

Are Filipino senior citizens financially protected?: Evidence from Consumer Finance Survey

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Presented by:

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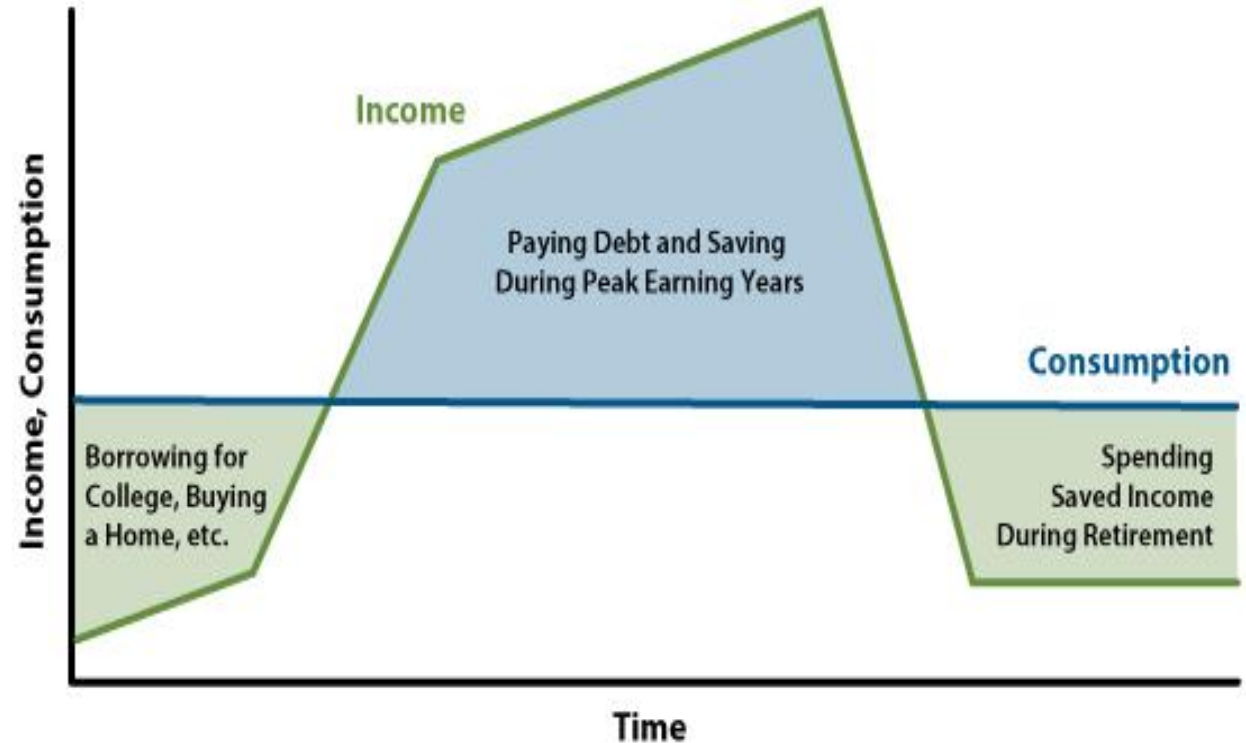
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Context

Life Cycle Hypothesis (LCH)

- ❖ During their working years, individuals save to accumulate resources for future expenditure, particularly, to support habitual consumption during retirement (Modigliani and Brumberg, 1954).^{1/}
- ❖ Extension of LCH: relationship between life cycle and social security.
 - ❑ Saving rates were higher in countries with less generous pensions (Modigliani and Sterling, 1983).^{2/}



^{1/} Modigliani, F. and R. Brumberg (1954), "Utility analysis and the consumption function: an interpretation of cross-section data" in K. Kurihara, ed., *Post Keynesian Economics*, Rutgers University Press, New Brunswick, pp. 388-436.

