



# WORKING PAPER

## Social Security in Arab Countries: A Regional Comparison of the Well-Being of Older People.

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### Abstract

Social protection systems reduce poverty and provide a safety net for the vulnerable. However, social protection is not a reality for a large majority of the world's population. In 2016, 55 per cent – as many as 4 billion people – were not covered by any social protection cash benefits (UN, Economic and Social Council, 2019). In the Middle East and North Africa (MENA) countries, large groups of the population remain excluded. Older people, women, those with disabilities and chronic diseases are the most vulnerable people and, in the current context of the COVID-19 pandemic, their situation has exacerbated.

The Arab countries of the Middle East and Northern Africa nearly all have traditionally defined social security benefit programmes. They cover a relatively low proportion of the working population. Some of the countries face social issues of exclusion and special treatment of powerful elites. Besides examining social security pension programmes, the paper takes a broader look at the status of older people in Arab countries, by developing and analysing an index of the well-being of older people.

**Keywords:** Syria, War, GDP estimates, Night Lights

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## Introduction

Ensuring income security for people aged 60 and older, who are no longer working, is an important social objective all over the world. Ageing population is a global phenomenon affecting both developed and developing countries. Worldwide, the population aged 60 and older is set to more than double by 2050, rising from 962 million in 2017 to 2.1 billion in 2050 (World Population Prospects, The 2017 Revision, United Nations). By 2050, the older population will represent 20% of the world's total and forecasts indicate that, in 2047, the number of older people will exceed the number of children under 18 for the first time.

Although the ageing population is mostly highlighted in the literature for developed countries, developing countries are going through the same process with significantly less resources (Lee & Mason 2011). The Arab region has one of the fastest growing populations in the world - from 1970 to 2017, the population has more than tripled from 123 million to 400 million. In the upcoming years, Arab countries will age more rapidly compared to other developing regions. Ageing population is already in place with the old-age dependency ratio expected to increase to 15 per cent by 2050 (ESCWA, 2018).

Another central feature of the Arab region is the relatively low levels of public social spending affecting the levels of social protection coverage and benefits. Compared to other countries, public social protection expenditure as a percentage of GDP in Arab countries is the lowest –4.2% in Arab countries compared to 18.5 in Asia-Pacific countries (ILO 2014).

Due to the lack of social protection and high illiteracy and unemployment rates, the elderly are the most vulnerable section of society in the Arab region. Providing economic security that eradicates poverty and supports healthcare for the elderly is, therefore, one of the key challenges in a region where the majority of older people are poor. Whilst these topics have received extensive attention in OECD countries, relatively little attention has been given to Arab countries. To evaluate and understand the quality of life for the elderly, one needs to measure old age well-being. To this end, we have built indicators on elderly well-being.

The literature deals with different interpretations and approaches to measuring well-being, capturing aspects of life, including mental health, physical health, economic and social well-being (Miranti and al., 2017). Well-being can be measured objectively and subjectively. Objective measures of well-being use currently available indicators such as education and labour force status. Subjective measures of well-being are based on self-reported questions regarding life satisfaction. One indicator dedicated to elderly well-being is the Global AgeWatch index, designed by HelpAge (Taipale, 2014), but it fails to provide information regarding Arab countries. We use a similar methodology and combine subjective and objective measures to build a comprehensive composite index, based on four subindices measuring “income security”, “health status”, “employment and education” and “enabling environment

and living conditions”. This is an essential tool to compare and evaluate different aspects of elderly lives in the countries of the region. The indicators of well-being selected in this study cover the material dimension (pension coverage), social aspects (health, education, activity, social and family connections), and exogenous features (physical security, transportation). To build these indicators, we have considered the data from international institutions (ILO, UN, WHO, WB) and Gallup survey. 18 Arab member countries of the UN economic and Social Commission in Western Asia (ESCWA): Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen are considered.

The paper, first, discusses the regional context in which social security programmes developed. Secondly, it analyses social security programmes and policy issues in the Arab region, focussing on old-age pensions. Thirdly, it presents the Old Age well-being Index for Arab countries. Lastly, there is a conclusion.

## Regional Context

**Wealth.** The Arab countries of western Asia include some of the world’s wealthiest countries, due to oil, as well as some of its poorest, causing huge wealth differences across countries. Based on purchasing power parity, as calculated by the International Monetary Fund for 2017, Bahrain is ranked as the world’s 16<sup>th</sup> richest country, with per capita GDP of \$50,302. Saudi Arabia is ranked as the world’s 14<sup>th</sup> richest country, with per capita GDP of \$54,078. The United Arab Emirates is the 9<sup>th</sup> richest country, with per capita GDP of \$67,696. Kuwait ranks 6<sup>th</sup> with per capita GDP of \$71,236. Qatar is the world’s richest country, with per capita GDP of \$129,726 (Tasch 2017).

By contrast, Yemen, one of the poorest countries, has per capita GDP of \$990, so by comparison of GDP per capita, the population of Qatar is one hundred times wealthier. In 2017, there was no wealth data for Syria (\$1,821). Three of the countries – Mauritania (\$1,077), Sudan (\$1,415) and Yemen – are on the United Nation’s list of Least Developed Countries (United Nations 2017a). These countries have experienced little economic growth and are falling behind other countries in the region and worldwide.

**Demography.** As well as varying greatly by wealth, the countries also differ significantly regarding population. The largest are Egypt with 102 million and Sudan with 43.8 million in 2020 (United Nations, World Population Prospects 2019). The smallest are Qatar with 2.8 million and Bahrain with 1.7 million (United Nations, World Population Prospects 2019).

Because of high birth rates, Arab countries have experienced rapid population growth. The total population, aged 60 and older in Arab countries, rose from 3.9 million in 1950 to 16.5 million in 2000, with Egypt having the largest number of older adults. By 2020, the population aged 60 and older reached 31.3 million and continues

to grow at a rapid pace. In nine countries - Algeria, Bahrain, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar and Tunisia – projections indicate by 2050 there will be more older people (aged 60 and older) than children (under 15 years old). Arab countries undergoing economic and humanitarian crises have lost sight of this demographic change.

