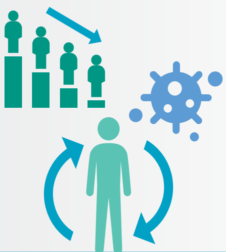


The ongoing demographic transition in the Arab region and the recent COVID-19 pandemic have accentuated the need for inclusive persons social protection systems that cover the entire life cycle.

Older women are more excluded: the male pension coverage rate can be five times higher than the female coverage rate in some countries.

In many Arab countries, the sustainability of contributory pension schemes is imperilled as the proportion of beneficiaries increases relative to the population.

There is considerable inequality among older persons receiving contributory pensions, with a large number receiving very small amounts.

The value of cash transfers in many countries is low and has been further eroded by inflation.

Older persons are in many countries legally covered by contributory or non-contributory health care regimes. However, legal coverage often fails to translate into effective coverage.

2 Social protection for older persons in the Arab region

A. Introduction

As the previous chapter showed, the Arab region faces a demographic transition as the population ages. Consequently, provision of social protection to older persons is becoming increasingly critical. In some contexts, this is further accentuated by changing household compositions – since a larger proportion of older persons now live on their own rather than with their children or grandchildren – and by the partial disappearance of traditional and more informal solidarity structures. Smaller families also mean that there are less children to support their ageing parents. The COVID-19 crisis has further underlined the importance of comprehensive social protection systems covering the entire life cycle.

Ensuring that older persons enjoy income security and have access to health care has historically been a key purpose of social protection. The obligation to fulfil this objective is explicitly enshrined in several major international treaties, declarations and recommendations. For instance, the Universal Declaration of Human Rights affirms "the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood […]." Ensuring inclusive social protection is also critical for achieving the 2030 Agenda Sustainable Development Goals and delivering on the promise to leave no one behind.

For practical purposes, social protection is defined as a set of public policies and programmes intended to ensure an adequate standard of living and access to health care throughout the life cycle. This definition thus excludes many components of long-term care (LTC) that are further discussed in the next chapter.

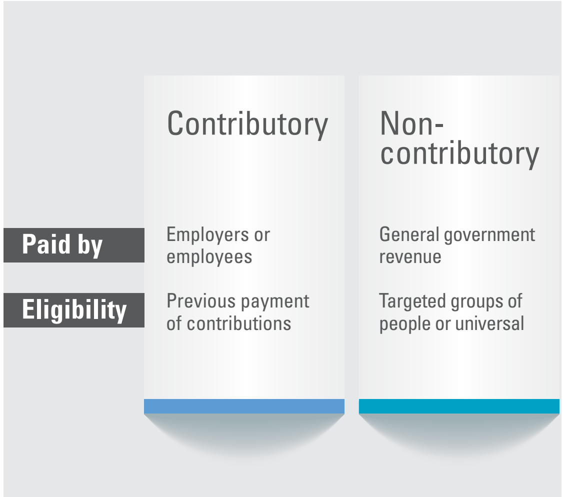
SDG 1.3

urges countries to "implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable".

Social protection may be divided into contributory and non-contributory mechanisms providing income security and access to health care (figure 12). Contributory mechanisms are in principle financed through contributions paid by employers and employees. Eligibility is based on previous payment of contributions, meaning in practice that workers in the informal economy tend to be excluded from coverage. Non-contributory social protection mechanisms, on the other hand, are financed by general government revenue. Eligibility is either limited to selected groups of the population (for instance, the poor or persons with disabilities), meaning that the provision is targeted, or extended to the entire population, in which case the provision is universal.

Reflecting the regional diversity, social protection systems differ greatly from one Arab country to another. With the partial exception of Lebanon, all countries have in place contributory social insurance

Figure 12. Social protection mechanisms



schemes providing old-age pensions, but their degree of coverage varies enormously. The schemes are mainly financed on a pay-as-you-go basis, meaning that contributions are immediately used to finance pensions and other benefits. In practice, this entails that younger generations are paying for older generations.

The sustainability of many social insurance schemes in the Arab region today is in question. This is largely due to a combination of rapidly ageing populations and widespread economic informality, implying a higher dependency rate: the proportion of beneficiaries increases relative to the proportion of contributors. Adding to this, many pension schemes have relatively generous parameters, meaning that the retirement age is low and that pensions correspond to a large share of previous earnings. However, this does not mean that older persons covered by these pension schemes are necessarily well-off: there is a large degree of inequality among retirees, and many receive very small sums.

Non-contributory social assistance programmes also exist in all Arab countries, but their character and scope differ significantly. Recently, many countries have undertaken far-reaching reforms aiming to abolish general subsidies (especially on energy products such as fuel) and to replace these with more targeted forms of social assistance, such as cash transfer programmes.[30] The extent to which those programmes cover older persons varies depending on their eligibility criteria, as does the value of the benefits they provide.

Health care coverage is provided through a combination of contributory and non-contributory mechanisms. While older persons in some countries are disproportionately likely to be covered by health insurance schemes, this does not always in practice mean that they have access to adequate and affordable health care services. Meanwhile, their health care needs are often greater than those of the working-age population.

This chapter begins with an overview of social protection coverage among older persons in the region, looking in turn at overall coverage of older persons in social protection systems, as well as their inclusion in specific pension schemes. The chapter pays special attention to the inclusion of older women. It then turns to the issue of adequacy, again focusing first on social insurance before proceeding to social assistance. Thereafter, a separate section highlights the issue of health care. Lastly, a concluding section discusses the way forward.

The chapter is based on desk research in large part relying on administrative data reported by national bodies such as social insurance organizations and ministries. Detailed data relating to social insurance schemes have been found and analysed for five Arab countries: Tunisia, Morocco, Jordan, Kuwait and Bahrain. These data have as far as possible been harmonized to allow for a higher degree of comparability. The chapter also includes data from international organizations, notably ESCWA and ILO, as well as from surveys and other sources. For a detailed explanation of these data and of how they have been used, see annex 1.

B. Overall social protection coverage

Before delving into the discussion on estimating overall social protection coverage it is important to be mindful of some of the limitations that impact the ability to accurately assess social protection coverage. Some of the limitations include:

- **Difference between legal and effective coverage:** When discussing social protection coverage, whether for older persons or for any other group, it is essential to distinguish between legal coverage and effective coverage. Legal coverage refers to the part of the population who should be covered by social protection according to the legal framework in place. Effective coverage refers to the proportion of the population who are in fact covered. For instance, if legal coverage measures the population eligible to receive cash benefits, effective coverage measures the population that receive such benefits. For this chapter, coverage should unless otherwise stated be understood as meaning effective coverage.
- **Diversity of contributory as well as non-contributory schemes in one country:** There are often separate pension schemes for private and public sector workers as well as for the military. Countries generally have several social assistance programmes providing cash transfers and other benefits. While beneficiary data may be available for one or a few of the social protection schemes in a country, it can rarely be found for all of them, which complicates the task of calculating overall coverage rates. Even if beneficiary data were available for all social protection schemes in a country, accurately inducing the overall coverage rate would require knowing the extent of overlap between the schemes.[31] Thus, simply adding together the number of beneficiaries from each separate social protection scheme would generate an inflated overall coverage rate.[32]
- **Adequacy of the coverage:** Estimating effective social protection coverage is complicated by the more fundamental question of what "being covered" actually means to start with. For instance, some benefits provided through pensions or social assistance schemes may be set at such low a level that they do not come close to ensure an adequate standard of living. It is doubtful whether recipients of such benefits are in fact "covered" in any meaningful way. Thus, the question of coverage is interrelated with the one of adequacy.

1. Social protection coverage in the Arab Region

a. Overall coverage

Despite the above limitations, there have been significant efforts in recent years to calculate social protection coverage, including the proportion of older persons who receive a pension,[33] as part of efforts to measure progress on achieving the SDGs.[34]

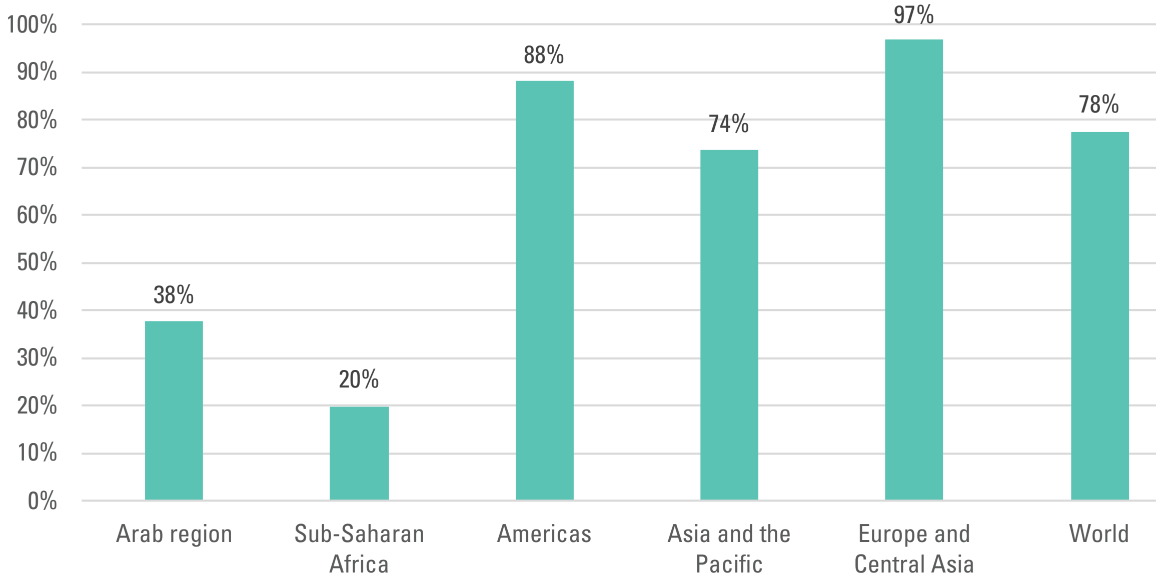
A very small proportion of older persons in the region receive a pension

The proportion of older persons (60 and above) receiving a pension in the region is the second lowest in the world, at a mere 38 per cent or half the world average (78 per cent). It is considerably lower than in the Americas (88 per cent), Asia and the Pacific (74 per cent) and Europe and Central Asia (97 per cent), and only higher than in Sub-Saharan Africa (20 per cent) (figure 13).[35]

In only one Arab country does the coverage rate exceed the world average, with 85 per cent of older persons in Tunisia receiving a pension. Meanwhile, 70 per cent of older persons do not receive a pension in 10 Arab countries, namely Yemen, the Sudan, Lebanon, Mauritania, the Syrian Arab Republic, Iraq, Qatar, the United Arab Emirates, Morocco and Kuwait (figure 14).

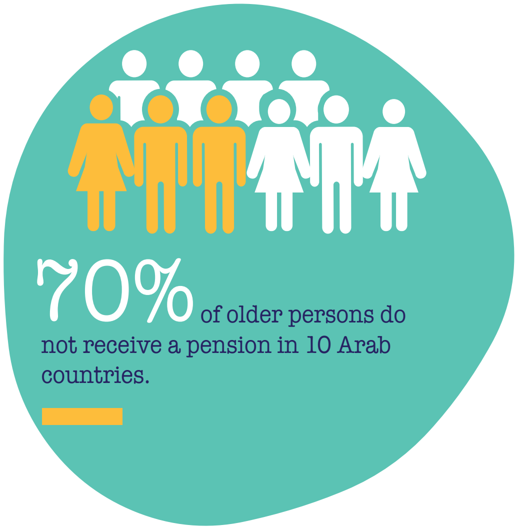
One surprising finding when examining the data for Arab countries is that contrary to what would generally be expected, pension coverage among older persons in the Arab region is negatively correlated with GDP per capita (figure 15). This is mainly due to the very low level of coverage in the GCC countries, except for Bahrain.

Figure 13. Proportion of older persons receiving a pension by region (Latest year available)



Sources: ESCWA Data Portal; ILO, 2021a; DESA, n.d.

Note: The average for the Arab region is an estimate – see the technical annex 1 for more information.

