

What does Nepal's Old Age Allowance mean for the elderly? Evidence from Rolpa

Key messages

- The Old Age Allowance is insufficient for fulfilling needs besides food, it would be beneficial to consider increasing the allowance from Rs 500.
- Given the challenges many elderly people face in simply collecting their transfer, distributing the allowance through more localised ward-based offices would benefit recipients, as would home distributions by the Village Development Committee (VDC).
- Elderly people's concerns around ethnicity and age eligibility barriers need to be considered by policy makers, especially as the Old Age Allowance is presented as a universally targeted scheme.

The Old Age Allowance in Nepal

Introduced in 1994 by former Prime Minister Manmohan Adhikari, Nepal's Old Age Allowance originally started as a monthly cash transfer of 100 Nepalese rupees to citizens of 75 years and above. Some years later, in 2008/09, this amount was increased to Rs 500 per month and eligibility was extended: members of the Dalit community and those living in the Karnali region aged over 60 years are now able to claim the allowance, as are other Nepalese citizens over the age of 70.

Today, Nepal's Old Age Allowance is considered a core pillar of the state's social protection system. However, questions regarding its effectiveness – and what it means for those receiving it – remain. More specifically, the impacts of the transfer on individual and household well-being as well as on recipients' relationships with others (including the state) are not fully clear.

Drawing on primary research, this brief 'situation paper' explores these questions, concluding with some key recommendations for policy makers. It is based on a more in-depth and detailed report (KC et al., 2014).

What we did: a note on methodology

In November 2012, the Nepal Centre for Contemporary Research (NCCR) conducted the first round of a longitudinal panel survey as part of SLRC's cross-country research

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The Old Age Allowance is an essential lifeline for Nepal's elderly, but how it has been designed and implemented are limiting its effectiveness.

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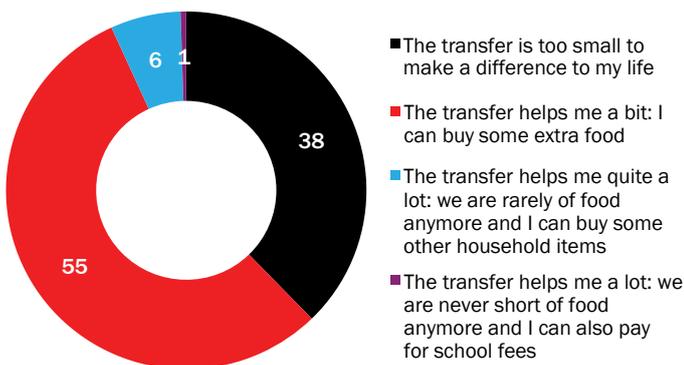


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programme. This survey focused on three key themes: people's livelihoods; their access to, and satisfaction with, basic services and social transfers; and their perceptions of the state. In total, 3,174 households were interviewed across three districts: Bardiya, Ilam and Rolpa.

The survey found that 12.5% of households in our sample (n=398) received an Old Age Allowance transfer in the past year. Of those, 89 households came from the Rolpa sample (716), 185 households from the Ilam (1,246) sample, and 124 from the Bardiya sample (1,212). When asked about the usefulness of the transfer, the majority of beneficiaries – across the sample population as a whole – reported that the allowance helps them 'a bit' (55.4%), compared to 37.7% who felt that 'the transfer is too small to make a difference'. Just 0.5% of recipients in our sample reported that the transfer helps them 'a lot' (Figure 1).

Figure 1: Respondents' perceptions of the Old Age Allowance



In order to better understand what the Old Age Allowance means for elderly recipients, we conducted a follow-up qualitative study in Rolpa district – the original Maoist heartland of the insurgency and a present-day priority for development interventions – between September and October 2013. Our aim was to contextualise the survey findings, unpack the effects of the transfer on individuals and households, and assess the capacity of the allowance to act as a mechanism for enhancing the legitimacy of the state. In total, we conducted in-depth interviews with 38 elderly recipients living in 3 wards in Liwang (District Headquarters) and 3 wards in Budagaon (a more remote VDC). These wards were selected to represent different geographical terrains and different degrees of proximity to the VDC offices. The lists of pension recipients were obtained from the VDC office in Liwang.

What our research tells us: key findings

Qualitative research with recipients of the Old Age Allowance in Rolpa reveals important findings in three key areas: the material domain (effects on individual and household economies); the social domain (effects on relationships within families and local communities); and the state-society domain (effects on the relationships between recipients and the Nepalese state).

