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The differential impact of social-pension income on household poverty alleviation in three South African ethnic groups

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ABSTRACT

Social pension programmes play a key role in old-age support systems through their ability to reach vulnerable older persons. Pension income helps to sustain households affected by extreme poverty and vulnerability, by providing resources for spending that protects against vulnerability, and thereby they facilitate economic and social development. Under apartheid, South Africa's citizens were categorised according to race, and persons classified as Asian, black and coloured (mixed race) had less access to the opportunities and resources available to whites. Parity in the amount of social pension benefits paid to beneficiaries in the different ethnic categories was achieved only in 1993. The *Non-Contributory Pensions and Poverty Study* (NCPPS), conducted in Brazil and South Africa, has assessed the impact of social pension income on household poverty alleviation. This paper draws on the findings of the South African survey to analyse the differential effects of pension income on household poverty alleviation in three ethnic-geographic groups. Its data show a pervasive social and economic gradient of disadvantage among the groups, with rural-black households being most disadvantaged, urban-coloured households least disadvantaged, and urban-black households in between. The impact of pension income on household poverty alleviation has a similar pattern. The paper concludes with a discussion of the implications of the findings for the achievement of equity through informed policy interventions.

KEY WORDS – social pensions, South Africa, ethnicity, poverty alleviation, policy, equity.

Introduction

The debate on how best to organise old-age support in developing countries is intensifying (Barrientos *et al.* 2003; Barrientos and Lloyd-Sherlock 2002; Ferreira 2004). Poverty is widespread in these countries, which generally lack the resources needed to provide adequate formal social protection to

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their older citizens (World Bank 1994, 1997, 2003). Non-contributory or social pension programmes play a key role in old-age support systems through their potential to reach vulnerable individuals. Pension income helps to sustain households affected by extreme poverty and vulnerability, reduces these, and facilitates economic and social development (Ardington and Lund 1995; Barrientos and Lloyd-Sherlock 2002; Barrientos *et al.* 2003; Carvalho 2000; Case 2001; Case and Deaton 1998; Case and Wilson 2000; Devereux 2001*a*; Duflo 2000; Lund 1993, 1999; Sagner 1998, 2000; Sagner and Mtati 1999; Schwarzer and Querino, 2002; Van der Berg 2001, 2002). Such programmes are offered in only a few developing countries, however, and six are in Africa (Ferreira 2004; Willmore 2001).[1]

Among the developing countries, South Africa and Brazil operate the largest social pension programmes (Barrientos *et al.* 2003). Both are middle-income countries with a multi-ethnic population and a vast poor population. Socio-economic inequalities in both countries follow a social gradient that historically has been based on broad racial groupings, with white citizens being most advantaged on virtually all socio-economic indicators, black citizens most disadvantaged, and people of mixed race in between. The inequalities are broadly patterned by rural or urban residence, with those in rural areas being markedly disadvantaged on virtually all quality-of-life indicators.

To ameliorate the greater poverty in the rural areas, Brazil established two social pension programmes: (1) urban social assistance, the *Beneficio de Prestação Continuada* (BPC), payable to eligible urban dwellers aged 67 or more years; and (2) a rural pension, the *Prêvidencia Rural* (PR), which requires a basic contributory record and is payable to women at 60 years and men at 65 years (Bonturi 2002; HelpAge International 2004; Saboia 2005; Schwarzer and Querino 2002). The value of the PR benefits was initially greater than that of the BPC benefits, but they are currently similar and pay an amount equivalent to US$ 126 monthly (Camarano 2005). South Africa does not have separate social pension programmes for urban and rural residents, although the government is mindful of the lower rural incomes and living standards, and its pro-poor policies have a rural bias (Republic of South Africa, Department of Social Development (RoSA-DSD) 2000, 2002*a*, 2002*b*). Those eligible for the state pension (women aged 60 or more years and men aged 65 or more years) are paid a non-contributory, means-tested, monthly *Older Person's Grant*. The means-test is based on the income of an individual beneficiary and, if married, of his or her partner, but not on the income of other household members. At mid-2005, the monthly grant (780 Rand) was equivalent to US$ 116.

