

Profile of Old Age Pensioners and Non-Pensioners: Evidence from Rural South Africa

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Short abstract

Unique to only a few countries, South Africa offers its aging population a state-funded non-contributory pension beginning at age 60. Research shows that pensions play an important role in poor and HIV-affected South African households. The pension is worth twice the average household income for Black South Africans. Although extant research shows the importance of pensions for households, little is known about pension recipients and non-recipients in this context. Using a 2010 WHO-INDEPTH Study of Global Aging and Adult Health survey from Agincourt, in rural northeast South Africa, and Agincourt census data, we will compare pensioners (about 80% of those age-eligible in the site) with non-pensioners, to assess possible barriers to pension receipt. We examine household composition, individual health profiles, and indicators of human and social capital. Preliminary results show that pension non-recipients are disproportionately in the lowest socio-economic status category suggesting the need for a policy intervention.

Extended Abstract

South Africans in rural areas are aging in a complex context with high rates of income inequality and unemployment, and with an increasing burden of disease that includes endemic levels of HIV, as well as a growing epidemic of non-communicable disease, particularly among those over age 50 (Anderson & Phillips, 2006; Kahn et al., 2012). In this context social protection grants play a critical role in the survival of households (Twine, Collinson, Polzer, & Kahn, 2007). South Africa has made a strong commitment to addressing poverty and creating opportunities for economic security for all its citizens. The Constitution of the Republic of South Africa (Act No. 108 of 1996) states that all citizens have the right to appropriate social assistance from the government. This paper focuses on access to the old age pension grants, which is one of seven social protection grants that composes the South African social safety net, and one of the most generous (Twine et al., 2007).

Study site

This paper draws data from Agincourt, a sub-district in Mpumalanga province in the northeastern corner of South Africa, formerly part of the Gazankulu homeland (Kahn et al., 2012). Low rainfall and high population density make this area inadequate for subsistence farming. The population has low levels of education and high rate of unemployment. In 2007 Mpumalanga province had the second highest provincial antenatal HIV-prevalence rate at 32% in the country (<http://www.avert.org/safricastats.htm>). As in much of rural

South Africa, multigenerational households are common (Kahn et al., 2012). This complex context has resulted in a community largely reliant on migrants' remittances and government social grant, particularly the old age pension, to meet households' needs (Schatz, Madhavan, & Williams, 2011).

South African old-age pension

In 1928 South Africa started an old age pension program to benefit the white and colored populations, and in 1944 the program was modestly expanded to the African population (Sagner 2000; [SADSD] 2002). It was only in the early 1990s, however, that the South African government began to deracialize the grants, extending pension access to the majority of Black South Africans (Legido-Quigley, 2003). As of 2010, South Africa provides the means-tested non-contributory pension to those over age 60. Whereas women's age-eligibility has been historically age 60, until 2008 men began pension receipt at age 65. Between 2008 and 2010, age-eligibility for men decreased incrementally from age 65 to age 60. Besides the age requirement, pensions further restricted to individuals with South African identification documents (either citizen or permanent resident) and to those that meet the income mean-test. To apply for the pension the individual or a selected family member must travel to the nearest South African Social Security Agency office; these offices are generally situated in urban centers, which means travel, and potentially multiple trips, is required before pension receipt is possible. Once the grant is ascertained, in rural areas, the individual picks up the pension amount at a pension pay point in his/her village on a designated day once a month.

Pensions and their impact

Only 16% of the white elderly receive a pension, as compared to more than 90% of black elderly South Africans (Burns, Keswell, & Leibbrandt, 2005). The pension receipt significantly increases the income in black South African households (Barrientos, 2003; May, 2003; Møller & Devey, 2003). In 2010, the monthly pension amount was SAR1080 (approximately USD180), which is nearly twice the median per capita income for the black population (SASSA 2012). The pension provides many households with access to credit markets, and many older women with a stable income for the first time in their lives (E. Ardington & Lund, 1995).

There is evidence that the pension has protective effects of *all* household members in households that pool income (Case & Menendez, 2007). This suggests that money provided by the pension reduces stress for all adults within the household. Assessing the effect of older persons' health and wellbeing on pension access, Ardington and colleagues (2010) provide indirect evidence of the mitigating effects of the old age pension on older person's wellbeing. The authors find no impact on pension-age adults' wellbeing from either the death of a child or the taking-in of orphaned grandchildren. The authors suggest that old-age pensions may reduce the financial and emotional impacts of an adult child's death, and the resulting carework for grandchildren left behind (C. Ardington et al., 2010). Thus, pensions are playing multiple roles—cash transfers to poor and vulnerable children, *and* bolstering the coping strategies of older people and their families. Pensions are an important resource.

