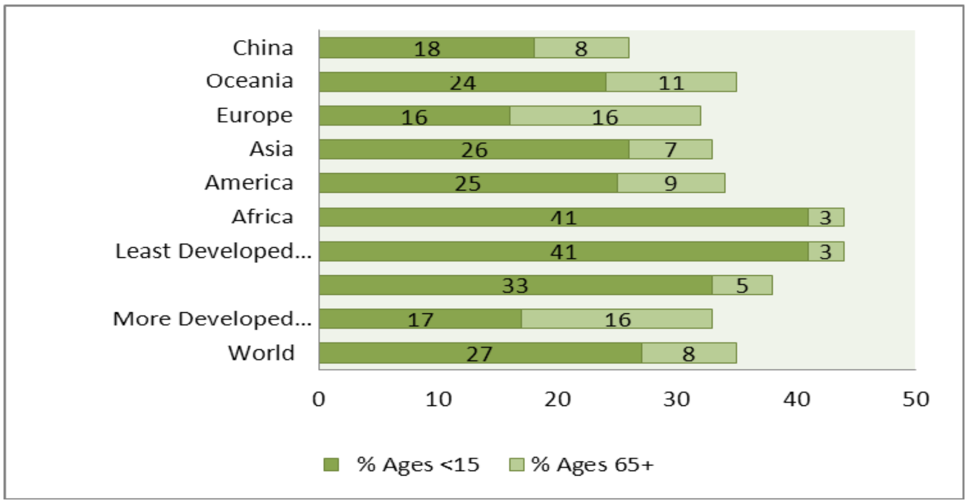


Figure 1 the Youngest and Oldest Continents 2010

Source of Information: Compiled by author.

Source of Data: Population Reference Bureau, World Population Data Sheet 2010。

2.1.2 The "Oldest" and "Youngest" Nation in the World

Nepal is the youngest nation while Japan is the oldest. In 2010, Nepal ranked first in the youngest ten nations. Half of its population was below 15 years old. There was only one Asian nation (Afghanistan) among the other 9 nations. Others were all African nations. The oldest nation in the world was Japan with its population over 65 accounting for 22.6% of the total. The other 9 oldest nations were all European nations (Figure 2).

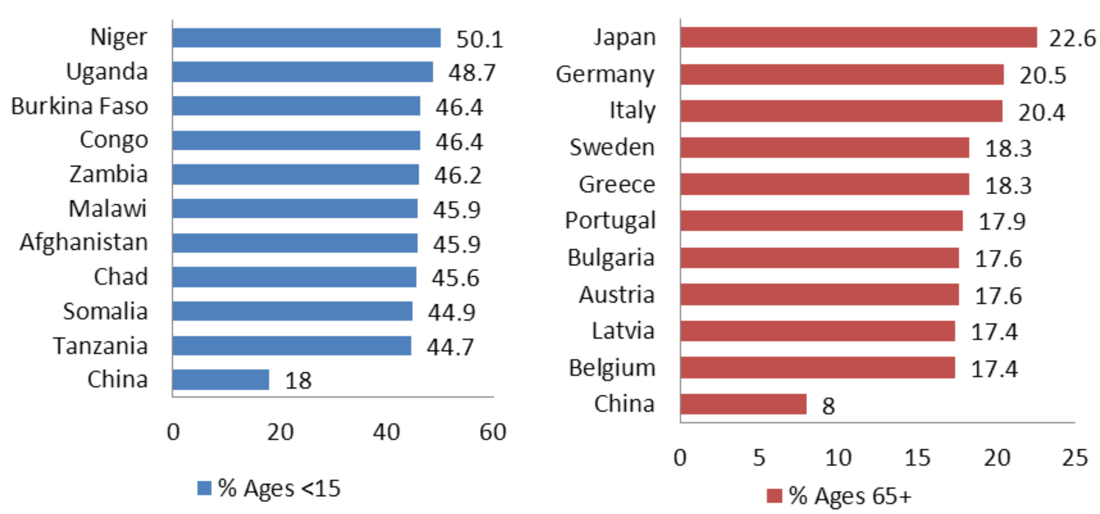


Figure 2 the Youngest and Oldest Ten Nations

Source of Information: Compiled by author.

Source of Data: Population Reference Bureau, World Population Data Sheet 2010。

2.1.3 The Region with the Heaviest Burden of Supporting Older People

Aged dependency ratio is an age-population ratio of those who are older (people aged 65 and over) and those typically in the labor force (people aged 15-64). The higher the ratio is, the lighter the burden of old-age support will be.

Judging from the figure of aged dependency ratio worldwide (Figure 3), the more industrialized and economically developed a nation is, the older and more burdensome it will get. Europe has the heaviest burden of supporting older people, followed by Asia, America and Oceania. Africa has the lightest burden. In 2010, aged dependency ratio in most parts of Africa was 16, i.e. 16 working age persons supporting one older person. In Asia, 10 working age persons support one older person. In America, 7 working age persons support one older person. In Oceania, 6 working age persons support one older person. In Europe, 4 working age persons support one older person.

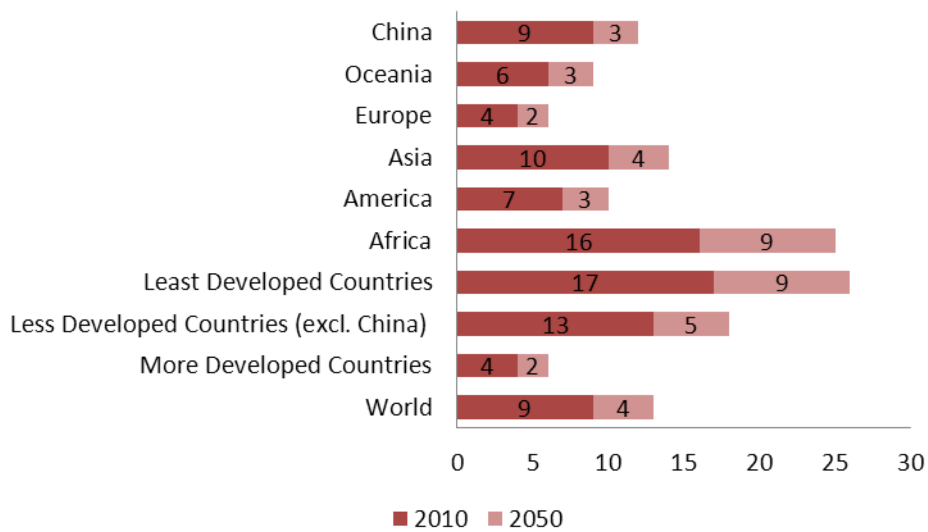


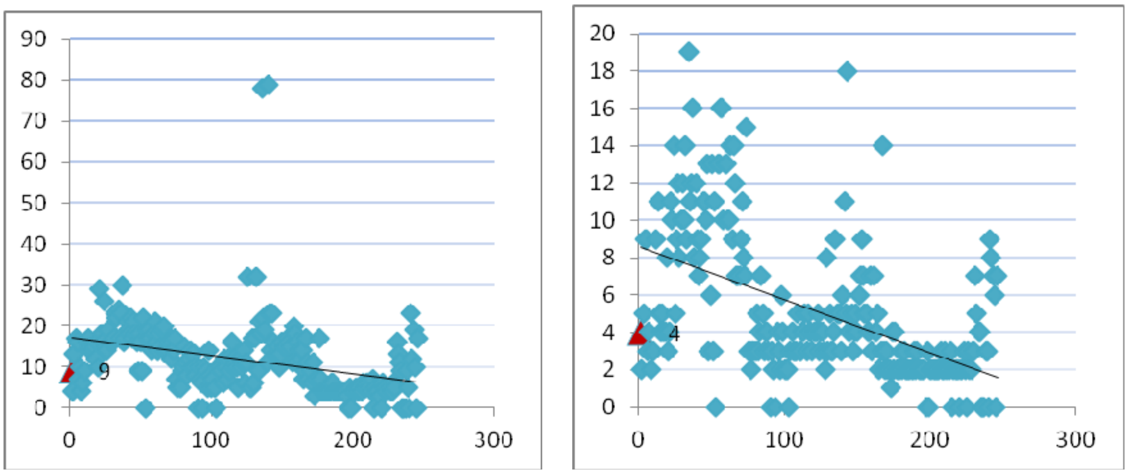
Figure 3 the World's Aged Dependency Ratio

Source of Information: Compiled by author.

