The Impact of Social Grants as Anti-Poverty Policy Instruments in South Africa: an Analysis Using Household Theory to Determine Intra-Household Allocation of Unearned Income

by
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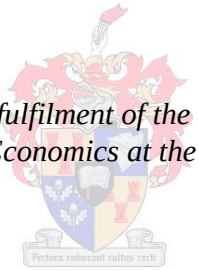

Thesis presented in partial fulfilment of the requirements for the degree Masters of Commerce in Economics at the University of Stellenbosch

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Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Date 2 March 2011

Summary

Social assistance is a large and fiscally costly component of anti-poverty policy in South Africa and therefore lends to the questions: Are the grants effective tools for reducing poverty in South Africa and, moreover, how significant is their impact on poverty? As a measure of reducing poverty and improving the non-social indicators of the poor, the government has expanded the social grants since the advent of the new democracy. The country's social grant system is advanced and covers a broad range of individuals, as it is intended to cover vulnerable individuals over their life course from childhood to adulthood and into old age. Policy discourse surrounding the grants centres on the sustainability of the system and their implications for development. It is therefore important that their significance is shown and that their impact is illustrated by highlighting their reach into severely poor households. As a measure of poverty alleviation on their own, the grants are not enough and South Africa's poverty alleviation strategy has to rest primarily on economic growth and job creation. In addition, there are significant challenges in the system, such as the fact that there is no poverty grant targeted specifically at the unemployed; consequently, too much strain is placed on the resources of grant-receiving households that the whole household is plunged into poverty. Accordingly, the question this raises is: How can government solve the problem of the poor clustering around these grants? This dissertation will systematically show that the use of social security as a poverty-alleviating tool is effective given the extent of poverty in South Africa and the limitations on resources. It will also show that the decision-making structures in households influence the way grants affect the resource allocation needed for achieving lower levels of poverty. The extent to which the cash transferred to poor households via the grant programmes reduces poverty is likely to be influenced significantly by the decision-making structures in the grant-receiving households. There is evidence that grant money is shared in extended households, which suggests that decision making is broadly unitary or cooperative. However, we can only observe the outcomes and not the decision-making process in this regard and therefore can only draw tentative conclusions. Although there is cause for concern regarding the propensity of social grants to affect people's behaviour negatively, there is a case to be made for retaining grants as an important, though not the only, form of anti-poverty strategy. This highlights the need for continued research on the labour market and the social grants causal relationship. It also shows that research into the fertility effects of the grants is wanting, especially if there are

speculative concerns that might inform policy on the impact of CSG on fertility.

Opsomming

Sosiale bystand is ‘n groot en duur fiskale komponent van anti-armoede verligtingsbeleid in Suid Afrika en lei daarom tot die vrae: Is die toelaes effektiewe instrumente om armoede te verlig in Suid Afrika, en nog meer, hoe noemenswaardig is hulle impak op armoede? As ‘n maatstaf om armoede te verlig en die nie-sosiale armoede- aanwysers te verbeter van die armes, het die regering die sosiale toelaes vermeerder sedert die aanvang van demokrasie. Die land se sosiale toelae stelsel is gevorderd en dek ‘n wye verskeidenheid groepe van individue, aangesien dit bedoel is om weerlose individue te dek vanaf kind tot volwassene deurlopend tot die bejaarde. Beleidsdiskoers om die toelaes fokus op die volhoubaarheid van die stelsel en die implikasies daarvan vir ontwikkeling. Dit is daarom van belang dat die belangrikheid hiervan uitgewys word en die impak daarvan geillustreer word, deur op hul trefkrag te fokus in die armste van huishoudings. As ‘n middel to armoedeverligting op sigself is toelaes nie voldoende nie, en Suid-Afrika se armoede verligtingstrategie moet hoofsaaklik lê in werkskepping en ekonomiese groei. Verder is daar belangrike uitdagings in die stelsel, soos byvoorbeeld die feit dat daar geen armoede toelaes spesifiek gemik op die werkloses is nie; ‘n gevolg hiervan is dat daar te veel druk geplaas word op die bronne van die huishoudings wat toelaes ontvang en dat die hele huishouding in armoede gedompel word. Gevolglik ontstaan die vraag: Hoe kan die regering die probleem oplos van konsentrering van die armes rondom die toelaes? Hierdie dissertasie sal sistematies wys dat die gebruik van sosiale sekuriteit as ‘n armoede- verligtingsbeleid is effektiek gegewe die omvangreikheid van armoede in Suid Afrika en die beperkings op bronne. Dit sal ook wys dat die besluitnemingstrukture in huishoudings beinvloed die manier waarop toelaes die bron-allokasie beinvloed om laer vlakke van armoede te bereik. Die vlak waartoe die kontant oordraging na die arm huishoudings via die toelaes die vlak van armoede verlig word in alle waarskynlikheid tot ‘n groot mate beinvloed deur die besluitnemingstrukture in sodanige huishoudings wat toelaes ontvang. Daar is bewyse dat die toelaes gedeel word in uitgebreide huishoudings, wat daarop aandui dat besluitneming breedweg unitêr geneem word of gesamentlik. Ons kan egter slegs die uitkomste en nie die besluitnemingsproses in die verband bespeur nie en kan daarom slegs tot tentatiewe gevolgtrekkings kom. Alhoewel daar wel rede to kommer is vir die geneigdheid van toelaes om mense se gedrag negatief te beinvloed, is waar wel ‘n saak om toelaes te behou, hoewel nie as die enigste, maar wel as ‘n belangrike vorm van armoedeverligting. Dit lê die klem op die nodigheid van deurlopende navorsing op die arbeidsmark en die toelae- oorsaaklikheidsverhouding. Dit wys ook dat

navorsing op die vrugbaarheidseffek van die toelaes is nodig, veral as daar spekulatiewe besorgdheid is wat die beleid op die impak van kindertoelaes op fertiliteit mag beinvloed.

Acknowledgements

It seems a lifetime ago that my maternal grandmother Nomatile Matilda Malima stood queuing early one wintry morning to receive *inkam-nkam* -the state old age pension; which was the only stable source of income that my family had at the time. We eagerly awaited the government vehicles that pulled into our village, as for the next month or so we would be able to keep hunger at bay. Social assistance put food on the tables of many poor people that did not have an alternative form of income and my family was no exception. In some families, this income has also been stretched as far as putting children through school. There is an argument to be made for the continuance of state social assistance, if not as a result of empirical analysis that illustrates the difference made by social assistance then hopefully from a deep conviction that poverty does not glorify God.

