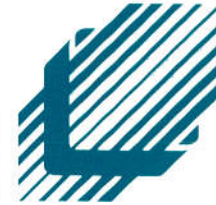


Development Bank
of Southern Africa



Pensions and development:

How the social security
system can complement
programmes of
reconstruction and
development

Elisabeth Ardington and Frances Lund



Pensions and development:

How the social security system can complement programmes of reconstruction and development

Development Bank of Southern Africa
Development Paper 61
Occasional Paper

ISSN 1022-0127
ISBN 1-874878-41-2

February 1995

Elisabeth Ardington and Frances Lund
Centre for Social and Development Studies
University of Natal, Durban

Price R10

Mission of the Development Bank of Southern Africa

The Development Bank of Southern Africa is a development finance institution whose primary aim is to facilitate development and empower people in the region.

Acknowledgements

This study is based on data from a survey conducted by Data Research Africa in KwaZulu in 1992. We thank Data Research Africa for supplying us with the data and spending time discussing it with us. We also thank Richard Devey of the Centre for Social and Development Studies, who processed this enormous database. Without their generosity and cooperation this study could not have been undertaken.

Copyright

Copyright vests in the Development Bank of Southern Africa.

Order this paper from

Development Bank of Southern Africa
Publications Unit
PO Box 1234
Halfway House
1685
South Africa
Telephone (011)313-3911
Telefax (011)313-3086

Preface

State social benefits, for example grants for disabled people and pensions for elderly people, are typically viewed as 'a drain on the economy', or as 'unproductive social spending'. This paper challenges the conventional wisdom. Evidence from a 1992 Data Research Africa study of more than five thousand black households in KwaZulu is used to show the economic role the social security benefits have played in reaching poorer households in the very bottom decile (who are in that decile partly because they have no state benefits); they have penetrated deep into rural areas, and been gender sensitive towards women. It is argued that the social security benefits should be protected as a vitally important complementary track to the Reconstruction and Development Programme. Given a legitimate government and new information technology, the system can easily be made more efficient, and more effective.

This occasional paper was commissioned in order to inform Bank policy on welfare issues and was prepared by Elizabeth Ardington and Frances Lund of the University of Natal Centre for Social and Development Studies. The advisory panel of the health and welfare policy programme recommended its publication as a contribution to policy dialogue.

GJ Richter
General Manager

AMB Mokaba
Programme Manager

Contents

1. Introduction	1
2. The DRA survey	4
2.1 Limitations of the survey	5
3. Demographic profile of the sample	6
4. Income levels, sources of income and income by area	10
5. The old-age pension and household income	13
5.1 Pensions and female-headed households	16
5.2 Pensions and dependency rates	17
6. Discussion	18
6.1 Take-up rate	21
6.2 The means test	22
6.3 Institutional care	22
6.4 Administration, staffing and corruption	23
6.5 Maintenance grants	24
6.6 Pensions, the public works programmes and social spending	27
7. Conclusion	29
8. Appendices	32
Appendix 1: Survey sites categorised according to degree of urbanisation and access to employment	32
Appendix 2: Transfer payments received June 1992	34
9. References	35

1. Introduction

The transition to democratic government has brought with it an urgent concern with overcoming the poverty and inequality which beset South Africa. In the last three years a great deal of energy has been invested in designing ambitious programmes for social and economic development, the most notable of which is the Reconstruction and Development Programme (RDP). Related initiatives are the public works programmes and the National Nutrition and Social Development Programme (NNSDP).

There is some debate as to whether these programmes should focus primarily on alleviating poverty or on stimulating economic growth. In an ideal situation, programmes like this would create useful public assets through labour-intensive projects. Such projects would bring immediate short-term relief and also allow more people to participate in the economy, thereby contributing to future economic growth.

Consensus has been reached on a number of issues remarkably quickly. There is a new 'conventional wisdom' about development quite different to anything heard as recently as three years ago. Firstly, it has been fully acknowledged that the lack of reliable information seriously impedes sound development planning. At the national level, the poor quality of census data is common knowledge, as is the paucity of household survey data. At the level of communities and households, it is now recognised that we need much better information on decision-making and distribution of resources within households and on the nature of rural-urban economic linkages.

Secondly, there is concern about how the human dimensions of development can be incorporated into macroeconomic policy. Debate on this issue is informed by the experiences of other African countries and the rest of the world. South Africa is in some respects a unique case, because of the apartheid system. However, the country is also part of the changing international economic order, and scholars, development consultants and policy-makers are of course affected by the international discourse on the advantages and disadvantages of varying degrees of state involvement in the market. These are complex questions. Against the acknowledged failures of centrally planned economies to generate sustainable economic growth must be set an acknowledgment of the adverse effects of the structural adjustment policies of the World Bank and the International Monetary Fund, particularly in Africa.

Thirdly, the targeting of the benefits of programmes has come to be seen as centrally important. Targeting makes programmes effective: the appropriate goods or social services are supplied to those who need them most. Targeting has to be accurate and specific, and in this country will obviously focus on racial inequalities in the allocation of resources. Some social programmes have been targeted so widely that practically the only group not included was (white) males in formal employment. There has been a remarkable shift in the focus of attention towards women and children and the rural areas. We should be careful though not to spend too much time and money identifying the vulnerable at the expense of solving the problems they face.

Fourthly, there is broad consensus that development programmes should be people-centred, should build capacity and be sustainable. Important lessons have been learned from the problems encountered in the first phase of the NNSDP (which is an amalgam of the previous Nutrition Development Programme and national relief programme initiatives). According to Dianne Kloka, some of the problems were that the focus of the programme was too wide; sound decision-making was inhibited by the lack of good information systems; and the demand for the programme did not come from the most vulnerable, so it is as yet uncertain how far the NNSDP reached the very poor. (For a succinct summary, see Kloka, 1994.) Of course, fashionable terms like 'people-centred' and 'capacity-building' can be overused and misused. Nevertheless, Loots and Roux's evaluation of the drought relief programmes gives ground for cautious optimism that these principles can in fact be applied widely and that communities can find the human skills and resources necessary to participate in the programmes (Loots and Roux, 1993).

As the time for implementing the major programmes draws nearer, attention has turned from planning and design to financing. Some believe that these programmes would be able to draw extensive foreign funding, at least in the short term. For others the role of South African government funding is more important. Are the programmes to be financed primarily by allocating additional expenditure, or should there be redistribution within existing government budgets? A recent paper suggested that the programmes be partially financed from the existing

welfare budget, through phasing out maintenance grants (state income support for unsupported mothers), and through steadily eroding the value of the old-age and disability pensions and redirecting money to nutrition and public works (Van der Berg, 1994).

We do not underestimate the problem of the increasing size of the social security budget, and we understand the extent of the problem with maintenance grants (which will be dealt with later). However, we believe that the role of transfer payments in relation to elderly and disabled people and to parents and children has been misunderstood or ignored. A number of researchers doing local-level studies have appreciated the important contribution of transfer payments to household income and their consequent role in alleviating poverty. This has largely escaped the attention of economists, especially macro economists. Such analysts, perhaps inevitably, concentrate on the size of the social security budget. Out of the most recent government budget of R143 billion, social security and social services was allocated some R13 billion, while health received about R14 billion. Welfare has been the second fastest growing budget item in the period 1991 to 1994/5, at 22,6 per cent per annum, compared with the overall budget growth of 14 per cent (Pieter le Roux, personal communication). Economists are understandably concerned about the size of the budget and the increase in spending; however, they need to ask what that money does, particularly for households in poverty, and whether it is an effective redistributive measure.

A detailed account of the social security measures can be found in Lund (1993); a brief description will suffice here.

Benefits to elderly people constitute by far the largest portion of all social security spending: in 1990, this portion was 67 per cent nationally, as compared with 21 per cent paid to people with disabilities and 11 per cent in the fields of child and family care (Lund, 1992: 90). Historically, benefits to black people were far lower than to others. The move to racial parity in payments started a decade ago and has rapidly increased the size of this budget item over this period. Parity was reached during 1993. Van der Berg (1994: Figure 1) graphically illustrates how the real value of the pension has risen substantially for blacks over the last decade or so, stayed more or less the same for Indians and coloureds, and fallen steeply for whites.

The old-age pension is non-contributory and is paid out of general revenue. In the past it was a statutory right, though the new Social Assistance Act converts it into a discretionary benefit. It has been payable to women from the age of 60 and men from the age of 65. This discrepancy will soon become illegal as the new constitution disallows any gender discrimination. The award of the old-age pension has been means tested. However, the means tests have been variously and unevenly applied by the different welfare administrations. In the field of disability, the main benefits are the disability grant and the blind persons grant. These grants have also been statutory, non-contributory and means tested. They used to be payable at age 16; recent legislation has advanced this to 18.

The grants for child and family care are complex, with many variations between the different welfare administrations. Here it need just be noted that the benefits have mostly gone to whites, followed by coloureds and then Indians.

Some benefits, such as the single care grant (for carers of severely mentally impaired children) and the maintenance grant, have in practice been unobtainable by rural Africans.

Social security benefits have been administered through 17 separate departments of welfare: one each for coloureds, Indians and whites, four provincial departments for blacks living in the Republic, six for the homelands and four for the nominally independent states of Transkei, Bophuthatswana, Venda and Ciskei (the TBVC states). The homeland and TBVC departments on the whole failed to administer the means test in recent years (see Lund, 1993 for a detailed description). There have been all kinds of discrepancies between the administrations regarding the types and amounts of grants awarded, and the TBVC states in particular started to develop their own systems. In some cases the amounts they awarded lagged behind amounts in the Republic, and in a very few cases they were higher.

