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The pension systems of Arab countries in the light of socio-economic risks

SUMMARY: The pension systems of Middle Eastern and the North African Arab Countries are facing several threats that will not only endanger their old-age benefit schemes in the foreseeable future, but will also deepen social conflicts. This article examines four groups of factors that reinforce one another's possible impacts. Among social factors it is important to emphasize the special, underprivileged position of women, and the traditional multi-generation family model, which is insufficient to resolve the issue of caring for the elderly. The next group is demographic phenomena. These processes are going to translate into considerable burdens for the next generation – as a result of the changes occurring in terms of other accompanying processes – of these societies, whose composition is very young compared to European societies. The third group of factors includes general economic factors, such as high unemployment rates, low economic activity, and the size of the grey and black economies in these societies. As an implicit problem, there are many apparent internal shortcomings in the management of the existing pension systems. Problems such as low coverage, the lack of social solidarity-based pension schemes, covering a broader social basis, and incorrect parameter regulations are present in these systems.

The analysed factors paint a gloomy picture about the long term processes, which are worth examining in more detail in Europe, in as much as general conclusions can be drawn that can later be applied to European pension systems.

KEYWORDS: Pay as You Go, public pensions, social security, population, fertility, labour market

JEL CODES: H550, O150

A book of studies, focusing on the problems of ageing societies with special emphasis on the challenges facing pension systems (edited by Botos, 2009), was completed at the end of 2009 at the Doctoral School of the Faculty of Economics of the University of Szeged. The studies examined the unique features, specific to the European Union, the individual Member States of the EU, Russia, China and India. However, the countries of the Arab world were not included in the purview of the studies. That is because the countries of the Arab world have not been the subject of experts' attention in Europe, as the age distribution of these societies is much younger and they have very different demographic and economic characteristics. Even though a more thorough analysis of these countries could lead to conclusions about the European pension systems, which could serve as a warning about the possible cornerstones of the long-term sustainability of a pension system. The internal crises of these countries that have been prevalent in the past few months also make a differential analysis of the countries of the region all the more topical.

In Middle Eastern and North African Arab countries (so-called MENA countries)[1] pension systems have a variety of adverse systemic features. Pension systems will become too large to finance in the long term. This is, however, largely ignored, because systems, which currently build on young societies generate surpluses, not deficits year on year. The demographic situation in these countries is about to change, which is going to have a series of negative effects. This process, in addition to the already existing weaknesses of the countries, will propel the pension systems of the Arab countries in a direction that could push them into economic and social crisis in the near future. This article describes the current situation and takes account of the major critical factors that MENA countries will certainly have to face sooner or later.

BASIC PROBLEMS

The Arab world is balancing on an unsteady and fragile political, economic, environmental and social ground. There are very few development programmes that specifically target natural persons. There is very little government commitment focusing on the security of people. There are a number of essential threats behind the scenes, which will only unravel over the long term with alarming consequences. The Arab countries are under a demographic pressure. Their already inflated populations are still expanding, although not to the extent seen earlier, while at the same time they have to face such major threats as desertification, lack of drinking water and the pollution of water supplies. Environmental factors are often disregarded, the size of arable land is shrinking and there are constant internal political tensions in many of the countries in the region. All of this represents a substantial human security challenge for these countries (UNDP, 2010).

Old-age care is a topic that may seem to be too far in the future to be given any serious thought. However, the long-term effects of the risk factors can be so severe that they are almost as important as the above-mentioned essential issues, concerning secure livelihood. First of all, it must be emphasized that, until now, Arab political decision-makers did not necessarily want to extend pension-type government care to the entire population. Coverage, therefore, is very low. Arab societies continue to place great emphasis on the families' ability and willingness to provide for themselves. Often two or even three generations live under one roof creating one shared family economy. Although this approach has a number of inevitably positive social consequences, it will not be able to protect the elderly in the foreseeable future. In addition, more and more of these old people without benefits are women who have been left without any family members to support them.

The concept of pension, as a form of care for the elderly, has only been known to the Arab world for about forty or fifty years. The seventies, however, are long gone, and today demographic changes are underway that are going to turn the age distribution of MENA countries upside down, creating increasingly more significant dependence rates.

These pension systems are unprepared for such a process. There are Pay as You Go schemes, which provide low coverage to begin with. Retirement regulations, however, are very permissive when it comes to entry conditions. Even relatively low service times can ensure high wage-replacement rates, and in many cases there are no income caps set as a basis of retirement benefit calculations, or they are very high. The retirement age is also generally very low. This is only exasperated by the relatively high prevalence of the black/gray economy in the region under investigation, as well as the social and labour market position of women, which may be deemed special from the perspective of this analysis.

Systems are also inadequately managed. The first objection concerns transparency. It often happens that there are different systems of care for different employee groups, which are not connected and switching from one to the other is often difficult, complicated or even impossible. Management is weak and investments are not adequately diversified. Furthermore, given the unique features of the labour market, a significant part of society is not covered by the pension services to begin with.

These factors were first highlighted by the pioneering research conducted by the United Nations and the World Bank between 2002 and 2007. Alarm bells went off when the document titled *The Arab Plan of Action on Ageing to the Year 2012 (ESCWA 2002)* was published with studies and analyses in its wake.

Risk factors are presented in the dimensions illustrated in *Chart 1*. The study covers these four risk groups and their reinforcing effects on one another.