I owe deep gratitude to many people who have helped build me and as such I was privileged to be part of Professor van der Berg's NRF Research Chair in Economics team while I was a master's student at Stellenbosch University. My heartfelt gratitude is due to Professor van der Berg, who allowed me the time and space to learn and grow as a student of development economics. The exposure I got from this experience has equipped me for my future endeavours.

This thesis would really not have been possible without my supervisor, Mr Krige Siebrits who diligently and patiently walked me through this work. As such, mistakes and inconsistencies in this thesis remain my own. I have a deep sense of respect and appreciation for the time and effort he put into my work, for going over and above what was expected of him.

I also owe gratitude to Mr Derek Yu who helped me with data analysis and the academic staff of the Department of Economics at Stellenbosch University that contributed to my development.

I am also humbled by the love of my family and friends, especially my father Mzwendaba Lekezwa who believes I can be anything, do anything. The sacrifices that he has made for me are too numerous to count, from his modelling I have learnt that love is a doing word. I would also like to thank my friends and sisters in Christ who have had many tough and encouraging conversations with me.

I dedicate this thesis to the memory of my maternal grandmother Nomatile, whose *nkam-nkam* kept us clothed and fed.

To God be the Glory

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1. Introduction

1.1 Background

As a developing country, South Africa's development profile shows certain contradictions. On the one hand, the country has a per capita income commensurate with other developing countries, yet, on the other, some of its non-income social indicators have lagged behind those of comparable countries. As a measure of reducing poverty and improving the non-social indicators of the poor, the government has expanded the social grants since the advent of the new democracy. The country's social grant system[1] is advanced and covers a broad range of individuals, as it is intended to cover vulnerable individuals over their life course from childhood to adulthood and into old age.

From its inception, the social assistance system has been a key aspect of anti-poverty policy in South Africa. When the old age pension, was first introduced, it was intended to cover a small margin of poor whites; however, today it has been transformed into a poverty grant that reaches more than just targeted elderly people. Today, South African grants reach 27% of the population and amount to approximately R90 billion, that is, 3.5% of GDP in 2009. The signs are that the nominal growth of grant spending will be likely to continue.

1.2 Research question

Social assistance is a large and fiscally costly component of anti-poverty policy and therefore the questions is: Are the grants effective tools for reducing poverty in South Africa and, moreover, how significant is their impact on poverty?

Accordingly to the 2005 Income and Expenditure Survey (IES) (StatsSA, 2005), South Africa's poverty rate is 47%. There are certain elements about South Africa's poverty that are pervasive, including the high incidence among women, children, black households and elderly people. Markers of poverty, such as type of dwelling, show that there is a great

[1] Although South Africa has both social insurance and social assistance, this dissertation focuses on the social assistance system. The social insurance system provides conditional income support and consists of three compulsory contributory social security funds: the *Unemployment Insurance Fund* (UIF), the *Compensation Fund* and the *Road Accident Fund*. The social assistant system, on the other hand, provides non-contributory assistance to qualifying individuals and it exists alongside the social insurance system.

prevalence of rural poverty and the poor have less access to basic services. Are the grants, in particular the old age grant and the child support grant[2], reaching these types of household, and are they lifting them out of poverty or pushing them closer to the poverty line?

In light of the above, this dissertation attempts to answer the afore-mentioned questions. In order to do so, this dissertation will systematically show that the use of social security as a poverty-alleviating tool is effective given the extent of poverty in South Africa and the limitations on resources. It will also show that the decision-making structures in households influence the way grants affect the resource allocation needed for achieving lower levels of poverty.

1.3 Delineation and limitations

The literature on poverty and social grants is vast and cannot be covered in its entirety in this dissertation. For instance, HIV/Aids has changed the dynamics within the household and there are many inferences that could be made about the impact of HIV/Aids which are also central to the developmental challenges in the country. Although fully aware of its possible impact, this dissertation does not elaborate on the impact of HIV/Aids in households or on the children left destitute owing to the death of parents.

Although cognisant of the role of grants in poverty alleviation and the gap that still exists in terms of the unemployed being not fully covered, this dissertation will not venture into this aspect of the social assistance system. The discourse surrounding the Basic Income Grant (BIG) which debates the issue of the unemployed poor (see van der Berg, 2002; Samson, 2002; Bhorat 2002) is extensive. The Expanded Public Works Programme (EPWP) was implemented as an alternative policy initiative to the BIG. Van der Berg and Siebrits (2010) analyse the role that the EPWP is playing in creating employment.

This thesis is a positive analysis that evaluates what government is already doing in terms of its anti-poverty policy making use of the social grants, particularly the old age pension and the child support grant, because of their huge uptake, which, between the two, encompasses 85% of social grant beneficiaries.

[2] The dissertation focuses on these two main grants for the analysis, as their beneficiaries constitute 85% of grant recipients in the country. Social grants are discussed in greater detail in chapter 4.

1.4 The relevance of the study to policy

The overarching theme of van der Berg and Siebrits's (2010) paper '*Social assistance reform in the time of fiscal stress*' aptly captures the importance of evaluating the anti-poverty strategy. These authors ask whether the social grants, as a major element of anti-poverty strategy in South Africa, are worth keeping at a time of fiscal stress, bearing in mind that they command a sizeable percentage of the gross domestic product (GDP); moreover, would it be better to allocate these resources elsewhere?

Policy discourse surrounding the grants centres on the sustainability of the system and their implications for development. It is therefore important that their significance is shown and that their impact is illustrated by highlighting their reach into severely poor households. As a measure of poverty alleviation on their own, the grants are not enough and South Africa's poverty alleviation strategy has to rest primarily on economic growth and job creation (van der Berg and Siebrits, 2010). In addition, there are significant challenges in the system, such as the fact that there is no poverty grant targeted specifically at the unemployed; consequently, too much strain is placed on the resources of grant-receiving households that the whole household is plunged into poverty. Accordingly, the question this raises is: How can government solve the problem of the poor clustering around these grants? Perhaps there is no immediate solution.

