



MINISTRY OF LABOUR &
SOCIAL SECURITY

MINISTRY PAPER

NO. 27/2021



SOCIAL PENSION PROGRAMME

April 7, 2021

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1.0 INTRODUCTION- WHAT IS A SOCIAL PENSION?

Social Pensions are defined as non-contributory cash income from the state given to older persons. These types of pensions may be universal and given to all older persons regardless of their socio-economic status or may be targeted to the poor and conditional on the level of income or some other criteria. Social Pensions support the rights of older people and recognizes their contribution to national development.

There are over 100 countries across the world that have social pensions as part of their social security system. Within the Caribbean region, Guyana and Trinidad and Tobago have universal social pension programmes whereas Dominica has a targeted social pension.

2.0 JUSTIFICATION FOR A SOCIAL PENSION

In keeping with Vision 2030 - National Development Plan, a Social Protection Strategy for Jamaica was developed in 2014. The Social Protection Strategy uses a life-cycle approach to systematically address the social protection needs of the population, while simultaneously taking into consideration cross-cutting issues such as age, disability and gender. Undergirding the social protection strategy, is the concept of a social protection floor which recognizes that the State has a moral and social obligation to guarantee a minimum level of social protection to all. "The social protection floor is the core of the social protection system, since it not only provides universally for all citizens, but also gives special consideration to the provision of safety nets for the most vulnerable" (Jamaica Social Protection Strategy 2014: 9).

Although the Government over the years has made significant provision for elderly persons, gaps remain as some who need support are excluded from the current menu of programmes. The PATH Programme uses a proxy means test to determine poverty and eligibility for the Programme. The test tends to select large families with children, those with little or no assets and poor living conditions. The selection rate to PATH for the elderly, who may be living alone or are 'asset rich' but 'income poor', is low. This has resulted in the exclusion of many who are genuinely in need of cash for their survival. Without a steady stream of income, older persons are more vulnerable, and some are left with little or no support from their families or community.

While participation in the National Insurance Scheme is mandatory, less than half (47%) of the employed labour force are active contributors and similarly less than half of the population 65 years and over are in receipt of a NIS pension. Additionally, Jamaica like many other countries has an ageing population and increasing life expectancy. The proportion of elderly persons in the population (12.6%), is expected to increase to 16.5%

by 2030 and 22% by 2050 (Planning Institute of Jamaica). The implication for old age and retirement is that without savings, investments, or family support, many do not have a steady stream of income to assist in covering their daily living expenses. The introduction of a social pension will enable us to reduce income inequality and promote a better quality of life for Jamaica's older population.

Based on the forgoing, the Cabinet has given approval for the implementation of a Social Pension Programme by the Ministry of Labour and Social Security.

3.0 COVERAGE GAP AND PROPOSED AGE GROUP FOR THE SOCIAL PENSION

Based on population estimates there are 355,574 persons living in Jamaica over the age or 60. The data also shows that approximately 42% or 148,268 persons are not in receipt of either a NIS pension or social assistance through PATH or Poor Relief. See Table 1 below.

Table 1: Data on the number Elderly by age group	
60-64	105,785
65-69	81,686
70-74	62,596
75+	105,507
Total Elderly population (2018: STATIN)most current data available	355,574
No. NIS Pensioners (August 2020 persons 65 years and over)	122,104
No. of Elderly on PATH & Poor Relief (August 2020)	85,202
Total Elderly in receipt of social protection benefits	207,306
Total Elderly not in receipt of PATH, Poor Relief or NIS	148,268
Elderly population not in receipt of social protection benefits	42%

In arriving at a target group for the social pension, the Ministry examined the fiscal space and sustainability of the programme, while seeking to close the coverage gap. Therefore, although there are approximately 148,000 persons 60 years and older that are not in receipt of any social protection benefits, providing a universal Social Pension will have significant budgetary and sustainability implications.

4.0 TARGET GROUP FOR SOCIAL PENSION 75 YEARS AND OLDER

The new Social Pension programme will begin by targeting the elderly population aged 75 years and over. This segment of the population is deemed to be extremely vulnerable. Correspondingly, the Social Security and Welfare Unit at the Planning Institute of Jamaica (PIOJ) in a 2008 policy brief, suggested that the Government could consider a targeted social pension for persons 75 years and older. The PIOJ cautioned that such a programme should not engender perverse incentive effects nor take the place of contributory pensions such as the NIS. The deemed retirement age under the National Insurance Act, is 70 years.

5.0 BENEFIT LEVEL

In order to determine the benefit level and the need to provide welfare support to the elderly; consideration was given to setting the benefit level at either 50% of the average food poverty line or 50% of the NIS lowest monthly benefit level. The food poverty line in 2018 for persons over 75 years was \$7,359.25 per month while the minimum NIS benefit is \$6,800 per month. The sustainability cost while simultaneously ensuring that there are no perverse disincentives to persons contributing to the National Insurance Scheme, were weighed.

The Social Pension benefit was therefore set at 50% of the NIS lowest monthly rate or \$3,400 per month. This amount is 31% more than the rate paid to the elderly under the PATH Programme which is \$2,600.00 per month.