SPECIAL ECONOMIC FACTORS IN MENA COUNTRIES

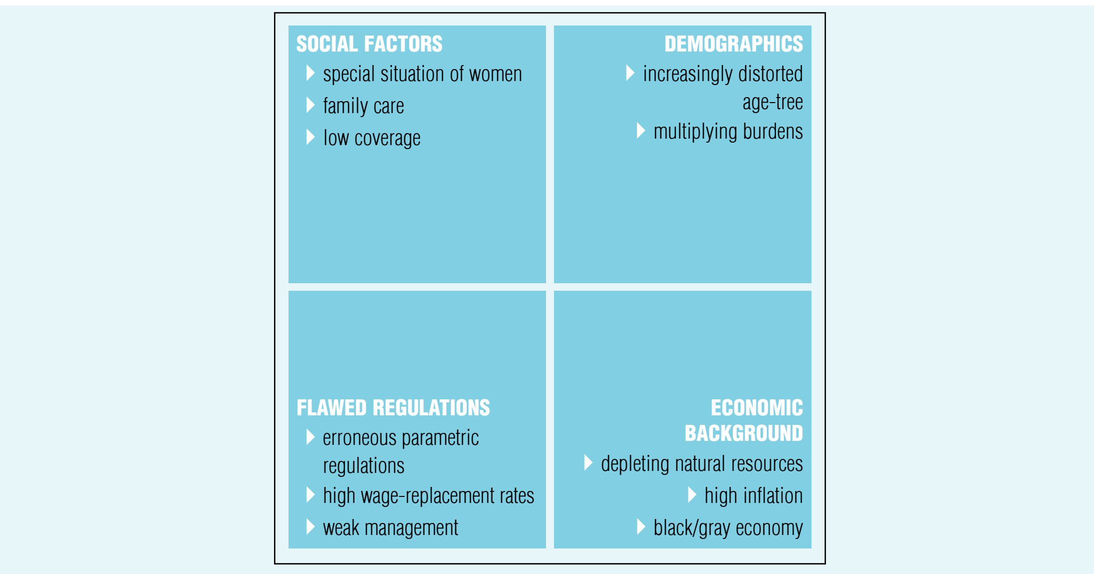
In addition to the official production sector, each country has an informal sector, where illegal employees work. In general, we only have estimates regarding the size of this informal/illegal/unregulated labour market and the income it generates, but there are significant differences between the various continents in this regard.

It is worth mentioning that the methods of measurement and examination for the performance of the black/gray economy and the size of the illegal workforce are highly contested. In 1972, the ILO attempted to introduce uniform concepts and methodology, however, the comparability of data continues to remain inadequate, methods are continuously criticised and various “schools” have developed as a result (ILO 1972, 1993, 2002, Castells et al., 1989). The present article does not attempt to resolve this situation, but it definitely merits attention.

According to available OECD data (Schneider, 2002), in various African countries, in comparison with official economic performance expressed in GDP, the production of black/gray economy amounts to 50–55 percent, or in some cases even 66–70 percent. In Latin America, this ratio is around 40 percent on average (with considerable variance in various

Chart 1

THE RISK QUADRANT OF ARAB PENSION SYSTEMS



countries, e.g. Bolivia 68 percent, Chile 19 percent), while the same ratio is 13 in Singapore, 11 in Japan, and an average of 17–18 percent in developed European countries. In Hungary, according to the calculations of the research referenced by the government, hidden income generated by the black economy amounts to 18% of the GDP. Trafficking of goods and concealment of excise tax, VAT fraud, black employment, (software) piracy, counterfeiting of goods and violation of consumer protection laws (government, 2007) are its primary sources in Hungary. Providing such estimates for the Middle East is practically impossible.

It is easier to grasp the phenomena from the aspect of labour utilisation. In MENA countries, examining sectors other than agriculture, 48–55 percent of the total workforce is employed illegally (Robalino, 2005). While the same figure in Latin America is 51 percent, and 78 percent in Sub-Saharan Africa (excluding the Republic of South Africa) (WIEGO, 2002). According to a study made in Jordan on the Arab world (Saleh, 2008), black economies in MENA countries and their relative prevalence have two fundamental reasons. One of the reasons is the fact that family businesses have a historical tradition. A significant part of services, trade and handicraft production is generated by unregistered small enterprises, comprising of members of the same family. Another area of concern is the provision of legal employment opportunities to women or the limitation thereof, which changes from country to country. Another reason is the fact that labour law regulation is adapted to established traditions, namely that in most Arab countries the domestic service provision sector, family businesses or those present in agricultural production are not covered by the scope of labour law. This means that these people are not entitled to social security services, pensions, holidays, etc.

Examining the question from the aspect of workforce utilisation, we can observe that in developing countries a significant portion of available workforce is working in the informal sector.

On top of all this, the economies of MENA countries are extremely heterogeneous. There are states undergoing 'embourgeoisement' and operating with market reforms, such as Jordan or Lebanon, and a separate group is formed by kingdoms and emirates, which are rich in oil and natural gas for the time being. There are a few 'tightly wound' countries with substantial raw material resources at their disposal, such as Iran and Iraq, both with Persian populations and results that put them outside the scope of this analysis, 'soft dictatorships' such as the popular tourist destinations of Tunisia and Egypt; and there are organized military dictatorships such as Libya. Depending on state structure, the role and strength of the private and public sectors in the economy vary. At the centre of this analysis, however, there are still common characteristics that allow for future warnings and general conclusions.

Other processes, in relation to labour market phenomena, will be discussed within the context of demographic correlations later in the article.