Source of Data: Population Reference Bureau, World Population Data Sheet 2010。

2.1.4 The Country with the Heaviest Burden of Supporting Older People

Judging from the scatter diagram of aged dependency ratio worldwide (Figure 4), in the next 4 decades, aged dependency ratio will drop by 5 percentage points on average. In other words, there are 9 working age persons support one older person now, but there will be 4 working age persons support one older person by 2050. In the next 4 decades, quite a few nations will have a ratio below three.



Year 2010 Year 2050

Figure 4 Scatter Diagram of the World's Aged Dependency Ratio

Source of Information: Compiled by author.

Source of Data: Population Reference Bureau, World Population Data Sheet 2010。

Currently, countries with heaviest burden of caring for the elderly are Japan, Germany and Italy where 3 working age persons have to support one older person. By 2050, Japan will become No.1 in this regard as one working age Japanese will support one older person. As for Germany, Italy and some other European nations, their burden will become heavier as two of their employed persons will support one of their senior citizens. China is also in for a tough ride. Its current aged dependency ratio stands at 9, but in another 4 decades, the ratio will rapidly drop down to 3, making old-age support in China as difficult as that in developed nations (Figure 5).

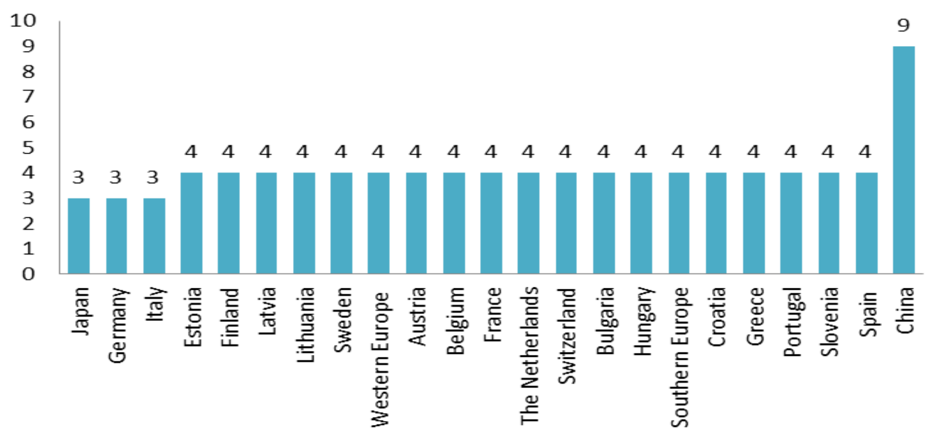


Figure 5 Countries with the Heaviest Burden of Supporting Older People

Source of Information: Compiled by author.

Source of Data: Population Reference Bureau, World Population Data Sheet 2010。

2.2 Elderly Poverty Worldwide

Currently, due to differences in statistics, periods and definitions being studied and approaches of study, international comparison on elderly poverty and studies on overall elderly poverty worldwide are yet to be conducted. But given characteristics of national and regional old-age welfare system and especially the pension system, it is still possible to conduct regional comparison on elderly poverty between nations and regions with similarities. This report details elderly poverty around the world and especially that in developed world like EU, US and Ireland and that in countries with medium level of development like Latin America for reference purposes.

2.2.1 The United States

Old-age poverty in the US has been a serious and long-term issue. Nearly 10% of older people aged 65 and over suffer from income poverty (income level below the US official poverty line or FPL).

(1)Threshold and Measure of Poverty in the US

According to the official paper on poverty, elderly poverty in the US is defined as deficiency of before-tax income to satisfy basic housing, food and clothing demand. Hence, the US still uses income poverty to define who is poor. The government's **measure of poverty** is based on total income a household receives, which includes cash income before tax but excludes non-cash benefits such as food coupons, housing or energy subsidies and tax relief.

The **official poverty thresholds** are developed by Census Bureau based on family size and family structure. There are 48 possible poverty thresholds that a family can be assigned to. Census Bureau estimates the number of people living in poverty based on the size and structure of the family every year. Those thresholds were originally developed in 1960, based largely on statistics of consumption in the mid-1950s. The same thresholds have been in use for about 55 years, adjusted only annually for overall inflation. At that time, government found that the typical family spent about one-third of its income on food, so poverty thresholds were set at three times the cost of the economy food plan.

The 48 poverty thresholds include poverty threshold for the older families. But it was then assumed that older people needed less cash income to meet their basic needs than the younger people. So poverty threshold for the elderly is lower than that for the younger ones. In 2008, official poverty thresholds for people aged over 65 and below 65 were USD10, 326 and USD11, 201 respectively. The official poverty threshold for an adult aged over 65 is 92% of the threshold for an adult under age 65. If the higher thresholds for younger adults had been used to estimate the number of older people living in poverty, an additional 704,000 older adults would have been counted as poor in 2008 (for a total of 4.36 million), and the poverty rate for adults aged 65 and above would have been nearly 2 percentage points higher (11.5 percent vs. 9.7 percent).

(2)Elderly Poverty in the US (Income and Non-income)

Income Poverty. People aged 65 and older represent 12.6 % of the total U.S. population. According to the official poverty thresholds, nearly **3.7 million** older Americans live in poverty with a poverty rate of **9.7 percent**. In 2008, children, adults aged 18-65 and adults aged over 65 accounted for 35.3%, 55.5% and 9.2% respectively of the total poor population living in poverty.

Poverty are pervasive for many subgroups of older adults, especially women; widows and people who are divorced, separated, or never married; racial and ethnic minorities; and the oldest adults (people over age 85). But because of Social Security and SSI-which provide uniform federal benefits-the percentage of older adults living in poverty is not that different across the country. 34 states had an elderly poverty rate between 8% and 11.9% in 2008. On the contrary, child poverty rate was higher and varied across nation because benefit levels for assistance programs for families with children are determined by states.

Non-income Poverty. Poor older adults tend to be in poorer health. They tend to have more chronic and disabling health conditions. Health care and support costs are a burden for many poor older adults. In 2006, over 20% of older people's income was spent on medical treatment and health care which became unaffordable for a half of the poor families with older people. Housing also costs the poor elderly a lot. In 2008, the median poor older household spent 60% of annual household income on housing. Housing costs are extremely unaffordable for 56.9% of older poor households. Most poor older adults had very few assets. In 2005, they had assets of just USD5, 310.

(3)Trends of Poverty in the US

The US has achieved a lot in reducing poverty rate of the elderly. Between 1968 and 1978, the US saw a rapid decrease of poor senior citizens and a drop of poverty rate from 25% to 14%. This was largely due to the significant expansion of Social Security benefits in the 1960s and 1970s. In the following decade, progress has been slowed down, with poverty rate among older adults stabilized at 10%.

Compared to other age brackets, older people in the US are relatively better off. In 2008, as per official poverty thresholds, there were nearly 40 million Americans living in poverty. There were nearly 3.7 million poor older adults with rate of poverty reaching 9.7%, a rate significantly lower than the child poverty rate (19%) and the poverty rate for adults aged 18 to 64 (11.7%).

2.2.2 The European Union

(1) Measure of Poverty in the EU

EU nations generally define elderly people living in poverty as those who earn 60% of national median income. In addition, EU nations have recently adopted the indicator of material deprivation to monitor poverty and social inclusion together with the indicator of income poverty. But poverty thresholds vary across the EU because they are set based on a percentage of national median income level. Elderly poverty is a dynamic process and a state of relative poverty which changes as income changes (Zaidi Asgbar, 2010).

