

The universal social pension in Nepal

An assessment of its impact on older people in
Tanahun district



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Abstract

The primary objective of this study was to assess social and economic impact of the non-contributory pension in Nepal, commonly known as Old Age Allowance (OAA). Both qualitative and quantitative data were collected from one urban and two rural settings of Tanahun District. Despite being small in amount, the pension is recognised as an important part of older people's life and found to be highly valued. It has contributed to sustaining older people's lives through the purchase of medicine, food, and/or clothing. However, the socio-economic impact on beneficiaries was found to be different according to the situation of the older person. Rural dwellers valued the pension more highly than the urban dwellers. Older people living alone also valued the pension more than those living with others.

Introduction

Nepal introduced a non-contributory social pension scheme in 1995. This scheme is unique to Asia being the primary universal pension scheme in the region and a model for other developing countries. The provision of allowances¹ to older people aged 75 and above was introduced along with the allowances to poor widows aged 60 and above. In fiscal year 2008/09, the Nepal Government reduced the age threshold for older people from 75 years to 70 years. At the same time the Government also increased the pension to 500 Rupees per person per month. This expansion of the pension scheme has been taken as recognition by the State of the important role older people play in Nepali society. The pension is managed by the Ministry of Women, Children and Social Welfare, and distributed by the Ministry of Local Development at the village level. It was estimated that approximately 76 per cent of eligible older people received allowances in the year 2006/07². The scheme in 2006/07 represented 0.23 per cent of Nepal's GDP. The expenditure on the pension scheme will increase not only because of the change in age threshold, but also because of an increase in the number and percentage share of people surviving to old age (decline in mortality and fertility). Increased longevity and modernisation have affected the status of older people in Nepali society. On one hand, family obligations are well accepted so older people frequently live in their own homes with their children and/or grandchildren. On the other hand, migration from rural to urban and modern lifestyles has cleaved traditional family structures and roles.

Purpose of the assessment

Older people in Nepali society have always occupied a position of respect to the point of reverence. Respect for age is deeply embedded cultural value and possibly derives its strength from the ancient religious and secular texts. The Nepali proverb, *Aago tapnu mudako, kura sunnu budhako*, means "to receive heat from a burning log, and ideas from older people." It is an indication of the value Nepali society places on the knowledge and experience of older people and their contribution to the family, society and country. The social pension is another form of recognition for older people, but there is little understanding of the impact of the pension on older people. Is it valued by them? Does the pension have equal economic impact on all kinds of older people? Does it change the status of older people? Does it have any social impact? Who benefits the most from the pension? In order to answer these questions, a study was undertaken in one district of Nepal.

***Thanks the Government
for the respect to us***

***by way of the social
pension provision***

Methodology

Location

This study purposely selected Tanahun District as the area for assessing the impact of the social pension scheme. Tanahun District represents a middle point in terms of development of districts: the per capita income was slightly lower than national average and Human Development Index was slightly higher than national average. Out of 75 districts it ranks 33 in the per capita income (Gurung, 2005). Both urban and rural settings of the district were chosen for the study. Since there was only one urban centre as per the standard definition³ in Nepal, Byas Municipality was chosen. Two Village Development Committees (VDCs), namely Basantapur and Tanausur, were chosen randomly. The VDC was chosen as the area of study, rather than the village, because the VDC maintains records of older people and is the point of distribution of the pension.

Sources of information

Selected beneficiaries, non-beneficiaries and key informants were the sources of information. Beneficiaries refers to older people aged 75 and older and pension recipients; whereas, non-beneficiaries

