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Social pensions in Namibia and South Africa

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Summary

Non-contributory state pensions were introduced in South Africa in 1928. Eligibility was extended to White Namibians in the 1940s but to African Namibians only in 1973. Initially motivated by a complex combination of welfarist and political objectives, including the control of African urbanisation and 'winning hearts and minds' during South Africa's occupation of Namibia, the social pension has sustained millions of poor families for decades. This paper documents the history of the pension in both countries and presents evidence on its economic, demographic and social impacts in Namibia. Apart from providing non-covariate income against livelihood shocks such as drought, the social pension stimulates local trade, enhances the status of elderly family members, and contributes to the costs of primary and secondary education. While concerns have been raised about the fiscal sustainability of the social pension, its future as a social assistance programme depends mainly on political commitment.

Contents

Summary	iii
Acknowledgements	vii
Introduction	**1**
History of the social pension	**1**
The social pension in South Africa	1
The social pension in Namibia	7
Contextualising Namibia's social pension	**14**
Administration of the social pension in Namibia	**17**
Coverage	17
Fiscal and political sustainability	21
Targeting and leakages	23
Impacts of the social pension in Namibia	**25**
Public perceptions and official discourse	25
Pensions and poverty	27
Social pensions and household food security	33
Demographic impacts	36
Employment history	40
Income transferred	41
Uses of pension income	43
Secondary beneficiaries	48
Conclusion	**49**
References	**52**

Tables

Table 1	Social pension payment schedule in South Africa, 1944–1965	5
Table 2	Social pension payment rates in South Africa, 1958–1975	5
Table 3	Social pension payment schedule in Namibia, 1990	10
Table 4	Namibia's formal social safety net programmes, 1998	15
Table 5	Regional coverage of the social pension in Namibia, 1993–94	18
Table 6	Annual private income in Namibia, by primary source of income	29
Table 7	Namibian households owning various assets, 1994	30
Table 8	Poverty in Namibia by household's primary source of income	31
Table 9	Demographic profile of pensioner households	38
Table 10	Social pensioners' pre-retirement occupations	40
Table 11	Contribution of social pensions to household income	42
Table 12	Mean annual income by income source and sex of earner, 1997	43
Table 13	Three main uses of pension income	44
Table 14	Uses of pension income	45
Table 15	Annual spending of social pension, by region	46
Table 16	Reasons for saving social pension income	47

Figures

Figure 1	Monthly social pension payment rates, 1989–1999	11
Figure 2	Household composition, southern sample	39
Figure 3	Household composition, central sample	39
Figure 4	Household composition, northern sample	39

Boxes

Box 1	Cash Paymaster Services and delivery of social pensions in Namibia	20
Box 2	Observations by Namibian politicians about social pensioners	27
Box 3	Traders and social pensioners in southern Namibia	35
Box 4	Case study of a social pensioner household in southern Namibia	47

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Introduction

Only three countries in sub-Saharan Africa provide non-contributory pensions to their elderly citizens: South Africa, Namibia and Botswana. This paper has two objectives: to review the administrative history of the social pension in South Africa and Namibia and to present evidence on the economic and social impacts of the pension, drawing on a household survey conducted in three contrasting Namibian communities in 1998.

History of the social pension

The social pension was introduced to Namibia in 1949, though it was extended to African Namibians only in 1973. However, its origins go back to South Africa in the 1920s. This section examines the political and administrative history of the social pension from the 1920s to the late 1990s. Remarkably little is known about this history, and the limited literature displays serious gaps and confusion.[2] For this reason, the evolution of the social pension in South Africa as well as in Namibia is examined here in some detail.[3]

The social pension in South Africa

Following the recommendations of the 1926 Pienaar Commission, Act No 22 of 1928, 'To provide for Old Age Pensions', established the right to an old age pension for all 'White' and 'Coloured'[4] citizens or residents of the Union of South Africa aged 65 years or older.[5] This was the first social pension in Africa, and probably the first application of means testing. The 1928 act included complex eligibility criteria and a

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[2] Case and Deaton (1996: 6), for instance, describe the social pension in South Africa as 'a largely unintended consequence of the country's recent history', and believe that 'the initial extension of the social pension to the Coloured and Indian population was in part an attempt to make the three-chamber parliament politically palatable'. (The tricameral parliament was set up in 1984.) Similarly, Case and Deaton suggest that 'With the possible exception of the youngest pensioners, none of the current African recipients could have held any reasonable expectation during their working lives that such a pension would be available.' In fact, as will be seen, Coloureds had been receiving the social pension since the 1920s, while Indians and African South Africans became eligible in the 1940s.

[3] Though not part of mainland Africa, Mauritius (another SADC member state) also has a social pension. Botswana's social pension scheme was introduced as recently as October 1996; it has yet to be evaluated and was not studied under this research project.

[4] Racial classifications were in use in South Africa long before the National Party government took power in 1948. Four discrete categories were commonly identified: 'Whites' (settlers of European – mainly British or Dutch – descent), 'Coloureds' (mixed race), 'Indians' (settlers from the Indian subcontinent) and 'Natives' (subsequently relabelled 'Bantu' in 1953, then 'Blacks' in 1978, currently 'Africans'). Current practice differentiates between 'White' and 'Black' South Africans, the latter being subdivided into 'Coloureds', 'Indians' and 'Africans'. This report will generally follow the terminology of the day, without implying endorsement.

[5] Subject to the provisions of this Act, every white person and every coloured person shall be entitled to receive an old age pension under this Act, hereinafter referred to as a 'pension', if he satisfies the commissioner that: (a) he has attained the age of sixty-five years; (b) he is domiciled in the Union; (c) he is resident in the Union at the time of making application for the pension…and (e) his total means do not exceed the appropriate amount prescribed in the First Schedule to this Act. (Union of South Africa 1928: 382).
In 1937 the age of eligibility was lowered to 60 for women but remained at 65 for men (Union of South Africa 1937).

network of district pension officers were appointed, *inter alia* to verify the eligibility of applicants.[6] The payment was explicitly intended to top up pensioners' income to a defined 'poverty line' (£54 per annum for Whites and £36 for Coloureds), with the payment varying according to the 'yearly means' of each individual applicant. The maximum pension payment per annum in 1928 was £30 for Whites and £18 for Coloureds, though in subsequent years these figures were regularly adjusted in line with the consumer price index. Significant omissions from the Old Age Pensions Act of 1928 were Natives, Indians and all residents of Namibia (then the 'territory' of South-West Africa, which was administered by South Africa under a League of Nations mandate). The deliberate exclusion of Natives reflected the view of the 1926 Pienaar Commission that pensions were unnecessary for this group since they could rely on their 'Native custom which makes provision for maintaining dependent persons' (cited in Human Awareness Programme (HAP) 1983: 3).

In 1943 the Minister for Social Welfare, Jan Hofmeyr, set up a Social Security Commission to review the full range of social welfare programmes in South Africa. Hofmeyr 'found it intolerable that any social welfare scheme should apply to white people only' (Iliffe 1987:141).[7] Accordingly, the commission recommended extending eligibility for the old age pension to Indians and Natives and to provide social assistance to other vulnerable groups ('pensions' for the blind and disabled as well as the elderly). The 1928 Old Age Pensions Act was duly amended (Union of South Africa 1944). The same range of benefits was extended to all South Africans (though not to 'South-West Africans') but at lower rates. Although these benefits were non-contributory, the justification was that Natives should receive lower benefits because they paid lower taxes.

Moreover, the Native population was subdivided into three categories: city residents, town residents and rural residents, each category receiving a different maximum pension payment. Initial monthly payments to Natives in the 1940s were £1 in cities, 15 shillings in towns and 10 shillings in rural areas. Until 1948, 'rural or reserve Natives' remained ineligible for the pension unless they had no land. This was a conscious attempt by the commission not to provide benefits to Natives that would 'conflict with or break down their traditional foodsharing habit' (cited in HAP 1983: 3). 'Urbanised Natives' were entitled to receive the pension only if they could prove that they had lived in an urban area for five of the preceding seven years, that they had not been allocated land in a Native area, and that their immediate family did not live in a rural area. 'These tests were designed to keep people from coming to urban areas to get a pension' (HAP 1983: 3).

One of the most notorious statements in twentieth century South African political history is this articulation of White attitudes to African urbanisation from the 1922 Stallard Commission: 'The Native

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[6] The means test took into consideration the applicant's earnings from employment, farming, and business as well as the spouse's income and other pensions. It also considered the value of property owned and investments made by the applicant. Section 18 of the 1928 act even authorised the Commissioner of Pensions to 'recover' pension payments from the children of pensioners in cases where these children are 'in a position to maintain' the pensioner, but this section was repealed in a 1931 amendment to the act (Union of South Africa 1931).

[7] Hofmeyr was a member of Jan Smuts' United Party government, which later lost the 1948 election, ushering in over 40 years of National Party rule and formalised *apartheid* policies.

should only be allowed to enter urban areas, which are essentially the white man's creation, when he is willing to enter and to minister to the needs of the white man, and should depart therefrom when he ceases so to minister' (quoted in Posel 1991: 40). In 1929, Prime Minister Jan Smuts argued in a Rhodes Memorial Lecture at Oxford that: 'when segregation breaks down, when the whole family migrates from the tribal home … to the white man's town, the tribal bond is snapped, and the traditional system falls into decay. And it is this migration … which should be prevented' (quoted in Mamdani 1996: 6). Mamdani and others have argued that 'deurbanisation' of Africans was a central platform of *apartheid* policy even before it became formalised by the National Party after 1948. This policy was motivated both by fear of political activism among urbanised Africans[8] and by Smuts' perception that urbanised Africans, dislocated from the extended family and kinship-based support systems that supposedly prevailed in rural communities, would become a debilitating economic burden on the state. It seems perfectly plausible that the social pension was exploited as a policy tool in this deurbanisation strategy.

By 1947, 197,000 Natives were receiving old age pensions, and this number rose to 400,000 by 1973, 560,000 by 1980 and 1.5 million in 1993. After 1948 the National Party cut unemployment benefits to lower-paid Natives, but it did not roll back the other components of Hofmeyr's social welfare programme. On the contrary, 'during the next forty years the National Party was to elaborate the most extensive welfare system in Africa, a system which, like the Apartheid programme, was born of urbanisation, inequality, state power, and rampant technocracy' (Iliffe 1987: 142). Pensions were paid to all men over 65 and all women over 60. In 1957, though, the Commissioner of Pensions expressed concern that the number of social pensioners was rising at a 'disturbing' pace, and he suggested that people should not retire and apply for the pension immediately on reaching the age of 60, if they were 'still strong enough to earn something'. The commissioner argued that this created two problems: it undermined the 'sense of independence' of citizens, and it was imposing an increasingly onerous fiscal burden on the state and on taxpayers, who were being called upon to support millions of non-taxpayers through the social pension (cited in Republic of South Africa 1976: 10). No action was taken by the government, however.

In 1965 differentiated payment rates for Natives (by then relabelled 'Bantu' by the *apartheid* state) living in cities, towns and rural areas was abolished, mainly because the government feared it was encouraging Black urbanisation and undermining its policy of 'influx control'. In his Budget speech, the Minister of Finance stated that 'the object of introducing a uniform rate was to avoid providing an incentive to move to cities' (Suttner 1966: 4). A related intention was overtly to support the 'homelands' policy, in terms of which millions of people (many of whom had lived in cities all their lives) were designated as residents of ethnically defined homelands and encouraged to move, or forcibly relocated. The Minister of Social Welfare and Pensions made this explicit in Parliament: 'We are following a policy of separate development. The idea behind this provision…is to assist the Bantu to resettle in their

[8] As Mamdani (1996: 29) points out, in South Africa, 'unlike in most African countries, the centre of gravity of popular struggle was in the townships and … was rooted in urban-based worker and student resistance, not in peasant revolt in the countryside'.

homeland.' This objective was supported by setting the uniform payment near the midpoint of the three former rates, so that city Bantu saw their pensions reduced by almost 10 per cent. In response an opposition MP stated 'it is a great pity that economic pressure of this nature has to be applied to bring about a political ideology' (Republic of South Africa 1965b: 8324).

No such attempt at uniformity was applied to differences between racial categories. On the contrary, the South African government established a 'principle of discrimination' (Republic of South Africa 1965b: 8357) whereby pensions were to be paid in the ratio of 4:2:1 to Whites, Coloureds and Indians, and Bantu, on the grounds that, according to the then Minister of Social Welfare and Pensions (speaking during the parliamentary debate on the Second Reading of South Africa's Pensions Laws Amendment Bill, in 1965): 'both the Indian and the Coloured live at a very much lower level than the White man and their income is also on a smaller scale'. The minister further argued that raising payments to non-Whites towards the White level would create disincentives to work and a kind of 'benefit trap'. 'The aim of these grants-in-aid is not to entice people who can still work, away from the labour market in that the pension offered to them is too high … It will give rise to work-shyness and the labour market will be detrimentally affected' (Republic of South Africa 1965b: 8361). Opposition MPs expressed outrage that this argument was being applied only to non-Whites and to elderly citizens who should be looking forward to retirement, rather than being 'paid as little as possible so that they can be kept at the grindstone until they literally drop down dead' (Republic of South Africa 1965b: 8362).

In reality, the extent of discrimination was much worse than the 'principle' proposed, and it widened over time. Table 1 shows a ratio of 12:6:1 in 1944 taking the 'rural Native' as the baseline rate, 8:4:1 with the 'town Native' as baseline, or 6:3:1 with the 'city Native' as baseline. Even the last ratio is worse than the 4:2:1 principle, and it deteriorated over the years to 11:4:1 by 1965. The South African Institute of Race Relations calculated that, in the first 20 years of its universal application in South Africa, from 1944 to 1963, the nominal value of the social pension increased by 200 per cent for Whites, 286 per cent for Coloureds and 221 per cent for Indians, but by only 97 per cent for Natives. The maximum rate for Natives, which was paid to only a minority of city residents, 'deteriorated very considerably' by comparison with rates paid to other groups: from 28.6 per cent of the White pension in 1944, the rate for city Natives was worth just 14 per cent in 1963 (Draper 1964: 44).[9]

[9] The figures presented in Table 1 suggest a comparable rate of deterioration, but from 17 per cent to 9.5 per cent between 1944 and 1965.

Table 1 Social pension payment schedule in South Africa, 1944–1965

Category of pensioner	Annual payment		Ratio to lowest rate	
	1944	1965	1944	1965
White person	£72	R322	12 : 1	11 : 1
Coloured person	£36	R137	6 : 1	4 : 1
Indian person	£30	R137	5 : 1	4 : 1
Native: city resident	£12	R31	2 : 1	1 : 1
Native: town resident	£9	R31	1.5 : 1	1 : 1
Native: rural resident	£6	R31	1 : 1	1 : 1

Sources: Union of South Africa 1944; Republic of South Africa 1962
Note: When South Africa became a republic in 1961 the currency was changed from British sterling to the South African rand.

Table 2 shows the evolution of South African social pensions between 1958 and 1975. During this period, the nominal pension payment increased just over threefold for Whites, over fourfold for Coloureds and Indians, and slightly under fourfold for Africans. After peaking in 1965, the ratio between these racially defined categories fell to 7:3:1 by 1975.

Table 2 Social pension payment rates in South Africa, 1958–1975

Year	Monthly payment (£ or rand)			Payment ratios		
	White	Coloured	African	White/ African	White/ Coloured	Coloured/ African
1958	19.23	6.91	2.34	8.2	2.8	3.0
1960	20.45	7.25	2.16	9.5	2.8	3.4
1965	26.85	11.39	2.55	10.5	2.4	4.5
1970	32.83	15.32	3.55	9.2	2.1	4.3
1973	43.44	20.10	5.16	8.4	2.2	3.9
1975	60.28	28.96	8.72	6.9	2.1	3.3
1958-75	**+314%**	**+419%**	**+373%**			

Source: Calculated from Republic of South Africa 1976: 22

Opposition parties and welfare organisations consistently challenged the government's discriminatory payment schedule, arguing for instance that: 'it is hardly fair to expect a group such as the Coloured people in particular to have to live on half the pension payable to White pensioners'.[10] Another opposition MP, speaking during the same debate, expressed similar views:

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10 Opposition member of Parliament, tabling a motion to review the social pension policy, 29 January 1965 (Republic of South Africa 1965a: 270).

> Speaking about the Bantu pensioner, these people are in a very parlous state. We know that the price of food costs exactly the same to them as to the Whites and their appetite is possibly the same. I do not think because a man is black, he eats less. I make the plea that the Minister should seriously reconsider the position, close the gap … (Republic of South Africa 1965b: 8360)

The same MP made a similar intervention in Parliament eight years later, when increases in the social pension announced in the 1973 Budget 'continued to observe the ratio of 4:2:1' between White, Coloured and Indian, and Bantu payments.