There have been useful studies of the impact of non-contributory pension income on household poverty alleviation in Brazil and South Africa (Barrientos 2003; Barrientos and Lloyd-Sherlock 2002; Case and Deaton 1998; HelpAge International 2002, 2004; Møller and Ferreira 2003), and of the contribution of pension income to social development (Ardington and Lund 1995; RoSA-DSD 2002*a*; Lund 1993, 1999, 2002; World Bank 1997, 2003). In Brazil, rural old-age pensions lift the beneficiary households above the poverty line, enabling them to invest in agricultural production and make inter-generational cash transfers, and they are believed to reduce rural-urban migration. In South Africa, the government sees social pensions as a critical element of its anti-poverty programmes (RoSA-DSD 2002*a*; Van der Berg 2001). Studies have shown that households in which a social pensioner resides have a lower probability of being poor, and that pension income reaches poor households, benefits the poorest children economically and improves the health of all household members, but there is scant understanding of the dynamics of household and beneficiary expenditure (Ardington and Lund 1995; Case 2001; Case and Deaton 1998; Case and Wilson 2000; Leibbrandt 2001; Lund, 1999).

To obtain such knowledge, the *Non-Contributory Pensions and Poverty Study* (NCPPS) comparative survey was carried out in the two countries during 2002/03, with co-investigators based in the United Kingdom, Brazil and South Africa (see the Acknowledgements). The surveys, data, outcomes and project publications are detailed in the final report and in numerous documents on its website (Barrientos *et al.* 2003; http://www.idpm.man.ac.uk/ncpps). The publications to date have however been primarily targeted at development specialists including economists, and the survey's findings have not previously been disseminated to an international gerontology readership, which this paper seeks to do. It also presents some new analyses of the South African data. First, however, a brief history of the country's social-pension programme is presented.

Social pensions in South Africa

Social pensions in South Africa have evolved in the context of the deep inequalities in material living standards associated with the racial classification system that, while not unique to the country, was exceptionally elaborate and determinate of its people's social conditions and civil status. Under apartheid, South Africa's people were classified into four racial groups, mainly on the basis of their physical characteristics: Asians, black Africans, coloureds (people of mixed race), and whites (people of

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European descent). Whites were the most advantaged, socially and economically. The opportunities for self-advancement provided for whites, such as access to education and to jobs with salaries, security and supervisory or managerial responsibility, and freedom of movement, were not extended equitably to the other groups. Blacks, who outnumber the other racial groups, have been the least advantaged since the European settlement. Asians and coloureds have been in between.

The social-pension programme was introduced in 1928 to provide basic income to white and coloured older persons who lacked an occupational pension (Devereux 2001 *b*; Van der Berg 1997, 1998). With the enactment of the *Pension Laws Amendment Bill* in 1944, its benefits were extended to blacks, but for the following 65 years, differential payments were made to beneficiaries in the different racial groups: whites received four times the amount that blacks received, while coloured and Asian beneficiaries received approximately twice the benefit paid to blacks. From the late-1980s, political pressure and the fight to topple apartheid brought about a gradual reduction in these disparities, and in 1993 parity in the payments was achieved (Van der Berg 1997, 1998).

A recent debate on social protection in South Africa has centred on the effectiveness of the social-assistance programmes in reducing poverty and vulnerability in relation to patterns of risk (Barrientos *et al.* 2003; RoSA-DSD 2002 *a*). Van der Berg (2001) noted that the unemployed are particularly vulnerable and that large families are excluded from the main programmes. An urgent concern is how social assistance may best be targeted to households affected by HIV/AIDS, particularly those with older people who care for orphaned and vulnerable children and those headed by a child (because the middle generation adults have succumbed to the disease) (United Nations Organisation 2004). It is widely acknowledged that the social pension programme significantly redistributes income, which many contend makes a substantial contribution to the country's development. More specifically, it is argued that social-pension beneficiaries provide important economic support to their communities and local economies through pension sharing and their own expenditure.

