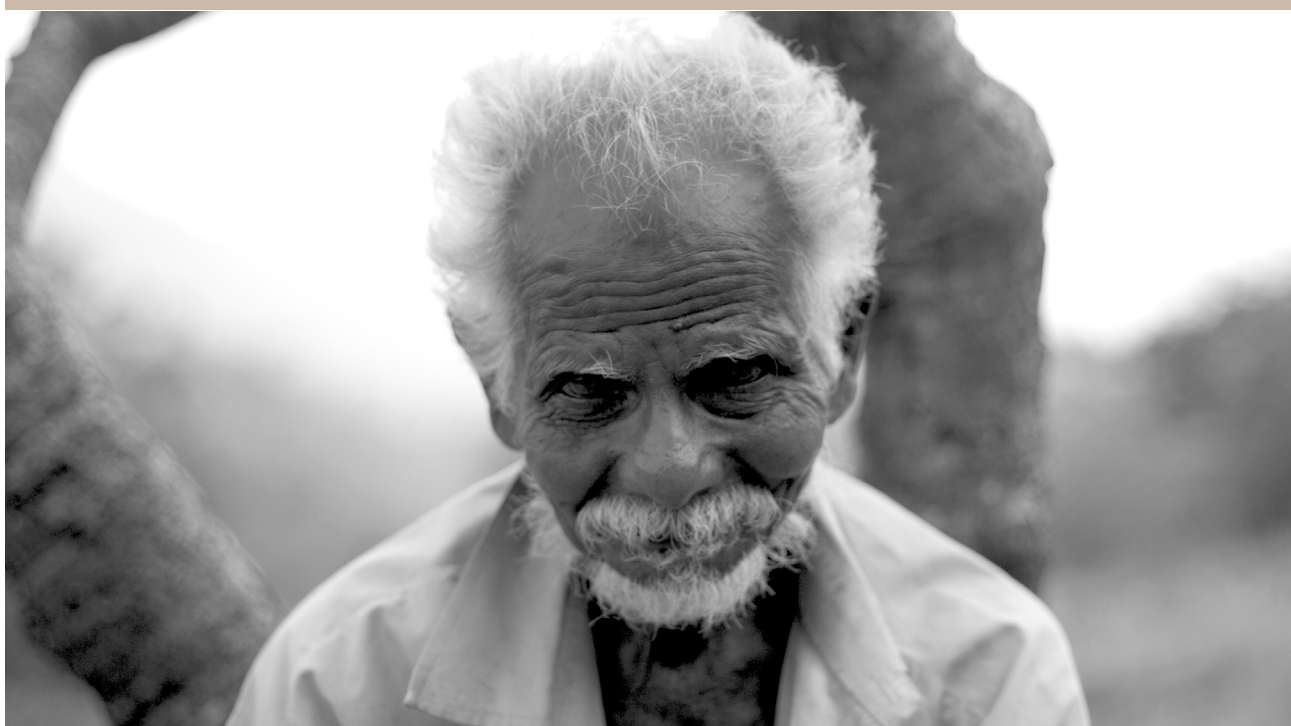


Understanding the Income Profile of the Elderly in Sri Lanka



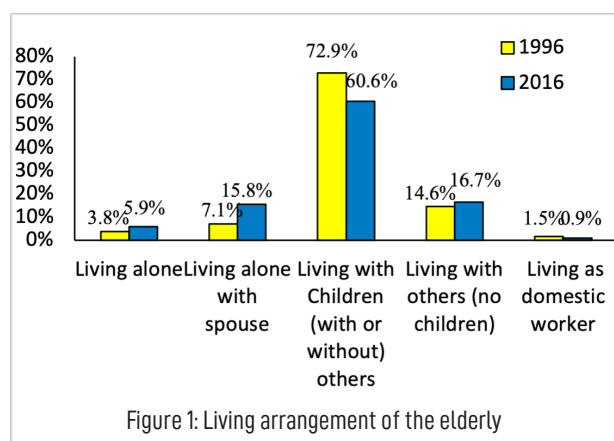
Population ageing, which is the increase in the proportion of elderly people in the population, is considered to be the final stage of the demographic transition and is a phenomenon that has a global impact [1].