1.5 Research methodology

In this study, the methodology that was applied was intended to help substantiate the claim that social grants have an impact in the alleviation of poverty. In this dissertation, the research design differs from that used in a pure literature review and a purely empirically based dissertation. Since there is a great deal of literature on the role of social grants in poverty alleviation and on household theory, this work has drawn much from it. Therefore, this work cannot be classified as a pure literature review, nor is it a purely empirical work; instead it takes the middle ground by reviewing literature and using an own data analysis to either reiterate previous findings or to elicit new findings through empirical work. The advantage of this method is that it roots the arguments put forward by the thesis in existing

literature, while simultaneously advancing the debate on the impact of grants in poverty alleviation. The thesis concludes that government should be cognisant of how the grants enter households and the relative bargaining positions of each member of the household in terms of the grant. The outline of the chapters is briefly discussed below.

1.6 Chapter outline

Chapter 2

Much of the analysis carried out in this thesis relies on understanding the allocation of resources by a household using household theory. Household theory holds that the allocation of resources and therefore the alleviation of poverty in households has much to do with the decision-making structure. Using such a theoretical underpinning, the thesis assumes that there are elements that effect decision making and the allocation of resources within the household; these include headship, perception of self-worth by members of the household and the identity of the person for whom the grant is intended. There are two competing schools of thought in this debate: the neoclassical model and the collective bargaining model. These are explored in this chapter. The outcomes of both of these models have significant implications for the way in which resources enter households, and the results of these outcomes can only be observed using wellbeing indicators.

Chapter 3

Chapter 3 contextualises poverty because there must be a clear understanding of the problem that social grants are aimed at eradicating. This section draws on debates about what it means to be poor with a discussion on poverty measures and contending views of the definition of poverty. Halving poverty by the year 2014 is a Millennium Development Goal and, as a result, much has been written about it, emphasising yet again the multidimensionality of poverty. The multidimensionality view supposes that being poor reaches far beyond income-based measures and advocates that non-income measures, such as access to running water, be considered when evaluating poverty. This is contextualised for South Africa by comparing its development to that of other developing countries such as the BRIC[3] (Brazil, Russia, India

[3] BRIC countries are a group of fast developing countries, marked by a high growth rate. South Africa has been recently added as a member of this group, making it BRICS.

and China) countries, the Latin American countries and countries in sub-Saharan Africa. What becomes evident from this comparison is the fact that South Africa still faces human development challenges that impede the eradication of poverty. Building on the multidimensionality comparison of South Africa and other developing countries, Section 3.5 creates a poverty profile of South Africa which looks at the rates of poverty among races, provinces and dwelling areas. In this section, the most important issue is understanding the kinds of households that experience poverty and thus where policy instruments such as the grants should be targeted.

Chapter 4

Chapter 4 outlines the social security system of South Africa from its early phases. A historical perspective is necessary to sketch the context within which such grants have assumed a wider role of not only supporting the intended beneficiaries but other poor people living with them. One of the key decisions made at the peak of apartheid was the extension of this anti-poverty instrument to African households. The historical overview also highlights the ambivalence with which the apartheid government approached poverty alleviation, the consequences of which are still being felt by the new democracy. These consequences include not dealing with the major issues of unemployment and the lack of skills in the majority of the population. This chapter also describes the current social grant system, giving the magnitude and scope of reach of the social grants. One unresolved issue is still the unemployed and the structurally unskilled individuals whom the government has not been able to deal with successfully in the long term. Consequently, there have been proposals for a basic income grant, which the government has rejected. Instead, the government has opted to expand the public works programme.

Chapter 5

In order to answer the research question of whether the grants are effective in alleviating poverty, this chapter draws on a variety of methods to tackle the question from various angles using a combination of literature and data analysis. In particular, the data analysis attempts to measure what the levels of poverty would be without the grants and to show that the grants are effective in two areas: 1) in lifting individuals closer to the poverty line or over it; and 2) in targeting households in severe poverty.

The section on the descriptive bivariate analysis increases understanding of the kind of households that receive the grants. This is done by analysing reported hunger in households that receive both the old age pension (OAP) and the child support grant (CSG). The results attained help in understanding resource allocation in these households, such as reported hunger in children versus reported hunger in adults in pension-receiving households. These results also allude to the decision-making structure in the household .This is elaborated further by looking at developmental effects such as the labour market and the implications of fertility.

Chapter 6

Chapter 6 is a basic overview of the impact of grants on poverty alleviation in South Africa and what the household models reveal about decision making in such households. It is a summary of policy implications for government in terms of what it needs to be cognisant of when making decisions regarding the social security going into households. No concrete results were obtained from National Treasury on whether the grants should have explicit conditions of the kind widely used in Latin America and elsewhere. This dissertation makes conclusions that government should be cognisant with in terms of the way grants enter households and the relative bargaining positions of each member of the household.

2. Decision making and the allocation of resources within households: implications for unearned income

2.1 Introduction

The objective of this dissertation is to analyse the role that social grants play in alleviating poverty. Households matter for this purpose because they are the most essential unit of society; they distribute resources between members of the household and, as a unit, are important decision makers in society.

The chapter will analyse the discourse in terms of the unitary model and the collective bargaining model of households in the allocation of unearned income, such as the social grants in South Africa. The unitary and cooperative bargaining models are used as theoretical instruments for attempting to explain decision making in terms of the allocation of resources in households. Decision-making structures in households and the dynamics attached to them affect both decisions pertaining to the household participation in society and individual welfare. In addition, they affect the way in which unearned income, such as the social grants, enters the household and influence decisions about the distribution of resources between their members. In addition to its influence on social grants, the decision-making structure of the household effectively influences the way a household participates in society as a whole, such as its members' participation in the labour market, as well as how it affects individual welfare, the amount of education an individual can obtain and an individual's health status.
Both models are informative about the way a household decides on its distribution of resources among individuals in the household. The reason for looking at both models is to relate them to social grants and the way grants enter the household as unearned income, as well as the impact they have on decision making and resource allocation – particularly with regard to whether the targeted grants reach the intended recipient.

Various factors affect the allocation of resources, including the gender of the household head and the targeted recipient of the grant.