The early analyses of the South African data from the two-country survey produced evidence of differential impacts of the pension income on the prevalence of poverty among the households of three ethnic-geographic groups – and thus a differential value of the benefits to the beneficiaries. Given the continuing inequities in South African society which are a legacy of apartheid, and the current interest in promoting equity through informed policy interventions, this paper reports further analysis of the South African data on the poverty alleviation effects of pension income.

The NCPPS survey in South Africa

The South African survey was conducted in the urban areas of the Western Cape Province (known locally as the *metropole*) and in rural areas of the Eastern Cape Province (see Møller and Ferreira 2003). The sample was designed to represent the various situations of pension beneficiaries in both urban and rural settings and among three geographically separated and ethnically diverse groups: urban-coloureds (UC), urban-black Africans (UB) and rural-black Africans (RB). The two survey locations are the origins and destinations of the circular migrations undertaken by black Africans. Blacks are not indigenous to the Western Cape and the majority who reside in the province migrated from the Eastern Cape at some stage in their lives. Under apartheid, the rural areas of the Eastern Cape Province constituted the independent state of Transkei; they continue to suffer developmental backlogs and the effects of poor administration under the earlier regime (Møller 1998).

Circular migration is common among the black population of these two provinces, not least among older people. Many of the metropole's migrant residents return periodically to their rural homesteads to tend livestock, to sow and harvest crops, to visit family and to attend and perform rituals, while later-life migrants to the metropole typically come to visit children and to obtain health-care and welfare services, which are perceived to be superior to those available in the rural areas of the Eastern Cape (Nxusani 2004). The sample was designed to include sub-samples that would shed light on the dynamics of pension income and consumption in various locations, as well as on inter- and intra-household transfers of the income that helps to support family members in both urban households and rural homesteads. The survey did not collect in-depth, micro-data on the interpersonal dynamics of income and consumption within households, although a breakdown by household size and configuration is given in Møller and Ferreira (2003: 43–6).

A multi-stage cluster sampling design was employed to select households for inclusion in the survey. A questionnaire was administered by trained field workers of the same ethnic group as the respondent; it gathered information on the income, consumption patterns, wellbeing, social participation and economic vulnerability of older people and their households. The total achieved sample was 1,111 households, and in all at least one member was aged 55 or more years was interviewed. Among the interviewees, 823 were recipients of the 'social pension'. In 701 households there was one or more social pensioner, but in 310 there were none (females younger than 60 years and males younger than 65 years were not eligible) and they had no pension income.

TABLE 1. *Socio-demographic attributes of the respondent social pensioners*

Characteristic	Rural blacks	Urban blacks	Urban coloureds
		Percentages	
Age group (years)			
<54	3.0	5.1	1.2
55–64	26.5	37.5	22.2
65–74	50.0	39.8	57.5
75+	20.5	17.6	19.1
Mean age (years)	(68.7)	(66.5)	(68.4)
Gender			
Male	34.8	29.0	28.0
Female	65.2	71.0	72.0
Marital status			
Married	43.8	38.7	42.3
Widowed	46.7	40.5	43.4
Single	7.7	11.0	6.7
Divorced/separated	1.9	9.8	7.5
Level of education (highest)			
No schooling	49.9	24.2	8.8
Primary school	31.3	56.2	52.3
Secondary school	14.3	17.1	37.1
Matriculation	4.2	1.2	1.5
Tertiary	0.3	1.2	0.4
Household heads	80.5	77.0	63.8
Sample size	(379)	(176)	(268)