SPECIAL ECONOMIC FACTORS, WITH A FOCUS ON THE SITUATION OF WOMEN

The social situation of women merits special attention. It is a clear worldwide demographic trend that women live longer than men. This phenomenon can be observed particularly clearly in current, older generations. Two thirds of persons over the age of 75 worldwide are women (UN, 2006). In Arab countries, taking care of the elderly is typically based on family ties; state institutional care systems are still relatively unprepared to provide for the elderly, especially with regard to elderly women. One of the factors of the social isolation of women is the fact that they have been kept illiterate for decades deliberately; they have been excluded from education and their employment has been restricted in several Arab countries.

According to UN data (UN, 2006), in this patriarchal world the ratio of educated women is only 71 percent compared to the number of literate men. This is extremely low, as such a lag in terms of the literacy and education of women cannot be observed neither in Eastern Europe, nor in the more underdeveloped countries of the Commonwealth of Independent States, and not even in the Latin-American and Caribbean region. In the Arab world, however, the ratio of literate women is barely higher than those of the least developed countries[2] (70 percent) and South Asia (65 percent).

In spite of international organisations spending significant amounts as part of their programmes to improve the situation of women at a disadvantage due to a lack of education – in fact reports state that young girls participating in education regularly show better skills than their male peers – their entry to the labour market faces further obstacles regardless of being literate and schooled.

The situation is well illustrated by the economic activity rate of women between 15–64 years of age (UN, 2006) in which respect Arab countries are considerably lagging behind. The economic activity of women is outstandingly low both among their own gender and compared to the activity of the corresponding age group of men. Only 33 percent of active age female population is economically active. Taking the activity rate of men as 100%, this lag is 58 percent, which means that the economic activity of women in the Arab world is less than half of that of men (whose economic activity is already very low to begin with). In comparison: In Central and Eastern Europe 57 percent of women between the age of 15–64 are economically active and the lag compared to men within the same age group is considerably lower, only 19 percent. Since the majority of women is unable to 'legally' enter the labour market in Arab countries, they are of course also unable to provide for savings for old age. This results in increased dependence on family members, actively generating income.

A further example illustrating the consideration of women is widowhood. In Arab countries impacted by armed conflicts for example, 84 percent of widowers were women in 1996 (UN, 2007b). In most Arabic cultures, remarriage is the privilege of men, and women are practically denounced if they want to marry again. These factors place them in a very disadvantageous position. With the increasing of attainable age, these women become isolated for even longer periods within their own societies.

A FEW SIGNIFICANT COMMON DEMOGRAPHIC RISKS AND THEIR IMPACT ON THE LABOUR MARKET

One of the most important common characteristics of MENA countries is the dominance of younger generations among society's age groups. Parallel to decreasing fertility rates that are still high compared to European levels, the decrease of infant death rate, increasing life expectancy at birth, the modest, but still increasing appearance of female workforce on the labour market as well as other factors – given the current age composition – will result in dramatic changes in these countries in 25–40 years (ESCWA, IUSSP).

Starting at the end of the fifties, demographic changes began in the Arab world. Mortality rates started to drop, life prospects improved and the quality of medical care rose sharply.

The database of World Development Indicators published by the World Bank officially shows that infant mortality rates have also improved considerably in the region. According to the data, between 1960 and 2010 the 100–150, occasionally over 200 (!), infant deaths (Egypt and Yemen) for every 1000 live births has dropped to 15–20 on average. Even though in the case of Egypt, Saudi Arabia and Tunisia, the basis of these statistical data is questioned by Jordanian research (Saleh, 2008), it can still be determined that due to the improvement of health care services, the rate of infant mortality in the region has dropped to a quarter or fifth of its former value on average.

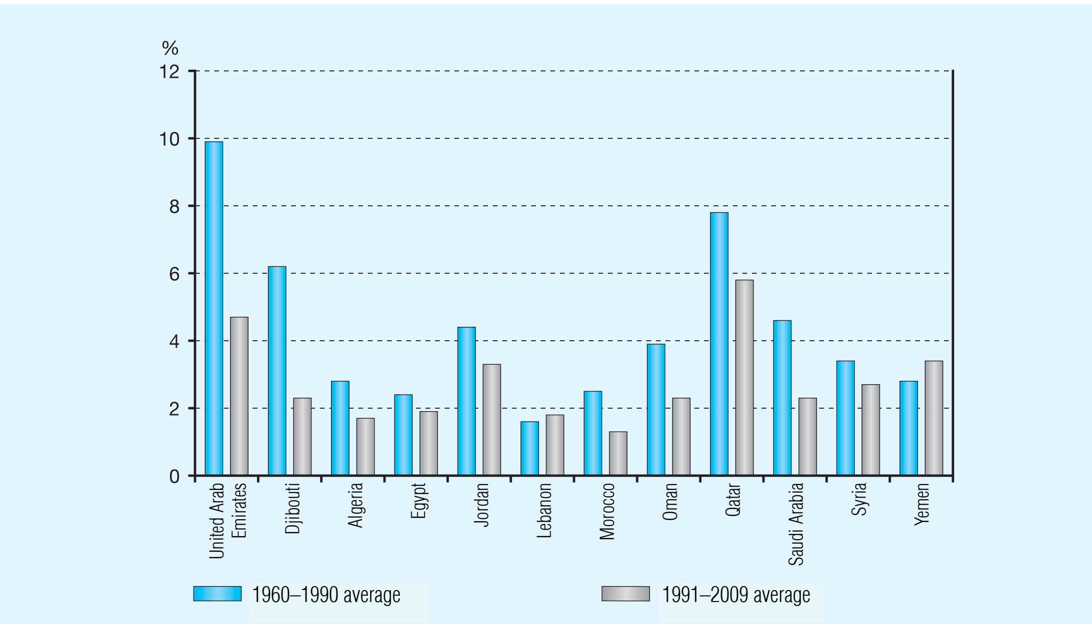
Fertility rates did not start decreasing simultaneously, rather a bit later, at the end of the eighties at a less significant rate. The number of births per woman of a fertile age in the Arab world is still above the world average. The result of this is that while a significantly greater number of children stay alive at birth, the number of births dropped form the 6–7 registered in the sixties to an average of 3 today, and this continues to keep the composition of the population of examined countries young.