Vigorous activity through the Secretariat for the Economic Community of Southern Africa (SECOSAF) led to multilateral agreements in 1989 and 1990 which were designed to implement a uniform social security system in the TBVC states and the rest of South Africa. These agreements predated the 'official' announcements by President de Klerk about working towards a unitary South Africa.

The pension system has developed a higher profile recently, partly because of the increasing size of the budget. However, it is still very poorly understood. Misconceptions about it are often taken up in development discourse.

For example, Donaldson (1993: 286) carefully wrote the following:

... old age pensions may be a blunt and badly targeted instrument of social welfare, but it is simple and less costly to administer than more comprehensive schemes.

In the 'development set', this sort of statement is too often misread as an assertion that 'pensions are blunt and badly targeted'.

There is a widely held and in our view erroneous polarisation in the discourse between *welfare* - which is taken to create dependency, to be unproductive and deleterious - and *development* - which is taken to encourage independence, to stimulate economic growth and be constructive. There is of course a difference between the two approaches, but overemphasising it does not further our understanding of how welfare benefits and services actually operate.

For example, the most important distributional aspect of pensions for elderly and disabled people is that they are awarded to individuals but to a large extent consumed as a household asset, especially where the elderly live in three-generational families. So while they are awarded to the elderly, they are to a greater or lesser extent shared with children and grandchildren. We will point later to some of the research that is needed to understand intrahousehold wealth flows, and the problems that such an understanding would solve. But there is also a need for answers at the purely descriptive level to such simple questions as: What is the distribution of pensions? Do they reach rural areas as much as they do urban? Do women and men

benefit equally? How much do they contribute to household income? Do they reach the poorest of the poor?

This paper addresses some of these questions for the black population in one part of the country. It is based on a secondary analysis of data collected by Data Research Africa (DRA) for an income and expenditure study of KwaZulu (DRA, 1992). In 1990 the social security budget in KwaZulu was as follows: Old-Age Pensions R363,8 million; Disability Grants R111,9 million; Family Grants R4,7 million; and Relief R334 000. The total spent on these transfer payments to individuals was thus R480,8 million and this constituted 19,9 per cent of KwaZulu's total estimated expenditure (Lund, 1992: 35).

2. The DRA survey

The DRA survey was conducted in each of the 26 magisterial districts of KwaZulu. The total sample comprised 5 293 households containing 35 748 people. Information was gathered by administering questionnaires to households in townships and rural areas specified by DRA's clients (the KwaZulu Finance and Investment Corporation and the KwaZulu Department of Economic Affairs). The survey was conducted at 61 sites during July 1992, and the questions about income and expenditure related to June of that year.

We started out by viewing the DRA data as a whole, and this produced global information which concealed interesting differences. As levels of urbanisation and access to employment appeared to be important variables, a first categorisation of the 61 sites was made to reflect these

differences. Sites were classified according to their location in the following areas: metropolitan; formal urban (townships); peri-urban; rural but with access to villages, towns and employment; resettlement areas (densely settled rural areas without access to towns or employment); and deep rural (see Appendix 1).

As our study was concerned with old-age pensions, households were also classified as to whether they contained aged members; whether they received old-age pensions; whether they were headed by pensioners etc. Further classifications were made to enable comparative analysis of households by income decile and to discover the characteristics and structure of households with female heads, households containing migrant members, households with and without persons in employment, and households with unemployed members.

2.1 Limitations of the survey

The most significant limitation of the survey is that the sites are not representative of the total KwaZulu population. Urban and especially informal settlements are underrepresented, and this affects variables ranging from income to household size, the gender of household heads or their level of involvement in the informal sector.

Julian May, who designed the original survey, and his colleagues felt uneasy about the very concept of 'household', and we share this concern. Actual co-resident groupings of people change membership over time, often have fuzzy boundaries, and may be defined differently by different members.

A curious example will illustrate the point. In the process of 'cleaning the data' for our purposes, we came across a household which professed to have six household heads. We tracked down the source of what we thought must be an error. It was a house in an urban area shared by six men who were not necessarily related to each other, each of them the head of a household in his own right, but none of them head of this 'household'! The real world is too complex to capture in a survey form; we nevertheless proceeded as if it were possible.

When data collected for one purpose is used for another, it is inevitable that there will be an imperfect match. For example, the wording of the question about the sources of pension or retirement income was somewhat ambiguous, and both fieldworkers and interviewees could easily have become confused about the difference between state old-age pensions, occupational pensions for civil servants paid by the government, or retirement provision by the private sector. Apart from this failure to distinguish between types of pension, no distinction was made between pensions and other transfers such as disability grants. Also, the survey did not specify maintenance grants as a possible form of income. We will describe how we dealt with this problem in the appropriate section. However, it may be assumed that the poorer the household in which the individual who receives the transfer resides, the more likely it is that such income stems from an old-age pension or a disability grant rather than an occupationally-related benefit, whether state (civil service pension) or private. Full information about the transfers can be found in Appendix 2.

As with many other surveys, this one seems not to have captured the true extent of informal-sector activity, with only 8,3 per cent of employed people shown to be engaged in it. A further problem was that the marital status of people was not recorded, and their status as parents, children or relatives was only recorded in relation to the head. The analysis of household structure is thus substantially more limited than we would have liked.

Finally, Ardington has found in her Nkandla studies (where 20 per cent of the households had more than fifteen members) that some of the richest insights about poverty and survival strategies have come from investigating large households. Such households may be underrepresented in this study.

3. Demographic profile of the sample

A full analysis of the demographic variables and other features of the surveyed population can be found in Ardington (1994). Here we summarise the main features to provide a context for considering the role of pensions.

Table 1 shows that the mean household size was 6,8 members. When those who did not reside permanently at home were excluded the mean fell to 6. We will generally use the latter figure. Households tended to increase in size as they became more rural, with households in metropolitan areas averaging 5,3 resident members and those in deep rural areas 6,6. The lowest mean (4,5 members) was found in Bhambayi, an informal settlement adjacent to Durban, and the highest (8,7) in deep rural Mfabeni.

The percentage of the surveyed population that was female (53,8 per cent) was the same as the 1991 population census figure for the region. When non-residents, who were mainly male, were excluded, 56 per cent of the population was female.

The mean age of all household heads was 49 years, and there was no striking difference according to levels of urbanisation, though heads tended to be younger in urban areas. Female heads were slightly older, with a mean of 54 years.

More than half (55 per cent) of the resident population was younger than 20. The percentage increased from 47,2 per cent in metropolitan areas to 60,7 per cent in the deep rural areas. Elderly people (women aged 60 or more and men aged 65 or more), a category created to coincide with the age at which pensions can be claimed, constituted 5,2 per cent of the resident population.

In none of the areas were fewer than 80 per cent of those aged 7 to 19 at school. However, the educational levels of those surveyed illustrated the discrimination experienced by rural dwellers. Historically, they were found to have lower levels of education than urban dwellers, and current scholars in rural areas were shown to be disadvantaged in terms of access to secondary education (for a fuller analysis see Ardington, 1994).

The percentage of persons with post-school education was very low overall (5 per cent), but here again deep rural areas (2,2 per cent) were shown to be disadvantaged compared with urban areas (9,4 per cent in the formal townships).

Table 1: Selected demographic statistics

	Household size: resident	Household size: all	% Individuals female	Mean age: head	% Residents under 20	% Elderly	% Individuals 7-19 scholars
All	6,0	6,8	56,0	49	53,0	5,2	86,6
Metropolitan	5,3	5,7	55,9	46	47,2	3,4	87,1
Formal urban	5,4	6,0	55,5	46	50,7	3,6	87,1
Peri-urban	6,1	6,7	55,3	50	52,5	5,0	83,9
Rural with access to towns	5,9	6,6	56,1	52	54,2	6,9	86,5
Resettlement	6,6	7,8	55,8	51	59,0	5,5	86,5
Deep rural	6,6	7,6	56,6	51	60,7	5,8	85,8

	% Individuals with post-school education	% Males 20-59 non-resident	% Female head of household	% Non-resident heads	Dependency rate	Number of households	Number of individuals
All	5,0	31,0	30,5	19,0	43	5 293	35 748
Metropolitan	6,6	9,6	32,6	6,3	34	432	2 461
Formal urban	9,4	18,5	32,5	10,2	37	1 407	8 461
Peri-urban	4,6	17,8	35,9	10,6	40	434	2 897
Rural with access to towns	4,4	32,4	30,2	19,3	44	1 201	7 984
Resettlement	3,7	43,2	31,0	27,9	48	462	3 588
Deep rural	2,2	46,6	26,1	31,5	50	1 357	10 357

The data implied links between education and employment/income levels. Whereas 23,5 per cent of individuals in households falling in the top income decile had some post-school education, this was the case for only 1,4 per cent of those in the bottom decile.

More than two-fifths (44,2 per cent) of individuals in the top income decile were employed compared with only 13,2 per cent in the bottom income decile. The association between education and employment is illustrated by the percentage of those in the economically active age group who were employed, which rose from 38,8 per cent of those with no education to 63,2 per cent of those with a matric.

Just over a tenth (11,6 per cent) of the population was not permanently resident. Three-quarters of these non-residents were migrant workers, with the balance consisting chiefly of scholars. The percentage of the population which was non-resident increased from urban to rural areas. The real impact of migrancy is better illustrated by viewing the age group 20 to 59, which shows almost half the men in rural areas to be absent as migrants (Table 1).