At the turn of the millennia in 2000, birth rates were high -- Yemen with 7.6 children per woman, Saudi Arabia with 5.5, and Iraq with 4.8 (United Nations 2001). In that year, the old age dependency ratio was actually lower in a number of Arab countries than it was in 1960 (Kárpáti 2011). Thanks to the high birth rates, the share of the older population currently within the total population (old age dependency ratio) is much lower in Arab countries than in most other parts of the world. The share for Arab countries is 3.4 percent, compared to 16.1 percent for Europe and Central Asia, and 8.4 percent for the world overall (ILO 2017-2019, graph 1)

The demographic transition to lower birth rates is generally challenging in the Middle East and North Africa (MENA), where the demographic transition started relatively late, compared to Latin America and Southeast Asia. Even so, comparing the period 1960-1990 to 1991-2009, the population growth rate has declined in nearly all the countries of the region, Lebanon and Yemen being exceptions (Kárpáti 2011). Therefore, the process of population ageing is in its relatively early stages. However, high unemployment rates in some countries may encourage emigration of young people, which would hasten the increase in the old age dependency ratio (Saxena 2008).

Most of the countries have fairly high life expectancies, with the life expectancy at birth for females in most countries (except the poorest) being 70 or higher. As in many developed countries, significant gains in life expectancy at older ages are occurring in the Arab region. Meanwhile, the quality of life and health issues has become a concern for older people. Following a global phenomenon, women in Arab countries live longer than men but experience worse health conditions in old age (Al Hazzouri, Sibai, Chaaya, Mahfood, & Yount, 2011; Abdulrahim et al., 2013). Whilst average female life expectancy at 60<sup>4</sup> in Arab countries is around 20 years, the average healthy female life expectancy is barely 14 years (WHO, 2015).

As long as fertility rates continue to decline and life expectancy continues to rise, the share of older people in the total population will steadily increase. Population ageing is inevitable: without an adequate social policy, poverty in old age will increase. Providing economic security and health care for older people is one of the key challenges in the region, where the elderly face a high risk of poverty and vulnerability.

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<sup>4</sup> Life expectancy at age 60 is the average number of years a person at that age can be expected to live. Healthy life expectancy at age 60 is the average number of years a person at age 60 is expected to live in good health.

## Social Security in the region

Social protection systems covering social insurance, health, maternity care, elderly care, unemployment, and illness-related assistance are not well-developed in Arab countries. Almost all Arab countries provide some level of social programmes for health, education and pensions. However, public social protection expenditure on pensions and other benefits for older people is low and coverage is generally limited to a small fraction of the population (figure 1).

The cultural similarities of Arab countries mean their social security programmes have many similarities. However, the large differences in per capita wealth contribute to differences in the generosity of social security programmes.

Nearly all the social security programmes in the region are traditional, social insurance defined benefit programmes. None of the countries have adopted privatised individual account social security programmes. Some of the wealthy countries, such as Kuwait and Saudi Arabia, provide very generous benefits to retirees. At least, in part, because their social security programmes have adequate funding for the near term, they have not considered major reforms.

In most countries of the region, social security programmes were developed relatively late in the world context—all have been established since 1950. Egypt started a provident and insurance fund in 1955. Iraq established a provident fund in 1956 which it converted to a social security plan in 1964. Syria followed in 1973 and Kuwait did so in 1976. By contrast, Oman only started its social security programme in 1991. The programme in Yemen was also implemented that year, at the time of the country's reunification. South Yemen had started a programme in 1974, but it varied among the different sultanates.

## Coverage Rates

Whilst lower than in high-income parts of the world, social security coverage rates tend to be higher in the Arab countries in the Middle East and Northern Africa than for the low-income countries in sub-Saharan Africa. In 2017 in the Arab countries, 27.4 percent of the population above the statutory pensionable (retirement) age was effectively covered by a social security programme, compared to 22.7 percent for sub-Saharan Africa. However, that figure compares to the substantially higher figure of 47.0 percent for North Africa and to an even higher world average figure of 67.9 percent. A trend around the world affecting countries with low coverage rates is the development of non-contributory pensions, including universal social pensions. However, none of the Arab countries have developed such a programme (ILO 2017b).

Fragmentation is a feature for many of the social security programmes, with different categories of workers in different programmes. Often, self-employed workers are in a separate programme or are excluded. In Lebanon, teachers have their own

programme. Generally, government workers and the military are in separate programmes, which provide more generous benefits than for other groups. The military have their own programme in Jordan, Qatar, Saudi Arabia and Yemen.

These fragmented programmes across the region lead to lower job mobility. This is mainly because of portability losses that reduce pension benefits for workers when they change jobs across programmes. By making such job changes, workers may fail to be invested in a programme or may receive less generous benefits per years worked. In addition, because of the economies of scale in pension system administration, it would be more efficient to unify the fragmented programmes into a single programme (Robalino 2005).

**Excluded Groups.** One reason for the relatively low coverage rates in the region, compared to higher-income regions, is that the Arab countries generally do not cover all workers within the statutory structure of the social security law. Most social security programmes in the region cover public and formal private sector workers, but exclude other categories of workers. High rates of informality and high levels of unemployment contribute to low population coverage (ILO 2017a).

Around the world, and in Arab countries, coverage rates relative to the population tend to be lower for women than men. In Arab countries, legal coverage for women is only 34.8 percent, compared to 45.9 percent for the total population (ILO 2017b), which implies a legal coverage rate for men of roughly 57 percent. The legal coverage rate refers to the extent to which the legal framework offers legal entitlement. The lower coverage rate for women is due to their lower labour force participation rates than men and their work as unpaid family workers (ILO 2017b). The effective coverage rate, which is lower than the legal coverage, refers to the effective implementation of the legal framework.

At the end of the twentieth century, some countries limited coverage to larger employers – 10 or more workers in Bahrain and Saudi Arabia, for example. In Jordan, the limit was five or more. In a move to expand coverage, these countries have all ended those limits.

Typically, among national workers, the self-employed, casual, temporary and domestic workers are excluded. For example, in Bahrain household workers and some agricultural workers are excluded. Household workers are excluded in Qatar and Saudi Arabia. Self-employed workers are excluded in Iraq and Lebanon,

By contrast, self-employed workers are included in Kuwait. Coverage is voluntary for self-employed workers in Oman and Saudi Arabia. Some countries, such as Egypt and Tunisia, include the self-employed and agricultural workers in their social security programmes. Egypt has special systems for self-employed workers, casual workers and household workers. Tunisia has special systems for self-employed workers, agricultural workers, farmers, household workers, artists, certain categories of fishermen and low-income earners (U.S. Social Security Administration 2019).

