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Social Protection for Older People in Central Asia

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At independence all the countries of the former Soviet Union inherited extensive social welfare, including a comprehensive pay-as-you-go (PAYG) pension system with low retirement ages (60 for men and 55 for women) and generous opportunities for early retirement for selected worker groups such as farmers. Most of these countries underwent severe economic dislocation affecting the welfare system (Falkingham, 2005): between 1990 and 1995, GDP per capita fell by more than half in all the countries of Central Asia and the South Caucasus, except for Uzbekistan.

The relatively generous Soviet pension system combined with a rapidly contracting contributions base to render most pension systems unsustainable. With declining revenues, pension funds fell into deficit, and rapid inflation eroded the value of benefits, while the region underwent demographic and socio-economic changes, such as decreasing fertility, population ageing and increasing unemployment, affecting the development of pension protection (Clifford et al., 2010).

Most of the newly independent states of the former Soviet Union considered or undertook radical pension reforms by the mid-1990s, with common themes including a shift away from pensions based on a defined benefit toward those based on defined contributions; a move from a PAYG to a funded system; and a move from a system of a collective pension 'risk' to one where risk was increasingly individualised. Most countries also attempted to raise the retirement age, with mixed success.

Kazakhstan reformed its system in the mid-1990s, abandoning the old PAYG Soviet system with defined benefits and switching to a fully funded defined-contribution system, while from January 2014 women's retirement age is set to rise from 58 to 63 over ten years. **The Kyrgyz Republic** was an early reformer and less radical than Kazakhstan, adopting notional accounts in 1997, albeit in the context of a minimum contributory pension still linked to employment. The first wave of reforms in **Armenia** took place later, but the country passed new pension legislation in December 2010 and moved to a fully funded model from 2011. In **Tajikistan**, pension reform is only now being discussed, with technical support funded by the EU to December 2014.

The table illustrates the importance of public and private transfers in reducing the headcount poverty rate in Tajikistan. In virtually all cases, receipt of private transfers—especially remittances—leads to a greater reduction in poverty than that from public transfers, reflecting the latter's lower value. For lone pensioners and couple pensioners, it is the combination of public and private transfers that decreases poverty, as many of these households rely on both types of transfers.

Absolute Change in Poverty Rate of Older People after Receipt of Transfers, Tajikistan, 2007

	B-A After **remittances**	C-B After **private transfers**	**D-C** After **public transfers**
Lone pensioner	-7.0%	-6.6%	**-19.7%**
Two-person pensioner household	-4.8%	**-11.4%**	-8.8%
Pensioner + working age adult	-11.2%	-8.9%	-5.2%
Pensioner + 2 or more WAA	-11.2%	-4.2%	-4.9%
Pensioner + WAA + 1–2 children	-10.2%	-0.5%	-4.9%
Pensioner + WAA + 3–4 children	-7.7%	-0.6%	-4.6%
Pensioner + WAA + 5+ children	-13.7%	-0.6%	-2.4%
Pensioner + children	**-48.3%**	-2.6%	-6.3%
All individuals (whole population)	-11.5%	-1.6%	-5.2%

Source: Baschieri et al. (2011) analysis of TLSS 2007.
Note: WAA = working-age adult

One of the most pressing future concerns remains the issue of adequacy for current and future pensioners. In contrast to many countries in developing countries with a similar per capita GDP, most countries in this region have a zero pillar social pension, aimed at poverty alleviation, and the first pillar incorporates a minimum pension. The critical question is the **level** at which these are set. The analysis shows that for those who qualify for a contributory pension, the average level of benefits is just above the subsistence minimum. For those on a social pension, however, benefits are insufficient to lift them above this level.

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