

The pattern of expenditure of social pension income of older blacks in rural and urban areas of the Free State, South Africa

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Abstract

A lack of empirical data on the pattern of expenditure of social pension income by black South African beneficiaries prompted an investigation reported in this paper. It was found that although pension sharing is common in multi-generational households, it is not the norm among black pensioners who live alone. Food is the largest single expenditure item, while a relatively small amount of pension money is spent on children and/or grandchildren. Nor does much pension money find its way into the hands of cash loan agents. Little difference was found between the spending patterns of pensioners in rural areas and those in an urban area. It was moreover found that pensioners are less frequently robbed of their pension money than is alleged.

Introduction

If there is to be a significant improvement in the quality of life of older persons in the 21st century, governments will need to plan equitable and effective social security systems. Part of such systems comprises social pensions payable to eligible persons by government. A large proportion of older South Africans suffer poverty and deprivation, and local social gerontologists are increasingly focussing research on the financial status of older people in general and on their receipt of social pensions in particular.

Non-contributory, means-tested old-age pensions were introduced in South Africa as a response to poverty among whites in 1928. Although pensions were initially available only to white and coloured persons, the provision of pensions was gradually extended to Indians and blacks, in 1944 (Sagner, 1998; McKendrick & Shingwenyana, 1995; Viljoen, in Ferreira, Gillis & Møller 1989). At present, the national Department of Welfare and Population Development pays eight types of social assistance grants to about 2.9 million South Africans. These grants are allocated to older persons, war veterans and disabled people, as well as for child support, foster care and care dependency. In the 1987/88 financial year these payments amounted to R1.9 billion, while social assistance totalled R4.4 billion in 1990/91; in 1998/99 the amount escalated to R16.7 billion (McKendrick & Shingwenyana, 1995: 229; South Africa Yearbook, 1999: 406).

Although retirement issues have been widely investigated in Western countries, very little is known about the income sources and expenditure patterns of older persons in develop-

ing countries. In South Africa, despite a few studies, little is known of the patterns of expenditure of social pension income, specifically among older black Africans. Although a few studies have been undertaken on pension income expenditure, for the greater part they have been qualitative and have not indicated how much money is spent on various items (see e.g. Møller & Sotshongaye, 1996; Sagner & Mtati, 1999; McKendrick & Shingwenyana, 1995; Mohatle & Agyarko, 1999). The studies tend to support the view that, over and above expenditure on the most basic of needs, pension income is also spent on children, burial services, luxury items, the church, etc. However, it is not known what amounts of money are spent on these items. A lack of information in this regard prompted the study reported in this paper. The study was initiated by the Unit for Gerontological Research in the Department of Sociology at the University of the Orange Free State. The university is situated in Bloemfontein, the provincial capital of the Free State, one of nine provinces of South Africa.

In the course of discussion with officials of the provincial Department of Welfare and The South African Council for the Aged (Free State branch), concern was expressed by the officials about the possible misapplication of pension monies paid to older blacks. It is thought, for example, that black pension beneficiaries spend a large portion of their pension income on (co-resident) children and grandchildren, and have little money left to meet their own needs. This perception follows on earlier research by Ardington and Lund (1995). Snyman (1997:10) concurred with this finding and added that "The money is being applied to many purposes, for example enabling an adult child to live in town to seek work, starting a small business or just doing some street trading from time to time – particularly on pension day at the pension paypoints – and enabling the continuation of school for grandchildren in a three-generational household that has access to pension money."

In addition, it has been alleged that "millions of rands" land in the pockets of cash loan agents on pension pay days, as repayment of loans made to pensioners by the agents. Allegations of widespread "robbery" of pension money also abound. It is moreover thought that the pattern of expenditure of pension income differs in rural areas to that in cities.

The study therefore sought to gain understanding in these areas and the following research questions were posed to direct the investigation:

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- (1) Is pension income shared by co-residents in multi-generational households? Is pension-sharing the norm in these households?
- (2) What items do pension beneficiaries spend their money on?
- (3) Do pensioners actually expend as great a proportion of their pension income on children and grandchildren as social workers suspect?
- (4) Do "millions of rands" of pensioners' money land in the pockets of cash loan agents?
- (5) Are pensioners frequently robbed of their pension money?
- (6) What differences are there in pension income expenditure patterns of pensioners in rural areas and in cities?

An overall aim of the study was to determine, through the employment of an innovative research tool, the pension income expenditure patterns of black pensioners in rural areas and an urban area of the Free State province.