Profiles of the respondents

The socio-demographic characteristics of the 823 pension beneficiaries are shown separately for the rural-black, urban-black and urban-coloured sub-samples in Table 1. While the three groups had similar average ages (66.5–68.7 years) and women predominated, there was a higher female-to-male ratio in the two urban samples than in the rural sample, and a greater percentage of the urban respondents were divorced or separated. Fewer coloured pensioners (63.8%) than black pensioners (UB 77%; RB 80.5%) headed their households. Most telling, in terms of comparative disadvantage, was the education level of pensioners in the different categories: more than 80 per cent of the black respondents had received either no education or only primary-school education, compared to 61.1 per cent of the coloured pensioners. Almost one-half (49.9%) of the rural-black pensioners, 24.2 per cent of their urban counterparts and 8.8 per cent of the coloured beneficiaries had received *no* schooling. From early in their lives, the ability of the blacks living in rural areas to raise their socio-economic circumstances had been compromised.

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TABLE 2. *Housing conditions of the households with one or more social pensioners*

Characteristic	Rural blacks	Urban blacks	Urban coloureds
		Percentages	
Type of housing (selected)			
House	10.0	77.8	91.2
Traditional dwelling/hut	89.1	1.3	0.0
Informal dwelling/shack	0.0	20.9	1.8
Household amenities			
Flush toilet in dwelling/yard	1.3	96.1	99.1
Piped water in dwelling	7.5	76.5	94.3
Index score[1]	(1.6)	(4.0)	(5.8)
Sample size	(320)	(153)	(228)

Notes: 1. Possession of: telephone/cell phone; electricity; stove (electric/gas); television set; radio/stereo; refrigerator/deep-freezer; sewing machine; and car (maximum possible score 8). Scores for all household members aged 55 or more years.

A socio-economic gradient in housing conditions was also evident across the rural-black, urban-black and coloured households (Table 2). For example, 89.1 per cent of rural-black households occupied a traditional hut, whereas 77.8 per cent of urban-black households occupied a house. It is notable that one-fifth (20.9 %) of the urban-black households occupied a shack in an informal settlement (or shanty town); many of their members were likely to have been recent migrants to the urban area. Whereas 99.1 per cent of the coloured and 96.1 per cent of the urban-black households had a flush toilet in the dwelling or yard, only 1.3 per cent of rural-black households had this facility. Only 7.5 per cent of the rural-black households' dwellings had piped water, compared to 76.5 per cent of the urban-black and 94.3 per cent of the urban-coloured respondents' dwellings. Finally, the possession of eight household amenities was surveyed: the coloured households had a mean score of 5.8, which compared with 4.0 for urban-black households and 1.6 for rural-black households.

Income and debt differentials

The same pattern of disadvantage was apparent in the income and debt differentials reported by the three groups of respondents. The mean total monthly household income from all sources[2] of rural-black households (Rand 965 or US$ 144) was approximately one-third that of urban-coloured households (R2,686 or $401), and urban-black households again came in between (R1,439 or $215). The *per capita* income differentials were greater, for there was an inverse relation between household size and income (Table 3). Although social pensions are targeted at individual

TABLE 3. *Selected indicators of household income, debt and consumption patterns*

Characteristic	Rural blacks	Urban blacks	Urban coloureds
Housing income and savings			
Size of household (mean)	5.5	5.1	4.5
Monthly household income (Rand)[1]	965	1,439	2,686
Household pools all income (%)[2]	*86.7*	*69.0*	*29.4*
Pensioner keeps some income for self (%)[2]	*1.2*	*10.2*	*16.4*
Household has bank account (%)[3]	*15.4*	*26.3*	*48.3*
Mean total monthly households savings (Rand)[3]	53	206	453
Total number of households	374	324	413
Average monthly household expenditure (Rand)			
Total regular and unforeseen expenses	923	1,348	2,295
… on regular expenses[3]	894	1,226	2,255
… on food[3]	466	542	1,368
… on children's schooling (%)[3]	84	140	152
Funeral expenses in past year (% of households)	*75.4*	*64.7*	*39.0*
Number of households with unforeseen expenses	69	85	59
Current debt			
Number of households with current debt	229	139	173
Percentage of households with current debt	*61.2*	*42.9*	*42.2*
Type of household debt (percentage with debt):			
Food (%)	*72.6*	*9.5*	*2.3*
Clothing (%)	*4.9*	*30.7*	*51.2*
Loan from micro lender (%)	*34.1*	*8.0*	*3.5*
Home loan (%)	*0.9*	*2.2*	*14.0*
Household borrows from bank/money lender (%)	*36.7*	*21.5*	*8.8*
Experienced financial difficulty during last 3 years			
Number of households	286	246	238
Percentage of households[3]	*81.0*	*78.0*	*58.4*

