

IMPACT OF GOVERNMENT PROGRAMMES
USING
ADMINISTRATIVE DATA SETS

SOCIAL ASSISTANCE GRANTS

Project 6.2 of the Ten Year Review Research Programme

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Introduction

Social assistance refers to non-contributory and income-tested benefits provided by the state to vulnerable groups unable to provide for their own minimum needs, such as the disabled, the elderly and young children in poor households. Almost 6 million South Africans receive social assistance grants each month¹ and this number is steadily rising as a result of the extension of the Child Support Grant and increased public awareness of eligibility for grants.

Total number of beneficiaries
after correcting for caregivers receiving more than 1 CSG (estimated)

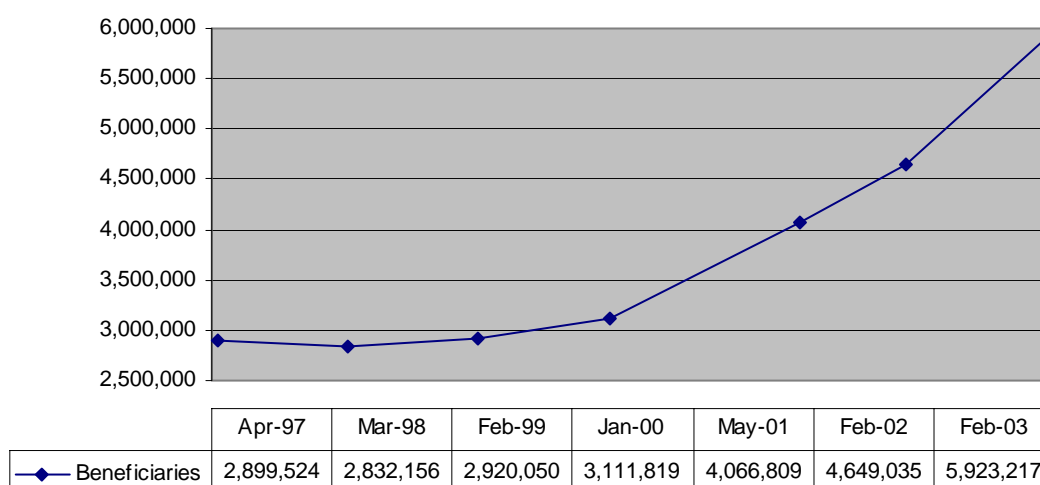


Table 1 in the Appendix shows the number of beneficiaries and the cost of the grants as at February 2003. In this short document we focus on the three child grants (Child Support, Foster Care and Care Dependency), the Old Age Pension and the Disability Grant. These grants accounted for 99,8% of the total value of social assistance grants in February 2003.

The data used in this paper comes from two sources, *viz.* microsimulations based on the national household surveys of Stats SA and the SOCPENS system of the Department of Social Development.

Social Old Age Pensions

The Old Age Pension is a means-tested benefit with eligibility based on age, level of income and citizenship. The maximum monthly amount is currently R700. Single persons with income above R1410 per month are not eligible for the grant and

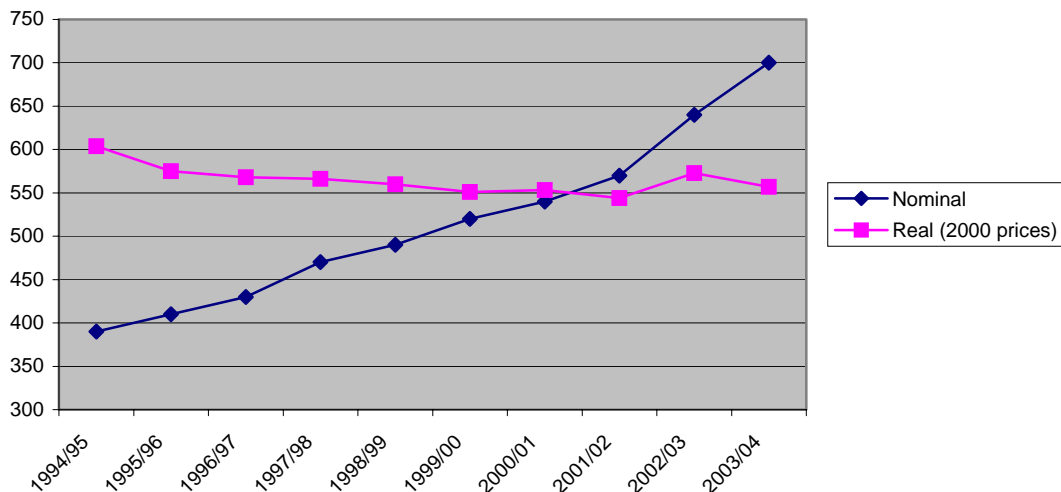
¹ In February 2003, 4 870 959 recipients received benefits totalling R2 250 865 689 (SOCPENS). The average size of the CSG paid out was, however, R216.70 which means that the average recipient of the CSG was in fact collecting the grant in respect of an average of 1.35 children. If we count the *child* as the recipient and not the caregiver, this means that an estimated 5 923 217 people were receiving grants.

