

OLD-AGE PENSIONS ON CHILD DEPRIVATION

Pensions affect child well-being by increasing female decision making



Overview

Existing work suggests that the old-age pension, through increasing female bargaining power in household decision-making, has a positive impact on the well-being of children. Old-age pension is therefore considered a useful for alleviating child deprivation and aiding human development.

Using a new dataset, Van Biljon (2017) investigates whether earlier findings of an association between pensions and improved child well-being are robust to a different measure of pensions, as well as different model specifications. She also attempts to explain observed changes in child well-being following pension take-up as the result of changes in decision-making dynamics in the household. The use of panel data allows her to more directly measure pension take-up, which presents more conclusive evidence of the relationship between pension receipt and child well-being than has been obtained before. Given the emphasis placed on old-age pensions as a policy tool, results are useful for policymakers.

Key Results

- **The association between pension receipt and improvements in child well-being are not robust.** This finding contrasts with earlier findings that pension receipt impacts on the deprivation of children in pension-eligible households.
- **Receiving state pensions allows females to gain bargaining power** relative to younger males and females within their household.
- **When women receive old-age pensions, female bargaining power within the household increases.** This suggests that by increasing the bargaining power of women, receiving a pension could improve children's well-being.

By

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Background

The effects of old-age pensions have been widely researched. The literature is concentrated on the poverty alleviating effects of pensions within the context of three main categories; the effects on labour force participation, education, and child health. In her seminal paper, “Grandmothers and Granddaughters”, Duflo (2000) finds that the well-being of girls (as measured by anthropomorphic status) is significantly better when they live with a pension-eligible female, compared to when the eligible member is male. Ambler (2016) adds to this finding the result that receiving a pension increases a female’s bargaining power within the household. These two findings together suggest it is through increasing women’s bargaining power in the household that pensions improve the well-being of girls.

Building on these findings, Van Biljon (2017) investigates whether access to a government pension continues to have an impact on household decision-making, and in-so-doing, the well-being of children. Her approach, however, differs from her predecessors’ in a crucial way. While previous studies such as those of Duflo and Ambler use pension eligibility as a proxy for pension receipt, Van Biljon shows that eligibility is a noisy measure of actual take-up of the pension, since not all individuals take up the pension immediately upon becoming eligible. Van Biljon uses a panel dataset, which makes it possible to make comparisons of the same individuals over time. That is, the author need not use eligibility as a source of exogeneity to allow causal analysis and can use a directly observed measure of pension take up over time.

Using this direct measure of pension receipt, she estimates a number of specifications to determine the association between pension receipt and the well-being of children, as measured by weight-for-height ratio. The author goes on to measure the association between pension receipt and the probability of having a female primary decision-maker in the household as a way of measuring the impact of pension receipt on the bargaining power of women within the household.

Methods and Data

The National Income Dynamics Study (NIDS) is a nationally representative survey of over 28,000 individuals over a 6-year period. By incorporating all four waves of NIDS, it is possible to use panel estimators with a direct measure of pension take-up, without having to rely on pension eligibility as a source of exogeneity.

The means test for the government old-age pension is set at a level such that it is accessible for the majority of the black population simply by meeting the age requirement. The sample is therefore limited to the black population and age is considered the only criteria for pension eligibility. When investigating changes in the anthropomorphic status of children (specifically, weight-for-height ratio), the sample is limited to children aged 6 to 60 months who live with a person aged 50 to 75. This reduces influences from observations that are very far from the cutoff for pension eligibility. The use of longitudinal data makes it possible to compare individuals before and after taking up the pension.

Figures 1 and 2, below, show the probability of being the primary decision-maker on day-to-day things by age for women and men, respectively. These figures are representative of the findings of the paper. A significant increase in the probability of being the primary decision-maker is seen for females at age 60. The effect of pension eligibility is not significant for males. The analysis is dedicated to isolating the causal effect of pension receipt on household decision-making as implied by these descriptive figures.