Method

Research instruments and procedure

Data were collected with the use of an interview schedule and a chart (see Chart 1). The chart was specially designed for the study and provides for the measurement of amounts of pension money spent on broad categories of items. The size of the chart used in the study was 60 x 42 cms. First, the aim of the study was explained to the participants and an interview schedule was completed for each participant. They were shown the chart and it was explained that the chart represented broad categories in which pensioners spend their money. Sufficient time was allowed for them to study the chart and to ask questions about categories that were unclear to them. Thereafter, a handful of beans was placed in the centre of the chart and each participant had to divide the beans proportionally among the categories to illustrate his/her monthly expenditure on each item. The participants were encouraged to take their time in dividing the beans and were allowed to make as many changes as they wished. After the beans were divided, no beans were to be left in the centre of the chart. Once the participants were satisfied with their division, the fieldworker counted the beans in each category and

noted it on the schedule. The proportionate division of the beans was calculated in percentages for each participant by the researchers.

Sample

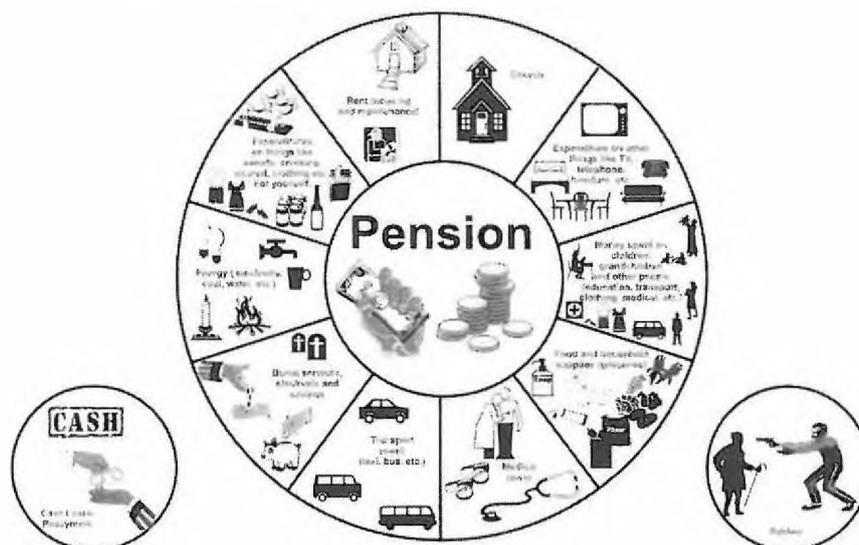
The study was conducted in an urban area, namely Mangaung, and in rural areas of the southern Free State. It was presumed that pensioners in these rural areas would be in a financially weaker position than their peers in other rural areas – particularly those who lived closer to the Goldfields in the north and in more favourable agricultural areas. The reason for this presumption was that pension benefits are probably the only source of income of older persons in the southern Free State. In addition, more people in these areas would be dependent on pension income as the only source, or main source of income of entire households, as a result of widespread unemployment in these areas, than would be the case in other rural areas.

For the purpose of the study, Mangaung was regarded as representative of urban areas of the Free State historically inhabited by blacks. As a consequence of the historical development of Bloemfontein and South Africa's apartheid policy, the majority of the province's urban black population still lives in Mangaung, the largest residential area for black people close to Bloemfontein. The area has between 250 000 and 300 000 inhabitants. A list of names of 500 black pensioners who reside in Mangaung was provided by the Free State branch of The South African Council for the Aged. Names were randomly selected from this list to compose a study sample of 104 participants, which represented a 20% sample.

Four towns, namely Jagersfontein, Luckhoff, Jacobsdal and Koffiefontein, were selected as representative of rural areas of the southern Free State. Lists of names of all older persons of all races who resided in the towns and surrounding areas, and who received a social pension were provided by the same organisation. From a sample frame of 672 pensioners, names were randomly selected to produce a 15% sample of 102 black participants. If it is taken into account that the sample frame for the rural areas also included white pensioners, then the 102 study participants in this area were probably also representative of 20% of black persons in the area who receive a social pension.

Chart 1

Distribution of pension income on item expenditure categories



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In the four towns, interviews were conducted with 14, 13, 34 and 41 participants, respectively.

Fieldwork

Residents of the study areas were recruited by The South African Council for the Aged as interviewers. The interviewers were fully trained by the researchers in interviewing and the use of the chart. As the study would address a sensitive area which could evoke suspicion in the participants, special attention was given in the training to the establishment of a relationship of trust between an interviewer and a participant. Interviewers were also instructed to assure the participants that their participation in the study would in no way threaten their eligibility to pension benefits. The interviews were conducted in October and November 1999 in the language of the participants (South Sotho).