To understand how grants can be fully maximised in poverty alleviation, we must define a household within the South African context. The section that follows gives a definition of a

household and the theoretical underpinnings of the unitary model of household resource maximisation, following which the issue of home production is analysed. There are various issues with the unitary model that warrant attention, such as the household head, the gender dynamics of the household and the allocation of resources. Subsequent to analysing the unitary model, the collective models are analysed. In this section, the Nash bargaining framework is used to determine the optimal outcome of resource sharing in households. This outcome is influenced by many factors such as the fallback position of each member and the environment they are in. Both models are applied to the issue of unearned income in the household, and the chapter ends with a conclusion.

2.2 Defining a household

A household is a basic unit of society in which the activities of reproduction, production, and consumption and the socialisation of children take place (Roberts 1991, cited in Wheelock and Oughton, 2001:116). The household has been considered as both a consumption and production structure (Becker, 1973; Edmonds, Mammen and Miller, 2004). Members of the household share common resources and derive utility from being part of a household rather than being on their own (Himmelweit, 2001:144). The household is an important intermediary between aggregate policies, local programmes and individual welfare (Rosenzweig, 1986:233). The effectiveness of individually targeted policy depends on the understanding of the dynamics within the household. The analytical challenge concerning the household arises because interaction between its members cannot be observed; it is only the outcomes that can be measured in the form of human capital indicators and other indicators such as consumption patterns.

The definition of household membership has significant implications for research outcomes when assessing the way social policy affects households.[4] This is especially relevant in South Africa's case where the conventional nuclear family is often not present and there are as many as four generations living in the same household (Dinkelman, 2004). The question of who is included as part of a household is important. Accordingly, there are statistical conventions that establish the parameters that influence the way a household is defined in

[4] The analysis of this issue is dealt with in the chapter on the various social grants and their impact on the labour market.

research, which may not be a true reflection of household formation patterns in the case of South Africa.

Consequently, there is a strict definition and a broad definition of household formation, which define membership in terms of physical presence and resource sharing respectively (Posel, Fairburn and Lund, 2006). The strict residency rule stipulates that, in order to be counted as part of that household, a person must have been a resident of the household for the greater part of the year. This rule avoids double counting individuals who may be members of more than one household. It also minimises reporting errors during consensus because people are more likely to remember details about people they see on a daily basis than about those who have only been present in the household for a short period in a year (Posel et al, 2006:838). On the other hand, the broad rule accommodates members who are home for at least fifteen days in a year. This rule realistically reflects South Africa's complex household structures, as such households are dynamic and influenced by economic factors such as the proximity of place of employment and migration labour. Many migrant labourers retain their membership in the household through remittance wages and those who are male retain their headship and often make key decisions in the household. The definition of what the household is is important because it states who forms part of the household and who does not, which influences decision making. In the case of South Africa, a person who is not there all the time may still play an important role in making decisions, for example the migrant labourer. So when policy looks at who makes the decisions, it is important to keep such dynamics in mind.

This dissertation takes cognisance of the fact that households can be complex and can be according to the broad and the strict definitions. In the sections that follow, an analysis of the household decision-making models will be carried out, bearing in mind the implications they may hold for the decision-making processes of South African households. The unitary model endeavours to explain the "black box", that is, the household, by applying individual utility maximisation theory.

2.3 The major principles of unitary models

Household economics came out of the periphery into mainstream economics when economists such as Reid (1934), Samuelson (1956), Becker (1965; 1971) and Folbre (1982; 1984; 1985) showed an interest in the household as an important unit of decision making. Before this, the household was not given much thought although it was acknowledged to be an influential decision-making entity; "truly a 'small factory' that combines capital goods, raw material and labour to clean, feed, procreate and otherwise produce useful commodities" (Becker, 1965:496). This extended to the understanding that individuals do not just allocate their time between paid work and leisure, but that there are also unpaid productive activities that compete for time (Himmelweit, 2001; Wheelock and Oughton, 2001:115). This became known as new household economics (NHE). Samuelson (1956) and Becker (1965) began using neoclassical theory to explain an apparent contradiction in the economy; that is, the increase in the employment of women even though real income was also increasing.[5] This was in contrast to neoclassical theory, which predicts that people would consume more leisure time than do more work (Wheelock and Oughton, 2001:116).

The unitary model views a household as comprising members with individual preferences, heterogeneous tastes and noticeable decentralisation of decision making with respect to some functions of the household (Samuelson, 1956:9). However, the household finds ways to act together as an entity. In his common preference model, Samuelson (1956) takes cognisance of the contending and conflicting preferences of members of the household, and proposes a method for dealing with these conflicts; that is, either by modelling a household according to one person's preferences (the household head), assuming that a household has identical homothetic utility function, or by aggregating it according to some sharing formula that assigns individual worth. Alternatively, the family reaches a bargained compromised family consensus or a "meeting of the minds" about the outcomes of welfare in the household (Samuelson, 1956:9). A decentralisation of decision making within the household, which eventually conforms to a common preference model, is reached when each person's utility, tastes and marginal rates of substitution are affected by the welfare of others (Samuelson, 1956:10). And, since "blood is thicker than water", the preferences of the different members are interrelated by consensus and the family acts as if it were maximising joint welfare (Samuelson, 1956). Subsequently, a set of well-behaved indifference curves relating the

[5] Increase in real wages is assumed to buy the household more home time; therefore there should not have been a need for an increase in the employment of women.

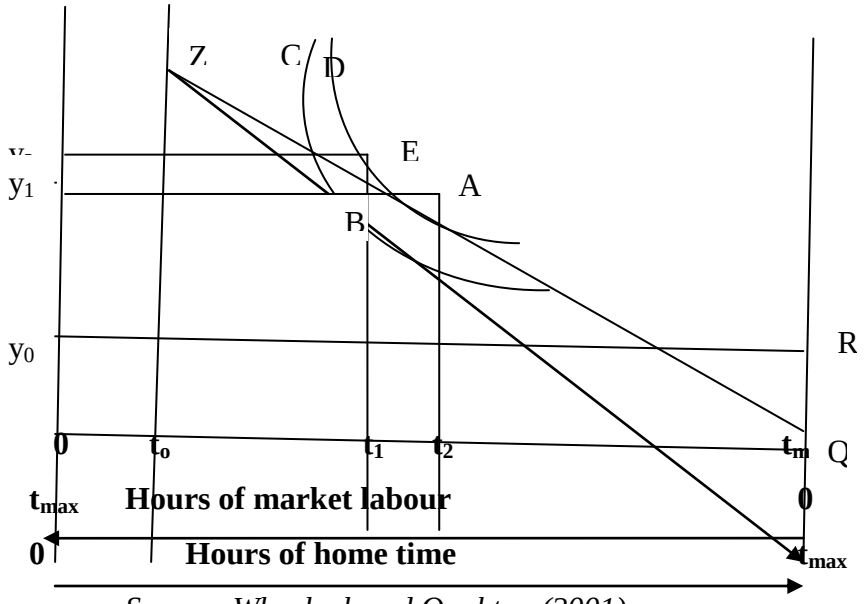
totals of what a family consumes can be derived for the whole family. A family could thus be said to act as if it maximises such a group preference (Samuelson, 1956:21).