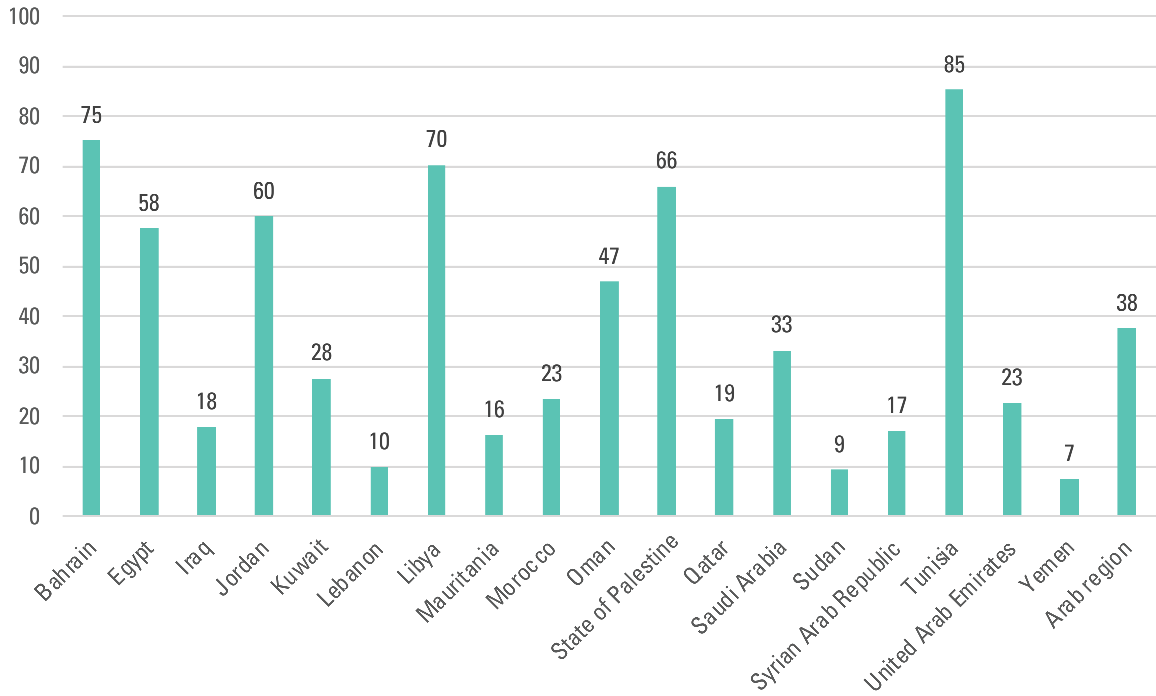


However, removing the GCC countries (figure 16) generates a pattern more in line with the global one, meaning that GDP per capita is positively correlated with the proportion of older persons receiving a pension. Yet, this positive correlation is still relatively weak, in large part due the fact that Lebanon – similarly to the GCC countries – has a much lower coverage rate than might be expected from its GDP per capita.[36] Unlike other countries in the region, Lebanon does not have a regular social insurance scheme covering the private sector. Workers covered by the National Social Security Fund merely receive a lump-sum payment upon retirement.[37]

b. Inclusion in specific social protections schemes

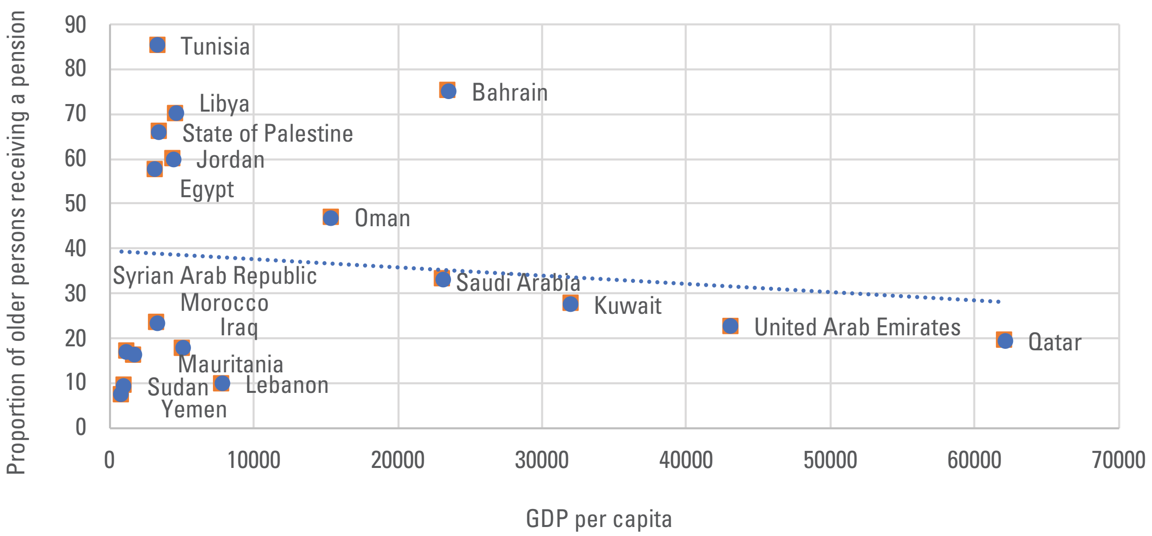
Given the limitations of the data on overall social protection coverage of older persons presented above, this section zooms in on the inclusion of older persons in specific social protection schemes and programmes. While the administrative data used in this section generally cannot be used to draw conclusions about the proportion of older persons covered by contributory or non-contributory social protection, it often has the advantage of being detailed, allowing for more in-depth analysis. Since it is often published on a regular basis, such data also makes it possible to study developments over time.

Figure 14. Proportion of older persons in Arab countries receiving a pension (Latest year available)



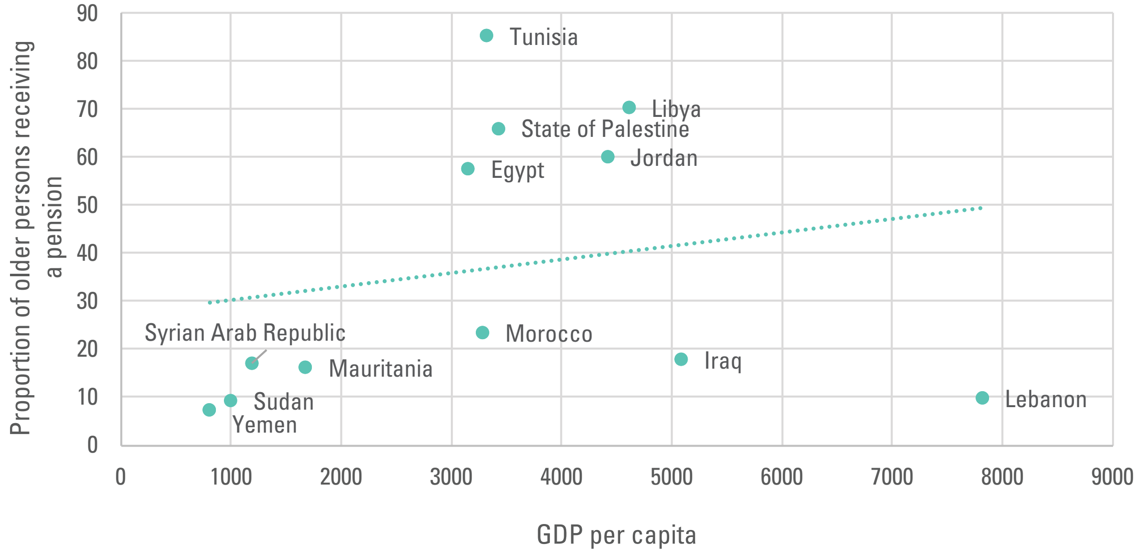
Sources: ESCWA Data Portal; ILO, 2021a. In case of variation between these two sources, data from the ILO World Social Protection Report has been used.

Figure 15. Arab countries by proportion of older persons receiving a pension and GDP per capita (Latest year available)



Sources: ESCWA Data Portal; ILO, 2021b..

Figure 16. Arab countries (excluding GCC) by proportion of older persons receiving a pension and GDP per capita (Latest year available)



Sources: ESCWA Data Portal; ILO, 2021b.

The number of old-age pensioners covered by select social insurance schemes in the region has increased

An initial analysis of administrative data shows an increase over time of the number of old-age pensioners covered by select social insurance schemes in the region (figure 17),[38] namely the Caisse Nationale de Sécurité Sociale (CNSS) in **Tunisia** (covering the private sector), the CNSS in **Morocco** (private sector), the Social Security Corporation (SSC) in **Jordan** (public and private sectors), the Public Institution for Social Security (PIFSS) in **Kuwait** (public and private sectors) and the Social Insurance Organization (SIO) in **Bahrain** (public and private sectors).

In the case of the Tunisian CNSS, the number of old-age pensioners has more than tripled during the last two decades: from 172,162 in 2000 to 549,477 in 2019. Meanwhile, the number of old-age pensioners covered by the Moroccan CNSS increased from approximately 292,800 in 2010 to 413,717 in 2019, and those covered by the CSS in Jordan from 41,335 in 2009 to 74,438 in 2020. In the two Gulf countries, the number of old-age pensioners also increased very rapidly: from 17,578 in 2007 to 43,955 for the PIFSS in Kuwait, and from 11,280 in 2011 to 28,838 in 2021 for the SIO in Bahrain.

2. Social protection coverage for older women

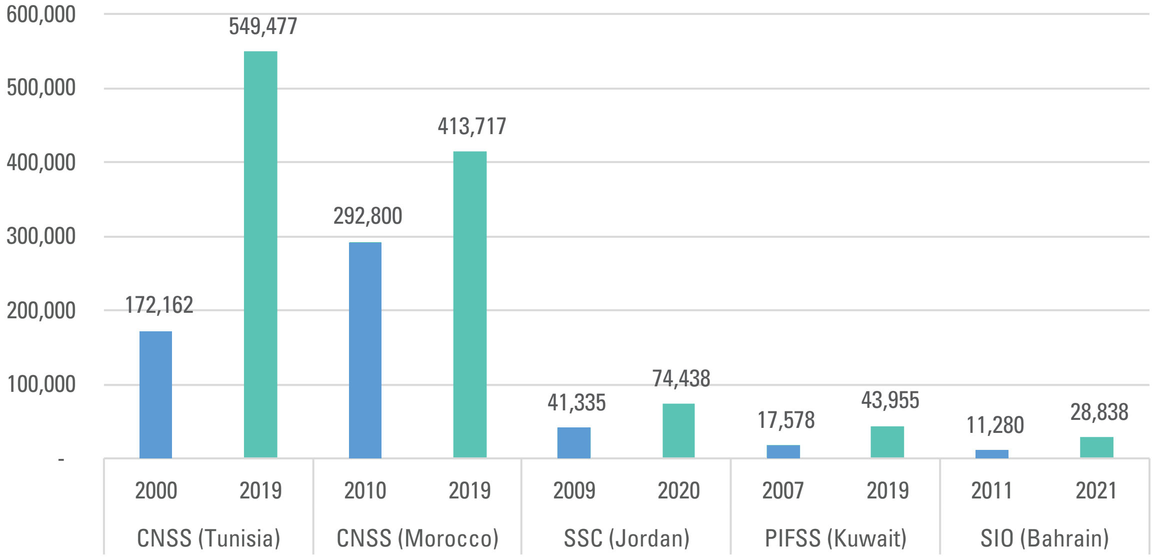
a. Overall coverage for older women

Today, the vast majority of older women are excluded from the coverage of social protection systems, largely due to their low participation in the labour market for the past several decades, as well as their likelihood to work in the informal economy in some countries.

Male pension coverage rate can be five times higher than female coverage rate in some countries

The lack of data on overall coverage disaggregated by gender in the Arab region continues to be a significant limitation for a deeper understanding of the exclusion of older women from social protection coverage. In the few Arab countries where data are available and accessible, namely Tunisia, Jordan and Qatar, older men are considerably more likely than older women to receive a pension, as shown by figure 18. The discrepancy is most pronounced in Tunisia, where the male coverage rate (94 per cent) is more than five times higher than the female rate (17.3 per cent).