Though coverage rates are still relatively low, a positive trend is that coverage rates have tended to increase over time in the region. In part, because of non-compliance with the law, also called contribution evasion, the percentage of the labour force covered at the end of the twentieth century tended to be 25 percent or less. In Saudi Arabia, 21 percent of the labour force was covered and the figure for Kuwait was 23 percent. However, the coverage rate of the labour force in Jordan was 40 percent (Palacios and Pallarès-Miralles 2000). In the mid-2000s, coverage for the region had risen to 33 percent (Robalino 2005). Even more recent statistics place the average coverage rate for the region at around 35 percent of the workforce (Arab Monetary Fund and World Bank 2017).

The low coverage rates in some Arab countries are at least partially explained by relatively low per capita income, which generally is associated with a high degree of informality in the labour market and high unemployment rates. Internationally, per capita income and social security coverage rates are very positively correlated. However, a number of Arab states are above the level expected for their level of per capita income, so their coverage rates by that standard are thus relatively high in an international context. For example, Tunisia, Egypt, Iraq and Jordan have higher coverage rates than would be predicted by their level of per capita income (Arab Monetary Fund and World Bank, 2017).

**Migrant Workers.** In discussing social security coverage rates in Arab countries, it is important to distinguish between nationals and non-nationals, since the labour market in the region is characterised by a large number of non-national migrant workers in some countries. Saudi Arabia, the United Arab Emirates, Kuwait and Jordan are major importers of foreign labour, whilst Syria and Yemen are exporters. Bahrain, Oman, Saudi Arabia, and the United Arab Emirates have excluded foreign workers from coverage under their social security programmes. Kuwait also excludes foreign workers from its very generous social security system. By contrast, Jordan and Yemen cover migrant workers on an equal basis with their own citizens.

In 1981, six of the Gulf countries formed the Gulf Cooperation Council (GCC). Those countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. GCC countries maintain reciprocal social security pension arrangements. Employers of GCC foreign nationals are required to make payments to the social security programme of the country where they work, in accordance with the employee's home state social security laws. The social security programme in the country where they work sends these payments to the employee's home social security programme.

## Financing

In all the countries of the region, except Lebanon, both employers and employees contribute to the social security system, with the employer in some of the countries contributing a higher amount than employee. The contribution rates vary over a substantial range. Employee contributions range from 5 percent (Qatar) to 13

percent (Egypt – 10 percent of covered earnings plus 3 percent of base earnings), whilst employer contributions range from 6 percent (Yemen) to 17 percent (Egypt – 15 percent of covered earnings plus 2 percent of base earnings). In Lebanon, only the employer contributes (8.5 percent).

The government provides generous subsidies in some countries, particularly in higher-income countries in the Middle East with generous benefits. In Egypt, Jordan, Qatar and Saudi Arabia, the government makes up any deficit. In Kuwait, the government contributes 10 percent of payroll for government employees and 32.5 percent of payroll for military employees. In Oman, the government contributes 5.5 percent of wages. In the Emirate of Abu Dhabi, which is part of the United Arab Emirates, the government contributes 6 percent of payroll (L& E Global Knowledge Centre 2013). In Yemen, the government contributes 6 percent for its employees, whilst all other employers contribute 9 percent, so effectively the private sector subsidises the government. By contrast, in Bahrain, Lebanon, Mauritania, Morocco, Sudan, Syria, Tunisia and Yemen, the government does not contribute for private sector workers.

Some countries have raised contribution rates to pay for increasing costs of providing benefits. In 2014, Oman raised the employee rate from 6.5 to 7.0 percent, the employer rate from 9.5 to 10.5 percent, and the government subsidy from 4.0 to 5.5 percent (U.S. Social Security Administration 2014). In 2016, Morocco raised employer and employee contribution rates from 10 to 14 percent over three years ending in 2019 (International Labour Organisation 2017b).

By contrast, Iraq has reduced contribution rates. In Iraq, at the end of the twentieth century oil companies contributed 20 percent, whilst all other companies contributed 12 percent. Currently, those contributions have been reduced to 15 percent and 9.9 percent. These contributions finance employment injury and other benefits, as well as retirement benefits.

## Retirement Age

At the end of the twentieth century, the normal retirement age for most countries in the region was 60 for men, with many countries having a younger age for women. Whilst some countries have changed their retirement ages, in 2016-2017, the normal retirement age for most of the countries in the region was still 60 for men, with many countries still having a younger age for women than for men (Table 1).

In some countries, the early retirement age is substantially younger than the normal retirement age. The early retirement age is for workers who have met a higher requirement for the amount of time worked than the requirement for the normal retirement age. In Jordan, both men and women can retire at age 46 with 15 years of coverage with a 10 percent reduction for early retirement. In Yemen, workers can retire at age 45 with 20 years of contributions. In Lebanon, workers can receive benefits at any age with 20 years of contributions. In Bahrain, workers can receive



retirement benefits at any age whilst continuing to work, as long as they have 20 years of contributions. They receive reduced benefits for receipt of benefits before the age of 60 for men and 55 for women. Some female workers retire as young as 35. In Oman, women qualify for early retirement at any age after 15 years of contributions, with 10 years of contributions required for normal retirement at age 55. In 2007, the United Arab Emirates passed a law raising the early retirement age from 40 in one-year increments up to 50 in 2017.

The countries of the region generally do not adjust benefits for early retirement in an actuarially fair way, meaning that benefits are not reduced sufficiently to fully take into account the longer time period over which they are expected to be received. Thus, the benefit formulas provide an incentive for early retirement because the early retirement benefits are relatively generous from a lifetime perspective.

## Benefits

Whilst most of the countries pay benefits as annuities, Lebanon and Yemen paid benefits as lump sum payments until the end of the twentieth century. Now, Yemen pays benefits as an annuity. Lebanon continues to pay benefits as a lump sum payment. The benefits in Lebanon are paid as a severance benefit on termination of employment. Workers can receive reduced benefits at any age if they have worked one to five years.