Limitations of the study

A possible limitation of the study was the possibility of inaccurate reporting of pension income expenditure by the participants. In an earlier, similar study, McKendrick and Shingwenyana (1995) noted a limitation of their study as being "... the part of the schedule that required the old person to recall the previous month's expenditure of her pension [being] unlikely to be accurate down to the last Rand and cent ..." (1995:231). To moderate a potential for this limitation in the present study, Chart 1 was developed as a measurement tool.

In contrast to the study of McKendrick and Shingwenyana (1995), the present study did not focus on expenditure in the past month but on average expenditure in preceding months. An estimation of expenditure during a single month could result in misrepresentation and it was therefore decided to rather attempt to determine the pattern of expenditure over a number of months.

Characteristics of the sample

Socio-demographic characteristics of the sample are shown separately for the rural group, the urban group and the total sample in Table 1.

As may be seen in Table 1, the sample comprised more women than men, while the ratio of women to men in the urban area was higher than the 7:3 ratio in the total sample. Also evident in the table are that the urban group was older than the rural group; that more persons in the urban group were single (widowed and divorced/separated) than in the rural group; and that considerably more single older persons in the urban group lived with children than did single older persons in the rural group. Households in which married older persons and children/grandchildren co-resided were more often found in the rural areas than in the urban area. Pension sharing occurred in the majority of cases (63.6%), but more often in the urban group (75% of cases) than in the rural group (52% of cases).

Research findings

Pension sharing within households

The first research question challenged the assumption that pension income is shared among co-residents in multi-generational households. The question raised two issues: First, how many pensioners live in multi-generational households, and second, whether the incidence of pension sharing is greater among pensioners who live in multi-generational households than among pensioners who live alone? While the purpose of the study was not to investi-

gate pension sharing as such, it is nevertheless important to understand the practice of pension sharing among black South Africans. Sagner and Mtati (1999) investigated the practice in an urban area and concluded that: "[P]ension sharing by older people cannot be explained without reference to cultural values and norms on the one hand and macro-structural factors on the other" (p. 411). Although their research data suggest that economic factors (such as unemployment and poverty), as well as political factors (such as the state of South Africa's social security system) have been fundamental in the emergence of the practice of pension sharing, the authors concluded that these factors are insufficient to account for the practice. They pointed out that pension sharing is "... intimately tied to the African cultural ethic that stresses the value of interdependence and the priority of family welfare over self-interest" (p. 411).

Table 1

Socio-demographic characteristics of the sample

Characteristic	Sample				Total	
	Rural group		Urban group		%	N
	%	N	%	N	%	N
N	100.0	102	100.0	104	100.0	206
Gender						
Female	62.7	64	76.9	80	69.9	144
Male	37.3	38	23.1	24	30.1	62
Age group						
60 - 69 years	58.8	60	29.8	31	44.2	91
>70 years	41.2	42	70.2	73	55.8	115
Marital status						
Widowed	49.0	50	60.6	63	54.9	113
Married/living together	36.3	37	19.2	20	27.7	57
Divorced/separated	7.8	8	13.5	14	10.7	22
Never married	6.9	7	6.7	7	6.8	14
Composition of household						
Lives alone	19.6	20	10.6	11	15.0	31
Lives with spouse only	10.8	11	5.8	6	8.3	17
Lives alone with children/grandchildren	40.2	41	66.3	69	53.4	110
Lives with spouse and children/grandchildren	27.5	28	13.5	14	20.4	42
Other	2.0	2	3.8	4	2.9	6
Income sources						
Pension only	96.1	98	91.3	95	93.7	193
Pension and other	3.9	4	8.7	9	6.3	13
Pension sharing						
Does not share pension	48.0	49	25.0	26	36.4	75
Shares pension with others	52.0	53	75.0	78	63.6	131

In the present study, 76.7% of the total sample lived in a multi-generational household and 81% of these pensioners shared their pension income with members of the household. This high incidence of pension sharing in multi-generational households therefore confirmed the findings of other researchers that pension sharing is a general practice and is even the norm in black households. In their study, Møller and Sotshongaye (1996: 9) found that "[P]ensioners regarded the pension as individual rather than family income, although pension sharing was the norm. ... As the vast majority of African pensioners live in three-generation households, pension sharing is very likely to be a common practice." However, the present study showed that pension sharing is *not* general practice among pensioners who live alone. Of the 23.3% of participants who did not live in multi-generational households, only 6.3% reported that they shared their pension

income, presumably with family members who live elsewhere. Such "sharing" presumably takes the form of sending money to the family members. It consequently appears that there is a relationship between pension sharing and the composition of a pensioner's household.

