

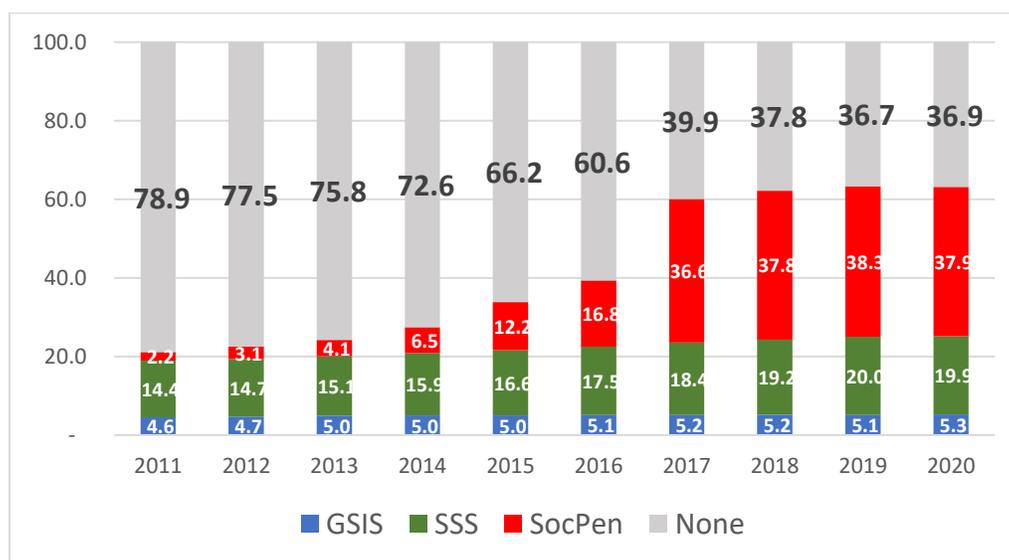
Comments on House Bills (2907 And 3812) Granting Old Age Pension to Retirees

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December 10, 2021

1. The pending House Bills that seek to double the current assistance of P500.00 per month to P1000.00 per month are timely, amid difficulties encountered by many poor and vulnerable segments of society (Albert et al 2021). According to data from the 2018 Family Income and Expenditure Survey, adjusted to 2020 prices, suggests that the current SocPen cash stipend of PhP 500.00 is just less than a tenth (7.5%) of the average expenditures on food and health of the bottom half of per capita income distribution, as of 2020. Seniors interviewed for a process evaluation of the Social Pension for Indigent Senior Citizens (SPISC) program, also known as SocPen, are grateful for the program, but hope that assistance can be tripled especially as the P500.00 pension has not increased since program inception in 2011.
2. The SocPen, established in 2011 by virtue of Republic Act (RA) 9994, has considerably increased the reach of old-age pension in the country. Together with the Social Security System (SSS) and the Government Service Insurance System (GSIS), the SocPen has provided old-age pensions to 21.1% of seniors in 2011. This rate has increased to 39.4% in 2016 and further to 63.1% in 2020 (Figure 1).

Figure 1. Share of senior citizens in the Philippines by old age pension: 2011-2020



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Note: Authors' estimates based on data from the SSS, GSIS, and DSWD SocPen (all of which were provided by the institutions in personal communications with the PIDS Research Team), and Population projections of the PSA based on the 2010 Census of Population and Housing at https://psa.gov.ph/sites/default/files/attachments/hsd/pressrelease/Table4_9.pdf).

3. The Expanded Senior Citizens Act of 2010 mandated that the government provide cash assistance of Php500.00 to every "indigent senior citizen". The term indigents is typically equated with poverty. Thus, from 2011 to until 2013, the SocPen targeted program beneficiaries using data on senior citizens from poor households identified in *Listahanan*, also referred to as the National Household Targeting System for Poverty Reduction (NHTS-PR). Since the *Listahanan* has imperfections in poverty targeting and the database can get easily outdated given poverty dynamics (i.e., movements in and out of poverty), the Department of Social Welfare and Development (DSWD), which chiefly implements SocPen, allowed as early as program inception for the acceptance of "walk in" applicants into SocPen in case an elderly indigent is excluded from the *Listahanan*. In 2014, the DSWD relaxed the definition of a social pensioner as:

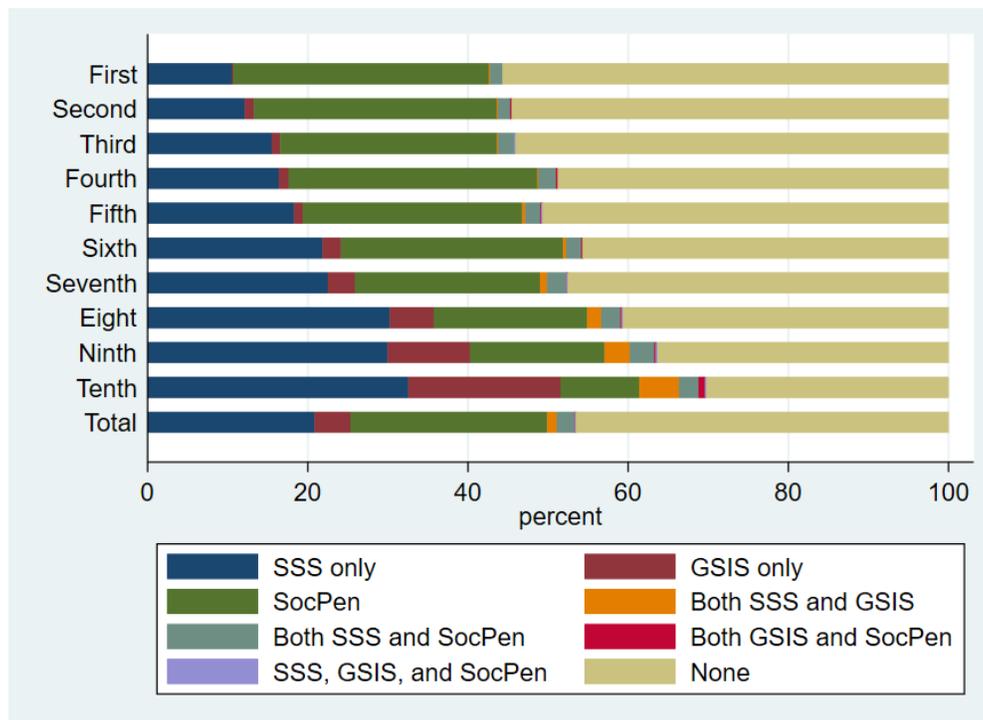
"an elderly who is frail, sickly, or with disability, and without pension or permanent source of income, or regular source of income, compensation, or financial assistance from his/her relatives to support his/her basic needs."
(DSWD 2014)

This effectively redesigned the targeting system and made SocPen lose its poverty focus.

4. Congress and SocPen implementers should examine if the country can afford to provide universal social assistance to senior citizens, especially given the myriad problems being faced amid the pandemic. As of 2020, population projections from the 2010 CPH suggest that total seniors are around 9.5 million. Data from the 2020 Annual Poverty Indicator Survey (APIS) of the Philippine Statistics Authority (PSA) put the total senior population at 11.5 million . Thus providing monthly stipends of P1000.00 will cost between 114 to 138 Billion pesos, a huge increase from the 2021 SocPen budget of 23.5 Billion pesos.
5. Alternatively, the country can continue targeting the program for indigent elderly but DSWD or whatever agency that implements the program has to re-link the operational definition to financial need. In this regard, it is suggested that indigency be redefined to mean having incomes less than twice the poverty line, as this will cover the "low income" senior citizens (see typology of Albert et al. 2018 on low-, middle- and upper- income classes). If this proposal is adopted, DSWD will have to relink the SocPen beneficiary database to *Listahanan* to objectively identify those from the low-income class. Further, estimates using the 2020 APIS suggest that 2 out of 5 senior citizen beneficiaries of SocPen (41.2%) belong to the upper 50 percent of per capita income distribution. This group of senior citizens may not actually be in financial need, and can be delisted from the program and this will provide some fiscal space to increase the much needed benefits for low-income senior citizens who are in dire need of social protection.

6. A suggested differentiated benefit package depending on financial need using the proposed redefined sense of indigency is to provide three levels of cash support— P1000.00 for the lowest income decile (the subsistence poor), P750.00 for the second decile (the poor who are not subsistence poor), and maintain P500.00 for the third to the fifth deciles (the low income who are not poor). This benefit package will not only provide bigger assistance to those in bigger need of assistance, but will also correspondingly given a bigger relative impact on spending for the needy, as these amounts specifically correspond respectively to 17.7%, 12.3% and 7.0% of the expenses on food and health for the poorest of the poor in the first income decile; the poor but not subsistence poor in the second income decile; and the low income, but not poor in the third to fifth income deciles. This will cost about 47 billion pesos, nearly double the SocPen budget, but far less than the universal social pension cost.

Figure 2. Distribution of senior citizens by per capita income decile and by pension system.



Note: Author's computations using microdata of the APIS 2020, provided by the PSA.

(END OF POSITION PAPER)

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