

ERSA Research Brief

State pension payouts boost migrant job prospects for household members

Large cash transfers to elderly South Africans, in the form of government pensions, boost the job prospects of working-age members of their households. In particular, men and women between the ages of 18 and 50, who live in a household with a pensioner, are more likely to become migrant workers than those living in households that do not benefit from a cash transfer.

Cally Ardington, Anne Case and Victoria Hosegood, in “Labour supply responses to large social transfers: Longitudinal evidence from South Africa” (ERSA Working Paper no. 59), attribute this result to the increase in household resources that the pensioner represents. The cash transfers support working-age household members until they find jobs, while the pensioner can care for young children.

These findings point to the importance of extending the discussion of how state transfers affect recipients, to include not only those living in the household, but to incorporate those who are supported over a long distance.

The study uses data from the Africa Centre Demographic Information System (ACDIS), which spans about 11 000 households in the Umkhanyakude District of KwaZulu-Natal. The authors use two rounds of socio-economic data collected by ACDIS, for 2001 and for 2003/4.

Significantly, the results are derived from a longitudinal data set – a comprehensive set of socio-economic data, for two distinct periods – and contradict the findings from previous studies based only on cross-sectional data, which apply to a single period only. These previous studies, as well as the authors’ own estimations using only cross-sectional data, suggest that the presence of a pensioner in a household is likely to be negatively associated with prime-aged adults living in the household being employed. This derives in part from the fact that once pension receipt begins unemployed and ill relatives come to live with pensioners.

Pension transfers affect *where* employment takes place

But the use of longitudinal data gives insight into how employment patterns change within a household – and *where* this employment happens – when the household starts to receive a pension: There is a small increase in employment of prime-aged adults after pension receipt begins. Further, prime-aged adults are significantly more likely to be labour migrants after the household starts receiving a pension. If a pension is lost between the two survey periods, prime-aged adults in the household are significantly less likely to be labour migrants in the second period.

Specifically, prime-aged women in pension households are five percentage points more likely to be labour migrants than other women, assuming other factors such as age, education and household

composition are held constant. Prime-aged men in these households are three percentage points more likely to be labour migrants.

Households with female pensioners are, it seems, better off than those with male pensioners. The presence of a female pensioner promotes labour migration for both men and women, while the presence of a male pensioner promotes labour migration for men only.

Meanwhile, the estimation offers no support for the view that the arrival of a pension in a household has a negative causal effect on employment by prime-aged adults in the household.