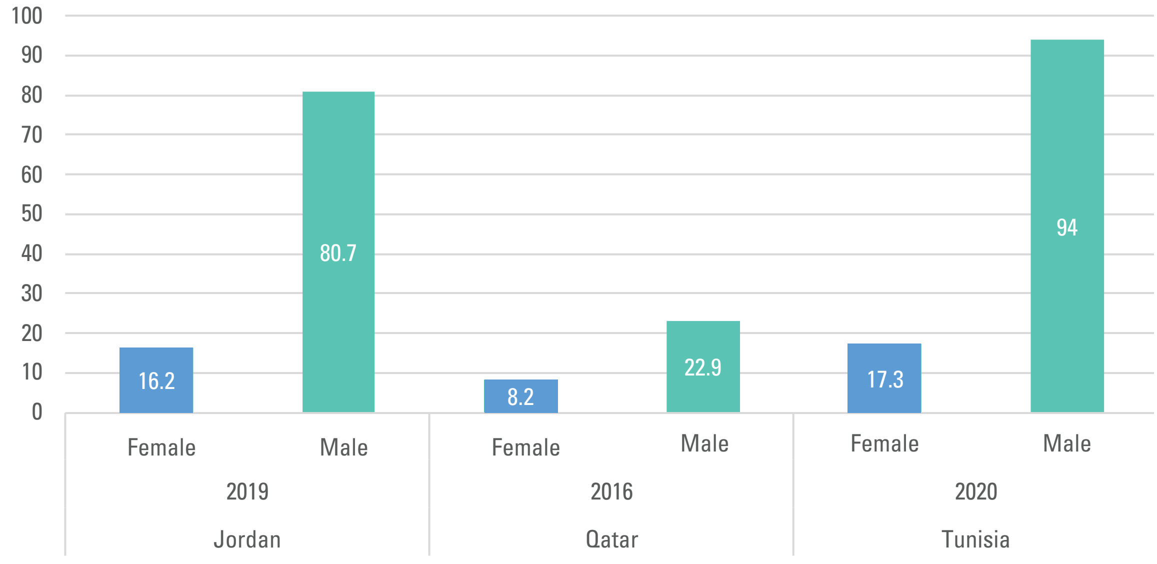
Figure 17. Number of old-age pensioners covered by various social insurance schemes in select Arab countries (Earliest and latest years available)



Sources: Tunisia, Caisse Nationale de Sécurité Sociale, (Annuaire Statistique 2017, 2021); Morocco, Caisse Nationale de Sécurité Sociale (Rapport Annuel 2010, 2019); Jordan, Social Security Corporation (Annual Report 2009), World Bank (Jordan Public Expenditure Review: Pension, n.d.); Kuwait, Public Institution for Social Security (Annual Statistical Collection 2007, 2019); Bahrain, Social Insurance Organization (Statistical Report 2011, 2021).

Note: Data for Morocco 2010 is approximate. The data for the PIFSS (Kuwait) does not include the military scheme.

Figure 18. Proportion of older persons receiving a pension, disaggregated by sex in select Arab countries (Latest year available)



Sources: ESCWA Data Portal.

b. Inclusion of older women in specific social protection schemes

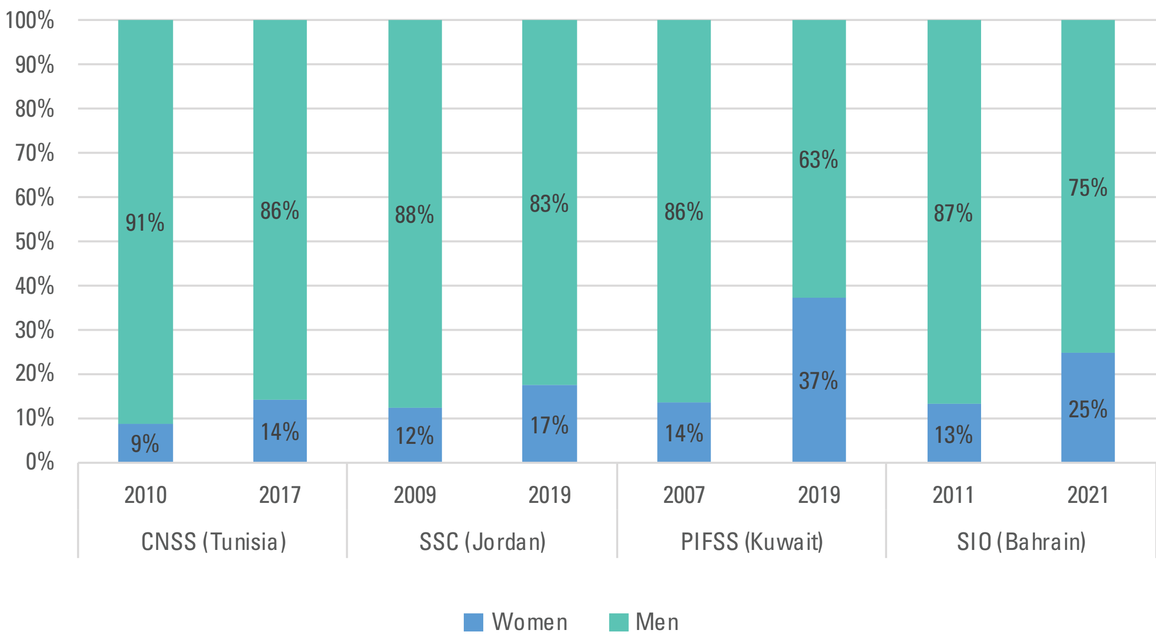
However, there is a noticeable change underway. Although the proportion of women among older persons covered by pension schemes is very small, this proportion is steadily increasing and is expected to continue to grow in the coming years (figure 19).

This trend is largely a consequence of the increasing level of female labour market participation in the last five decades or so, and in some cases the transition of women from the informal to the formal economy during this period.

In Tunisia, the proportion of women among CNSS old-age pensioners went up from 9 per cent in 2010 to 14 per cent in 2017, while in Jordan the proportion of women among SSC old-age pensioners increased from 12 per cent in 2009 to 17 per cent in 2019. With regard to the PIFSS in Kuwait, the share of women among old-age pension beneficiaries increased from merely 14 per cent in 2007 to 37 per cent in 2019. In Bahrain meanwhile, the female proportion of SIO old-age pensioners increased from 13 per cent in 2011 to 25 per cent in 2021.

Figure 20 gives a more detailed overview of the development with regard to the SSC in Jordan. In addition to the increasing share of women among old-age pensioners, the female proportion of new old-age pensioners increased from 17 to 31 per cent, and the female proportion of active contributors from 25 to 29 per cent. This suggests that the female proportion of old-age pensioners will continue to increase in the coming years. The same pattern can be found around the region: in Oman, for instance, the female proportion of old-age pensioners in 2019 (the latest year for which data are available) was only 20 per cent, but the female proportion of new old-age pensioners and of contributors were 28 per cent and 27 per cent respectively.

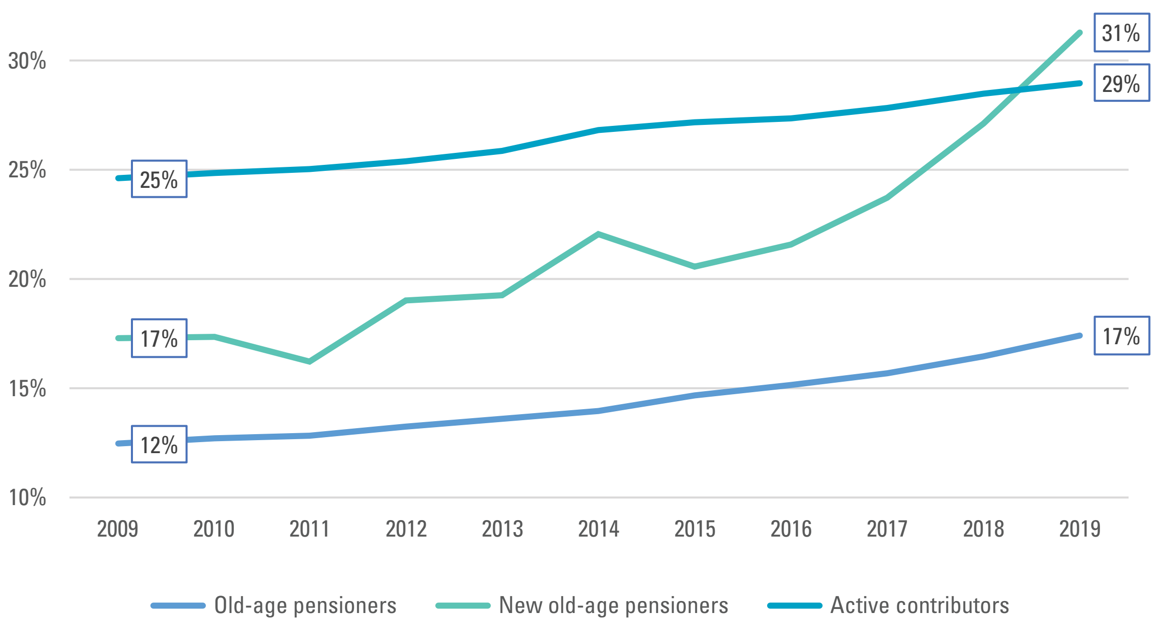
Figure 19. Gender distribution of old-age pensioners in select Arab countries (Earliest and latest years available)



Sources: Tunisia, Caisse Nationale de Sécurité Sociale (Annuaire Statistique 2017); Jordan, Social Security Corporation (Annual Report 2009, 2019); Kuwait, Public Institution for Social Security (Annual Statistical Collection 2007, 2019); Bahrain, Social Insurance Organization, (Statistical Report 2011, 2021).

Note: The data for the PIFSS (Kuwait) does not include the military scheme.

Figure 20. Women as proportion of SSC old-age pensioners, new old-age pensioners and active contributors in Jordan (2009-2019)



Sources: Jordan, Social Security Corporation (Annual Report 2009, 2010, 2011, 2012, 2013, 2014, 2016, 2017, 2018, 2019).

In a number of countries, women are particularly underrepresented among private sector old age pensioners. This is essentially a consequence of the female preference for employment in the public sector and/or their exclusion from the formal private sector. For instance, in Bahrain as of 2021, women make up 33 per cent of old-age beneficiaries covered by the ISO public sector scheme, but merely 16 per cent of those covered by the ISO private sector scheme.[39] However, this is nevertheless a much smaller difference than in 2011, when merely 4 per cent of private sector old-age beneficiaries (as compared to 21 per cent of public sector old age-age beneficiaries) were women.[40]

Inclusion of women in social protection schemes varies significantly across countries and within countries