^{2/} Modigliani, F. and A. Sterling (1983), "Determinants of private saving with special reference to the role of social security – cross country tests", in F. Modigliani and R. Hemming, eds., *The Determinants of National Saving and Wealth*, Macmillan, London, pp. 24-55.

Objectives

- ❖ To determine whether Filipino senior citizens (aged 60 & over) are financially protected in terms of social security coverage;
- ❖ To characterize the households of these senior citizens; and
- ❖ To examine whether the retirement benefits received or are receiving by senior citizens are sufficient to cover their consumption

Methodology

❖ **Data:** 2014 Consumer Finance Survey

- Coverage: nationwide, except ARMM and Leyte province
- Sampling design: adopted the Philippine Statistics Authority's 2003 Master Sample design
- Total no. of observations: 15,503 households
- Units of analysis: respondent and his/her spouse/partner (if any aged 60 and over); primary economic unit (PEU) of household
- Reference period: date of interview (2014)—for data on assets, liabilities and demographics); full year of 2013—for data on income, expenditure and employment

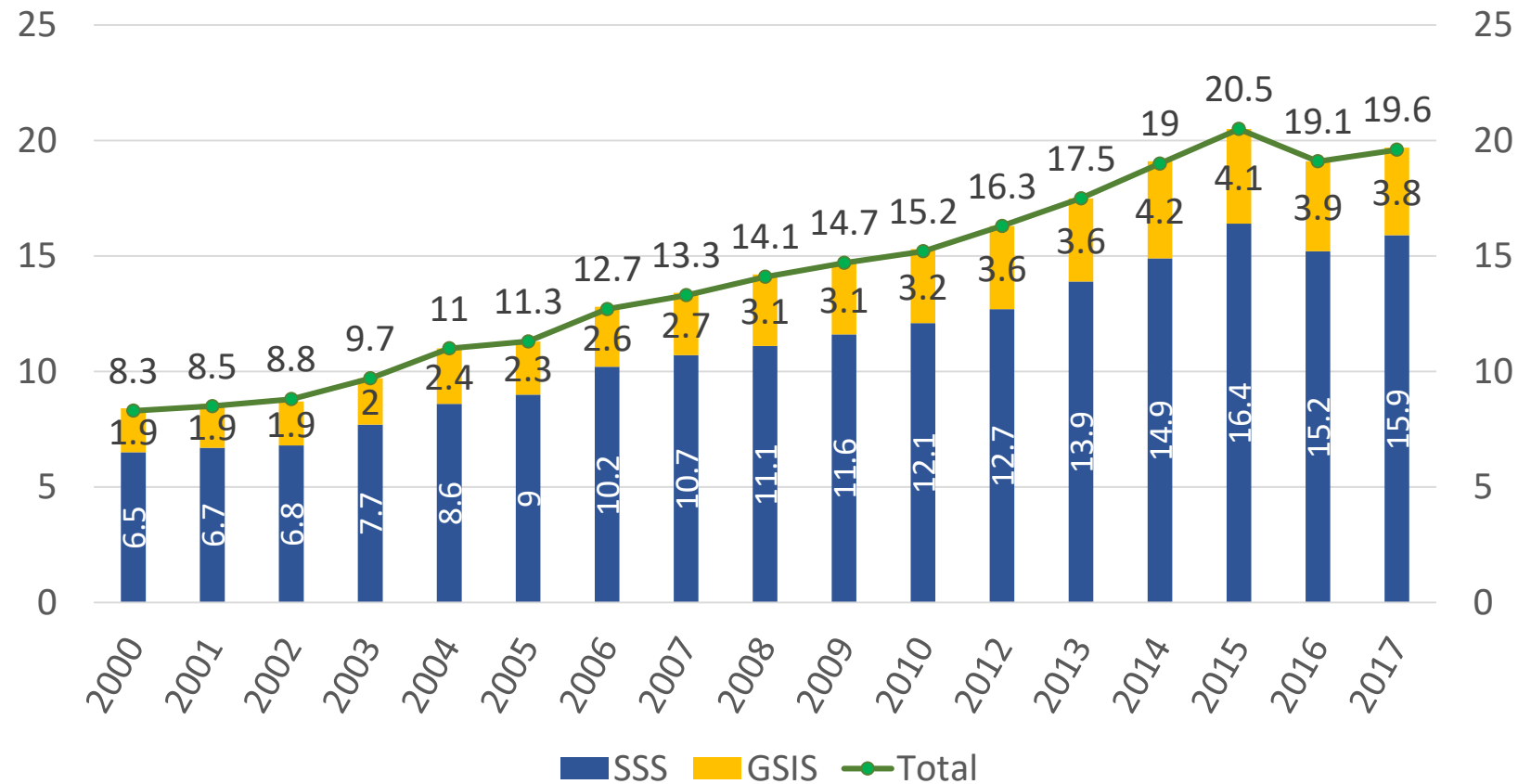
❖ **Statistical Method:**

- Multiple Correspondence Analysis (MCA): for the profile of households with senior citizens

Social security in the Philippines

- ❖ Social security in the Philippines is generally linked with formal employment (Manasan, 2009).^{3/}
- ❖ The share of population aged 60 and over benefiting from retirement/old age pension (i.e., SSS, GSIS) has stood at around 20% since 2014 (15-16% for SSS; 4% for GSIS).

Share of population aged 60 and over benefiting from retirement/old age pension (%), Philippines, 2000-2017



Source: Philippine Statistics Authority; Social Security System; Government Service Insurance System.

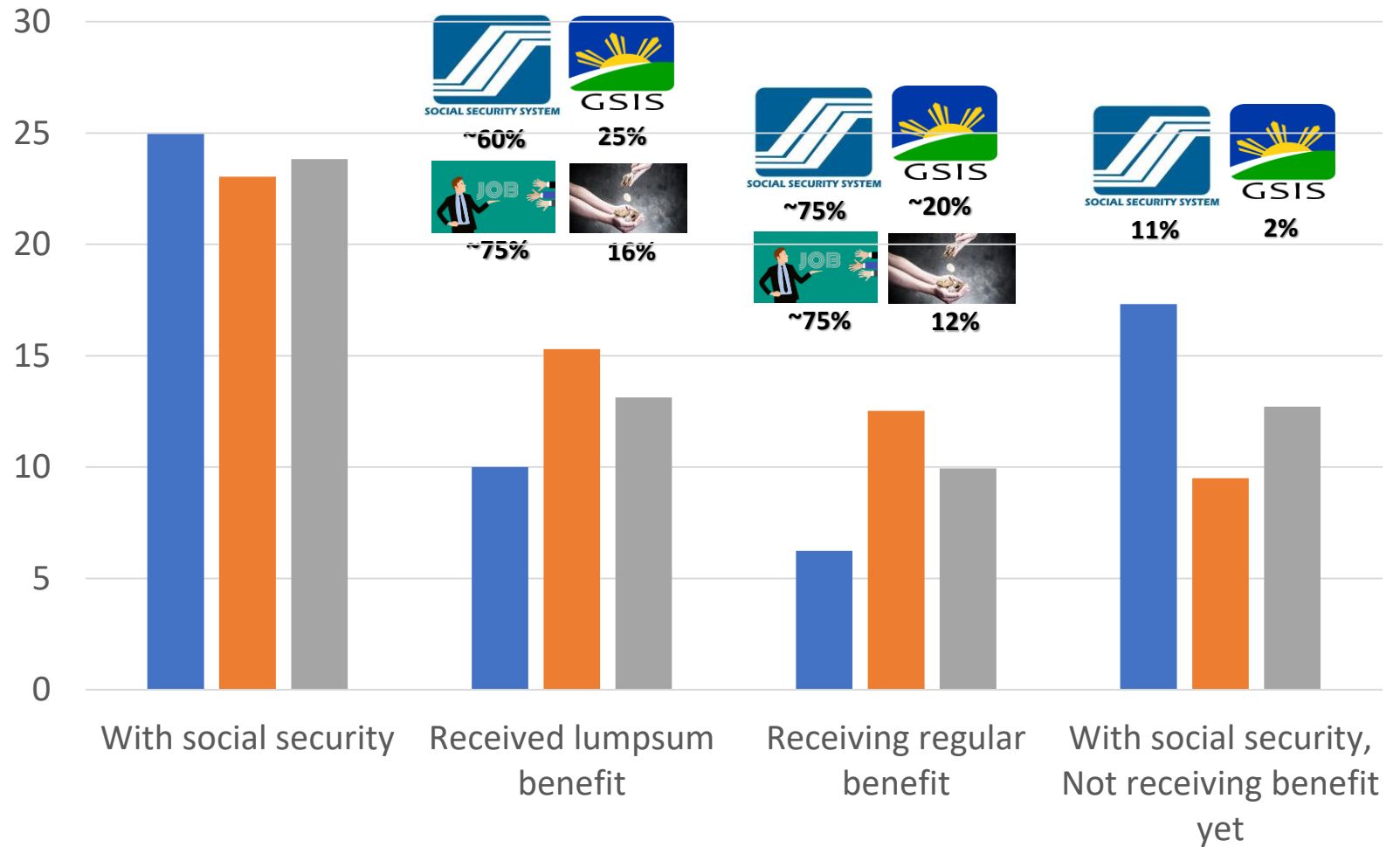
^{3/} Manasan, R.G. (2009). A Review of Social Insurance in the Philippines. *Philippine Journal of Development*, 36 (2), 47-68.