Notes: 1. Mean total from all sources. 2. Missing data resulted in reduced sample sizes of 346 (RB), 323 (UB) and 408 (UC). 3. Missing data resulted in small reductions in the sample sizes in all three groups.

beneficiaries, in developing countries pension income is commonly used to support both beneficiaries and their households. The majority of the black households surveyed, in both the rural (87 %) and urban (69 %) areas, pooled all income, compared to only 30 per cent the urban-coloured respondent households (Table 3). Only 1.2 per cent of the rural pensioners stated that they were able to keep some pension income for themselves, compared to 10.2 per cent of their urban-black counterparts and 16.4 per cent of the coloured pensioners.

Almost one-half (48.3 %) of the coloured households had a bank account, compared to 26.3 per cent of the urban-black and 15.4 per cent of the rural-black households. The survey also found a measure of sharing of pension income with family members who lived elsewhere, that is of inter-household transfers. Ten per cent of rural-black pensioners and 11.3 per cent of their urban counterparts, but only 3.8 per cent of coloured pensioners, gave money to family members living elsewhere. These low percentages indicate that the transfer of pension income beyond a pensioner's household was not significant (Barrientos *et al.* 2003: 13). Nonetheless, in the case of the black households, the transfers were most likely help with the education costs of young relatives.

The mean total monthly household expenditure on regular expenses had a similar pattern, with rural-black households spending approximately one-third that of the coloured households, with the level of urban-black households' expenditure in between. Similarly, the regular monthly expenditure on food by rural households was approximately one-third of the coloured households', with the urban-black household expenditure being not much higher than that of rural households. The share of rural-black households' expenditure on children's schooling (6.7 %) was considerably higher than that of urban-coloured households (1.6 %), and about half-as-much-again as that of black households (4 %). The mean total monthly household expenditure on both regular and unforeseen expenses showed an inverse pattern, from R923 ($137) for rural-black households, to R2,295 ($342) for coloured households and R1,348 ($201) for urban-black households. Of the 213 households with unforeseen expenditure, 75.4 per cent of the rural-black households reported that it was for funerals, compared to 64.7 per cent of urban-black households and 39 per cent of urban-coloured households.

Coloured households saved each month eight times as much as rural-black households, and urban-black households saved more than four times as much. Not surprisingly, therefore, more rural than urban-black or coloured households reported current debt (Table 3). The rural households' debt had been run up mainly to purchase food, but only 2.3 per cent of the coloured households had incurred similar debts. By contrast, one-half of the coloured households and 31 per cent of the urban-black households owed money for clothing – a relative luxury – compared to only five per cent of the rural-black households. Fourteen per cent of the coloured households owed repayments on a home loan, compared to only 0.9 per cent of rural-black and 2.2 per cent of urban-black households; few black households have the collateral to secure a home loan in the first place.