Barriers to pension receipt

Proximity: Applying for the grant is likely to take multiple visits to a Social Security Agency office (Schatz, 2009). At the time of the survey there are no Social Security Agency offices in the study site. Twine and colleagues (2007) state that the cost of single trip by public transportation to the nearest public service offices was between ZAR5.00 and ZAR7.50 in 2002. The cost of the trip is likely to have increased in recent years. Mobility and cost may be barriers to applying for the pension.

Citizenship: Before 2004, Mozambican permanent residents living in South Africa were not legally eligible to access government sponsored social grants. A Constitutional Court ruling in March 2004 made it possible to access social grants with a permanent resident identification-document, as well as a South African citizen identification-document (Khosa and Others v Minister of Social Development, March 2004). A study by Schatz (2009) conducted in 2006, showed that although all 30 of her respondents, all Mozambican women living in Agincourt, were legally eligible to receive the pension (as the study took place after the Court judgment) barriers remained for accessing the grant. One-third of the women were unable to access the pension; the primary barrier was the knowledge of the right. Furthermore many of the women thought the economic cost and physical energy spent to obtain South African IDS and subsequently the pension would have better served their families in other ways.

Social and human capital: Past research concerning child grants in rural South Africa from Twine and colleagues (2007) shows that certain aspects of social and human capital create barriers to grant access. They found that distance from service office, socioeconomic status, nationality, education level, and gender of household head were key factors in reducing access to the child grant. Applying for social grants requires knowledge, time and perseverance, which may disadvantage the poorest and least educated in accessing grants (Twine et al., 2007). In addition, there is evidence that gender may influence access to social grants. Twine and colleagues found those female-headed households were significantly more likely to apply for grants than male-headed households. Pensions for many older women is the first source of stable income, as many rural South African women have never worked in the formal economy (E. Ardington & Lund, 1995).

Paper aims

We will compare age-eligible recipients and non-recipients of South Africa's old age pension grant to assess barriers to access in the Agincourt population. We will investigate if there are physical (e.g. transport and distance), health (e.g. difficulty in mobility), or social and human capital (e.g. citizenship, education, insufficient resources) barriers to pension access. Our aim is to inform service providers in both government and non-governmental sectors of possible barriers to access so that interventions can be created to address these barriers. Our paper will address the three following questions:

1. Does the old age pension reach the poorest sector of the population for whom it is intended?
2. What household and individual characteristic are associated with pension receipt?

3. What barriers to access do age-eligible persons who are not receiving the pension experience?

We hypothesize that it is the poorest rather than the wealthiest individuals who are age-eligible but not accessing the pension. While wealthier individuals may not access the pension due to access to private or other resources, we believe that the poorest individuals need additional support to overcome barriers to application and access to these state provided resources.

Data & Methods

Data description

The Agincourt Health and Demographic Surveillance System (Agincourt) census, run by the MRC/University of the Witwatersrand Rural Public Health and Health Transitions Unit (Tollman, Director), has collected data annually from all households in the Agincourt sub-district since 1992. As of 2010, the site covered 27 villages—approximately 15,600 households and 89,000 individuals. Of these households, nearly one-third included at least one person aged 60-plus, and 6% had two or more pension-eligible persons.

For this paper we will use two data sources the Agincourt Census and the WHO-SAGE survey, completed by persons over age 50 living in Agincourt. The *Agincourt Census* collects information on births, death, and household membership each year. Some additional information on household members is updated, as needed, e.g. social grant receipt, educational attainment, nationality, and headship. Additional information is captured through occasional add-on census modules, e.g. socio-economic status of household. In 2010, Agincourt collected health and wellbeing data on persons over the age of 50 through the *WHO-SAGE survey*. Approximately 60% of the target population completed the questionnaire with only 0.4% refusing. The rest either were not found at the time of the census (35%), ineligible (4%) or dead (1.6%). The resulting sample is approximately 5,980 individuals age 50 and above, about one-quarter of whom were male and three-quarters female.

Measure of pension-receipt: Nearly all age-eligible Agincourt residents meet the means-test for pension receipt. In 2010, a direct measure of pension receipt was included in the census for the first time. Less than 3% of individuals reported receiving the pension prior to official age eligibility; the percentage of the population covered by the grant increases at the age of eligibility (See Table 1 below). Over 80% of those over 60 report receiving the grant.

Measures of possible demographic related barriers. Using the census data, we will look at education, marital status, household assets (as a proxy for socio-economic status (SES)), nationality of origin, employment status, and household structure.