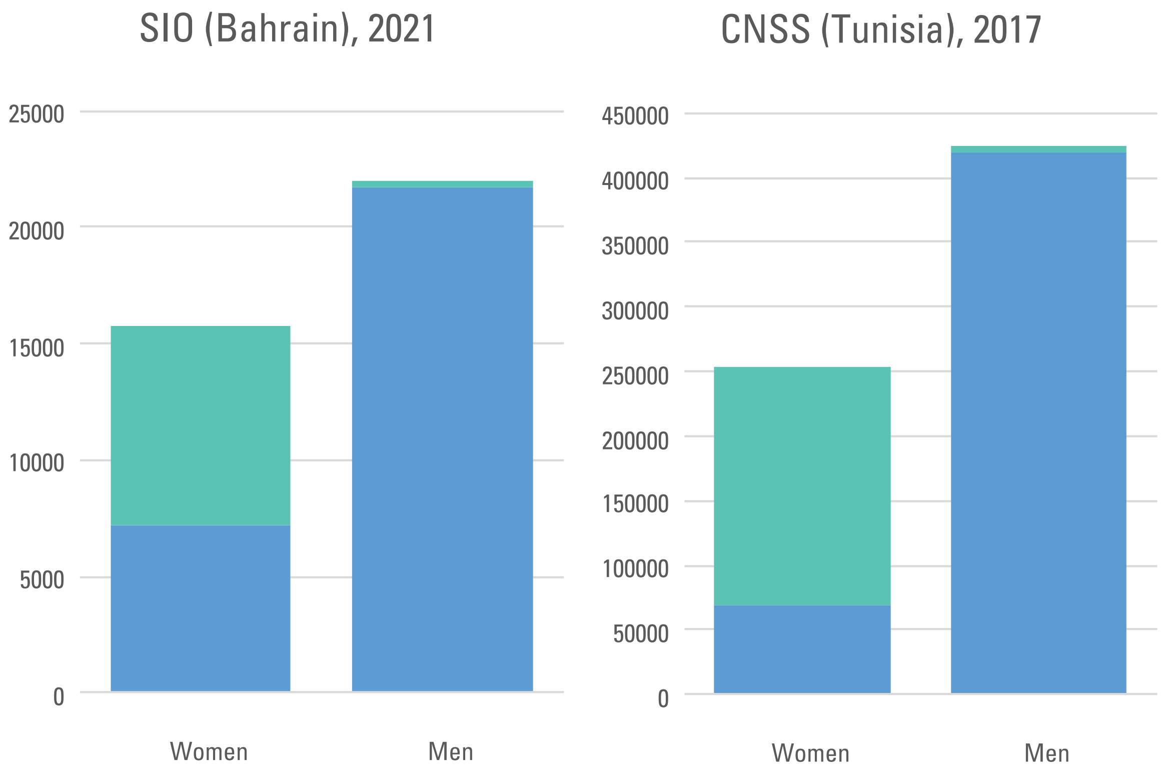
In addition to the variation across countries, it is important to note that the inclusion of women in social protection schemes vary even within countries based on socioeconomic strata and geographic location. In Tunisia, for instance, women as of 2017 represented 29 per cent of CNSS old-age pensioners in the Governorate of Monastir, but less than 4 per cent in the Governorates of Tatouine and Seliana.[41]

c. Survivor benefits

While the above discussion has focused on old-age pensions, it may be noted that many older women in Arab countries receive survivor benefits – in other words, benefits given to the widows, orphans or other relatives of deceased beneficiaries (figure 21).

In Bahrain, for instance, the number of older women receiving survivor benefits (8,577) is considerably higher than the number of older women receiving old-age pensions (7,169). Meanwhile, the number of men receiving survivor benefits is very limited (349). Consequently, the gender balance among older persons covered by the SIO is considerably greater when both old-age pensions and survivor benefits are considered (42 per cent women, 58 per cent men).

Figure 21. Number of older persons receiving old age pensions and survivor pensions in Bahrain and Tunisia, by sex (Latest year available)



Sources: Bahrain, Social Insurance Organization (2021); Tunisia, Caisse Nationale de Sécurité Sociale (n.d.).

In Tunisia, the number of women receiving survivor benefits (183,941) is fully 2.6 times higher than the number of women receiving old-age benefits (69,435), meaning that women make up around 37 per cent of the total population covered by either. However, as further discussed below, survivor benefits should not be seen as a substitute for old-age pensions, given that they tend to be much smaller.

3. Inclusion of older persons in social assistance programmes

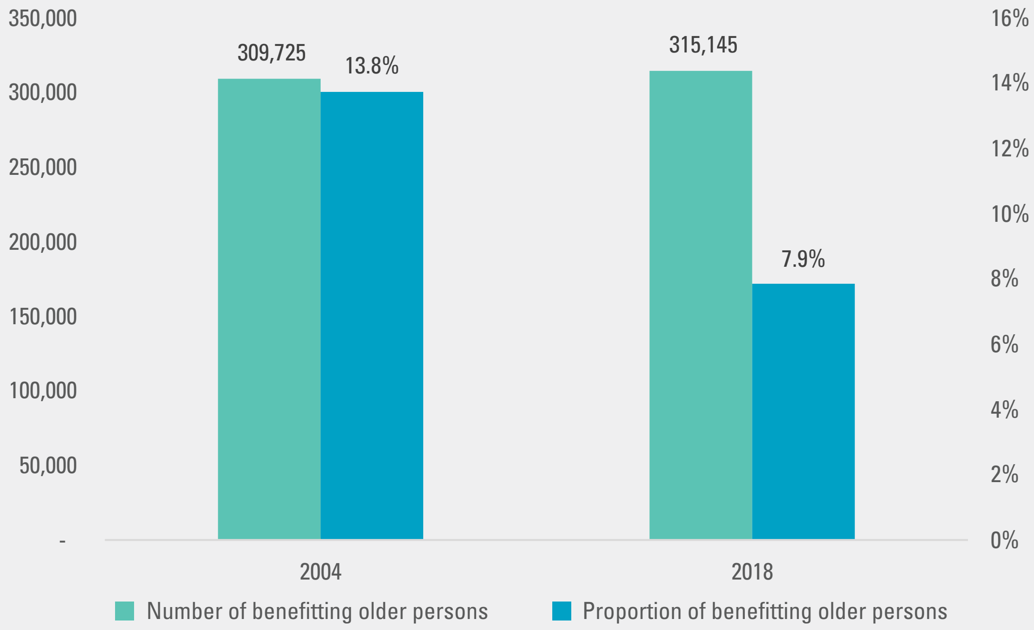
Countries often offer social assistance programmes as part of their social protection systems. These programmes provide monetary and in-kind benefits to vulnerable population groups. This section will look briefly into the inclusion of older persons in social assistance programmes in selected Arab countries where data is available: Algeria, Tunisia, Egypt and Jordan.

The extent to which older persons are covered depends in large part on the scope and the eligibility criteria of the programmes in place. These criteria can be specific and complex. Certain programmes target beneficiaries solely on the basis of demographic characteristics – meaning, for instance, that all older persons, all persons with disabilities or all households with disabilities are eligible, regardless of other factors. Other programmes take into account the poverty level of households or individuals. This is increasingly done through so called proxy means testing. Most programmes use a combination of different targeting approaches.[42]

Algeria. Despite the significant increase in the number of older persons, the proportion of older persons benefiting from social assistance has decreased

The Algerian social assistance scheme Allocation Forfaitaire de Solidarité (AFS), set up in 1994, is targeted at vulnerable older persons, persons with disabilities, families of children with disabilities and female heads of household. As of 2018, the programme had 962,710 beneficiaries, of whom 315,145 (171,958 women and 143,187 men) were older persons (figure below). Notably, the number of older persons covered by the programme has hardly increased since 2004 – when it was 309,725 (167,358 women and 142,367 men) – even though the total number of older persons in the country has almost doubled. Consequently, the proportion of older persons receiving AFS transfers decreased from 13.8 per cent in 2014 (14.3 per cent among women and 13.2 per cent among men) to 7.9 per cent in 2018 (8.5 per cent among older women and 7.2 per cent among older men).

Number and proportion of older persons benefitting from the AFS (2004 and 2018)



Sources: Algeria, 2010, p. 12; Eddine, 2018.

To capture the complexity and variation of inclusion of older persons in social assistance programmes across countries and in some instances within countries, this chapter relies on country case studies presented in boxes below. However, fully measuring the extent to which older persons are included in social assistance programmes is difficult. One main challenge is the ability to capture older persons that benefit indirectly from social assistance programmes, for example older persons that live in households that receive social assistance. However, changing household compositions – entailing a lower degree of inter-household co-habitation – could be expected to reduce the extent of indirect coverage.

Tunisia. Older persons are strongly represented in social assistance programmes

The Tunisian social assistance scheme Programme Nationale d'Assistance aux Familles Nécessiteux (PNAFN), set up in 1986, targets beneficiaries on the basis of various factors including self-reported revenue and incapacity to work. As of 2020 around 260,000 households were covered by the PNAFN. Although the programme is not explicitly targeted at older persons, they are strongly overrepresented among beneficiaries: As of 2016, the PNAFN coverage rate was 7 per cent among the overall population but 11.7 per cent among households aged 62 and above.

Egypt. A specific social assistance programme targets older persons and persons with disability

The Takaful and Karama programme in Egypt, set up in 2015, consists of two sub-programmes: Takaful, targeted at households with children, and Karama, targeted at vulnerable older persons and persons with disabilities. As of 2021, the Karama component had around 1.3 million beneficiaries of whom approximately a quarter (more than 300,000) were older persons. It is worth noting that there is a high possibility of overlap between persons with disability and older persons, given that people are more prone to disability as they age.

Jordan. Inclusion of older persons varies among different social assistance programmes

Almost a quarter of the 105,642 families benefitting from the monthly cash transfers provided by the National Aid Fund during 2020 were headed by older persons. On the other hand, older persons are strongly underrepresented among beneficiaries of the NAF programme Takaful, which was launched in 2019.

C. Adequacy of social protection systems for older persons

The coverage of social protection measures providing monetary benefits – whether it be a contributory pension scheme or a non-contributory cash transfer programme – is meaningful only in so far as it guarantees an adequate standard of living. A key factor to take into account when evaluating the adequacy of pensions or cash transfers is whether they are increased in line with inflation.

Although social insurance and social assistance are based on different logics, meaning that the level of benefits are largely determined by different factors, rising prices risk undermining the purchasing power of older persons covered by either type of scheme. One way of catching this aspect, adopted below, is to consider the value of benefits both in local currency and under purchasing power parity (PPP).

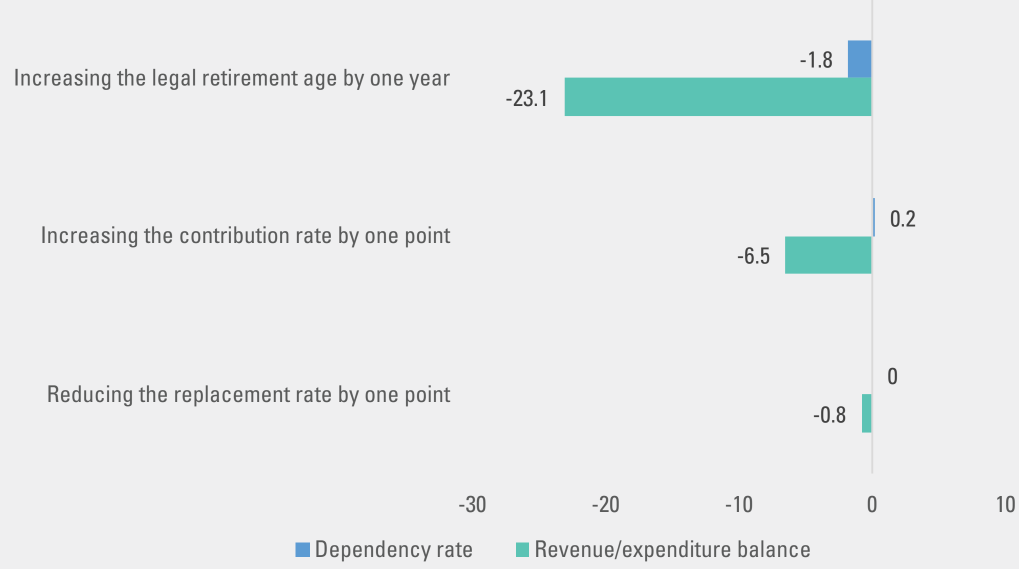
Pension schemes in the Arab countries are generally seen as rather generous, indeed as overly generous. This is notably due to the fact that the retirement age and the required vesting periods tend to be rather low, making it possible to retire at a relatively young age and/or after having paid into the system during a relatively limited number of years. The replacement ratios are also high, meaning that pensions on average amount to a comparatively high proportion of pre-retirement earnings.[43]

The CNSS in Tunisia: Sustainability and reform options

A recent ESCWA study analysed the sustainability of the Tunisian pension system and, using a heterogenous agent model, projected the impacts of possible parametric reforms. If no reforms are undertaken (the "business as usual" scenario), the number of contributors continues to increase at a much slower pace than the number of pensioners. Consequently, the dependency rate goes up from 27.6 per cent in 2019 to 33.9 per cent in 2025. Meanwhile, CNSS revenues stagnate and expenditures increase, such that the deficit widens from 1.33 to 1.55 per cent of GDP.