(2) Elderly Poverty in the EU (Income and Non-income)

As per definitions of poverty mentioned above, among 85 million of older population in EU member countries in 2008, **16 million** lived in poverty, with poverty headcount ratio standing at **19%**, which means every one out of 5 older persons was poor. In particular, UK had the highest headcount ratio (30%), in contrast, Germany had over 160 million older people, but the ratio was only 15% (Table 1).

Table 1 Elderly Poverty in the EU 2008

Country	Poverty Headcount Ratio (65+, %)	Total Number of Older People (65+, 1,000)	Poor Older People (65+, 1,000)
Latvia	51	391	199
Cyprus	49	98	48
Estonia	39	230	90
Bulgaria	34	1,323	450
UK	30	9,844	2,953
Lithuania	29	533	155
Spain	28	7,520	2,106
Romania	26	3,206	833
Finland	23	875	201
Greek	22	2,090	460
Malta	22	57	12
Portugal	22	1,850	407
Belgium	21	1,820	382
Ireland	21	479	101
Italy	21	11,946	2,509
Slovenia	21	327	69
Denmark	18	853	154
Sweden	16	1,608	257
Austria	15	1,425	214
Germany	15	16,519	2,478
Portland	12	5131	616
France	11	10,506	1,156
The Netherlands	10	2,415	241
Slovak Republic	10	647	65
Czech Republic	7	1,513	106
Luxembourg	5	68	3

Hungary	4	1,624	65
EU27	19	84,898	16,329
EU15	20	69,818	13,621

Note: Poverty threshold is calculated as 60% of national medium income level. Income refers to the disposable income of a household, which is adjusted based on family size.

There have been no considerable changes of elderly poverty in EU in recent 5 decades. To illustrate, between 2004 and 2008, Ireland has lifted a great many older people out of poverty largely due to greater inputs into pension schemes, especially non-contributory pensions and pensions for unmarried older adults. National pensions accounted for 32% of average income of the elderly in 2007.

2.2.3 Latin America

Figure 6 shows that among 18 Latin American countries, 10 countries have higher elderly poverty headcount ratio than the national poverty headcount ratio. A ratio of 31% makes Columbia and Mexico countries with the highest ratio. Brazil has the lowest elderly poverty ratio of 6%, while its national poverty headcount ratio is 22%. Thanks to an effective transfer payment policy, elderly poverty rate in Latin American countries is not high, but without such a policy, nearly half of the elderly in most countries will be reduced to poverty. This is especially true for Brazil, its low ratio is dependent upon transfer payments, without which, the ratio will be as high as 52%.

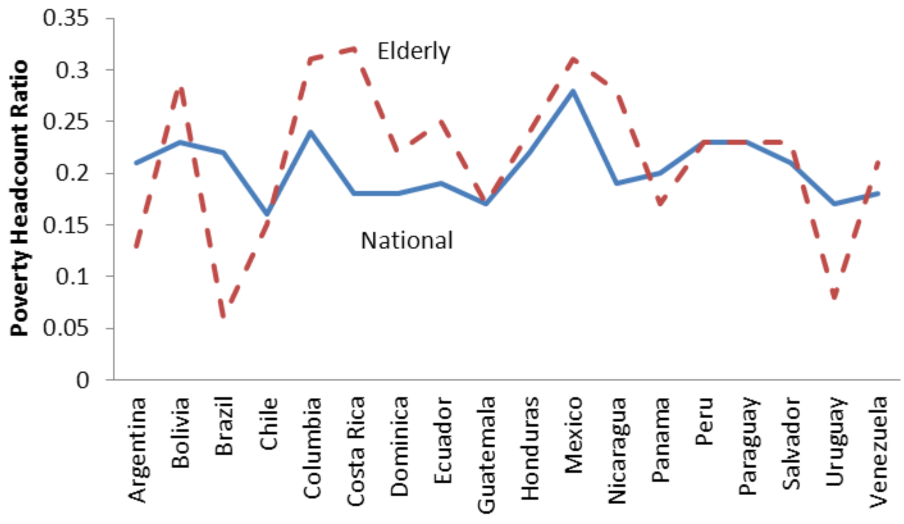


Figure 6 Elderly Poverty in Latin America

Source of Information: Compiled by author.

Source: Authors' calculations using data from the Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank) OECD adjusted HH sizes are used to calculate the poverty headcount ratios. The poverty line is ½ of the national median per capita income in the surveys.

3. Elderly Poverty in China and Its Dynamic Changes

3.1 Elderly Poverty Threshold in China and Source of Statistics

There is neither poverty threshold nor poverty measure targeted at older Chinese. But there are two poverty thresholds relevant to older people: One is national poverty threshold. In 2009, it was set at RMB1, 196. The other is subsistence allowance threshold. In 2009, the sub-threshold for rural residents was set at RMB1, 210. And RMB816 were received by rural residents in that year.

China's poverty threshold is designed for population with capability to work with an aim to reduce poverty through development. As a part of the social assistance program, subsistence allowance system pays out cash to the economically and physically challenged groups. Applying the principle to the older population, poverty threshold should target at older people with capability to work. Subsistence allowance system should be a fallback assistance policy for the older population with no such capability. Based on that logic, poverty threshold should be set higher than subsistence allowance threshold. Then for older people incapable to work, a different poverty threshold should be developed to measure old-age poverty. But before adjusting national poverty threshold in 2011, subsistence allowance threshold had been higher than poverty threshold. That's because the latter had been at a low level for too long.

The report aims to measure income poverty of older rural residents in order to contribute to anti-poverty policy for the elderly. Therefore, poverty threshold is used as a measure of elderly poverty.

The figures in this report are sourced from The China Health and Nutrition Survey (CHNS). Income variable and consumption variable have been both adjusted to 2009 constant price, so income, consumption and poverty of each year are comparable. Descriptive statistics are presented in table 2.

Table 2 Descriptive Statistics

		1989	1991	1993	1997	2000	2004	2006	2009
HH Income Per Capita	Sample Size	14,215	14,272	13,438	14,275	15,512	15,143	17,803	18,288
	Mean	2,707	2,680	3,097	3,902	5,004	6,442	7,305	10,409
Age	Sample Size	14,346	14,452	13,626	14,478	15,798	15,123	17,808	18,389
	Mean	47.08	46.27	45.49	44.02	43.01	42.05	40.77	39.52
	SD	17.89	18.00	18.07	18.42	18.67	19.38	18.82	19.34
School Years	Sample Size	11,415	11,810	11,186	11,695	11,931	11,239	10,956	11,280
	Mean	5.549	5.959	6.342	6.452	7.169	7.441	7.450	7.487
	SD	4.019	4.054	3.931	4.076	4.051	4.196	4.563	4.460

Rural Population	Sample Size	9,754	9,866	9,578	10,042	11,084	11,000	12,973	13,368
	%	68.62	69.13	71.28	70.35	71.33	72.64	72.87	73.08
Female	Sample Size	7,325	7,428	7,001	7,410	8,104	7,758	9,386	9,657
	%	50.43	50.93	50.75	50.50	50.46	50.46	52.01	52.35

3.2 Income Poverty and Poverty Trends

According to the life cycle theory, poverty and living conditions at one's older age are not only connected with living environment at current stage but also with living conditions at childhood and adolescence. Therefore, it is necessary to perform comparative analysis of elderly poverty and poverty among children and youngsters.