Most countries base benefits on a short averaging period of the worker's earnings -- the average of the final two years' earnings -- but in Kuwait they are based on the final month and in Lebanon they are based on the final month or the average of the final 12 months, whichever is higher. With this approach, workers have an incentive to collude with their employer to receive higher wages during the short period used to calculate benefits, or to overstate their reported wages during those years. In addition, they have an incentive to under-report (or have their employers under-report) their wages during all the years of work not counted in the calculation of benefits. The benefit formulas are not progressive but, instead, provide the same replacement rate at all levels of income, up to the ceiling amount of income used in calculating benefits, if there is one.

Benefits relative to wages (the replacement rate) are quite generous compared to the benefits in social security programmes in Europe, on average substantially exceeding the benefits of the most generous countries in Europe -- Greece and Spain (Arab Monetary Fund and Bank 2017). Most countries provide replacement rates of 60 percent or higher for 30 years of work. The average replacement rate for a full career of work is nearly 80 percent (Robalino 2005).

These high replacement rates have important implications for the risk and sustainability of financing retirement income systems. The high replacement rates leave little room for other savings and, thus, the retirement income systems place a high degree of reliance on pay-as-you-go financing. For this reason, national

retirement income systems overall do not contain much funding and, as a consequence, are poorly diversified compared to the demographic and economic risks that pay-as-you-go systems face. Furthermore, the high level of generosity raises issues about the sustainability of systems. The taxes to support these systems may also have distortionary effects on the labour market.

Kuwait provides extremely generous benefits for its citizens. It provides monthly benefits equal to 65 percent of the last month's earnings (75 percent if military) plus 2 percent of the last month's earnings times years of service above 15 years, with a maximum of 95 percent (100 percent if military). Thus, someone working for 30 years in the private sector would receive the maximum replacement rate of 95 percent of their last month's earnings. This benefit could be received at age 50 for those working continuously from age 20. In addition, for a person working more than 30 years, a lump sum is paid equal to 10 percent of earnings per year in the next five years, 12 percent in the following five years of work and 20 percent thereafter.

Despite these generous benefits, Kuwait spends only 3.5 percent of GDP on social security benefits, which compares, for example, to the U.S. spending 7.0 percent of GDP (International Labour Organisation 2017b). This difference, which is the opposite of what would be expected based on the level of generosity of the two systems, can be explained in part by the difference in old age dependency ratios of 3 percent for Kuwait (old population relative to working population) and 23 percent for the United States (World Bank 2017). It is also explained by the lower coverage rate in Kuwait.

In Syria at the end of the twentieth century, the social security pension benefit equalled 2.22 percent times the average covered wages multiplied by years of service, with a maximum benefit of 75 percent of average earnings. Syria has since increased the generosity of its system, so that currently the computation factor is 2.5 percent. In Yemen at the end of the twentieth century, the benefit equalled 2.5 percent times the average earnings multiplied by years of service but, rather than being paid annually, was paid as a single lump sum payment (U.S. Social Security Administration 1999). Currently, in Yemen the monthly benefit equals the last month of salary multiplied by the number of months of contributions, divided by 420.

The generosity of benefits depends, in part, on whether the benefits are indexed for inflation. Benefits that initially seem generous but are not indexed for inflation become progressively less generous the longer the retiree receives them. In Egypt, for example, benefits are not indexed, but are adjusted on an ad hoc basis depending on the availability of resources (U.S. Social Security Administration 2019). In Kuwait, flat-rate adjustments to benefits are made every three years, so presumably the value of the benefits is eroded over time due to inflation.

None of the countries provide longevity insurance benefits, which are benefits starting at advanced older ages, such as 75 or 80. Such benefits are provided in a few countries, including Ireland, Poland and China (Turner et al. 2017). Those benefits

provide an additional form of retirement income for people of advanced ages, a high percentage of whom are women.

## Pensions for Powerful Elites

According to the International Labour Organisation (ILO 2017a), the uprisings in Arab countries in 2011 were, at least, partly due to a perception of social injustice amongst many people and, consequently, more needs to be done to extend coverage of social security programmes. One way powerful elites are able to obtain generous benefits for themselves is to limit entry to social security pension programmes, whilst obtaining government subsidies for those programmes (Turner et al. 2019). For example, two of the wealthiest countries — Saudi Arabia and United Arab Emirates — have low coverage rates, government subsidies and generous benefits.

In Saudi Arabia at the end of the twentieth century, a retiree's benefit equalled 2 percent of the person's average covered wages during the last 24 months of work multiplied by years of service, providing a replacement rate of 60 percent for 30 years of work. Benefits based on a short averaging period tend to be more generous than benefits on a long averaging period, when the earnings in the calculation of average benefits are not indexed for inflation, which is often the case. Since the turn of the century, the benefit formula in Saudi Arabia has been adjusted to make it even more generous. As of 2018, the benefit accrual factor is 2.5 percent, up to a maximum of 100 percent with 40 years of contributions.

Saudi Arabia has set the retirement age at age 58 for men and 53 for women (ages 60 and 55 in the Hijri calendar). However, men and women can retire at any age with 300 months of work (25 years). In Saudi Arabia, workers failing to meet qualifying conditions for retirement benefits from 10 years of contributions may receive a refund of their contributions. In 2019, Saudi Arabia implemented a royal decree that increased the normal retirement age for women under the country's social insurance pension programme from 55 to 60, to match the retirement age for men. Retirement ages in Saudi Arabia are based on the Hijri calendar; age 60 in the Hijri calendar is equivalent to around age 58 in the Gregorian calendar. The decree is part of a series of measures approved in recent months to equalise the treatment of men and women in the country's labour market (US Social Security Administration 2019a).

Despite the very generous benefit formula and early retirement ages, Saudi Arabia only spends 0.3 percent of GDP on social security and other old age benefits (excluding health benefits) (ILO 2017b). The system is funded by contributions of 9 percent of pay by both employers and employees, with the government making up the shortfall. It is able to achieve this low total expense by excluding most workers from eligibility. In particular, foreign workers, who make up 89 percent of the private sector workforce, are excluded (De Bel-Air 2014).

Social security benefit formulas based on final earnings, such as in Saudi Arabia, tend to redistribute income towards higher-income workers. Redistribution

occurs because workers with more education and higher earnings later in life tend to have steeper age/earning profiles causing their earnings at the end of their working lives to be higher, relative to their career average earnings, than for lower-income workers. Thus, the social security programme in Saudi Arabia provides generous benefits to a small privileged group and provides even more generous benefits to the elite within that group.