2.4 Application of the neoclassical model's labour supply decisions when unearned income is received

Figure 2.1 below depicts the unitary model of households which assumes that the household is a single utility-maximising entity. As in consumer theory, the household acts as a utility-maximising individual whose indifference curves and utility are homothetic and identical for all members of the household. Members of the household decide how much time to allocate to market and non-economic goods, as well as how much of each is purchased.

In the past, household utility models did not differentiate the time that is spent at home because there are many activities that compete for this, such as child care, cooking, cleaning, and leisure (Wheelock and Oughton, 2001:117). Here, the term "home time" is used which encompasses the different ways in which the household allocates its collective time at home. The household utility function is represented by the indifference curves *C* and *D* subject to the budget constraint, which is its income. Unearned income, $y_{o,}$ is not affected by how a household decides to spend its time between home and market. This is income such as rent and social grants. The budget line, *ZQ,* shows the possible income for households at a given wage rate. This gives the desired combination of home time and income. The initial position of the household is on budget line *ZQ* and indifference curve *C*. Here the households maximise utility where the indifference curve and budget line intercept at point *B*, allocating t_{max}-t_1 hours to labour market activity and earning y_1.

Figure 2.1: Household allocation of time between home time and the labour market



Source: Wheelock and Oughton (2001)

Given unearned income, y_o, that is not influenced by the household's decision to participate in the labour force, the household will maximise utility at point A along the budget line *ZR*. The household provides t_{max}-t_2 labour and uses t_o-t_2 for home time. The availability of y_o, enables the household to maintain the same level of income, y_1, and to spend less time in the labour market. At point *B*, the household spends more time in the labour market with the absence of y_o. The household could, however, decide to earn a higher income at y_2 and keep the time allocated to the labour market the same at t_1. Unearned income broadens the available choices for a household. It can enable members of the household to migrate in search of employment by providing financial support to the individual; alternatively, a household can decide to consume more home time by allowing members to engage in more "home" activities rather than labour market activities.

The household's labour supply curve is derived from a change in the wage rate. Based on this wage rate, the household will decide how much labour to supply the market and how much to keep for home time use. The opportunity cost of home time is the income forgone by consuming an extra hour of home time; therefore, a rise in the wage rate makes home time more expensive to consume, because the household will have to give up a higher income to stay at home (Wheelock and Oughton, 2001). This model assumes readily available work and does not consider imperfections in the labour market such as unemployment. How the household reacts to changes in the wage rate will depend on what kind of goods home time

and income are. The actual effect of a change in the wage rate will depend on the income and substitution effects of the change: if home time is an inferior good, the household will consume less of it given a rise in the wage rate (see Wheelock and Oughton, 2001:120). We therefore cannot draw firm conclusions about how households will react to changes in the wage rate or how they will use unearned income. Much of their choice will depend on the kind of home-produced goods it wants to consume.

2.5 Household decisions on the consumption of home-produced goods in terms of the unitary model

The household produces *z-goods*, which are products of home time and income from the labour market such as a better standard of living, from which they derive utility using a combination of market goods and home time used as inputs (Wheelock and Oughton, 2001:121). Hence, home production can be devoted to things such as child care. It may be the case that poor households have to spend t_0-t_{max} of their time in the labour market to meet their needs, assuming that the initial level of income for the poor is low and that the subsequent wages are also minimal because of the lack of skilled human capital among the poor. For that reason, even though they increase the amount of time at work, there is a wage ceiling imposed by their lack of skills. The value of t_{max} will depend on the number of people in the household; in this case for a two-people model it is 48 hours. y_o will increase the choices of inputs the household can purchase for home production and allows them to consume at a higher level of income. The availability of unearned income for poor families allows them to consume bundles of *z* goods at a higher indifference curve; they can either decide to take on more income (by participating more in the labour market) or more home time. Consumption at the high level point *A* is utility maximising for the whole household; however, there are differing views about how these home-produced goods should be allocated to members of the household.

2.6 The major criticism of the unitary model

2.6.1. The role of the household head in the unitary model

Samuelson (1965) suggests that a household could be represented by a common preference model because members care about what others consume: each member sacrifices for the

greater utility of the household and thus would allocate the basket of goods cognisant of each other's needs. Becker's (1971) criticism of this model is that it is not consistent with neoclassical individual utility maximisation theory and that the preferences of a household are determined by a household head. Accordingly, the household head's utility is interdependent on the welfare of the other members of his or her household. The benevolent household head, who is altruistic towards other members, gets more utility from seeing other members of his household better off. The altruism of the household head is still consistent with neoclassical theory because he/she maximises his/her own utility by considering the consumption of the other members. His/her utility is maximised by sharing out gains and losses among the whole family. If the head punishes an individual who acts selfishly by reducing his or her welfare, he is simply following his own preferences which include concern for the welfare of all members (Himmelweit, 2001:151). In this model, there is no possibility of disagreement about household utility because it is determined by one person who happens to be an altruist. Having an altruistic head, however, does not mean that resources are distributed fairly (Himmelweit, 2001; Doss, 1996). The notion of the altruistic household head only requires that he doles out enough altruism to keep other members of his household dependent on him, that the utility of what they receive from his altruism marginally exceeds what they can hope to achieve on their own (Himmelweit, 2001; Rosenzweig, 1986). This gives us insight into the inequality within households and the different poverty rates experienced by members. Alderman, Chiappori, Haddad and Kanbur (1995:3) are critical of the unitary model because the unequal distribution of resources may be considered efficient by the household and the altruism takes place under restrictive assumptions (Alderman et al, 1995:3).