3.2.1 Inter-group Income Poverty and Relevant Changes

It is calculated based on sample data that rural poverty was remarkably reduced between 1989 and 2009 and headcount ratio dropped from 32% to 8.2% (Figure 7). Divide samples by age, we can see how poverty among children, the young and the elderly have changed over the years. In 1989, child poverty rate hit 41.5%, the highest among the three groups. Elderly poverty rate was 26.7%, the lowest of all. In 2009, poverty rate among children and the elderly was 9.4% and 8.3% respectively, both higher than youngster poverty rate. The changes in that 2 decades shows **that child poverty reduction outpaced reduction of the other two types of poverty. More significantly, elderly poverty reduction was the slowest, indicating the chronicity of elderly poverty and the difficulty to get them out of poverty.**

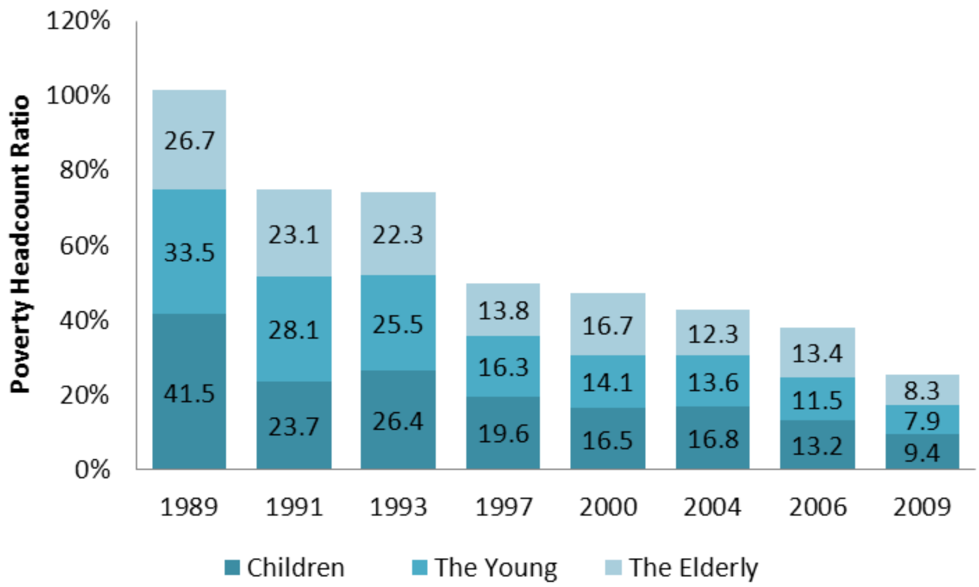


Figure 7 Headcount Ratio of Income Poverty among Rural Residents 1989-2009

3.2.2 Intra-group Income Poverty and Relevant Changes

The older people are, the more likely they will get poor. The oldest old people aged over 80 have the highest headcount ratio. Every one out of five oldest old is living in poverty.

According to the sample statistics, within the group of the elderly, the older a senior was, the more likely he or she would be reduced to poverty, which was especially true for the oldest old aged over 80 since they had the highest headcount ratio. It is notable that headcount ratio of the oldest old dropped from 20.3% in 2006 to 9.1% in 2009, a ratio even lower than that of adults aged 70-79. That might have something to do with subsidies for the oldest old and transfer payments in China. After a marked reduction of poverty among the oldest old, poverty among adults aged 70-79 becomes a more prominent problem and people in that age bracket become the group with the highest headcount ratio. If subsidies for the oldest old did contribute in the first case, policymakers may consider set the eligibility threshold at the age of 70 in order to make the role of subsidies more effective in poverty reduction.

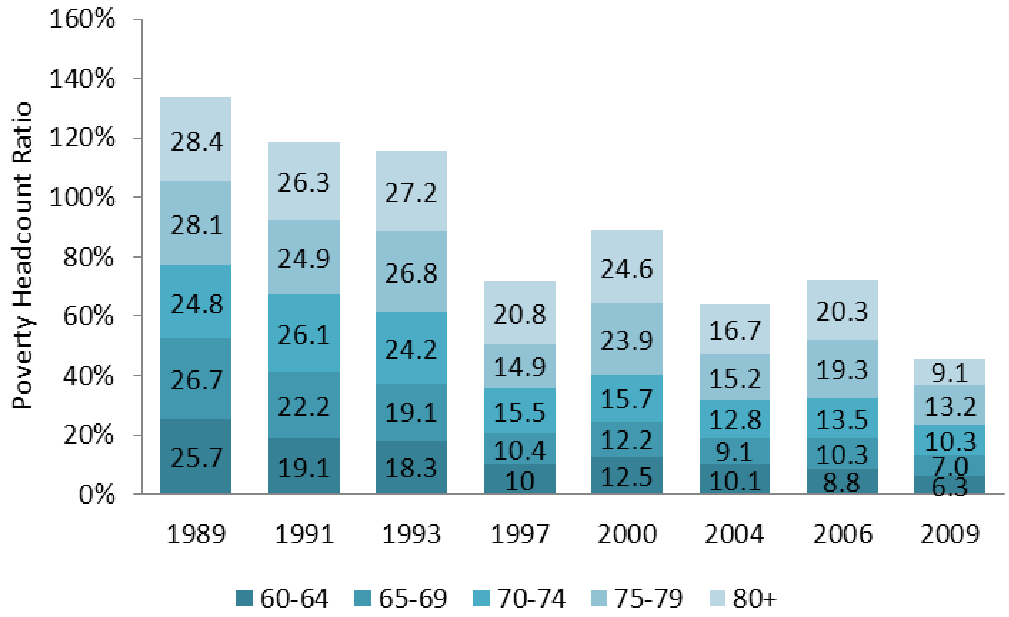


Figure 8 Headcount Ratio of Income Poverty among Older Rural Residents 1989-2009

3.3 Depth of Income Poverty and Poverty Trends

3.3.1 Inter-group Depth of Poverty

Poverty gap index is a measure of the depth of poverty. It is defined as the average poverty gap in the population as a proportion of the poverty line. Figure 9 indicates **PG index of all groups was lower except for the year of 2009; especially the index of child poverty was reduced from 20.4% in 1989 to 5.7% in 2009.** But elderly poverty was reduced at the slowest rate. It is notable that poverty among the youngsters deepened in 2009 which may be explained by the international financial crisis of that year. In contrast, poverty among children and the elderly was reduced compared to the previous year, proving that income received by children and the elderly mainly came from their family and transfer payment which was influenced by economic fluctuations in a limited way. It further proves that poverty reduction policy for the elderly was different from that for the youngsters.

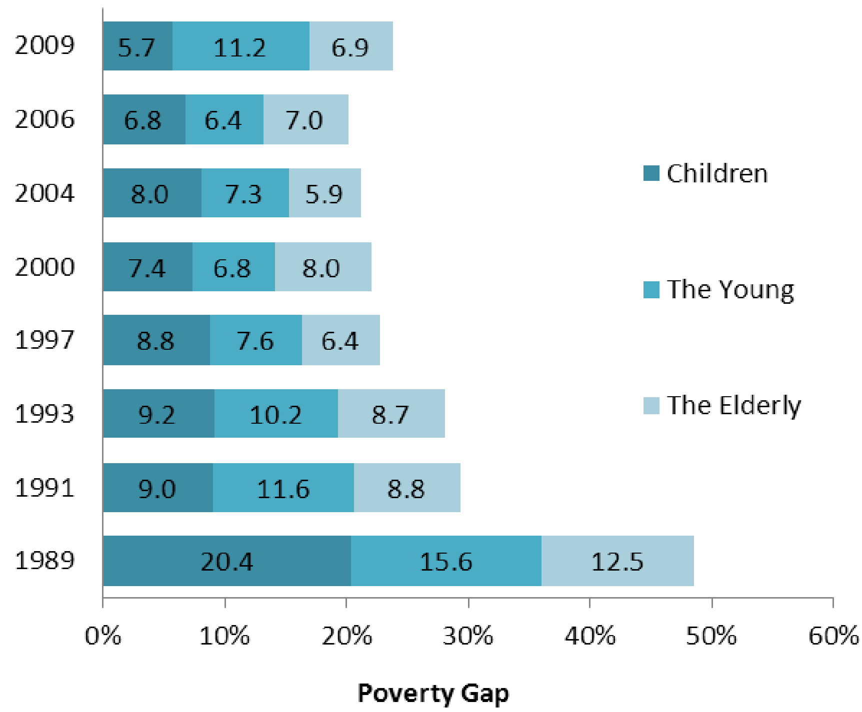


Figure 9 Depth of Income Poverty among Rural Residents 1989-2009

3.3.2 Intra-group Depth of Poverty

The older people are, the farther they are from the poverty line. The oldest old people aged over 80 are farthest from the poverty line. According to the sample statistics, within the group of the elderly, the older a senior was, the farther he or she would be from the poverty line. Similar to poverty headcount ratio, PG index of the oldest old dropped from 12.4% in 2006 to 4.5% in 2009, an index even lower than that of adults aged 70-79. After a marked reduction of PG index among the oldest old, poverty among adults aged 70-79 becomes a more prominent problem and people in that age bracket become the group the most distant from the poverty line.

