

CARING FOR THE AGING POPULATION

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INTRODUCTION

The issue of welfare for the aging population has been a major point of discussion since the genesis of the human race. Traditionally it was a communal responsibility to take care of the old. With the evolution of time, the responsibility has evolved and new variables have emerged in delegation of that responsibility. This article will look at;

- a) The scope of the aging population.
- b) Comparison between how the responsibility was taken care of in the past, how it is taken care of currently and how it ought to be taken care of in the future.
- c) The key players in taking care of the old.
- d) Black tax.

PROBLEM STATEMENT

According to the 2009 population census there is an estimated population of 1,332,273 individuals above the age of 65 years. From this population, very few have a major source of income to take care of their basic needs. In 2019, the number of old people increased to 1,870,493. This projects an increase in elderly population in the coming years. According to the Retirement Benefits Authority, the income replacement ratio is currently at 40% which is below the required ratio of 70-80%. This means that majority of the formally employed Kenyans only get around 40% of their salary post retirement which is inadequate to take care of their needs. While most people depend on National Social Security Fund (NSSF) as their main source of pension income, NSSF benefits still remain inadequate to cater for post retirement expenses. Efforts by the government to give a cash transfer to individuals aged 65+ is insufficient to take care of the basic needs of the elderly. The cash transfer program for the elderly was launched in 2007 under the older persons cash transfer program. The amount payable was Ksh 2000 per month payed as Ksh 4000 in every two months. This amount is not able to take care of the needs of the individuals for the given duration.

The NSSF was established in 1965 to administer a provident fund scheme for all workers in Kenya. It was however changed from a provident fund scheme to social insurance pension scheme. The initial contribution was Ksh 400 but could only guarantee a benefit of less than Ksh 500,000 post retirement. This amount is barely enough to sustain one for even two years.

The amount was increased to Ksh 2,160 which is expected to pay out a benefit of around Ksh 2.2million. This amount is barely enough to last one for half a decade.

Many elderly people are therefore left without any significant source of income post retirement.

The pyramid structure of the population means that the number of the elderly will increase with time. This, if not addressed in advance, will create a financial crisis with time.

SCOPE OF THE AGING POPULATION

Currently, the aging population is at 6% of the total population in Kenya. Meanwhile, the life expectancy stands at 64 years. With the rapid evolution and improvements in the medical fields, the life expectancy is expected to increase. Consequently, this is expected to have a significant effect on the percentage.

The aging population is currently characterized by numerous terminal illnesses including cancer, chronic and other viral diseases. This has increased the medical cost for the aging population. With the expected increase in the population, it is logical to assume that the cost will also take an upward trajectory.

Inflation has been aiming for the sky in recent economic times and with it almost clocking a double digit figure, it is expected that the cost of living for the old people as well as for everyone will increase.

RESPONSIBILITY HOLDERS

This section will look at the different parties who assume the responsibility to take care of the aging population.

1. Community;

This wholly applied in the distant past when the fabrics of the African culture was still intact. The mode of living was communal and everyone had a responsibility assigned to them. No compromise was allowed when it came to fulfilling one's responsibilities. The young had the opportunity to learn and were the custodians of the future. The youth and adults had the responsibility of taking care of the community's basic needs.



They provided food, they built houses they did all the work and provided for both the young and the old. The elderly were the custodians of the past. They held the knowledge of the past, patterns, and experiences and came in handy whenever a problem needed to be solved.

This was an effective method since every old person was taken care of whether or not they had children. However this method was highly dependent on the moral fabric that held people together in the traditional set up. In addition, urbanization has displaced most communities and the elderly are left to fend for themselves in the rural areas.

2. Government;

With the encroachment of the western culture, the African spirit of communism has increasingly faded. The emergence of industrialization and urbanization led to emigration of the working population from the rural areas to the urban centers. The introduction of web technology and databases made knowledge easily available and therefore reduced the significance of the elderly. The elderly are therefore left scattered and helpless in the marginalized rural and only remembered during the festivities. Therefore the government had to take up the initiative of taking care of the elderly. The government has done so by legislation, public opinions, cash transfers, regulations, subsidies and most importantly through NSSF.