The projections consider the effects of three possible reforms: increasing the legal retirement age by one year, increasing the contribution rate by one point, and reducing the replacement point by one year (figure below). It appears that the first of these three reforms would have by far the biggest impact on the dependency rate (which would decrease by 1.8 points cumulatively as compared to the baseline scenario) as well as on the revenue/expenditure balance (which would be reduced by 23.1 per cent cumulatively, the equivalent of 0.35 per cent of GDP). Increasing the contribution rate or reducing the replacement rate would have marginal or no impacts on the dependency rate. The respective impacts of these reforms on the revenue/expenditure balance would be a reduction of 6.5 and 0.8 per cent cumulatively.

CNSS, Tunisia: Projected cumulative impact of parametric reform scenarios over the period 2019-2025 (Relative variation vis-à-vis no reform)

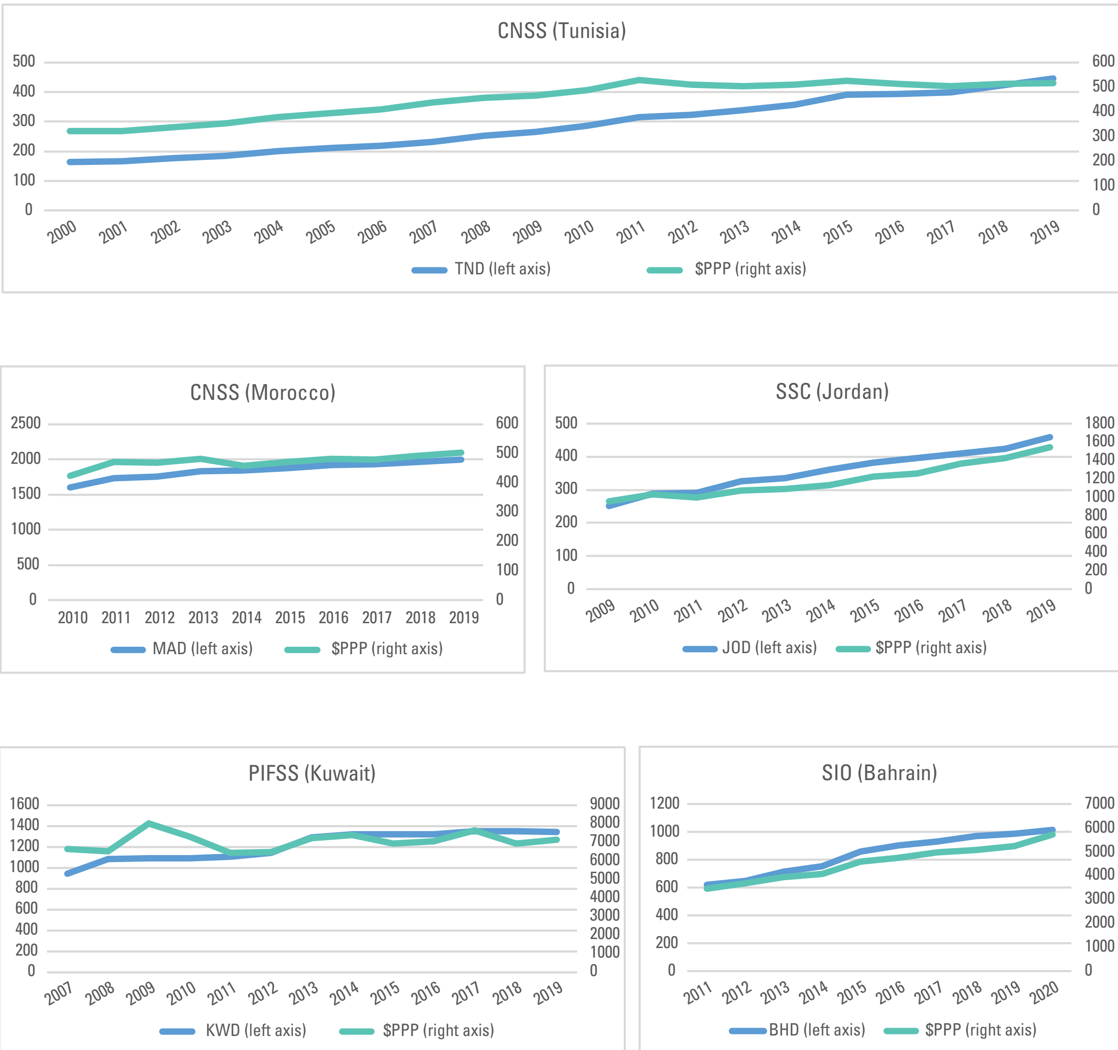


Source: ESCWA (2018). A Model with Heterogeneous Agents to Study Pension Reforms: A Theoretical Presentation and Application using Tunisian data E/ESCWA/EDID/2018/TP.7. Available at: https://www.unescwa.org/publications/model-heterogeneous-agents-study-pension-reforms-theoretical-presentation-and.

The available data – covering social insurance schemes in five Arab countries during different timespans between the years 2000 and 2020 (figure 22) – suggest that pension levels during the last 1-2 decades have tended to increase both nominally and when converted to PPP. Regarding the CNSS in Tunisia, the average pension rose from 163 TND in 2000 to 447 TND in 2019. However, due partly to high inflation, this increase did not reflect growth in real terms since 2011.

Among the other four countries, the increase has been the largest in Jordan (where average pensions rose from 252 JOD in 2009 to 450 JOD in 2019) and Bahrain (from 620 BHD in 2011 to 1,013 BHD in 2020). Meanwhile, the increase has been more modest in Morocco (from an estimated 1599 MAD in 2010 to 1992 MAD in 2019) and Kuwait (from 943 KWD in 2007 to 1,344 KWD in 2019). In all these countries apart from Kuwait, the nominal increase has largely been accompanied by a corresponding increase in real terms.

Figure 22. Average old-age pension value (Local currency and PPP) in select Arab countries (Available years)



Sources: Tunisia, Caisse Nationale de Sécurité Sociale (Annuaire Statistique, 2017); Morocco, Caisse Nationale de Sécurité Sociale (Rapport Annuel 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019); Jordan, Social Security Corporation, (2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019); Kuwait, Public Institution for Social Security (Annual Statistical Collection 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019); Bahrain, Social Insurance Organization (Statistical Report 2011, 2012, 2013, 2015, 2016, 2017, 2018, 2019, 2020, 2021).

It should also be noted that other countries in the region have experienced considerably higher levels of inflation. While data pertaining to the value of pensions in these countries are not available, anecdotal evidence suggest that rising prices have in many cases – at least temporarily – severely undermined the purchasing power of retirees. An extreme example is Lebanon, where rampant inflation since 2019 has diminished the value of pensions in both the private and public sectors.[44]

Many pension schemes in the Arab region lack indexation mechanisms to automatically increase pensions to compensate for inflation. Instead, benefits are raised sporadically and with little predictability. Notably though, certain countries in the region have recently introduced indexation mechanisms or revised their existing ones. In Egypt, for instance, pensions have hitherto been increased at an ad-hoc basis. However, the Unified Pensions Law adopted in 2019 stipulates that they should henceforth be raised in line with inflation at the middle of each year, though not by more than 15 per cent.[45]

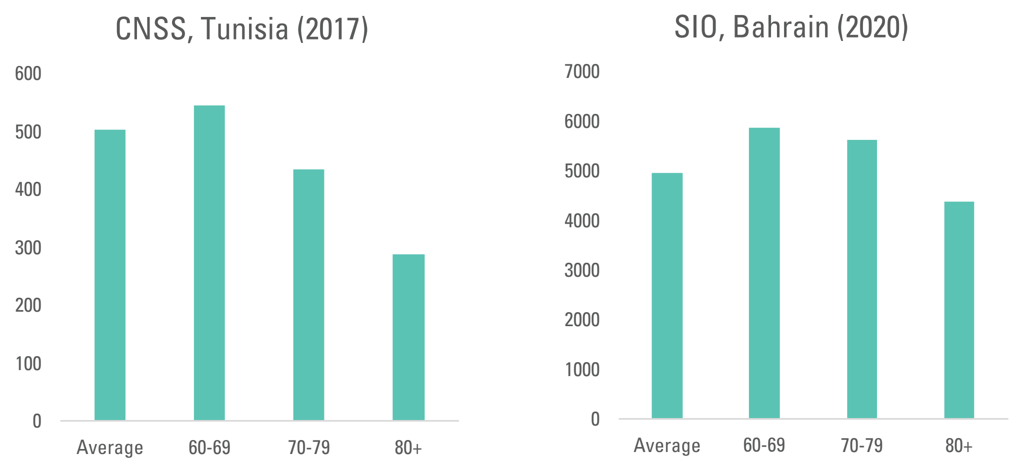
In Jordan, pensions were previously revised in May of each year on the basis of inflation or average wage growth, whichever was lower, though with a maximum increase of 20 JD per year. In 2019, however, a new indexation mechanism was introduced whereby a total increase is calculated and thereafter divided equally amongst all old age-pensioners, meaning that all pensions, regardless of their level, are increased by the same amount.[46] This should entail a higher degree of equalization.

1. There is high inequality among old age pensions even within the same country

Within each country and pension scheme for which data are available, considerable inequality exist among pensioners, making the average levels somewhat deceptive to use as a measure of overall adequacy. The available data suggest that a relatively small number of older persons covered by the schemes receive very large pensions (far above the average), while a large majority receive rather low ones (below the average). Thus, the median old-age pension is much lower than the average pension.[47] Differences in pension levels can be discerned along various lines, including age, gender, region and sector of employment.

In Tunisia, the difference between pensions received by older and younger retirees is considerable (figure 23). As of 2017, old-age pensions distributed to people in the 60-69 age bracket were 9 per cent higher than the overall average. Meanwhile, those received by pensioners aged 70-79 and above 80 were 14 and 43 per cent lower, respectively. In Bahrain, retirees belonging to these three age brackets received pensions 18 per cent higher, 13 per cent higher and 12 per cent lower than the national average.

Figure 23. Average monthly pension (PPP) in Tunisia and Bahrain (Latest year available)



Sources: Tunisia, Caisse Nationale de Sécurité Sociale (Annuaire Statistique 2017); Bahrain (Social Insurance Organization, 2021).

The situation is similar in Morocco and Jordan, where recently retired older persons receive considerably larger pensions than those who belong to the higher age brackets and left the workforce longer ago.[48] In Kuwait, however, the pattern is reversed, such that retirees in their sixties receive lower pensions than those aged 70 and above.[49]

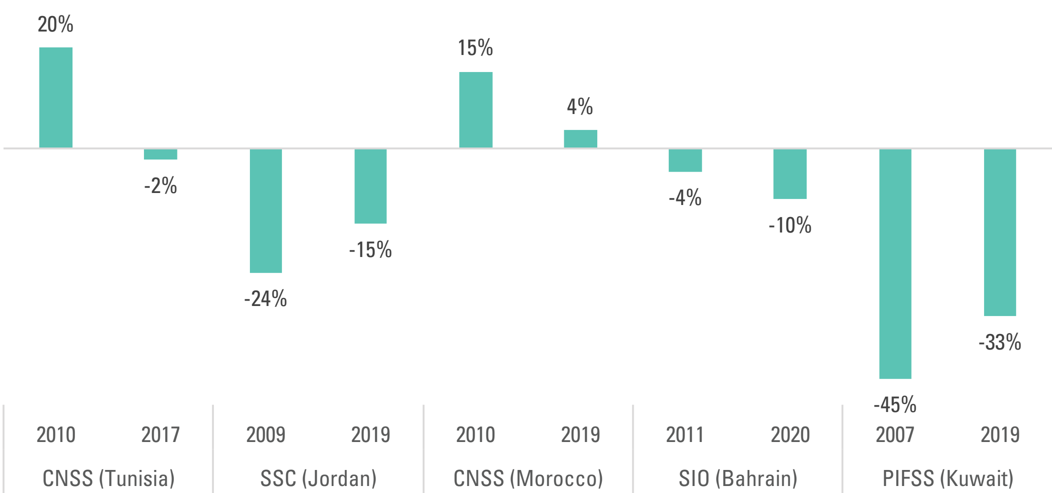
In several cases, there are also considerable differences in pension levels between male and female retirees. However, contrary to what may be expected, older men do not consistently receive larger pensions than older women. In some cases, furthermore, the difference has been reversed over recent years.