The United Arab Emirates also provides generous social security benefits for its citizens. Its plan provides a replacement rate of 60 percent of the average salary of the last five years of work after 15 years of work for workers who retire at the mandatory retirement age of 60. Workers can retire earlier if they have worked 20 years. Workers receive a 100 percent replacement rate after 35 years. The UAE is able to maintain this generous programme by greatly restricting the workers eligible for it. UAE workers must work for 15 years to be eligible. Only 5 percent of the workforce qualifies. This programme covers UAE citizens in six of the seven emirates. Abu Dhabi has its own programme. A separate programme covers foreign nationals, who constitute 95 percent of the private sector workforce. A different programme covers foreign national workers from the five other Arab countries that are members of the Gulf Cooperation Council (U.S. Social Security Administration 2016b).

## The Old Age Well-being Index for Arab countries

According to Stiglitz, Sen and Fitoussi (2010) an increasing GDP per capita is not an end in itself, but a means of improving the quality of life. Similarly, the main goal of the social security pension programmes we have discussed is to improve the well-being of older people..

In this section, we present qualitative and quantitative indicators, and the methodology we have used, to build the Old Age Well-being Index, to evaluate and compare older people's quality of life across Arab countries.

This multidimensional index measures quality of life and well-being of people age 60 and older. The Index is based on four pillars of older people's lives — income security, health status, capability, and enabling environment. Each pillar is determined by different indicators. The global Old Age Well-being Index indicator provides a broader view than GDP per capita of the standard of living of older people in Arab countries.

The data come from various international data sets, specifically data from the World Bank, United Nations Population Division, World Health Organisation, Barro and Lee (2013), the International Labour Organisation, and Gallup Surveys.

## Indicators

To build the Old Age Well-being Index, we follow a similar methodology to the Global AgeWatch Index (Taipale, 2014). The originality of our index is its focus on Arab countries and readjusting the dimensions of the indicator according to data availability for these countries. The other originality is the use of microdata dedicated to elderly people in Arab countries.

This index involves a complex set of dimensions which include a material dimension (income, wealth), a social aspect (health, education, activity, social and family connections) and an exogenous feature (physical security, political voice). The four primary dimensions are detailed as follows:

**Income security** is based on the principle of the minimum income that should be guaranteed for each older citizen to live decently. It captures the material dimension through four indicators:

- Pension income coverage: This is the ratio of beneficiaries of pension programmes (including non-contributory or zero pillar programmes, both public and private) to the number of people aged 65+. This indicator measures the coverage of a country's pension system.
- GDP per capita: A proxy for the standard of living of people in a country. This indicator is used because we do not have access to comparable information about consumption and income of older peoples across different countries of the region.

**Health status** consists of improving healthy ageing, to reinforce the autonomy of older people. Two dimensions compose this well-being indicator:

- Life expectancy at age 60: the average number of years people aged 60 can expect to live, if they pass through life exposed to the sex and age specific death rates prevailing at the time they are aged 60, for a given year and country.
- Healthy life expectancy at age 60: the average number of years people aged 60 can expect to live in "full health" whilst considering years lived in less than full health due to disease and/or injuries.

**Employment and education** serve as measures of capability of older people. They are linked to the vulnerability assessment in the way that educational level impacts access to the labour market and that work completes or compensates the lack of pension income, maintains a social network and reflects the physical aptitude of older people. We use two indicators:

- Employment of older persons: percentage of the population aged 55-64 that are employed.
- Educational status of older people: the percentage of the population aged 60+ with secondary and higher education.

**Enabling environment and living conditions** refers to the interaction between older people, family and public policies. Four indicators measure this dimension:

- Social/family connections: share of people over 50 who respond “yes” to the survey question: “if you were in trouble, do you have relatives or friends you can count on to help you whenever you need them”?
- Physical safety: share of people over 50 who respond “yes” to the survey question: “Do you feel safe walking alone at night in the city or area where you live?”
- Civic freedom: share of people over 50 who respond “yes” to the survey question: “In this country, are you satisfied or dissatisfied with your freedom to choose what you do with your life?”
- Access to public transport: share of people over 50 who respond “yes” to the survey question: “In the city or area where you live, are you satisfied or dissatisfied with the public transportation system?”

Figure 2 demonstrates the structure of the Global Old Age Well-being Index, detailing the four dimensions and the variables used to evaluate each dimension.

## Methodology

To build the Old Age Well-being Index, we use the following methodology:

**Step 1:** Data collection - we collect data for each country and each indicator.

**Step 2:** Normalisation - in order to aggregate many variables expressed in different measures, we normalise each indicator. Among different methods of normalisation, the Min-Max method is commonly used and is employed in this study. The normalised value is calculated by subtracting the minimum value and dividing by the range of the indicator’s value, resulting in a normalised value between 0 and 1.

**Step 3:** Weighting and aggregation of sub-indices - calculate the geometric mean of each indicator by domain to achieve the four indexes. The weights are attributed according to Table 2.

Within each sub-index, weights are attributed equally to the components.

**Step 4:** Putting everything together - we construct the Old Age Well-being Index by attributing equal weights to each sub-index, following a geometric aggregation.

In linear aggregation, the substitutability amongst different dimensions is constant, which is not the case in geometric aggregation. Furthermore, linear aggregators reward sub-indices proportionally to their weight, as the geometric

aggregator rewards those countries with higher scores. Although linear aggregation may be more convenient, we believe it is not well suited for the final index, since different aspects of quality of life and well-being of older people are not perfect substitutes. For example, higher income can never compensate perfectly for bad health.

## Results

In the composite index for the well-being of older people, Qatar outperforms all other countries in the sample. Two other high-income countries — Bahrain and Kuwait — follow Qatar in the rankings and are in a relatively similar situation. Older people's quality of life is worst in the low-income countries of Yemen, Mauritania, Iraq, Syria, Palestine and Sudan. The rankings for the Old Age Well-being Composite Index and its sub-indices are reported in Table 3.

Comparing the different indicators, for income security, in countries such as Qatar, Saudi Arabia, Bahrain and Algeria, older people benefit from more secure income resources, whilst in countries such as Sudan, Palestine, Mauritania, Yemen and Syria, they lack a secure income, which is mainly due to low pension coverage in these countries.

