

Briefing paper on reducing inequalities in later life as societies age

"Thus far, population ageing appears to be the dominant demographic change of the 21st century and inequality appears to be the dominant social and economic issue... Whether they are viewed through the lenses of ethics, human rights, political stability or social and economic wellbeing, there is simply no hiding from the fact that population ageing and inequality are core elements of human progress, both individually and in tandem." - **David Bloom**¹

Rapid growth and consolidation of wealth among a small group of the population while the majority continue to face barriers to living healthy, dignified and secure lives has resulted in increasing inequality. Globally 2,153 billionaires had more wealth than 4.6 billion people, over 850 of these billionaires reside in the Asia-Pacific region. At the other end, 3.4 billion people, 46 per cent of the global population, were living on less than \$5.50 a day with over 820 million people being hungry.

COVID-19 is accelerating inequality, increasing the gaps between the richest and the rest of humanity, pushing millions, including large segments of older people, into poverty. The pandemic has increased the wealth of billionaires by 1.3 trillion dollars, while 4 of 5 workers have lost part or all of their income. In this context, policy solutions are required to address inequality, and to ensure the wellbeing of older people who are at greater risk from contagion.

Impacts of inequality are wide reaching, with the most disadvantaged segments of the population suffering in multiple ways. *"The fact of the matter is that averages are brutal because they really take the spotlight away from the actual picture. When analysing the demographic health survey of Pakistan, for every single indicator, there were statistically significant differences across the wealth quintiles and, understandably, the poorer you are, the worse you fare."* – **Sania Nishtar**²

We know which policy solutions reduce inequality and should be strengthened during the crisis. Universal health coverage, social protection floors, universal long-term care systems, educational opportunities and job training are policy solutions which work and are needed. Where they are robust

¹ **David Bloom**; Clarence James Gamble Professor of Economics and Demography in the Department of Global Health and Population at the Harvard T.H. Chan School of Public Health

² **Sania Nishtar**, Special Assistant to the Prime Minister of Pakistan and Federal Minister of Poverty Alleviation and Social Safety

and well-funded, inequality is reduced. Basic dignity, peace and security contribute to equity.

Political will needs to grasp these solutions. *"We know so many of the solutions, but still the political will has not been there and too many excuses have been in place especially around fiscal space. Maybe this pandemic has swept some of those away and gives us an opportunity like we have never had before to rethink the entire system of protection. Protection of older people must be an integral part of that."* - **Kaveh Zahedi** ³

The COVID-19 crisis is also an economic one, and increased fiscal spending, rather than austerity measures, is needed. *"We can do much more in terms of social protection, much more in terms of preventive health and non-health interventions are needed. But the greatest barrier is that we need our finance ministers to overcome imagined barriers to spending."* - **Jomo Kwame Sundaram** ⁴

Progressive tax systems are required to finance progressive social spending and reduce inequalities. Social spending alone is neither sustainable nor effective in reducing inequalities without funding by progressive tax systems, which do not just generate the required resources, but also reduce income and wealth inequalities. The evidence suggests that substantial reductions in inequality can be achieved through the combined effect of progressive taxes and transfers. For example, in OECD countries, direct taxes and transfers alone contribute to an average 30 per cent reduction in income inequality.⁵ Asia-Pacific has one of the world's lowest tax-to-GDP ratios, and there is great potential to better use progressive taxes for revenue mobilization and redistribution, especially in the region's developing countries.⁶

Three key policy directions to address inequalities in later life

Universal health coverage

As populations age, health care also needs to change. The COVID-19 pandemic has further illustrated the need for universal health coverage. People's ability to age well also depends on the social determinants of health over the life course. Wealthier populations tend to live longer, healthier lives while poorer groups struggle with easily treatable or avoidable conditions. The last two decades have seen an increase in the non-communicable disease (NCD) burden in lower middle income countries. Health systems, originally designed to respond to acute health care needs and to promote maternal and child health, need to be

³ **Kaveh Zahedi**, Deputy Executive Secretary for Sustainable Development of the UN Economic and Social Commission for Asia and the Pacific (ESCAP)

⁴ **Jomo Kwame Sundaram**, Senior Adviser of the Khazanah Research Institute and former UN Assistant Secretary-General for Economic Development

⁵ <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9877.pdf>

⁶ <https://www.unescap.org/sites/default/files/Taxing%20for%20shared%20prosperity%20in%20Asia-Pacific.pdf>

reformed to meet the changing needs of the population. Public health systems need to shift from a focus on childhood immunizations and controlling communicable diseases to also address risk factors for NCDs. Untreated NCDs are a leading cause of the need for more care support in later life. Also, the prevalence of dementia rises as life expectancy increases, which also increases the need for care. At least 40 per cent of dementia is preventable, largely through measures important for preventing other NCDs. Health systems need to be reshaped to increase healthy life expectancy, promote healthy ageing, address the social determinants of health, and provide integrated person-centred health care.