Tunisia and Morocco appear to be the countries where the level of pensions is most equal between women and men (figure 24). In both cases, this has come about subsequent to a fall of the average female pension relative to the male one: As of 2017, women in Tunisia received on average 2 per cent less than men, while in 2010 they had received fully 20 per cent more. In Morocco as of 2019, the average female pension exceeded the male one by 4 per cent, whereas nine years earlier it had been 15 per cent larger.

Jordan and Kuwait have also witnessed a levelling of the average pensions received by women and men, though in these countries the outset situation was reversed, meaning that men received more than women. This remains the case, though the discrepancy has decreased. While as of 2009 the average pension received by women in Jordan was 24 per cent lower than the received by men, this difference had by 2019 decreased to 15 per cent. A corresponding decrease from 45 to 33 per cent occurred in Kuwait between 2007 and 2019. Only in Bahrain does the gender difference appear to have widened, as the average female pension went from being 4 per cent lower than average male one in 2011 to being 10 per cent lower in 2020.

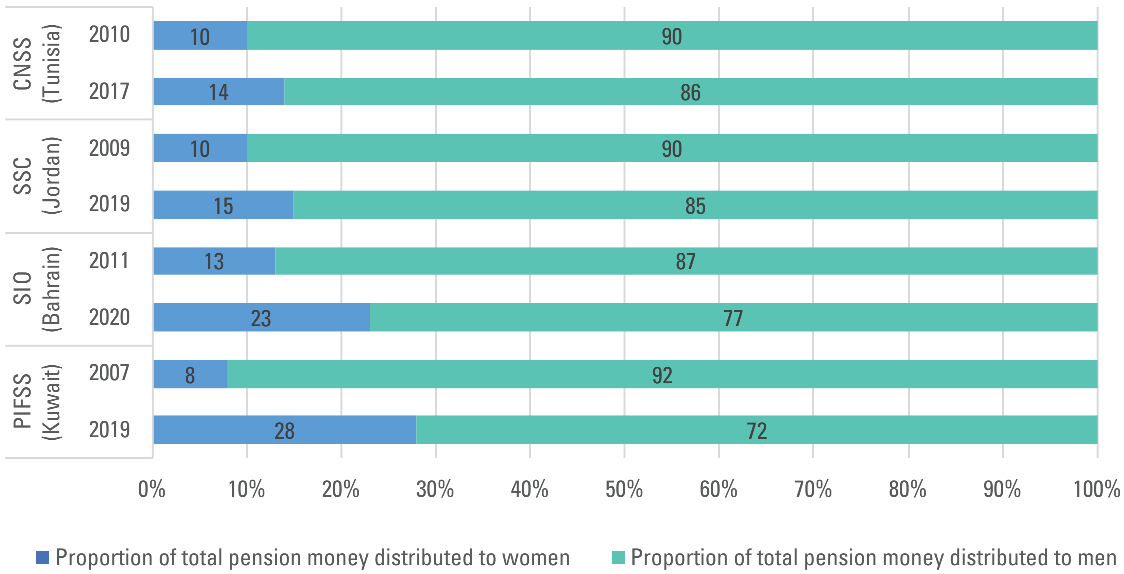
While the reasons behind these developments may be many and complex, a key factor to consider is the concomitant increase of female old-age pensioners relative to male ones. Due to that trend, an increasing portion of the total money disbursed as pensions has gone to women. Figure 25 shows that the female share of total pension spending rose from 10 to 14 per cent in Tunisia between 2010 and 2017, from 10 to 15 per cent in Jordan between 2009 and 2019, from 13 to 23 per cent in Bahrain between 2011 and 2020 and from 8 to 28 per cent in Kuwait between 2007 and 2019.

Figure 24. Pension gender gap: Average female pension percentage higher/lower than average male pension in select Arab countries (Earliest and latest years available)



Sources: Tunisia, Caisse Nationale de Sécurité Sociale (Statistical Guide 2010, 2017); Jordan, (Social Security Corporation, Annual Report 2009, 2019); Morocco, Caisse Nationale de Sécurité Sociale (Rapport Annuel 2010, 2019); Bahrain, Social Insurance Organization, (Statistical Report 2011, 2020); Kuwait, Public Institution for Social Security (Annual Statistical Collection 2007, 2019).

Figure 25. Distribution of total old-age pension money between men and women in select Arab countries (Earliest and latest years available)



Sources: Tunisia, Caisse Nationale de Sécurité Sociale (Statistical Guide 2010, 2017); Jordan, (Social Security Corporation, Annual Report 2009, 2019); Morocco, Caisse Nationale de Sécurité Sociale (Rapport Annuel 2010, 2019); Bahrain, Social Insurance Organization, (Statistical Report 2011, 2020); Kuwait, Public Institution for Social Security (Annual Statistical Collection 2007, 2019).

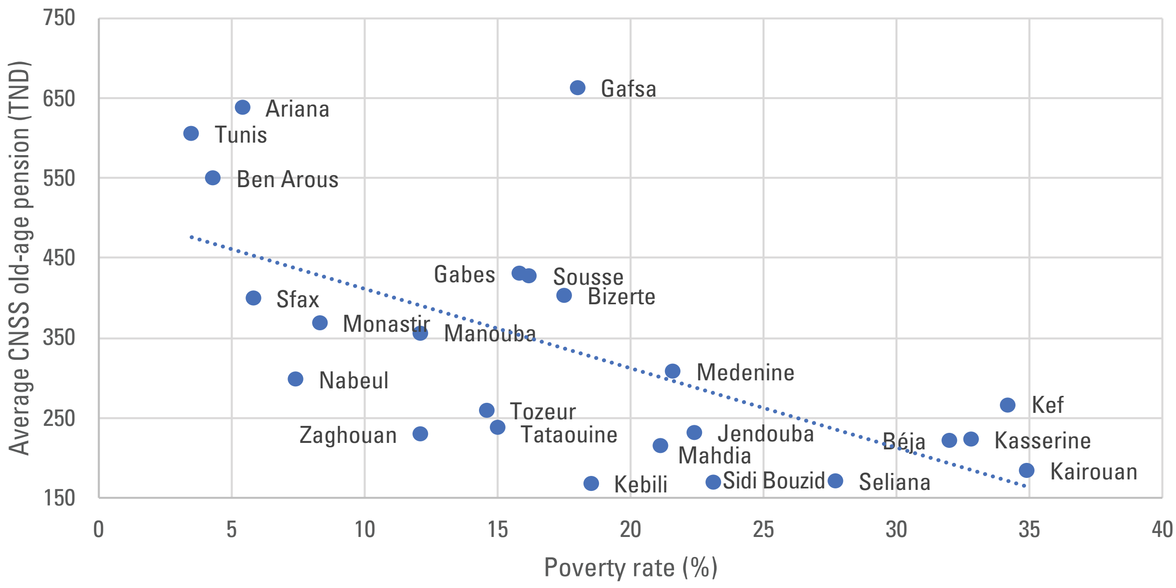
It is noticeable that the share of total pension disbursement going to women has increased even in the countries where the average female pension decreased relative to the average male one (Tunisia and Bahrain). This came about since the proportion of female old-age pensioners increased faster than the proportion of total pension money allocated to them (unlike in Jordan and Kuwait, where the opposite occurred).

As mentioned above, many older women in the Arab region, especially widows, receive survivor pensions. There are however considerably smaller than old age pensions. For instance, in Tunisia survivor pensions distributed to older persons amount on average to less than half the value of old-age pensions. In Bahrain, they amount to around a third.

The amount of old-age pensions often differs from one area to another within a country. A good example of this is Tunisia, where average old-age pensions range from around 170TND in the poorest governorates to above 600TND in the richest ones (figure 26). A notable exception to this pattern is the governorate of Gafsa, which despite a poverty level of 18 per cent – above the national average of 15.2 per cent – has the highest average level of CNSS pensions – 663 TDN.

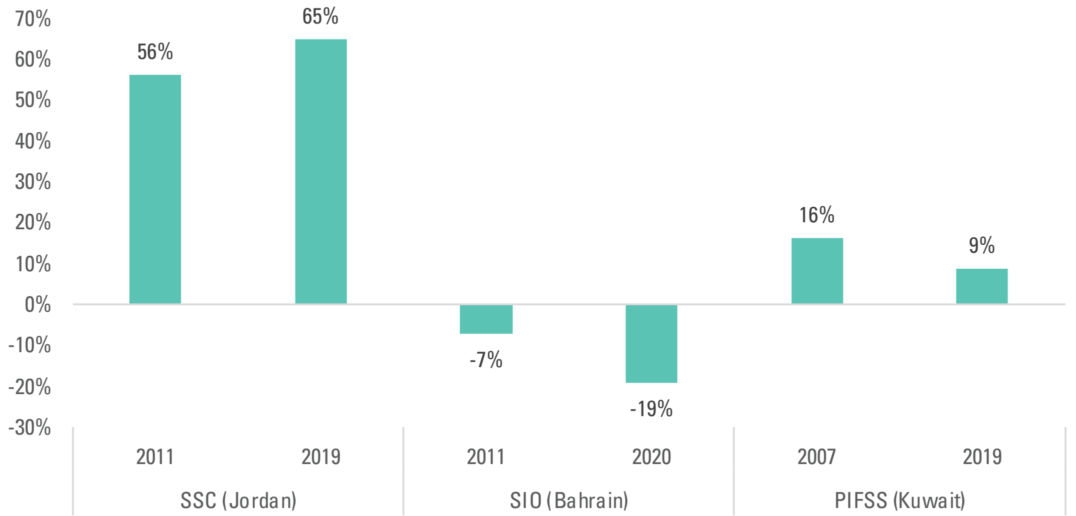
There is furthermore a certain difference in the level of old-age pensions depending on whether the retirees have worked in the public or private sector (in the case of social insurance schemes covering both groups). As with gender though, the regional pattern is uneven (figure 27). In Jordan as of 2020, private sector pensioners on average received 65 per cent more than public sector pensioners, having increased from 56 per cent in 2011. In Kuwait, retirees from the private sector receive on average 9 per cent more than their counterparts from the public sector. Unlike in Jordan, however, this gap is closing, having decreased from 16 per cent in 2007. In Bahrain the picture is reversed: average private sector pensions were in 2020 19 per cent lower than average public sector pensions. The discrepancy has widened since 2011, when it was merely 7 per cent.

Figure 26. Tunisia: Governorates by average CNSS old-age pension (2017) and poverty rate (2015)



Source: Caisse Nationale de Sécurité Sociale (Tunisia), n.d.

Figure 27. Average private sector pension percentage higher/lower than average public sector pension, in selected Arab countries (Earliest and latest years available)



Sources: Jordan, Social Security Corporation (Annual Report 2011, 2019); Bahrain, Social Insurance Organization (Statistical Report 2011, 2021); Kuwait, Public Institution for Social Security, (2007, 2019).

In Tunisia, private sector workers are categorized into a number of schemes depending on their type and domain of employment. While old-age pensioners covered by the schemes for salaried non-agricultural private sector employees as of 2017 received on average 462TND ($581 at PPP) per month, those covered by the one for self-employed agricultural workers received on average less than a third-147 TND ($186 at PPP).