About a third (30,5 per cent) of households were headed by women. The percentage was highest (35,9 per cent) in peri-urban areas and lowest (26,1 per cent) in the deep rural areas. Although the de jure position in the deep rural areas showed a low percentage of female-headed households, the fact that about a third of deep rural heads were absentees probably places the de facto percentage

amongst the highest. This high figure of 31,5 per cent for absentee heads contrasts strikingly with the 6,3 per cent found in metropolitan areas.

On the whole, few differences between female-headed households and others were noted. Naturally the percentage of resident household members which was female was higher than the mean; however, the percentage of resident members in female-headed households who were under the age of 20 years was very close to the mean. Having a female as head of the household made little difference to dependency ratios (see later). As two-fifths of female heads were themselves elderly, one inevitably found a higher percentage of elderly people in these households than in all the other households surveyed.

Viewing female-headed households as a homogeneous group proved unhelpful as it concealed important differences between households. The variables which appeared to tease out the differences were age of the head and location of the household. Female-headed households were therefore subdivided into three groups: those with heads aged 60 and older, those headed by younger women in urban areas, and those by younger women in rural areas.

Although female-headed households as a whole had recorded above-average percentages of aged persons, the subdivision revealed that whereas 17,2 per cent of the members of the households with aged female heads were aged, this was the case for 0,6 per cent of the households of young rural heads, and 0,9 per cent of those of young urban heads.

Dependency rates or ratios are often used as a demographic and economic indicator. Here a dependency rate was calculated on the basis of age, using the conventional definition of a dependant as someone younger than 15 or older than 64, that is, those who are not 'economically active'. Calculated thus, 43 per cent of the permanent population in this survey were dependants. There was considerable variation between rural and urban areas, with 34 per cent of the population being dependent in metropolitan areas and 50 per cent in deep rural areas.

In female-headed households the percentage was only one point below the mean. This belies the view that dependency rates are highest in female-headed households. The further subdivision of female-headed households according to age and place of residence indicated that it was not in the households of young female heads that the dependency rates were highest. Whereas two thirds (67 per cent) of individuals in households headed by aged females were dependent, only one third (35,1 per cent) of those in households headed by young urban females were.

Two less conventional measures of dependency, which took into account high unemployment levels and incomes from the elderly, were also constructed and will be dealt with later.

It was not possible to establish from the data the generational structure of households. To overcome this

deficiency an extremely crude measure of generational structure was developed. Twenty-year age cohorts were taken to represent successive generations, and households were classified according to whether they contained members from one, two, three or four of these cohorts. Using this variable it was estimated that 3,2 per cent of households contained members of one generation only, 33,8 per cent members of two generations, 52,5 per cent members of three and 10,4 per cent members of four. In total 62,9 per cent of households contained three or more generations. Of households with aged members, 85,1 per cent were three-generational. A mere 0,8 per cent of households consisted of aged persons only.

A recent multidimensional study of elderly South Africans by Ferreira and her colleagues (Ferreira et al, 1992) established that more than half of the urban and rural black respondents (54,8 per cent and 58,4 per cent respectively) were living in three-generational households. The figures for two-generational households comprising grandparents and grandchildren only (in other words, those with a 'missing' middle generation) were a further 8,6 per cent for urban and 15,7 per cent for rural black people (Ferreira et al, 1992: 105). These findings lend credibility to the crude generational measure developed for this study.

Having sketched a broad demographic profile of the sample, we now turn our attention to income levels in the area.

Table 2: Income deciles - selected statistics

	Size of resident household	Household income (R per month)	Household per cap income (R per month)	% Share of total income	% Income from wage/salary	% Income from remittance	% Income from pension
All	6,0	1 097	231	100,0	48,2	15,7	12,3
Bottom decile	7,2	142	18	1,3	16,4	23,9	7,5
Second decile	7,5	347	46	3,2	27,2	25,1	19,3
Third decile	6,7	459	69	4,4	31,8	22,5	19,1
Fourth decile	6,6	611	93	5,2	39,6	20,9	14,8
Fifth decile	6,4	779	122	7,2	42,6	15,8	19,5
Sixth decile	5,9	927	157	8,4	52,5	14,5	13,5
Seventh decile	5,5	1 097	201	9,9	57,6	11,8	12,2
Eighth decile	5,2	1 429	272	13,0	68,5	8,4	8,0
Ninth decile	4,6	1 890	412	17,2	70,3	8,7	6,3
Top decile	3,9	3 315	920	30,2	76,8	5,4	2,6

4. Income levels, sources of income and income by area

Mean household monthly income was R1 097. The Household Subsistence Level for black people in Durban in March 1992 was R787,26 (SAIRR, 1993: 190). This figure places 34,9 per cent of urban households surveyed below subsistence level. Potgieter, in a special report compiled for the Institute for Natural Resources (Potgieter, 1993) estimated the Household Subsistence Level for rural areas of Natal/KwaZulu to be R628 in 1992, which would place 54,8 per cent of the rural households in this survey below subsistence level.

We have used household per capita income as the chief variable for

analysis of income levels, rather than aggregate household income. In our view the latter measure is so seriously affected by household size as to be misleading. For example, a household income of R1 000 per month will result in a very different level of income if there are three as opposed to six members sharing it.

Table 2 shows that mean household per capita income was found to be R231 per month. It was R18 for the bottom income decile and R920 for the top. The top income decile received 30,2 per cent of total income while the bottom decile received a mere 1,3 per cent. Expressed differently, the wealthiest 30 per cent of households earned 60 per cent of total income,

while the poorest 30 per cent earned less than one-tenth (9 per cent) of all income. The fall-off in the percentage of total income received was large between the top and the ninth deciles (from 30,2 per cent to 17,2 per cent) but thereafter the percentage of total income fell steadily.

The distribution of total income was similar when viewed by area. In urban and rural areas, the bottom 30 per cent of households received between 9,4 per cent and 10,5 per cent of total income, and the top 30 per cent received between 55 per cent and 60,7 per cent of total income.

This extreme income inequality is reflected in the variation between the mean and median incomes of those surveyed. Although the mean household income was R1 097 per month the median was R750. The mean per capita household income was R231 and the median R138.

Viewing the sources of income by decile revealed a close link between wage income and levels of income. Whether viewed from the percentage of households receiving income from this source or the percentage of income realised from this source the picture remained the same. In the top decile, 87,1 per cent of households received wage income and they realised 76,8 per cent of their income from this source. Only 19 per cent of households in the bottom decile had wage income and

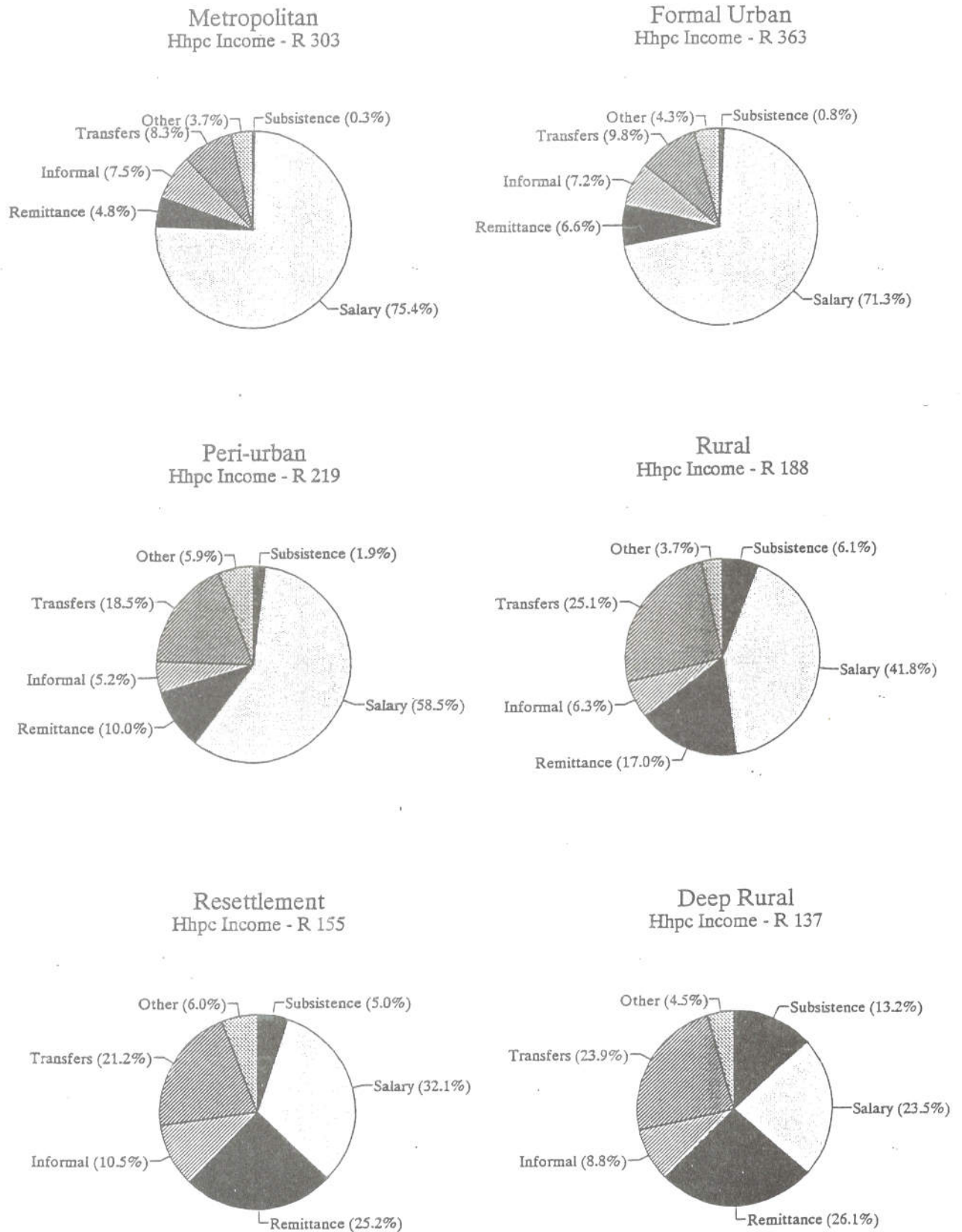
they realised only 16,4 per cent of their income from this source. The percentages declined consistently from the top to the bottom decile.

