The economic importance of pensions

Compared to non-pensioners, pensioners are generally better off. Although not a large sum of money – in the region of Rp. 300,000 to Rp. 500,000 (Eu 10 to 16) for widows – the pension is a stable source of income that allows beneficiaries a measure of economic independence. Using indicators like ownership of luxury goods (e.g. radios, televisions, refrigerators), my study shows that pensioners often enjoy greater purchasing power. The impact of pensions on widows' economic positions is also reflected by the fact that fewer pensioners still work (38 per cent versus 53 per cent for non-pensioners).

Like Indonesian widows generally, pensioner widows represent a heterogeneous group cutting across socio-economic strata. Consequently, they use their pensions in different ways. Some divert a significant part of their pension to support their families (see also Schröder-Butterfill 2003). One widow said that she had to provide an interest-free loan to her son whenever he needed additional working capital. Turning now to the degree of dependence on pensions, two categories may be distinguished: pensioners who depend on their pensions as their main source of income (87 per cent) and pensioners who have other sources and consider their pension to be additional income (13 per cent). In reality, gradients of dependence can be discerned, largely determined by two factors: the widow's life stage and health condition. Pensioners who depend entirely on their pension are often older and have health problems. Most are acutely aware that their pension income is limited and that their purchasing power is threatened. Nonetheless, it is usually not their first coping strategy to try and generate other income. After all, one of the most serious obstacles faced by elderly widows is their physical inability to work. Instead they are forced to change consumption patterns to make ends meet. Pensioners who run businesses (e.g. shops or lodging houses) can afford to consider their pension as income to be spent on gifts, to be lent out, or simply as bait tambah-tambah (additional money). A few individuals in this group could theoretically lose their pension without experiencing serious financial decline. Widows still burdened with young children or grandchildren find it difficult to manage on the limited pension for recurring costs, especially school fees. However, other advantages associated with a pension – such as the right to apply for credit at the Pensioner’s Bank – may enhance their children’s chances of gaining a better education. Most of the pensioners’ children have finished at least secondary school; some are even university graduates. A key factor is their parents’ stable income: first their father’s salary (or pension) and later their mother’s widow’s pension.

In an uncertain economic climate, the main advantage of a pension clearly lies in the monthly receipt of a reliable income. This is something for which pensioner widows are rightly envied by their non-pensioner peers. Although pensioners and non-pensioners expressed similar ideas about economic problems, their evaluation of insecurity differs. When asked about hardships caused by uncertain or fluctuating income, 41 per cent of non-pensioners but only 16 per cent of pensioners acknowledged regularly confronting such problems. The two groups also differ in their perception of their current financial condition, especially when asked to make comparisons with their situation before widowhood. Without a doubt, a pension can guarantee a certain amount of stability and independence for pensioners and their families. The extent to which pensions can provide real protection from economic problems or facilitate improvements in economic conditions depends on the actual problems faced by beneficiaries. The greatest beneficiaries are widows with the fewest economic responsibilities: those who do not need to provide economic support to relatives, who do not rent a house or have debts, and who do not suffer from serious illness. Nonetheless, all widows agreed that regardless of the amount of money involved, it was better to be entitled to a pension than not. In their words, pensions represented an income which could be dikokok-akok iata ‘you can bite it, but it’s tough’. !

References


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