In terms of the health status of older people in the Arab countries, Qatar, Tunisia and Lebanon perform best, whilst Mauritania, Yemen, Egypt and Sudan have the worst performance.

As we have seen in the first part of the paper, Qatar has one of the highest life expectancies and healthiest life expectancies at age 60 for both men and women. This situation reflects the political will to care for older people.

Levels of employment and educational attainment are used as proxies for human capital. Qatar has a high employment rate amongst older people and performs very well in terms of their education, ranking first. This performance reflects the country's training programmes in handicraft and productive skills, as well as health literacy training programmes.

Lebanon, though not amongst the highest-income countries, achieves second place in the rankings, particularly thanks to its well-developed education programmes and a high-quality education system. Amongst Arab countries, it ranks in first place for the education of older people.

The employment level and educational attainment amongst older people is lowest in Iraq, Algeria, Yemen and Palestine. Despite a relatively good ranking in secondary education, Jordan ranks as the fifth worst performing country; this is mainly due to its very low employment levels at ages just prior to retirement.

The Enabling Environment indicator takes into account the levels of engagement within the community, freedom of movement, autonomy and choice of living arrangements. Once more, Qatar performs well and guarantees older peoples the best enabling environment amongst the Arab countries. Whilst in countries facing political instability and war – Iraq, Yemen, Sudan, Palestine and the Syrian Arab Republic – the situation is worst. These countries face a number of risks and challenges – insecurity, stagnant economic growth, high unemployment, displaced people, and migrants with no entitlements to social protection.

We expect an improvement in the situation for older people in Iraq. A new social protection law was adopted in Iraq in 2014, the Social Welfare Act (No. 126). This law applies to widows or divorcees, their children, minor orphans, those who are completely unable to work due to old age or disability and families of inmates.

As shown in Figure 3, although the Old Age Well-being Composite Index is correlated with GDP it does not result in the same ranking as GDP per capita and, since it takes into account different aspects that have a direct impact on the quality of the older person's life, the indicator is arguably a better measure for comparing the quality of life of an older person. Some low-income countries perform substantially worse than predicted by a linear relationship to GDP per capita, whilst some middle-income countries perform substantially better. As represented in the last two columns of Table 3, while the Composite Index does not differ much from the GDP per capita ranking for the top high-income or bottom poorest countries, for the ten countries in the middle of the ranking it does differ, providing a different and more complete comparison of the countries.

## Conclusion

The social security programmes in Arab countries are not facing the problem of insufficient financing that is found in some countries in Europe and North America, in part because Arab countries still have high fertility rates and, thus, have low old age dependency ratios. However, reforms are needed concerning other aspects of their social security programmes. Many of them provide benefits at fairly low ages and may need to consider raising the retirement age. Whilst coverage rates in the region have increased, some countries also need to expand their coverage, so as to provide old age benefits to a higher percentage of the population. In some countries, foreign workers form a large percentage of the workforce and are excluded from social security programmes. Countries could reduce their programme administration costs by reducing fragmentation of their social security programmes. For example, military and government workers may benefit from fairly generous programmes which also have the effect of reducing job mobility for those workers and distorting labour markets by creating higher demand for low productivity governmental jobs. Some countries in the region subsidise highly generous benefits for privileged elites.

The Old Age Well-being Index provides a broad measure of the well-being of older people in Arab countries. It provides a more comprehensive view of well-being



than GDP per capita, though the two measures are positively correlated. It highlights particular areas where countries need to improve.

Exogenous shocks, such as the current Covid-19 pandemic, will severely touch the elderly population. The negative impact is even worse on the vulnerable elderly population, especially in the Arab region, where the social protection system fails to offer efficient protection and coverage.

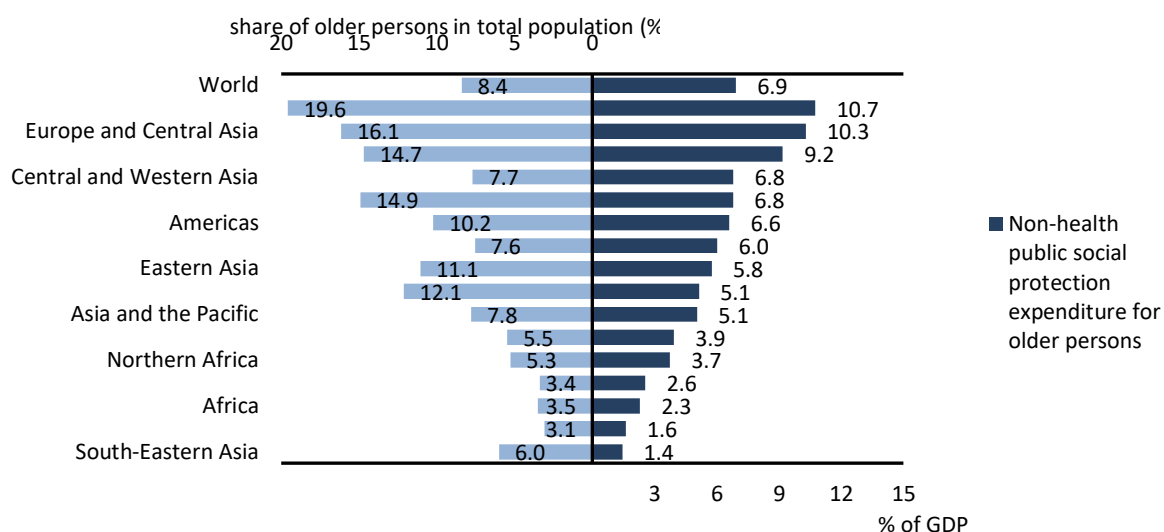
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## Figures and Tables