> Surely, when one considers the pleas that have been made to close the wage gap between Whites and non-Whites, the Government has the power to narrow the pension gap. This ratio is something which requires change, and overhaul. Do we really expect a person who is dependent upon a small income such as a social pension to live on that pension? … Surely the Government is failing dismally in bringing about relief to the poorer section of our community. (Republic of South Africa 1973c: 4294).

The underlying concern was that regular increases in the social pension might have adequately matched cost of living increases for White pensioners, but with Bantu pensioners receiving only 25 per cent of the White increment each time their purchasing power was falling rapidly behind.

These two strands of the public discourse around social pensions – one side complaining that the pension was inadequate and discriminatory against non-Whites, the other side raising concerns about encouraging dependency on the state – persisted in parliamentary debates decade after decade. In 1973, for instance, one MP expressed the opinion that the social pension

> is no more than the undermining of the morale of a people, because it makes the people more and more dependent on the State. It not only undermines the sense of independence of a people, but also the sense of responsibility of the individual, because he himself does not then provide for his old age. (Republic of South Africa 1973a: 838)

Another MP argued that 'the Government should encourage children to give greater financial assistance to aged parents or disabled persons who are unable to care for themselves' (Republic of South Africa 1973c: 4291).

During the 1970s and 1980s the gap between social pension payment rates continued to shrink, mainly by raising the African rate faster than the White rate. After the ANC took power in 1994, social pensions were equalised across all pensioners. This was made fiscally feasible by rigorous enforcement of means testing, which reduced the number of claimants and the payments made to individuals on low incomes. In contrast to Namibia, South Africa's social pension has been means tested for many years, where 'means' are defined as incomes plus an income value assigned to assets. Pension payments are reduced 'one for one' between R90 and R370 (the maximum pension payable); people over 60 whose

means exceed R370 per month are excluded from the system. Only the elderly themselves are assessed; eligibility and level of payment are invariant across household size, composition, and incomes of non-pensioner family members. Despite some evidence of fraud (estimated at 15 per cent of all claimants) means testing effectively excludes virtually most Whites and includes 80 per cent of age-qualified Africans, most of whom receive the full R370 per month (Case and Deaton 1996: 7).[11] In 1995, 7 per cent of White households and 24 per cent of African households (including 42 per cent of the poorest two deciles) in South Africa received the social pension (Naidoo 1996: 92).

The fiscal sustainability of the social pension scheme in South Africa has recently been questioned, because of escalating costs following equalisation of African and White rates in 1994 and a drive by the ANC government to reach all eligible citizens, which raised coverage to ±80 per cent (Republic of South Africa 1997: 49). At approximately US$3 per day, the social pension in South Africa is worth 'about twice the median per capita income of African households' (Case and Deaton 1996: 1), and costs the South African government R7 billion per annum (almost US$2 billion). Nonetheless, Case and Deaton find that the social pension is an effective mechanism for reaching two extremely vulnerable groups: the elderly, and children in poor families. Because of the broad-based incidence of poverty in South Africa, and because the social pension is means tested, leakages to non-poor households are relatively low.

The social pension in Namibia

As noted above, the Old Age Pensions Act of 1928 did not apply to residents of 'South West Africa'. In 1949 eligibility for the social pension was extended to South West Africa, but only to its White residents (Union of South Africa 1949). In 1965 the Social Pensions Ordinance extended eligibility to Coloured Namibians (Republic of South Africa 1965c), following a debate in Parliament as to whether Native Namibians should also receive the social pension.[12] The Minister of Bantu Administration and Development argued in favour, linking this to the decision to equalise the payment to Bantu pensioners whether they were resident in cities, towns or rural areas; a uniform rate would be much simpler to administer. 'That was why it was decided to do everything in one fell swoop and to change the three scales of the Bantu to one, and to make the position in South West Africa the same as that in the Republic' (Republic of South Africa 1965b: 8365). However, many MPs resisted, objecting that it was 'unfair' for South African taxpayers to pay social pensions to Bantu 'citizens of South West Africa [who]

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11 In 1993 there were 1.6 million social pension recipients in South Africa, with take-up rates ranging from 10 per cent among Whites (14 per cent of age-qualified women and 7 per cent of men) to 79 per cent among Africans, excluding Coloureds and Indians (80 per cent of women over 60 and 77 per cent of men over 65) (Case and Deaton 1996: 10).

12 In the ordinance a 'coloured person' was defined as 'a person who is not a white person or a native' (a 'native' being 'a member of an aboriginal race or tribe of Africa', while a 'white person' was 'a person who in appearance obviously is, or who is generally accepted as, a white person').

do not pay tax to us on their income in that territory' (Republic of South Africa 1965b: 8374).[13] Not until 1973 were social assistance schemes, including social pensions, finally extended to all Namibian residents, including Africans (Republic of South Africa 1973d).

As with many aspects of South African legislation in the *apartheid* era, the underlying motivation for extending the social pension scheme to Black Namibians in 1973 is unclear and undocumented, and will probably never be known with certainty. Two explanations were suggested by Namibians interviewed for this study. The first is that, as in South Africa, the social pension bolstered the *apartheid* policies of influx control and separate development, which aimed to corral people in the rural homelands or 'bantustans' and out of urban areas, except for the limited numbers required by White employers as domestic workers and manual labourers. Restricting urbanisation confined poverty to the rural communal areas and curtailed possibilities for political activism, which would certainly have accompanied large-scale concentrations of population in Windhoek and other urban centres. However, conditions are so severe in rural Namibia – southern bantustans such as Namaland and Damaraland on the semi-arid fringes of the Namib desert offer few livelihood options other than rearing goats – that entire communities were dependent on the social pension and literally could not have survived without it.[14]

According to a former paymaster in the Owambo administration's Directorate of Welfare, the social pension was a form of compensation for people who were dispossessed of their land by White settlers. 'These dispossessed people, especially the old people who had no other source of income except farming, were really suffering. The only way to keep these people quiet was to give them pensions.'[15] The social pension therefore provided a subsistence income to economically marginalised communities and simultaneously entrenched their political marginalisation, essentially enabling the colonial state to ignore these groups' claims to substantive economic and political rights.[16]

The second explanation is that the social pension was introduced to Namibia as one element of the South African administration's 'winning hearts and minds' campaign, at a time when its popularity and credibility among Black Namibians was extremely low. In the 1970s the South African Defence Force fought a war in Angola from northern Namibia, on the pretext of combating communism and ANC 'terrorism', and the pension was mentioned by a National Party Member of Parliament as one means of

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[13] This debate provides support for the 'political economy' view that anti-poverty programmes require broad-based political support if they are to succeed, and that welfare programmes are especially vulnerable to erosion over time if citizens holding economic and political power perceive themselves as subsidising the poor and receiving no benefit for themselves in return (see Sen 1995; Gelbach and Pritchett 1997; Moore 1999).

[14] In one notorious case of forced resettlement, a community from northern Cape Province was uprooted by the South African Defence Force to make way for a nuclear test site, and forcibly 'relocated' to the Namib Desert where the social pension became their primary source of income and survival (Næraa *et al.* 1993).

[15] Interview with Mr Akiser Pomuti, Windhoek, March 1998.

[16] Apologists for the South African administration naturally hold more benevolent views as to its motivations, as in these remarks by a member of the pre-independence government:

One area where we really can thank the previous colonial governments, and can thank them with honesty, is particularly this area of social welfare. Even if it was not adequate, something was being done to address this particular issue … There are many countries in the Third World, including poor old Mother Africa, where people never had such a hope of getting R1 from the government every month. (Republic of Namibia 1992b: 74–75)

co-opting black Namibians to this cause. 'In order to fight terrorists, one must in the first place have the goodwill and cooperation of the local people on one's borders, and in our case the people living in those areas are all Bantu' (Republic of South Africa 1973b: 3499). According to the former paymaster in the Owambo Directorate of Welfare quoted above: 'Nowadays the purpose of the social pension is to alleviate poverty, but in those days the purpose was to improve the image of the South African Defence Force.'

The limited literature on this topic supports these two explanations. Morgan (1991: 352) suggests that the social pension might have been 'part of a state strategy to obtain compliant local leadership elites. Another possible part-explanation might be a desire on the part of the South African state to avoid potential embarrassment arising from outright and widespread destitution among senior citizens'. The Food and Agricultural Organisation (1995: 22) speculates that the pension 'formed part of the strategy of the South African regime to ensure a minimum level for survival in the reserves' in both South Africa and Namibia.

When Namibia achieved independence in March 1990, the new government immediately declared its commitment to eliminating all inherited manifestations of discrimination in Namibian laws and practices, including in social welfare programmes. In this context, one of the government's first actions was to equalise the age of eligibility for the social pension at 60: previously, women were eligible from the age of 60 but men became eligible only at 65. The National Pensions Act of 1992 confirmed independent Namibia's determination to continue with the policy introduced by the colonial administration. This act was not substantively different from the legislation it superseded. It entitled every 'aged person' – defined as 'any person who has attained the age of 60 years' – who was ordinarily resident in Namibia and either a Namibian citizen or a permanent resident to receive a 'basic state pension' (Republic of Namibia 1992c).[17] However, key aspects of implementation, which were left in the act to the discretion of the Minister of Health and Social Services,[18] allowed radical shifts in social pensions policy and delivery. Some key changes were introduced in the 1992 act, the most significant being a commitment to eradicate racially discriminatory payments to ethnically defined population subgroups.

This fundamental source of inequality was a legacy of South Africa's racial classification system, in terms of which White pensioners received substantially higher payments than non-Whites. In colonial Namibia nine distinct non-White groups were identified. For social pension purposes, these ten groups were clustered into seven categories, each receiving a different level of payment based, supposedly, on differences in costs (i.e. standards) of living (see Table 3). This 'racial hierarchy' in social pension payments, even among non-White groups, largely mirrored attitudes in Pretoria but partly reflected decisions taken independently by second-tier authorities in Namibia (the bantustan administrations of

[17] Despite this change of name, the term 'social pension' persists in common usage in Namibia, even among the ministry officials I interviewed, and is therefore preferred throughout this paper.

[18] Paragraph 16 states that: The Minister may, in consultation with the Minister of Finance, make regulations as to … the payment of national pensions including the maximum amount to be paid, the determination of the amount to be paid in any particular case, the method of payment, payment to any person other than the pensioner personally and the suspension or termination of payments …

Bushmanland, Caprivi, Damaraland, Hereroland, Namaland, Okavango and Owamboland), which exercised some autonomy over public spending allocations. The colonial pension system was both discriminatory and regressive: poorer ethnic groups received lower pensions than wealthier ethnic groups. At independence in 1990 some Black Namibians received a pension of just R55 per month, while Whites were paid R382,[19] a ratio of almost 7:1 which meant that the lowest Black pension was worth just 14 per cent of the standard White pension.[20]

Table 3 Social pension payment schedule in Namibia, 1990

Ethnic group	Pension per month	Ratio to lowest rate	Percentage of White
White	R382	7.0	100%
Coloured	R192	3.5	50%
Rehoboth 'Baster'	R150	2.7	39%
Tswana	R100	1.8	26%
Damara	R75	1.4	20%
Herero; Nama	R65	1.2	17%
Owambo; Kavango; Caprivi	R55	1.0	14%

Source: Compiled from UNICEF-Namibia (1991: 110)

The SWAPO government argued that to perpetuate racially discriminatory social pension payments was not just unethical, but unconstitutional. Announcing the policy shift in 1992 toward equalisation of pensions across ethnic groups and genders, the Minister of Health and Social Services invoked Article 10 of Namibia's constitution, which entrenches equality and freedom from discrimination as basic civil rights. 'In practice, Mr Speaker, it means that the objective of this Government is to equalise all national pensions paid to all Namibians under this Act, and when I say equalise, I mean just that, no more, no less' (Republic of Namibia 1992a: 356). In the following parliamentary debate, the Minister of Justice observed that: 'The continued disparities in the payment of old age pensions on the basis of colour or race constitutes an anomaly which is totally irreconcilable with the public policy of our Republic' (Republic of Namibia 1992b: 77).

The government initially resolved to raise social pension payments to the White level, by freezing the top rate at N$382 and bringing all other groups up to this level in phased steps. The standard rate was set at N$92 a month in October 1990 and raised to N$120 in 1992. Registered pensioners continued

[19] At independence Namibia inherited the South African rand as its currency and retained it until the Namibia dollar (N$) was introduced in 1992. As of early 2001 the two currencies remain pegged to each other and convertible at equivalent value (N$1=R1).

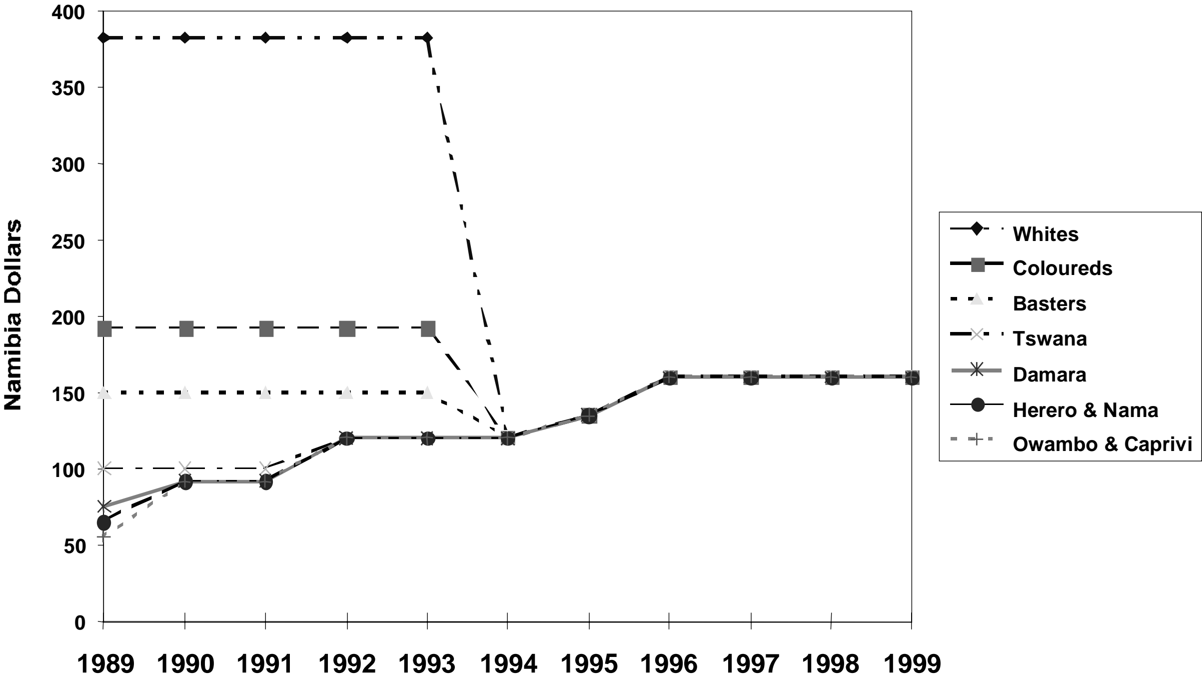
[20] In South Africa the disparity was less pronounced by 1990, at 63 per cent. However, levels of payment were 'considerably' higher in South Africa (Morgan 1991: 352), and have remained so, which is a source of annoyance among many of the Namibian pensioners interviewed for the present study in 1998. One reason for this disparity may be that the South African old age pension is means tested while Namibia's is universal, though given the extreme wealth inequalities in both countries the savings from withholding pensions from rich South Africans are probably insignificant relative to the mass poverty among the majority of the population.

receiving the same monthly payments as before, but all newly age-qualified pensioners entered the system at the standard rate. Following a reassessment in 1992, however, the government deemed that it would be fiscally unfeasible to equalise the pension rate at N$382 within the foreseeable future.

Accordingly, the policy was modified so that convergence was achieved around a level closer to the lower end of the scale. In 1992 the standard rate was raised from N$92 to N$120, while the top rate remained pegged at N$382 (Hubbard 1991: 20). In early 1994, all racial disparities in payments were eliminated at a stroke, simply by imposing the standard rate of N$120 on all social pensioners, against the vehement protests of Whites whose social pension income was cut to one-third of its previous nominal value. In May 1994 the standard rate was raised to N$135 and in 1996 to N$160, but it has not been increased since 1996 due to fiscal constraints and rising programme costs (see Figure 1). The Department of Social Services recommended raising the rate to N$200 during 2000, but was unsuccessful.[21]

Morgan (1991) estimated that the standard rate of N$92 per month could 'support fully the nutritional requirements of three adults' in 1991. At July 1996 prices this basket of items cost N$154. 'A pension of N$160 is thus sufficient for a family of three to stay above the poverty line' (Subbarao 1998: 8). Failure to raise the standard rate since 1996, however, means that the social pension's real value has fallen and no longer feeds three adults.