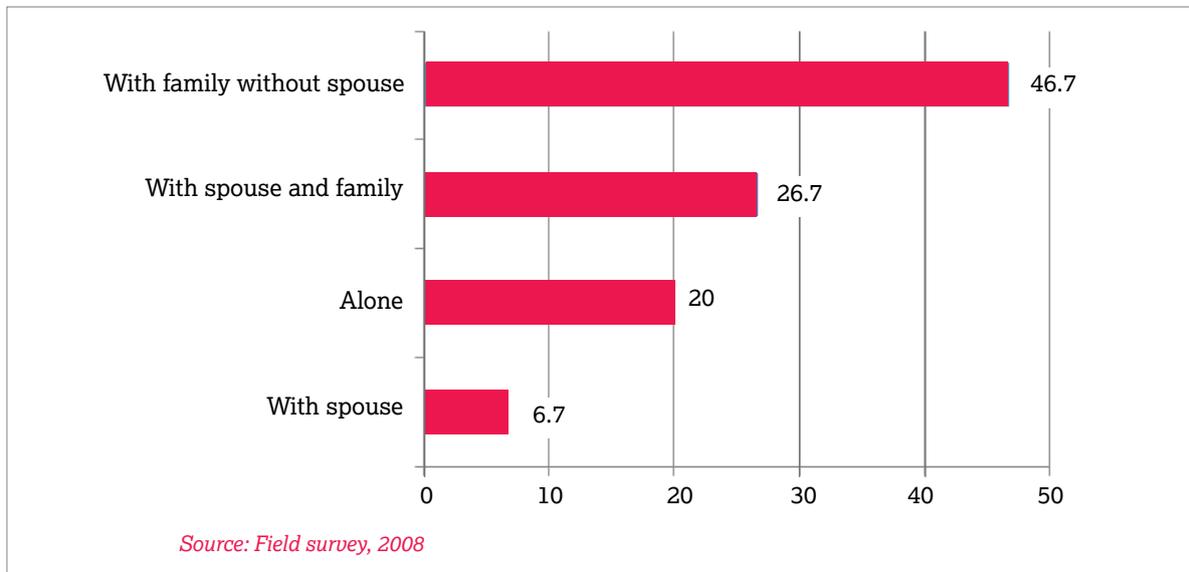
were older people from 60 to 74 years of age⁴. Similarly, key informants were defined as the local village leaders, health post in-charge, local school teachers and the VDC Secretary. The study was designed to collect both qualitative and quantitative data for the research, but primarily qualitative data.

Study instruments and process

Three different sets of questionnaires were developed, containing open-ended questions. A checklist was also prepared for the focus group discussions. The questionnaires were translated into Nepali, and following a pretest of the questionnaires, the questionnaires were revised and finalised. Field researchers were trained and supervised by the team coordinator. Qualitative and quantitative information was gathered through the questionnaire for beneficiaries, and additional qualitative information gathered from the questionnaires to non-beneficiaries and key informants, as well as from the focus group discussions. Case studies were also collected in both the urban and rural areas. The analysis was undertaken together by the field researchers and the team coordinator. A computer software programme, SPSS, was utilised to tabulate the quantitative data. The geographical area and sample size was intentionally small, and thus the results of the study can not be statistically representational for the country.



Figure 1: Living arrangements of beneficiaries



Findings

Living arrangements

Most of the older people beneficiaries (80 per cent) were found living with their family members, particularly with their own children. Combined family living arrangements was found to be the dominant arrangement for older people. This is also a reflection that socio-economic impact of the OAA not only affects the life of older people, but also the family and the broader community. With the exception of older people living alone, none of the older people were considered to be the head of the family. The average family size was found to be 4.6 persons.

The non-beneficiaries living arrangements were slightly different, likely reflecting the greater independence and fewer mortalities among this

younger group. There were fewer living with family without spouse (22.2 per cent), and a larger share living with the spouse and family (55.6 per cent), and larger share living with just a spouse (11.1 per cent). Only 11.1 per cent were living alone.

Economic impact

Virtually all older people were knowledgeable of the Old Age Allowance scheme. The majority of the beneficiaries (12 out of 15 beneficiaries), indicated that they utilised the money based on their own decision-making. The others indicated that they pooled their money with the household income. Most of the pension was used for personal supplies, such as clothing, toiletries, market shopping (bread, tea and fruit), tobacco, and donations. The beneficiaries indicated they used a large portion of the pension toward healthcare and buying medicine due to personal health needs. The expense on personal health