married persons with a combined income above R2610 per month are not eligible for the grant.²

At more than twice the median per capita income for Africans³, the level of the state old age pension (SOAP) is generous by international standards. Furthermore, the Smith Committee found that the level of the social old age pension when expressed as a percentage of GNP per capita compares favourably internationally (Smith Committee, 1995).

The graph below shows that the level of the Old Age Pension has declined slightly in real terms since 1994. In the early 1990s the level of OAP had grown very rapidly for most pensioners as a result of equalisation across race groups. Figure 1 in the Appendix shows the growth in the size of the OAP for each race group from 1965 to 1993. Take-up has increased since 1994, meaning that the grant has become more costly over time. In addition, the introduction and growth of child grants has limited fiscal capacity to increase pensions.

Figure 1: Level of Old Age Pension



On the basis of extensive fieldwork, Ardington and Lund (1994) conclude that pensions are "a significant source of income, with definite redistributive effects; they are a reliable source of income, which leads to household security; they are the basis of credit facilities in local markets, further contributing to food security; they deliver

² The size of the grant for an unmarried person is calculated according to the formula $D = 1,15A - 0,5B$ and for a married person, according to the formula $D = 1,075A - 0,5B$

Where **A** = the maximum grant payable per annum as approved

B = the annual income of the applicant in the case of an unmarried person, or half the applicant and his or her spouse's annual income in the case of a married person and

D = annual grant amount payable

No grant amounting to less than R100 per month is payable

³ The 2000 IES found that the median per capita income for Africans was R218 per month. This equates to R276 per month in 2003 prices.

cash into remote areas where no other institutions do; they are gender sensitive⁴ to women; and they reach rural areas as few other services do”.

Case and Deaton (1996) find similar evidence, based on national household survey data. They find that the SOAP reaches the poorest households and those with children. They also conclude that the SOAP is an effective tool for redistribution and that the households it reaches are predominantly poor. Furthermore, because so many of the elderly live in households with children, the social pension is also effective in putting money into households where children live. The fraction of children living with an elderly person is highest where household income is lowest, so that the pension not only reaches the households where children live, but disproportionately reaches children in poverty.

Disability Grants

The state provides disability grants to the disabled (including the blind) from age 18 to retirement age, subject to medical eligibility criteria and the same means-test as for the SOAP.

In 1993, disability grants (DG) went to 13 out of every thousand South Africans, but there were clear racial discrepancies. Whereas the DG went to 8 per 1000 Whites and 12 per 1000 Africans, it went to 31 per 1000 Coloureds and 23 per 1000 Asians (van der Berg, 2001). The statistics are no longer collected by race group, but the provincial distributions indicate that the eligibility criteria are not being consistently applied. Table 2 shows that adults are more likely to be accessing the DG in the Northern, Eastern and Western Cape than in any of the other provinces.