Figure 1 Monthly social pension payment rates, 1989–99



[21] Interview with Ms Batseba Katjiuanjo, Director of Social Services, Windhoek, December 1999.

If the justification for equalising the pension was constitutional and moral, implementation of this decision was entirely pragmatic. The minister announced that the budget allocated to national pensions each financial year 'will be divided equally amongst all pensioners and every pensioner will get his or her equal share without favouritism. This is the manner in which national pensions will be determined for the next financial year and in the future' (Republic of Namibia 1992a: 356).

In addition to equalising the pension payment across genders and race groups, the National Pensions Act of 1992 also allowed for the possibility of means testing being introduced. Although this appears to contradict the spirit of treating all Namibians equally, the act empowered the minister to make regulations as to 'the income and assets of any applicant to be taken into account in determining any national pension'.[22] Support for this provision came during the second reading debate, when some MPs argued that social pensions should be withheld from elderly people with substantial savings or investments to live on; in short, pensions should not be paid out to 'those who have other sources of income other than depending on social welfare' (Republic of Namibia 1992b: 76).

In fact, the government made no attempt to act upon this provision for several years. However, the government's Integrated Poverty Reduction Strategy of 1997 (Republic of Namibia 1997), while recognising the importance of the social pension to the poor, noted that the social pension alone accounted for almost 2 per cent of GDP, and it recommended introducing a means test in order to reduce inequality as well as poverty.

> To maintain fiscal sustainability while ensuring that poor elderly are covered, adopt indicator-based criteria (such as ownership of a vehicle, or a single family home, all income tax assesses, contributors to social security, etc.) to exclude the clearly non-poor individuals from eligibility to the social pension program. (Republic of Namibia 1997: 13)

In 1998 the Department of Social Services drafted an amendment to the 1992 National Pensions Act which added the following eligibility criterion to the three criteria listed previously (age, residence in Namibia and citizenship or permanent residence status): 'that his or her income and assets, in accordance with the prescribed requirements, entitles him or her to the granting of a national pension' (Republic of Namibia 1998: 2). The Minister of Health and Social Services confirmed in Parliament in March 1998 that means testing would shortly be introduced, in order to stop payments to 'those who received more than one pension and those with other assets' (*The Namibian*, 13 March 1998). The justification presented in Parliament was that closing this 'loophole' was not only 'ethical' but would release resources and enable

[22] This clause continues: 'including the value of any asset alienated in any manner within a stated period immediately before application for such as pension', which clearly aims at discouraging 59-year-olds from running down their asset holdings in anticipation of applying for a means tested pension on their next birthday! In practice, as with most means tested programmes, this would be extremely difficult to police.

the government both to accommodate the growing number of social pensioners and to raise the payment level.[23]

The amendment also changed retrospectively the name of the 1992 legislation, from the 'National Pensions Act' to the 'Basic State Grant Act', reflecting a fundamental shift in thinking by Namibian policymakers. The social pension will no longer be an **entitlement** or legal right for all elderly Namibians; instead it will be a **grant** from the state made only to those citizens whom the state deems to be in need of cash assistance. This shift from an objective universal eligibility criterion (everyone over 60) to a subjective discretionary criterion ('poor people' over 60) removes a legal right from elderly Namibians and gives the government unlimited ability to restrict and limit payments, by progressively tightening the definition of poverty and rigorously enforcing means testing.

The draft amendment to the National Pensions Act was submitted to Parliament during 1998 but was withdrawn by the Department of Social Services before being read and debated. There was no disagreement over the proposed change of name from social pension to basic state grant, nor over the principle of introducing means testing. But disagreement persisted over the appropriate mechanism for means testing. A sworn declaration of assets owned by the prospective pensioner on registration was one suggested approach, but critics argued that this was open to manipulation and fraud, and would merely discriminate against honest claimants whose assets made them slightly too 'wealthy' while dishonest claimants would gain access despite being technically ineligible. A revised amendment was due to be resubmitted to Parliament during 2000.

In the run-up to the general election of December 1999, the government faced strong pressure from opposition parties to increase substantially the value of the social pension. In March the leader of the opposition tabled a motion in parliament which asserted that: 'It is our moral obligation and it is a categorical imperative that we must raise the old age pension from N$160 to N$500 per month' (Republic of Namibia 1999: 51). Arguments for the motion included the fact that the payment level had been 'stagnant' for three years, that N$160 was too little to live on and an 'insult' to the elderly, that much of the money was spent on travelling to and from pay points, and that many pensioners were indebted to grocery stores, leaving them with 'hardly anything to take home' after they had settled their accounts. Fundamental questions were raised by MPs during the course of the debate that followed, including: 'Is the pay-out of social pensions to senior citizens a right, a duty or a favour? Is it affordable?' (Republic of Namibia 1999: 77).

The issue of whether the social pension was a right or a favour had been debated in the South African Parliament on several occasions. In June 1965 the Minister of Social Welfare and Pensions stated categorically that 'people must regard these social pensions as a right and not merely as a privilege' (Republic of South Africa 1965b: 8376). Similarly, in 1999 opposition members of the Namibian

[23] Policy shifts from universal to targeted benefits, or narrowing the targeting criteria for social assistance programmes, are invariably justified in terms of the 'ethics of cost-effectiveness'. In reality, savings made by excluding certain claimants are often diverted to pay for implementing means testing and policing the system rather than being transferred to beneficiaries in the form of enhanced benefits.

Parliament argued forcibly for this social safety net as an entitlement: the elderly 'have an inalienable and undeniable right to be looked after when they can no longer produce an income through active labour', and they reminded the house that article 95 of the constitution 'imposes a social responsibility on the State to help those who have difficulty to help themselves' (Republic of Namibia 1999: 78).[24] One minister deflected this argument by emphasising the duty of children towards their parents: 'Are you saying that the State should take up our responsibility as children to take care of our own parents and relatives?'[25] The minister further argued that the social pension was not a true pension scheme at all, since social pensioners 'never contributed to any formal pension scheme or pension fund', but was instead a 'monthly allowance' made out of 'compassion' to elderly citizens. This view motivated the decision to change the name of the social pension to 'basic state grant' (Republic of Namibia 1999: 81).

Contextualising Namibia's social pension

Namibia's colonial past left a legacy of extreme inequality. Namibia was a German colony (German South-West Africa) from 1884 until 1920, when it was handed over to South Africa as a First World War prize, to be administered under a League of Nations mandate. In 1967 the United Nations passed Resolution 435, instructing South Africa to grant independence to the 'mandated territory of South-West Africa', but South Africa ignored this resolution in order to continue extracting lucrative and strategically important minerals such as diamonds and uranium from South African-owned mines in Namibia. South Africa continued illegally to occupy and administer Namibia as a province of the republic until 1990, when SWAPO (the South-West African People's Organisation) under the leadership of Sam Nujoma, won the first free and fair general elections.

Even today, inequality and poverty in Namibia can be characterised in terms of economic dualism between the indigenous and settler populations. The Gini coefficient, at 0.641 in 1994 (Central Statistics Office 1995: 2), remains one of the worst in the world. The richest decile earns two-thirds of national income, while the ratio of per capita income between the top 5 per cent and the bottom 50 per cent stands at 50:1. Disaggregating these two categories would locate 'wealthy Namibia' among high-income countries in World Development Reports, while the bottom 50 per cent would be placed among the

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[24] Article 95(f) of Namibia's constitution states:
The State shall…actively promote and maintain the welfare of the people by adopting, *inter alia*, policies aimed at ensuring that senior citizens and the disabled are entitled to, and in fact do receive, a regular pension adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities (cited in Republic of Namibia 1992b: 77).

[25] Another minister saw the solution to caring for the elderly not in terms of raising the social pension but in reducing unemployment.
The real problem, Mr Speaker, is the high rate of unemployment among our young people … 72 per cent of our population are people below the age of 50 years. If we invest in them today through education, skills training, empowerment and access to resources for self-development, we will enable them to become employed or self-employed and through that make it financially possible for them to take up the responsibility of taking care of our old aged and not expecting the Government to take over this responsibility. (Republic of Namibia 1999: 81).
This would imply a shift in government priorities and spending away from 'welfarist' interventions towards investment in pro-poor growth.

world's poorest 20 countries (Devereux *et al.* 1995: 54). 'The Namibian economy is unique in the sense that it has almost a bi-modal income distribution. The average Namibian, in economic terms, does not exist' (United Nations Development Programme (UNDP) 1997: 10).

Namibia is classified in World Development Reports as a 'lower-middle-income' country and in Human Development Reports as having 'medium human development'. In 1997 Namibia ranked 71st out of 175 countries in terms of GDP per capita, but 44 places lower, at 115, in terms of UNDP's Human Development Index (HDI) (UNDP 1999). This discrepancy between indicators of economic and human development is one of the widest in the world; only South Africa, Botswana (both of which, curiously, also have social pension schemes) and Oman performed worse on this proxy for inequality. 'The main explanation for the discrepancy is the country's *apartheid* past, when the country's education and health systems were not developed to the level one would expect in a country of "middle income" status' (UNDP 1997: 8). On a more positive note, economic and social progress since independence are evident in rising GDP and HDI indicators during the 1990s.

In this context of great inequality and mass poverty, the social pension provides a vital support to tens of thousands of poor families. One implication of Namibia's bi-modal income distribution is that the affluent elite have little real need for the social pension, which is largely funded through their taxes and which they collect along with the poor majority. The social pension is by far the most important formal safety net programme in Namibia (see Table 4), accounting for 83 per cent of programme spending by the Department of Social Welfare in 1998. Social pensioners constitute 44 per cent of all beneficiaries of state-funded social welfare programmes.

Table 4 Namibia's formal social safety net programmes, 1998

Programme	Beneficiaries	Benefit per month	Annual cost (N$million)
Non-contributory pensions			
• Old age ('social') pension	82,670	N$160	158.7
• Disabled person's pension	11,850	N$160	22.8
• Blind person's pension	819	N$160	0.4
• War veteran's allowance	111	N$160	0.2
Child and family allowances			
• Maintenance grants	2,886	N$60/child	4.6
• Foster parent allowance	584	N$160/child	0.3
• Place of safety grants (abused children)	70/month	N$10/day	0.3
Institutional programmes			
• Subsidies to welfare organisations	24 orgs.	N$1,000	1.6
• School feeding programme	88,572	Free meals	2.8
Total	**187,562**		**N$191.7m**

Source: Adapted from Subbarao 1998
Note: One Namibia dollar (N$1) was equivalent to approximately 10p in 1998 (£1=N$10).

Conventional pension systems in industrialised economies provide formerly employed workers with a regular cash income as partial compensation for lost salary or wages, following their retirement from the formal labour force. Such occupational pensions protect people's livelihoods against loss of employment income in their old age; they act as 'retirement insurance'. In other words, a pension is an occupational safety net, a latent entitlement that becomes activated when a person's status switches from employed to retired, the assumption being that this change in status is associated with a dramatic and permanent loss of income.

Namibia's social pension is not a conventional pension scheme. Occupational pensions have three features that the social pension does not share: they are paid to workers on retirement, they are earnings related, and they are partly funded by compulsory savings. The social pension is activated only by an age milestone, not by a change in occupational status. It is paid to every Namibian citizen when they become 60 years old, a common retirement age for workers in industrial economies. But since the majority of Namibians are never in formal employment, eligibility for the social pension is not linked to either a change in occupational status or a fall in income. Age and citizenship are the only eligibility criteria. Also, the social pension is a flat-rate defined benefit rather than a defined contribution scheme; it is a state guaranteed social security payment that is not funded by workers' contributions (i.e. it is non-funded or non-contributory). In South Africa, where the social pension originated, it is means tested, but in Namibia it is not (at present). In both countries the social pension is funded directly from the national budget and is financed through tax revenues and other sources of government income, rather than through earnings-related contributions to national insurance or similar publicly-administered social security instruments.[26]

Unlike conventional pensions, therefore, Namibia's social pension is best conceptualised as a social assistance rather than a social insurance programme. Social insurance protects people against sudden drops in living standards caused by idiosyncratic risk (illness, unemployment, retirement) or covariate risk (drought, epidemics, crop blight). As Haddad and Zeller (1996: 6) point out, 'insurance does not aim to uplift people, i.e., to increase their capital or income, but, rather, secures the status quo'. By contrast, social assistance programmes attempt to raise the living standards of the poor, by improving their access to physical capital (e.g. roads, water supplies), by investing in their human capital (free or subsidised health and education), or simply by transferring free food or cash (food aid or income transfers). The fact that the social pension is non-contributory and is not linked to a change in employment status suggests that it is not a pension at all, but instead is a social assistance programme targeted at the elderly as a designated vulnerable group. So the social pension is more closely related to other indicator-based transfers where the indicator proxies individual or household vulnerability, such as cash or in-kind

[26] The state guaranteed social pension in Namibia and South Africa is unusual, but not unique. Botswana introduced a similar system in October 1996, which pays 110 pula per month (±£14) to all its 80,000 citizens aged 65 and older (Government of Botswana 1999). Noncontributory pensions are also found in some Latin American countries such as Cuba and Nicaragua, which have universal coverage of elderly citizens (Iyer 1993: 194). In Chile, a social assistance benefit equivalent to about ±12 per cent of the average wage is paid to some 300,000 elderly citizens who have no savings, the number of beneficiaries being limited by a statutory quota (Beattie and McGillivray 1995: 78).

transfers to female-headed households, or people with disabilities. This may explain why the Namibian government decided in 1998 to rename the social pension the basic state grant, and why a report on South Africa's social pension scheme was titled 'Large cash transfers to the elderly in South Africa' (Case and Deaton 1996).

Administration of the social pension in Namibia

This section examines selected issues around the administration and design of Namibia's social pension scheme in the country's first post-independence decade. The issues addressed here are coverage, fiscal and political sustainability, and targeting.

Coverage

At independence in March 1990, coverage of the social pension – defined as persons actually receiving social pensions as a percentage of all eligible Namibians – officially stood at around 50 per cent, which the new government immediately made efforts to increase. The Minister of Health and Social Services told Parliament in 1992 that, as of March 1990, 53,129 Namibians were receiving a social pension (which included old age, war veteran's, disability and blind person's pensions), and that this figure had risen to 74,546 by September 1991. The minister added that a further 24,400 Namibians aged over 60 were not receiving or claiming the pension to which they were entitled (Republic of Namibia 1992a: 353). Discounting 28,823 recipients of disability pensions, this would imply a coverage of 58 per cent, though this is possibly optimistic (see Table 5 below).

Coverage in pension provision varied geographically in colonial Namibia, from over 80 per cent in some homelands (Hereroland, Namaland), to under 50 per cent in others (Caprivi), the lowest being around 33 per cent (Kavango) (Morgan 1991: 353).[27] Morgan explains this in terms of variable levels of efficiency across the second tier authorities that administered the homelands, including registering pensioners and disbursing pensions. Isolated rural areas, where the need for transfer income is generally highest, were badly neglected by the pension delivery system. An alternative (political) explanation is that strategically important regions and population groups, notably the Owambo people on Namibia's northern border with Angola, received preferential attention because of South Africa's 'winning hearts and minds' campaign during the 1970s and 1980s.

This theory is not supported by empirical evidence, which, however, is contradictory. A 1992 survey of 250 rural households in northern Namibia found that one in three had members who received the social pension. However, only 42 per cent of those who were eligible (87 of 208 individuals) were in fact receiving the pension (Botelle 1992: 50). A survey of 300 rural households in an adjacent district in 1993

[27] For purposes of comparison with Table 3, it should be noted that the pre-independence bantustans were renamed and correspond more or less to the following regions: Hereroland is now Otjozondjupa; Bushmanland is Omaheke; former Owamboland is now Ohangwena, Omusati, Oshana and Oshikoto regions; Namaland straddled Karas and Hardap regions; Damaraland is now Erongo; Kaokoland is now known as Kunene region; and the city of Windhoek is at the centre of Khomas region. Only Caprivi and Kavango remain as before.

found that 85 per cent (193 out of 228) of residents aged 60 or above were receiving the social pension (Næraa and Solomon 1994: 43). Based on recalculated data from the 1993–94 national household income and expenditure survey, Subbarao (1998) derived the estimates presented in Table 5 for coverage of the social pension by region.

