What Are the Implications of Ageing and Demographic Change in Rwanda?

Having made rapid improvements in life expectancy and fertility as a result of significant investments in the health system and reductions in poverty, Rwanda faces the positive prospects of a ‘demographic dividend’. However, the projected growth in the number of older people over the next 30 years will present significant challenges. Alongside this, other changes resulting from rapid urbanisation and a growth in employment opportunities will affect how the government will support an ageing population and a changing demographic, especially in the area of social protection. Evidence from in-depth research suggests that a non-contributory social pension is feasible and affordable both now and in the future. This would help to significantly reduce poverty amongst older people over the coming years.

Poverty amongst older people
Simple breakdowns of the official Rwandan poverty rates suggest that poverty for older people (aged 60 and over) living on their own is at a lower rate than it is for other households. However, this is misleading as these breakdowns are based heavily on assumptions about consumption and economies of scale in the household. Under different assumptions, older people are equally poor and vulnerable; when using a rate with more realistic assumptions, the poverty of households with older people increases significantly, rising from 15 per cent to 36 per cent.

In addition, around half of older people live in households with working-age adults (usually their children), but these do not necessarily represent households that are well-positioned to provide support. This is because these working-age adults are either young and are yet to get married and form their own household or because their marriages have dissolved, in which case they – mainly women – move back in with their parents. As a result, households with older people and working-age adults are disproportionately female-dominated, and therefore likely to be disadvantaged in terms of earnings because they lack an adult, working-age male.

Older people continue to work in the labour market well beyond official retirement age. In fact, work is nearly universal for those aged 65–69, falling very slowly with age so that the rate remains well over 50 per cent even for those up to 80–84 years old. One reason for this is that most older people have not had the opportunity to save for old age at all, partly because of a lack of possibilities, but also because cash savings were not seen as reliable; rather, landholdings are generally the main store of wealth. Land is bequeathed to children not only upon the death of parents, but also when children (particularly male children) get married and form their own household. As a result, many older people are left with both smaller landholdings and a lack of working-age adults to provide labour.

In the context of high levels of poverty and a lack of formal employment, only a fraction of older people will have contributed to a pension. Current pension participation peaks amongst 35–39-year-olds at 6.8 per cent, reflecting increasing participation in the formal sector amongst younger cohorts. While this figure is expected to continue to increase over time, the current group of working-age adults – and therefore the older people of the coming decades – are already largely left behind in terms of formal pension provision.

The national social protection programme, Vision 2020 Umurenge Programme (VUP), provides some support to older people in Rwanda; however, very large gaps in coverage remain.

Estimates produced for the Demographic Change, Ageing and Social Protection project show that almost 60 per cent of older people aged 60+ in Rwanda, or 380,000, currently have a large ‘unmet need’ for old-age support, where this is
defined as the percentage of older people who are lacking in either sufficient land (defined as half a hectare), adequate income transfers from children, some kind of pension income, or other old-age transfers (not including public support such as VUP). This definition is, of course, fairly generous since many who have this minimum level of support are still very poor because this is still not sufficient to lift older people entirely above the national poverty line.

Ageing, economics, and social change over the long term

Many of the factors that currently drive old-age poverty and vulnerability, such as the low level of formal pension savings, the increasing division of household land plots, urbanisation, and informality of work, will continue over the next 50 years. As a result of these trends, the micro-simulation model conducted for this project predicts that the ‘unmet need’ for social protection will grow from 60 per cent of older people to 85 per cent over the coming 30 years. Most importantly, the percentage of older people with adequate landholdings falls from just under 35 per cent to 9 per cent over the same period, as landholdings are further and further divided across generations.

The share of older people with some kind of pension is estimated to remain fairly constant at 5–7 per cent over the period, reflecting the expected slow pace of formalisation of employment (and, crucially, the fact that older people in 2045 are now already over 30 years old and therefore already contributing – or more likely not contributing – to their pension). Adequate familial support is estimated to actually decrease over the period. Overall, the level of some kind of minimum private support, as defined above, is set to fall from 42 per cent to 15 per cent.

Policy recommendations

Despite an increasing older population, the cost to the Rwandan government to provide adequate social protection is affordable both now and in the future. This is because real GDP and real government expenditure will increase far more quickly than the number of older people, so although older people as a share of the population will be greater, the fiscal space to accommodate social programmes will be even greater still. Based on this research we make the following recommendations for consideration by the Rwandan government:

- **Implement a universal old-age grant to help relieve the burden of unmet need.** This would reduce poverty amongst older people significantly over the coming years – assuming transfers to all people aged 65 and older at the current VUP direct support value for a one-person household of RWF 7'500 per month. While poverty would fall from 37 per cent to 31 per cent amongst older people, as a percentage change, the impact on poverty incidence amongst older people actually increases over time, growing from an 18 per cent decrease in 2015 to 27 per cent by 2040. In the immediate term, the VUP direct support component should be expanded to cover more households with older people. Also important is continued support for women’s land rights, with a particular focus on implementing the Inheritance Law and ensuring that older women are able to retain their land when their husbands die.

- **Develop and implement long-term savings promotion for the informal sector.** To help meet the pension and asset protection needs of the next generation of older people.

- **Develop a clear national policy on ageing, including frameworks for long-term care.** As very few care services or facilities for older people exist in Rwanda and traditional family and support mechanisms are under strain.

Further reading


Credits

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