“ Sri Lanka has one of the fastest ageing populations in the developing world ”

While Sri Lanka's experience of population ageing is closer to that of a developed country, the level of income at which this is happening is much lower. Therefore, ensuring the welfare of the elderly is and will be a challenge in the years to come. A solid understanding of old-age income support systems is, thus, vital for formulating effective policy responses.

Given this requirement, our paper [2] analysed data from the Household Income and Expenditure Survey (HIES) from 2016 and 1995/96 to develop an income profile for the elderly in Sri Lanka. Using the subsample of 18,671 individuals aged 60 and above over the two years of the survey, we observed living arrangements and directly measure income received by the elderly through employment, public transfers, pensions, accumulated wealth, and remittances.

The living arrangements of the elderly present the first hint that the income profile of the elderly is changing – the share of elderly co-residing with their children has fallen from over 70% to just over 60%. At the same time, the share of elderly living alone or with their spouse has increased by more than 10% (Figure 1). This provides our motivation for further exploration of old-age income sources



As the living arrangements show, family support is a traditional source of old age income in Sri Lanka. However, the HIES does not provide information about the monetary and non-monetary transfers made by children to their parents. Previous studies that have attempted to assess the wellbeing of the elderly either focus simply on living arrangements ([3], [4]) or use surveys that directly measure these intergenerational transfers. While the latter method is ideal, the existing surveys for Sri Lanka are either not nationally representative ([5]) or are relatively old (the only nationally representative survey is the Sri Lanka Aging Survey 2006 conducted by the World Bank [6]).

Given the absence of direct information about intergenerational transfers in the HIES data, we

constructed the difference between per capita consumption (this includes both out-of-pocket expenditure and the value of freely received food and non-food goods and services) and the total income of the elderly individual. We consider this value to be a residual that measures the indirect income support received by the elderly (it would be negative in the event that the elderly individual is earning more than they consume) and incorporate this into the old-age income profile.

The combination of direct and indirect sources confirms the importance of indirect support for the elderly in Sri Lanka, accounting for 30% of total income, on average, for an elderly individual in 2016. However, compared to 1996, the share of income received from indirect sources has dramatically declined (Figure 2 – Panel A).

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Treating blast injuries is especially problematic since they incur complex bone fractures which cannot be treated with traditional methods.

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We also see that when co-residence with children is not taking place, the elderly are compensated indirectly, though again there have been significant changes over time. In 1996, the elderly who lived alone or with only their spouse depended very heavily on indirect income support but there has been a dramatic reduction in the share of indirect income of more than 40% over the last twenty years (Figure 2- Panel C).

