

**Researchers**

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**Timeline**

2016-2018

**Sample Size**

3,060 households containing senior citizens living in extreme poverty

**Research Implemented by IPA**

Yes

# The Impact of a Pension Program on Senior Citizens' Wellbeing in Paraguay

## Abstract

Pensions are seen as an important tool for reducing poverty among a growing elderly population worldwide. Researchers are working with Innovations for Poverty Action and Paraguay's Ministry of Finance to conduct a randomized evaluation of a national non-contributory pension program for low-income seniors. Researchers will measure the impacts of national pensions on senior citizens' economic wellbeing and quality of life.

## Policy Issue

Worldwide, the number of people who are 60 years of age or older is expected to double by 2050.<sup>1</sup> Poverty rates among the elderly are substantially higher in countries where social security coverage is limited. Recent evidence suggests that among other effects, programs that provide income to low-income seniors may spur increases in food consumption,<sup>2</sup> allow senior citizens greater economic independence by lessening their reliance on family transfers,<sup>3</sup> and lead to reductions in geriatric depression.<sup>4</sup> However, they are relatively rare: worldwide, only about 20 percent of seniors receive any payment from pensions.

## Context of the Evaluation

In 2010, Paraguay's national government implemented a non-contributory pension fund, *Adultos Mayores*, that aims to improve quality of life for senior citizens living in extreme poverty. This is one of the largest national programs in the country, with a budget of over USD\$300,000,000. However, little is known about the program's impacts.

Citizens are eligible to apply for the program at age 65. To determine eligibility,

representatives from the Ministry of Finance visit the household to assess the applicant's income level through a questionnaire. If the applicant's assessed income falls below the eligibility level, the fund distributes a monthly stipend to the household bank account that amounts to 25 percent of Paraguay's current minimum wage.

All participants in this evaluation—a total of 3,060 households in 66 districts of Paraguay—either receive the pension or are eligible to. Half of the participants are men and half are women. The participants equally represent urban and rural areas.

## Details of the Intervention

Researchers are working with Innovations for Poverty Action and the Ministry of Finance to conduct a randomized evaluation on the effects of pension stipends provided on recipients' quality of life. The Ministry of Finance conducted the sampling and randomization in this evaluation, while researchers working with IPA are conducting the survey and data analysis.

The 3,060 participating households in the evaluation each contained senior citizens eligible according to the Ministry of Finance criteria to receive a pension through Adultos Mayores at the time they received the questionnaire (from the beginning of 2016 to mid-2017). After determining eligibility, the Ministry of Finance randomly assigned households to two groups that vary in the start date of their pension payments. The evaluation had a phase-in design in which members of the treatment group received the monthly stipend as usual once they were found eligible. The comparison group, meanwhile, began receiving the pension twelve months after receiving the questionnaire.

Researchers will measure the impact of the pension program on overall wellbeing, including household consumption, education, health, perceptions and social networks. Researchers will conduct two surveys per household: one with the head of the household and one with the senior citizen beneficiary. Policymakers in Paraguay are particularly interested in how the program's impact varies by recipients' gender, whether they live in an urban or rural setting, and the language they speak. Researchers will examine how the pension program's impacts may differ from one subgroup to the next.

## Results and Policy Lessons

Research is ongoing; results forthcoming.

## Sources

[1] United Nations, 2013. *World Population Aging 2013*. Department of Economic and Social Affairs, Population Division. United Nations Publication ST/ESA/SER.A/348.

[2] Galiani, S, Gertler, P. and Bando, R. (2014). NON-CONTRIBUTORY PENSIONS, NBER WORKING PAPER SERIES. Working Paper 19775. <http://www.nber.org/papers/w19775>.

[3] Case, A. and Deaton, A. 1998. "Large Cash Transfers to the Elderly in South Africa." The Economic Journal 108: 1330-1361.

[4] Case and Deaton, 1998.

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