Table 5 Regional coverage of the social pension in Namibia, 1993–94

Location	Region	Persons aged 60+	Social pension recipients	Coverage (%)
South	Hardap	4,347	3,395	78.1
(77%)	Karas	4,262	3,227	75.7
Central	Erongo	4,457	3,204	72.0
(68%)	Khomas	5,703	3,744	65.6
Northeast	Caprivi	3,616	2,343	64.8
(56%)	Omaheke	4,412	2,629	60.0
	Otjozondjupa	6,031	2,896	48.0
North	Kunene	3,609	1,829	50.7
(39%)	Oshikoto	10,605	5,145	48.5
	Kavango	16,740	6,442	38.5
	Ohangwena	5,175	1,841	35.6
	Omusati	12,031	4,093	34.0
	Oshana	10,508	3,248	30.9
Namibia		**86,321**	**42,195**	**48.9**

Source: Compiled from Subbarao (1998: 11).

Not only was total coverage in 1993 much lower than reported by government – still around 50 per cent, three years after independence – regional coverage remained extremely variable. Table 5 is particularly instructive concerning the political geography of Namibia during the *apartheid* era. Significantly, the politically favoured (South African supporting) southern and central regions (including Karas and Khomas), as well as Caprivi,[28] cluster together among the highest coverage regions, all enjoying well above 60 per cent coverage. Conversely, the politically oppositional northern regions (SWAPO's power base) all fall below the national average of just under 50 per cent coverage, with Omusati next to last at 34 per cent. This heavily skewed pattern of coverage casts doubt on the argument that the social pension was a sop aimed at 'winning the hearts and minds' of the Owambo people. It provides implicit support for the alternative view that the social pension supported the colonial administration's racist policy of influx control, which maintained the majority of blacks in the rural areas, specifically in the semi-arid regions of central and southern Namibia (Hardap, Karas, Erongo).

[28] Caprivi was the only region in northern Namibia that voluntarily hosted – and profited from – the South African Defence Force during its covert war against Angola in the 1970s and 1980s.

Since independence, of course, these overtly politicised rationales for the social pension have disappeared; if any political bias still pervades its coverage, it is likely to be in the opposite direction, which would imply reversing previous patterns of discrimination. In fact, there is no evidence for any such bias; instead there has been a general rise in coverage across all regions. By 1998 there was a consensus that coverage stood at 88 per cent for the country as a whole (Subbarao 1998: 9). This dramatic improvement during the 1990s is a positive reflection on the government's stated commitment to achieve universal coverage by the year 2000, while retaining the social pension's real value.

A major factor behind the improved coverage of social pensioners was the government's decision in 1996 to privatise the pension delivery system. Cash Paymaster Services (CPS), a subsidiary of a South African bank, won the contract based on their success in delivering pensions to social pensioners in South Africa since 1989. CPS introduced a unique, high-technology solution to the problem of delivering relatively small amounts of cash to 3.5 million South African and 84,000 Namibian pensioners across vast areas (see Box 1). Convoys of vehicles fitted with cash dispensing machines and protected by armed security guards visit hundreds of designated payment points every month, where registered pensioners queue to meet them.[29] Since most elderly rural Namibians are illiterate, and since the previous system based on fingerprints was highly susceptible to corruption – officials simply thumbprinted forms and took the money – biometric identification methods are used for claimant recognition and verification. The pensioner presses a finger onto a touchpad which is connected to a computerised database of all pensioners' fingerprints nationwide. If the number that appears on the computer screen matches the number on the pensioner's identification card, a CPS official withdraws cash from the dispenser and gives it to the pensioner.

According to the Director of CPS in Namibia, computerisation and biometric identification techniques have 'eliminated' corruption and fraud by officials and beneficiaries from the social pension delivery system.[30] This claim might be exaggerated, but the level of corruption has certainly been reduced.

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[29] One CPS team that we accompanied during fieldwork in southern Namibia visits two to three payment points daily for 24 days every month, then returns to Windhoek for a one-week break before starting the tour again. On pension pay-day in our study community of Berseba in Karas region, 133 pensioners (two-thirds of them women) received N$160 each. Aggregating this across the team's 67 payment points suggests that over N$1.4 million is disbursed by this team every month (£140,000), and these figures are much higher in the densely populated northern regions.

[30] Interview with Mr Doug Abbey, Director of Cash Paymaster Services in Namibia, Windhoek, October 1998. The previous system had been vulnerable to various forms of corruption and fraud, some of which were elaborated in Parliament in 1992 by the Minister of Health and Social Services:

In the event that the pensioner passes away, a relative grabs the deceased's identity card and he or she uses it in claiming payments under the guise of proxy. There are those who are known to be in possession of more than three identity cards obtained in this manner. This fraudulent behaviour caused staggering amounts of money to be unaccounted for and at the same time undermined the Government's efforts to improve the pensions of the aged, blind and disabled. (Republic of Namibia 1992b: 175)

The minister cited cases of people who had died in 1986 and were still on the pay-list in 1991. He also referred to paymasters who embezzled money by paying money to themselves rather than to pensioners, or by keeping accounts open long after pensioners had passed away.

Box 1 Cash Paymaster Services and delivery of social pensions in Namibia

'The provision of cash payments on a large scale often presents major logistical problems with regard to financial controls, processing, fraud and the identification of the beneficiary. CPS has pioneered the development of a unique electronic method of cash payments, with the ability to provide this service even in the remotest areas of Southern Africa. Both technologically and logistically, CPS has developed the solution to provide this service by using a computer-based biometric identification system and well-secured vehicles for making cash payments. These vehicles are fitted with hi-tech cash-dispensing machines which utilise the unique method of biometric identification.

'The CPS method of cash payments begins with registration. Each beneficiary is required to have the pattern of his or her fingerprint biometrically recorded and then stored in a database. Each beneficiary is also issued with a magnetic identification card which enables access to this database at a specific paypoint.

'Subsequent to registration the payout process can commence. Designated vehicles drive to predetermined paypoints accompanied by armed security vehicles provided by the client or CPS; payment then takes place. Payment begins when the cash dispensers on the vehicles are activated. In order to receive payment, the beneficiary inserts a magnetic ID card through a card reader and places a finger on the biometric fingerprint device. CPS utilises the unique method of electronic identification known as AFIS (automated fingerprint identification system) which is technologically highly sophisticated but nevertheless extremely user-friendly. Instructions for the use of the equipment are relayed via a computer screen. This process takes only a matter of seconds. Once the identity of the person is verified the cash is dispensed in notes along with a receipt. The next person is now ready to be paid.

'The high degree of mobility and flexibility of the CPS service allows the client to determine the timing, frequency and location of payouts. The CPS solution provides a computerised system of record-keeping and financial reconciliation. The information contained within the system is accurate, up-to-date and easy to access. This results in better administration and cost effectiveness. Importantly, the system is designed to handle large volumes of transactions. By implementing the CPS solution, clients have saved millions of rands due to the dramatic decrease in fraud and irregularities.

How the client benefits

- 'Major cost savings through reduction in fraud and irregularities
- 'Improved quality of service directly related to the use of biometric technology
- 'The entire risk of the pension payment operation is passed to CPS
- 'Automated, accurate and up-to-date record-keeping and financial reconciliation
- 'Improved management information systems and decision-making
- 'Flexibility and versatility of operations
- 'Reduction in the time taken to pay beneficiaries
- 'The existing CPS infrastructure can be modified to provide other value-added services in accordance with client needs'

Source: Cash Paymaster Services, publicity brochure, 1997

In our survey, one in ten pensioners in the south and centre, and one in five in the north, complained of interruptions to receiving the pension for periods ranging from one month to two years, though the norm was around two to three months. The reasons given divided into two categories: the transition from government to CPS administration in 1996 (the new system caused some confusion around payment

dates and pensioner lists, and there were teething problems with computerisation: some names did not appear or fingerprints were not recognised); and pensioners' 'personal difficulties' (lost ID papers, illness, or transport problems: 'flooded river made access to pay office impossible'). In the north two responses hint at possible corruption in a system which has generally been virtually corruption-free: 'I was told there was no money'; 'They promised my money by next pay-out but I never saw it'.[31]

Computerisation also introduced an inflexibility and impersonality into the pension which causes unintentional hardship. Previously, when the government was administering the social pension, when a pensioner died their family would receive the pension for the next month, to assist with funeral expenses. Since privatisation, however, pensioners can only receive cash by registering their fingerprints on the computer, so the possibility of a final posthumous payment has been lost. During our survey pensioners argued forcibly for this provision to be restored, given that the money has already been allocated and a death imposes heavy costs – and lost income – on the deceased pensioner's family.

Fiscal and political sustainability

Costs of the social pension are rising constantly, due to three factors: the First National Development Plan target of achieving maximum coverage by the year 2000; natural population growth and rising life expectancies; and pressures to raise the pension's real value (Republic of Namibia 1994: 14). According to the government's economic policy think-tank, even without an increase in the social pension's real value, increasing coverage and longevity of elderly citizens would raise government spending on the social pension from 3.4 per cent of total spending in 1994 to 4.8 per cent in 1999. 'Thus an increase in the level of pension paid is not regarded as feasible' (Namibian Economic Policy Research Unit 1996: 39). Achieving universal coverage would require raising the numbers of beneficiaries by 40,000, many of whom live in dispersed communities in the most sparsely populated regions of Namibia. The World Bank (1995: 156) estimated that raising coverage to 100 per cent would require an 80 per cent real increase in pensions expenditure, partly because of increased numbers and partly because of the incremental marginal costs (due to logistical difficulties) of reaching them. Subbarao (1998: 16) estimated that with 800 people over 60 being added to Namibia's population every year, the budgetary allocation to the social pension would need to increase by 0.8 per cent a year simply to meet this steadily increasing demand, which he judged to be fiscally unsustainable.[32]

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[31] In June 1998, a newspaper reported that three CPS officials had been suspended for stealing pension money by telling pensioners that their names did not appear on the computer screen during fingerprint recognition, although records at the regional CPS office revealed that their money had in fact been paid out (*The Namibian*, 12 June 1998). Very few cases of this kind of corruption have been reported, partly because it is so easy to detect.

[32] The government of Botswana's Old Age Pension Unit has advanced similar arguments against calls to raise the pension rate from its current level of 110 Pula a month to P200 (±£25) or P300 (±£38), and to lower the age of eligibility from 65 to 60. 'An increase in the amount of monthly pension and/or reduction in eligibility age will be unsustainable … increasing payouts under social welfare programmes will mean Government reducing on other development programmes like the construction of health facilities, educational infrastructure, etc.' (Government of Botswana 1999: 2).

The social pension accounted for 3.4 per cent of Namibian government spending in 1994 (Republic of Namibia 1995a), and 3.7 per cent in 1996/97. A public expenditure review conducted in 1995 found that Namibia's spending on social sectors (education, health, social security) was higher as a proportion of total government expenditure than in comparable countries, while its spending on defence and debt servicing was much lower. Education in 1995 absorbed 25 per cent of the total budget, while health and social services accounted for 15 per cent, and defence just 5 per cent. Pensions were the single most important component of social services expenditure (World Bank 1995: 155).

In an argument often made in Namibia, Case and Deaton (1996: 12) suggest that South Africa's extreme income inequality – median White incomes being ten times Black incomes – is a precondition for the social pension system. 'Without this large difference, the pension transfers would surely be infeasible.' This inequality also reduces 'leakages' to the non-poor. In South Africa in 1993, 89 per cent of social pension recipients were African and only 3 per cent were White. In both Namibia and South Africa, where Gini coefficients are comparably high, the fiscal savings from means testing to exclude the relatively few non-poor from benefits may be more than offset by the administrative costs of targeting.

Government spending on the social pension is of course very high, but is it 'unaffordable' or 'unsustainable', as is often claimed by policy-makers and observers? This question raises issues not only around fiscal costs and sustainability, but also about government commitment and policy priorities. As Beattie and McGillivray point out in a comment on the World Bank report on pensions, 'Averting the Old Age Crisis' (World Bank 1994):

> It is alleged that public pension schemes are often not affordable, which presumably implies that they impose an excessive burden on the economy. The report often refers to 'affordability' or 'sustainability' as if these were objective scientific concepts…There is no economic law that prevents societies from deciding to allocate more resources to old-age security and less to some other expenditure. (Beattie and McGillivray 1995: 68)

In this light, a more pertinent question might be: Is political commitment to the social pension diminishing? In 1995 the government warned that: 'The increasing cost of providing the pension raises concerns about the programme's long-term sustainability' (Republic of Namibia 1995b: 11). The Integrated Poverty Reduction Strategy of 1997 argued that 'the country has reached the limits of its ability to mobilise public revenues' (recalling that the social pension is non-contributory and is funded entirely out of general tax revenue), and that the ratio of expenditures on grant-based safety net programmes (including the social pension) to GDP 'should not go any higher' (Republic of Namibia 1997: 12). The real value of the pension has in fact been allowed to decline by the refusal to raise its nominal value since 1996. In March 1998 the Minister of Health and Social Services told Parliament: 'We are unable to increase pensions this financial year due to other urgent commitments', citing budgetary constraints and complaining that the pension is allowing children to 'abandon their responsibility' to their parents, to

'dump their children on their old parents with no support', and that it is being used to pay school fees, which is not its intended purpose (*The Namibian* 13 March 1998).

Largely because of the simplicity of the targeting mechanism, combined with the government's failure to invest resources in extending coverage to all eligible citizens, the administrative costs of the social pension were low in the early 1990s, at 7 per cent of the pension's value (N$11 per N$160 transferred): 'a modest percent by international standards' (Subbarao 1998: 15). In 1992, pensions cost the government of Namibia R117 million. At that time 75,000 Namibians were receiving R120 per month, so a simple calculation reveals that each pensioner cost the government R1,570 per annum, of which R1,440 was paid out to the pensioner, leaving R130 for administration and delivery costs, or 9 per cent of total spending, producing a respectable alpha-ratio of 0.91. However, costs of delivering the social pension increased sharply following its privatisation in 1996, partly because of the initial investment in vehicles and technology (cash dispensers, biometric recognition mechanisms, computerised databases) and partly because further progress was made towards the goal of universal coverage. By 1998, CPS was reaching 88 per cent of all eligible pensioners.

In late 1999, when the three-year contract between the Directorate of Social Services and CPS expired and was put out to tender, CPS was undercut by a rival bid and lost the contract. According to the Director of Social Services, cost was a major factor.[33] The government was then paying CPS N$1.6 million each month – approximately 14 per cent of the pensions budget – to deliver the social pension. This implies a fairly respectable alpha-ratio of 0.86, but with cost considerations and 'Namibianisation' at the forefront of government thinking, the ministry decided to transfer the delivery mechanism from CPS, a South African-based company, to a local but untried private consortium.

Targeting and leakages

The rationale for targeting cash transfers on people over 60 is not only that they may be unable to continue working or farming to provide for themselves, but also that high levels of unemployment and the very low incomes earned by most South Africans and Namibians limit the ability of the poor to care for their elderly relatives. For most Namibians, whether rich or poor, the social pension simply constitutes an additional stream of income. The social pension is a gratuitous benefit for all citizens over 60; it is not targeted on retired workers. For the majority of Namibians who survive in poverty their entire lives and never enter or leave formal employment, the social pension arrives as a bonus, not as **compensation** for lost income, but an entirely new and **additional** source of income. For the wealthy minority, the social pension is a small but useful supplement to their private or occupational pension schemes. As for the poor, the social pension can actually boosts the cash income of people such as farmers in communal areas, most of whom earn and save very little during their economically active lives. It represents a significant cash injection that is often redistributed to the recipient's extended family (as will be seen below). The social pension may allow some people to stop working, but leaving formal or

[33] Interview with Ms Batseba Katjiuanjo, Director of Social Services, Windhoek, December 1999.

informal employment is not a precondition as it is with conventional pension systems. In rural Namibia, men and women typically engage in crop farming and livestock rearing until they are no longer physically able to work, which may happen at any age but probably not – in contrast to the discrete event of retirement from the labour force – on their 60th birthday. According to Barbone and Sanchez (1999: 39), 34 per cent of Namibians aged 60+ are economically active.

Namibia's social pension is a social assistance programme that chooses a personal characteristic – old age – as an indicator of poverty and vulnerability. But targeting only by age is a crude proxy and an inaccurate mechanism for alleviating poverty in a society characterised by extreme wealth inequalities and limited participation of the economically active population in formal employment. While old age may be associated with a greater likelihood of being economically vulnerable, this is not necessarily the case. Non-poor elderly Namibians also benefit from the social pension, and this creates obvious cost inefficiencies. Moreover, pensions everywhere can result in: 'Perverse redistribution of income … due to the fact that the rich tend to live longer and thus collect more pension payments than the poor' (Beattie and McGillivray 1995: 72).