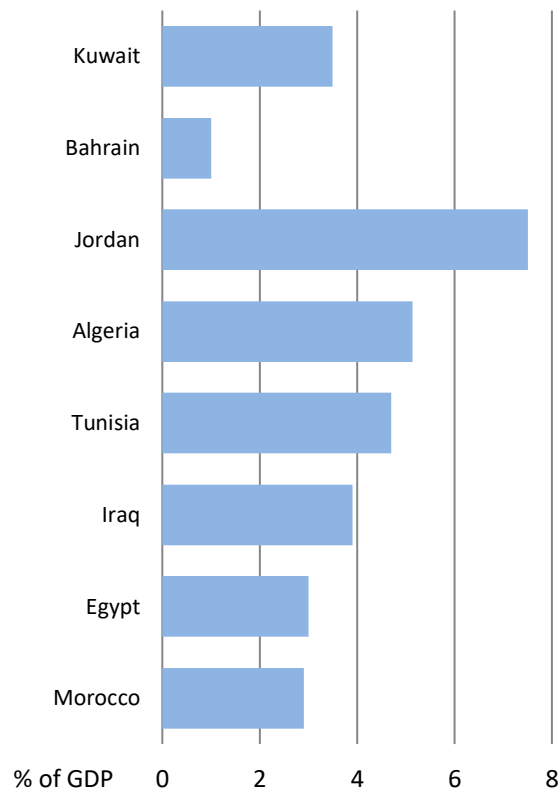
**Figure 1:** Public social protection expenditure on pensions and other benefits, excluding health, for people above statutory pensionable age (percentage of GDP), and share of people aged 65 and above in total population (percentage), latest available year



**Source:** ILO, World Social Protection Database, based on SSI. See Annexe IV, table B.17  
World Social Protection Report 2017/2018

<http://www.socialprotection.org/gimi/gess/RessourceDownload.action?ressourceId=54659>

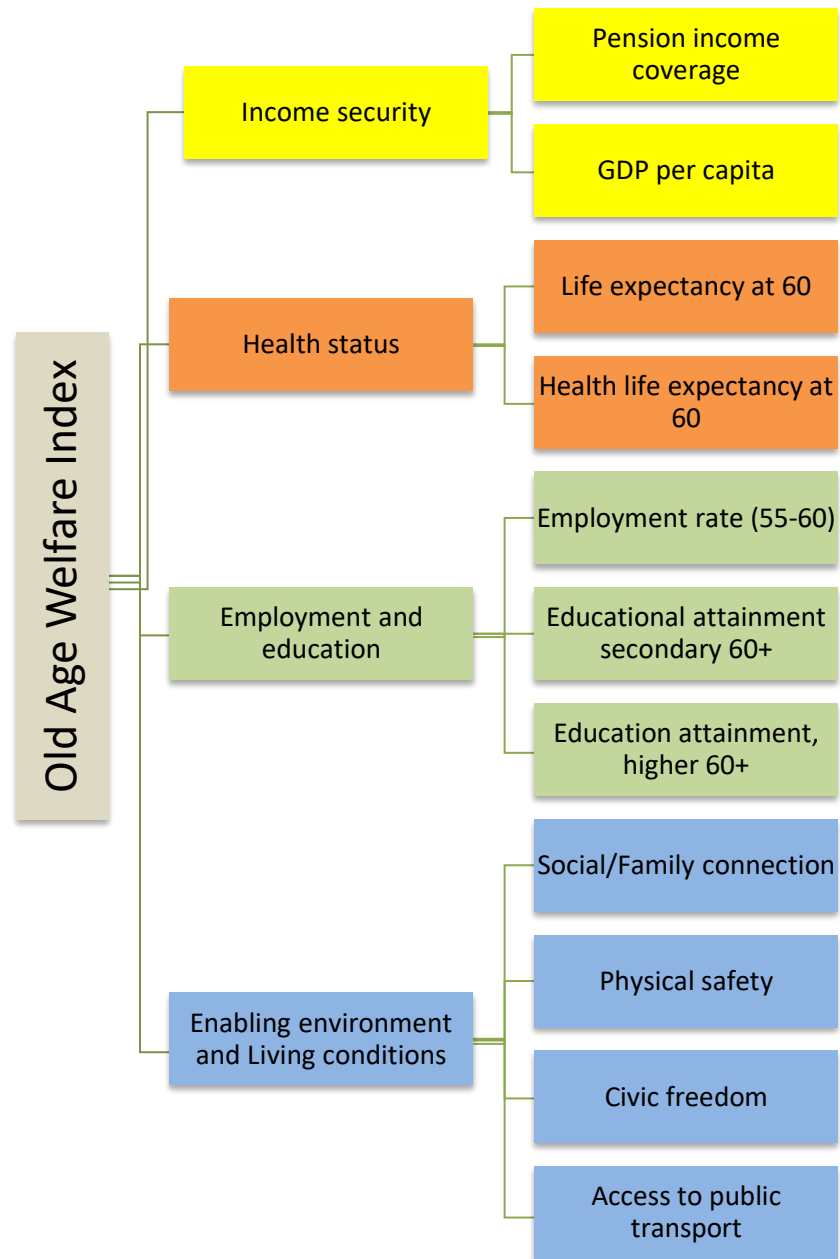
**Figure 2:** Non-health public social protection expenditure on pensions and other benefits for older people in selected Arab countries, 2010/11 (percentage of GDP)