Table 1: Incidence of Disability Grants as at 3 February 2003

	Number of adults	Number of people receiving Disability Grants	Number of disability grants per thousand adults
EC	4,159,114	191,212	46
FS	1,876,269	67,909	36
GP	5,650,469	103,968	18
KZN	5,680,841	143,115	25
LP	3,164,545	71,191	22
MP	1,889,939	43,299	23
NW	2,274,340	63,771	28
NC	577,727	33,140	57
WC	2,911,617	106,187	36
ALL	28,184,861	823,792	29

Social Security Provisions for Children

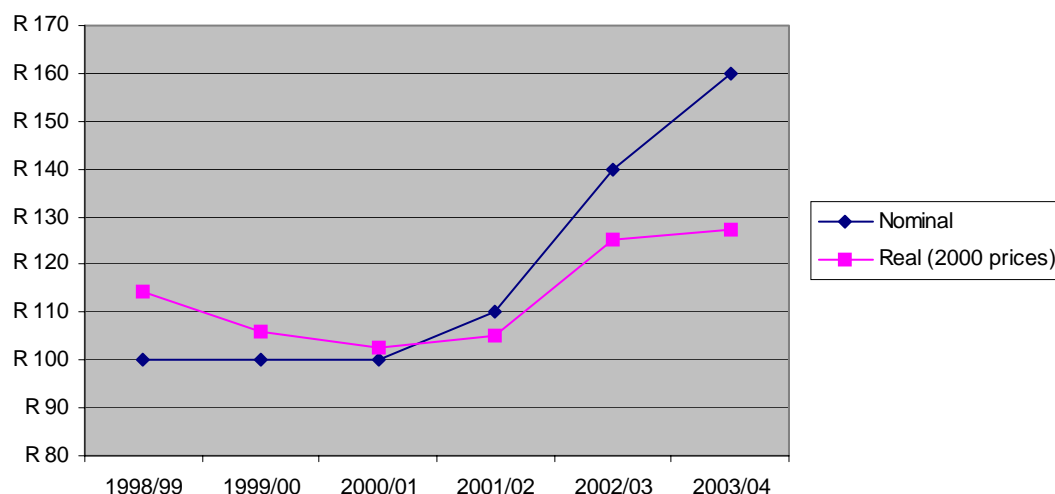
On the recommendation of the Lund Committee the *Child Support Grant (CSG)* was introduced in 1997. The grant is means-tested on the basis of the income of the primary care-giver and her/his spouse. Initially, only children under the age of 7 qualified for the grant, but in the current fiscal year coverage has been extended to

⁴ More than twice as many women as men qualify for the SOAP because women qualify at an earlier age and have longer life expectancy.

children under the age of 9 and by 2005 all children in need under the age of 14 will be included.

The number of beneficiaries has been rising rapidly. In 1999/00, there were 321 906 beneficiaries – by October 2003, this number had risen to 2 116 325. Uptake remains low, however: estimates of the number of children under 7 who should be entitled to the grant vary from 4 to 5 million.

Figure 2: Level of Child Support Grant



The *Foster Care Grant* is payable to a foster parent in respect of a foster child who has been legally placed in her/his custody in terms of the Child Care Act. The level of the Foster Care Grant is currently R460 per month. The number of grants paid per month has increased from 45 000 in April 1999 to almost 82 000 in February 2003. This number reflects low take-up, however, given that 20% of children are not residing with either of their parents (Taylor, 2002).

To qualify for a Foster Care Grant (FCG), the child must be placed in the care of foster parents through the children’s court. The court process is lengthy and complex, making this grant relatively difficult to access. Notably, children living in child-headed households are unable to access the FCG even if they are orphans.

A *Care Dependency Grant* is payable to the caregiver of a child that is in need of full-time care as a result of a severe mental or physical disability. This grant is means-tested on the basis of the income of the child which must not exceed R48 000 per annum. The number of grants paid per month has increased from 17 000 in April 1999 to more than 42 000 in February 2003.

Targeting

Table 2 shows the percentage of total income that comes from social assistance grants across the income distribution. The table powerfully demonstrates that grants are exceptionally well-targeted. The poorest 20% of households receive the largest

amount from grants, not just as a proportion of income, but also in absolute terms. Fully two-thirds of the income for the poorest quintile is attributable to state transfers.