2. The adequacy of non-contributory cash transfers range across the region but for the most part falls behind

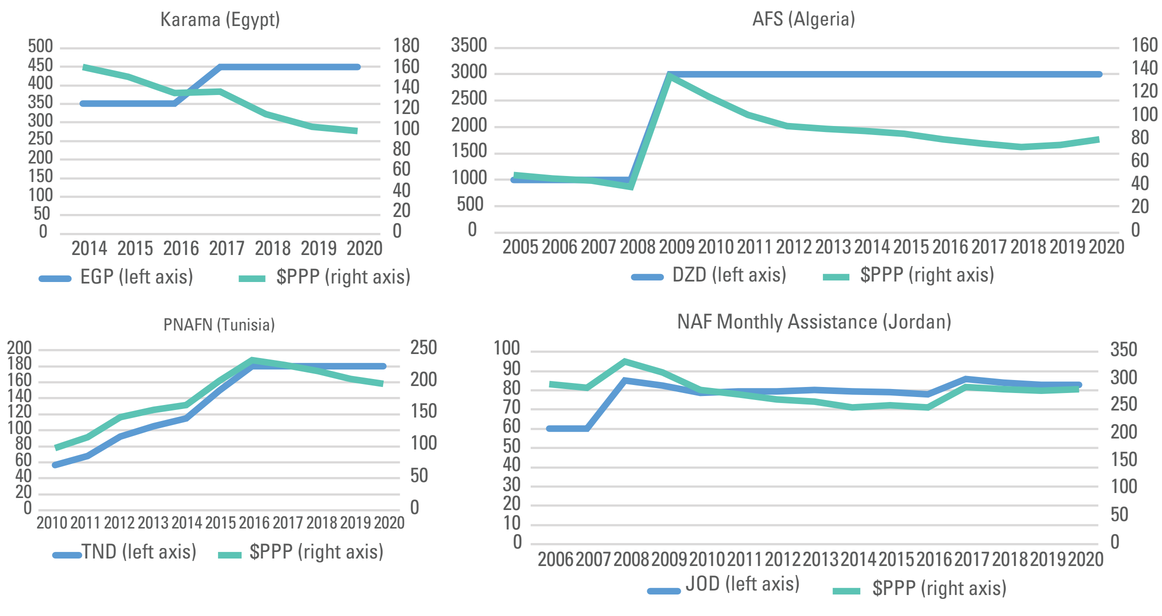
With regard to the adequacy of non-contributory cash transfer programmes targeting older persons, the picture is also somewhat mixed (figure 28). In Egypt, Karama benefits were set to 350 EGP at the launch of Takaful and Karama in 2015. At that time this corresponded to $162, though strong inflation during the following years caused the real value to fall considerably. In 2017, the level of benefits was raised to 450 EGP, though this hardly sufficed to compensate for the rapid price increases that year, and the real value had fallen to $100 by 2020.

In Algeria, the level of AFS cash transfers was raised in 2009 from 1000 DZD to 3000 DZD, a real increase from 40 to $135 at PPP. Since then, however, the benefit has not been adjusted to compensate for inflation, and by 2020 it corresponded to merely $81. Notably, Law 10-12 Relating to the Protection of Older Persons, adopted in 2010, stipulates that vulnerable older persons are entitled to a monetary benefit equal to at least two thirds of the minimum wage.[50] However, the AFS benefit has never come close to this level: having reached 25 per cent of the minimum wage in 2009, it has since fallen back to around 15 per cent.[51]

In Tunisia, the value of the PNAFN transfer gradually increased from 57TND in 2010 to 180TND in 2016. This more than compensated for inflation during this period, meaning that the real value more than doubled, from $97 to $235. Since then, however, the level of the transfers has remained unchanged, and by 2020 the real value had fallen to $198.

The level of assistance provided through the NAF monthly cash transfers differs depending on the needs of the household. Having risen from 60 JOD in 2007 to 85 JOD in 2008, the average monthly benefit has since remained relatively constant. The real value gradually declined from $333 in 2008 to $249 in 2016 but by 2020 had increased again to $282.

Figure 28. Average monthly value of social assistance benefits (local currency and $PPP), in selected Arab countries (available years)



Sources: Egypt: Ahmed, 2018. Algeria: El Watan, 2009. Tunisia: ESCWA, 2019b. Jordan: Data available on the NAF website [http://www.naf.gov.jo].

Note that while these numbers provide an approximate idea of how the benefit levels have changed over time, they cannot be used as easily to compare the generosity of cash transfers across programmes and countries. One reason for this is that they are in many cases provided to households rather than to individuals, and that the average size of beneficiary households may differ considerably.[52] Another reason is that certain programmes – such the PNAFN in Tunisia – do not only provide cash transfers, but also other benefits in the form of, for example, subsidized health coverage. Focusing on the cash transfer alone could thus underestimate the overall scope of the programme.

D. Health coverage

Health coverage can be provided either on a contributory or non-contributory basis. The groups covered by contributory health insurance tend largely speaking to be the same as those covered by contributory pension schemes – in other words, formal workers and their households. This means that in those countries where a relatively large proportion of older persons receive a pension from the social insurance system, a similarly large proportion are covered by contributory health insurance.

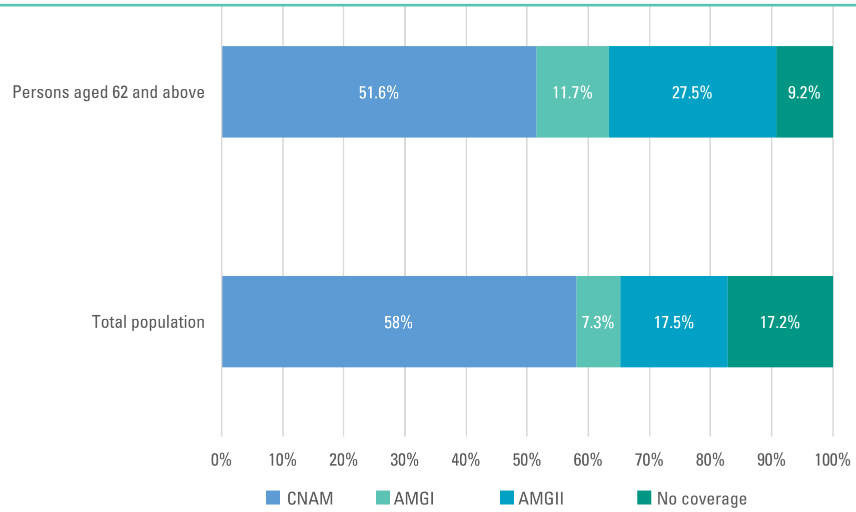
Non-contributory health coverage can take various forms. While some countries allow certain groups to be covered by the regular health insurance scheme on a partly or fully subsidized basis (meaning in effect that the contributions are not paid by the individuals or households themselves but by a third party), others have set up specific non-contributory schemes or provide health services free of charge to all citizens or residents.

1. The majority of older persons in some Arab countries remain without health coverage

Tunisia, for instance, have a contributory health insurance regime, CNAM, covering both the public and private sectors. There is a non-contributory health coverage regime called Assistance Médicale Gratuite I (AMGI), which provides free health coverage to the households covered by the cash transfer programme PNAFN. In addition, AMGII provides subsidized health coverage to households deemed vulnerable but not sufficiently poor to qualify for the PNAFN.[53]

In 2016, it was estimated that while 58 per cent of the total population in Tunisia were covered by CNAM, merely 51.6 per cent of persons aged 62 or above were (figure 29). However, fully 39.2 per cent of older persons were covered by AMGI or AMGII, whereas the corresponding number for the total population was 22.8 per cent. Consequently, the coverage gap was substantially lower among older persons (9.2 per cent) than among the overall population (17.2 per cent).

Figure 29. Tunisia: Estimated health coverage for total population and persons aged 62 or above (2016)



Source: Centre de Recherches et d'Etudes Sociales, 2019.

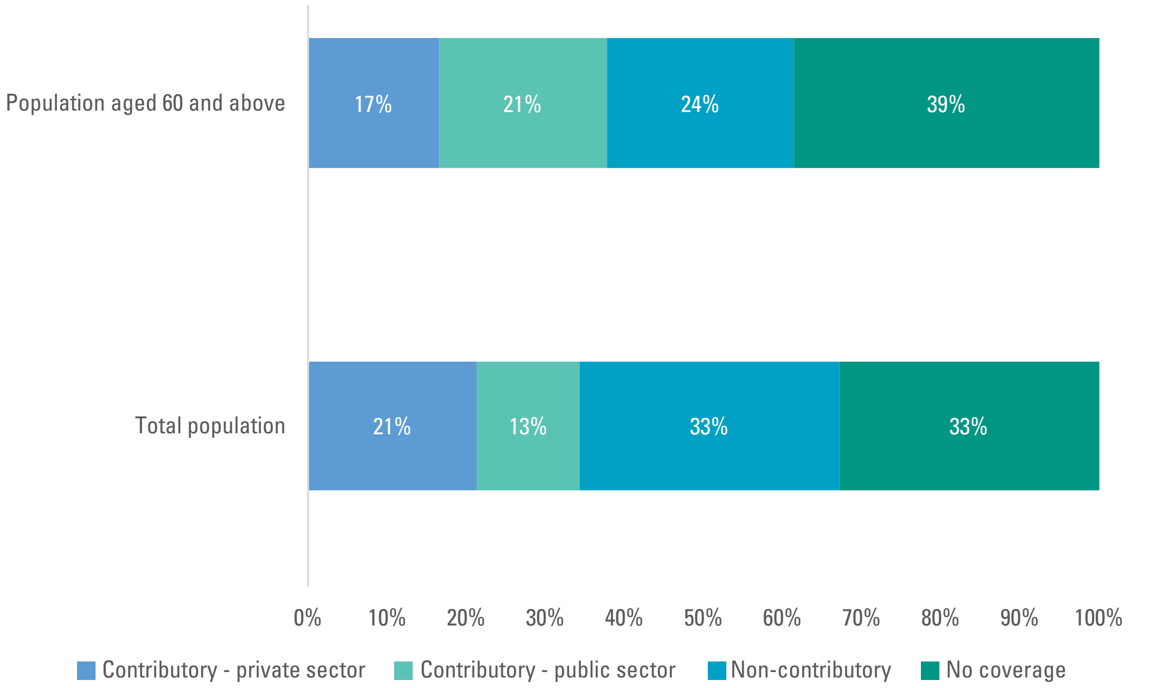
Figure 30 shows that the estimated health coverage through the contributory system in Morocco is higher among persons aged 60 and above (38 per cent) than among the overall population (34 per cent). Meanwhile, coverage of the non-contributory health insurance scheme Ramed is substantially lower among older persons (24 per cent) than among the overall population (33 per cent) than among the overall population.

A closer look reveals that fully 21 per cent of older persons are covered by one of the contributory public sector regimes, whereas the corresponding number for the total population is merely 13 per cent. A possible explanation for this is that employment in the public sector was easier to access in the past, i.e. when those who are now old were economically active. Coverage through the contributory private sector scheme regime, on the contrary, is higher among the overall population (21 per cent) than among those aged 60 and above (17 per cent). This is probably due to the recent increase of social insurance coverage among private sector workers described above.