Subbarao (1998: 12) recommended reducing the social pension's 'inclusion errors' by introducing a second criterion (in addition to age) to restrict eligibility: say, a proxy indicator such as vehicle ownership. Given Namibia's strong information base, Subbarao concludes that 'the consequential increase in administrative cost could be minimal while the gain in resource savings could be substantial'. The authors of the public expenditure review also recommended narrowing the eligibility criteria to exclude the non-poor, as a way of recouping some of the increased spending from extending coverage, population growth and rising longevity. They were not in favour of means testing, though, arguing that estimating household incomes would be administratively unfeasible 'given the role of the rural subsistence economy and the nature of the extended family' (World Bank 1995: 174). Instead they recommended excluding all income-tax payers who had retired from formal sector employment. This criterion has the advantage of being a relatively robust proxy indicator, and it would be simple and inexpensive to implement.

Another possible solution to mistargeting would be to introduce 'access costs' as a self-targeting instrument to discourage non-needy applicants. When CPS took over delivery of the social pension in 1996, they required all pensioners physically to re-register on the new computerised system. This met with resistance from Whites, who complained about having to waste their time queuing (even once). Previously they had received the pension as a monthly payment into their local bank or post office accounts, which they could draw at their convenience. One option to discourage the non-needy from applying for the social pension would be to require all citizens over 60 to queue for their benefit at local payment points every months, as rural residents and the poor without bank accounts or post office savings books do already. The stigma and time costs would certainly act as a screening mechanism to exclude many wealthier citizens from claiming the social pension, without going so far as to legally disqualify them through applying a means test.

The government's decision in 1994 to equalise the social pension at a lower rate than the top (White) rate, followed by the 1998 proposal to means test the pension, both impact negatively on benefits transferred to wealthier Namibian citizens. These decisions were justified by the need for fiscal restraint, and may indeed secure the future funding base for social pensions for the poor. On the other hand, targeting may introduce 'political costs' for the poor. If non-poor taxpayers are no longer beneficiaries but only contributors to the social pension, there are real risks of a political backlash from those who would be excluded from a programme which they are largely responsible for financing. As Beattie and McGillivray (1995: 79–80) explain in an analogous argument about privatisation of pension schemes, political support for public pensions from influential non-poor groups could well decline. 'Poorer pensioners, wholly or primarily dependent on the public scheme, will be more isolated, and the better-off majority may well be more interested in reducing their tax burden than in defending the level of public pensions.'

Although the social pension is regressive in the sense that wealthier pensioners are likely to draw it longer than poorer pensioners (because of the positive association between income and life expectancy), it is progressive to the extent that it transfers income from wealthy (mainly White) taxpayers to poor (mainly African) non-taxpayers. Introducing targeting criteria would certainly be regarded by White Namibians – most of whom would instantly lose their entitlement to the social pension if means testing was applied – as discriminatory against them, and might even be challenged as unconstitutional on these grounds. It is vital that political support for the social pension is maintained among the (still White-dominated) economic elites, not only among the new (African-dominated) political elites who have explicitly prioritised the interests of poor Namibians since 1990.

Impacts of the social pension in Namibia

The social pension has affected its recipients, their families and local communities in a variety of ways. This section examines a range of economic and non-economic impacts, including the pension's contribution to household incomes, poverty reduction and food security, its demographic consequences, and the investment of pension income in the education of grandchildren. The evidence presented below draws partly on secondary sources and partly on a survey of 300 pensioners that was conducted for this research project during 1998 in southern, central and northern Namibia.

Public perceptions and official discourse

Namibia's social pension is widely perceived as a welfarist intervention, since it is targeted at the elderly ('non-productive' members of society) and is intended primarily to sustain them in terms of basic needs: 'the purpose is [for recipients] to clothe themselves and to feed themselves' (Republic of Namibia 1992b: 75). On the other hand, no conditions are set on its use, and this 'freedom of choice' argument was given as a justification for the unconditional cash payment when the National Pensions Bill was read in Parliament in March 1992:

> The Bill provides for cash payments to be made on a monthly basis to the beneficiaries. The money so given is to be administered by themselves and spent according to their own discretion … pensioners should have the freedom to administer their pensions themselves and arrange their priorities as they see fit. (Republic of Namibia 1992b: 70)

Against this laissez-faire view, one member of Parliament pointed to cases of 'recipients who misuse the pensions in ways harmful to their health and social being', and argued that 'The Government has every power and right to dictate how pension monies, which is in fact our tax-payer's money, be utilised'. This MP proposed amendments to the bill (which were not adopted) to ensure that 'such misuse be made punishable under this law' (Republic of Namibia 1992b: 70–71). In fact, government and opposition members of Parliament in Namibia frequently express views about the way social pensioners use their pension income, opinions that are frequently critical, even almost hysterical (see the selection of quotations from the second reading of Namibia's National Pensions Bill, in Box 2). Social pensioners are routinely accused of 'alcoholism and other vices', and the social pension is seen as encouraging laziness and dependency among pensioners' relatives and neighbours. Curiously, such observations are never directed against citizens who are drawing occupational or private pensions.

Other MPs recognise the positive importance of the pension in sustaining extended families.

> Here in Namibia the pension is quite often the only income of an entire family. The grandmother gets the pension, the children who cannot find employment live with her, the grandchildren live with her, women who have babies and cannot trace their fathers send the children to the grandmother and they all live on that old age pension. (Republic of Namibia 1992b: 70)

Some MPs took the opportunity to suggest that this function of the pension encouraged 'irresponsible' behaviour:

> men are so irresponsible, they are not taking care of the children they are making all over the place. That is really what it is. So, these young mothers are also running after life and their children are therefore dumped with the elderly mother.
> (Republic of Namibia 1992b: 186)

Box 2 Observations by Namibian politicians about social pensioners

'On pension pay-out days most of our southern towns are literally vibrating. They resemble over-crowded mental institutions, because on such days the effect of the pension money is such that everybody seems to be mentally deranged. Current pension payments contribute very little to the well-being of a considerable majority. The millions given to the aged and the disabled are nothing but a subsidy to liquor stores. It is through the pensioners themselves, their children, their friends or some juvenile criminals, that their pension finds its way to liquor stores. It is against this background that I label our national pension system to be ineffectual.'

Opposition (UDF) MP

'It is a common picture in this country to see some decadent irresponsible pensioners who have fallen victim of alcoholism and other vices, spending virtually the whole amount of money they received that day in a bottle store. These bottle stores are usually situated near points of payment. They go on a spree of drinking and they are being mugged and robbed and at sunset they look for the nearest clinic, not necessarily for treatment, but to upset the smooth running of the clinic and to disturb peace and tranquillity there.'

Deputy Minister of Health and Social Services

'Unfortunately in our society even loafers rely on elderly people. Loafers who won't work always wait for the day that grandmother comes with those few Rand so that he can get something for his own pocket, buy beer, liquor or even cigarettes. I say social welfare must go hand in hand with education, where those who receive it must make sure that that they utilise it for the purpose for which it is being given – to clothe themselves and to feed themselves.'

Opposition (UDF) MP

The Minister of Home Affairs referred to the long walking distances faced by some elderly citizens to collect their pensions, and he complained about the 'vultures…who collect these old people and ask them to pay a lot of money for transporting them to and from centres of payment. The result is that when they go back home they go with sometimes half of what they have collected, a lot of the money has been paid for transport'.

Source: Second Reading of Namibia's National Pensions Bill (Republic of Namibia 1992b)

Pensions and poverty

Surprisingly, given its centrality to livelihoods and its multiple impacts in poor households and communities, the social pension in Namibia is under-researched, and what data does exist is narrowly focused on its economic significance. A number of household budget surveys have attempted to quantify the contribution of the social pension to household incomes, but only at aggregated levels of analysis: the region, district or, occasionally, community. These assessments have focused on three indicators: the percentage of households receiving or 'dependent on' the social pension, the importance of the pension in ranking all sources of income, and the percentage contribution of pensions to total household income. These findings are reported below.

Statistical data on pensions were collected in the Central Statistics Office's (CSO) *National Household Income and Expenditure Survey* (NHIES), a nationwide questionnaire-based survey which was carried out

during 1993 and 1994. The unique strength of this dataset is its national representativeness. Unfortunately, the data presented in the report are of limited value due to some methodological problems. The report notes that 'consumption is better recorded than income in household income and expenditure surveys', and that 'total private household consumption' (cash expenditures plus consumption in kind, including own production), added to household savings and investments, is the most reliable way to estimate household income (CSO 1996: 137). The resulting focus on quantifying private consumption, while richly detailed, neglects even simple descriptive information on income sources and levels; only one direct question on income was asked in the survey. However, robust estimates of household and per capita incomes were derived from the consumption data.

These methodological difficulties make it impossible to answer the most basic questions regarding the social pension, such as: How many pension recipients are there? The survey finds that 27,602 households in Namibia report 'pensions' as their main source of income, or 11.3 per cent of the total of 244,827 households (CSO 1996: 77). But this figure severely underestimates the actual number of pension recipients, for two reasons: many households have more than one pensioner; and many pensioners live in households which reported a different 'main source of income', such as 'subsistence farming' (35 per cent of all households), 'wages in cash' (44 per cent), 'business' (6 per cent) and 'cash remittances' (4 per cent). The survey's failure to record more than one source of income makes it impossible to ascertain either the coverage or the full contribution of the social pension. Nonetheless, it is significant that the pension emerges as the third most important source of livelihood for Namibians, at least in terms of the numbers of households that depend on it.

According to the NHIES, most pension recipients in Namibia – 21,990 (83 per cent) of 26,602 households which claim pensions as their main source of income – live in rural areas (CSO 1996: 78). The pension is more important to women than to men in two senses. In absolute numbers, female-headed households which depend on the pension as their main source of income (14,007) outnumber male-headed households in the same position (13,596). Secondly, the disparity is more significant in percentage terms, given that male-headed households outnumber female-headed households by three to two (around 40 per cent of Namibian households are headed by women). Fifteen per cent of all female-headed households in Namibia depend primarily on the pension (17 per cent in rural areas), compared to just 9 per cent of male-headed households (CSO 1996: 79).

Indicators based on living conditions of pension dependent households suggest that these households are poorer than average:

> 85-90 percent of the households where pension is the main source of income have no electricity for cooking or lighting. And the only toilet facility is the bush or a bucket for 70 percent of these households. More than 50 percent of the households of pensioners have 5 minutes' or more one-way walking distance to the nearest drinking water supply … a relatively large percentage of the

households have more than 60 minutes' one-way walking time to the nearest clinic/hospital, public transport and local shop. (CSO 1996: 86)

The key 'money-metric' indicator of relative wellbeing of pension-dependent households is their aggregate income level in relation to households with other primary income sources. The NHIES data finds that subsistence farmers are the poorest category of Namibian households, and that pension-dependent households are significantly better off, though still falling well below the national mean income (as proxied by consumption).

> The annual per capita income for households where 'pensions' or 'cash remittances' is the main source of income is about N$1,600. This consumption level is about 50 percent higher than for households where 'subsistence farming' is the main source of income. But it is only about 50 percent of the average per capita income in Namibia. (CSO 1996: 157)

Note that 'average' (mean) income conceals great disparities between Namibia's wealthy elite, most of whom are involved in business for profit or employed for wages in cash, and the poor majority, most of whom are located economically in subsistence farming. At 0.701, Namibia's Gini coefficient reflects one of the most skewed distributions of private income in the world (CSO 1996: 143), and the median annual income per capita is only one-third of the mean income (N$933 *v.* N$3,031).

Table 6 Annual private income in Namibia, by primary source of income

Primary source of income	Percent of total population	Percent of total income	Average household size	Average household income (N$)	Average per capita income (N$)
Business	5.3	13.2	5.3	39,909	7,594
Wages in cash	37.4	64.3	4.8	25,224	5,220
Pensions	11.4	6.0	5.8	9,217	1,600
Remittances	3.6	1.8	4.7	7,375	1,554
Subsistence farming	42.2	14.6	6.9	7,218	1,046
NAMIBIA	**100**	**100**	**5.7**	**17,198**	**3,031**

Source: CSO (1996: 157)

Intriguingly, this evidence suggests that subsistence farmers in Namibia generally enjoy a significant **improvement** in their standard of living on reaching retirement age. One possible explanation for this is that these farmers do not in fact 'retire' but continue farming, with or without the help of relatives, until they become infirm or die. It is perhaps no coincidence that the income gap between pension-dependent and subsistence farming households, at N$1,998, closely matches the annual value of one pension, which was worth N$1,620 per annum (N$135 per month) when the NHIES survey was undertaken in 1993/94.

NHIES data reveal that pension-dependent households consume 39.7 per cent of their income in the form of food, including alcoholic beverages and tobacco (the national average being 32.5 per cent);

32.3 per cent on housing (higher than the national average of 25.4 per cent); 4 per cent on clothing (lower than the 5.4 per cent average); and 24 per cent on 'other' (as compared to 36.6 per cent nationally), which includes furniture and utensils, household operations, medical care, transport and communication, education, personal care, and recreation (CSO 1996: 177). This comparison is skewed by the high proportion of consumption in the 'other' category by business-dependent households (59 per cent).

Pension-dependent households are generally worse off than the median Namibian household in terms of consumer durables owned, but not substantially so, which might suggest that the pension provides sufficient regular cash income for recipients to save up for large purchases such as a bicycle or refrigerator. Pension-dependent households are better off in terms of assets owned than households that depend on subsistence farming, but worse off than those that engage in business or receive regular cash wages. In terms of livestock ownership, pension-dependent households are close to Namibian norms, although another limitation of the NHIES survey is that the questionnaire only records **whether** households own various categories of livestock or not, not actual **numbers** owned (see Table 7).

Table 7 Namibian households owning various assets, 1994

	Assets	All Namibian households	Pension-dependent households
Consumer goods	Radio	65%	56%
	Sewing machine	25%	31%
	Refrigerator	22%	14%
	Bicycle	20%	12%
	Motor vehicle	20%	11%
	Telephone	17%	11%
	Television	19%	9%
Livestock	Cattle	37%	32%
	Goats	42%	39%
	Sheep	8%	8%
	Pigs	14%	16%
	Poultry	61%	65%

Source: Compiled from CSO (1996: 126–134)

The comparative results presented above do not answer the critical question: How many pension-dependent households are poor? Michael Lipton's rule, that a 'food consumption ratio' (consumption of food as a proportion of total consumption) greater than 60 per cent signifies 'poverty' while a rate exceeding 80 per cent is an indicator of 'severe poverty', has the advantage of being an absolute rather than comparative measure of deprivation. Applying this rule to the NHIES data reveals that 42 per cent of pension-dependent households in Namibia are 'moderately poor' (30.9 per cent) or 'severely poor' (11.1 per cent), and only 58 per cent are 'not poor' (Table 8). Slightly more pension-dependent households are poor than among the general population, where 37.8 per cent of households are

moderately or severely poor. However, poverty is worse among subsistence farmers, 52.3 per cent of whom are living in poverty (CSO 1996: 185). These figures provide further circumstantial evidence for the speculation that the pension might uplift certain categories of household, even lifting some out of poverty altogether. Nonetheless, it is also clear that poverty is concentrated among subsistence farmers and pensioner households, and to a significant extent also among those receiving cash remittances, 37.3 per cent of whom live in moderate or severe poverty, and that a high proportion of pensioners remain entrenched in poverty despite receiving this transfer.

Table 8 Poverty in Namibia by household's primary source of income

Primary source of income	Moderately poor	Severely poor	Not poor
Pensions	30.9	11.1	58.0
Remittances	29.6	7.7	62.7
Subsistence farming	40.1	12.2	47.7
Namibia	**29.1**	**8.7**	**62.2**

Source: CSO (1996: 185)

During the early 1990s a number of socioeconomic baseline surveys was commissioned by the government of Namibia in rural communal areas and informal urban settlements. The objective was to generate basic information on population groups and parts of the country that had previously been neglected, in terms of both research and policy, by the colonial administration. Most of these surveys reported on the social pension's coverage and contribution to local livelihoods; these findings are briefly reviewed here.

A baseline survey in Namibia's southern communal areas (one of our three study areas) in 1992 found a 'striking' number of households (62 per cent) headed by people over 60 years of age, including many female-headed households with young (grand)children. 'More than 30% regard their primary occupation as pensioners' (Directorate of Rural Development (DRD) 1992: 24). Pensions were the dominant – and sometimes only – source of income in 41 per cent of all households, but this figure was higher for female-headed households (46 per cent) and extended families (51 per cent). 'A very striking feature is the small amount of cash which accrues to households in the South from alternative streams other than pensions' (DRD 1992: 30).