There is also, of course, the non-benevolent household head who acts selfishly and whose individual utility is not interlinked with that of his household. Black (2004:429) extends the idea of a "rotten kid", where a child acts selfishly by cooperating in the household because he knows his future depends on the altruistic (Becker, 1974; 1991), to argue that some South African household heads are the "rotten parent". A rotten parent acts selfishly and has the decision-making power to exercise his selfish preferences (Wittenberg, 2001:14; Black, 2004:249). Black (2004) specifically considers the problem of a "rotten male parent" whose preference is centred on the consumption of tobacco and alcohol – a pattern of behaviour that is quite common among male household heads in Africa (Kennedy and Haddad, 1994). Because he is the sole distributor of resources in the household, the rotten parent can allocate

income to his vices, while the consumption of other goods such as health and education decreases (Simister and Piesse, 2002). What may entrench this type of behaviour is that the household head is the sole breadwinner. Public policy targeted at alleviating poverty within the household must take account of the power dynamics therein. Social grants, for example, may not reach the intended persons. If the targeting happens through a woman, she should not only bring in the money, but should also have control over the allocation of resources if the rotten parent is a man. If this household head is benevolent, then the grant reaches the targeted person along with all members of the household, although this does not imply the equitability of the distribution. The household may hold its own perceptions of what an equitable distribution is.

The dictator household head must have control over the resources in order to enforce their redistribution. Such control could result from financial means or some society-held belief about their inherent right to lead (Doss, 1996:1598). However, it could also be enforced through violence, which is the opposite of the altruistic household head. In these situations, members of the household could leave and start another household or join a household elsewhere. However, there are at least two reasons why some members may be unable to leave such an abusive household. Firstly, all members who form a household derive a higher utility by being part of a household than being on their own (Himmelweit, 2001:144). Secondly, some members may not be in an economic or social position to leave such a household. The lack of employment or cultural and religious beliefs may prohibit a person from leaving. The implication this has for public policy targeting individuals within the household is that the nature of the interaction between members of the household or the disposition of the household head either mitigates or enhances the effectiveness of public transfers (Alderman et al, 1995:8). Public policy that is intended to optimally affect household allocation of resources may need to be aware of a household's taste for discrimination or equalisation, depending on its endowments (Rosenzweig and Schultz, 1982; Behrman, 1988).

2.6.2 Gender dynamics in a unitary household model

Becker's work on family allocation of resources in 1956 broadly inferred that gender participation in the household, in terms of the production of *z* goods, affects the way in which welfare is allocated between its members. Resource allocation between members in the

household has a gender dynamic. In Becker's (1956) model, men have a comparative advantage in market work and, conversely, women have a comparative advantage in household work. And since the family allocates resources to children on the basis of future returns, girl children are likely to be allocated fewer resources since market work has an elevated status in the household (Rosenzweig and Schultz, 1982:803). A utility maximising household will consider its preferences and allocate intra-household resources accordingly. Considering its welfare both present and in the future, it may decide to invest most of its resources in individuals who will increase its welfare (Behrman, 1988; Rosenzweig and Schultz, 1982). Because of labour market returns to different individuals of certain genetic make-up, usually defined by sex, a household may decide to invest in the individual who would maximise its utility both in the present and future (Rosenzweig and Schultz, 1982; Pitt, Rosenzweig and Hassan, 1990). This was particularly evident in studies on welfare allocation in poor communities in India, which found that girls received fewer household benefits compared to boys, as males had inherent traits such as strength that enabled marginally higher labour market returns (Sen, 1990; Pitt et al, 1990; Berhman, 1988; Rosenzweig and Schultz, 1982). Therefore, parents invested in males because of the sex differences in expected income opportunities of boys and girls as adults (Rosenzweig and Schultz, 1982). The hypothesis by Pitt et al (1990:1141) is that the distribution of work activity within the household affects the allocation of resources among its members, with males being rewarded for energy-intensive work where their health status may affect their productivity. There are differences in the allocation of resources between male and female in the Indian households researched by Pitt et al (1990). For instance, a poverty alleviation policy targeted at reaching the poor in the household may have to overcompensate and take cognisance of that fact, although this could be region specific.

In accordance with Pitt et al's (1990) hypothesis, household work such as raising children and cooking is allocated little to no weight as a contribution to household consumption. It is usually the responsibility of women and is, consequently, less valuable compared to income. Financial contributions to the household hold more weight than domestic chores (Becker, 1956). Because of the comparative advantage of girls in the household and males in the labour market, path dependence is created, as girls become better suited for household work than boys. In the long run, girls become women whose contribution to the household is valued less than that of men owing to the fact that housework is regarded as inferior to the financial contribution made by men. Furthermore, since the household rewards financial

contributions more than housework, this becomes reflective of the treatment of human capital of women versus men. A household invests more resources such as food and education in the individual who brings in financial income (Rosenzweig, 1986; Pitt et al, 1990; Wheelock and Oughton, 2001). This supposed comparative advantage for men in the labour market and women in the home entrenches biases in the different way human capital is invested for boys and girls. This has labour market consequences for women since fewer employment opportunities exist for them (Rosenzweig and Schultz, 1982). When resources in the household are scarce, the household makes the decision to invest in individuals who bring resources into the household, sacrificing the caloric intake of the other members (Pitt et al, 1990).

Folbre (1986:251) criticises the limitations of the unitary model decision-making process by noting that most women and children are not in a position to negotiate their welfare because of cultural and societal beliefs about their worth; hence, they become compromised in the process. Sen (1990) has also commented on self-perception in the context of household dynamics; that is, self-worth determines a person's negotiating position. However, this is explored further in the section on collective bargaining models.

Whatever the case, different findings have emerged about targeted public policy (such as unearned income) in gender dynamics in terms of decision making and the allocation of resources within the household, especially in developing countries such as South Africa and those in Latin America (Thomas, 1990; Attanasio and Lechene, 2002; Duflo, 2003; Case, Hosegood and Lund, 2005; Ward-Batts, 2008; Posel et al, 2004). The unitary model implies that resources should reach members of the household in the same manner as they would without the cash transfer. Therefore, the identity of the individual receiving the cash transfer is of no relevance; the cash transfer will in any case increase the general welfare of individuals. However, this is hardly the case in South Africa (Thomas, 1990; Duflo, 2003; Aguero, Carter and Woolard, 2007). Research has revealed that the identity of the receiver of the cash transfer does matter. When the decision making is in the hands of women, the general welfare of children is improved especially that of the girl child (Thomas, 1990; Duflo, 2003). There is also strong gender favouritism of male to male and female to female when it comes to resource allocation in the home (Thomas, 1990; Attanasio and Lechene, 2002). Hence, policy makers need to be aware of the co-dependence of family members and how policy may augment welfare in the household (Rosenzweig, 1986: 240). Although the

unitary model is important in simplistic analysis, collective models allow for the exploration of the dynamics that influence decision making; they do not treat the household as a unit with common preferences but consider individual choices and bargaining power.