Pattern of expenditure of pension money

The items on which the participants spent their pension money are shown in Table 2. More than a fifth (22%) of the income was spent on food. Møller and Sotshongaye (1996: 10-11) found that "food was a major expenditure item in almost all households," and that in all, the most important items on which pensioners spent pension money were food, clothing and household necessities, such as electricity, telephone, water, taxes and rent. Although the expenditure items were listed in a specific order, the authors did not mention what percentage of the pension money was spent on the different items. McKendrick and Shingwenyana also found that "[T]he most expensive single category of the monthly budget was food and household supplies..." (1995:233).

Table 2

Proportional expenditure of pension income on item categories, in rank order, by rural and urban groups, and amount in Rands: percentage distribution

Item category	Average percentage of pension income expended on various items			Average proportional expenditure of pension money
	Rural group %	Urban group %	Total %	
Food	23.9	20.2	22.0	114.40
Electricity, fuel	11.8	14.3	13.0	67.60
Rent, housing	10.9	11.5	11.2	58.24
Church	10.9	9.4	10.2	53.04
Burial services, savings ^a	11.8	7.7	9.8	50.96
Children, grandchildren	6.7	8.8	7.8	40.56
Personal	7.4	6.8	7.1	36.92
Medical expenses ^b	4.5	8.0	6.2	32.24
TV, telephone, furniture	4.8	6.3	5.5	28.60
Transport ^b	3.9	6.0	5.0	26.00
Repayment of cash loans ^b	3.4	1.0	2.2	11.44
Total	100.0	100.0	100.0	520.00

^a Based on a pension benefit of R520.00 a month – the maximum amount of the old-age pension at the time of the interviews.

^b Differences between the rural group and the urban group are statistically significant at the 5% level.

The second largest expenditure item of the participants in the present study was energy: 13% of the pension money was spent on electricity or fuel. Rent and housing followed energy, as the third largest expenditure item. In sum, pensioners spent slightly less than half (46.2%), on average, of their pension income on the basic requirements of food, energy and housing.

Items on which approximately 10% of pension money was spent in each case were the church (10.2%), and burial services and savings (9.8%). Møller and Sotshongaye (1996) found that "[E]xpenditure on ... contributions to stokvels and burial society funds, church dues and savings accounts, were in general regarded as less urgent ..." (1996: 12). In the pres-

ent study the remaining third of the participants' money was spent on children and grandchildren (7.8%), personal expenses (7.1%), medical expenses (6.2%), television licences, telephone bills and furniture purchases (5.5%), transport (5%) and the repayment of cash loans (2.2%). Although a direct comparison of medical expenses in Møller and Sotshongaye's study and the present study is not possible, it appears that medical expenses were higher in the former study than in the latter study, in which only 6.2% was spent on this item; Møller and Sotshongaye reported that "[M]edical expenses were a major expenditure item for both rural and urban households" (1996:11). An apparent decrease in medical expenses may be ascribed to the fact that primary health care has been more widely available since September/October 1995, when the study of Møller and Sotshongaye was conducted, and October 1999, when the fieldwork for the present study was carried out.

Sharing of pension money with children

The allegations of officials of the provincial Department of Welfare, The South African Council for the Aged (Free State branch) and caregivers to older persons (cf. Ackermann & Matebesi, 1998) that black pensioners spend virtually all their pension money on their children and grandchildren, are refuted by the findings of the present study. Table 2 indicates that the total sample spent only 7.8%, on average, of pension income in this way. However, Mohatle and Agyarko (1999: 51) found that "[B]oth male and female older respondents said that they spend most of their money on their children and their grandchildren." The latter finding is based on studies in Bungeni in the Northern Province and in Kalesong in Gauteng Province; qualitative research methods were employed in both studies. The authors do not specify how many persons were interviewed, but probably not more than ten.

Expenditure of pension money on repayment of cash loans

A concern over so-called "millions of rands" which land in the pockets of cash loan agents on pension days seems to be unfounded. Of the R107 120.00 (206 x R520.00 the maximum monthly pension benefit) paid to the sample on a single pension day, only an estimated R2 356.00 (2.2%) was paid over to agents in repayment of cash loans. Of the 206 participants, only 34 (16.5%) had cash loan commitments. Of those with such commitments, each thus paid approximately R70.00, or 13.5% of his/her pension money towards repayment of a cash loan.

