SOUTHERN AFRICA: Focus on social pensions and poverty reduction

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JOHANNESBURG, 1 October (IRIN) - Characterised as economically unproductive, older people are often ignored in the drive toward development. Recent evidence, however, challenges such assumptions.

A report by the UK-based Institute of Development Studies (IDG), titled 'Social Pensions in Namibia and South Africa', sketched how a regular income in old age could make the elderly relatively economically independent, contradicting the perception that they are financial burdens on their offspring.

"The social pension represents a major injection of cash into poor communities. The incomes of the poor actually increase on reaching 60 years of age lifting many households out of poverty altogether," the report noted.

Stephen Devereux, a research fellow at the IDG, and author of the study, noted that despite the significant impact monthly cash payments had on alleviating poverty among the elderly and their families, very little research had been undertaken into these programmes.

Only three countries in sub-Saharan Africa - South Africa, Namibia and Botswana - provide non-contributory social pensions for their elderly citizens.

The report showed that in South Africa, there were over 1.6 million social pensioners, each receiving R600 (US $60) per month, Namibia's 85,000 social pensioners receive a much lower N$ 250 (US $24), compared to Botswana's 110 pula (US $17) which is paid to 80,000 social pensioners each month.

In both South Africa and Namibia, the social pension is funded directly from the national budget and financed through tax revenues. It is a state guaranteed social security payment that is not funded by workers' contributions.

During the apartheid years, white South Africans and Namibians received substantially higher social pension payments than blacks, but these racial discriminatory practices were declared unconstitutional after both countries' transition to democracy in the 1990s.

However, the equalisation of social pension payments, the introduction of a high-tech computerised mobile delivery system and pressures to raise the real value of the pension, have all contributed to rising programme costs, the report noted.

In 1994 the World Bank raised concerns about their fiscal sustainability. The social pension costs the South African government R7 billion (US $671 million) per annum, and amounts to 4.8 percent of total government spending in Namibia.

The social pension in Namibia has recently come under scrutiny, with concerns that it is poorly targeted and 'fiscally unsustainable' motivating proposals to introduce 'means testing' - as in South Africa - to reduce the number of claimants, and restrict payment increases to below inflation rates.

The report pointed out that non-contributory pensions cost poorer countries no more than richer countries as a percentage of gross domestic product (GDP).

"Calculations of the fiscal cost of universal non-contributory schemes reveal that far from being a burden on the national budget, the percentage of the GDP required is very low and can be raised or lowered according to the age of eligibility and amount of pension payable," the report said.

Moreover, a recent international review of the benefits of pensions to older people highlighted the positive intergenerational impacts in poor communities. A HelpAge International study found that the greatest proportion of the pension in three South African communities was spent on food and school fees.

"Apart from pensioners themselves, the social pensions supports unemployed adults, young grandchildren and other relatives. It has also contributed to high numbers of 'missing middle generation' households in rural communities.

"Typically, young adults move to town in search of work, leaving their parents to care for the children in the village, where the cost of living is lower. Increasingly, the pension is providing vital support to relatives affected by HIV/ AIDS, with many elderly people fostering AIDS orphans," HelpAge said in its report.

The IDG report concluded that following documented evidence of older peoples' capacity to contribute to poverty reduction within communities through social pensions, it should be extended to other southern African countries as a component of national poverty reduction strategies.

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