Observations from the Consumer Finance Survey

Social Security Coverage of Senior Citizens

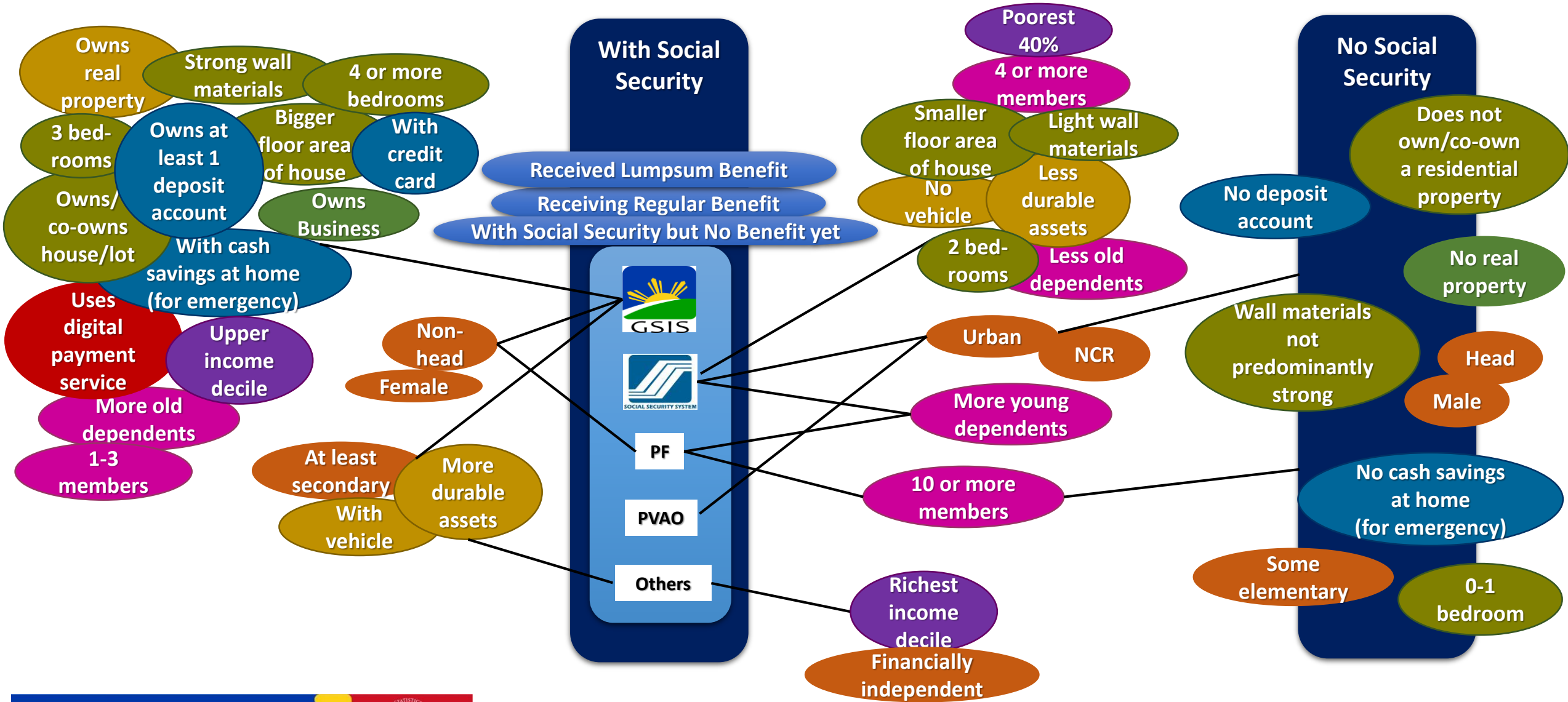
- ❖ About 1 in every 4 economically dominant household members aged 60 and over was covered by social security.
- ❖ Majority of those covered received lumpsum payment or were receiving regular pension from SSS, while 20-25% source their pension from GSIS.
- ❖ A small percentage had not yet received pension; most them had not yet reached 65.