Robbery of pension money

At the request of the Free State branch of The South African Council for the Aged, a question was included in the interview schedule to determine the incidence/frequency of robbery of pensioners of their pension money. The participants were required to indicate on Chart 1 how often they had been robbed of their pension money during the period January to October 1999. Of the 206 participants, 27 (13.1%) reported that they were robbed of their pension money, or part of it on one or more occasions during the preceding ten months. On average, these 27 pensioners were each robbed four times. What is significant is that 90% of the cases of robbery occurred in only one of the study areas, namely Koffiefontein.

Comparison of patterns of expenditure in rural and urban areas

A comparison of the patterns of expenditure of pensioners in the rural areas and that of pensioners in the urban area shows

the following: No statistically significant differences were found between the amounts of money spent on energy, housing, the church, children, personal expenses, and television, telephone and furniture. Statistically significant differences were found where pensioners in the rural areas spend more on burial services and savings, and repayment of cash loans, but less on medical expenses and transport than do their urban counterparts. The higher expenditure on burial services and savings in the rural areas may, according to Erasmus (2000), be ascribed to the exploitation of pensioners in these areas by ruthless underwriters of so-called life and burial policies. Erasmus (2000) found that many uninformed black and coloured older persons in the rural areas are deliberately and immorally exploited by agents who sell them burial and savings policies, and that they easily fall prey to unscrupulous exploiters. He mentioned that "policy agents" converge on townships in an organised fashion, especially over weekends prior to pay day, and then concentrate on uninformed black older people with a view to selling them these products – mostly to the detriment of the pensioners. According to Erasmus, urban black older persons are probably better informed and do not fall prey to exploitation as readily as their rural counterparts. In addition, large formal and recognised financial institutions are less inclined to grant loans in high-risk areas and are not eager to invest in rural areas. Pensioners in rural areas are therefore probably more dependent on informal organisations for cash loans when the need arises (Erasmus, 1998), which may be a reason why pensioners in the rural areas spend more money on this item.

According to the providers of medical services, pensioners in urban areas spend more on medical services than pensioners in rural areas. This expenditure may be ascribed to the greater availability of medical services and facilities in urban areas, which encourages pensioners to make use of these services. In contrast, pensioners in rural areas may be more inclined to bear with pain for a longer period, and to suffer greater hardship and discomfort than their urban counterparts, which in turn results in fewer medical expenses being incurred by pensioners in rural areas.

Urban pensioners' greater expenditure on transport has a practical explanation. They are dependent on public transport which is more expensive than informal transport, the latter being more available in rural areas.

Conclusions

The study was guided by six broad research questions. The questions directly relate to and stem from a lack of information on how black South African pensioners spend their pension money. Although other investigators have offered tentative answers to similar questions, the answers have tended to remain based on myths. The few qualitative studies that have been undertaken have not answered the questions adequately. The researchers were consequently stimulated to test the myths through empirical research and to attempt to answer the six research questions concerning alleged misapplication of pension money by black older persons.

Some of the study findings confirm the findings of other studies, namely that the majority of black pensioners live in multi-generational households and share their pension money with other household members. However, the present study found that pension sharing is not general practice where pensioners live alone. Current social welfare policy, which encourages older persons to live in the community for as long as possible and to be cared for by the community, leads one to

expect that fewer older persons will live on their own and that the practice of pension sharing will increase.

The study has shown that contrary to myth, pensioners spend relatively little of their pension money (approximately 8%) on their children and/or grandchildren, but also spend relatively little (approximately 7%) on themselves.

The allegation that most pensioners are the victims of unscrupulous loan sharks who demand virtually all of a pensioner's money on pay day in repayment of cash loans neither appears to hold true. Only about 2.2% of pension income was found to go into the pockets of cash loan agents. Repayments on cash loans were more common in the rural areas than in the urban area. Only a minority of pensioners (approximately 16%) accessed money lending schemes.

Relatively few pensioners in the study (13.1%) had been robbed of their pension money. However, the victims may easily fall prey to such crime again. Virtually all the robberies occurred in a single rural township and did not appear to be a general phenomenon.

With the exception of expenditure on burial services and savings, repayment of cash loans, medical and transport expenses, no differences were found between the expenditure patterns of urban and rural pensioners.

Finally, the study offers only partial answers to some of the research questions which guided it. Further research is needed to shed more light on the patterns of expenditure of pension money generally and on those of black pensioners specifically.

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