In Egypt as of 2018, fully 70 per cent of the population aged 65 and above were not covered by health insurance (figure 31). Of the remaining 30 per cent, the overwhelming majority (26 per cent) were covered by the public Health Insurance Organization (HIO). While the pattern was largely similar for the 50-64 age range, the insurance gap was considerably wider for younger persons of working age: 78 per cent for those aged 30-49, and fully 90 per cent for those aged 25-29. The reason for this is probably in largely part that employment opportunities in the public sector dwindled in the 1990s and afterwards and were only to a small extent replaced by employment opportunities in the formal private sector.[54]

Certain countries have taken specific measures to ensure health coverage for older persons. Jordan, for instance, has extended subsidized health insurance coverage for all citizens aged 60 and above.[55] Algeria, similarly, has legislated that all persons aged 60 and above should have free access to publicly provided health care.[56]

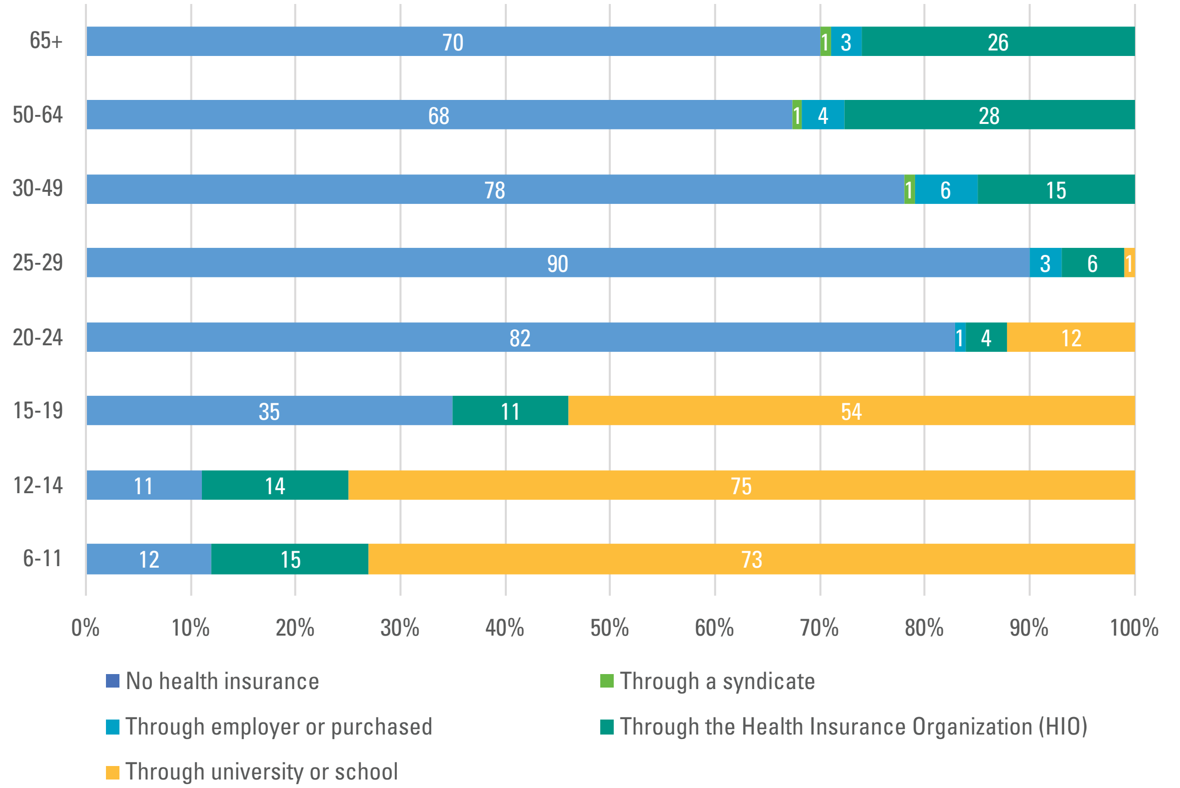
Figure 30. Morocco: Approximate health coverage for total population and persons aged 60 or above (2018)



Sources: Estimated on the basis of L'Agence Nationale de l'Assurance Maladie, n.d.; Caisse Nationale de Sécurité Sociale (Morocco), n.d.; Moustatraf, 2019.

Note: Due to incomplete administrative data for certain Moroccan health insurance regimes, these estimates should be seen as approximate.

Figure 31. Egypt: Health insurance coverage by age span (2018)



Source: Selwaness and Ehab, 2019.

2. Legal health coverage does not always translate to effective health coverage

However, it is critical to bear in mind that legal health coverage does not always translate into effective coverage. In other words, even when older persons are covered by health insurance or when they are entitled to benefit free of charge from publicly provided services, they may not in practice be able to access the health care they need when they need it without incurring financial hardship.

For instance, the care packages provided through health insurance schemes may not include the types of services that older persons need. Sometimes health insurance schemes require the covered population to pay high user fees (co-payments). In certain cases, the quality of services may be of such low quality that the covered population resorts to other alternatives. Accessibility may in practice be restricted by prohibitive geographical distances to health clinics and hospitals – especially in rural areas – or by long waiting times.

Findings from a number of Arab countries suggest that households that include older persons face a higher degree of catastrophic health expenditures.[57] While this can result from a lack of legal health coverage among older persons, there is much to indicate that shortcomings in terms of adequacy and accessibility play a large role as well. In Egypt, as noted above, a comparatively high proportion of older persons are covered by health insurance through the HIO. However, it has been found that an overwhelming majority of covered households in rural areas purchase privately provided care, and that households including an insured older person are no less exposed to catastrophic health expenditures than households including an uninsured older person.[58]

E. Costing expanding social protection to include larger proportions of older persons

While there is widespread agreement on the importance of extending social protection to all older persons, it is more challenging to say how this should be done. A key question concerns whether coverage ought to be achieved by means of contributory or non-contributory mechanisms, or by some combination of the two. In all cases, it ought to be remembered that attaining higher coverage rates is meaningful only in so far as benefits and services are at an adequate level. Therefore, ensuring the political as well as financial sustainability of social protection is essential.

As shown above, the number of persons receiving old-age pensions has increased considerably over the last two decades. While this could to an extent be attributed to the growing number of older persons in the overall population, it is also in large part a result of past endeavours to increase social insurance coverage among private sector workers. The COVID-19 crisis has given new impetus to such efforts by clearly exposing the vulnerability of excluded older persons.

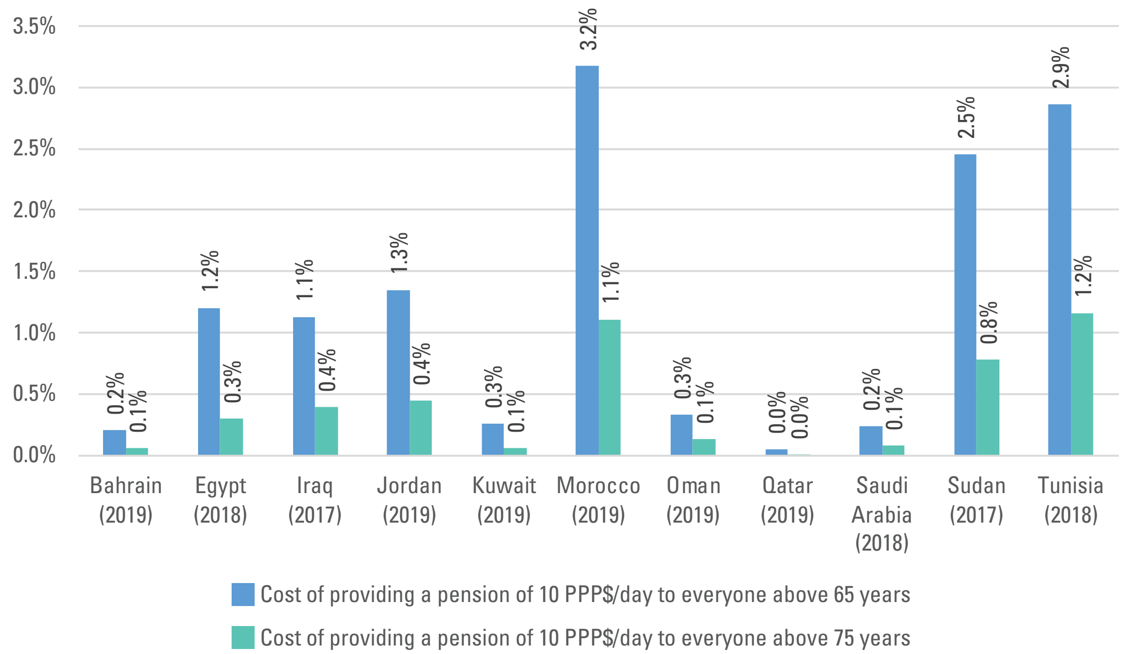
In the Arab region, Tunisia is a good example of a country having extended both legal and effective coverage. This has in large part been achieved through the creation of new schemes for specific professional groups. A scheme for agricultural employees was set up in 1981, two schemes for self-employed workers in the agricultural and non-agricultural sectors in 1982,[59] an "enhanced" scheme for agricultural employees as well as one for Tunisian workers abroad in 1989, one for low-income workers and one for artists, creators and intellectuals in 2002. A bit more than a quarter of CNSS old-age pensioners are covered by one of the newer schemes, while the remaining three quarters are covered by the original schemes for private sector employees set up in 1961.[60]

In Morocco, effective coverage among private sector employees has increased rapidly during the last 15 years due to a combination of factors including the establishment of a mandatory health insurance regime, workplace inspections and technological innovations facilitating registration and contribution payments.[61] More recently, the country has also set up a social insurance regime (comprising health insurance in addition to old-age and survivor benefits) for self-employed workers, thereby extending legal coverage to this group. Efforts to extend social insurance to self-employed workers and other previously uncovered groups have also been made or are ongoing in e.g. Oman, Egypt and Jordan.[62]

It is important to bear in mind that social insurance coverage extension has a dual objective. On the one hand, it ensures future social protection coverage of older persons, since workers contributing to a social insurance scheme will be eligible for a pension upon retirement. At the same time, it is essential to ensure the financial sustainability of the social insurance system, especially in a time of population ageing. In the Arab region, continuing to increase the proportion of women engaged in formal employment could thus serve the double purpose of enhancing social coverage within this group and sustaining the social insurance system. However, enabling a larger number of women to take up paid employment would in many contexts require that they be relieved of domestic burdens. Thus, it is contingent upon the provision of complementary social policies, including long-term care (LTC) services as further discussed in the next chapter.

As for the expansion of non-contributory social protection, a key policy option would be to introduce a social pension – in other words, an unconditional non-contributory cash benefit categorically targeted at older persons. Figure 32 shows how much this would cost, as a percentage of GDP,[63] if the transfer amounted to PPP $10 per day and was provided either to everyone aged 65 years and above or 75 years and above. Naturally, this cost is positively correlated with the proportion of older persons in the overall population. It is furthermore negatively correlated with GDP per capita. The cost would thus be highest in Morocco, the Sudan and Tunisia, where it would be 3.2 per cent, 2.9 per cent and 2.5 per cent of GDP, respectively, with an eligibility threshold set to 65 years. If the threshold was set to 75 years, the cost would be highest in Tunisia, at 1.2 per cent of GDP, followed by Morocco, at 1.1. per cent of GDP, and by the Sudan, at 0.8 per cent of GDP.

Figure 32. Cost of providing a social pension of $10/day at PPP to older persons above 65 and above 75 years as a percentage of GDP in selected Arab countries (Available years)



Source: ESCWA calculations based on DESA, 2019a.

In Jordan, Egypt and Iraq, the cost would be considerably lower: between 1.1 and 1.3 per cent of GDP with an eligibility threshold set to 65 years, and between 0.3 and 0.4 per cent of GDP with a threshold set to 75 years. Meanwhile, in the GCC countries the cost would not exceed 0.3 per cent of GDP with an eligibility threshold set to 65 years or 0.1 per cent of GDP with an eligibility threshold set to 75 years.

The direct overall cost could theoretically be reduced by targeting the provision to a selection of the older population rather than providing assistance on a universal to everyone within this group. For instance, eligibility could be restricted to all older persons living below the poverty line. However, this would inevitably entail a certain degree of inclusion and exclusion errors, since targeting methodologies are never perfect. Furthermore, poverty targeting is administratively costly and risks undermining political support among the politically influential middle classes.The results of this may be social division and limited pressure on Governments to ensure the adequacy of benefits.[64]

Another alternative could be to provide non-contributory cash transfers only to older persons who are not covered by contributory pension schemes (so called pension testing). In countries such as Tunisia this would manifoldly reduce the cost, but it would also entail some considerable drawbacks. As shown above, there is a high level of inequality among retirees: even if pension systems in the region are often described as "generous," many older persons covered by them receive very small sums of money. In Egypt, households covered by the social insurance systems are automatically deemed ineligible for the Takaful and Karama programme, a criterion that has been found to exclude a large number of very poor households.[65] Thus, treating all older persons covered by contributory social insurance as in group and categorically excluding them from non-contributory assistance hardly appears advisable.[66]

As regards health care, many countries have made considerable progress in extending legal coverage. The main challenge ahead may thus be ensuring that this translates into effective coverage – in other words, that health care services are in practice accessible and of adequate quality. This will doubtless require massive investments in human capital as well as infrastructure. Experience shows that the political will to make such investments are unlikely to materialise if the health care services are destined specifically for the poor. Therefore, whether the health care is provided on a contributory or non-contributory bases, Governments should work to ensure effective resource pooling and prevent the emergence of stratified health care systems.