Material effects

Our findings clearly show that the Old Age Allowance helps poor households meet basic subsistence needs. Beneficiaries explained that the allowance helps them to purchase essential foodstuffs – such as rice, salt, oil and vegetables – which is considered particularly important for elderly people living alone and with no support from family members.

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"To tell you the truth, we used to eat *dhedo* but the state's mercy on us has helped me buy some rice. My grandchildren love rice and we hear rice is nutritious too."

"500 rupees per month is not enough but I cannot complain much against the state. It is enough for some people since they do not have anyone else to take care of them."

The allowance is not used solely for individual consumption and it is shared with other household members. Sharing income and resources within the household is an integral part of the Nepalese culture. It is viewed as an important social responsibility. The respondents contributed towards the food-related expenses of their families, and sometimes used their pension to cover minor expenses related to their grandchildren's education.

In this regard, the allowance serves a vital purpose, and can be considered an essential resource for society's poorest individuals and households. At the same time, however, evidence also suggests that the transfer is not sufficient to generate more substantial or transformative economic change among recipients – such as helping them to avoid engaging in local-level loans systems. Moreover, in spite of the transfer, recipients still face tough choices when it comes to basic household expenditure. For example, many of our respondents complained that while the allowance increases their purchasing power to buy food items, the amount is inadequate to meet the costs of health care – a clear priority for elderly people.

"It would be a sin from the government to think that we can use the allowance for health benefits, how is Rs 500 enough?"

Another issue is the clear geographical constraints on accessing the transfer for those living in difficult places. Some elderly men and women, for example, reported walking hills for hours to obtain the allowance. This is not just a matter of simple frustration. Recipients must carefully plan their routines and chores for the day before leaving for the Village

Development Committee (VDC) office where they collect the transfer, and travel for many bears significant financial costs in terms of transportation and sustenance. Moreover, there is also the opportunity cost of leaving one's household and village for several hours to take into account: time spent travelling to the VDC office could be time spent doing other things, such as caring for family members.

"I walk about 3 hours or more sometimes, depending on the roads which are slippery during rainy seasons. Sometimes I get to take the vehicle if it is running – halfway through and it costs about Rs 60 one way. The costs add up with food and snacks we have to eat since we use so much energy."

"On the day when I have to make a trip to the VDC office to receive my Old Age Allowance, I have to do my one-day chore. I wake up two hours earlier to feed the cattle, do the dishes and cook so that my husband can eat. It is difficult. I make my journey in the morning and come back really late in the evening. The cattle cannot go hungry."

Quantitative data from the household survey suggests further ways in which implementation shapes perceptions of programme effectiveness: within our sample as a whole, respondents from households that 'always' or 'sometimes' received the correct amount tended to feel more positively about the usefulness of the transfer compared to those 'rarely' or 'never' receive the correct amount.

Given these findings on material effects, the allowance should be understood in economic terms as a lifeline: essential for the poorest in meeting subsistence needs, but unable to contribute to deeper economic transformation.

Social effects

Our research clearly shows that the Old Age Allowance has social as well as material effects for recipients. These are perhaps best understood as unintended consequences of the programme – but consequences that matter, all the same. We identify two particular groups of social effects.

Relationships within the household

The allowance can have mixed impacts on the relationships between recipients and members of their families. On the one hand, we found evidence of the transfer enhancing the self-esteem of pensioners and contributing to family bonds. This effect often comes through recipients' increased capacity to share their income with other household members and buy small gifts for their grandchildren, such as snacks or stationery items. In turn, this can improve their confidence and relations between recipients and their own children (i.e. the parents of the grandchildren). The following quote illustrates:

"My son and daughter in law are very busy people. They work. Ever since I have received my Old Age Allowance, I have kept my grandchildren happy which makes my

daughter-in-law and son happy. The state has made my whole family happy. What else can I ask for before I die?"

On the other hand, we found that the transfer can become a cause of familial tensions. We identified one case reported by a female beneficiary, who mentioned that a dispute emerged between her and family members. Underpinning this dispute were issues around control over the transfer, particularly in relation to how it is shared and spent.

There is a need for more research to explore the effects of the allowance on individual empowerment and family relations, particularly in connection with the existing patterns of resource sharing and social expectations within households.