When the income from remittances was added to wage income, almost two-thirds (64 per cent) of all income was shown to be derived from employment. In the top income decile and in metropolitan areas over 80 per cent of income was derived from this source.

The pie charts in Figure 1 depict graphically how salaries declined as the chief source of income as the level of urbanisation decreased. The 'beach-ball' appearance of the sources of income for deep rural areas shows that households rely on multiple sources almost equally, and that the proportion of income from transfers is similar to the proportions from salaries and remittances, the two other main sources of income.

With regard to the association between income and levels of urbanisation, three-quarters (73,9 per cent) of the households in the top decile came from the three urban groupings, with households from formal townships constituting well over half (56,7 per cent) of the decile. Conversely, and almost in mirror image, three-quarters (76,8 per cent) of households in the bottom decile came from the three rural groupings, with deep rural households constituting 42,3 per cent of this decile.

Figure 1: Sources of income by area



5. The old-age pension and household income

In the DRA survey individuals were asked their age and their vocation or occupation. They were also asked whether they had received any income in the form of pensions, disability grants or other grants from the government. However, when this income was recorded no differentiation was made between state old-age pensions, occupational pensions (whether state or private), retirement annuities or disability grants.

While 2 191 individuals or 6,1 per cent of the surveyed population were recorded as receiving this type of income, it was not possible to establish the nature of each transfer.

A third (32,5 per cent) of the people who were recorded as receiving transfer income would not, because of their age, have qualified for state old-age pensions, so the income they received can be assumed to be either a disability grant or a private pension.¹ At the time of the survey approximately a quarter of welfare transfers in KwaZulu were not old-age pensions; it would thus be reasonable to assume that the majority of this third of under-age transferees were in receipt of disability, blind or leprosy grants, and that the remaining transfers were occupational pensions or annuities. The transfers received by individuals in households with low incomes were more likely to be state grants than occupational pensions. Appendix 2

gives further information on the size of the other transfers.

For this analysis we created a category of persons called 'aged', consisting of women over the age of 59 and men over the age of 64 - the respective ages at which women and men qualify for state old-age pensions. Where such persons were in receipt of transfers, the transfer was classified as a state old-age pension and the individual as an 'old-age pensioner'.

The aged constituted 5,2 per cent of the surveyed population, and 74 per cent of them were women. Old-age pensioners constituted 4,5 per cent of the population, and again 74 per cent were women. Aged people were found in 26,7 per cent of households, with the percentage being lowest in urban areas (15,5 per cent) and highest in rural areas (33,5 per cent). Pensioners were found in 23,7 per cent of households. Of all elderly people, 85,5 per cent were in receipt of old-age pensions, 82,6 per cent of the men and 86,6 per cent of the women. The marginally lower take-up rate of the men may be explained by the fact that 50 per cent of aged men without pensions (as opposed to 19,4 per cent of the women) were still employed and had thus probably not yet applied for pensions.

Almost all of the elderly lived permanently at home, and the percentage seldom fell below the upper nineties. It was lowest (84,7 per cent) for aged men who were without pensions.

¹ Some people who had not reached the formal qualifying age may of course have managed to obtain an old-age pension.

Table 3: Selected statistics on the aged and pensions

	% Aged individuals	% Individuals with old-age pensions	% Households with aged	% Households with old-age pensions	% Income from old-age pensions	Number of households	Number of individuals
All	5,2	4,5	26,7	23,7	12,3	5 293	35 748
Metropolitan	3,4	2,9	15,5	13,7	5,5	432	2 461
Formal urban	3,6	2,9	17,2	15,6	5,8	1 407	8 461
Peri-urban	5,0	4,2	27,0	23,7	13,1	434	2 897
Rural with access to towns	6,9	6,1	33,5	30,5	17,7	1 201	7 984
Resettlement	5,5	4,9	31,6	28,6	14,3	462	3 588
Deep rural	5,8	5,1	31,7	28,6	15,5	1 357	10 357

Table 3 shows that the percentage of households receiving old-age pensions and the percentage of household income derived from pensions increased from urban to rural areas. Rural areas 'with access', however, had the highest percentage of households with aged people, the most aged individuals, and the highest take-up rate of pensions. The concentration of aged people in rural areas means that rural households have greater access to pensions in circumstances where access to formal employment is poor. This is reflected in the fact that up to 17,7 per cent of income is realised from this source in rural areas compared with only 5,5 per cent in metropolitan areas. The receipt of a pension in these households clearly makes a significant contribution to living standards.

A third (33,9 per cent) of households received transfers of some sort. About

a quarter (23,7 per cent) of households received old-age pensions. Transfers constituted 18,5 per cent of household income, and old-age pensions 12,3 per cent. At the time of the survey the maximum pension amount was R596 bimonthly or R298 per month. The mean amount transferred to the 2 191 recipients surveyed was R302 and the mean amount to those who were aged was R295.

Table 4 indicates that old-age pensions played a relatively minor role both amongst the households falling within the bottom income decile and those within the top. About a tenth of households in the bottom and in the top decile (8,4 per cent and 10,4 per cent respectively) contained old-age pensioners. Respectively 1,8 per cent and 3,3 per cent of their members were aged. In the bottom decile 7,5 per cent of household income was realised from this source and in the top decile a mere

2,6 per cent. (It should be remembered that in the top decile some of this

income was probably actually coming from occupationally related pensions.)

Table 4: The contribution of pensions to income by decile - sample mean and income decile mean

	% Households with pension income	% Income from pension	% Households with salary income	% Income from salary	Household per capita income (R per month)	Per capita income less pension (R per month)
All	23,7	12,3	59,2	48,2	231	213
Bottom decile	8,2	7,5	19,0	16,4	18	16
Second decile	25,8	19,3	33,7	27,2	46	32
Third decile	27,4	19,2	41,3	31,8	69	56
Fourth decile	28,7	14,8	52,0	39,6	93	79
Fifth decile	36,1	19,5	58,1	42,6	122	98
Sixth decile	29,0	13,5	65,7	52,5	157	136
Seventh decile	28,5	12,2	70,9	57,6	201	176
Eighth decile	21,7	8,0	82,2	68,5	272	251
Ninth decile	20,8	6,3	83,1	70,3	412	386
Top decile	11,0	2,6	87,1	76,8	920	899

The ninth and eighth deciles realised very small percentages of their income from pensions, whereas the second to fifth deciles realised up to 19,5 per cent of their incomes from this source. It is clear that pensions are playing an important role in the relief of poverty amongst all households falling below the median income of R138 per month. The exception, as stated, is in the bottom decile, where only 7,5 per cent of income derives from pensions.

In order to further determine the impact of the old-age pension, the value of the pension was deducted from household income and household incomes per capita were recalculated without the pension. If the bottom income decile calculated in this way is compared with the bottom income decile calculated while the pension was still included, interesting differences emerge.

In the original or actual bottom decile only 8,2 per cent of households received pensions. In the recalculated bottom decile 61,6 per cent were households which received pensions. This suggests that it is the receipt of the pension that keeps over half (53,4 per cent) of the households in the recalculated bottom decile out of the actual bottom decile.

Deducting the pension in this reconstructed bottom decile caused the mean household per capita income for the bottom decile to fall from R61 per month to R4.

We further explored the role of pensions in households in which no one was in employment. There were 862 such households (16,3 per cent of the whole sample). Nearly half (47,2 per cent) of these households contained aged people, and 10,1 per cent of their members were aged. Some two-fifths (44,4 per cent) of such households received pensions, and pensions constituted 35,2 per cent of household income.² Where such households received income from pensions it constituted 79,2 per cent of their total household income. Household per capita incomes in such households averaged R133 per month. If pension income was excluded they fell to R91 per month. Given that wages make such a major contribution to incomes overall, it is apparent that the wide spread of the aged amongst households with no employed members and the pensions received by the aged must offer

² Transfers, which included old-age pensions but also disability grants and private pensions, were received by 64,8 per cent of such households and constituted 54,1 per cent of household income.

considerable support to this grouping of households.

It appeared that households which contained aged people, particularly if they received pensions, were more likely to survive without having someone in employment than households in which there were no aged.

5.1 Pensions and female-headed households

The mean per capita income in all female-headed households was R210 per month, which is slightly less than the R231 for the whole sample. However, there were significant differences between the households of aged, young rural, and young urban female heads, which realised mean per capita incomes of R179, R126 and R327 respectively (see Table 5).

There were interesting differences between the sources of income in the different types of female-headed household. The households headed by older women naturally realised much of their income (51,4 per cent) in the form of pensions; this figure is over four times the 12,3 per cent for the sample as a whole.

Although the percentage of female-headed households varied little across the income deciles (with the exception of the top decile where it was very low), when pensions were deducted from income and the deciles recalculated, interesting variations emerged. Whereas 32,4 per cent of the households in the bottom decile had been female-headed when calculated normally, 45,9 per cent

were female-headed in the recalculated bottom decile. Pensions were clearly playing an important

role in keeping certain female-headed households out of the lowest income categories.

