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The impact of an unconditional non-contributory cash transfer scheme on the wellbeing of the elderly in Ekiti State, Nigeria

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Key messages

- The non-contributory cash transfer scheme improved the wellbeing of the elderly beneficiaries.
- Well-designed cash transfer schemes can help strengthen household productivity and capacity for income generation.
- This scheme could provide a basis for programs in other states as well as for a nation-wide program.

Nigeria's aging population puts strain on household livelihoods

Nigeria's elderly population (65 and older) increased by 5.4 million between the end of the civil war in 1970 and 2010. It is projected to reach 11 million by 2025. Over the same period, the country's population more than tripled - from 56.1 million to 170.1 million – mostly due to declining fertility and a modest increase in life expectancy.

An aging population is problematic because, in a country with a large informal sector like Nigeria, most have no formal employment-related pensions and must rely upon family members for their livelihood.

A national social security scheme in Nigeria therefore merits consideration. This is particularly true in rural communities where the elderly population is growing particularly rapidly and high unemployment levels, especially among the youth, leave households poorer and less able to take care of ageing family members. So far, there has been little effective policy response to these issues in Nigeria with programs not being implemented, not including the elderly, or simply being unsustainable.

In Ekiti State, Nigeria – a largely rural state with most of the population undertaking informal sector activities such as subsistence agriculture – the first locally-funded social security scheme for the elderly was implemented between 2012 and 2014. An unconditional, non-contributory pension scheme was targeted at elderly citizens of the State living in poor households and not receiving any pensions. Eligible beneficiaries received a monthly cash transfer of N5,000 (approximately $32 USD at the time).

The goal of the program was to improve the wellbeing of elderly citizens and help reduce poverty. The cash transfer represented about 23% of the average monthly cost of living in Nigeria and echoed the international poverty line at roughly one dollar (US) per day. Although the amount was small, it was considered sufficient to meet the basic needs of the elderly, such as food, medicine, and clothing.

In collaboration with the agency implementing the scheme - the Ekiti State Ministry of Labor, Productivity, and Human Development - a team of local PEP researchers set out to examine the impact of the scheme on the wellbeing of the beneficiaries, focusing on quality of life and household vulnerability.

Data and methodology

Undertaken in collaboration with the implementation agency - Ekiti State Ministry of Labor, Productivity, and Human Development - the study analyzes survey data from 6,326 eligible beneficiaries in 112 electoral wards. Based on an experimental framework, eligible beneficiaries in 56 randomly selected wards (the treatment group) received the monthly cash payment while eligible beneficiaries in the other 56 randomly selected wards acted as the control group, receiving their payments after the intervention ended. The data used in this study were collected from the 6,326 eligible beneficiaries and 24,000 of their household members over two six-month follow-up intervals.

The study measured two broad outcomes - quality of life and household vulnerability - using composite index scoring. The quality of life score came from a self-assessment of depressions symptoms, health, happiness, abilities and capabilities, disabilities and difficulties in undertaking daily activities, personal relationships, and participation in community activities. The higher the index, the higher the quality of life. The household vulnerability score came from analysis of the value of household assets, child work (using children for street hawking), family food shortages, demand for health services, exposure to crime, and migration to neighboring towns/villages. The lower the index score, the less vulnerable the household.

Key findings

Based on the first follow-up, the team's analysis indicates that **the non-contributory cash transfer scheme improved the wellbeing of the elderly beneficiaries** in Ekiti State.

Cash transfer recipients reported being less depressed, being happier, feeling more capable, and having fewer difficulties undertaking daily tasks than the eligible beneficiaries who did not receive the transfer.

Additionally, households of cash transfer recipients were found to benefit from a reduced vulnerability to shocks. Children were less often used for street hawking and the number of times any household member had no food to eat was reduced.

The research team also found that among the cash transfer recipients:

- Non-food expenditure increased with beneficiaries spending about 12% of the cash transfer on non-food items. As such, beneficiaries spent about 77% more on non-food items than non-beneficiaries.
- Spending on other household members (e.g. spouse, grandchildren) increased by an average of 20%.
- Labor supply decreased but unpaid household work, such as caring for grandchildren, increased.

Figure 1: Effects on quality of life and household vulnerability of beneficiaries by gender

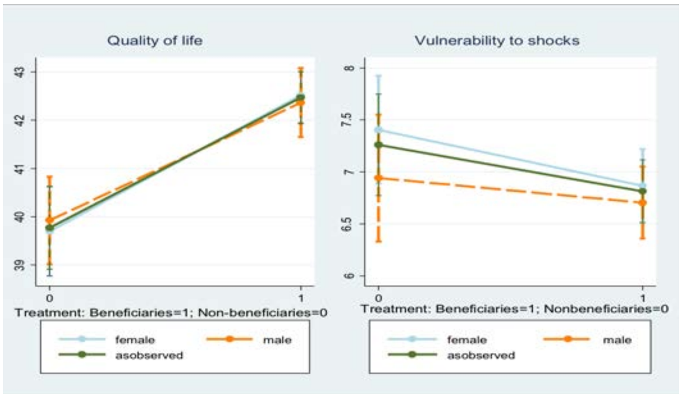

Figure 1 shows the different outcomes for beneficiaries (1) and non-beneficiaries (0) in terms of quality of life and vulnerability to shocks. The slopes indicate the average treatment effect of the cash transfer scheme.

While both male and female beneficiaries reported similar improvements to their quality of life, women were generally more vulnerable to shocks than men prior to the intervention. As such, the cash transfer had a greater impact on reducing women's vulnerability and helped to reduce the gender gap in this aspect.

Qualitative evidence showed that the cash transfer provided economic capital for beneficiary households and was considered valuable to the beneficiaries.

Implications for policy

The findings from this study provide evidence that **a well-designed and implemented unconditional cash transfer scheme targeted at poor households can help strengthen household productivity and capacity for income generation**. In Nigeria, there is scope to learn from the local context of this program as a basis for a program both in other states and for scaling-up to the national level.

Small but reliable and regular cash transfers can help poor households to accumulate productive assets, build social and human capital, and reduce vulnerability to community-level shocks. A key advantage of unconditional cash transfers is that the beneficiaries, not the implementing agencies, decide how to spend the cash benefit. This enables beneficiaries to quickly adapt to their changing living conditions and needs.

For a sustainable cash transfer scheme that can support poverty reduction and sustainable development in Nigeria, both the design and implementation must be carefully considered.

The amount of the transfer needs to be enough to have a significant impact on household livelihoods. For a local scheme, **local market prices should provide guidance**. Alternatively, if the household is the target unit, then benefit amount could be made needs-based, in which case estimates of household basic needs provide guidance.

To further exploit the complementarities in cash transfers, **the noncontributory elderly scheme could be made conditional on children in beneficiary households attending school or having up-to-date immunization**.

In 2012, with support of the UK Department for international Development (DfID) **and the International Development Research Centre** (IDRC) **of Canada, PEP launched a new program to support and build capacities in "Policy Analyses on Growth and Employment"** (PAGE) **in developing countries.**

This brief summarizes the outcomes of PIERI-12506 supported under the 1st round of the PAGE initiative (2015-2016). To find out more about the research methods and findings, read the PEP working paper 2016-21.