Relationships within communities

Perhaps the most concerning (unintended) social effect we found was the reinforcement, rather than the erosion, of social divisions between members of the Dalit community and other castes. The Old Age Allowance is one example of state attempts to redress the historical marginalisation of Dalits in Nepal – as noted above, the age of eligibility for the transfer is 10 years lower for Dalits compared to other ethnic groups. While progressive, a policy approach such as this is open to criticism: many non-Dalits we spoke to felt that differential, caste-based eligibility criteria are inappropriate in contexts where everyone is poor:

"Why can Dalits buy food when they are 60? Do we not need food when we are 60? What kind of policy is this from the state? Is it blind?"

"I do not understand why the government thinks only Dalits can be poor. I have had no one to look after me since I was 55 years old. My husband left me. I had to wait till I was 70 to be able to receive the allowance. You can imagine how I survived. I am in debt. I survive selling things I produce in the field. I cannot work much these days. When I told a Dalit woman about this, she resented bitterly and said it was not her fault. That woman does not talk to me anymore. She is my neighbour."

"It seems like the government is all about Dalit community these days. My neighbour [Brahmin by ethnicity] is so poor that he cannot even send his children to school. He has sent his teenage son to Dang to work. Had he only received scholarship like the Dalit children? It is all about fate. It is the government's fault totally."

In many cases, this particular (and no doubt well-intentioned) aspect of policy design only serves to further reinforce the social divisions between castes, which has consequences for the subjective wellbeing of Dalit recipients. As one Dalit interviewed explained:

"Sometimes when people from other ethnic groups ask me why I am receiving the allowance earlier than them,

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I have no answer. I feel bad. Old age comes to everyone at the same time."

Thus, while the allowance may be actively addressing the economic marginalisation of Dalits, at the same time it appears to be entrenching their position as the 'other' in Nepalese society.

State-society relations

Another set of effects found through our research concerns the relationships between elderly citizens and the state – in other words, the 'social contract'. Through the Old Age Allowance programme, the state is projecting itself as both caring and responsible, concerned with the needs of society's poorest and vulnerable. This is partly reflected in the language used by interviewees:

"Without me and my wife sharing the Old Age Allowance in the family, there is not much to eat. The state has been a blessing for us."

People acknowledged the positive role of the programme in the fulfilment of their practical needs. Pensions contributed to food, health care and education-related expenses of older people and their households. At the same time, respondents expressed dissatisfaction with the state because of the limited value of the allowance. They criticised the state for not assessing their needs properly. They expressed a wish that the state increased the value of the pensions. The respondents were especially concerned about the inadequacy of the allowance for older people who could not rely on family support. A quote from one beneficiary in Budagaon reflects this sentiment:

"How can I say that the amount is small or big? The state is at least providing the benefit. But it is inadequate for me and I wish it was increased."

Many beneficiaries were disappointed that the state did not provide them with enough money to support health care costs. They felt the state did not properly consider that health care needs imposed a high cost on people.

"It is difficult to use the pension to cover our food needs, taking care of health with this amount is out of our reach. How can the government expect us to use the money for both food and health when it's not even enough for food?"

What this means for policy makers: evidence-based recommendations

Although the Old Age Allowance is an essential lifeline for Nepal's vulnerable elderly population, a series of constraints in its design and implementation are limiting its effectiveness in practice. What, then, do our findings mean for stakeholders in the national and international policy communities seeking to further improve the programme? Based on our evidence, we outline below three key recommendations.

- **Increase the transfer amount.** Given that current amount is insufficient for fulfilling needs besides food, it would be beneficial to consider increasing the allowance from Rs 500. The government could adopt a 'progressive' approach to strengthening the allowance. Considering existing budget constraints, the benefit value can be increased incrementally, as economic growth allows.
- **Improve the geographical reach of disbursal.** Given the challenges many elderly people face in simply collecting their transfer, it is clear that distributing the allowance through more localised ward-based offices would benefit recipients. While this might require some degree of restructuring in certain places – for example, to develop distributive capacity through investments in human resources – in other cases, the government might consider routing transfers through pre-existing organisations already closely connected to the communities in which they operate (for example, female community health volunteers, mothers' groups and youth clubs).
- **Consider equalising the eligibility threshold.** Respondents' concerns around ethnicity and age eligibility barriers need to be considered by policy makers, especially as the Old Age Allowance is presented as a universally targeted scheme. Again, this can be done incrementally, by slowly decreasing the age threshold for non-Dalit groups to 60 years of age. In the meantime it is crucial that the government provides adequate information to communicate the rationale for the early pension entitlement to all population groups, including both Dalits and non-Dalits.

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This briefing paper is based on the following SLRC working paper: **The Old Age Allowance and perceptions of the state in Rolpa district of Nepal** (http://www.securelivelihoods.org/publications_details.aspx?resourceid=340)

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