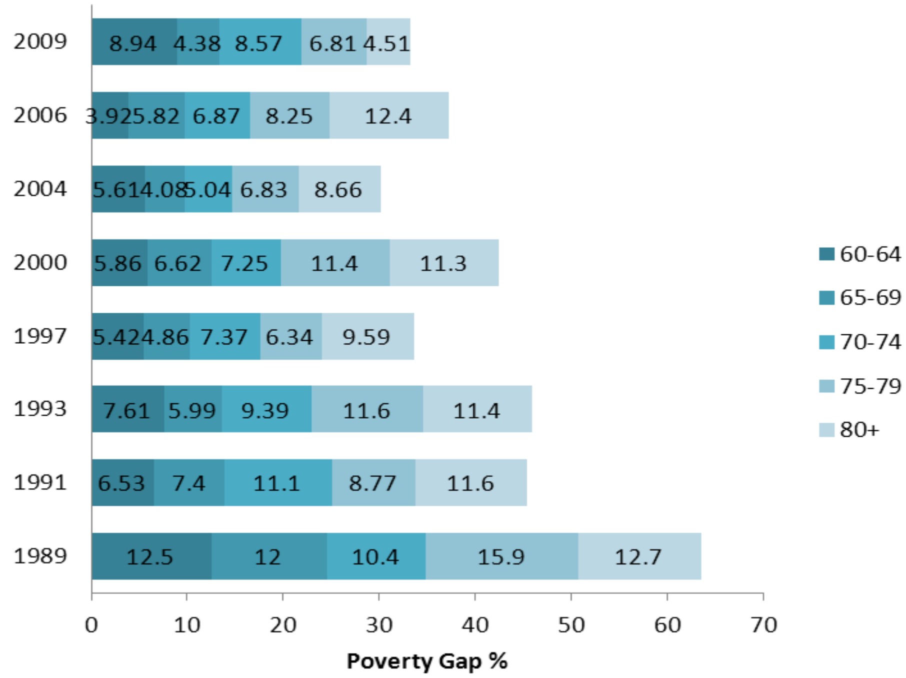


Figure 10 Depth of Income Poverty among Older Rural Residents 1989-2009

3.4 Trends of Poverty by Region

There are huge regional differences in income poverty among older rural residents. Figure 11 indicates that in economically developed region like Jiangsu province, elderly poverty headcount ratio was as low as 4.47% in 2009. While economically underdeveloped regions such as Henan province in central China as well as Guangxi province and Guizhou province in western China had a higher ratio.

Of the 8 provinces surveyed, Guizhou province, Liaoning province and Henan province reached the highest ratio of 39.6%, 35.8% and 30.9% respectively in 1989. A decade later, Henan province, Guizhou province and Hubei province reached the highest ratio of 15.8%, 11.3% and 10% respectively.

Liaoning province outperformed other provinces in reducing elderly poverty with its headcount ratio reduced from 35.8% in 1989 to 5.59% in 2009, a 30.9% percentage points decline. The ratio was maintained at around 6% except for some bounces back in 1993-1997 and in 2006.

The same cannot be said for Henan province, which saw a relatively high headcount ratio over the years. In 2009, its ratio was 15.8%, making Henan a province with the highest elderly headcount ratio.

Besides Henan province, Guizhou province also suffered from severe elderly income poverty. Elderly poverty headcount ratio in Guizhou continued to drop over the years from 39.6% in 1989 to 11.3% in 2009, a decrease of 28.3 percentage points. However, elderly poverty is still a serious trouble for Guizhou as its one of the provinces with the highest poverty rate.

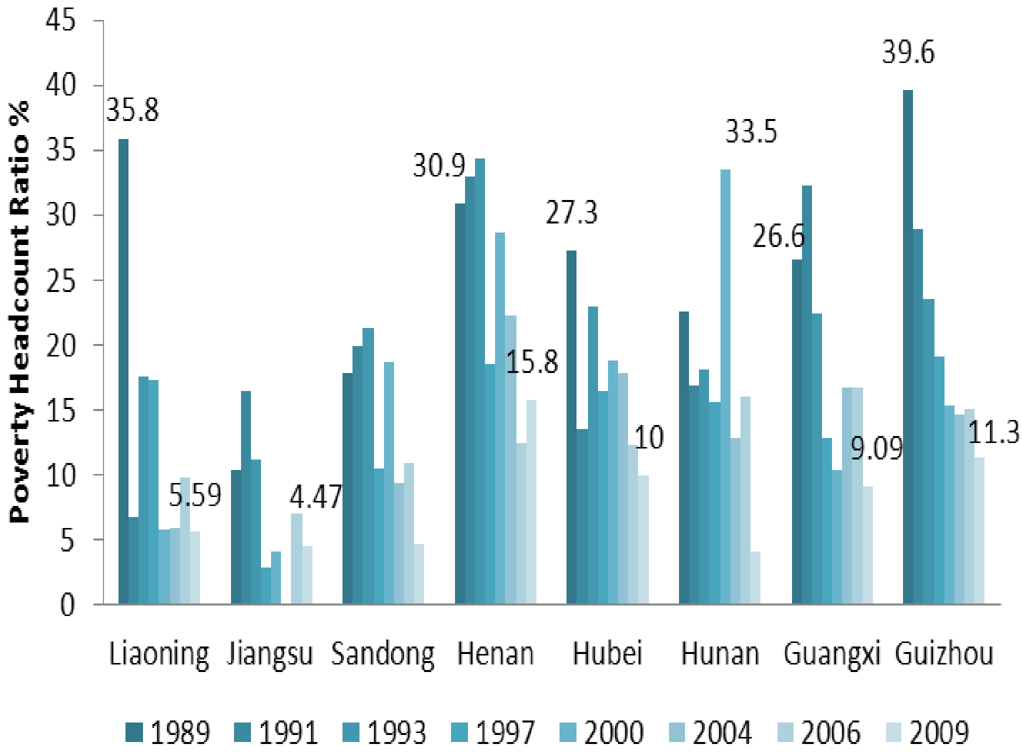


Figure 11 Income Poverty among Older Rural Residents by Region 1989-2009

3.5 Gender Differences

Studies have shown that due to economic and family status, older females are more likely to be poor, a statement supported by sample statistics of this report. Figure 12 indicates that between 1989 and 2009, gender differences in income poverty among the older rural residents were significant. **Poverty headcount ratio of the older females was evidently higher than that of older males.** But in 2009, the opposite was true. Poverty headcount ratio of older males (8.49%) was higher than that of older females (8.13%).