Table 2: Social Assistance Grants and total income, by quintile, 2000 (Per Annum amounts in 2000 prices)

	Quintile 1 (poorest)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (richest)
Reported income from social assistance grants	5180	1529	990	841	584
Total income	7758	11397	18745	36260	115954
Grants as % of total income	66.8%	13.4%	5.3%	2.3%	0.5%

Source: own calculations based on 2000 Income and Expenditure Survey, Stats SA

Note: Quintiles are based on per capita pre-transfer income; quintiles contain equal numbers of households

The impact on poverty of the SOAP & CSG

The HSRC has recently created a microsimulation model for the Department of Social Development to investigate, *inter alia*, the poverty impact of social grants. In this section of the report the results for the two biggest grants, that is the State Old Age Pension and the Child Support Grant, are illustrated. The underlying data for the model comes from the 2000 Income and Expenditure Survey and September 2000 Labour Force Survey, both conducted by Statistics South Africa.

For modelling purposes, we define the poorest 40% of individuals (*before grants*) as “poor” and the poorest 20% of individuals (*before grants*) as “ultra-poor”. We then simulate the impact of the two grants assuming that all those who are *eligible* for the grants are able to access the grant.

Effect of SOAP only:

The model estimates that 2,4 million elderly (or 87% of the elderly) should be eligible for the SOAP. This contrasts with the figure of 1,9 million elderly who are currently collecting the grant. The figure from the model may be too high, given that concerns have been raised about the income data from the 2000 Income and Expenditure Survey. Nevertheless, for the purposes of illustrating the impact of the SOAP, the data is adequate.

In the absence of any grants, 55.9% of the elderly would be in poverty and 38.2% would be in ultra-poverty. By definition, 40% of individuals are “poor” prior to the simulation of the effect of the grant. Assuming that all the eligible register for the grant, overall poverty falls to 33.1% after the SOAP. Even more strikingly, poverty among the elderly falls to 22.9% and ultra poverty among the elderly falls to 2,5%.

Table 3: Impact of SOAP on poverty among the elderly

	Number of elderly according to model ⁵	Number eligible according to model	Number of recipients as at February 2003 (SOCPENS)	% of elderly in poverty before grants	% of elderly in poverty after SOAP	% of elderly in ultra poverty before grants	% of elderly in ultra poverty after SOAP
Western Cape	295377	208140	153321	20.7%	3.2%	12.9%	0.1%
Eastern Cape	529764	502810	387280	74.6%	34%	56.2%	3.1%
Northern Cape	58618	50480	41952	56.3%	17.6%	43.1%	3.2%
Free State	164705	139920	119669	61.3%	23.6%	45%	1.6%
KwaZulu Natal	541009	461220	401235	56.1%	27.8%	38.5%	4%
North-West	205586	193790	164504	66.2%	25%	48.2%	3.4%
Gauteng	462635	362580	237304	28.3%	8.7%	13.5%	1.0%
Mpumalanga	154868	148610	137460	57.3%	20.3%	33.2%	2.2%
Limpopo	333708	319960	299004	75.1%	30.1%	50.1%	2.8%
ALL	2746270	2387510	1941729	55.9%	22.9%	38.2%	2.5%

⁵ The model is based on the demographic data contained in the Labour Force Survey of September 2000, projected forward using the ASSA 2000 model of the Actuarial Society of South Africa.