One good point of the unitary model is that if policy blindly targets a person within a household, the household rearranges itself in such as way that that person ends up with the same outcomes as before. This does not mean that the individual gets the state welfare and their share of household allocated goods; what it means is that the household finds a way of rebalancing itself, cancelling out the intended effect of the policy measure. Because of this, individual targeting may not have the intended effect; however, the limitations of the unitary model are in that once the income is in the household, it is redistributed according to common preferences regardless of the identity of the social welfare recipient. However, an analysis of the OAP and the CSG in South Africa illustrates that this simply cannot be the case, these grants show that resource distribution within the household is a bargained outcome.

2.7 Overview of the major principles of the collective bargaining models

2.7.1 Theoretical underpinning of collective bargaining models

There is a wide selection of models that disaggregate the household utility function. Chiappori (1988, 1992) was one of the first economists to develop a framework of collective models, in terms of which the household was no longer viewed as a "black box". He aimed to reveal the internal rules and distribution processes of households by observing their behaviour using labour supply or aggregate consumption (Chiappori, 1992:439). In contrast to the neoclassical framework, collective models allow the data to describe the decision rule within the household. What was observed of the household at that time was its interaction with the outside world, but little was known about its internal decision-making method. Bourguignon and Chiappori (1992) also further developed the household decision-making structure through bargained income.

The risk with regard to the conventional neoclassical model of aggregating household welfare is the potentially misleading policy outcomes with regard to individual welfare within the household; in particular, the prediction that income reaches all individuals in the household equally. There is neither rationale nor evidence for the notion that the allocation of

resources is equal within the household. Thus, Chiappori (1988; 1992) assumes a sharing rule that governs the allocation of resources within households. This sharing rule does not imply equity but simply how the household distributes its resources. The sharing rule rests on four assumptions, namely: 1) that some goods are private: 2) that preferences are altruistic; 3) that each member's sub-utility function is separable with respect to private consumption; and 4) that there is an assignable private good (Browning, Bourguignon, Chiappori and Lechene, 1994). The collective model will always achieve the altruistic outcomes of the unitary model through these rules; therefore, the unitary model is sometimes viewed as a special case of collective models under strict assumptions (Doss, 1996:1599). Collective models explicitly answer the question of how individual preferences lead to a collective choice (Alderman et al, 1995:5). These models are broadly divided into cooperative and non-cooperative bargained outcomes.

In cooperative bargaining models, decision making is modelled by a cooperative Nash game[6]. McElroy and Horney (1981:334) formulate a bargaining framework between two individuals in a marriage, who maximise individual utility from consuming a "household good" which is defined as a pure public good within the household. The consumption of this public good by one individual does not reduce the amount available to the other individual. The authors divide the individual's time into market work and leisure time, which is time not spent at market work. Thus, total expenditure in the household is on the pure public good, own goods which are consumed by the (individual), and on leisure (McElroy and Horney 1981:336); income in this model is pooled. These individuals then solve a Nash bargaining problem in which each individual's threat point is their utility outside of marriage; this is the utility a person would get at the dissolution of the marriage (Doss, 1996: 1600).[7]

Further work on the cooperative bargaining models incorporates parameters that will influence and shift a person's threat point (McElroy, 1990). These are external household environmental parameters (EEPs), such as institutional, demographic and legal factors, which are outside the marriage but would affect the member's bargaining power within the household (Doss, 1996:1600). Although these threat points within the marriage may not be

[6] A cooperative Nash bargaining payoff is the outcome from bargaining that maximizes the player's gain from cooperation.

[7] Divorce is specific to a married couple household; however, there are various kinds of households that do not conform to the nuclear family that would also have their own threat points, some similar to a married couple such as legal recourse in the dissolution of the household.

carried out, they affect the distribution of resources within the household (Doss, 1996). The outcomes of the cooperative bargaining models are Pareto efficient.

Unlike the cooperative bargaining models, the non-cooperative model assumes that resources such as income are not pooled. Individuals in a household make independent but interrelated consumption and production decisions (Doss, 1996:1600). The bargaining process in non-cooperative models determines the amount each person spends on public and private goods within the households. Each person maximises their own individual welfare taking as given the expected action of the other person using a Cournot-Nash[8] bargaining framework. Their consumption includes the aggregate level of the household goods provided by partners, personal consumption and leisure. Contribution to household welfare by two utility maximising individuals is determined by some socially sanctioned norms for the division of responsibilities – what Lindberg and Pollak (1993) call separate spheres. Each partner will make their decision regarding the household appropriate to that sphere. An example of this is where a woman provides housekeeping and the husband provides income. The section below describes decision making in terms of the non-cooperative and cooperative models.

2.7.2 The Nash collective bargaining model

Nash bargaining models use game theory to model household decisions, the outcomes of which can be cooperative or non-cooperative. Both partners maximise their own utility by taking the utility maximising decision of the other partner as a given and maximising their own utility independently of the other's preferences. The model below is adapted from Himmelweit (2001) and is of a husband and wife. Each makes his/her decision of utility maximising following their preferences alone. It is assumed that the husband brings income to the household and the wife provides 'home care'. The *domestic standard* is the public good produced by the household, which is consumed by both husband and wife. Even though they consume domestic standard they also value the consumption of private goods.

[8] A Cournot Nash game is a static game where all players have complete information about the game including information about other player's possible strategies and payoffs. Therefore each player maximizes utility cognizant of the other player.

