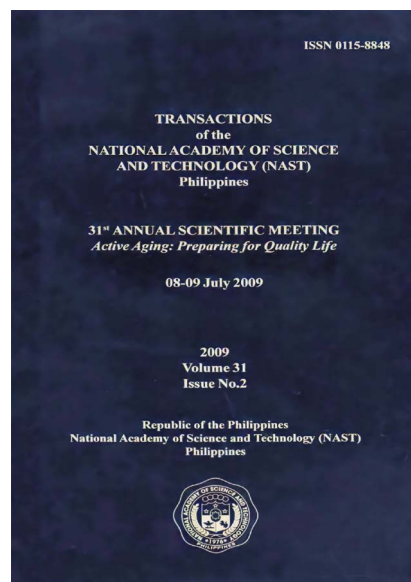


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Economics, Productivity, and Retirement: Roundtable Discussion Summary

William T. Torres¹

¹ Member, National Academy of Science and Technology, Philippines

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Economics, Productivity and Retirement: Roundtable Discussion Summary

Academician William T. Torres¹

BACKGROUND

The aging of the Philippine population poses growing social and economic challenges such as an increasing dependency ratio; higher life expectancy; and also, if the retirement age stays the same, the dependency ratio increases over time. This is a big problem that leads to the collapse of retirement funds. In the year 2000, fifty-seven percent or more than half of elderly people were gainful workers. A large proportion or 41% were involved in primary economic activities such as farming, forestry work and fishing. Around 10% were laborers and unskilled workers. Senior citizens constituted 13.77 percent of the total farmers, forestry workers or fishermen, and 6 percent of the total laborers and unskilled workers.

Based on the estimates of the country's Department of Social Welfare and Development (DSWD), the proportion of poor elderly persons in 2000 vis-à-vis the total number of older persons, was at 31.4 percent.

POLICIES THAT IMPACT ON THE ELDERLY POPULATION

The 1987 Philippine Constitution has the following articles in support of the health of the elderly population:

- Article II, Section 9 on State Policies mandates: "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full development, a rising standard of living and an improved quality of life."

¹ Member, National Academy of Science & Technology

- Article XIII, Section 2 on Health/Social Services likewise mandates: “The State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health and other social services available to all people at affordable cost. There shall be priority for the needs of the underprivileged sick, elderly, disabled, women and children.”
- Article XV, Section 4 on the Filipino Family also mandates: “It is the duty of the family to take care of its older person members while the State may design programs of social security for them.”

Republic Act No. 7876 entitled “An Act Establishing a Senior Citizens Center in all Cities and Municipalities of the Philippines, and Appropriating Funds Therefore” provides for the establishment of Senior Citizens Centers to cater to older persons’ socialization and interaction needs as well as to serve as a venue for the conduct of other meaningful activities. The Department of Social Welfare and Development in coordination with other Government Agencies, Non-Governmental Organizations and People’s Organizations, shall provide the necessary technical assistance in the form of social and recreational services, health and personal care services, spiritual services, livelihood services and volunteer resource services.

Republic Act No. 8425 provides for the institutionalization and enhancement of the social reform agenda by creating the National Anti-Poverty Commission. Through its multi-dimensional and cross-sectoral approach, it provides a mechanism for senior citizens to participate in policy formulation and decision-making on matters concerning poverty alleviation.

Republic Act No. 9257 otherwise known as the Expanded Senior Citizens Act of 2003 expands the coverage of the benefits and privileges for senior citizens by making it mandatory for business establishments to grant the 20% discount on goods and services. It also installs a process for organizing the Office of Senior Citizens Affairs (OSCA) including the selection of the OSCA Head, and more importantly, provides for a comprehensive health care and rehabilitation system for disabled senior citizens to foster their capacity in attaining a more meaningful and productive ageing.

The General Appropriations Act of 2006 under Section 32 mandates that all government agencies and instrumentalities should allocate one percent (1%) of their total agency budget to programs and projects for older persons and persons with disabilities.

PHILIPPINE PLAN OF ACTION FOR OLDER PERSONS

Executive Order No. 266, Series of 2000 paved the way for the approval and adoption of the Philippine Plan of Action for Older Persons (1999-2004), which was later captioned as Philippine Plan of Action for Senior Citizens and later led to the formulation of the Philippine Plan of Action for Senior Citizens (2006-2010).

The Philippine Plan of Action for Senior Citizens is a continuing mechanism paving the way for the implementation of various programs, projects and activities undertaken in response to the needs of the elderly. These mechanisms are the following:

- Senior Citizens Volunteer Resource Project (SCVRP) and community volunteer resource development for Older Persons to assist in the implementation of various social welfare and development programs of DSWD, FSCAP and LGUs;
- Inter-Generational Program, a social technology that brings together different generations in new and ongoing mutually beneficial structured activities to meet the needs of individuals and families throughout the life cycle;
- Alleviation of Poverty in Old Age based on The NEDA UNESCAP Report 2007

OBSERVATIONS IN THE PHILIPPINE SCENARIO

In 2050, there will be 1.4 B people in the world who are 65 and above. Today, there is less than half of that number. The percentage of the senior group is less than 10% of the population today but it will be more than 20% in 2050. This is a global problem. The situation is similar in the Philippines. The census of Philippine population in 1990 and 2000 showed

an increasing senior population. This group is the fastest growing sector since the 60s.