Figure 3: Impact of the social old age pension on poverty among the elderly

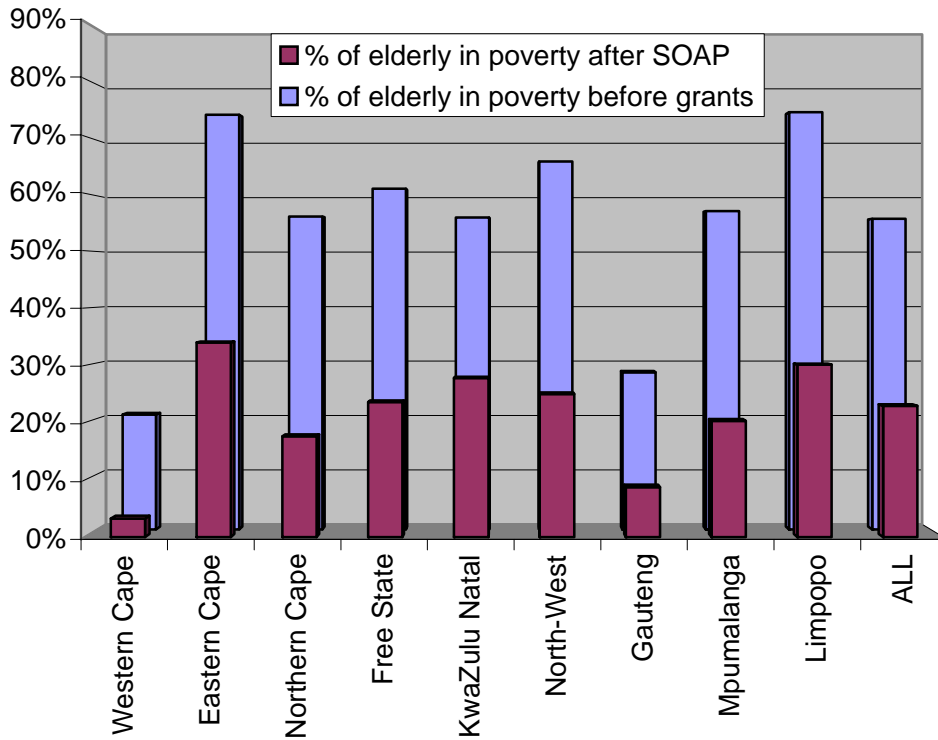
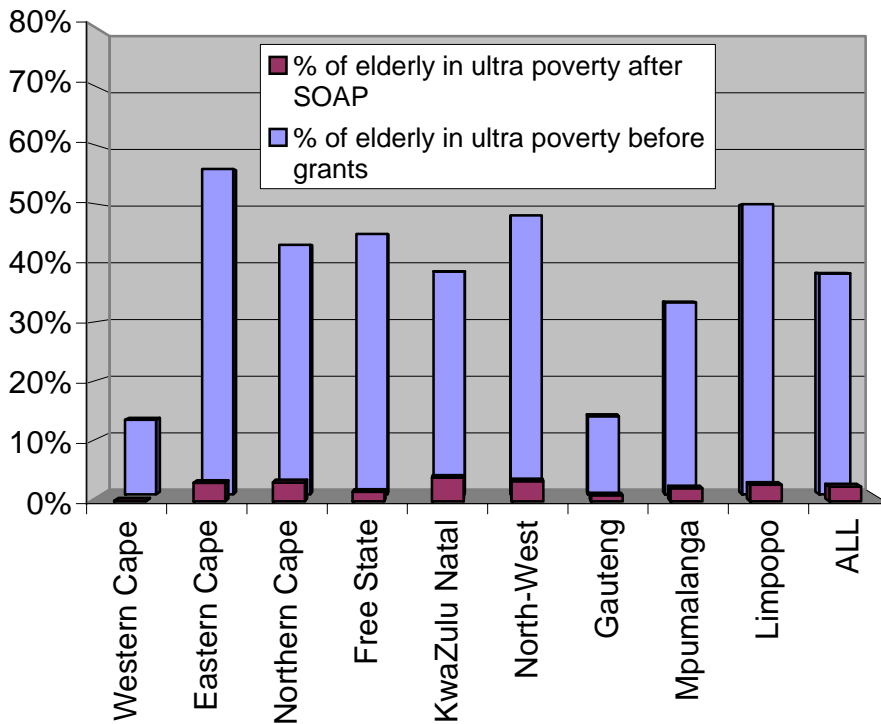


Figure 4: Impact of the social old age pension on ultra poverty among the elderly



Effect of CSG on child poverty:

The model estimates that 5,1 million children (or 66% of children under 7) should be eligible for the CSG. This contrasts with the figure of 1,9 million children who are currently in receipt of the grant. Again, the figure from the model may be too high, given that concerns have been raised about the income data from the 2000 Income and Expenditure Survey. Nevertheless, for the purposes of illustrating the impact of the CSG, the data is adequate.