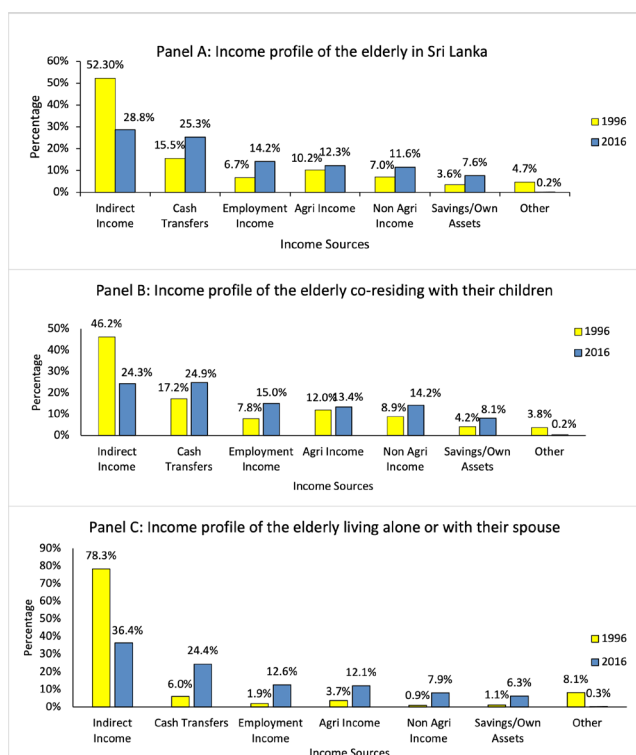


Figure 2: Income Profile of the elderly

Of the direct income sources, cash transfers (e.g. pensions, Samurdhi payment, other allowances, etc.) account for the largest share followed by paid employment and agricultural and non-agricultural work as employers or own account workers. The declines in the share of indirect support over time are offset by the increasing shares of these direct income sources. There has also been a significant increase in income from accumulated wealth (e.g. interest on savings, rent, dividends, etc.) over time. Taken together, the income profile highlights significant changes in the composition of old-age income over the 20-year period considered.

Given the importance of indirect support for the elderly that we find, we further investigated the dependency status of the elderly by focusing specifically on elders co-residing with their children or other relatives. In particular, we computed the contribution to household income made by the elders living in such households.

We see that that in 2016, the average income of an elderly individual living with his/her children is roughly 79% of the household's average income per working- age member, while it was nearly 93% in 1996. This suggests that among the elderly living with their children, the dependency status has increased.

“ We see that that in 2016, the average income of an elderly individual living with his/her children is roughly 79% of the household's average income per working- age member, while it was nearly 93% in 1996. ”

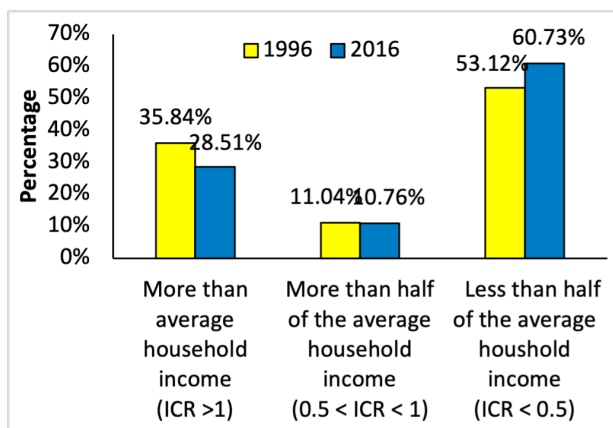


Figure 3: Income contributions of the elderly living with their children

Figure 3 shows the levels of contribution to household income among the elderly living with their children. Most of the elderly co- habiting with their children (61%) contributed less than half of the household's income per working age member while 28% contributed more in 2016. The latter share has also decreased over time indicating that the income contribution of the elderly living with their children has decreased even while the share of elderly living with their children itself has decreased. While the high level of dependency among the

elderly suggested by these results echoes those based on the residual of consumption and income, these results indicate that among the elderly living with their children, the level of dependency has increased over time.

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Our findings show that while indirect income support, cash transfers, and employment are vital sources of old-age income, there have been significant changes in the composition of old-age income over time. In particular, indirect income support is becoming less important, and income from employment and formal cash transfers is becoming more prominent.”

So what does all this mean? Our findings show that while indirect income support, cash transfers, and employment are vital sources of old-age income, there have been significant changes in the composition of old-age income over time. In particular, indirect income support is becoming less important, and income from employment and formal cash transfers is becoming more prominent.

These results highlight potential policy avenues to improve the economic well-being of the elderly.

For instance, given the increasing the mandatory retirement age could provide further employment opportunities for the elderly while reducing pension payment obligations for employers as well as relieve some of the burden placed on adult children. It would also be important to take measures to ensure decent and dignified employment for those elderly who wish to work. These employment related measures should go hand-in-hand with social security measures that prevent the elderly from falling into poverty once they are unable to provide for themselves. Expanding pension coverage to all types of workers and providing access to social security for vulnerable groups such as women or the poor would be important in this regard.

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