The 2005 National Statistics Office (NSO) data show that in 2000, out of 100 Filipinos, 5 are infants, 38 are children between ages 1-17, 51 are between ages 18-59, 2 are in retirable ages between 60-64, 3 between ages 65 and 80 are hopefully enjoying their retirement, and 1 is in the 80s. In 2008, a survey by Citibank showed that 8 out of 10 working middle class Filipinos with an average salary of Php 30,000 a month, believe that they face a bleak retirement. Only 1 out of 10 Filipinos is consciously saving for retirement. What about those who earn less than that? Many just hope that their children will take care of them in their old age. Personally, I believe that a significant solution to poverty reduction is reducing the dependency of the elderly on their children.

We are aware that senior people continue to work. But we do not have concrete data on the number that are in fact working. However, we have some data showing that in Asia between 20-25 percent of those who are 65 and older are still working; in Africa this percentage is even much higher — 40 percent. In the developed countries, the percentage is smaller because they have already provided for their future. In our country, we should aim to make the percentage of working senior citizens to decrease over time.

Not all economists are familiar with the term ‘dependency ratio’ and its demographic implications. The dependency ratio measures the number of dependent people who are not in the working age range in relation to the number of people who are. If we add the total number of young dependents plus the number of dependents from the older group we come up with a very large number compared to the number who must work so that these dependent groups can live or survive. The result of dividing the total of young dependents (less than 15 years old) and older dependents (65 years old and above) by the number of people in the range of 15 to 65 years of age is known as the “total dependency ratio.” Inasmuch as we are supposed to focus on aging in our discussion today, we propose that

we look into dependency ratio and aging. Therefore, we define “dependency ratio for the aging” as the number of people 65 and above divided by the number of people who are economically active — all those who are between 15 and 65 years old. This definition is theoretical and must be refined in order to get the “real” or “effective” dependency ratio for indeed there are people between 15 and 65 who are not economically active and there are people who are 65 and above who are.

Let us first agree on whether we should use 60 or 65. (By the way, we should not confuse this number with retirement age.) I believe that we should use 65 inasmuch as this seems to be what most, if not all, other countries use. The site www.cia.gov provides information across the countries using standard definitions. It would be convenient to compare what we’re doing with what other countries are doing if we use standard definitions.

A study by Dr. Ogena of DOST (2006) shows that the share of old-age component (in relation to the total dependency ratio) will nearly triple from 9% to 29% between 2000 and 2040. The study used 60 as the reference number. If we use 65 as the reference number, this change will be less profound.

ISSUES WERE RAISED DURING THE ROUNDTABLE DISCUSSION

How should we handle the so-called informal sector when we look at the real dependency ratio for the aging? In the formal sector we have SSS, GSIS, and other company pension plans that are enjoyed by retirees from the government or private sector. But what about the informal sector? How do we provide for their “retirement” or old age?

The next issue was the question ‘Does the family save for the future support of senior members including themselves when they become seniors?’. Some statistics do not show a good picture. Generally, there is no provision for the support of senior members. As a group, we must also think of those who cannot give support.

Can the community provide support for its senior members?
Can we provide regular income to senior citizens not covered with any retirement

plan? Review of existing policies show that less than 1% of the local government unit (LGU) budget is allocated for the welfare of older people.

Can the private companies be tapped for the support of the senior members of the community where they do business? This is another scheme where we do not have to depend on the government.

RECOMMENDATIONS

The group came up with a list of recommendations: 1) identify opportunities / interventions around families and communities that will provide productive work to the elderly (social entrepreneurship); 2) pursue the proposal for the filing of the Social Pension Bill; 3) streamline the procedure in pension claims; 4) encourage savings for old age by the individual, family and community and 5) empower senior citizens to vote.

Recommendations for future research to address these problems include the following: 1) refine the data on the numbers of the elderly population; 2) baranggay-level database of poor/indigent seniors and how they receive support; 3) economics of the retirement age; 4) current status of Senior Citizen Act; 5) description of successful livelihood programs by seniors; and 6) status of implementation of the 1% GAA at the municipal level.

Social entrepreneurship seems like a promising approach worth considering. But we need social entrepreneurs, defined as individuals who have the most innovative solutions to society's most pressing social problems including the aging problem. They are ambitious and persistent. They are not afraid of tackling major issues and offering new ideas for widescale change. Rather than leaving societal needs to the government, or to business sectors, social entrepreneurs

solve the problem by changing the system, spreading the solution and persuading the entire society to take new lifts. This definition came from www.ashoka.org, a very well known social entrepreneurship innovator. They have branches around the world but not in the Philippines.

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Mr. Angus Aranan
Government Service Insurance System

Acd. Solita F. Camara-Besa
National Academy of Science and Technology

National Scientist Gelia T. Castillo
National Academy of Science and Technology

Acd. Mercedes B. Concepcion
National Academy of Science and Technology

Mr. Danny Deinla
SWD

Acd. Salcedo L. Eduardo
National Academy of Science and Technology

Acd. Raul V. Fabella
National Academy of Science and Technology

Ms. Marites Lagarto
National Economic and Development Authority

Mr. Germaine Trittles Leonin
Department of Social Welfare and Development

Ms. Generosa Macaiba
Coalition of Services of the Elderly

Acad. Teodulo M. Topacio Jr.
National Academy of Science and Technology

Acad. William T. Torres
National Academy of Science and Technology

Dr. Shelley F. dela Vega, Focal Person National Institutes of
Health, UP Manila