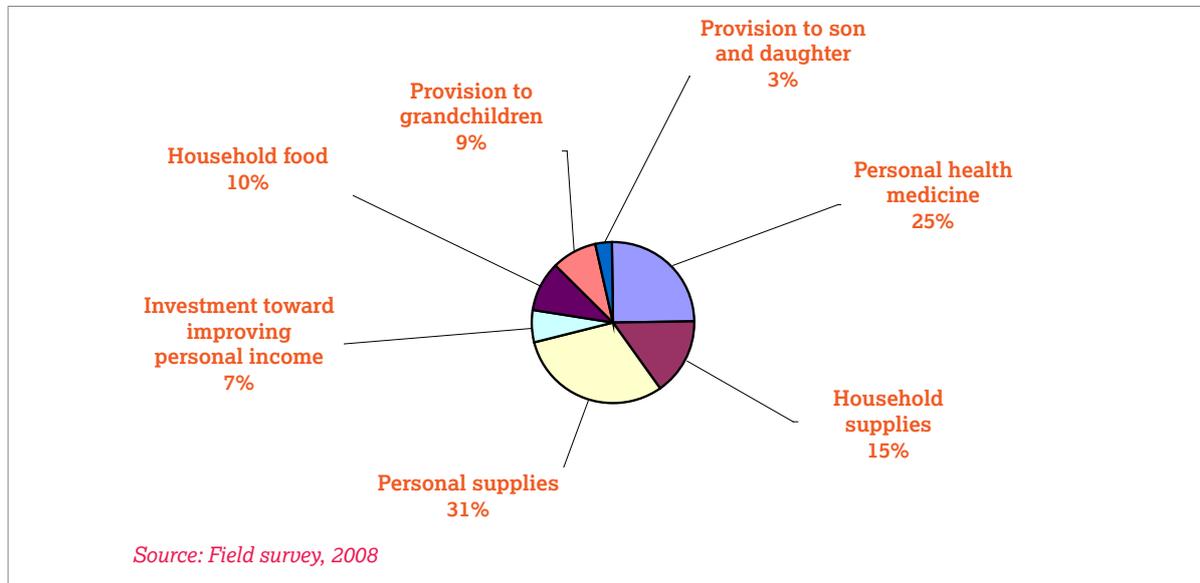
Box 1: Who is the beneficiary?

Putali Mall, 80 years old of Palyang Khola, Tanahun, lost her husband 10 years ago. She now lives with her son and does not know much about the Old Age Allowance. She put her finger print on the card every four months but she did not know how much money she was entitled to receive. She had the desire to handle the money; however, she says she never received any money. According to the VDC Secretary, her son was allowed to receive the money on her behalf.



needs is expected given the frequent illness and age-related disease among this population group. Older people respondents indicated that they suffered from multiple diseases, such as respiratory problems, rheumatism, diabetes, and heart disease. They believed that if they did not use the pension money on their health needs, then the family would have to contribute. In using the money in this way, they felt they were assisting in reducing the burden on the family expenses and contributing toward family savings. There was a smaller portion of the pension allocated to investment activities for income generation (7 per cent). These respondents typically used the money toward purchasing a goat. Similarly, the allocation of the pension for children (3 per cent) and grandchildren (9 per cent) was minimal.

Figure 2: Pension spending patterns among beneficiaries



Expenses on household supplies (15 per cent) were typically for paying the land tax and on buying kerosene and soap. For expenditure on household food items (10 per cent), the money was used to purchase salt, oil (mustard, soybean), meat and spices. None of the beneficiaries indicated that they used the pension to purchase cereals for the household.

An important aspect for older people was that they did not have to request money from the family members after receiving OAA. They were able to purchase small items (tobacco or biscuits) whenever they preferred to smoke or eat, or to donate money as they desired⁵. The pension was rarely used to make improvements to the living quarters, such as building toilets near the house or renovating the house to make it age-friendly. Overall, the expense patterns show a nearly equal allocation on personal needs (56 per cent) and family needs (44 per cent). The family therefore often directly benefits from the OAA both from reduced expenditures on personal needs of older people, and from the pension contributions to household food and supplies.

All respondents including the key informants believed that there was positive economic impact for older people and the family they lived with as well. Local shops often allowed purchases of goods on credit based on the future distribution of the pension. However, bedridden older people living with other family members, were unable to use the pension according to their personal desires. This reflects that there are varying economic and social impacts, depending on the health and living situation of older people beneficiaries.

With the exception of two, all the respondents indicated that agriculture was their major occupation during their adult life.