Percentage distribution of senior citizens who were covered by social security (%), by source, Philippines, 2014



■ Aged 60-64 ■ Aged ≥ 65 ■ All Groups

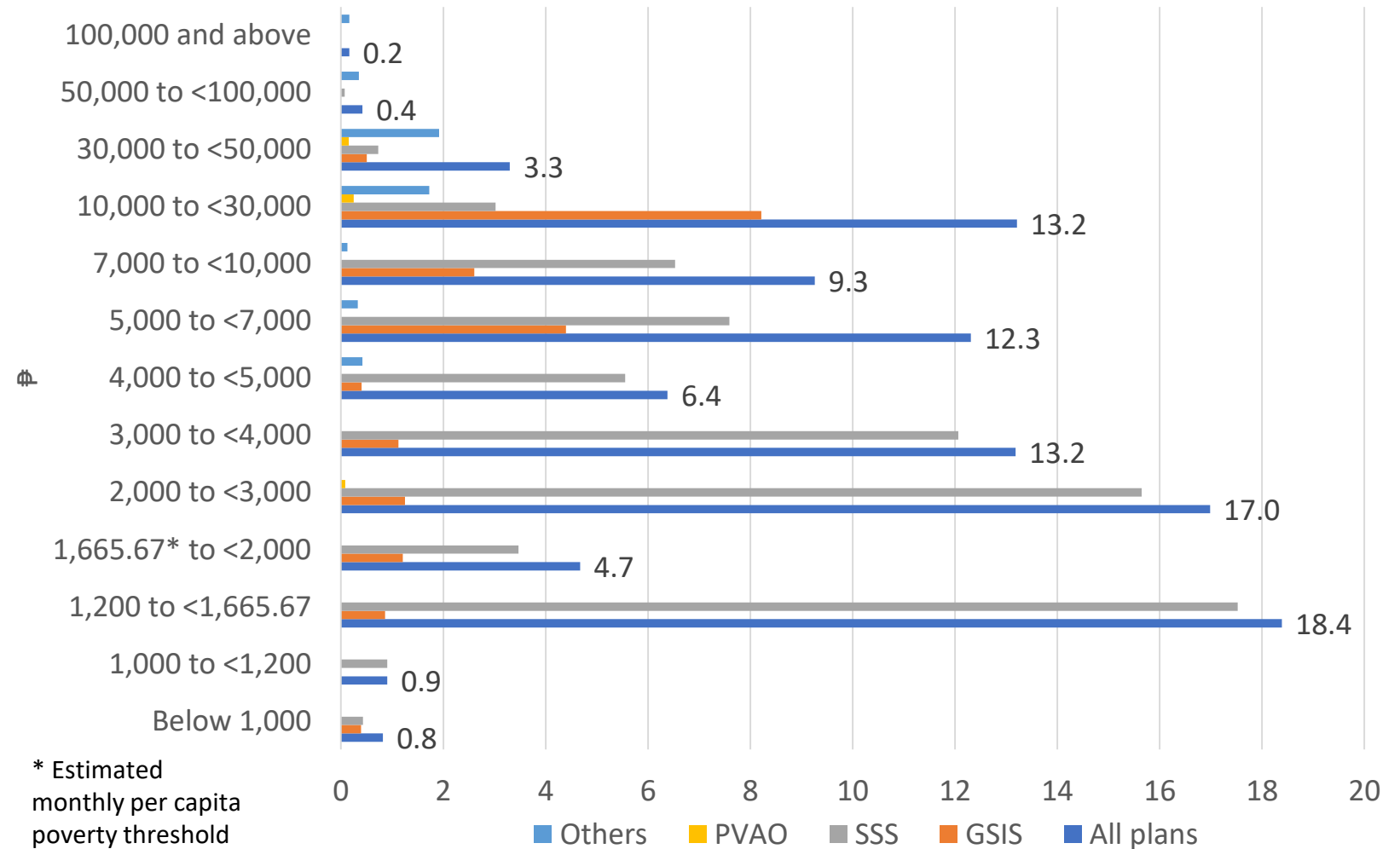
Characteristics of Senior Citizens Covered by Social Security



