

## **Old-Age Pensions and Joint Retirement Decisions in South Africa**

David Lam  
University of Michigan  
davidl@umich.edu

Murray Leibbrandt  
Universidade of Cape Town

and  
Vimal Ranchhod  
University of Michigan

Prepared for submission to the 2004 meetings of the  
Population Association of America

September 2003

David Lam is Professor of Economics and Senior Research Scientist in the Population Studies Center at the University of Michigan. Murray Leibbrandt is Professor of Economics at the University of Cape Town. Vimal Ranchhod is Ph.D. candidate in the Department of Economics at the University of Michigan.

## **Old-Age Pensions and Joint Labor Supply of the Elderly in South Africa**

### **Abstract:**

This paper will analyze the labor force activity of the elderly in South Africa, taking advantage of large household surveys conducted in recent years by Statistics South Africa. There has been very little research done analyzing patterns of work and retirement among the elderly in South Africa, in spite of considerable interest in the extent to which the elderly are helping absorb the burdens of both high unemployment and HIV/AIDS. We will focus particular attention on the impact of South Africa's generous non-contributory old-age pension system on retirement decisions. Although there is a means test for these pensions, previous research has shown that the means test is relatively unimportant for most black South Africans, with most receiving the pension as soon as they become age eligible (age 60 for women and age 65 for men). We plan to use the sharp age discontinuity as a test of the impact of income on the labor supply of spouses. We will consider, for example, the labor supply behavior of two men age 62, one married to a woman who is age 59 and the other to a woman who is age 60. Since pension receipt is highly predictable, the labor supply impact of a spouse's pension is informative about the extent to which households are able to smooth consumption, as well as being informative about income effects on elderly labor supply.