Table 5: Female-headed households - sources of income as a percentage of all income

	Household per capita income (R per month)	% Income from salaries	% Income from remittances	% Income from informal sector	% Income from subsistence	% Income from pension	N
All	231	48,2	15,7	7,5	5,6	12,3	5 293
Female-headed households	210	43,9	11,5	8,2	3,5	21,0	1 614
Aged female	179	23,6	12,0	4,4	3,6	51,4	628
Young female, rural	126	34,4	18,1	14,0	9,8	2,8	179
Young female, urban	327	71,8	5,2	9,2	0,9	0,9	353

5.2 Pensions and dependency rates

As explained in the demographic profile, the dependency rate when calculated conventionally on the basis of age was 43 per cent for the resident population. The percentage of dependants in households falling in the bottom income decile (53 per cent) was almost double that for households in the top decile (27 per cent). The percentage rose steadily through the deciles, reflecting a trend similar to that seen for the percentage of the population under the age of 20.

A second dependency rate was calculated by defining as dependants all those who had no income (from

whatever source) or employment (whether formal, informal or casual). Old-age pensioners were thus not classified as dependent, as they usually are. Using this second measure, 68 per cent of the total surveyed population was dependent, and 72 per cent if only the resident population was considered. However, as the majority of the 'non-resident' population were employed migrants who remit income to their homes, the latter figure misrepresents the dependency rate. The percentages increased from urban to rural areas, with the lowest (63 per cent) being in the formal townships and the highest (73 per cent) in the deep rural areas. There was a significant difference between those households in the top and bottom income deciles (45 per cent

and 84 per cent respectively), which is almost entirely explained by the differing employment levels in those deciles.

Female-headed households as a whole reflected an average position in this second calculation. However, on subdivision interesting variations were revealed, with households with aged heads showing a low rate (60,4 per cent), reflecting the role played by old-age pensions, and those in rural areas with young heads the very high rate of 77,4 per cent. This high rate resulted from the very small contribution made by pensions to such households and the low levels of employment. Despite the fact that pensions played an equally small role in the households of young female heads in urban areas, the high levels of employment in these households resulted in a dependency rate, when calculated on the basis of income or employment, of only 64,1 per cent.

A third dependency rate was calculated which included old-age pensioners amongst those considered to have no income or to be dependent. This raised the dependency rate by 10 per cent to 78 per cent. The increase illustrates the role played by old-age pensions in household support. As was to be expected, owing to the fact that larger numbers of aged people were to be found in rural areas, the effect of including pensioners amongst the dependent was more marked in the deep rural areas (a 13 per cent increase) and resettlement areas (14 per cent) than in urban areas (7 per cent).

6. Discussion

Based on Ardington's intensive studies of 70 households in Nkandla and on the broader rural research work we have done together (Ardington, 1988 and 1989; Lund, 1992 and 1993), we have argued in the past that pensions are important because they are a significant source of income, with definite redistributive effects; they are a reliable source of income, which leads to household security; they are the basis of credit facilities in local markets, further contributing to food security; they deliver cash into remote areas which no other institutions reach; they are gender sensitive towards women; and they reach rural areas as few other services do.

We have now been able to use evidence from a much larger study to substantiate some of these claims. However, the limitations of the data of this particular survey and the fact that it was a cross-sectional rather than a longitudinal or time-series study prevented us from producing conclusive evidence for certain of our claims. For instance, we were unable to show the intrahousehold distribution of income, which might illustrate the role played by old-age pensions in the welfare of persons other than pensioners. Nevertheless it was demonstrated that pensions were making a substantial difference to the levels of living in households in poverty, except for the very poorest. The poorest of the poor were in that position precisely because of their limited access to pension money.

The construction of the generational measure which indicated that 85,1 per cent of pensioners live in three-generational households further suggested that pensions affected many more people than the 4,5 per cent of the population who received them.

It is not surprising at all, as some seem to find it, that the pension money is so widely shared within the household. Given the socio-economic circumstances in which pensioners find themselves, R370 is a substantial injection of cash. Personal experience has taught us how complex the dynamics surrounding pensions are, and how far from illuminating the nature of the real world conventional economic analysis is. At a pension pay-point in a very remote rural area we fell into conversation with an elderly man, a permanent resident in the area, who was about to board a bus. He revealed that he went to Durban every two months after drawing his pension to give over a large part of it to two sons and a male cousin who lived in town. One of them was employed, the other two were seeking work. The old-age pension enabled this pensioner's relatives to live close to work opportunities.

At another rural pension pay-point we encountered a resident who had started a small brick-making business. As is often the case, the pay-point was near a primary school, and the first bricks were to be used to build an extra classroom. In rural areas the communities themselves have to build their schools, and may only apply to the government afterwards for a subsidy - which they may or may not be granted, and which usually covers less than half the cost. The mother of

the brick-maker was a pensioner. She was seen to go straight from the pay-point to hand over part of her pension to the brick-maker, some of which was used to pay another local person a small amount to work on the bricks.

There is anecdotal evidence that pensions are used to support the development of micro enterprises. This is borne out by the visible evidence of substantial market activity at every pension pay-point. A variety of goods are sold, depending on the area. There is invariably fresh meat and household groceries and goods. Home-made wares such as sleeping-mats and petticoats are common, and recently we saw a second-hand shoe enterprise for the first time. Traders at these pay-points are predominantly women.

Is it possible to generalise from this study in KwaZulu to other regions of the country and to the rest of the population? Similar dynamics would be at work among much of the black population, particularly in the former homelands and independent states. In respect of the dynamics of poverty in their households, the findings could probably be generalised to poor coloured and Indian people, and in particular rural dwellers. For example, Ferreira et al (1992: 105) found that 52,7 per cent of their elderly coloured respondents were living in three-generational households, as were 60,5 per cent of Indian respondents, but only 5,6 per cent of whites.

Can we extrapolate from the data a positive link between educational levels and the presence of a pension which might be used to cover educational costs? These two variables in isolation may misrepresent the true situation

where other variables are not constant or are not taken into account. An individual's ability to attend school may be as constrained by the absence of schools in the area as by his or her ability to meet the costs. Meeting these costs in turn is dependent not only on the absence or presence of a pension, but on whether alternative resources such as wage income are present. A pension will not necessarily improve an individual's chances of attending school but will most probably do so where there are no alternative resources and the facilities are available. However, to establish clear links between educational levels and pensions we would need a longitudinal study that revealed when the pension was first paid and how it affected the situation.

The size of the pensions budget is cause for concern, especially when considered in relation to the unquestioned needs in the areas of education, housing and health. Pensions are in the spotlight partly because people are looking to various areas of government spending to fund the other programmes of reconstruction and development which are being planned. However, as Van der Berg (1994: 12) says:

The recent increases in black pensions to achieve parity in pensions across race groups ... have reduced poverty far more and more directly than most of the other development efforts that have been going on for decades.

It seems entirely illogical to consider taking money from the one system which is reaching the poor, a system that is quite exceptional in its scope and coverage when compared with

other countries with similar levels of poverty, and to redirect this money to schemes which are as yet untried or are in their pilot stages. No one knows if the new programmes will be as effective as those designed to overcome white poverty earlier in the century. Nor do we know if they will be as effective as the existing pensions and grants in bypassing development agencies large and small, and government officials, and getting from the government (or any other funding source) to the pockets of the poor.

We have to move beyond the simplistic and unempirical statement that 'the social security budget is unaffordable', and find ways of dealing with the fact that apartheid quite unintentionally produced a pension scheme which has sound racially redistributive effects along with a number of real flaws. How can the system be made more efficient? Which aspects of it require urgent attention and which can wait until later? Where does the social security system fit in the overall programme of reconstruction and development?

Before making some suggestions, we wish to emphasise that for the purposes of this paper we have distanced ourselves from the problems of individual pensioners, and their problems in joining the system and thereafter realising regular and reliable payment; nor have we focused on the corruption inside the administrations which has siphoned off pension monies. We have concentrated on these issues in previous writing; we are looking to the future here. We also know that some of the suggestions will be contentious. We are assuming that difficult choices will have to be made

when balancing high popular expectations against the really grave economic situation.

6.1 Take-up rate

We have shown that the take-up rate (the number of people eligible for an old-age pension who actually receive it) is well over 80 per cent. This is higher than the figures of 77,3 per cent for urban black people and 70,8 per cent for rural black people given by Ferreira et al (1992: 233), and lower than the 89,5 per cent given by Van der Berg (1994: 9). By any reckoning, this figure is remarkably high given the difficulty in the past of obtaining a pension.³ The take-up rate for disabled people is likely to be much lower and is more difficult to measure, as levels of disability are harder to assess than age.

Van der Berg recommends a government-led campaign in 1995 which has as its goal a one-off 10 per cent improvement in the rate. We think this would be needlessly expensive and very inefficient, and would contribute to the climate of heightened expectations about benefits in general. The new government might want to identify a few pockets where poverty and inaccessibility combine to produce very low take-up rates, and deal with these. However, our view is that low take-up rates are caused by problems in budgeting and the pensions system itself, and that the route to improving

the rate accordingly lies in adequate budgeting and the amendment or proper administration of the system to ensure the levels of coverage it is designed to provide. It is not the aged public that needs to be educated about the system, but the state that needs to be monitored to ensure that the system is as accessible and comprehensible as intended.