Regular Pension Level vis-à-vis Required Consumption Level

Percentage distribution of senior citizens who were receiving regular retirement benefits (%), by source, Philippines, 2014

- ❖ 1 in every 4 pensioners receive a monthly pension of below ₱2,000 while 3 in every 5 pensioners receive below ₱5,000
- ❖ Only 4% pensioners receive ₱30,000 and above



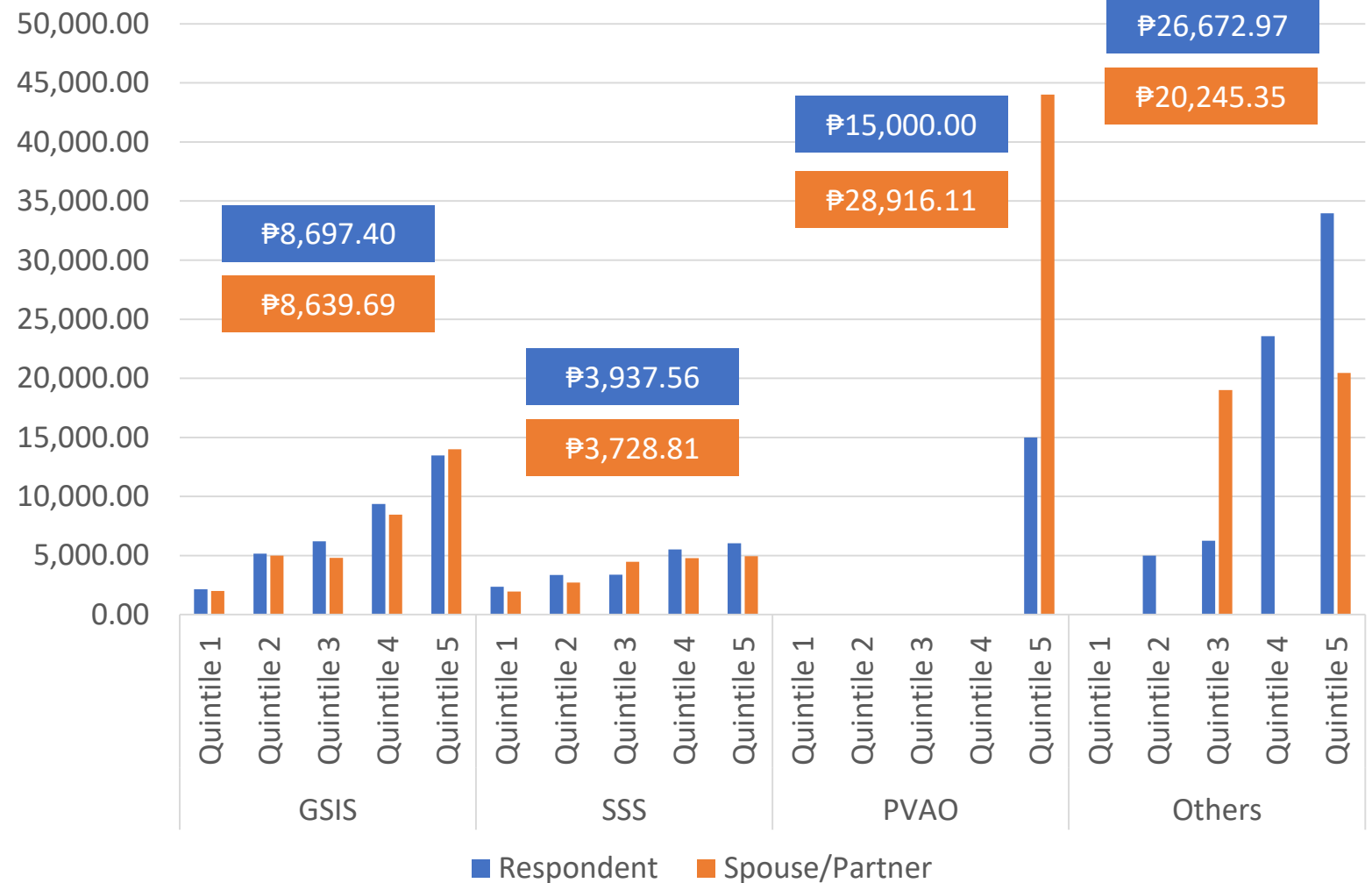
* Estimated monthly per capita poverty threshold level

Regular Pension Level vis-à-vis Required Consumption Level

❖ The average monthly pension received by the majority of pensioners—SSS contributory members—was roughly ₱4,000, significantly below the average monthly benefits received by other pensioners

- ❑ GSIS – around ₱9,000
- ❑ PVAO – between ₱15,000 and ₱29,000
- ❑ Others (e.g., Foreign Government and private employers) – between ₱20,000 and ₱30,000

Average monthly pension (₱), by source and by income quintile of household



Further Analyses

- ❖ Testing of differences between income of senior citizens who were covered by social security and income of those who are not covered
 - ❑ Propensity Score Matching
- ❖ Impact of pension income on consumption behavior of households
 - ❑ Quantile Regression

Key Takeaways

- ❖ Majority (~75%) of Filipino senior citizens (who were economically dominant persons in their households) were not covered by social security, specifically retirement plan.
- ❖ Senior citizens with retirement plan were dominated by SSS contributory members.
- ❖ Those covered by GSIS were more likely to be better-off in terms of economic status and more financially included while the majority (those covered by SSS) were more financially challenged. Those not covered by social security tend to be less educated and financially excluded.
- ❖ A significant proportion of those covered had low retirement benefit level, which may not be sufficient to cover their current (and future) level of consumption.

Key Takeaways

- ❖ There is a need to intensify financial education campaigns especially about retirement products
- ❖ A mechanism can be developed to allow SSS contributory members to increase their level of voluntary contribution, which can serve as savings vehicle for them.
- ❖ Encourage workers, especially the private sector employees with lower contribution, to consider other personal retirement plans
- ❖ Assessment of the benefit level of the social pension provided to indigent senior citizens can be considered to at least cover their minimum required expenses

THANK YOU!