Since their economic activity was informal, they could not express the percentage increase to their previous incomes as a result of the pension. They all noted, however, that they had no opportunity to participate in Nepali Civil Service pension. The importance of the OAA to older people was expressed during the focus group discussions: *Khancho tareko chha athawa garjho tardo rahecha*, which means “the scarcity of money has been solved;” and, *Jaso taso hatmukh jorna pugeko chha*, which means “we have managed to solve the hand-to-mouth problem in our lives.”

The local key informants explained older people’s poverty as significant among older people who are living alone; they are typically detached from family love and care and without any economic resources and therefore the most vulnerable. They believed these older people benefited the most from the OAA, although it was also helpful to other older people living with poor families as well. Older people beneficiaries living alone also expressed that they valued the support from the pension more than beneficiaries living with other family members.

All of the older people who will become eligible for the pension were eager to apply, and all of them were aware of the application process⁶. They anticipated using the pension money to purchase clothes, cigarettes and medicine. The main intent for using

Box 2: Sense of respect

Dirgha Bahadur Thapa Magar, 101 years old, has been continuously receiving the Old Age Allowance since its inception from the Byas Municipality. Mr Magar also receives a military pension (Rs 12,000) from the British Government for his military service to Britain during Second World War. Living with his spouse, Mr Magar was pleased to receive the Old Age Allowance and considers it to be recognition by the State for older people's contribution to the country. The amount does not bring any significant change in his lifestyle; however, he thanked the Government for the respect accorded to him by way of the social pension.



the pension appeared to be to satisfy personal needs, which would provide them the satisfaction of greater independence and social interaction. They perceived they would have greater independence in their spending decisions, and greater social interaction in going to the market and meeting people.

However, the prospective beneficiaries did not anticipate any significant economic change, such as an increase in land holdings, as a result of receiving the pension. They also observed that OAA has been mostly used by current beneficiaries to purchase medicine, which they also considered an important use of the pension. Moreover, the five out of nine prospective beneficiaries who reported being economically active expected to invest the OAA in their income-generating activities so that they could place themselves in a better position. Three of the prospective beneficiaries also expressed their desire to make a *Pati*, or a public sitting place for social interaction. This type of planning reflects the popularity of the pension, as well as its socio-economic usefulness to older people.

Social Impact

Older people beneficiaries indicated that receiving the pension has changed the behavior of family members towards them. Nine out of fifteen expressed this perception. They believed that the pension contributed toward improving relationships with other family members. Older people beneficiaries said they had not noticed any change in the way the community treated them; although, they did state that the local shopkeepers have now provided them with credit for purchases. This was not perceived as a change in their status in the community, but a practice that

contributed to convenience in their purchases. Six out of 15 beneficiaries noticed that their desire to participate in religious events has increased. All of them believed community treatment to them was respectful before, and no noticeable change had occurred after receiving the pension.

The beneficiaries in the focus group discussions agreed that the pension had contributed to increased interactions with their children. They felt that their children tended to draw closer to them and interact with them more. The older people in the urban area, however, perceived that there was no change in the interactions with their children, and that generally they felt the children were not paying much attention to their needs. Therefore, it would appear that the pension has contributed to improving relations more in rural households than urban households; this may be due to several factors, such as greater independence of older people in urban areas, greater income security of older people in urban areas, and children and their spouses who are have less time to devote to their parents in urban areas.

The satisfaction expressed by the older people from receiving the pension was great. They felt proud to be able to give money to the priest during religious ceremonies because it was a direct contribution from them. They also expressed that they were more mobile and active, particularly in attending religious events and going to the marketplace; this was true for both urban beneficiaries and rural beneficiaries. All the older people who took part in the focus group discussions have perceived that their social interactions had increased as a result of receiving the OAA.

Perception of the Old Age Allowance

The overall impression of older people concerning the OAA was found to be positive. All the key informants at the local level expressed admiration of the scheme in contributing to the well-being of older people; however, they said amount of the distribution was not sufficient for meeting the needs of many older people. There was mixed opinions among key informants on the type of scheme that should be offered to older people. Some were satisfied with the current OAA targeting of all older people over an age threshold. Some, however, expressed the need for the OAA to be selective in targeting by eliminating older people who receive a civil service or military pension. It should be noted that respondents receiving a civil service or military pension were also desirous of receiving the OAA, even though the OAA distribution represented about two percent of their civil service or military pension⁷. In addition, there were several key informants who pinned that OAA should not be given to anyone who is “not poor”.