It would appear that registrations for the CSG are still lagging in several provinces. In the Western Cape we estimate that 78% of eligibles have registered, while only 28% in the Eastern Cape and 31% in Limpopo have done so.

In the absence of the CSG, but *after* taking account of the SOAP, 42.7% of children would be in poverty and 13.1% would be in ultra-poverty. As previously explained, 33.1% of individuals are poor after taking account of SOAP. Assuming that all the eligibles (under the age of 7) register for the CSG, household poverty would fall to 28.9%. Even more strikingly, poverty among children (under 7) falls from 42.7% to 34.3% and ultra poverty falls from 13.1% to 4.2%.

Table 4: Impact of CSG on poverty among children

	Number of children (under 7) according to model ⁶	Number eligible according to model	Number of recipients as at February 2003 (SOCPENS)	% of children in poverty before CSG (after SOAP)	% of children in poverty after CSG	% of children in ultra poverty before CSG	% of children in ultra poverty after CSG
Western Cape	649489	215502	167798	11.0%	7.0%	1.3%	0.2%
Eastern Cape	1284957	1007468	282865	59.8%	47.8%	19.4%	5.5%
Northern Cape	135927	84273	36624	40.8%	31.4%	12.6%	3.9%
Free State	455414	317307	120452	48.2%	37.9%	15.1%	4.6%
KwaZulu Natal	1621687	1172176	454890	50.1%	40.4%	18.3%	4.7%
North-West	620025	417380	164031	40.6%	33.9%	14.5%	5.0%
Gauteng	1215003	574204	248695	16.6%	11.9%	4.1%	1.6%
Mpumalanga	593758	401353	151333	37.4%	26.4%	6.9%	2.0%
Limpopo	1207525	940948	293992	58.1%	46.9%	15.6%	5.0%
ALL	7774785	5130611	1920680	42.7%	33.8%	13.1%	3.9%

⁶ The demographic data for the model is based on the demographic data contained in the Labour Force Survey of September 2000, projected forward using the ASSA 2000 model of the Actuarial Society of South Africa.

Conclusion

Social assistance in the form of cash grants from the state is quite unusual in the developing world. Compared to most other middle-income countries, South Africa possesses a substantial system of cash social assistance, mainly in the form of old age, disability and child grants. The relatively advanced level of the grant system is one of the legacies of apartheid as the system was designed as part of the White welfare state. Yet, while other countries were scaling down on social spending, South Africa introduced a new grant for children in 1998 and expanded this further in the current fiscal year.

Despite being targeted at only the elderly, the very young and the disabled, social assistance grants play a large role in redistribution and poverty reduction in South Africa. Estimates by the HSRC suggest that the combined effect of the SOAP, DG and CSG (when extended to all those that are eligible) reduces the number of individuals in poverty from 40% to 24%. The grant system also strongly reduces inequality – the Gini coefficient (on per capita household expenditure) falls from 0.67 before grants to 0.62 after grants.