About one-third of the Agincourt population is of Mozambican origin. They largely came to Agincourt during the Mozambican civil war from the mid-1970s to early 1980s.

“Nationality of origin” captures self-identification as South African or Mozambican. Previous research from Agincourt has shown that self-identified Mozambicans are less well off than the host South African population in terms of education, household assets, and child mortality (Gómez-Olivé, Thorogood, Clark, Kahn, & Tollman, 2010; Hargreaves, Collinson, Kahn, Clark, & Tollman, 2004). Prior to 2004, Mozambican permanent residents were not eligible for South African social grants; however, even before the Constitutional Court ruling, a large number of Mozambicans managed to access pensions (Schatz, 2009).

We will use a household asset score derived from 34 variables collected in 2009 (including information about the type and size of dwelling, access to water and electricity appliances and livestock owned and transport available) to assess the potential role of socio-economic status. The score was derived through principal component factor analysis and then divided into quintiles.

We also consider a number of household structure and composition variables to capture the multi-generational nature of many Agincourt households (Kahn et al., 2012). These include *household size*, *older persons’ living arrangements* (whether they lived alone, in skipped-generation households, or in multi-generational households), the *percent of individuals in the household under age 15*, and the presence of orphans, foster children, and temporary migrants in the household.

Measures of possible health related barriers: We will examine a number of indicators from the WHO-SAGE survey of individual self-reported health and physical health, as well as composite measures health and quality of life measures constructed by the World Health Organization (WHO). Specifically, we will investigate the health domains such as mobility, pain, cognition, and energy.

Analysis

We will analyze individual and household variables associated with old age pension receipt. Descriptive statistics will be presented on the number of age-eligible pension-recipients and non-recipients by variables of interest. Factors will be first investigated one by one to explore the nature and strength of the relationship between the variables of interest and the outcome of pension receipt. Since many of these factors have influences that potentially confound each other, a multivariate logistic regression will look at a range of individual factors while controlling for others. In addition differences by sex of respondents will be investigated.

Preliminary results

Preliminary results displayed in Table 1 shows that about 20% of the age-eligible sample do not receive the pension. There are few individuals accessing pensions prior to being age-eligible. As expected there is a substantial increase in pension-receipt in the 60-64 age group, upon reaching official age-eligibility. Receipt increases steadily with age through age 74, with a slight drop-off in the oldest ages.

**Table 1. Percent Reporting Pension Receipt by Sex and 5-Year Age Group
Agincourt HDSS and SAGE 2010**

	Men	Women
50 to 54	3.3 (7/213)	2.2 (18/814)
55 to 59	11.5 (28/247)	10.7 (80/751)
60 to 64	71.7 (192/268)	78.8 (515/654)
65 to 69	84.4 (194/230)	84.6 (502/594)
70 to 74	88.1 (216/245)	86.6 (487/562)
75 plus	83.2 (277/334)	86.1 (956/1110)
Percent of 50+ reporting pension	59.5	57.1
Percent of Pension Eligible (60+) reporting pension	81.7	84.2
N	1,537	4,485

Table 2 shows the percent of persons 60 years and older reporting pension receipt by SES. Of the approximately 20% not receiving a pension, nearly half are in the lowest two quintiles, with the majority in the lowest quintile. Another 17% of those not receiving the pension are in the third quintile. The three lowest quintiles are categorized as poor (Gómez-Olivé et al. 2010). For pensioners, while the lowest three quintiles covers almost 60% of the population, the smallest group of pensioners is in the lowest quintile, with each slightly better quintile representing a greater fraction of pensioners.

**Table 2. Percent of Persons 60+ Reporting Pension Receipt by Socio-economic status
Agincourt HDSS and SAGE 2010**

Socio-economic status quintiles	Pensioners	Non-Pensioners
First (lowest)	14.6 (480)	28.9 (185)
Second	20.8 (682)	21.2 (136)
Third	22.6 (742)	16.7 (107)
Fourth	19.0 (622)	16.6(106)
Fifth (highest)	22.9 (752)	16.6 (106)
N	100(3278)	100 (640)

Preliminary findings point to a relationship between SES and pension-receipt. Other relationships that tell us more about pensioners vs. non-pensioners will be included in the paper.

In terms of the pension/SES relationship, it is unclear whether those who are the worst of are least able to access the pension, or if they are worse of *because* they are unable to access the pension, which is a substantial household asset. While our cross-sectional analysis will not be able to tease out the direction of causality, it will be able to look at additional indicators that will at least allow us to describe differences between pensioners

and non-pensioners. This paper will then set us up for doing future longitudinal analysis where we can more clearly state the direction of causality.

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