The increase of average life expectancy at birth has brought on considerable improvement in these countries, and as a result the life prospects in the societies of the Arab world have risen at an admirable rate compared to other parts of the world. In 25 years, life expectancy increased from 58 to 68 years in the case of men and from 62 to 72 years in the case of women. This means that they have managed to reduce the 15–20 year lag, compared to the EU average, recorded in the eighties to 10–13 years. Within the next 35–40 years, projections place life expectancy at birth in the Arab world at 75 years for men and 80 years for women.

All in all, the population of Arab countries is rising steadily. Although at a slower rate than that recorded in the sixties-eighties, but this increase is still continuing at the turn of the 21st century. *(See Chart 2)* The former 6–8 percent population increase per year has now dropped to 2–3 percent on average which,

Chart 2

ANNUAL GROWTH RATE OF THE POPULATION OF MENA COUNTRIES BETWEEN 1960-2009



Source: World Bank, World Development Indicators, 2011 and the author's own calculations however, seems to be permanent. In many Arab countries, over the last forty years population has been increasing at a practically identical rate. Deceleration was greatest in the United Arab Emirates, Qatar, Kuwait and Djibouti, however, it still easily remains in the positive range. In the period between 2015–2025, the rate of increase will probably decrease some more to an average value of 1.5 percent per year (Robalino, 2005).

Chart 3 shows that on the one hand the size of the age-group with working capacity within the population will continue to increase at a constant rate, while on the other hand after 2020 the size of the age-group of people over 65 will increase suddenly.

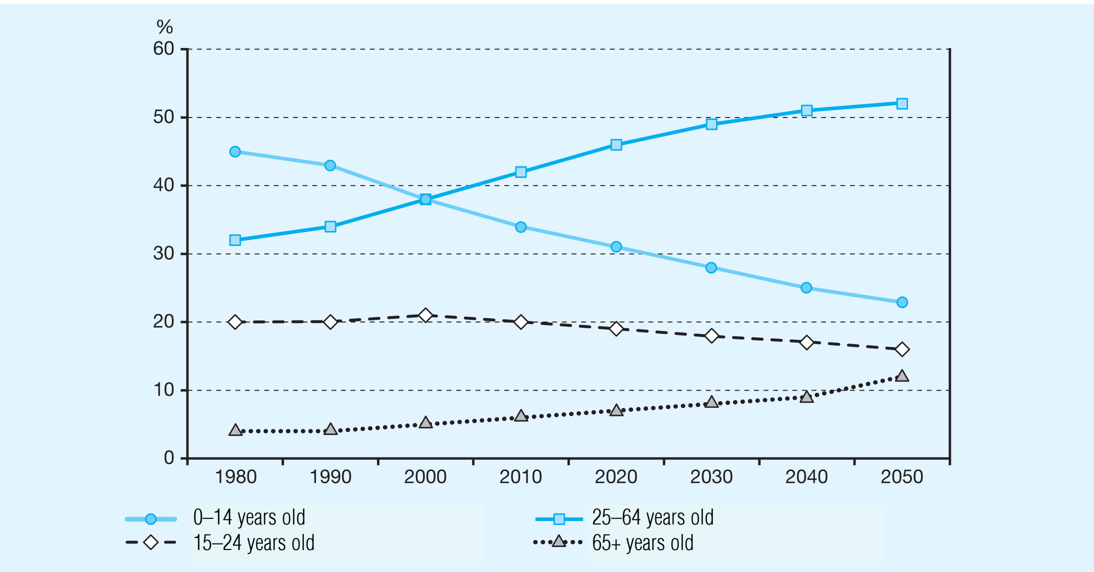
Based on the chart of the UN's 2007 model (UN, 2007b), we can determine that at the moment 55 percent of the population of Arab countries is under 25, and this ratio will drop by 20 percentage points by 2050. During the same period, the ratio of the 25–64 year old age-group will increase from 42 to 51 percent, and after 2020 the ratio of people over 65 will rise dramatically, from the current 5 to 12 percent, which is more than double. For the model, the United Nations calculated with the aforementioned decreasing fertility and population growth rates that continue to remain above European levels.