Future increases to the Social Pension benefit level will be indexed to half of the minimum Old Age Pension under the national Insurance Scheme. However, recognizing that NIS benefits are subjected to an actuarial review that is conducted every three years, consideration will be given to ensuring that the Social Pension benefit is not lower than the elderly benefit under PATH.

6.0 THE SOCIAL PENSION PROGRAMME DESIGN

6.1 Eligibility Criteria

The following criteria will be used to determine eligibility:

- a) Persons aged 75 and over or any other age as set for the programme
- b) Applicant must be a Jamaican citizen
- c) Applicant is **not** in receipt of a pension, disability benefit, other retirement benefit or receiving cash grants from PATH or Poor Relief or income
- d) Applicant does not reside in a government institutionalized care facility.

- e) Elderly under PATH who attain age 75 years will be transitioned from PATH to the Social Pension Programme. (PATH provides an elderly benefit to persons 60 years and over).

6.2 *Registration/Enrolment*

All applicants will be required to complete and sign a registration/enrolment form. Registration will be completed at the Parish Offices island-wide or other offices/locations as deemed appropriate by the Ministry. Applicants must have a valid GOJ identification (Passport, Electoral ID or Driver's License) and Tax Registration Number (TRN). Island wide enrolment will commence on May 1, 2021 and will be ongoing. An agent may apply on behalf of someone.

6.3 *Verification of Applications*

Verification of the application will be done at the time of completion of the registration form if the applicant comes in person to be registered and has the requisite documentation. Where an elderly person is unable to complete the registration process in person, an agent can be appointed to do the registration on their behalf. There will be 100% verification for all agent applications

6.4 *Continued Eligibility*

Beneficiaries of the Social Pension Programme will be required to complete and submit Life Certificates to continue receiving benefits. The Life Certificate is to be certified by a Justice of the Peace or other authorized persons and submitted once every four (4) months.

7.0 **BENEFIT PAYMENTS**

Payments will be made bi-monthly (two-month intervals) via direct deposit to the beneficiary's bank account or other electronic means as approved by the Ministry. Benefit payments will commence on July 15, 2021.

8.0 **BUDGETARY/FINANCIAL IMPLICATIONS**

An analysis, to determine the likely cost of the social pension programme in two scenarios, was done. The first scenario examined the cost if the programme targeted persons aged 75 and over and the second scenario for persons aged 70 and older. The analysis indicated that a social pension that targets persons aged 70 and over, would require a total budget of \$3.929 B. A programme that targets persons aged 75 years and over would require a total budget of \$2.132 B. However, as some persons in this age category are currently in receipt of PATH and would be transitioned to the higher benefit under the Social Pension

programme, the additional amounts required would be **\$2.119 B or \$807 M in each scenario.** This is depicted in the Table below.

Based on the foregoing, a social pension for persons aged 75 and older would be more fiscally prudent for initial implementation and is also in keeping with the recommendation of the PIOJ in 2008.

Table 2: Estimated Cost for Social Pension by Age category

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Age	Total Elderly	Total NIS	# PATH/ Poor Relief	Total in receipt of social protection (b+c)	Total NOT in receipt of social protection (a-d)	Total elderly for Social Pension (e+e)	Proposed social pension benefit	Budget required (fxgx12)	Current Exp for ¹	Additional Budget Required (h- I)
70 yrs and older	168,103	71,799	58,027	129,826	38,277	96,304	\$3,400	\$3.929 B	\$1.810 B	\$2.119 B
75 yrs and older	105,507	53,250	42,466	95,716	9,791	52,257	\$3,400	\$2.132 B	\$1.325 B	\$807 M

9.0 PENALTY FOR FALSE APPLICATION

Any person, who for the purpose of obtaining or continuing to receive a Social Pension either for him/herself or for any other person, knowingly obtains payment of, or continues to receive a Social Pension which he is disqualified from receiving or which for any reason is not payable to him, may be liable for prosecution under the Larceny & Voluntary Declarations Acts.

10.0 MANAGEMENT INFORMATION SYSTEM (MIS)

A Management Information System (MIS) is being developed for application and payments to be made under the Social Pension Programme. The system will conduct validation checks internally with PATH and NIS and externally with the Tax Administration and the Electoral Office of Jamaica databases.

¹ This figure is a total of funds currently being disbursed to the # of Elderly in receipt of PATH/ Poor Relief in PATH benefits

11.0 COMMUNICATION STRATEGY

A comprehensive communication strategy is being developed which will include a communication campaign to inform potential beneficiaries, stakeholders, and the public of the new Social Pension Programme. The campaign will be rolled out in April 2021.

12.0. MONITORING AND EVALUATION

The Ministry will produce bi-monthly reports on the implementation of the Social Pension using the following indicators:

Output

- i. Number of persons paid social pension benefits within a payment cycle
- ii. Number of new persons paid social pension benefits within a payment cycle
- iii. Number of non-PATH elderly persons paid social pension benefits within a payment cycle

Operational

- iv. Percentage of qualified applicants in receipt of social pension payment within two months of application
- v. Percentage of social pensioners who are former PATH beneficiaries.



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