The redistributive effects of social protection programmes in Namibia

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Structure of the Presentation

- Introduction – why social protection
- Structure of social protection in Namibia
  - Contributory schemes
  - Non-contributory schemes
- Analytical methods
  - FGT poverty measures
  - Gini-coefficients and lorenz curves
  - Poverty and inequality decompositions
- Results - poverty and inequality outcomes
- Conclusion
Why social protection in Namibia

- History of inequality and discrimination
  - 1990 - Namibians’ social pension income was 7 times higher than that of the Oshiwambo, Caprivi and Kavango ethnic groups
  - The three occupied the lowest echelons of the social hierarchy
- For equity and poverty reduction
- To reduce impacts risks, shocks and vulnerabilities
  - market failures, missing markets and information asymmetries
Structure of social protection in Namibia

Contributory Schemes
- Maternity and sick leave
- Pension and Medical Aid Fund (2)
- Private Pension Funds
- Employees’ Compensation Fund (3)

Non-Contributory Schemes
- Old Age Pension
- Disability Grant
- Funeral Benefit
- Foster Parent Allowance
- Food / cash-for-work
- Health and Education
- Places of Safety Allowance
- Special Maintenance
- Maintenance Grant
- Veterans’ Subventions
- Motor Vehicle Fund
- TIPEEG

1, 3 – Partially contributory; 2 – Not yet in existence
Analytical methods

- FGT Poverty indices:
  \[ P_\alpha = \frac{1}{n} \sum_{i=1}^{q} \left( \frac{z - y_i}{z} \right)^\alpha, \quad \alpha \geq 0 \]

- Gini-coefficients and lorenz curves:
  \[ Gini = 1 - 2 \frac{\sum_{k=1}^{n} w(k)}{w \ast n \ast (n + 1)} \]
  - \( w(k) = \) individual k’s welfare variable
  - \( \bar{w} \) is the average of the welfare variable

- Poverty and inequality decompositions: Stark, Taylor, and Yitzhaki (1986) inequality decomposition
  \[ G = \sum_{k=1}^{k} S_k G_k R_k \]
  - The shares of each income source in total income \(- S_k\)
  - The share of each income source in the Gini Coefficient \(- G_k\)
  - The Gini correlation of income from each source \(- R_k\)
Results

The applicable poverty lines for 2009/10: a lower bound of N$277.54; an upper bound of N$377.96.

FGT Poverty Indices, headcount elasticity and Gini Coefficients

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- Female-headed households poorer than male-headed;
- Poverty sources in rural areas are less sensitive to changes in per capita consumption expenditure.
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### Results - inequality

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<th>Inter-quintile percentage income differences</th>
<th>1993/94</th>
<th>2003/04</th>
<th>2009/10</th>
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<tr>
<td>2nd Poorest - Poorest 20per cent</td>
<td>1.6</td>
<td>2.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Middle Quintile - 2nd Poorest 20per cent</td>
<td>2.4</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Second richest 20per cent - Middle 20per cent</td>
<td>6.1</td>
<td>7.0</td>
<td>7.1</td>
</tr>
<tr>
<td>Richest - Second richest 20per cent</td>
<td>67.2</td>
<td>53.6</td>
<td>39.2</td>
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- Income dynamics show growing inequality between the bottom four quintiles, with the worst of it being between the third and the fourth quintiles.
- Regions with highest inequality: Karas (0.629), Khomas (0.604) and Otjozondjupa (0.59) regions.
- Regions with the lowest inequality: Omusati (0.405), Oshikoto (0.435) and Kavango (0.452) regions.
### Results

<table>
<thead>
<tr>
<th>Source of income</th>
<th>$S_k$</th>
<th>$G_k$</th>
<th>$R_k$</th>
<th>Share</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour income</td>
<td>0.916</td>
<td>0.799</td>
<td>0.972</td>
<td>0.946</td>
<td>0.03</td>
</tr>
<tr>
<td>Social security</td>
<td>0.015</td>
<td>0.995</td>
<td>0.732</td>
<td>0.014</td>
<td>-0.0005</td>
</tr>
<tr>
<td>Social assistance</td>
<td>0.038</td>
<td>0.937</td>
<td>0.271</td>
<td>0.013</td>
<td>-0.025</td>
</tr>
<tr>
<td>Remittances</td>
<td>0.013</td>
<td>0.985</td>
<td>0.375</td>
<td>0.006</td>
<td>-0.007</td>
</tr>
<tr>
<td>Assets income</td>
<td>0.013</td>
<td>0.999</td>
<td>0.854</td>
<td>0.015</td>
<td>0.002</td>
</tr>
<tr>
<td>Other income</td>
<td>0.005</td>
<td>0.998</td>
<td>0.732</td>
<td>0.005</td>
<td>-0.0001</td>
</tr>
</tbody>
</table>

The shares of each income source in total income - $S_k$

The share of each income source in the Gini Coefficient - $G_k$

The Gini correlation of income from each source - $R_k$

- Labour income is highly unequally distributed; Ceteris paribus, a 1% increase in labour income increases the Gini Coefficient of total income by 3%

- Social assistance and remittance have slight equalising income-equalising effects, despite their high source Gini coefficients. The two are also more equally distributed and have low Gini correlations – they tend to favour the poor
Results
Results
Challenges ahead

The education system remains supply- rather than demand-driven

- Quality issues
- Low research and development expenditure
- Infrastructural bottlenecks, especially at primary and secondary levels
- Necessity of TVET

Health outcomes are not consistent

- High infant mortality and maternal health challenges
- Lack of adequate skilled personnel
- Infrastructural challenges and deteriorating quality of service
- Control of diseases, especially HIV/AIDS and opportunistic infections; drug regimes and habits
- Access to health still a challenge to some

Corruption and nepotism

- Government employment
- Tenders and tendering process

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<tbody>
<tr>
<td></td>
<td>Rural</td>
</tr>
<tr>
<td>Protected water source</td>
<td>74.6</td>
</tr>
<tr>
<td>Toilets</td>
<td>25.6</td>
</tr>
<tr>
<td>Bush system or no toilet</td>
<td>72.1</td>
</tr>
<tr>
<td>Bucket system</td>
<td>0.97</td>
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Conclusions and implications

- In general, poverty and inequality have been declining in Namibia.
- We observe that social assistance schemes reduce poverty and inequality, but access remains a problem for some regions. Sustainability will likely be a serious issue too.
- Labour market and associated incomes tend to cause growth in inequality.
  - There is need for the creation of decent jobs, since this reduces inequality.
- Despite the huge gains in poverty and inequality reduction, Namibia faces significant challenges.
  - There is need to address education and health challenges.
- There is need for different approaches to addressing poverty and inequality, depending on the dominant factors behind the two social phenomena.