- Increase public health spending and ensure free universal health care for everyone over the lifecycle
- Provide person-centred service delivery and promote healthy ageing, including by addressing NCDs, dementias, multi-morbidities, disabilities and end of life.
- Build a fairly compensated, sufficient and quality health workforce, trained to respond to the health needs of older people.
- Strengthen health information systems that are not age-capped, and collect disaggregated data and conduct analysis by age.
- Ensure the right to health is incorporated in national law with explicit reference to older people's health and care needs.
- Make gender equity a central pillar of UHC, recognising the unequal burden faced by women in accessing and providing health care including unpaid care.

Universal social protection

To ensure financial security and reduce inequalities in older age, pension systems need to cover all and provide benefits generous enough to maintain adequate living standards. In Asia-Pacific, pension coverage varies between 77 per cent of older people in East Asia to only 23 per cent in South Asia.⁷ Contributory pensions shift the receipt of lifetime income, providing decent benefits, mainly to better-off individuals.⁸ Older women are less likely to receive pensions as more of them are likely to work in the informal sector, experience career interruptions and have lower wages due to discrimination and caregiving responsibilities. Public pension systems should contain redistributive mechanisms to counteract these inequalities, by recognising maternity challenges, and time spent on care as contributory years, or by guaranteeing minimum pensions.⁹ In countries that have privatised pensions in recent decades, inequalities in older age have increased.¹⁰

To achieve universal pension coverage, countries are increasingly implementing tax-financed social pensions, which hold great potential for reducing inequalities,

⁷ https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_645692.pdf

⁸ <https://datacatalog.worldbank.org/dataset/atlas-social-protection-indicators-resilience-and-equity>

⁹ <https://www.aarpinternational.org/the-journal/current-edition/journal-articles-blog/2019/01/social-protection-for-older-women>; <https://www.unescap.org/resources/social-development-policy-brief-ensuring-income-security-older-women-asia-pacific>.

¹⁰ https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_648574.pdf

as they redistribute money – ideally raised via progressive taxes – to favour poorer people. By providing basic pensions to those who would otherwise not have any, social pensions can also reduce inequalities among older people. However, to be effective, they need to have broad coverage and substantive benefits, which is not always the case in the region: Some have wide coverage and robust benefits (Mongolia, Nepal, Timor-Leste) while others offer universal access, but low benefits (China, Thailand), and yet others provide low coverage and low benefits (Bangladesh, India, Philippines). Hence, there is need in the region to:

- Implement universal social pensions with adequate benefits to ensure that all have at least basic income security in older age.
- Expand the coverage of public contributory pension systems to workers and to those in the formal and informal economy and leverage their redistributive mechanisms to narrow inequalities in older age.

Long-term care systems

Rapidly ageing populations will require long-term care systems to meet the needs of the people, ensure gender equity, support labour force participation and reduce catastrophic expenditures for households of people with extensive care support requirements. Therefore, all low- and middle-income countries should work towards universal, person-centred long-term care systems that:

- Ensure sufficient public financing to ensure that all who require support are able to access it.
- Develop services and support for ageing-in-place, including home and community-based care and support for family and other informal carers. Some people with complex health, care and safety needs may require care within a residential home setting.
- Develop sufficient long term care workforce to adequately provide person-centred care support.
- Initiate steps for transformation and integration of health and long-term care systems to ensure continuous, effective governance of long-term care services.
- Establish coordination mechanisms to ensure health, social and care support are well coordinated and efficiently used.
- Recognize the special needs of older women with regards to long-term care, and support caregivers, who are often family members, through cash transfers, access to social protection, or in-kind support

Ensure quality management, including of private care providers, to protect care recipients from abuse and neglect.

This brief summarises discussion of the webinar series titled “How can we reduce inequalities in later life as societies age?” on 14 October 2020.

Find the webinar recording and relevant resources at

<https://ageingasia.org/webinars-on-older-people-and-covid-19/>