As a result of the above, they are projecting a significant increase in old-age dependency ratios (UN, 2007a, 2007b), namely that the ratio of people of 65 years of age or above will increase significantly compared to the 15–64 age group. The most shocking changes are expected to occur in the oil emirates. In the case of Kuwait, Bahrain, the United Arab Emirates and Qatar, this means that the old-age dependency ratio will increase tenfold in 50 years, from 4–6 to 44–48 percent. This change will impact East African Arab countries, such as Yemen and Palestinian territories, to a lesser degree. These changes are illustrated in *Chart 4.*

Under these circumstances, the most important issue of the impact on the labour market is

Chart 3

EXTRAPOLATED CHANGE OF THE RATIO OF AGE-GROUPS WITHIN THE POPULATION OF MENA COUNTRIES

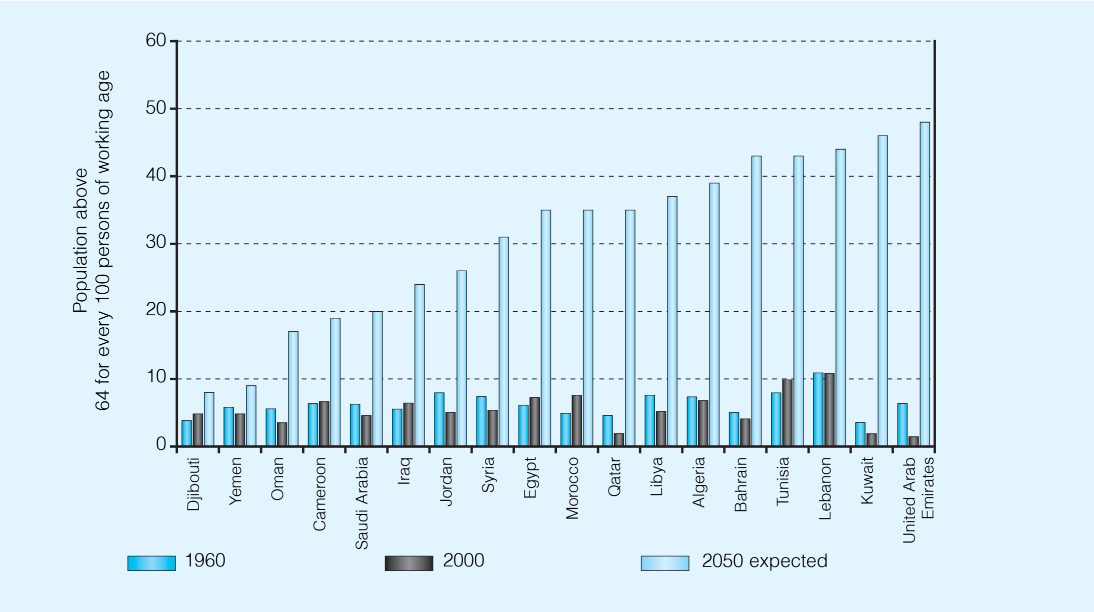


Source: UN, 2007b

Chart 4

EXTRAPOLATED CHANGE OF OLD-AGE DEPENDENCY RATIOS BETWEEN 2000–2050

(percent)



Forrás: UN, 2007b

whether enough legal jobs will be created for approximately 50 million people in the Arab world by 2015–2020 in order to absorb the workforce of the current young generation. (Here, a reference must be made to the previously mentioned topic of the informal economy.) Even if, under favourable circumstances, enough official jobs are created, the question will remain how the pension systems offering the current high implicit rate of returns (see later on) can be sustained. In theory, if the labour market were able to absorb this mass and maintain the expansion, the pension systems would be capable of rolling over the current high rate of returns to the next generation and would not have to resort to an income ceiling or other restrictions. There is, however, little chance of this occurring as the private sector will most probably not be able to induce sufficient investments and development for an expansion of this magnitude, and a workforce of this size will not be able to find jobs in the public sector. Despite the approximately 5% annual expansion of the economies of MENA countries, this development does not translate into new jobs. Of course there are vast differences in this field among the various Arab countries, particularly regarding the number and size of state-owned companies. It is, however, already alarming that, disregarding the oil emirates that look at employment in a different way to begin with, in non-oil powers, unemployment rates in recent years have been between 15–30 percent (Aluwaisheg, 2004) officially, and this year the ILO estimated unemployment rate of under 25s of the region around 40% (ANSAMed, 2011).

INTERNAL SUSTAINABILITY RISK OF PENSION SYSTEMS

Compared to European (Galasso, 2007; Botos, 2009) and American pension systems that provide relatively extensive coverage, in Arab countries, with a few exceptions where the public sector has a dominant role, on average only 25–30 percent of working age population can receive pensions (SSA/ISSA, 2009). The pension systems of the various countries are quite young, with Iraq being the first to establish a state pension system in the region in 1950. Certain states only started paying pensions to insured persons after a 10–15 year accumulation period, in a phasing-out system.

We are also dealing with a number of unique phenomena. Oil emirates for example, are known for providing generous citizen allowances (to men), but at the same time they do not have an obligatory pension system for the private sector, and furthermore national pension regulations have not been extended to the great number of foreign employees working in these emirates. It is interesting to see the rate of dependence on immigrant workforce, as shown in *Chart 5*, which in the case of Kuwait, Qatar and the United Arab Emirates is shockingly high even compared to other Arab countries.