At the national level, however, there was full support of the existing scheme. The Undersecretary of the Ministry of Women, Children and Social Welfare, Dr Upendra Adhikari, said that this OAA should remain universal. He believed that targeting older people based on their poverty level would exclude many needy older people and would create more chances of bureaucratic mishandling. According to Dr Adhikari, despite political reasons behind its inception and expansion, the OAA scheme has contributed a great deal to providing social protection and income security for older people in Nepal.

It was apparent that Dr Adhikari’s statement was true for the majority of the respondents in the survey. For these respondents, the pension was their means for economic survival. An 83-year-old beneficiary said, *Banchne aash jagyo*, which means “the desire to live has increased as a result of the pension.” This perception was also supported by older people in the focus groups discussions conducted in Basantapur and Tanahusur. When asked about the economic impact, the respondents stated, *Khancho tareko chha athawa garjho tardo rahecha*, meaning the “scarcity of money has been solved through the pension.” The pension was also seen as providing security in times of emergencies. Should there be an unexpected health problems or family crisis, then the OAA was a way to contribute to the emergency.

Conclusion

The OAA has received considerable attention in Nepal as a State-sponsored measure that contributes to the recognition of older people in the society.

Beneficiaries and prospective beneficiaries both were familiar with the pension. Despite being small in amount, it is perceived as an important income support for older people, contributing to their well-being and income security in later life. The distribution has enabled older people to have a sense of security in meeting their daily needs. Older people have utilised the pension for different purposes. A significant portion, according to the beneficiaries, is used to purchase personal supplies and meet healthcare needs.

Box 3: Ultimate support



Ramnath Khanal, 82 years old, has married five women; three of them are still alive. Nevertheless, he lives alone because his wives prefer it that way and because all of his sons live separately with their families. The Old Age Allowance has been very supportive to him, enabling him to purchase vegetables, salt and oil. He also used the allowance to buy medicine. He has heard the allowance has been increased but not received it as yet and was desperate to get it. He commented, *Chhora ko Kamai Buhari ko hatma, Rajya ko Bhatta budha budhi ko hatma*, which means “the income of sons is in the hands of daughter-in-laws, and the allowance given by the State is in the hands of older people.”

Better nutrition and access to health services and medicine is likely to contribute to greater longevity among older people. Almost half of the pension was also reported to be used for household needs, revealing a broader impact beyond older people themselves. There was a frequent complaint on the regularity of the distribution, with older people expressing a desire to receive the pension on a monthly basis.

Despite the small sample size of respondents in the study, it was apparent that the older people's situation varied considerably, not only between the urban and rural areas but also within the VDC itself. Older people living alone were the most vulnerable, according to key informants, and those living alone expressed a greater impact from receiving the pension than those living with other family members or their spouse. All of the respondents expressed other social benefits from the pension, most of whom indicated

greater interaction with family members and greater participation in social activities.

While some key informants were somewhat critical of the universal approach, all of the older people beneficiaries were highly supportive of the distribution, regardless of their income level. This inclusion of all older people may not be equitable if the pension is viewed solely as social welfare; however, as noted by the respondents themselves, the pension serves not only as social welfare for the most vulnerable but also as recognition of the importance of older people in Nepali society and their inclusion in family and community life.

References

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Footnotes

- 1 The non-contributory social pension in Nepal is commonly known as the Old Age Allowance (OAA) and throughout this report these two terms are used interchangeably.
- 2 Ministry of Local Development, 2007.
- 3 Municipalities, metropolitan city, and sub-metropolitan cities are defined in Nepal as urban centres and villages are defined as rural areas.
- 4 These ages are aligned with the beneficiaries and non-beneficiaries of FY 2007/08 as the new pension scheme has not yet been implemented.
- 5 Older people in Nepali society frequently donate money to a girl children and priests, particularly on religious occasions.
- 6 Older people indicated they had not received the pension since May 2008. Both beneficiaries and future eligible older people were aware that government has increased the OAA from 200 to 500 Rupees and the age threshold had been reduced to 70 years since August 2008.
- 7 Two respondents indicated that they receive between 8,000 to 12,000 Rupees a month for their civil service or military pension.

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