Figure 1. Primary decision making on day-to-day things, by women

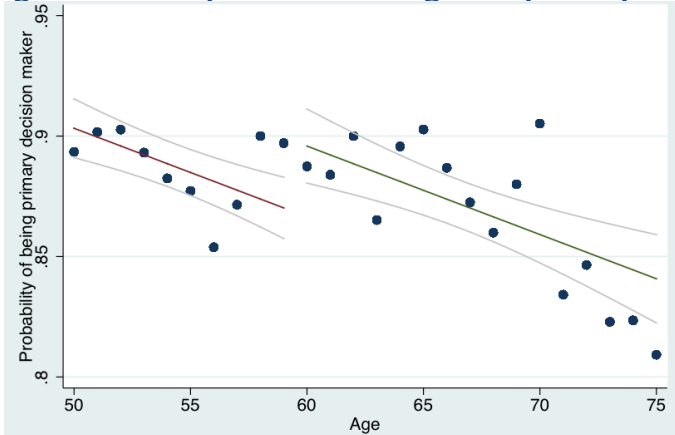
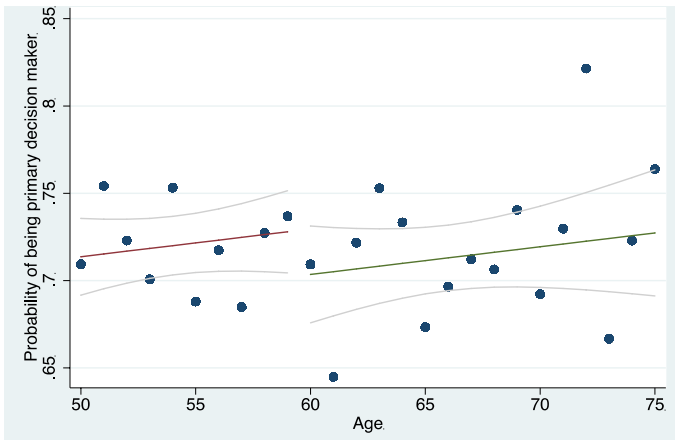


Figure 2. Primary decision making on day-to-day things, by men



Two statistical methods, pooled Ordinary Least Squares (OLS) and fixed effects, are used to estimate the effect of pension receipt on children’s weight-for-height ratio. In order to untangle the effect of pension receipt on intra-household decision-making dynamics, three questions are investigated: (I) What is the effect of being a pension recipient on the probability of being the primary decision maker? Does this effect differ based on gender? (II) What is the effect of living with a pension recipient on an individual’s probability of being the primary decision maker? Does this effect differ based on the gender of the recipient and the gender of the individual? (III) How does having a male/female pension recipient within a household effect the probability that the household has a female primary decision maker? Pooled-OLS and fixed effects specifications are used to answer each of these questions.

Main Results

Only female pension eligibility has a significant effect on the weight-for-height ratio of girls. When using a pooled-OLS specification, the results mirror those of Ambler (2011) and Duflo (2000) and indicate a 0.42 standard deviation increase in weight-for-height for girls.

The association between pension receipt and improvements in child well-being are not robust to fixed effects model specifications. While there is some evidence of gender bias in both male and female pension recipients, i.e. males favor boys and females favor girls, the overall effect of pension receipt on child deprivation is not robust to fixed effects model specifications. This result contrasts with earlier findings.

Receiving a state pension allows females to gain bargaining power relative to younger males and females within their household. For both men and women between the ages of 15 and 60, residing with a female pension recipient decreases the probability of being the primary decision-maker by 9 percentage points. This effect is smaller and less robust when the pension recipient is male, where it only decreases the probability of younger household members being primary decision-makers by 2 percentage points.

When women receive old-age pensions, female bargaining power within the household increases, while female bargaining power decreases when men receive pensions. Households that have a female pension recipient are five percentage points more likely to have a female primary decision-maker. When considering the change within a household, a female taking up the old-age pension is associated with a 3-4 percentage point increase in the probability of a household having a female primary decision-maker. When a male household member takes up the pension, the probability of having a female primary decision-maker decreases by 2 percentage points. It therefore seems as resources held by grandmothers enable women to be primary decision-makers in the household. This suggests it is through increasing the bargaining power of women that pension receipt improves the well-being of children.

Shifts in the decision-making dynamics are greater when the pension recipient is female. Across all specifications the gains to female bargaining power when women receive pensions is larger than the loss to female bargaining power when men receive pensions.

Policy Lessons

- **Pensions shift intra-household decision-making dynamics.** Social transfers may bring about beneficial changes in these dynamics.
- **Shifts in decision-making dynamics are greater when the pension recipient is female.** Targeting women in social transfers is likely to constitute a more effective strategy for affecting these dynamics than targeting men.
- **Shifts in bargaining power are associated with improved outcomes in co-resident children.** Gains in female bargaining power lead to lower child deprivation rates. Targeting social transfers towards women therefore constitutes an effective strategy for improving the well-being of children.

References

Ambler, K. (2016). Bargaining with Grandma: The Impact of the South African Pension on Household Decision-Making. *Journal of Human Resources*, 51(4), 900–932.

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Further Reading

van Biljon, C. (2017). *The effect of old age pensions on child deprivation: revisiting the role of gender*, Stellenbosch Working Paper Series No. 13/2017.

<https://ideas.repec.org/p/sza/wpaper/wpapers289.html#download>

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Research Project – G2E (Growth to Empowerment) is a project of the GrOW initiative: Pathways for shared prosperity: Understanding the links between women's economic empowerment and growth.

Information

<https://www.uni-goettingen.de/grow>

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