The voluntary sector should continue to play its role in helping people get their benefits. A number of organisations find that doing this helps them establish credibility in the communities in which they work: they are able to do something material for poorer communities as a preface to other development work. In this way public money underpins a more robust voluntary sector. Voluntary organisations could possibly become more systematic in their work, as the Legal Resource Centres have done. For example, they could shift the focus from 'Why did Mr X not get his expected pension at Hlabisa last month?' to 'Why did two hundred other pensioners also fall off at the same time? What was the problem inside the system?' However, it should be pointed out that although the voluntary sector may assist Mr X in getting reinstated and paid his arrears, it will not be able to do the same for the other two hundred who 'fell off', and it will not be able to address the weakness in the system which caused this to occur. Only the government can do this, and their efforts would be more effectively employed in this type of investigation and corrective action than in mounting campaigns to improve the take-up rate.

³ The increase in the amount of the payments for Indian and coloured people was at least in part a direct consequence of the introduction of the tricameral parliamentary system; the first act of both Indian and coloured welfare departments was to use their new 'autonomy' to improve welfare spending, and one doubts if the recipients of these improved benefits cared very much whether this was a form of political patronage or not.

6.2 The means test

The means tests used by the different pension administrations have varied enormously both in their provisions and in the effectiveness with which they have been applied. When they assumed control over pensions for black people in South Africa, the provincial administrations continued to apply the tests with greater or lesser success. Most of the former homelands and TBVC states dispensed with them or introduced their own principles and procedures.

With the prospect of all pension administrations being consolidated, the need arises for a unified approach to the means test. The 'Western' objection to the means test is that it demeans and stigmatises the applicant; we think this is an inappropriately Eurocentric concern in the South African context. Our chief problem would rather seem to be the impossibility of designing a test which is both practical and fair in a society as diverse as this.

Forms of wealth are different in different situations. How can access to land, housing, cattle or other resources be evaluated when it is achieved by communal tenure at some times and by freehold or individual tenure at others? What is the relevance of a test based largely on income from employment in a society where the majority have never had formal employment, and only a small percentage of those who have had such employment receive occupational pensions? Who will make these valuations in a society in which the majority of the aged are illiterate, and their lives unrecorded in terms of assets, income, investments,

employment or taxation? Is it suggested that means should be raised to the white level or lowered to the black? The moral and practical arguments against the means test are compelling, despite the financial implications of abolishing it.

6.3 Institutional care

As Van der Berg has written, there are extreme racial discrepancies in the welfare budget in areas other than pensions. In the field of welfare for the elderly, for example, the monthly subsidy for frail elderly in institutional care was of the order of R900 for whites and R90 for blacks. However, we are not sure that Van der Berg's suggestion that more money be spent on institutional care for elderly black people is appropriate. Broadly speaking, the institutional facilities for black people are inadequate, although there are vacancies in certain institutions as a result of poor planning. But no one has yet calculated the relative cost of institutional as opposed to home-based care in this country. Usually institutional care is more expensive - although it lessens the load of caring for family members (mainly women).

The old-age pension can be interpreted as saving the government the cost of providing institutions for many elderly people. These people would not be cared for at home were they not receiving the pension. Further, placing people in institutional care reduces the distributive effects of the social security benefit. There is no doubt that the pension 'buys' the right of the elderly to be cared for by their relatives. Midgley (1984: 197)

explored mechanisms which protect traditional practices of caring in developing countries:

One possibility is to strengthen the extended family's responsibilities through the payment of monetary allowances to poor families who fulfill their obligations to needy relatives.

The existing pensions are already playing that role in South Africa. The major difference is that the money is channelled into the household via the cared for, not the carer. This could be seen as a unique way of strengthening the position of the elderly in the households. Further, in view of the predicted impact of AIDS in future, and the fact that the burden of caring will fall increasingly on elderly people, what needs to be investigated is a government-supported system of community-based care. The pensions will serve as an effective underpinning to such care.

6.4 Administration, staffing and corruption

One area in which easy savings in costs and advances in efficiency could be made is the consolidation of different pensions departments into one unitary administrative system. Computer technology and more efficient staffing could make a major contribution.

The sophisticated technology which has already been introduced in many areas should lead to substantial efficiencies. The automatic transfer of information by computer will speed up procedures and eliminate many of the opportunities for human error or omission existing in

the present system. It will be possible to spot irregularities immediately. It will also be more difficult for pensioners themselves to take advantage of the system. However, these potentially efficient information systems will only achieve their intended results if they are utilised by pension officials, and if results are communicated to the public.

Corruption in the pension system has manifested itself in a number of ways. But there has been little evaluation of the actual costs incurred as a result of this corruption and of the savings that might be made if it were dealt with. It is widely known that pension officials in certain homelands failed to apply the means test to their civil service colleagues, with the result that many receive both the old-age pension and their civil service pension. It was relatively easy for pensions clerks in some administrations to redirect the pension monies of dead people into their own pockets. There have also been widespread allegations of officials granting pensions to under-age persons. This opportunity for corruption should decrease in future as the new identity documents indicate a person's age in the identity number. If the control variable in the new pension system is the fingerprint, opportunities for exploiting the system should be virtually eliminated.

Currently it *is* possible for a few particularly nimble and mobile aged or disabled people to draw two pensions, either by having two identity documents or by drawing from two administrations. It is *not* possible, as was claimed by a senior official of the banking system working on the privatisation of aspects of pension

delivery, for wily family members to cut off the thumb of a dead relative and keep it in a matchbox, using the thumbprint month after month to draw the dead person's pension. This fear of 'dole scroungers', redolent of Reagan and Thatcher, and the high estimation of the ability of people of simple means and low levels of education to manipulate a monstrously complex system is remarkable given all the evidence there has been of corruption within the system itself.

In the area of staffing, the bureaucracies have grown without proper planning, and a unitary government or the new regional governments will need to find rational norms for determining personnel size. We are not suggesting that fewer posts will necessarily be needed overall (although the elimination of the means test, for example, could result in significant savings), but the bureaucracies should become less top-heavy. There should be fewer highly paid bureaucrats doing the same work, and more representatives of the state at the points where services are delivered. Comparisons between the current staffing levels in the different administrations are difficult because pension functions are to varying degrees carried out by other government departments - in particular the computer department, finance, justice, and the interior.

Whether the new government will have the will and the courage to relocate, redeploy and possibly retrain civil servants remains to be seen. But these are matters which should receive at least as much attention from large development agencies and the new programme designers and policy-

makers who stand between government support and the poor. The possibility of effecting savings through more efficient government should surely be explored as a priority before consideration is given to taking existing benefits away from the poor themselves.

6.5 Maintenance grants

Data on state maintenance grants were not collected in the DRA survey, and neither were they gathered systematically in the SALDRU poverty survey. We wish to discuss these grants here, as they have been an important component of the social security system for those mothers who have received them, and also because they present what is probably our most difficult social security challenge, as both Le Roux and Van der Berg suggest.

If a mother has been deserted by the father of a child or children, passes a means test, can show that she cannot find the father and, in most administrations, proves that she is seeking work, she may apply for a state maintenance grant. Fathers also qualify for the grant, but the claimants are usually mothers. The grant must not be confused with the money a mother may claim through the courts from the father for the support of a child, which we will call the private maintenance grant. Burman and Barratt (1993) have written an excellent and detailed account of these aspects of the social security system. Though their paper focuses on the implications for illegitimate children, it provides a broad context as well. As they show, the state maintenance grant has had a low take-up rate by black mothers.

As with the old-age pension, a system that was designed to protect the welfare of whites has gradually broadened its coverage and is now potentially available to all. The budgetary implications are very troubling, as Van der Berg correctly points out. His recommendation is to legislate with immediate effect that no new beneficiaries should get grants; that existing grants should be phased out soon; and that the money saved in this way should be used to fund the nutrition programmes.

These recommendations are politically untenable. The government would not get away with them. But our main concern is that the recommendations are based on an analysis which ignores the role state maintenance grants play in family life and in the nutrition of children. There is an insinuation that women may purposely get pregnant in order to be able to give up their jobs and live off the state, and this moral concern is used to support the argument about unaffordability.

There is close to universal acceptance in the social security and economic literature that the relationship between state benefits and economic behaviour is complex, as well as culture- and country-specific. Atkinson, reviewing mainly the literature on the industrialised countries in a report prepared for the World Bank, concluded that:

... the great volume of empirical research in this field in the last decade has not led to robust or widely-accepted answers to the basic question as to how income support affects economic behaviour.

(Atkinson, quoted in Atkinson and Hills, 1991: 86)

We do not have evidence as yet from developing countries as to the relationship between income support and decisions about participating in the labour force. However, we do know that child benefits which go directly to mothers have a positive effect on children's nutrition. Van der Berg (1994: 20) only speculates that '... the phasing out of the maintenance grants ... may increase unmet nutritional needs amongst some of the poor', but we can state unequivocally that it *will* be bad for children's nutrition. It would seem adventurous to phase out state maintenance grants without knowing whether the new nutritional programme will overcome the problems experienced so far, that is, whether it will reach the poorest of the poor and the most vulnerable in a sustained way.

Not enough is known about the consequences of direct versus indirect measures of support for children. More understanding is needed of the distributional effects of income-tax deductions for children, for example. According to Atkinson and Hills (1991: 106):

In the context of a developing country, where the income tax paying population is likely to be a minority, the use of income tax deductions for children is likely to be highly regressive and in distributional terms may offset other direct measures of support for children.

Whether South Africa's income-tax deduction for children is a regressive

or a progressive measure is an empirical question which needs an urgent answer. In the meantime, there are other options which should be pursued.

Of course, it is best for parents to be held responsible for the support of their children. The public system of state maintenance grants complements private arrangements. But private maintenance grants are very difficult to get, because of bureaucratic complications and women's subordinate position in society. There must be many fathers who are able to pay, but evade the system; likewise, there must be many mothers who find that claiming from an impersonal state makes them less physically and emotionally vulnerable than claiming from a former partner. A full investigation should be started immediately to explore ways of making the existing private maintenance system more effective and establishing the number and size of these payments.