A large percentage of all three household samples reported financial difficulties during the previous three years, but this was so for a substantially higher percentage of the black than the coloured households. When in financial difficulty, slightly more than one-third of the rural-black households borrowed from a money-lender (or a bank), compared to one-tenth of the urban-black households and less than one-tenth of the urban-coloured households. The differentials suggest that financial difficulties

TABLE 4. *Prevalence of deaths among household members and levels of satisfaction with material standards*

Characteristic	Rural blacks	Urban blacks	Urban coloureds
Deaths in household			
Death/s in household in past 2 years (% of households)	*7.4*	*5.5*	*2.3*
Total number of deaths	138	89	47
Household satisfaction with material standards			
Household satisfied with current living conditions (%)	*9.4*	*11.2*	*49.2*
Household satisfied with current financial situation (%)	*4.0*	*6.2*	*11.9*

were greatest in the rural-black households, and were compounded by the need to pay interest and make repayments on loans. Some of the financial difficulties experienced by the rural households may well have related to deaths and funeral expenses: more than three times as many of their households (7.4 %) as urban-coloured households (2.3 %) reported deaths during the previous two years (Table 4). A total of 138 deaths had occurred in the rural households, while the urban-black households experienced 89 deaths, and the coloured households 47 deaths. In the rural households, 44 per cent of the deaths were of a respondent's son or daughter and the presumed cause of death was AIDS-related.

Satisfaction with material living conditions

The NCPPS survey included questions on the level of the respondents' satisfaction with their income and living conditions. The findings revealed a large discrepancy in levels of satisfaction between the coloured and black households (Table 4). The coloured households were five times more satisfied with their current living conditions (49 %) than both the rural and the urban-black households (respectively 9.4 % and 11.2 %), and the proportion of coloured households (12 %) that were satisfied with their current financial situation was three times that of rural households (4 %). The low percentages of households reporting satisfaction with their financial situation indicate the high prevalence of poverty, vulnerability and low perceived wellbeing.

Impact of social pension income on household poverty

To what extent did social-pension income alleviate this widespread poverty? Its impacts were assessed in terms of: (1) poverty headcounts and poverty-gap measures (households with and without pension income, using equivalent household income per adult member); (2) the reduction in household vulnerability; and (3) the promotion of pensioners' functioning and wellbeing (see Barrientos *et al.* 2003; Sen 1999; Bourguignon and Chakravarty 2002).[2] Underpinning the analysis is the survey (and other) evidence that in most black households pension income was pooled with all other household income. Pension sharing implies co-residence and probably a multi-generational living arrangement. In only 6.8 per cent of the respondents' households did the pensioner live alone. The majority of the social pensioners stated that they shared all or most of their pension income with the household. Among the poorest households, the old-age pension income was the largest component of all the state benefits received by the household members and made up the majority of the household's income (see Møller and Ferreira 2003).[3] Among households in the lowest quintile of the distribution of equivalised *per capita* household incomes, the social-pension income constituted 50 per cent of the total (Barrientos *et al.* 2003).

Two markers of material hardship were defined: income below the pension benefit level, termed 'in poverty', and income below one-half of the pension benefit level, termed 'indigence'. In addition, 'vulnerability' was defined as the risks faced by households in poverty, and assessed from the responses on households' self-reported financial status and change over time. The contribution of the social pension to the reduction of these hardship states is indicated by the change in its prevalence *before* and *after* the addition of the payment to total household income. Without the pension, the 'in poverty' rate increased by 1.9 percentage points or two-thirds, and the 'indigence' rate by 2.3 percentage points or one-fifth (for the full analysis see Barrientos 2003; Barrientos *et al.* 2003). The probability of household members being in poverty reduced by 11 per cent if a social pensioner resided in the household, and having a social pensioner in the household also reduced the probability of the household being 'indigent' or acutely vulnerable. The quantitative evidence is therefore that social pensions acted as a safety net for poor households; this was corroborated by the respondents from both the households with and without a pension beneficiary in their remarks about their financial situation and how it had changed.

Finally, the analyses of the impact of pension income showed some reduction in the level of impaired or restricted functioning of the coloured and urban-black pensioners, but the effect on rural-black pensioners was unclear (Barrientos *et al.* 2003). Our interpretation is that the intensity of multi-dimensional poverty among rural-black households is so overwhelming that the social pension income is insufficient to lift its recipients out of abject poverty. It was clear, however, that social pensioners in urban areas showed a lower incidence of functional deprivation than non-pensioners.