A baseline survey of rural livelihoods in the (northern) Kavango region in 1992 found that the social pension contributed just 4 per cent to total household income across five villages. Formal and informal employment (at 74 per cent) made by far the greatest contribution, ahead of agriculture (16 per cent) with transfers – remittances plus pensions – ranking a distant third (6 per cent). The authors noted, however, that the significance of pensions varied considerably across the region and between socioeconomic categories (Yaron *et al.* 1992: 28). Since the social pension is fixed income and is distributed more or less randomly across households, dependence on the pension falls as total income rises. For Kavango

households classified as 'income sufficient' the social pension added just 1 per cent to total income in 1992, but for the 'food insecure' it contributed 19 per cent (Yaron *et al.* 1992: 34).

A survey of 900 communal farming households in drought-affected regions throughout Namibia at the height of the 1991/92 drought found that pensions contributed well over 20 per cent to household incomes at a time when other sources of livelihood had been severely undermined due to crop failure, livestock mortality and retrenchment of agricultural labourers on commercial farms (Devereux and Tapscott 1995).

A 1993 baseline survey of 300 households in Uukwambi district (a district bordering on Uukwaluudhi, another one of our three survey sites) of Omusati region in northern Namibia, found that 22 per cent of households were of the 'missing middle generation' type – grandchildren living with grandparents – and that most of these extended families survived primarily on the grandparents' social pensions (Næraa and Solomon 1994: 14). A high proportion of these grandparents were contributing towards the payment of school fees and associated expenses. Another survey in the same district, also in 1993, found that Uukwambi households were large, averaging seven members, and were dominated by elderly people, women and children, many men having migrated out due to recurrent drought and chronic rural unemployment. 'The most regular source of income for households appears to be the pension' (Forbes Irving *et al.* 1993: 21). The pension was received by 35 per cent of households, ahead of remittances (20 per cent of households), beer brewing (18 per cent), sale of meat (9 per cent), renting out donkey carts (6 per cent) and formal employment (1 per cent).

An investigation into household subsistence levels in three communities in northern, southern and central Namibia in 1993 found that social pensions were enormously important in the semi-urban southern and rural northern communities. In the south, 67 per cent of households received the pension and 61 per cent listed it as their most important source of income, while in the north 49 per cent received it and 33 per cent gave it as their dominant source of income, ahead of wage employment and agriculture in each locality. By contrast, in the urban informal settlement of central Namibia the pension was received by only 17 per cent of households and was the dominant income source for just 7 per cent (van Rooy *et al.* 1994: 34). This finding (which comes from our third survey site) reflects the generally higher levels of economic activity and of average incomes in Namibia's urban areas (Frayne 1992).

A 1994 survey of 179 households in the informal settlement areas of Oshakati, Namibia's second largest town, found that the social pension was the main source of income for 8 per cent of households, being more important for female-headed households (16 per cent) than male-headed households (5 per cent) (Tvedten and Pomuti 1994: 68).

A rapid appraisal conducted for UNDP during 1995 in rural communities in nine of Namibia's thirteen regions asked individuals and focus groups to list three government interventions that had significantly reduced poverty since independence. The most common responses were ranked as follows (Devereux and Eiseb 1995: 14):

1 Food aid and drought relief	4 Supported communal agriculture
2 Increased the pension	5 Provided education and training
3 Improved health care system	6 Employment creation

The authors raise reservations about the dependency culture implied by the ordering of welfarist interventions above promotion of sustainable improvements in living standards: 'none of the first three interventions mentioned by respondents directly lifts people out of poverty and deprivation…These are measures that *alleviate* poverty or mitigate its consequences, but do they actually *reduce* poverty?' (Devereux and Eiseb 1995: 14).

Support for the perception that the government has significantly improved the social pension since independence is provided by a much larger survey conducted by these authors for the National Planning Commission during 1994, involving 600 respondents and 30 focus groups in 168 rural communities. Respondents were asked to list all the benefits they had received from the government since independence. Once again, food aid topped the list across most regions, this time followed by education, with pensions third. Surprisingly, pensions were hardly mentioned as a ***pre***-independence benefit, despite the fact that the pension was introduced by the South Africans. 'One explanation is that respondents appreciate the trend towards equalisation of pensions across ethnic groups over the past few years, whereas the pension system before 1990 was seen as discriminatory and unjust against black Namibians' (Devereux and Eiseb 1994: 125).

Social pensions and household food security

The social pension represents a major injection of cash into poor communities throughout Namibia. It has greatly increased the volume of trade for grocery stores, and contributed to the development of marketing infrastructure and trade nationwide. Even the smallest and most isolated settlement now has at least one village store, selling maize-meal and basic groceries even in times of food crises such as drought. The social pension has helped stabilise food supplies in a country of vast distances, dispersed populations and widespread rural poverty, thus offsetting the need for food aid deliveries during drought emergencies.

Formal transfers such as the social pension elevate incomes in poor households, allowing more food to be purchased, which 'contributes to the containment of child malnutrition and the avoidance of starvation' (Morgan 1991: 351). The pension also stabilises income and smoothes consumption, by providing a buffer (non-correlated income) against livelihood shocks. Formal transfer mechanisms assume a critical role in drought years in Namibia, because informal transfers are not resilient in times of crisis. When livelihoods that depend on rainfall – crop and livestock farming, agricultural labour – are undermined by drought, access to non-agricultural sources of income becomes a crucial determinant of damage limitation coping strategies and even, *in extremis*, of survival prospects. At these times the social pension becomes the main, sometimes the sole, source of support for those households that cannot call on informal transfers (such as remittances) from outside their drought-afflicted community.

Evidence for the role of the social pension in sustaining communities during droughts is provided by a study (by this author with others) of informal social security systems in two regions of Namibia during the 1991/2 drought. This study found that formal transfers, notably social pensions and food aid, provided more significant and more robust sources of support to drought-affected households than informal transfers, which were vulnerable to the correlated risk that drought poses: the difficulty of meeting increased demands for assistance when the ability to assist has been compromised by declining incomes.[34] 'Formal transfers – which are frequently converted into informal transfers, through being redistributed – then become crucial to the maintenance of household viability' (Næraa *et al.* 1993: ix). The study also emphasised the importance of the stability and regularity of income over and above its level and source. As emphasised in the *2000/1 World Development Report: Attacking Poverty*, income insecurity is a critical, but hitherto relatively neglected, dimension of poverty (World Bank 2000).

Paradoxically, while the pension is intended to protect a designated vulnerable group – the elderly – the existence of this stable and regular source of income imposes new forms of pressure on pensioners, especially in times of economic stress. Rural households that lost their harvests and livestock to drought in 1991/2 became heavily dependent on three sources of transfers: food aid, remittances from employed relatives, and informal redistribution of social pensions. 'Because of the drought, the pressure on pensioners to help family members by redistributing the pension has also increased' (Næraa *et al.* 1993: 57). Salaries and pensions were the only sources of income which did not contract in drought-affected communities, so people receiving these sources of income were called on to provide compensatory support when conventional sources of income (including transfer income) declined.

Interestingly, although elderly people were initially included as a vulnerable group that was eligible for food aid (along with pregnant and lactating women, children under five, the chronically sick and people with disabilities) in the 1991 drought relief programme, they were subsequently excluded because it was felt that their receipt of the monthly pension significantly reduced their vulnerability (Devereux and Næraa 1996). Pensioners were also more likely to access credit from local shops for food and other basic commodities for themselves and their dependants, their guaranteed monthly income providing the necessary security to shopkeepers. In general, the contraction in food availability and incomes associated with the drought resulted in greater proportions of the social pension being allocated to food purchases, and a smaller circle of beneficiaries from redistribution of the pension; pensioners looked after their immediate families first and foremost.

Social pensioners enjoy a rare, sometimes unique, access to informal credit from local stores, especially in the close-knit communities of southern Namibia. It is common practice for social pensioners to hold accounts with local stores, where they purchase all their food and groceries against their pension income. The pension provides store-owners with a guarantee that the pensioner will have the means to

[34] As one rural Namibian pithily told me: 'How can somebody who is suffering help someone else who is also suffering?' (Næraa *et al.* 1993: 58). Two others articulated the double-edged implications of the reciprocity ethos within rural communities succinctly, one stating: 'We are all one family', the other – a low-grade government worker – retorting: 'Your family can eat you!'

repay items bought on credit during the month, and store-owners also perceive pensioners as more honest and reliable than other customers with regular incomes, such as teachers and government workers. Grocery stores are the most common sources of credit, though some pensioners also have similar arrangements with local bottle stores. In Berseba, 58 per cent of pensioners surveyed for this research project held an account at one of the four grocery stores (see Box 3).

Box 3 Traders and social pensioners in southern Namibia

There are four retail stores in the small community of Berseba in southern Namibia. Pensioners contribute approximately one-third of all business to these stores, though one claimed that 60 per cent of its business came from pensioners. According to one shopkeeper: 'If there were no pension there would be fewer shops in Berseba – at least two of the four would close.' Another shopkeeper had 68 pensioners on his books in 1998. From a total monthly turnover of approximately N$40,000, pensioners contribute ±N$12,000 (30 per cent). Goods are sold in this store at 45–50 per cent above their purchase price in South Africa or Keetmanshoop (the nearest town). Of this mark-up, 15 per cent is for transport, 5 per cent covers theft or stock losses, 20 per cent is for running costs (electricity, shop assistants) and 5 per cent is profit. An additional 5 per cent is charged on credit purchases because of bad debts (deaths and defaulters) and cashflow problems.

Pensioners are considered to be the most reliable customers; this shop had cancelled credit arrangements for everyone else in the village, even teachers, because of their propensity to default. Most pensioners come to the shop immediately after receiving their pension to pay off their accumulated debt and purchase groceries for the coming month. Store accounts revealed that approximately two-thirds of pension income goes towards basic food and grocery needs (maize-meal, salt, sugar, tea, soap). Occasional purchases of clothes or shoes were also recorded. Many spend more than their pension of N$160 per month. 'Old people are supposed to be looked after by their children but instead it is the small businessmen who are looking after the old people – they spend N$200 or more and you have to help them because they complain of hunger and family emergencies.' When pensioners die any money owed to the shopkeeper is usually paid off by the family ('People here are very honest and the church is strong'), while the balance is written off in tax forms as 'unrecoverable debt'.

Berseba village also has two liquor stores, but neither store extends credit to pensioners, since very few of them are heavy drinkers. 'Pensioners are weak customers in terms of trade. The church is very powerful here especially for the old people.' However, on pension pay-days many young men, and a few young women, come to the liquor stores to drink. Mostly these are sons and grandsons who handle the pensioner's finances, or bring them to the payout point. In return they pressurise the pensioners to 'gift' them enough cash to get drunk. Cases were reported of pensioners being verbally or even physically abused by their own children when the pensioner refused to hand over their pension money.[35]

Source: Interviews with traders and shopkeepers in Berseba, 1998

[35] This is reminiscent of reports from the Grameen Bank in Bangladesh, where women often handed over their loans to their husbands (Goetz and Sen Gupta 1996). In that context questions were raised as to whether this represented coercion by a dominant husband or joint decision-making within the household (Kabeer 2001), but in this case there is little doubt that young adults are taking advantage of pensioners' physical frailty and dependence.

Demographic impacts

As noted above, one motivation for the introduction of social pensions to Namibia by the South African administration may have been its policy of influx control, which aimed to keep Africans in rural communal areas and away from urban areas. The demographic consequences, in terms of household composition, were extreme. The social pension certainly inhibited rural-urban migration and constrained levels and rates of urbanisation, in both Namibia and South Africa. A household survey in KwaZulu-Natal (South Africa) found that 80 per cent of social pensioners lived in three-generation households, suggesting substantial redistribution within poor families; rural households were poorer if they contained no elderly members, 'partly because of their poor access to pension money' (Ardington and Lund 1995: 571). Further evidence for the demographically distorting impacts of the social pension is provided by a large (9,000 households) survey conducted in South Africa in 1993, which found that 'households with pension income have more children than average, 2.28 as opposed to 1.69', and that 32 per cent of African children under 16 (3.8 million out of 11.9 million) lived with a social pensioner (Case and Deaton 1996: 11). Over 60 per cent of African social pensioners lived in three-generation households, and a further 14 per cent in 'skip-generation' households.[36]

Comparable distortions in household composition were observed in several Namibian communities that were surveyed for this research project during 1998.[37] The three study sites, labelled 'Crop farming (north)', 'Smallstock (south)', and 'Urban (central)' in the tables that follow, were purposively selected to reflect the diversity of Namibian livelihood systems, and are very different from each other in almost every respect.

> ***Crop farming (north):*** Ombalantu is a dispersed 'traditional African village' farming district in Omusati region. With annual rainfall of 350–500mm being too low for maize cultivation, the main crop is millet, and most households own some cattle, goats and poultry. Although extensive cultivation is the dominant economic activity, agricultural production is low and variable, and local incomes are supplemented by livestock sales and remittances from family members employed in Windhoek and elsewhere. Local off-farm activities include beer brewing, selling cooked food and selling firewood. In colonial times this region, which was formerly part of the *apartheid* bantustan of Owamboland, supplied mineworkers to the South African goldmines. The tradition of cyclical migration persists, with a high proportion of households (over 35 per cent) being *de jure* or *de facto* female headed (Næraa and Solomon 1994: 11). The 1991 census found that 64 per cent of subsistence farmers in this region were women. Households are large, sometimes over 20 people, and dependency ratios are high.

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36 A skip (or 'missing middle') generation household is one in which the cohort of economically active adults between grandparents and grandchildren is absent. The corresponding figures for White South African social pensioners were 9 per cent (three generations) and 0 per cent (skip generations). Clearly, this effect is not all due to the social pension: the observation that Whites are more likely to live in nuclear households and Africans in extended families is a sociocultural reality independent of social pension arrangements.

37 The survey methodology that was implemented in the fieldwork is described in Chapter 3 of the ESCOR report on which this paper is based (Devereux 2000).

Smallstock (south): Located on the Namib desert fringe, Berseba in Karas region is a long-established village of goat-rearers and pension-dependent elderly people, whose livelihoods are the most precarious of our three study communities. Karas region has a population density of just 0.37 per km^2, compared to 14 per km^2 in crop-farming Omusati region. Rainfall ranges from 75–200mm, too little for cattle or crops, and this semi-arid savannah region is prone to protracted and severe droughts. Local residents say that they 'survive on pensions and goats' (Devereux and Eiseb 1995: 5), and adult outmigration in search of work is extremely high. Berseba has a church and a school with a hostel where hundreds of learners from smaller rural communities stay as boarders. Piped groundwater and electricity are provided to most homes in the centre of the community, but people living in tin shacks on the periphery share communal standpipes and have no access to electricity or sanitation facilities. Despite being described in government of Namibia documents as 'peri-urban' in nature, Berseba is an intermediate semi-urbanised community, neither fully urban nor fully rural.

Urban (central): Katutura and Khomasdal are two suburbs – the former *apartheid*-created African and Coloured township areas respectively – of Windhoek, Namibia's capital city. Katutura is populated almost entirely by Oshiwambo- and Otjiherero-speakers from the north, while Khomasdal is home to Nama- or Damara-speakers from the south. The population of Windhoek is about 200,000, 60 per cent of whom live in fast-growing Katutura and 20 per cent in Khomasdal (Pendleton 1997: 1). Household sizes are smaller than in rural Namibia, and young adult males make up a high proportion of Katutura and Khomasdal residents. Established residents live in high-density, low-cost housing, and many have formal employment elsewhere in Windhoek. By contrast, recent in-migrants often stay in shanties (25 per cent of Katutura's population) and survive on various informal sector activities within Katutura or Khomasdal, commonest among these being street trading and home-based enterprises such as tailoring, shebeens (private beer-halls) and backyard mechanics (Frayne 1992: 117). Unemployment rates are very high in Windhoek, and illicit or illegal activities such as prostitution and crime are more prevalent in these low-income suburbs than anywhere else in Namibia.

Our three survey sites cover: (1) northern, central, and southern Namibia; (2) rural, urban, and semi-urban communities; (3) crop farming, livestock rearing, and wage earning livelihood systems; (4) varying degrees of pension dependence. According to the 1993/4 national household income and expenditure survey, the proportion of households in Karas that depend on the social pension as their primary source of income, at 17 per cent (though a survey by the Directorate of Rural Development put this figure considerably higher, at 41 per cent (DRD 1992)), is well above the national figure of 11 per cent (7 per cent of urban and 14 per cent of rural households). For (urban) Khomas, where cash wages dominate, and (rural) Omusati, where the proportion of subsistence farming households is the highest in the country, 6 per cent and 9 per cent of households respectively depend primarily on the pension (CSO 1996). In terms of

pension dependence by region, therefore, Karas is one of the highest, Omusati is slightly below the national average, and Khomas is the lowest in Namibia.