It is important that a strategy be devised to build national consensus on the fact that the state maintenance grants will become too expensive in future and that the state will probably not be able to extend their coverage very much. Many people seem to expect an old-age pension from the government as a right, whereas child care is still felt to be the responsibility of the family and community. It is certainly the case that many social workers will actively help elderly people get their benefits, but discourage applications for maintenance, not on grounds of affordability but on 'cultural' grounds.

The building of this national consensus could take place parallel with the development of the programmes for reconstruction and development, which could be designed to assist people such as unsupported mothers. The limited public works programme in Venda, which was closed some years ago, was certainly appreciated by government social workers after state maintenance grants ceased being paid there; unsupported mothers were referred directly to these programmes.

Accepting that the family support of children will have to be encouraged, what can be done to assist those currently unable to provide this support? There is evidence that women are willing to work, but that often no work is available, particularly in rural areas. Currently there is the prospect of temporary work under the public works programmes. But this is a short-term response to poverty, of no use to someone needing to take a long-term decision on whether it would be possible to support her family in a particular area. What is needed is long-term employment provided by local authorities or public works departments. These bodies, which should be supplying the local infrastructure without which development cannot take place, do not even exist in the rural areas. In their absence, the public works programmes have the potential to initiate projects which could be continued by other structures at a later stage.

Public works programmes could also be designed to support the informal sector and subsistence activities, which are at present important sources of

support for the rural unemployed, and to improve access to education, the lack of which currently disadvantages people in the employment market.

There has been some debate on whether children are advantaged or disadvantaged by the inclusion of women in public works programmes. We would not, as heretical as it may sound, pay too much attention to the problem of child care in the targeting of women in public works programmes - and we know we will be quoted out of context on this issue! As the DRA data show, the women who need such programmes are likely to be living in households in which there are other unemployed people - fathers, mothers, siblings, elderly people - to share the child care. If the argument is that the pensions to grandmothers and grants to disabled people are important to child care, then we cannot argue for additional state money for child care to enable mothers to participate in state-funded programmes. But this in no way changes the fact that more preschool facilities and programmes are generally needed.

6.6 Pensions, the public works programmes and social spending

The position of this paper is that the social security system should not be seen as in competition with the broader programmes of reconstruction and development and the public works programmes, but as complementary to them. It is important that grants and pensions be seen as complementary and not as alternative both to the broader programmes and to one another. Old-age pensions and disability grants

should not be evaluated in terms of their reaching the 'poor' as a whole. Old-age pensions were designed to reach the elderly who had no other adequate source of income. Similarly, disability grants were not directed at the poor or unsupported but at disabled people who had inadequate incomes. Such grants were originally payable from the age of 16, and this has now been increased to 18, the age at which people might be expected to begin supporting themselves. At a practical level the type of work offered by an employment creation programme is unlikely to be suitable for those currently supported by disability grants or old-age pensions. However, such a programme has the potential to provide support for many - such as the unemployed or unsupported mothers - who currently fall outside existing programmes.

Thus one should not ask whether these social security benefits could be made to reach a wider public or a poorer section of the community. Their design makes this impossible. Old people are found in approximately a quarter of all black households, and in a higher proportion than this in rural areas. This determines who the old-age pensions reach. It so happens that most elderly people are found in poorer homes and share their pension incomes - and this makes them a useful source of income, especially to those in poor households, but not in the very poorest households.

When designing new welfare measures the emphasis of enquiry should be on which people in need are not reached by existing measures, not on how existing measures could be extended to persons outside of the structures. Likewise the enquiry should investigate

the type of measure best suited to a person's or a group's circumstances, not whether current measures should be replaced by different ones. The way in which these questions are approached will also influence attitudes to the financing of welfare programmes. Where programmes are considered as alternatives, this may lead to the suggestion (as made by Van der Berg) that money could be taken from one programme and given to another. This would make no sense at all where such programmes were in fact not alternative but complementary.

The data presented should enable a better understanding of the social security system, so that those designing the new programmes can take complementarity with this system, which provides security to a great number of people, into account. For example, what are the implications of the finding that the pensions are not getting to those in the bottom income decile, where the per capita income is a mere R18 per month? Which of the other programmes will reach these people? What is the most appropriate form of intervention here? A public works programme could provide multiple jobs at low pay rates or it could be more sophisticated and provide employment with training to fewer people. Our analysis would support the need for the former approach.

There is a stated commitment in the RDP to reaching into the rural areas. We have shown how pensions are performing quite well as far as their distribution to rural areas is concerned, and this is an unusual characteristic of pension systems in developing countries. The lessons of public works

programmes internationally are that they should not be started without considerable planning, and that growth should be incremental as capacity is strengthened. It may be assumed that it is more difficult and more expensive to implement such programmes in deep rural areas. However, the data would indicate that this is where the need is greatest, and perhaps the programmes themselves could be the stimulus for introducing infrastructure and local administration, which would in turn facilitate the programmes.

All rural development - whether arising organically from local efforts or encouraged and facilitated by outside sources, state or private - at present suffers from the absence of permanent state officials. The importance of this as a factor in enabling the broad programmes to succeed is consistently underestimated. There needs to be a district officer in each area, representing all state departments and programmes, independently of the tribal authorities. Such an officer would be well-placed to coordinate socio-economic programmes locally, whether they originated in health, welfare, education, agriculture, public works programmes or the RDP, or indeed outside of the state in the private sector or NGOs. It is not feasible for each of these bodies to be represented individually, and joint representation would facilitate coordination, which is urgently needed. There is a danger that mistakes made in the health and welfare services in the past will be repeated, with multiple initiatives in certain areas and none in others.

It is held that the public works programmes will be temporary: they

are not seen as a lasting solution to South Africa's unemployment problem. However, the need for the public works themselves is a permanent one, if we are committed to making rural areas viable places for people to live in permanently. Roads, electricity, health, education, communications and other forms of infrastructure are all needed if the informal sector and local employment are to flourish. Financial facilities are also required, albeit on a basic level. Private firms are delivering pensions more and more widely throughout the country, to areas that formal permanent banking institutions will not serve because it is not commercially viable to do so. Are there financial services that will be required by the public works programmes which could be delivered by the private sector? Could the private sector deliver other state-supplied financial services, such as teachers' salaries? In a context of scarce resources and expensive delivery mechanisms, synergetic solutions should be explored.

7. Conclusion

Concern has been expressed that the social security budget is 'dominated by' payments to elderly people. This pattern is, of course, typical of social security budgets in industrialised countries. The pensions system in South Africa was first designed for the white population, with the British model in mind. Its scope and coverage were gradually extended to the whole population. In the eighties and nineties it became politically inevitable that it would have to be racially equalised, and this has been done. It is also worth remembering that services for elderly

people are included in the welfare budget, whereas spending on other categories of people falls under other budgets: spending on children falls under the education budget, on younger people under housing, and so on.

There are racially discriminatory aspects of the system which continue to disadvantage blacks, and to a lesser extent coloureds and Indians. However, the system is also playing an economic and social role in black households, particularly the poorer households. Hopefully the SALDRU poverty study results will allow us to make more accurate estimates of the amounts and flows of transfer incomes. In particular, we need to know more about the effect of social security benefits on the structure and pattern of income distribution.

In the meantime, the social security system should take its place alongside the other social programmes of reconstruction and development so that transfers can play their role in supporting those who cannot support themselves. In time there should be less of an emphasis on state-provided pensions. We hope that the economy will grow to the point where the majority of people can make provision for their families and for their own retirement.

We also hope that employers in the private and public sectors become more responsible about the employment needs of disabled people, and that a more flexible and inclusive insurance-based system for disabilities arising at the workplace is encouraged. In 1990, R190 million was paid out under workers' compensation, compared with the R827 million which the government

spent on disability grants. It should be noted that currently the only major form of state relief available to the needy who are not aged is a disability grant. This fact has put considerable pressure on district surgeons, who know that they are the last resort of the needy, to overestimate the extent of a disability and thereby ensure that a grant is awarded. They would not be so pressured if they knew that there was employment available under a public works programme.

In the search for long-term solutions, we have to go back to the DRA survey's finding that levels of living are dependent on education, which is linked to the ability to find employment and the salary an individual is able to earn. It was interesting to note that of the relatively few elderly people in this survey who did not receive pensions, 50 per cent of the men and 19,4 per cent of the women were still employed. In the meantime, we would take Natrass and Roux's advice, which is not to exaggerate the distinction between consumption and investment spending. What is the extent of the forward linkages of transfer incomes to schooling costs, health care, and small, local, income-generating projects? We know that these wealth flows are there, but the quantitative and qualitative research has yet to be done which would enable a more dynamic and accurate assessment of their extent.

It is clear that education, health services and peri-urban infrastructure must be accorded high priority, as they have a high social rate of return. It could be argued that in the middle to long term better nutrition for children

is an important factor which will lead to economic growth and development. The establishment of a national nutrition programme and the focus on the need for a nutrition policy are belated but extremely positive developments.

Natrass and Roux (1991: 100) point to the need for careful planning to guide the balance of state spending on growth and welfare priorities. They caution that what is needed for such planning is:

... above all an understanding of who are the poor and the nature of their needs. ... More detailed understanding is necessary before policies can be designed.

The rapid speed of change since they made that judgement has forced everyone working on socio-economic programmes to adopt a short-term perspective and concentrate on delivery. It is widely acknowledged that the future of these programmes, and indeed of the social security system itself, will be determined by economic growth.