To summarise, it was found that social-pension income had a significant impact on poverty in households with one or more pensioners, and that the pension income appreciably reduced the probability of the households falling into severe poverty. The vulnerability of the households was similarly reduced by pension benefits: the households showed greater financial stability and a lower probability of experiencing a decline in living standards than households without pension income. Pensioner households, moreover, showed a lower incidence of deprivation than non-pensioner households, especially in the urban areas. Similar findings on the impact of pension benefits on household poverty were found in the parallel study conducted in Brazil (Barrientos *et al.* 2003; Saboia 2005).

Discussion

Overall, the survey findings showed that while social pension income reduced poverty in households with a beneficiary, the impacts varied by ethnic-geographical group. Black households were poorer than coloured households, and rural-black households were the poorest. Indeed, without the social pension income, it is unlikely that the sampled rural-black households would have been able to meet even basic needs. Interestingly, these households were almost entirely dependent on the old-age pension and received much less from other state benefits. Although theoretically these households should benefit more than the urban-black households from government transfers to assist the poor, they clearly have less access to these social security schemes. Although 39 per cent of the rural-black households surveyed had young children, only 3.5 per cent benefited from a child-support grant; by contrast, one-quarter of the urban-black households had young children and 18 per cent accessed the grant (Møller and Ferreira 2003).

The survey revealed the importance of pension sharing as a survival strategy for poor households (see also Sagner and Mtati 1999; Møller and Sotshongaye 1996). Given the practice in multi-generational poor households of pooling all income, it has been suggested that rural-black households may form around a pensioner (Møller and Ferreira 2003; Edmonds, Mammen and Miller 2001). Certainly, the surveyed rural households were the largest of the three groups (one-quarter had eight or more members), and the ratio of dependants to income earners was greatest in these households. Of the three groups, the rural-black households were worst off and the most disadvantaged on virtually all indicators. Most had to use river-water for drinking, had no sanitation, dwelt in traditional huts, and reported the highest proportion of their expenditure on food and loan repayments. When in financial difficulty, they were the most likely to borrow or to run up an account with a local shop – the downside of the practice is that the borrowers become trapped in debt. Rural-black households had the lowest expenditure on necessities and were the least able to buy 'discretionary' items not essential to their survival. Nine-in-ten rural-black pensioners were dissatisfied with their household's living situation and dissatisfied with life overall.

By contrast, the urban-coloured households were the least disadvantaged. Three-quarters owned a house on a separate plot, and the majority had access to piped-water, sanitation and modern conveniences. With an average of four persons in a household – thus, fewer dependent children and grandchildren – and a greater likelihood of other sources of income, especially from earnings, more of the coloured pensioners could use a non-negligible proportion of the income for themselves. Coloured household members aged 55 or more years were four times more likely than their rural-black counterparts to rate their health as satisfactory (and urban-blacks three times as likely). Over one-half of the coloured households were satisfied with life overall. The urban-black households fared better than rural-black households in many respects but were vulnerable to impoverishment. Three-in-ten of their households occupied a shack and one-tenth had no toilet. As urban households must pay for essential services, they have a higher cost of living than rural households, but almost all the urban households had piped-water, and nine-in-ten had electricity.

In sum, the survey showed that social-pension income contributes importantly to the welfare and wellbeing of black and coloured South African pensioner households – even though few pensioners spend much of the money on themselves. The pension was shown to be the single most important source of income for poor rural-black households. Although the income improved the material security of these households, it did not appear to raise the pensioners' fulfilment beyond the returns they perceived from their inter-personal and family relationships. In coloured households, by contrast, the pension was frequently supplemented by other income, including other government transfers. Their financial situation suggests that they had started to move out of abject poverty. Relative to the very poor, the rural-black pensioners, the urban-coloured pensioners were obviously better off. The coloured pensioners also had more capacity to engage in personally-fulfilling activities.