References

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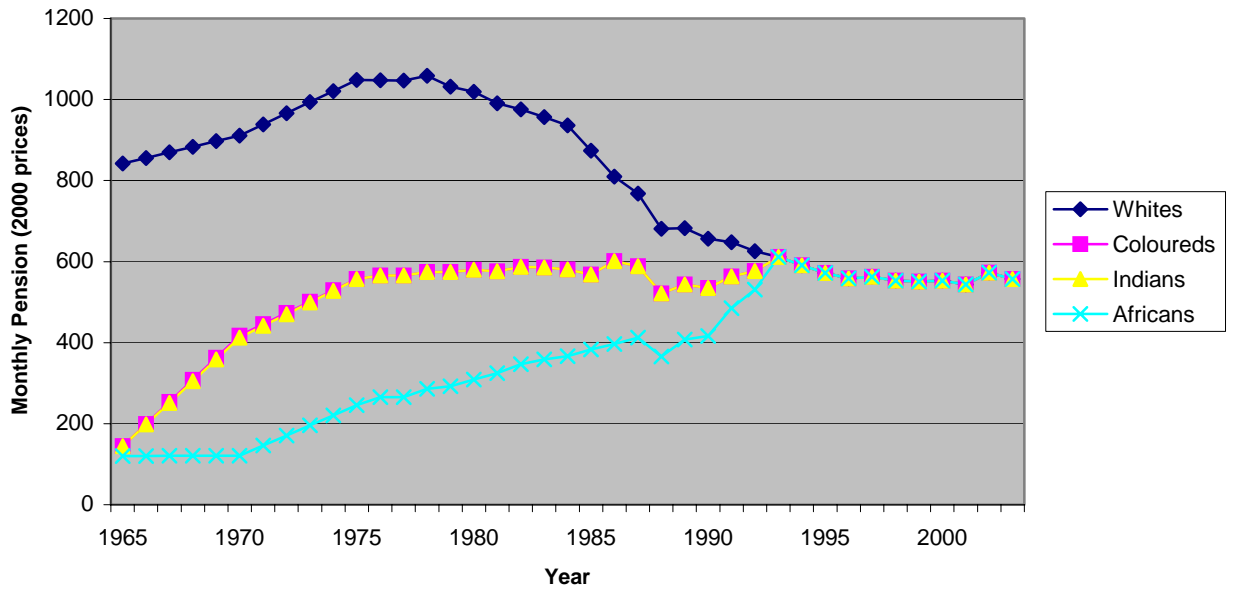
APPENDIX

Table A1 Number and value of social assistance grants, as at 8 February 2003

	Old Age Grants		War Veterans		Disability Grants		Foster Care		Care dependency	
	Numbers	(R) Value	Numbers	(R) Value	Number	(R) Value	Number	(R) Value	Number	(R) Value
Eastern Cape	387 280	247 102 443	630	405 622	191 212	121 673 910	14 722	9 001 746	8 188	4 996 930
Free State	119 669	75 717 546	141	88 931	67 909	42 853 046	9 529	5 680	1 887	1 110 030
Gauteng	237 304	148 317 566	1 148	714 777	103 968	65 582 351	12 189	7 736 553	5 288	3 311 150
KwaZulu-Natal	401 235	255 084 189	692	431 777	143 115	90 307 084	15 866	11 440 985	11 699	7 189 929
Mpumalanga	137 460	87 407 393	151	97 012	43 299	27 567 332	1 920	1 280 902	2 029	1 277 430
North West	164 504	104 609 243	145	93 041	63 771	40 550 445	3 529	2 344 235	2 889	1 790 255
Northern Cape	41 952	26 307 039	208	134 676	33 140	20 786 481	4 739	2 623 496	1 009	613 610
Western Cape	153 231	94 544 421	1 178	727 226	106 187	65 452 039	14 939	8 649 916	4 263	2 665 840
Northern Prov	299 004	191 284 752	387	252 653	71 191	45 520 914	4 470	3 533 568	4 822	3 061 420
TOTAL	1 941 729	1 230 374 592	4 680	2 945 716	823 792	521 293 601	81 903	52 291 552	42 074	26 016 595

	Child Support Grant			Total Grants paid out		
	caregivers	children	(R) Value	Unadjusted	Adjusted for multiple CSG	(R) Value
Eastern Cape	282865	540,568	75679536	897 437	1,155,140	459 049 640
Free State	23039672	2,308	323147	148 589 093	125,551,729	148 589 093
Gauteng	248695	333,780	46729182	613 531	698,616	272 447 893
KwaZulu-Natal	454890	751,789	105250503	1 037 356	1,334,255	470 028 715
Mpumalanga	151333	211,279	29579004	338 546	398,492	147 252 462
North West	164031	258,104	36134555	400 114	494,187	185 562 185
Northern Cape	36624	60,619	8486724	123 508	147,503	59 191 696
Western Cape	167798	250,284	35039759	461 309	543,795	208 714 493
Northern Prov	293992	401,973	56276285	676 011	783,992	300 029 512
TOTAL	1920680	2,972,966	416215219	4 870 959	5,923,245	2 250 865 689

Figure A1: OAP by race, 2000 prices



Source: Data supplied by Servaas van der Berg, University of Stellenbosch