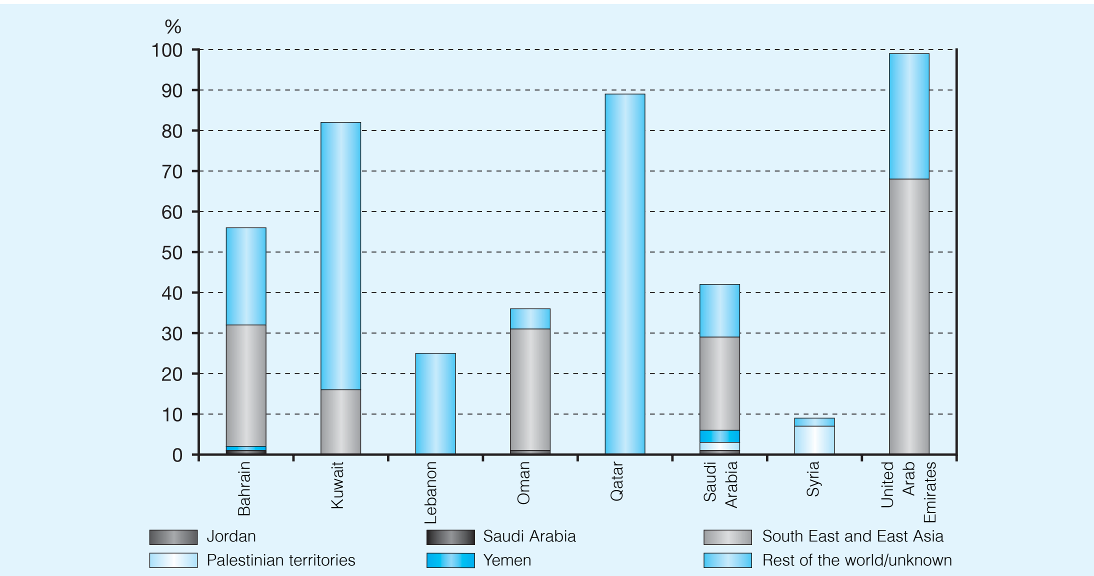
The serious demand for job creation will increasingly force the most developed Arab countries to modify guaranteed allowances provided to citizens. More and more people will be forced to take on jobs and this will greatly impact the labour markets of neighbouring or more distant countries that currently provide the workforce. The question remains how local residents will be able to process this compared to their previous lifestyle and whether new jobs will actually be created.

While family care is a cornerstone of Islam, and the economic participation of women is low, elderly care and advance savings are particularly great challenges for them. In MENA countries with significant armies (such as Libya, the Gaza Strip or Persian Iran) there is a separate pension system covering this particular sector, which provides more favourable retirement conditions (for example see

Chart 5

THE RATIO OF IMMIGRANT WORKFORCE WITHIN THE ECONOMICALLY ACTIVE POPULATION OF THE TARGET COUNTY

(percent)



Source: UNDP, author's own collection

Country Profile: Iran). This sends a very clear political message and makes the military very attractive to job-seekers. The pension system covers public servants and employees of state-owned companies everywhere, but not the private sector. Even on a voluntary basis, the entry of private employees into the pension system is only possible in a few MENA countries.

If, however, someone does get into the pension system, they will typically have good prospects for their inactive years. On top of all this, these systems are self-financing at the moment, which means that there is no need to involve subsequent funds from the central budget: the assets generated by the contribution paying generation cover expenses even when creating surplus (Rutkowski, 2007).

The rate of guaranteed minimum pension is 35–70 percent of the average wage, the income ceiling serving as basis for pension calculation does not exist in most states, which means that the pension of those with outstanding income is still almost fully linearly adapted to the higher pension contributions they pay (more on this later on in the article).

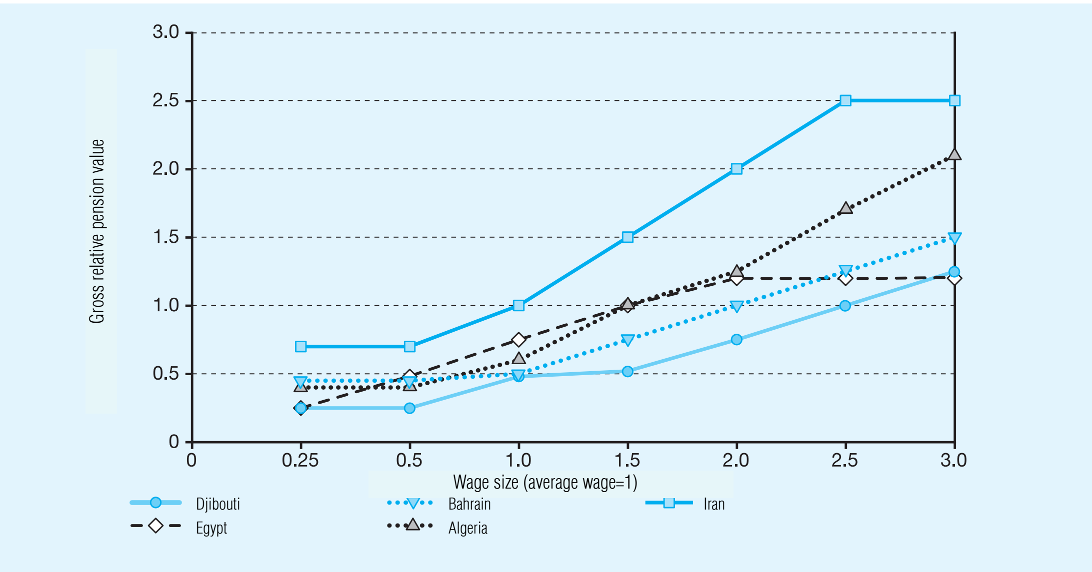
The first important issue of sustainability is the gross relative value of pensions compared to the pre-retirement income (wage-replacement rate). *Chart 6*, based on the World Bank's survey, shows that gross relative pension value in MENA countries is 50–100 percent of average wage (Iran pays exceptionally high pensions), but even in case of higher pre-retirement incomes it follows the size of income, serving as the basis for pension determination, favourably (with the exception of Egypt).