It is concluded that although in contemporary South Africa all social pensioners receive the same benefit payment, which was not previously the case, the profound historical socio-economic disadvantage of the black population, particularly in the rural areas of the Eastern Cape, militates against the benefit having equivalent value. The survey showed that there is considerable remaining unmet need in the poorest households. The reach or universality of existing benefit schemes needs to be improved by more effective administration, and new government transfers are required (Møller and Ferreira 2003).

Van der Berg asserted that the expansion of social security schemes and particularly the child-support grant had helped to reduce poverty levels sharply over the past five years (quoted in Joffe 2005). The South African government has recently strengthened its social assistance policies and, to alleviate hardship in poor households and to increase the take-up of grants, it is targeting poor households with children and persons infected with or affected by HIV/AIDS, including child-headed households. As more household members are supported with such payments, pensioners stand to benefit because they will be able to retain a larger proportion of their pension income for themselves. A case has also been made for improving the access of pensioner households to free education, health-care and utilities, in line with other government policies (see Møller and Ferreira 2003). Following earlier dissemination of the NCPPS survey findings, the government is investigating the feasibility of a funeral-insurance component in the pension benefit, to provide an additional safety-net for poor households who experience the bereavement of family members as a result of HIV/AIDS.

There is not, however, a consensus for the elaboration of social protection, and several South African economists question the merits of increased social-assistance spending for reducing poverty, as opposed to investment in job creation. The country's high rate of unemployment, above 30 per cent, is predicted to continue for at least a decade, and some argue that, rather than targeting social grants at the economically inactive, social spending should be redirected to those who could be economically-active but are without jobs (see Joffe 2005). It is therefore unclear whether the expansion of social assistance to the poorest households will enjoy long-term support. It appears, however, that the social pension programme will in all certainty continue, not least because its important contribution to the alleviation of chronic and severe poverty is widely recognised and politically uncontentious.

Conclusions

The NCPPS survey evidence demonstrates the contribution of South Africa's social pension payments to the alleviation of poverty among its beneficiaries and their households, and reveals the differential effects of the pension income on the financial situations of three groups of the population with different levels of inherited socio-economic disadvantage. The pension income enables rural-black households to afford only the barest of necessities and is insufficient to lift them out of poverty. For the rate of poverty among the most disadvantaged households to be reduced significantly, it needs to be supplemented by other government transfers. Given the many claims on government spending, its capacity to expand social assistance in the long-term is unclear.

There remains comparatively little information on the levels and distribution of poverty and severe hardship among the peoples of South Africa. The comparative NCPPS surveys in Brazil and South Africa have generated quantitative data. Further qualitative research is required to examine in more detail the differential effects of social-pension income on the functioning and wellbeing of household members of different ages, ethnic groups and residential settings, particularly in relation to unemployment and HIV/AIDS. Much more needs to be understood about the dynamics of intra- and inter-household pension-income distribution and the strategies that could be employed to reduce unmet needs among the country's poorest households.

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NOTES

1 The African countries that operate social old age pension programmes are Botswana, Lesotho, Mauritius, Namibia, South Africa and Tanzania. Countries in other developing regions to operate such programmes are Argentina, Bangladesh, Bolivia, Brazil, Chile, Costa Rica, India, Nepal, Sri Lanka and Uruguay (Ferreira 2004).

2 The functioning of pensioners, as deprivations in wellbeing, were measured in the survey through indices of education, health, life satisfaction, safety, social participation, political participation, financial control, debt service, household amenities, sources of water, and expenditure (Barrientos *et al.* 2003: 15–8).

3 The sources of household income inquired about in the survey were: social old age pension; disability pension; veteran's pension; employer-managed or occupational pension; unemployment insurance fund; child-support grant; foster-care grant; care-dependency grant; grant-in-aid; retirement annuity; earnings from paid-work; and earnings from hawking and odd jobs. With the exception of occupational pensions, all pensions and grants are government transfers under the relevant ministry's social security programme (Møller and Ferreira 2003).

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