Moreover, gender differences took on more dimensions over time. Before 1997, gender differences in poverty among the older people were narrowed down gradually. In 1989, poverty headcount ratio of older females (27.2%) was 0.9 percentage point higher than that of older males (26.3%), but in 1997, the difference was only 0.1 percentage point. **After 1997, gender differences in poverty among the older people were widened up gradually. In 2006, poverty headcount ratio of older females (14.4%) was 2.8 percentage points higher than that of older males (11.6%).**

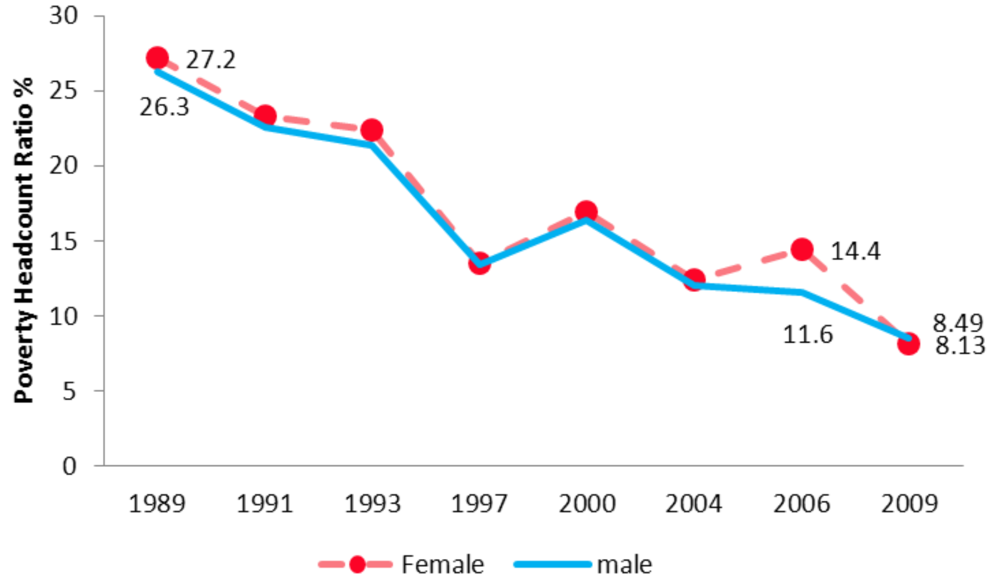


Figure 12 Headcount Ratio of Income Poverty among Older Rural Residents by Gender 1989-2009

Depth of poverty among the older rural residents was not that different. Older females were not farther off from the poverty line than their male counterparts (Figure 13).

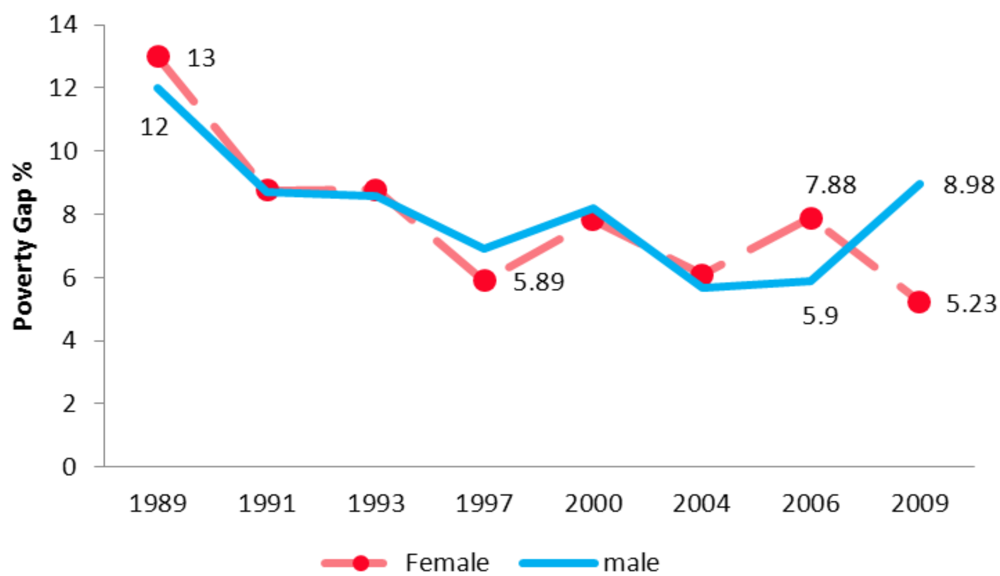


Figure 13 Depth of Income Poverty among Older Rural Residents by Gender 1989-2009

3.6 Marital Status

Income poverty ratio of unmarried older people, divorced and widowed older people and older people living alone is higher than that of married older people. Figure 14 shows that poverty headcount ratio of unmarried older people and divorced, widowed and living-alone older people was 30.4% and 30.3% respectively in 1989, 4.1 and 4 percentage points higher than that of married older people. Poverty headcount ratio of unmarried older people and divorced, widowed and living-alone older people was 23.5% and 10.8% respectively in 2009, 16 and 3.39 percentage points higher than that of married older people.

Poverty among unmarried older people is more prominent an issue as their headcount ratio is higher than that of divorced, widowed and living-alone older people. Especially after 2004, headcount ratios of income poverty among unmarried older people were maintained above 20%.

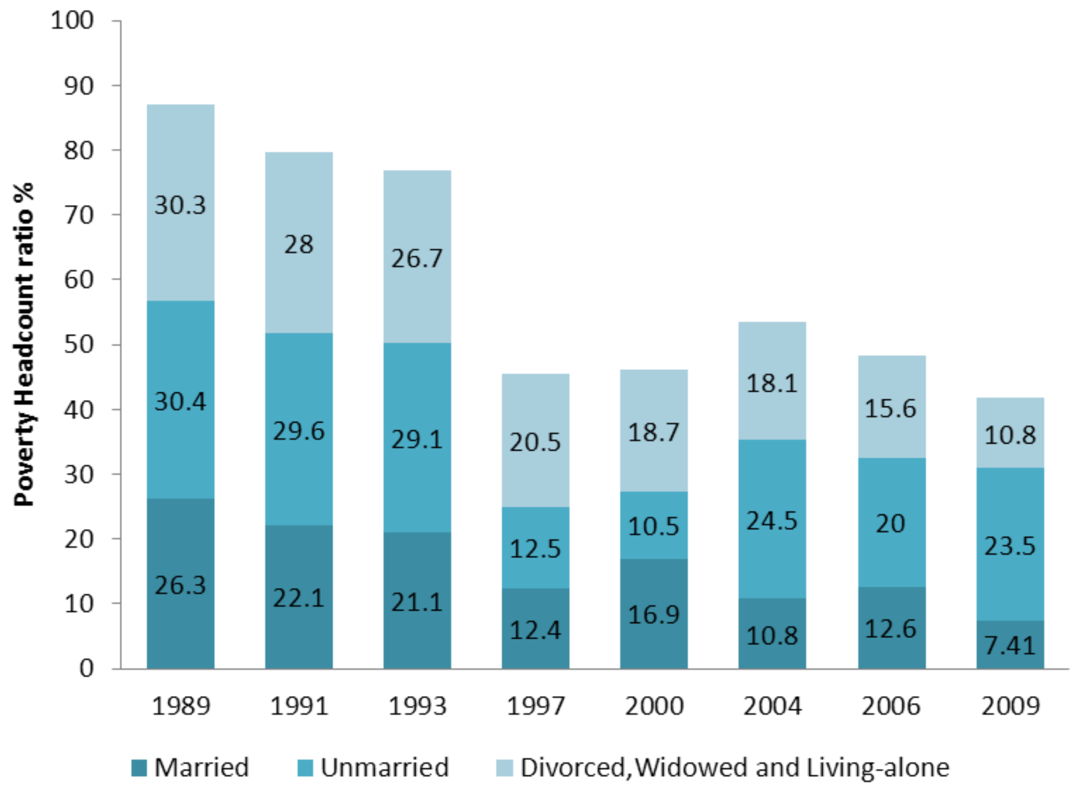


Figure 14 Income Poverty among Older Rural Residents by Marital Status 1989-2009

With regard to the depth of poverty, unmarried older people and divorced, widowed and living-alone older people were farther off from the poverty line than married older people. Figure 15 shows that poverty among unmarried older people was deepened, and even deeper than that among divorced, widowed and living-alone older people. Especially in 2009, PG index of unmarried older people was as high as 19.7%.