Yemen and Libya provide excellent services along with Morocco which provides pensions up to double the average wage (*see Chart 7*).

In addition, in most countries the implicit rate of return of contributions paid into pension funds is very high, which means that at the moment contribution payment is quite a good investment. This, however, can only be sustained with the guaranteed expansion of the legal workforce, and at the moment there

Chart 6

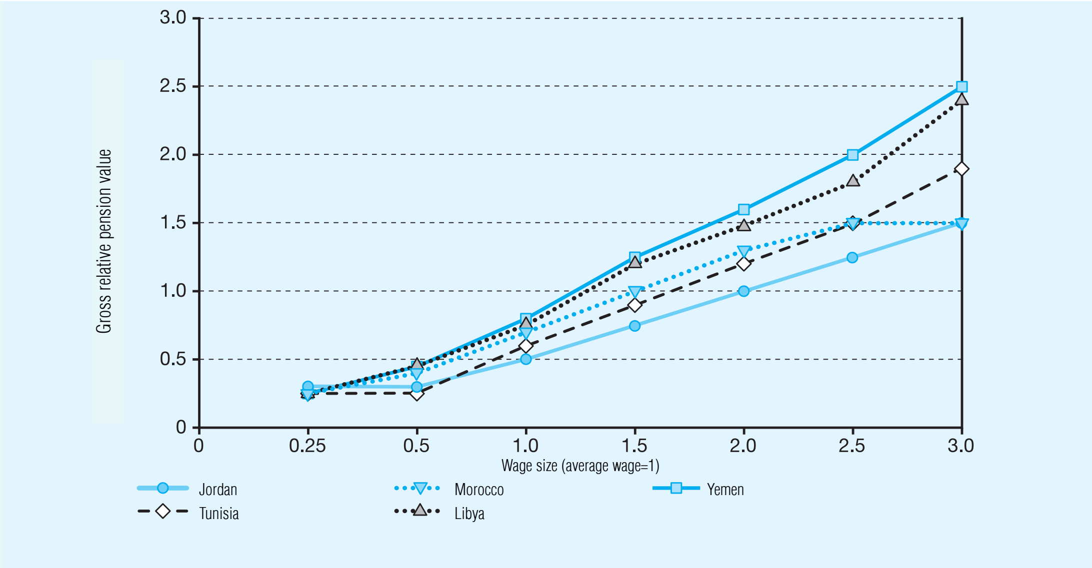
GROSS RELATIVE PENSION VALUE IN COMPARISON TO THE CHANGE OF AVERAGE WAGE IN VARIOUS MENA COUNTRIES (1)



Source: Rutkowski, 2007

Chart 7

GROSS RELATIVE PENSION VALUE IN COMPARISON TO THE CHANGE OF AVERAGE WAGE IN VARIOUS MENA COUNTRIES (2)



Source: Rutkowski, 2007

seems to be little chance of this happening. This means that the systems will be faced with the problem that those entering now will still be financing the results of this good investment for those currently retiring. However, by the time they become pensioners themselves, their similarly promising pension investments will not have adequate collateral.

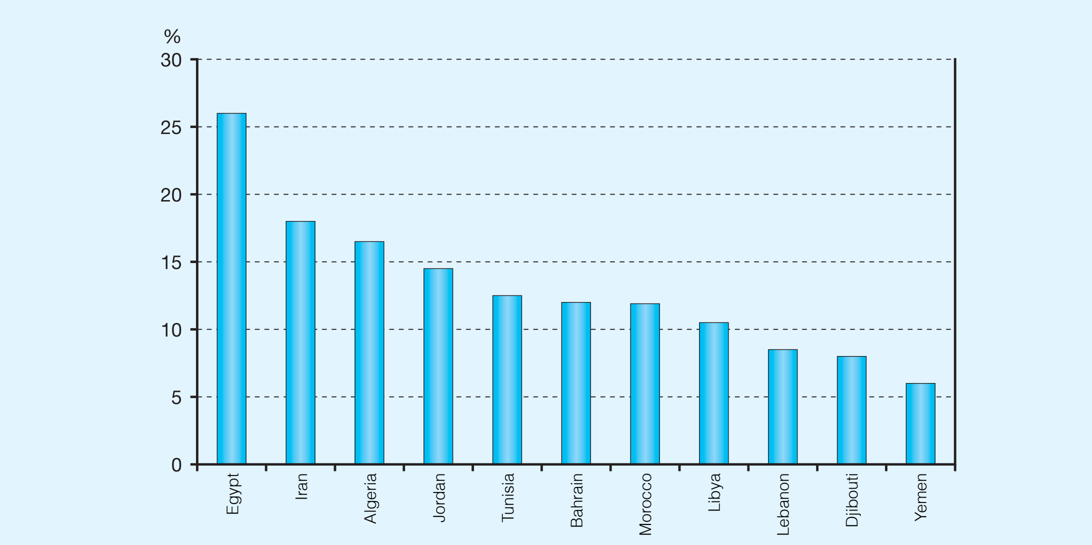
According to expert opinion (Robalino, 2005; Rutkowski, 2007), parallel to the ideal growth of the economy, a system that is sustainable in the long-term could be operated with an internal rate of return of 3 percent, while the majority of pension systems that can be examined produces an internal rate of return of around 5–6 percent. Pension systems that are primarily tied to military service (Lebanon, the Gaza strip, Morocco, Bahrain) offer internal rates of return to contribution payers that are the same as if they deposited their money at a commercial bank with 9–12 percent annual interest. The political message here is very clear and the question pops up (without any morbid undertones): How many of these contribution payers will actually live to retire?