The distorting demographic impacts of the social pension in Namibia are clearly evident from our survey data on household composition, as presented in Table 9 and Figures 2–4 below. Although the total column in Table 9 approximates to a standard population pyramid for the country as a whole, this aggregation conceals sharp variations between urban and rural areas. The phenomenon of missing middle generation households in rural Namibia is most apparent from the southern sample, where economically active adults – social pensioners' sons and daughters – are conspicuous by their virtual absence. Conversely, relatively few children were recorded in the urban (central) sample. Typically, young adults leave their rural communities and move to town in search of work, leaving their ageing parents to care for their children in the village, where costs of living are lower and the pension meets subsistence and schooling expenses. 'It is common practice for young adults in the urban areas to send young children to the rural areas to be raised by the grandparents' (Isaacson 1995: 67). Although not all of this variability in household composition can be attributed to the social pension, there is no doubt that the pension makes this demographic strategy feasible in parts of Namibia, such as the southern communal areas, where the elderly would otherwise subsist below the poverty line.

Table 9 Demographic profile of pensioner households

Relationship	Total	Smallstock (south)	Urban (central)	Crop farming (north)
Male head [a]	142 (8%)	56 (14%)	45 (12%)	41 (5%)
Female head/wife	244 (15%)	68 (18%)	83 (22%)	93 (10%)
Son	230 (14%)	29 (7%)	68 (18%)	133 (15%)
Daughter	211 (13%)	25 (6%)	57 (15%)	129 (14%)
Grandson	372 (22%)	92 (24%)	38 (10%)	242 (27%)
Granddaughter	376 (22%)	96 (25%)	47 (12%)	233 (26%)
Other [b]	97 (6%)	22 (6%)	40 (11%)	35 (4%)
Total	**1672 (100%)**	**388 (100%)**	**378 (100%)**	**906 (100%)**

[a] The number of male household heads interviewed is lower than the proportion of male-headed households in the sample because the gender parity sampling rule meant that many female respondents were wives of (non-interviewed) male household heads.

[b] 'Other' includes: father and mother; brothers and sisters; aunt; cousin; nephews and nieces; son-, daughter-, mother- and sister-in-law, and non-relatives (e.g. servants).

Figure 2 Household composition, southern sample

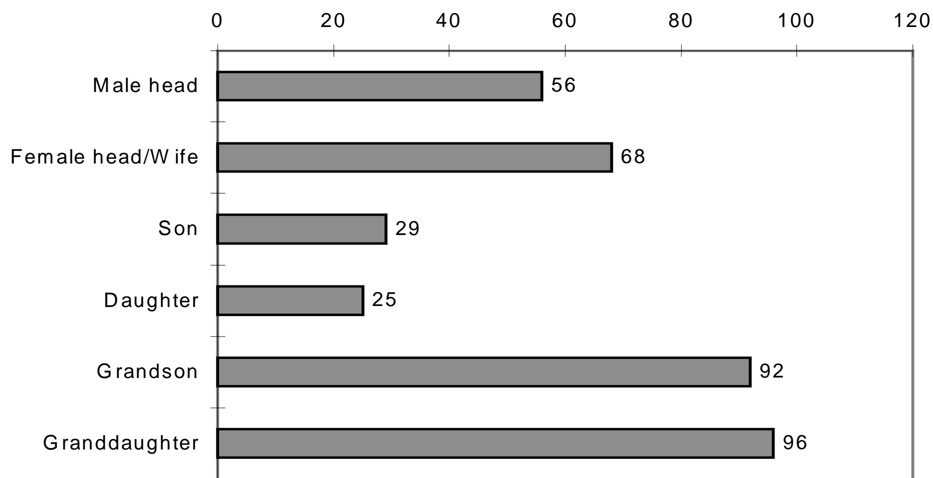


Figure 3 Household composition, central sample

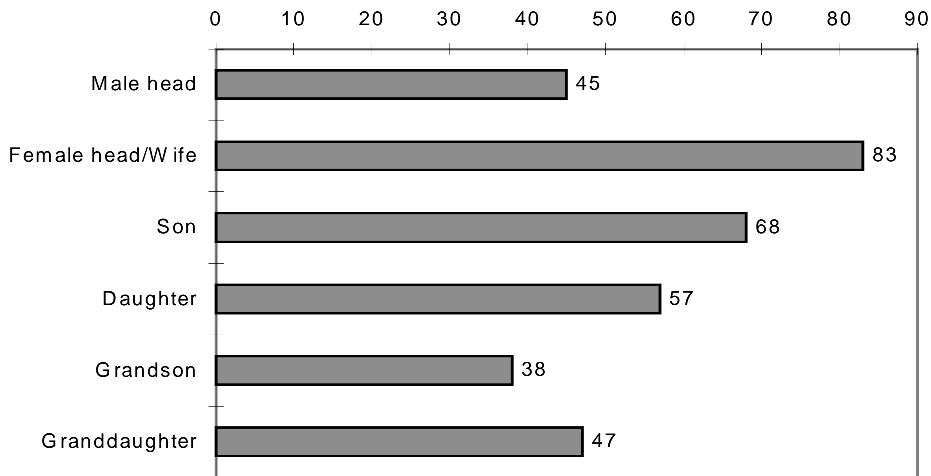
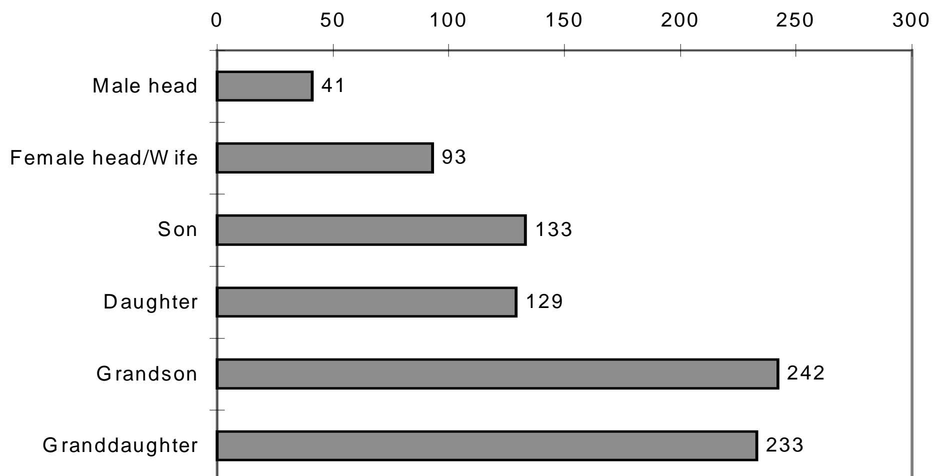


Figure 4 Household composition, northern sample



Employment history

Confirming the fact that Namibia's social pension is a cash transfer targeted by age rather than an employment-related social insurance system, just over half our sample had worked for a wage or salary before receiving the social pension (66 per cent of males and 42 per cent of females) while just under half (47 per cent) had not (Table 10). Two-thirds of those who were employed before had stopped work since reaching 60 years of age, usually involuntarily; they were forced to retire because of their age ('My employer retired me'; 'As a pensioner you are not allowed to work') or declining health. Very few respondents gave the reason that they did not want to continue work. Only one southerner stopped work because he started receiving the social pension ('I got pension money to live from').

Table 10 Social pensioners' pre-retirement occupations

Occupational Category	Total	(%)	Urban (central)	Smallstock (south)	Crops (north)
Men [n=131]					
No employment	44	(34%)	3	20	21
Informal sector employment	37	(28%)	13	17	7
Blue-collar waged employment	43	(33%)	26	6	11
White-collar salaried employment	7	(5%)	4	1	2
Women [n=170]					
No employment	98	(58%)	10	44	44
Informal sector employment	18	(18%)	3	1	14
Blue-collar waged employment	53	(31%)	40	11	2
White-collar salaried employment	1	(1%)	1	0	0
Employment	159	(53%)	87	36	36
No employment	142	(47%)	13	64	65
Total	**301**	**(100%)**	**100**	**100**	**101**

Informal sector employment: **Men:** casual labour; agricultural employment
Women: beer brewer; making baskets or pots; seamstress; trader
Blue-collar waged employment: **Men:** borehole driller; builder; carpenter; cook; driver; gardener; mechanic; miner (in South Africa); petrol attendant; plumber; railway worker; security guard; shop owner; storeman; waiter
Women: cleaner; cook; domestic worker; florist
White-collar salaried employment: **Men:** administrative worker; teacher; sales manager
Women: nurse

This finding rebuts concerns expressed in parliamentary debates over the years that the social pension might have negative labour market and dependency implications in terms of people retiring early, though of course there might be an impact on labour force participation by younger generations. For example, young adults in Namibia often leave work and come home to help their parents when they get old and infirm. For this period they all survive on the parents' pensions, but when the pensioner dies, the adult children have lost both the pension support and their own independent income. The pension in a sense encourages this pattern of behaviour, and it often sustains three generations – elderly people, unemployed young adults and children – on N$160 (= £16) per month.

In the south just 36 per cent of pensioners had worked before, the men mainly as unskilled labourers and herders on White-owned commercial farms, or in semi-skilled occupations (driver, builder, mechanic, borehole driller), the women as domestic workers and cleaners. In the capital city, 87 per cent of pensioners had worked before, in a wide variety of waged and occasionally salaried jobs. In the rural north, the same (low) proportion had worked as in the south, but here informal sector activities dominated for women (beer brewing, petty trading).

Residents of Windhoek clearly enjoyed a greater diversity of occupations than rural residents, and tended to monopolise the most lucrative occupations. The mean annual pre-retirement income averaged N$3,525 in the central sample, N$2,895 in the north and N$2,225 in the south, just 58 per cent of the central sample's mean income. A similar argument applies to the employment status of men and women. It is clear from the list of occupations that Namibian men can choose from a wider range of employment options than Namibian women, who tend to be canalised into low-status occupations which are not associated with high earning power: domestic work in urban areas, beer brewing and selling baskets or clay pots in rural communities.

Income transferred

The average age (both mean and median) of the 301 pensioners surveyed was 71 years, the oldest being a 92-year-old woman.[38] These pensioners had been collecting the social pension for nine years on average, though the 92-year-old had been receiving the pension for all 32 years that she was eligible for it. (This was only possible in the south, where Coloured – including Nama and Baster – Namibians became eligible for the social pension in 1965. Africans living in the north only started receiving the social pension in 1973.) Where couples were both over 60, both were typically receiving the pension. In the south and central samples, 25 and 23 households respectively had two pensioners and one in the south had three, while in the north 22 households had two, two had three and two had four pensioners.[39] One consequence was to raise the mean value of the pension transfer to the household above the N$160 paid monthly to each individual pensioner. While the majority of households did receive this amount, those with two pensioners (almost one household in four) received N$320, while two households in Omusati and one in Karas received N$480 and a further two in Omusati received N$640.

Because most pensioners have retired and are living with either dependent children or unemployed adult relatives, the social pension typically constitutes the largest single component of pensioner household income, and in our sample it contributes 81 per cent to total cash income across all 301

[38] Because all pension applicants must prove their age by producing their (South African issued) identity documents, data on pensioners' ages are presumed to be accurate.

[39] Note that, since the sample size was 100 in each case, any number given for one of the three survey sites is equivalent to a percentage for that survey site (thus 22 Omusati households = 22 per cent of the crop farming (northern) sample).

households (Table 11).[40] As a flat rate transfer, the social pension is a declining proportion of total income, so it contributes most where incomes are lowest – the impoverished southern sample (89 per cent) – and least where per capita incomes are highest – the urban sample (74 per cent).[41] The northern farming community occupies an intermediate position: larger households (averaging 8.9 members, compared to 3.8 in Karas and Khomas) generate the highest total incomes – though not per capita – because they have more economically active members engaged in various income-generating activities, and more pensioners per household. A remarkable finding which is not easily explained is that women and female-headed households reported higher average household incomes than men and male-headed households.[42]

Table 11 Contribution of social pensions to household income

By category		Total household income		Proportion of pensions income in total income	
		Annual	Per capita	Mean	St dev.
Region	Smallstock	2,803	970	89%	0.21
	Urban	5,871	2,199	74%	0.31
	Crops	11,170	1,766	80%	0.33
Pensioner's sex	Male	5,126	1,360	82%	0.29
	Female	7,789	1,866	80%	0.30
Sex of household head	Male	5,675	1,371	81%	0.29
	Female	7,529	1,904	81%	0.30
Total		**6,630**	**1,646**	**81%**	**0.29**

Table 12 disaggregates total income earned in 1997 by our 301 survey households by major categories of income and by the sex of the income earner. The relatively high value of the social pension is evident in the fact that it makes the greatest contribution of all income sources apart from private pensions, which were received by only four male respondents and one female respondent. Women were more likely than men to receive remittances from relatives in addition to their social pensions, and women also received higher levels of remittances. Moreover, more female pensioners lived in households with salary earners. These were occasionally themselves, but were more often their partners or adult sons or daughters.

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[40] These data refer to cash income only, including earnings from sales of agricultural produce and livestock. Incomes earned by other (non-pensioner) household members are included.

[41] A similar relationship between geographic location and the relative significance of pensions is found in South Africa. A household survey in KwaZulu (including non-pensioner households) found that the contribution made by pensions to total income was highest in 'deep rural' areas (at 25 per cent) and lowest in 'metropolitan' urban areas (just 8 per cent) (Ardington and Lund 1995: 565).

[42] This could be partly a statistical effect: women from male-headed households by definition have both male and female members, while many male-headed households have no women. However, this does not explain why female-headed households should report higher incomes than male-headed households. Another possibility is biased responses – men might systematically have under-reported true incomes while women were more honest – but this is speculative.

Table 12 Mean annual income by income source and sex of earner, 1997

Source of income	% of sample	Male		Female		Male/ Female
		n	Mean value	n	Mean value	
Social pension*	97	127	2,405	164	2,028	1.19
Remittances	18	19	857	30	991	0.86
Salary	16	21	2,027	25	2,121	0.96
Farming	10	15	1,791	18	757	2.37
Savings	4	4	180	6	459	0.39
Informal sector	3	5	1,726	5	886	1.95
Loan	2	3	700	4	370	1.89
Other pension	1	4	4,200	1	3,840	1.09

Note: The sum of male and female mean income is less than mean household income in Table 11 because some income (e.g. from joint farming activities) is not attributed by gender but is recorded as accruing to both male and female household members.
* Some cases are missing for pensioners who started receiving the social pension in 1998.

Predictably, the dominant direction of remittance flows was urban to rural: very few social pensioners in the urban sample received remittances, as compared to over 20 per cent in the rural north and semi-urban south. Conversely, most pensioner households with salary earning members were in the urban sample (almost one household in three), as were most households with loans and private or occupational pensions. Farming income was earned by 10 per cent of northern households (crop and livestock sales) and 13 per cent of southern households (sales of goats and sheep). No southern households, and only a handful of northern households, had savings, loans, or private pensions.

Uses of pension income

Social pension income is used for a wide variety of purposes beyond meeting immediate subsistence needs, and it provides support to a number of people other than pensioners themselves. What makes this possible is the relatively high value of the social pension, which was equivalent to £16 per month in 1998; not much in British terms, but enough to provide food and basic groceries for three adult Namibians.[43] The relative value of the social pension varies across Namibia according to local costs of living: the uniform rate paid throughout the country buys much less in urban Windhoek than in rural Ombalantu.

Uses of the social pension recorded in this survey include:

- purchases of basic necessities (food and groceries) for the household;
- payment of household bills (rent, electricity, water, health expenses);
- acquisition of personal consumer goods (clothing, wrist-watch);
- acquisition of domestic assets (kitchen utensils, furniture, radio, TV);

[43] As a crude comparison, the social pension in Namibia (at ±£16/month) is worth 15 per cent more than Botswana's old age pension (at ±£14/month), but is less than half the value of South Africa's old age pension (at ±£37/month).

- accumulation of livestock (from poultry to donkeys and even cattle);
- investment in productive assets (e.g. agricultural implements) and business;
- education of social pensioners' relatives (especially grandchildren);
- transport costs to and from social pension payment points.

By regions, the use of pension money for food is highest in the south, where purchases of food and groceries accounted for half of all uses mentioned by pensioners surveyed (see Table 13). As seen above, incomes are lower in the south than the central region, and crops are not cultivated as in the north, so market dependence for staple foods is higher in Berseba (south) than Ombalantu (north). Pensioner households in Ombalantu spend less on food than those in the other two regions. Pensions are used to pay for housing (rent), water and electricity only in the urban sample. In rural areas these facilities are not available, so in this sense rural living costs are lower and the purchasing power of the social pension is effectively higher in Berseba and Ombalantu than in Windhoek.