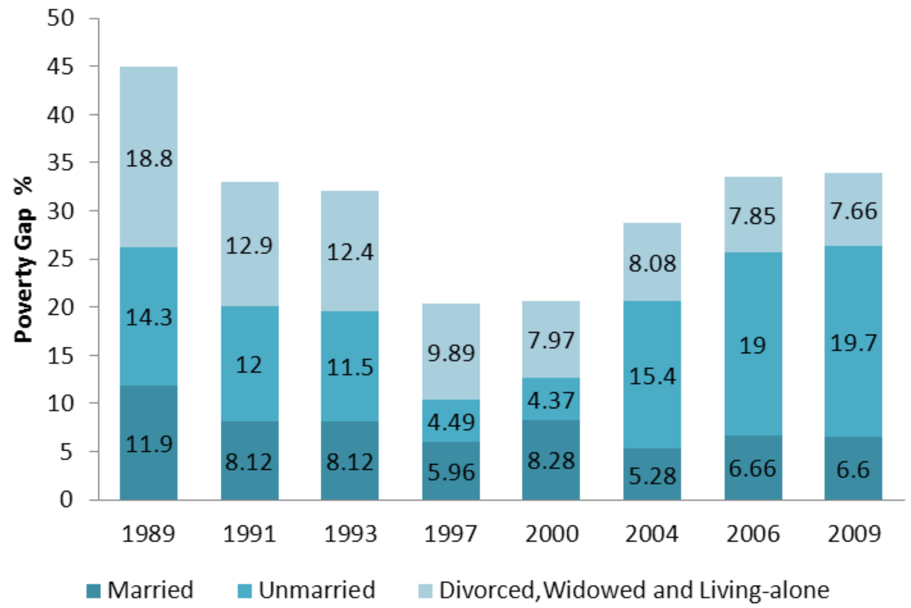


Figure 15 Depth of Income Poverty among Older Rural Residents by Marital Status 1989-2009

4. Policies Reducing Elderly Poverty

4.1 Policies Reducing Elderly Poverty in the US

Social Security benefits. By far, social security benefits are the main source of income for poor American families with older members. **In 2008, 75% of poor families with older members acquired social security benefits. Compared to remunerations, pensions and assets, social security benefits constitute a lion's share of their income. In fact, poor older Americans rely heavily on such benefits.** 45% of poor older adults depend solely on Social Security for all their income and 59% of poor older adults depend on Social Security for 90% of their income.

Supplemental Security Income (SSI). 14% of older households receive Supplemental Security Income or other social assistance benefits. But SSI only contributes 8.3% of their total family income, so its role is quite limited.

Apart from above-mentioned cash assistance programs, there are also **non-cash social security nets** for poor and low-income older adults covering housing, health care and community care such as insurance premium subsidy programs, long-term care programs, public housing programs and energy assistance programs. See Table 3 for specifics.

Table 3 Non-cash Public Assistance Programs

Program	Acronym	Maximum Share of Benefits
Supplemental Nutrition Assistance Program (Food Stamps)	SNAP	22%
The Medicaid and the Medicare Savings Programs	MSPs	26.4%
The Medicare Part D Low Income Subsidy	LIS	
Low Income Home Energy Assistance Program	LIHEAP	9.2%

4.2 Policies Reducing Elderly Poverty in the EU

Basic Pension System. Countries with low poverty headcount ratio have established mature and universal basic pension systems such as the Netherlands (elderly poverty rate 10%), Luxembourg (5%), Austria (15%), France (11%) and Sweden (16%). For example, basic pension system in the Netherlands provides a strong social safety net for the elderly. **Contributions to the basic pension system are payable at a flat rate and based on residence. Place of employment will not affect payment of pensions. Pensions usually account for 31% of average income.**

Minimum Old-age Security Benefits. Pensions in some EU countries are not high, but their elderly poverty rates are still at a low level like Czech Republic (7%), Hungary (4%), Portland (12%) and Slovak (10%) in the Eastern Europe. It can be partly explained by income redistribution through minimum old-age security benefits which bridge the income gap between the old and the young.

Ireland's National Anti-Poverty Strategy for the Elderly (NAPS 1997-2007)

Background

Ireland's economic progress in the 1990s was outstanding. Between 1994 and 2000, Gross National Product grew by an average of 8.3% in real terms and unemployment fell from 14.7% to 3.9%. During that period, great advances were achieved in terms of poverty reduction. The proportion of the population in consistent poverty fell from 15.1% to 8.2%. Government is committed to moving to a more inclusive society. This commitment is reflected in the establishment in 1997 of a National Anti-Poverty Strategy (NAPS), which includes anti-poverty strategies for the elderly.

Targets

Between 1997 and 2007, the NAPS will aim at reducing the numbers of older people who are 'consistently poor' below 2 percent and, if possible, eliminating consistent poverty. By 2003, national guidelines will be put in place for cares of older people. By 2003, access to surgical services will be improved so that no one is waiting longer than 12 months for a surgery. By end 2007, adequate heating systems will be available in all local authority rented dwellings provided for older people.

Policy Measures

Health: The strengthening of primary health care and the provision of better access for patients to diagnostic and treatment services; the reduction of waiting time for medical services; and the development of a comprehensive injury prevention strategy to reduce higher injury rates in people.

Housing: The terms of **the Special Housing Aid for the Elderly programme** will be kept under review, to ensure that they continue to meet the needs of the categories of person for whom they were intended. Local authorities will, through their tenant liaison officers, pay particular attention to the needs of older people. Local authorities' housing strategies will make provision for suitable sheltered and supported housing for elderly people.

Pensions: Increasing the level of the social welfare pension; extending the coverage of the social insurance system, and the extension and enhancement of occupational and personal pensions coverage.

Source: Goodbody Economic Consultants, Review of the National Anti-Poverty Strategy, November 2001

4.3 Policies Reducing Elderly Poverty in Latin America

Argentina, Brazil, Chile, Costa Rica and Uruguay have non-contributory pension programs, which are of the nature of social assistance programs targeted at poor older people or disabled people without ability to pay. See Figure 4 for specifics.

Figure 4 Pension Systems in Latin America

Country	**Type**	**Year of Reform**	**Coverage**	**Share of Employed Beneficiaries**	**Share of Elderly Beneficiaries**
Argentina	Mixed	1994	40.9	44.6	70.5
Bolivia	Private	1997	12.5	13.1	89.8
Brazil	Public	-	48.1	51.7	85.3
Chile	Private	1981	62.7	67.3	75.5
Colombia	Public/Private	1994	31.8	32.3	25.1

Cost Arica	Mixed	2001	62.7	65.1	59.2
Dom Rep	Private	2003	20.2	23.7	11.9
Ecuador	Mixed	2004	26.2	26.6	31.0
Guatemala	Public	-	26.8	27.2	15.4
Honduras	Public	-	20.1	20.7	5.3
Mexico	Private	1997	35.9	36.0	23.3
Nicaragua	Private	2004	18.5	19.3	44.9
Panama	Public	-	45.1	54.4	41.7
Peru	Public/Private	1993	14.0	14.6	27.7
Paraguay	Public	-	12.8	13.5	14.9
Salvador	Private	1998	29.1	31.2	16.2
Uruguay	Mixed	1996	61.1	67.3	85.6
Venezuela	Public	-	35.3	37.8	31.3

Source: Mesa-Lago (2004) and Rofman et al. (2008)

4.4 Policies Reducing Elderly Poverty in China

Older rural residents have 4 major sources of income: New Rural Old-age Insurance Program, Family Support, Personal Savings and Transfer Payments (Han Peng, 2007). Old-age Insurance Program gives out pensions or social security benefits. Family Support means the elderly are provided for by their children or relatives. Personal Savings are money accumulated by the elderly over the years. Transfer Payments include subsistence allowances and subsidies for the oldest old. Money of a social security nature is one of the major sources of income for the poor older people.