In terms of the percentage rates of pension contributions, Egypt deserves closer attention as the discrepancy between the high amount of contributions and gross relative pension values (*see Chart 8*) could indicate further internal problems.

In most modern pension systems, the income serving as the basis of pension determination is imputed into pension calculations progressively, using brackets, which means the higher the income of a given person before retirement, the lower the rate the given income bracket is imputed into the calculation beyond certain limits. In contrast, in MENA countries only (if at all) an income ceiling is set (in many cases very high), while these high incomes are not eliminated from the progressive bracket system. This of course produces a positive effect on the payment side, as the pension fund receives more now, however, it will have to pay much more to those retiring with high incomes. As a result, pension systems have

Chart 8

THE RATE OF PENSION CONTRIBUTIONS IN VARIOUS MENA COUNTRIES



Source: SSA / ISSA

outstandingly high implicit internal debts, that is current promises for future payments. In 25 or 35 years at the latest, the implicit internal debt of Arab pension systems will increase from the current 30 percent to 80–100 (!) percent of the given countries' GDP, which means it will be higher than typical public debt levels today (Robalino, 2005).

The fact that pension systems in Arab countries do not apply retroactive income balancing and average calculations may be considered another systemic error. That is to say that the basis of their pension benefit calculations is not the income earned during the retiree's whole career (or at least a part thereof), instead pension benefits are based on the applicant's income immediately before retirement. In many cases this is unfair and creates opportunities for fraud. Namely, if the system does not regard the average life income as the basis, then (with some manipulation) decades of work for minimum wage and payment of contributions and then an extraordinary, perhaps formal, wage increase in the period just before retirement will ensure the given worker the benefits of a high pension, while their contributions have not been sufficient to ensure it.

Another systemic error is the determination of the low retirement age, which is one of the most debated issues in Europe at the moment. At the moment, in MENA countries women can definitely retire at the age of 55, men are allowed to cease work at 60. In the meantime special sectors offer a number of exceptional opportunities to further lower retirement age, in some cases even for mass retirement at the age of 45.

The management of pension systems is expensive and not nearly efficient enough. In most cases the relevant infrastructure is incomplete and the costs of administration are high. According to UN data, administration costs amount to 5–10 percent of total annual expenses of pension systems, including benefits, while in some countries (such as Yemen) even more (as high as 50 percent). In proportion to annual pension contribution payments, the administration costs of systems in the various Arab countries is between 5–10 percent. The examination of the efficiency and success of investments would merit a separate study, which the author of the present paper decided to forego. For the moment it is sufficient to say that the investment positions of Arab pension funds have been dramatically weakened by the financial crisis of recent years.

SUMMARY AND RECOMMENDATIONS

In summary, it can be established that the pension systems of MENA countries are facing challenges from four directions. A smaller segment of society, whose coverage is ensured and who are still able to work, is allowed to retire at a relatively young age with short service times. Reserves and financial performance are adequate, however, expected impact on society does not paint such a problem-free picture, and the sweeping effect of further international crises is always in the air. Sustainability is at serious risk, and interestingly enough not just as a result of the impact of expected demographic processes, but rather it will be the fundamental mistakes of badly established systems, in addition to the strong effect of the previously examined demographic processes, that will push the pension systems of MENA countries into unsustainability.

The time has, therefore, come to launch long-term reform programmes in these countries, before collapse and social disaster become unavoidable. These measures should fundamentally point in the following directions.

- Larger segments of the population, capable to work and performing work, must be obliged to pay contributions.
- A binding pension contribution payment system, based on wide-scale solidarity, must be introduced.
- Illegal and undeclared employment must be contained, reduced and a large number of legal jobs must be created.
- A pension contribution rate must be determined for workers that they are actually able to pay.
- In this context, governments should only promise pension payments that can be certainly kept, therefore political decisions are required on what the philosophical basis of an extended pension system should be (minimum benefits; average benefits, i.e., that allow people to maintain their standard of living; progressive or equal pension payments, etc.).
- The redistribution of incoming funds must be transparent; those with higher incomes must make more sacrifices in the interest of financing the pensions of those with lower incomes (which again raises questions of social philosophy) and at the same time payments and services must be harmonised in a fair way.
- Parametric regulation is needed; one which reinforces the financial sustainability of systems from simple mathematical aspects as well (such as the raising of retirement age).
- The situation of women requires special attention, therefore, it would be sensible to set a lower retirement age, demand more contribution obligation from men with more than one wife, manage the situation of divorced and non-remarried women at their old age, and resolve the current shortcomings of child care benefits.

NOTES

[1] MENA: Middle East and North African Arab Countries (OECD): Mauritania, the territory of Western Sahara, Morocco, Algeria, Tunisia, Libya, Egypt, Israel, Lebanon, Palestinian territories, Syria, Jordan, Iraq, Kuwait, Saudi Arabia, Yemen, Bahrain, Qatar, Oman, United Arab Emirates; some broader definitions also include Djibouti and Persian Iran.

[2] According to UN categorisation, this category includes 33 African, 14 Asian and 1 Caribbean country, e.g. Congo, Lesotho, Benin, Sierra Leone, Afghanistan, Bangladesh, Laos or Haiti.

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