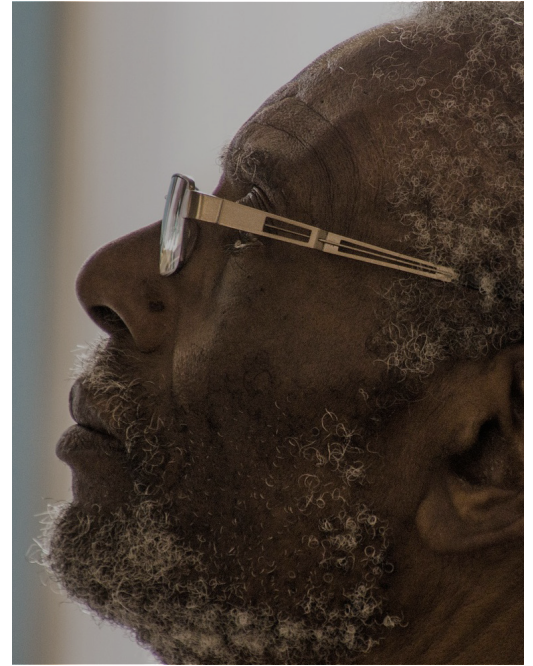
In 2007, the government of Kenya rolled out the Older Persons Cash Transfer program for persons above the age of 65. The efforts by the government is a good initiative to give the elderly a base income. However, the efforts are facing a lot of challenges including influence from the political class, delay in disbursement of funds, increase in inflation etc.

3. National social security fund (NSSF);

NSSF was launched in 1965 to assist the formally employed to save for their retirement. It initially started as a provident fund but was later changed to a social insurance pension scheme. NSSF is currently one of the largest pension scheme in Kenya. As at 2021, NSSF had a total membership of 2,092,358. The NSSF Act of 2013 which increased the contribution from Ksh 400 to Ksh 2,160 was a significant boost to the scheme. It is projected to increase benefits at retirement from around Ksh 500,000 to Ksh 2.2million which is enough to take care of basic needs for an individual for five years.

4. Individual pension plans (IPPs);

Currently, there has been an increase in the number of registered pension funds in Kenya. According to the Retirement Benefits Authority, a total of 1,076 schemes are actively registered and conducting pension businesses in Kenya. Individual pension schemes allow for one to contribute to a pension scheme and receive the benefits upon retirement. The major advantage of IPPs is that one is able to plan for their future. It has the flexibility of allowing one to choose the amount of contributions. An individual is therefore able to adjust the contributions with adjustments in their source of income. This is the only means that can allow one to achieve the 70% globally recommended income replacement ratio.



WHO SHOULD CARE FOR THE AGING POPULATION

This is a question that many have attempted to respond to in different ways depending on the geopolitical and societal structure of the region.

In the continental Asia, most countries have tried implementing the filial responsibility law, where an adult child is required by law to take care of their parents. This has been implemented in countries such as; China, Singapore, India and Bangladesh. It is a statutory requirement for adult children to give a logical amount of money to their aging parents and failure to which one could face up to 3 months imprisonment. The responsibility of taking care of the old generation is therefore by law assigned to the adult children.

In the continental Europe, there is a significant presence of well diverse care system. From countries like Norway that have recorded 100% pension system to the United States that have a well established private care systems. In Germany, cohabiting care system seems to have been well established. The responsibility of taking care of the old has therefore been institutionalized.

In Africa, the “black tax system” seems to have established its roots firmly. Black tax is a humorous way of describing the societal pressure piled on any individual who gets a job or any financial breakthrough. Upon completion of tertiary education, the number of relatives associated to you is significantly increased with distant relatives who have rarely been part of your academic or social well being popping in to claim their non-existent share of your success. You start getting invitations to ‘harambees’ and even receiving offers to sponsor their numerous children to school. The system is expertly structured to guilt trap you in to taking care of the numerous needs with dire consequences of curses and accusations of pride and ungratefulness if you fail to live up to the demands.

A CALL TO ACTION



While we can debate the entire day on who should carry that responsibility, the question is; why should it even be a responsibility? Why the need to pass the burden to others while you can take care

of your own? The time value of money is an important tool that allows one to accumulate money in small bits and use it in the future. In Kenya we have a well developed pension structure that is currently underutilized. From individual pension schemes to employer funded schemes to provident funds to income drawdown funds, the list is endless.

The current efforts by the government are not sufficient. The cash transfer of Ksh 2000 a month doesn't resonate well with the high cost of living in Kenya. It is advisable for one to save at least 5% of their monthly income towards pension. This will highly reduce the dependence on other people and aids to fulfill your basic needs. The young adults will be able to save and invest the little they earn. The life expectancy is expected to increase. For those who save for their retirement that's some nice added bonus years to enjoy life at its best.

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