We don't know what will happen in the months ahead. It is likely that a lowering of the levels of violence will help build a climate of confidence for investment, but we do not know whether the new government will be able to sustain the more peaceful climate of the immediate post-election period. It is uncertain what the policies of land reform will be, and different policies will have different implications for household security, for food security, and therefore for the social security system as a whole.

Of particular importance will be the relationship between the government, business and the organised workforce, inside and outside the various powerful forums. A critical social security issue in this regard is insurance against unemployment. Because the UIF has been so inadequate in the past, the unions have been unwilling to enter discussions about the expensive and inefficient use of provident funds. At present workers who are retrenched earlier than retirement age are able to draw and spend their occupationally-linked provision for retirement, and then draw the state old-age pension later - as any sensible person without other means of support would do.

In the face of the major institutional changes the country will soon go through, it would be best to maintain those mechanisms of redistribution, limited and inadequate as they are, that lean in the correct direction and are already in place. The consumption linkages which exist should be appreciated, as well as the fact that the pensions underpin the household and food security which the programmes of reconstruction and development seek to achieve.

Appendix 1: Survey sites categorised according to degree of urbanisation and access to employment

Survey site	Number of households	Number of individuals	Magisterial district
1. Metropolitan: Formal			
KwaMashu	69	451	Ntuzuma
Umlazi	163	911	Umlazi
Inanda Newtown	60	373	Ntuzuma
Metropolitan: Informal			
Bhambayi	79	401	Ntuzuma
Umlazi Shanty	61	325	Umlazi
2. Formal urban			
Ngcotshane	106	749	Simdlangentsha
White City	101	529	Nongoma
Ulundi	100	516	Mahlabathini
Ngwelezane	101	601	Nseleni
Osizweni	78	558	Madadeni
Madadeni	73	429	Madadeni
Ezakheni	99	606	Emnambithi
Esikhawini	102	572	Ongoye
Gezinsila	72	425	Inkanyezi
Sundumbili	57	387	Inkanyezi
Mpumalanga	88	511	Mpumalanga
Edendale	150	949	Vulindlela
Wembezi	78	453	Okhahlamba
Gamalakhe	101	555	Ezingolweni
Magabheni	101	597	Vulamehlo
3. Peri-urban			
Buffer strip	49	371	Madadeni
Ngcolosi	67	460	Ndwedwe
Embo	75	489	Ndwedwe
Molweni	79	561	Ndwedwe
Fredville	59	395	Mpumalanga
Ntshongweni	55	321	Mpumalanga
Vulindlela	98	635	Vulindlela

4. Rural but with some access to villages, towns and employment			
Vulindlela	50	300	Ongoye
Nseleni	97	801	Enseleni
Hlabisa	104	815	Hlabisa
Ladysmith	101	641	Emnambithi
Ntumeni	71	510	Inkanyezi
Mapumulo	104	695	Maphumulo
Mvoti Valley	96	571	Maphumulo
Kwa-Mbona	46	275	Ezingolweni
Dududu	100	698	Vulamehlo
Makhanya	91	630	Umbumbulu
Mgababa	110	686	Umbumbulu
Polela/Emakhuzeni	75	455	Hlanganani
Nkelebantwana	108	656	Hlanganani
5. Resettlement			
Belgrade	100	818	Simdlangentsha
Buxendeni	101	943	Nongoma
Nondweni	71	552	Nquthu
Nquthu Village	68	470	Nquthu
Loskop/Draycott	122	835	Okhahlamba
6. Deep rural			
Nyawo TA	110	895	Ingwavuma
Mathenjwa	100	826	Ingwavuma
Mnjindi TA	141	1 219	Ubombo
Siqakathi	79	649	Ubombo
Hlabisa East	97	880	Hlabisa
Ceza TA	50	440	Mahlabathini
Mfabeni TA	50	486	Mahlabathini
Nquthu St Augustines	61	430	Nquthu
Pomeroy	60	382	Msinga
Tugela Ferry	141	898	Msinga
Ntingwe	102	735	Nkandla
Nkandla	98	735	Nkandla
Bidla	91	591	Umzumbe
Ezingolweni	43	322	Ezingolweni
St Augustines	111	773	Umzumbe
Hlanganani	23	148	Hlanganani

Appendix 2: Transfer payments received June 1992

	All transfers (R)	Old-age pensions (R)	Non-pension transfers (R)	Non-pension transfers as % of all transfers	Non-pension transfers as % of total income	Pension as % of total income	Transfers as % of total income
Bottom decile	17 197	10 165	7 032	40,9	5,1	7,5	12,6
Second decile	57 432	36 826	20 606	35,9	10,4	19,3	29,7
Third decile	76 019	49 497	26 522	34,9	10,1	19,1	29,2
Fourth decile	70 423	44 657	25 766	36,6	8,3	14,8	23,1
Fifth decile	95 916	68 066	27 850	29,0	7,7	19,5	27,2
Sixth decile	84 510	54 665	29 845	35,3	6,4	13,5	19,9
Seventh decile	80 737	55 403	25 334	31,4	4,6	12,2	16,8
Eighth decile	60 080	40 007	20 073	33,4	3,7	8,0	11,7
Ninth decile	67 172	42 670	24 502	36,5	3,1	6,3	9,4
Top decile	52 789	27 898	24 891	47,2	2,2	2,6	4,8
Total	662 275	429 854	232 421	35,1	6,2	12,3	18,5

9. References

- ARDINGTON, EM, 1988. Nkandla revisited: A longitudinal study of the strategies adopted to alleviate poverty in a rural community. Rural and Urban Studies Working Paper No 16, Centre for Social and Development Studies. Durban: University of Natal.
- ARDINGTON, EM, 1989. Developing appropriate and effective welfare policies for the aged, in Ferreira, M, Gillis, LS & Moller, V (eds), *Ageing in South Africa: Social research papers*. Pretoria: Human Sciences Research Council.
- ARDINGTON, EM, 1994. Quantitative analysis of socio-economic data from five thousand households in KwaZulu: Secondary analysis of data from an income and expenditure survey conducted in KwaZulu in 1992 by Data Research Africa. Research Report No 4, Centre for Social and Development Studies. Durban: University of Natal.
- ATKINSON, A, 1993. On targeting social security: Theory and Western experience with family benefits. STICERD Welfare State Programme Discussion Paper WSP/99. London: London School of Economics.
- ATKINSON, AB & HILLS, J, 1991. Social security in developed countries: Are there lessons for developing countries?, in Ahmad, E, Dreze, J, Hills, J & Sen, A (eds), *Social security in developing countries*. Oxford: Clarendon Press.
- BROMBERGER, N, 1982. Government policies affecting the distribution of income, 1940-1980, in Schrire, R (ed), *South Africa: Public policy perspectives*. Cape Town: Juta.
- BURMAN, S & BARRATT, A, 1993. Welfare law and bureaucracy in a changing South Africa: A case study of state maintenance grants for the illegitimate. Centre for Applied Legal Studies Working Paper No 19. Johannesburg: University of the Witwatersrand.
- DONALDSON, A, 1993. Basic needs and social policy: The role of the state in education, health and welfare, in Lipton, M & Simkins, C (eds), *State and market in post-apartheid South Africa*. Johannesburg: Witwatersrand University Press.
- DRA, 1992. A study of income and expenditure and other socio-economic patterns in KwaZulu. Report prepared for the KwaZulu Finance Corporation. Durban: Data Research Africa.
- FERREIRA, M, MOLLER, V, PRINSLOO, FR & GILLIS, LS, 1992. *Multi-dimensional survey of elderly South Africans, 1990-91: Key findings*. Pretoria and Cape Town: Human Sciences Research Council and Centre for Gerontology, University of Cape Town.
- KLOKA, D, 1994. Affordability in the National Nutrition and Social Development Programme. *Affordability*, February/March 1994.

- LE ROUX, P, 1990. Which way with pensions in a post-apartheid South Africa? Paper presented at the Cape Colloquium, Somerset West.
- LOOTS, L & ROUX, A, 1993. An evaluation of the Relief Development Programme of the Independent Development Trust. University of the Western Cape, Department of Economics.
- LUND, F, 1992. *The way welfare works: Structures, spending, staffing and social work in the South African welfare bureaucracies*. Pretoria: Human Sciences Research Council.
- LUND, F, 1993. State social benefits in South Africa. *International Social Security Review*, 46(1).
- LUND, F, 1993. Inserting social security between relief and development. Paper presented at the Conference on Food Security in South Africa, National Consultative Forum on Drought, Johannesburg, June 1993.
- MAY, J, 1993. Demography and social concerns in Region E. Durban: Data Research Africa.
- MAY, J, PERSAD, R, ATTWOOD, H & POSEL, D, 1994. Rural development policy research: Rural incomes and institutions study. Durban: Data Research Africa.
- MIDGLEY, J, 1984. *Social security, inequality, and the Third World*. Chichester: John Wiley and Sons.
- NATTRASS, N & ROUX, A, 1991. Making welfare spending work, in Moll, P, Natrass, N & Loots, L (eds), *Redistribution: How can it work in South Africa?* Cape Town: David Philip.
- POTGIETER, JF, 1993. Household Subsistence Level for various rural centres, 1991-1993. A Special Report compiled for the Institute for Natural Resources, August. (This report is an appendix to Olen, B, An assessment of woody biomass resources and consumption in the rural areas and SATBVC states - documentation for a workshop on the determination of poverty profiles, INR, 1993.)
- SAIRR, 1993. *Race Relations Survey, 1992/93*. Johannesburg: South African Institute of Race Relations.
- VAN DER BERG, S, 1994. Social security and the alleviation of poverty. Background paper prepared for the Development Bank of Southern Africa.