Table 13 Three main uses of pension income (% of uses mentioned)

Items	Beneficiary	Total	Smallstock (south)	Urban (central)	Crops (north)
Food and groceries	family	27.0	32.5	22.6	28.0
School expenses	grandchildren	15.5	12.4	12.5	28.6
Health expenses	pensioner	13.8	13.7	25.0	3.6
Food and groceries	pensioner	10.6	18.8	12.2	3.3
Health expenses	family	9.3	9.8	2.4	16.1
Clothes	pensioner	6.1	0.9	0.0	4.6
Clothes	family	4.7	0.9	2.4	10.5
Housing	family	2.2	0.0	6.4	0.0
Water & electricity	family	1.4	0.0	4.1	0.0
Agriculture	pensioner	0.6	0.0	0.0	1.6
Other	various	8.7	11.1	12.5	3.7

Note: These figures are in percentage of total number of uses mentioned, not by value.
No significant differences were observed by sex of beneficiary or household head.

Direct beneficiaries apart from the pensioner include their extended family, especially grandchildren, while indirect beneficiaries include local traders and shopkeepers where pensioners purchase goods, often on credit. A striking finding in Table 13 is the high ranking of school-related expenses, which constitutes the clearest example of benefits from social pension expenditure accruing to identifiable individuals who are not the actual recipients (or intended beneficiaries) of this transfer income. This also provides evidence that pensions are used for productive purposes beyond providing reproductive benefits: the education of children is an investment in human capital. Social pensioners contribute most to schooling in the

northern communal areas, where family sizes are largest: 475 grandchildren live in the 100 households surveyed, as against 188 in the south and just 85 in the urban sample.

The survey also asked about investment and savings behaviour in relation to the social pension.[44] Across the sample of 300 pensioner households as a whole, one in three had purchased household assets (e.g. radios) using their pension money, and the same number had saved some of this transfer income. Only one in four had invested any social pension income in farming, business or livestock, and many of these economic activities were controlled by relatives rather than the pensioners themselves. Clearly this reflects the reality that the majority of pensioners are no longer economically active. As a general rule, transfers targeted at labour-constrained vulnerable groups such as the elderly, malnourished children or people with disabilities are less likely to generate investment multipliers than transfers targeted at able-bodied adults (such as public works schemes).

Interestingly, the propensity to invest or save some proportion of pension income was highest in the northern communal areas (see Table 14), not because these people are wealthiest but because their market dependence for subsistence needs is lowest. As many as half of our Ombalantu sample had invested pension money in agriculture, and one in five had purchased livestock. Conversely, very few households in our Berseba sample had purchased clothes, invested in business or acquired livestock using their pension money, reflecting deeper poverty in the south than in households in urban areas and greater dependence on the market than among households in the north.

Table 14 Uses of pension income (% of households)

Spending items	Total	Smallstock (south)	Urban (central)	Crops (north)
Household assets	35%	27%	33%	45%
Savings	34%	8%	34%	61%
Investment in farming	17%	0%	2%	49%
Clothing	15%	5%	25%	16%
Livestock	7%	1%	2%	19%
Investment in business	2%	0%	2%	4%

This discussion has emphasised that understanding the impact of Namibia's social pension on poverty requires looking at household expenses as well as estimating household income. With lower expenses on food and domestic bills, rural pensioner households in Omusati can support more family members with the social pension, save more, and purchase more assets. In terms of actual spending, it is clear from Table 15 that food-growing households in northern Namibia spend the lowest proportion of their social pension income on food and the highest on non-food items, while this allocation of pension is reversed

[44] Note that several questions were asked more than once in different ways, as a triangulation device (e.g. use of pension income was elicited both for the most recent payment and for all pension income ever received). This means that figures presented in different tables might appear to contradict each other, but the orders of magnitude are generally consistent.

in low-income market-dependent households in the south. As a consequence, households from the southern sample had only half the amount of cash to spend on non-food consumption and investment purposes than households receiving the same pension income in the north. On the other hand, 1997/8 was a good year for agriculture in Namibia, and the degree of market dependence is subject to much greater variability in the northern communal areas, according to inter-annual variability in harvests, than in urban areas or the south.

Table 15 Annual spending of social pension, by region (N$)

Region	Food	Non-Food
Smallstock (south)	1,931 (70.0%)	827 (30%)
Urban (central)	1,414 (47.3%)	1,573 (52.7%)
Crops (north)	711 (31.9%)	1,517 (68.1%)

The greater flexibility that northern crop-farming households enjoy with respect to the disposal of their social pension income is revealed most strikingly by our survey data on which assets currently owned by the household were partly or wholly financed with the social pension. Four categories of assets were identified in analysing these data: farm implements; household assets (kitchen utensils, furniture); livestock; and 'luxury' goods (radio, cassette player, TV, video, wristwatch, clock, mirror, torch, umbrella).

In our northern sample, 56 per cent of households surveyed had bought farm implements using social pension income (only 2–3 per cent did so in Karas and Khomas), while 36 per cent bought kitchen utensils (14 per cent in Karas and Khomas), and 13 per cent bought furniture (5–6 per cent in Karas and Khomas). Urban pensioners in Khomas did buy more luxury goods (27 per cent compared to 17 per cent in Karas and 13 per cent in Omusati), but Omusati pensioners also invested in livestock (ten bought cattle, eight goats, five donkeys, five pigs and five poultry), whereas pensioners from Karas and Khomas hardly did so at all. The effect of these pension-financed purchases on household wealth was significant. Households in Omusati increased the value of their farm equipment by 21 per cent, their cattle holdings by 6 per cent, goats by 4 per cent, donkeys by 7 per cent and pigs by 14 per cent. So the investment impact of the social pension was greater in Omusati, where a significant proportion of this cash was invested in productive assets such as farm tools and breeding livestock, than in Karas and Khomas, where the bulk of the pension money pays for food and regular domestic expenses, leaving little over for investment. An intriguing policy implication is suggested by these findings: where market dependence for food is higher and non-food living expenses are higher (as in the south), should social pension payments be weighted accordingly? This would imply setting the pension rate separately for each region – or at least reinstating the urban-rural payment differential that was abolished in 1965 – and is probably politically unfeasible.

In keeping with the finding that southerners have less flexibility in their household budgets than urban residents and northerners, only 8 per cent of our southern sample saved any social pension income,

while 35 per cent of our urban sample and 61 per cent of our northern sample did so (Table 16). The reason given most frequently for setting aside pension income was for unpredictable health expenses, but interestingly, this was followed by saving in anticipation of schooling-related expenses. In the south, where most people are Christians and funeral ceremonies are costly, the most common reason for pensioners saving is towards a funeral policy to minimise the economic burden on their relatives.

Table 16 Reasons for saving social pension income (% of those saving)

Reason	Total	Smallstock (n=8)	Urban (n=35)	Crops (n=61)
Health expenses	32%	0%	17%	35%
School expenses	20%	13%	20%	21%
Emergencies	14%	0%	29%	12%
Funeral policy	8%	38%	11%	7%
Pocket money	8%	0%	6%	8%
Food and groceries	7%	13%	0%	8%
Future use	7%	25%	6%	7%
Clothing	2%	0%	11%	0%
To buy livestock	1%	13%	0%	1%

Box 4 below provides a case study of how one social pensioner, a widow from our southern sample in Berseba, used her pension income.

Box 4 Case study of a social pensioner household in southern Namibia

Maria Garuseb is an 82-year-old widow who lives in Berseba with two of her daughters, one son and six grandchildren aged from 7 to 16 years. The family's main sources of income are Maria's social pension of N$160 per month, and regular remittances of cash or food from two of her sons working in Windhoek and Walvis Bay, whose children live with Maria. Most of the pension is spent on food and groceries for the whole household. In a typical month, Maria buys maize meal, rice, cooking oil, tea, sugar, milk and some meat, as well as soap and toothpaste, leaving a balance of N$30 for 'pocket money' or occasional expenses such as clinic fees. In this household, unlike many other extended families, the parents of the grandchildren pay all their schooling costs. Because she receives support from absent relatives, Maria has managed to use some pension money for other purposes, including buying clothes for her family and investing in a funeral policy for herself. She has also purchased several household items by saving small amounts of the pension over several months: a gas stove for N$400, a wardrobe for N$200, a bed for N$350 and plates for N$50. This household could probably survive without the social pension, because of Maria's employed sons, but the pension affords them a relatively comfortable standard of living.

Source: Survey interview, Berseba, 1998

Secondary beneficiaries

A feature of the methodology developed for this study was an attempt to attribute the spending of transfer income on individuals both within and beyond the recipient's household. Although the primary beneficiary of a transfer is the person who receives that transfer, various secondary beneficiaries can also be identified. In the case of the social pension, it soon became apparent that this transfer income was being used to support most pensioners' extended families, not only with living costs but also with a range of contingencies (such as health crises) and investment expenses in education, agriculture or business ventures.

A significant consequence of this redistribution behaviour is that the social pension makes elderly relatives economically valuable members of the household, in contrast to countries without comparable social security programmes, where the elderly can be regarded as a liability. Social pensions 'provide a degree of autonomy to older members of the community which results in pensioners either being an asset to the household or retaining their economic independence and electing to remain a separate household' (Næraa *et al.* 1993: 15). This latter option is not generally available to elderly people elsewhere in Africa, who typically either become dependants in a household headed by their offspring or are reduced to depending on remittances from relatives and charity from their communities.

Only 28 per cent of social pension income in our survey was spent directly on the pensioners themselves. The bulk went towards the entire household (43 per cent) or to individual relatives (29 per cent). Of these secondary beneficiaries, grandchildren are by far the most important, getting more than half of this spending (55 per cent), followed by the pensioner's adult children (25 per cent), the pensioner's spouse (9 per cent) and parents (5 per cent), with various other relatives – uncles and aunts, in-laws, nephews and nieces – getting the rest (6 per cent). The bulk of spending on grandchildren (almost 70 per cent) was for school-related expenses, the rest being mainly for clothes. Given that many of these children were residing with their pensioner grandparents, much of the 'whole household' spending was for these children's living costs, so the true proportion of social pension income that is consumed by children is even higher than it first appears. There is no evidence of gender discrimination in terms of grandsons receiving significantly more support than granddaughters, or vice versa, neither overall nor by the pensioner's sex. However, female-headed households spent more on the entire household (48 per cent versus 38 per cent) than did male-headed households.

The importance of the social pension's contribution to the education of Namibian children was confirmed in visits made to several schools, which generated qualitative information to supplement the questionnaire survey data. One discussion with a grade 12 (final year) class at Berseba High School revealed that 14 of the 16 learners – 7 boys and 7 girls – were receiving support for their education from their grandparents' social pension. (The two remaining learners had employed parents who paid all education costs themselves.) The pension contributed to various schooling-related expenses: 'school funds' (non-fee contributions towards maintenance of school buildings), hostel fees, uniforms, books and

stationery, examination fees. In most cases, parents made some contribution to these costs, but grandparents typically bore the brunt of the heavy and regular expenses.

It was apparent that this diversion of pensioners' transfer income towards the education costs of their grandchildren – and sometimes of grand-nieces and grand-nephews – especially when pensioners are bringing up grandchildren in their own homes, has become an expectation rather than a favour. Learners in Berseba felt strongly that the social pension should be used to finance their education, and that its value should reflect not just basic living costs but education costs too. ('I need 180 dollars for examination fees but my grandmother is getting only 160 dollars, so the pension must be increased!')

A negative consequence of this dependence on the social pension was noted by a local social worker. When a pensioner dies, which can happen unpredictably at any stage of the learners' education, children are often forced to drop out because there is no means of meeting their education costs. This sets up a vicious cycle of poverty. Children who leave school before acquiring functional literacy and numeracy skills grow up to be poor, excluded from formal employment opportunities and unable to invest adequately in the education of their own children.

An intriguing issue was raised in discussions with social pensioners in the southern study site (in many respects, the most conservative society of the three). Male pensioners in Berseba complained at the fact that they and their wives received the same amount of social pension income each month. They argued that 'in our culture' men acquire cash which they give to their wives to purchase food and groceries, so that women are not accustomed to dealing with cash and the pension only 'confuses' them. 'It might be okay for the young people today, but for us old men of South-West [Africa] this is no good.' Against expectations, similar sentiments were articulated by the women. 'We are used to our husbands giving us money for food and soap each month. What should we do with this pension money?' A popular strategy was for elderly couples to pool their social pension incomes and make decisions about how to use this income jointly, in many cases involving the women in decision-making for the first time in their married lives. Pooling and redistribution of pension income has been observed in many other countries, including South Africa, as has the phenomenon of grandchildren receiving a larger share than the pensioners themselves (Lloyd-Sherlock 2000: 2161).

Conclusion

Like so many aspects of political economy in South Africa and Namibia, the history of the social pension is a story of struggle and slow progress towards justice and equality, from an initial position of institutionalised discrimination and exclusion. The social pension was imported from European social welfare systems to provide income support to retired white South Africans, and was gradually extended to other population groups. Landmarks in the evolution of social pension policy include:

1928	the social pension was introduced in South Africa: only White and Coloured men over 65 years and women over 60 years old were eligible;
1944	eligibility for the social pension was extended to urban African South Africans;
1948	eligibility was extended to rural African South Africans, though at lower rates than for urban Africans;
1949	eligibility for the social pension was extended to White Namibians;
1965	differential social pension payment rates to urban and rural African South Africans were abolished;
1965	eligibility for the social pension was extended to Coloured Namibians;
1973	eligibility was extended to African Namibians;
1990	the age of eligibility for male and female social pensioners in Namibia was equalised at 60 (previously men became eligible at 65);
1994	all racial disparities in social pension payments in Namibia were eliminated, Namibia having inherited a White:African payment ratio of 7:1 at independence;
1998	coverage of the social pension stood at 83 per cent of eligible Namibians, having been under 50 per cent on independence in 1990;
1999	the government drafted a proposal to means test Namibia's social pension and to downgrade it from a statutory citizenship right to a discretionary 'state grant'.

The social pension in Namibia is currently being subjected to close public scrutiny, with concerns that it is poorly targeted and 'fiscally unsustainable' motivating recent proposals to introduce means testing – as in South Africa – to reduce the number of claimants, and to restrict payment increases below inflation rates. It is certainly true that targeting by age is a weak proxy for poverty in a highly unequal society like Namibia. On the other hand, while means testing would certainly improve targeting accuracy, it would also undermine political support for the social pension by denying eligibility to wealthier citizens, who are the pension's principal funders through tax contributions. In any event, the sustainability question is political as much as economic. The future of the social pension in Namibia and South Africa depends as much on its political support base as on its fiscal costs.

This paper has demonstrated that the impacts of the social pension on the livelihoods of recipient households are multiple and overwhelmingly positive. In a context of chronic poverty and mass unemployment, with correspondingly weak informal social support systems, the social pension injects income into pensioners' families and communities that sustains them, educates their grandchildren and stimulates local trade. The regularity and reliability of pension income facilitates access to credit and provides non-covariate buffers against livelihood shocks: during the 1991/2 drought, social pensioners were removed from the list of vulnerable groups needing food aid.

The demographic consequences of the social pension are difficult to isolate from other economic and social determinants of missing middle generation households, but pension income certainly reinforces these demographic strategies: in many rural South African and Namibian communities, economically

active adults are virtually absent. Targeting income transfers on the elderly has the beneficial side effect of elevating their status from economic burdens to valuable family members. Since eligibility for the social pension is activated by age rather than retirement, the incomes of smallholder farmers and informal sector workers actually increases on reaching 60 years of age. The social pension accounts for over 80 per cent of total cash income in our household survey. Without it, living standards would be considerably lower, especially in rural communities, not just for pensioners but for their extended families.

Nonetheless, a basic counterfactual question remains: if the social pension is intended as an anti-poverty intervention, is it the most appropriate and effective means of providing income support to the poorest citizens? Arguably not: leakages to the non-poor are significant; the age criterion is a weak proxy for vulnerability; the transfer is regressive to the extent that the rich live longer than the poor; and the unpredictability of death heightens the vulnerability of families that depend heavily on pensioner income. The evidence presented in this paper that social pension income is used for purposes other than sustaining the recipient, such as contributing to education costs of grandchildren, should not be seen as a 'leakage' or 'over-payment', but rather as confirmation that the poor have multiple needs and priorities which the present safety net arrangements in Namibia and South Africa do not recognise or address.

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