**Note:** The data include pensions and other cash and in-kind benefits for older people

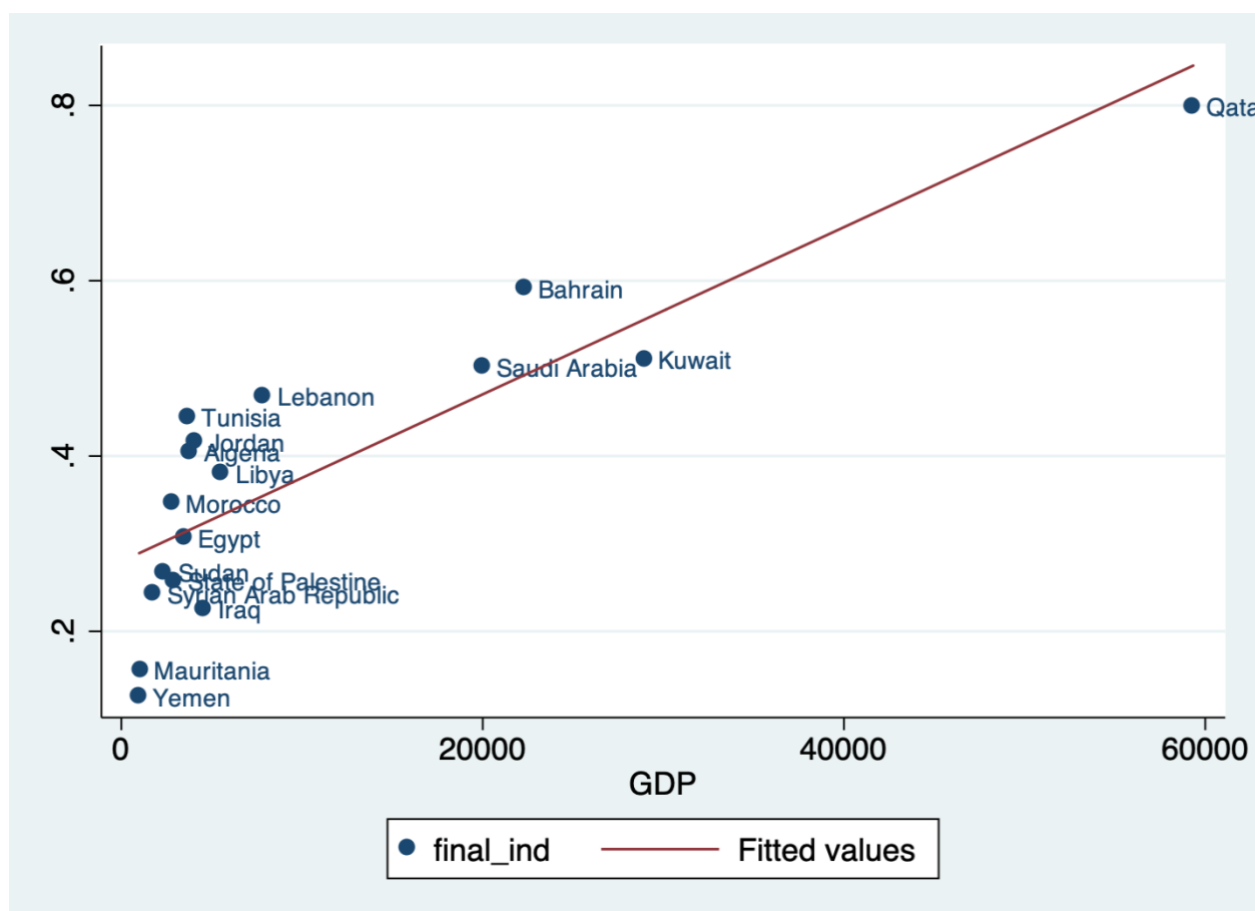
**Source:** ILO Social Protection Department database.

**Figure 3:** Global Old Age Well-being Index structure



**Source:** Authors

**Figure 4-** Old Age Well-being Index and GDP per capita



**Source:** Authors and WDI

**Table 1.** Normal retirement age in Social Security programmes in Arab countries, 1997 and 2016-2017

Country	1997 (Asia and Africa)		2016 (Asia), 2017 (Africa)		Requirements
	Men	Women	Men	Women	
Bahrain	NA	NA	65	62	Only one member per family qualifies
Egypt	60	60	60	60	Any age with 24 years of contributions

<b>Iraq</b>	60	55	60	55	
<b>Jordan</b>	60	55	60	55	84 months of paid contributions
<b>Kuwait</b>	50	50	51	51	Rising to 55 by 2020
<b>Lebanon</b>	NA	NA	60	60	
<b>Libya</b>	65	65	65	60	Any age with 120 months of contributions
<b>Mauritania</b>	60	55	60	60	Any age with 3240 days of coverage
<b>Morocco</b>	60	60	60	60	
<b>Oman</b>	60	55	60	55	
<b>Palestine</b>	NA	NA	60	55	
<b>Qatar</b>	NA	NA	60	60	
<b>Saudi Arabia</b>	60	60	58	53	
<b>Sudan</b>	60	55	60	60	
<b>Syria</b>	60	60	60	55	
<b>Tunisia</b>	60	60	60	60	
<b>United Arab Emirates</b>	40	40	50	50	

Yemen	NA	NA	60	55	
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**Notes:** NA = not available

**Source:** ILO Social Protection Department database.

**Table 2-** Details of attributed weights for the Old Age Well-being Index

Indicators	Weight
<b>Income security sub-index</b>	
Pensions income coverage	50%
GDP per capita (US\$) 2016	50%
<b>Health status sub-index</b>	
Life expectancy at 60 (years)	50%
Healthy life expectancy at 60 (years)	50%
<b>Education and employment sub-index</b>	
Employment rate (55-64)	50%
Educational attainment (secondary, age group:60+)	50%



<b>Enabling environment and living conditions sub-index</b>	
Social/ Family connections	25%
Physical safety	25%
Civic freedom	25%
Access to public transport	25%

**Source:** Authors

**Table 3** – Ranking of the Old Age Well-being Composite Index and its dimensions (sub-indices)

Country	Old-Age Welfare Composite Index rank	Income security rank	Health status rank	Education and employment rank	Enabling environment rank	GDP per capita rank	GDP per capita
<b>Qatar</b>	<b>1</b>	1	1	1	1	1	59330.9
<b>Bahrain</b>	<b>2</b>	3	4	3	4	3	22354.2
<b>Kuwait</b>	<b>3</b>	5	6	4	5	2	28975.4
<b>Saudi Arabia</b>	<b>4</b>	2	10	5	3	4	20028.6
<b>Lebanon</b>	<b>5</b>	12	3	2	11	5	7914
<b>Tunisia</b>	<b>6</b>	6	2	13	9	10	3688.65
<b>Jordan</b>	<b>7</b>	10	7	12	2	8	4087.94
<b>Algeria</b>	<b>8</b>	4	5	16	13	9	3843.75

Libya	9	9	8	10	7	6	5602.55
Morocco	10	11	9	7	8	13	2832.43
Egypt	11	8	15	6	12	11	3514.49
Sudan	12	17	14	8	6	14	2415.04
State of Palestine	13	16	11	14	10	12	2943.4
Syrian Arab Republic	14	13	12	11	15	15	1821
Iraq	15	7	13	17	17	7	4609.6
Mauritania	16	15	17	9	14	16	1077.56
Yemen	17	14	16	15	16	17	990.335

**Source:** Authors' calculation



## About EMNES

The Euro-Mediterranean Network for Economic Studies (EMNES) is a network of research institutions and think tanks working on socio-economics policy in the Euro-Mediterranean. EMNES is coordinated by the Euro-Mediterranean Economists Association (EMEA).

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