4.4.1 Basic Pension Insurance

China's rural pension insurance system was initiated in 1986 and piloted in 1991 as required by the national "7th Five Year Plan". Major approaches are as follows: Personal contributions supplemented by collective allowances and supported by national policies; personal contributions and collective allowances are debited to participant's personal account of reserve funds; county government serves as accounting unit and manages the funds according to national regulations (currently, funds are deposited in the bank and appropriated to buy government bonds), and interest is settled by periods; distribution standard is set based on principal and interest as well as life expectancy of participant at the age of 60; an approach of government guidance and voluntary participation is adopted.

4.4.2 Family Support

When costs of living are paid directly by children or other relatives other than received from old-age security institutions, we can say that the elderly are supported by their family.

At this stage, we need to factor in the number of children when we are talking about old-age support. The Survey on the System of Support for the Elderly in China 1992 shows that after controlling the age of the elderly and other independent variables, the number of children is still statistically significant, indicating that children still plays an important role in supporting their older parents under current settings (Guo Zhigang et al., 1996).

Housing is also relevant to old-age support. According to the Survey on Housing and Family Life in Tianjin and Shanghai 1993, housing is an important factor influencing family models. Of the three factors determining whether married children would live with their parents, changing traditional ideas and two-way demands can no longer sustain the model of extended family. Only family resources, especially housing resources are still a decisive factor (Yao Yuan, 2001).

4.4.3 Social Security

China's old-age security mechanism is still in its infancy and yet to improved. Government has been providing assistance and support to the most vulnerable groups including "3 Withouts" older urban residents and "Five-Guarantee Rural Households", disabled people and orphaned and disabled children for a long time. China's social security system, therefore, can ensure economic security for the low-income older people. In particular, the subsistence allowance system can benefit both urban and rural older residents while Five-Guarantee Program can benefit older rural residents.

(1) Subsistence Allowance System

Based on the demographic characteristics of the poor, subsistence allowance beneficiaries can be segmented into the following three groups: First, residents without source of income, without ability to work, and without legal dependents or caregivers (3 Withouts); second, residents with HH income per capita lower than local subsistence allowance threshold when they are receiving unemployment relief payments or remain unemployed upon expiration of unemployment insurance period; third, employed and laid-off residents with HH income per capita lower than local subsistence allowance threshold after receiving wages or minimum wages and basic living allowances and retired people after they receive their pensions.

At the end of 2011, there were 26.728 million households and 53.057 million individuals covered by rural subsistence allowance system nationally, meaning that an additional 917,000 individuals were covered by the system or a 1.8% increase year-on-year. Fiscal spending on rural subsistence allowance totaled RMB66.77 billion, a 50.0% increase from the previous year. RMB50.26 billion came from central treasury, accounting for 75.3% of the total. In 2011, national rural subsistence allowance standard was RMB143.2 per person per month, an increase of RMB26.2 or 22.4% compared to the previous year. In practice, average monthly allowances received by an eligible rural resident were RMB106.1 (including one-off living subsidies), a year-on-year increase of 43.4%.

But the institutional framework is not without its deficiencies: single assistance role, low security standard and wide regional disparity; government shouldering some responsibilities of the society and the businesses; urban-rural disparity and failed urban-rural integration in this regard. It is also defective operationally: local financial difficulty and availability of subsistence allowance funding in time; means-testing to beneficiary-to-be; understaffed and incompetent local authority; and repositioning of family assets.

(2) Five-Guarantee Program

The state guarantee on proper food, clothing, fuel, education and funeral expenses for older, vulnerable, orphaned, widowed and disabled community members is termed Five-Guarantee Program. Households entitled to enjoy such benefits are called "Five-Guarantee Households" or "Five-Guarantee Targets" and relevant policies are called "Five-Guarantee Policies".

3.285 million rural residents have been covered by the program and they each receive RMB989 every year. 632,000 of those people are living in over 30,000 nursing homes for concentrated support and care. **In economically developed regions such as Shanghai, Beijing, Guangdong, Jiangsu and Zhejiang, Five-Guarantee standard has reached 60%-70% of local farmers' net income.** Practices over the past five decades speak volumes about the role Five-Guarantee Program plays in promoting rural economic growth and stabilizing rural social order (Song Shiyun, 2007).

(3)Subsidies and Allowances

Beijing introduced the program of subsidized home-based care for the elderly. In October 2009, Beijing municipal government started piloting the program in 10 of the 18 local districts. By May, a total of 45,000 older Beijing residents have benefited from the program. Eligible seniors receive RMB50-250 of subsidies monthly in the form of old-age service coupons. The Old-age Allowance Program for the Oldest Old (people over 90) initiated in 2008 has benefited nearly 20,000 seniors. In line with the rules, older people aged 90-99 receive RMB100 and centenarians RMB200 monthly.

Shanghai municipal government had **provided monthly subsidies of no less than RMB75 to residents over age 65 (including 65) with rural registered residence and with monthly pensions below RMB75** since 1 January 2004. In 1 January 2007, the subsidy level was raised to RMB85 per person per month. By end 2007, there were 167,300 rural older people aged 65 and over living in insecurity received rural minimum pensions, accounting for 5.8% of local older people.

Haixi prefecture of Qinghai province made it clear to the county governments that they should **give RMB600 of subsidy to each of the elderly aged 80-90 with a local registered residence annually**, RMB800 to each of the elderly aged 90-99, and

RMB1,200 to each of the centenarians. Subsidies are funded by the county governments based on the principle of residence. Beijing municipal government also specifies that older people aged over 90 who have already applied for and received welfare pension can, if eligible, receive old-age allowances for the oldest old, which means that they get to enjoy double benefits.

5. Experience and Inspirations

Most Western scholars believe that labor market policy, education policy and training program for the poor are ineffective in reducing poverty among the elderly. The only solution is transfer payment (or price subsidy) policy. In developed countries, pension system plays a very powerful role in redistribution and easing elderly poverty. There are two types of pensions aimed at providing a replacement income to old persons under the poverty line (Willmore 2001; Holzmann et al. 2009). The first type of minimum pension covers unconditionally all the elderly. Benefits are the same for everyone regardless of income, assets or work history. In the OECD, only New Zealand provides a universal pension to its aged population with the objective to lift old persons above the poverty line.

The second type of minimum pension is also universal but subject to means-testing. This welfare pension can be completed by housing subsidy or the possibility of being admitted in a public nursing home. A number of developing countries have universal means-tested schemes although the means test applies to the household and not to the individual. The most famous examples are Brazil and South Africa. The South African minimum pension is quite generous in terms of level (about one-third of per capita income). Number of beneficiaries is reaching 88% of the covered population. The pension is paid to men aged 65 and women aged 60 and over. It is funded through general taxation.

In developing countries, the coverage of pension system and its role in poverty reduction are both limited (Jean-Jacques Dethier Pierre Pestieau Rabia Ali, 2010). In low and middle income countries, only four countries have such universal minimum pension arrangements: Mauritius (Africa), Namibia (Africa), Botswana (Africa) and Bolivia (South America). They offer a pension which is relatively low and, with the exception of Mauritius, not high enough to lift its beneficiaries above the poverty line. The Brazilian minimum pension, for which the eligibility age is 60 for men and 55 for women, corresponds to the minimum wage.

Similar to minimum pension, China's new old-age insurance, with its high coverage but low income replacement ratio, has only limited effect on elderly poverty reduction. Rural subsistence allowance system, as a kind of assistance program, plays a significant role in easing poverty among older rural residents. Old-age Allowance Program for the Oldest Old is also very effective. But as a temporary assistance policy measure, its level and coverage can be easily influenced by local financial strengths.

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