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Social Protection of the Elderly in Tanzania: Current Status and Future Possibilities

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United Nations demographic estimates forecast that the number of Tanzanians over 60 years of age will almost triple between 2020 and 2050. As a consequence, the Government is likely to face escalating pressure to design and implement effective social protection measures to minimise poverty and deprivation among the elderly.

This brief summarises the findings of a study on social protection of elderly in Tanzania. The study began by analysing the current status of living arrangements and material well-being of Tanzanians over 60 years of age, using data from the 2007 Household Budget Survey (HBS 2007) conducted by the National Bureau of Statistics and the Views of the People 2007 survey (VoP 2007) conducted by Research on Poverty Alleviation. It then assessed the affordability of a universal pension for all persons over age 60 or 65 years, set at the food poverty line. Finally, it explored the implications of introducing an old age pension on the socio-economic and political attitudes and behaviours of Tanzanians.

1.0 Introduction

Although the effects of the introduction of an old age pension on individual attitudes and behaviours are more difficult to estimate quantitatively than the direct distributional impact of pension income on household well-being, these effects may well be crucially important for economic development. Being able to look forward to a pension in old age might, for example, positively influence risk-taking behaviour, the time preferences of the young, fertility decisions and the rate of personal savings. Having dependable pension income as part of the overall income in an extended family household may also improve the capacity of households to afford school fees or to take greater calculated risks in cropping or business decisions, with positive impacts for long-term development. Moreover, if, via the old age pension, government is seen to provide clear benefits in which all citizens can expect to share, the political legitimacy of the state and the willingness of citizens to pay taxes may well be enhanced.

2.0 How adequate are current mechanisms of social protection for elderly Tanzanians?

2.1 Living arrangements and poverty rate

This study has indicated that living with their extended family is still the norm for three-fifths (60.3%) of the elderly. The study also shows that elderly poverty is less prevalent amongst one and two person households but more prevalent in households in which the elderly are responsible for the care of grandchildren.

However, when VoP 2007 asked: "Have there been times during the last year when you didn't have enough food to eat?" elderly respondents were much more likely to answer "Always/Often". VoP data shows that the relative frequency of hunger, by sex, residence and living arrangement compared to the base probability (14%) for the country as a whole. For example, elderly women outside Dar es Salaam are over two-thirds (1.72) more likely to "always/often" not having enough food to eat higher than the national average (i.e. a raw probability of almost one chance in four; 1.72*0.14 = 24.1%).

Remarkably, living within multi-generational extended families does not seem to protect older women outside Dar es Salaam. Whether the intra-family division of consumption is the result of a power dynamic in which women are disadvantaged and have less access to household earnings and consumption, or a set of social norms about caring for others in which women get less because they voluntarily 'eat last from the pot'[1], the result is often the same – less food for women.

The relative probability of "always/often" being hungry is about two-thirds higher than the national average (1.65) among older women outside Dar es Salaam who live with other adults aged 25 to 59 years, but is virtually the same as the national average (1.06) among elderly men living in the same type of extended family situation. Notably, when the elderly live with young adults aged 18 to 24 years, household members presumably share in the earning potential of the young adult members, while the elderly are also more likely to retain relative authority within the family – in particular, elderly women are likely to retain control over cooking. In this context, both male and female elderly have less chance than the national average of being "always/often" without enough food (0.84 and 0.77 respectively, and the male/female difference is not statistically significant).

Single status is a clear predictor of food insecurity. In most of Tanzania, food deprivation among the elderly also appears to be primarily a female phenomenon. Food security in Dar es Salaam appears to be starkly different from the rest of the country. Within Dar es Salaam, gender differences are small, and the overall probability of 'always/often' being without enough food is much higher among the elderly (both male and female) than among the non-elderly.

Although about three out of five Tanzanians over 60 years of age were living with other adults aged 25-59 years in 2007 (in almost all cases, with their children and extended family), declining birth rates, accelerating urbanisation and increased internal migration will place predictable pressure on the continuation of this traditional family model and the future welfare of elderly Tanzanians.

1 When several adult women share in household consumption (e.g., wife of household head plus aged mother or mother-in-law plus other younger relations) inequality among women must be considered, as well as male/female and adult/child inequality. Being the person who actually cooks and directly controls food may then be particularly important in determining food access.

2.2 What policy responses are desirable?

Most of the elderly in Tanzania live with younger people, so the benefits of an old age pension would in fact be fairly widely spread. If all persons over the age of 60 received a pension equal to the food poverty line (10,000 Tshs monthly) and if that income were shared equally with all members of the household that they live in, the rate of poverty in Mainland Tanzania (as measured by HBS) would change by 7.7 percentage points from 33.3% to 25.6%. The average poverty gap would fall from 9.9% to 6.8% and 'poverty intensity' (also known as the 'normalized poverty gap') would decline from 4.2% to 2.7%.

The poverty rate decline among the elderly (18 %) is over twice the 7.5 percentage point decline in the poverty rate of those under 18 years. However, about 50% of Tanzanians are under the age of 18 years while only 6.1% are over age 60, hence, the absolute number of children moved out of poverty (approximately 1.5 million) is much larger than the number of seniors moved out of poverty (approximately 451,000). Because elderly Tanzanians typically live in the same household with children, both will benefit if old age pension income is shared within poor households. In total, the 7.7% of Mainland Tanzanians who would be moved out of poverty is equivalent to approximately 3.08 million people, of whom about half are under 18 and only about 15% are over 60.

2.3 Would a universal 'poverty line' old age pension be affordable?

The key determinants of the cost of a pension system are the average level of the pension that is paid and the fraction of the population who qualify for it. The percentage of GDP needed to pay pension benefits can be calculated using the simple formula as indicated in the box below:

The food poverty line (10,200 Tshs per month) was about 28.8% of per capita GDP in 2007. If the pension benefit were set at that level and if all people over 60 years of age receive maximum benefits, pension costs would be about 1.7 % of GDP in 2010. Continuing growth of 3% in real per capita GDP would bring that down to 1.3 % of GDP in 2020. If the pension were to start at age 65, the cost for pension spending with benefits set at the food poverty line would be much lower at 1.1 % of GDP in 2010.

Public pensions must be paid for – but how? Any number of tax changes could in principal be used to raise the revenue necessary to finance an old age pension – the net distributional and efficiency impact of an old age pension will be the distributional and efficiency impacts of pension spending plus the distributional and efficiency impacts of the increased taxation necessary to fund that spending.

One possible revenue source – excise taxes on gasoline and diesel motor fuels – can be seen as a form of "carbon tax", and the tax-induced impact on aggregate demand for these petroleum products can be seen as an environmental benefit. In addition, taxation of petroleum products is relatively easy to administer and difficult to evade. A tax surcharge on motor fuels which was specifically ear-marked to pay old age pension benefits would pair a highly visible tax cost with a highly visible and widely received expenditure benefit.

Alternatively, personal income tax rates could be adjusted upward; Tanzania's top marginal tax rate of 30% is relatively low by international standards. Or the Value Added Tax (VAT) could be raised from its current 18%, or some of the numerous exemptions to VAT could be closed. Or corporate income tax could be increased.

Pension expenditure as % of GDP = (Average individual pension benefits as % of GDP per capita) * (pensioners as % of population) * (1+ administration costs as % benefits)

3.0 If individuals could look forward to an old age pension, how might this affect individual behaviour, economic growth and development?

Developing countries that have instituted universal basic pensions for the elderly include Mauritius, Namibia, Botswana, Bolivia, Nepal and Antigua – but the South African experience has been thoroughly evaluated. Economic theory and available data indicate that old age pension has implications on: household structure; division of household resources and the well-being of household members; planning for a longer and more secure future; fertility; labour supply; household investment decisions; and perceptions of the role of the State and willingness to pay taxes.

4.0 Conclusion

Tanzanian society is likely to face escalating pressures to respond to the problem of poverty and deprivation among the elderly. The evidence from this study indicates that a universal old age pension, set at the food poverty line, would be a fiscally feasible pillar of social protection. It would have a significant impact on poverty. The pension's introduction would lift over three million Tanzanians out of poverty, half of whom would be children under 18 years. This analysis strongly suggests that Tanzania is now at an optimal juncture to design and implement a long-term, sustainable system of social protection for the elderly, before the aging issue becomes a crisis and when the size of the elderly population and the current financial cost of the reforms are relatively small.

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