Table 2.1: Household decision making in the collective bargaining model

	Husband **Spends only his *own choice* amount of money**	**Husband** **Spends a larger amount of money on the household**
Wife **Spends *own choice* amount of time in household**	*Non-cooperative equilibrium* Where a standard is reached without cooperation	*Not a possible equilibrium*, husband contributes to domestic standard more than the wife
Wife **Spends a larger amount of time on the household**	*Not a possible equilibrium*, the wife contributes to domestic standard more than the husband	*The cooperative equilibrium outcome*, preferred by both partners

Source: Himmelweit (2001)

The husband contributes an amount of money to the household and the wife contributes domestic work. Each has strategies that they could possibly put into play. Both of them assume that the other person's preferences are given and they therefore maximise their own utility given the outcomes of the other member's preferences.

There are two possible equilibriums, one of which is non-cooperative. At this equilibrium, both the husband and the wife decide on of the basis of how much of their personal resources they will spend on the household. Although both partners have much to gain from cooperating, they maximise according to their own preferences, which leads them both to a less than efficient solution. Both will choose their own preference and settle into this way of life (Himmelweit, 2001:154). At this equilibrium no member wants to make the sacrifice of giving more of their resources to produce domestic goods. The husband will not give any more money towards the household and the wife will not spend any more time on housekeeping. It thus becomes too costly for one individual to invest in improving the domestic standard of living, because the opportunity cost is too high (Himmelweit, 2001). When each member chooses his or her own preference over that of the household, they settle into the non-cooperative equilibrium where none of the members has the desire or incentive to move away from this outcome. Both will choose to maximise individual utility which leads to both of them being worse off – this is a prisoner's dilemma outcome. In this

instance, the household will have a low domestic standard of living, meaning that members will spend as little time and money as possible on the household, but both will have plenty of time and money for individual pursuits. The top right and bottom left solutions are not equilibrium situations because the partner that spends a larger amount of money or time on the household will be disadvantaged. The cooperative solution for both of them is bottom right in table 2.1, where the partners both decide to spend a larger amount of time and money on the household.

This optimal solution can be attained in various ways. Since households are long term, members are able to observe each other's moves over repeated periods. They have the incentive to act justly towards each other because selfish acts will be reciprocated in the following period. The optimal bargained outcome is also influenced by the distribution of power. Both informal and formal agreements between household members can establish terms of living between them and how much each is supposed to contribute towards household wellbeing (Himmelweit, 2001:156), much like the sharing rule in Chiappori (1992). Bargaining power is influenced by a member's threat and fall back positions, a position that ensures their bargaining power.

In the case of a husband and wife, the threat point which will ensure cooperation may be divorce and available marriage prospects for the partner who values marriage after the divorce. Although the negotiations of welfare outcomes take place intra-household, the extra-environmental conditions affect the bargaining process and members can use these factors to strengthen their fall back positions. In a marriage such a condition could be the ratio of male to female in the marriage market (Doss, 1996:1600). A perceived threat has to be plausible in order to work; that is, the other member must believe that it can be carried out (McElroy, 1990; Lindberg and Pollak, 1993, Himmelweit, 2001). So we can say that household decision making is largely influenced by threat points which affect the allocation of resources within the household (Doss, 1996). Generally, for other members of the household the threat point may be losing membership of the household. Threat points are influenced by how a person perceives themselves and their contribution to the household.

2.7.3 The household as a site of cooperative conflict

The bargaining process may not be equitable, because households are sites of cooperative conflict (Sen, 1990) where people do not lack resources because of unavailability but because of a lack of entitlement and how they perceive their contribution in the household. Sen (1990) found this to be the case in famine stricken areas of India. A member of the household may produce goods to sell to the market but may not be consuming what is equitable to them. Entitlement to resources depends on three factors: 1) the individual's prospects if cooperation breaks down; 2) the extent to which different members bargain for their own material welfare; and 3) the way each member of the household is perceived. Sen (1990) rejects the Nash bargaining solution because it does not consider a person's self-perception in the bargaining process. Sen (1990) states that utility differs from material welfare and that the distinction between the two drives people's behaviour. The difference is illustrated in a mother's perception of utility: a mother may perceive her utility to incorporate that of her children, often forgoing her own welfare for that of her children, placing her in a compromised position.

2.8 Determinants of bargaining power in the household

Bargaining power determines the share of resources allocated to individuals within households. Quisumbing and Maluccio (2000) summarise the determinants of bargaining power into four points: 1) control over resources, 2) external and internal factors that can influence the bargaining process such as law and human capital; 3) the mobilisation of interpersonal networks; and 4) attitudinal disposition. Control over resources is control over assets, income and unearned income, transfer and welfare receipt.

Quisumbing and Maluccio (2000) conducted a cross-sectional study of gender and intra-household resource allocation across four countries, South Africa, Indonesia, Ethiopia and Bangladesh. Taking cognisance of country-specific nuances, they found that women generally bring in fewer assets to the marriage, with the exception of Sumatra in Bangladesh, where women bring in more land to the marriage. For women, this means that their initial bargaining position could be low owing to a lack of material contribution; however, this depends on the value attached to bringing in assets rather than the woman's potential contribution to marriage. Income is also an important determinant of power in the household. Women who controlled income in the household had better bargaining positions and the

distribution of welfare in the household was empathetic to children's needs (Thomas, 1990; 1994; Attanasio and Lechene, 2002).

Unearned income also influences bargaining positions in households. Literature on the household's allocation of resources indicates that the person receiving the income influences resource allocation (Thomas, 1990; Duflo, 2003; Betrand, Mullainathan and Miller, 2003; Edmonds et al, 2004). In South Africa it was found that, where an elderly person receives the OAP, the weight-for-height scores[9] of children were higher where the person receiving the pension was female rather than male (Duflo, 2003). This does not necessarily mean that the elderly person is the household head, but simply that their pension influences the direction of welfare and equitability.[10] It is also evident that prime aged individuals[11] are also likely to take advantage of this situation by attaching themselves to households that have an elderly person in them (Edmonds et al, 2004; Wittenberg, 2001).

Attanasio and Lechene (2002) measure the impact of exogenous changes in the intra-household distribution of resources on household decisions using Progresa data from Mexico's conditional transfer programme. They reject pooling of resources within the household and infer that a wife's relative income has a significant effect on her decision making in the household. The higher the share of income, the higher their level of decision making, favourably affecting their fallback position and threat point in the household.
The threat point or bargaining position in the model is also influenced by parameters such as laws, institutions and legal factors, skills, ability to acquire information and education (Quisumbing and Maluccio, 2000). The way in which these factors affect bargaining positions is by strengthening or weakening a partner's position within the household. An example of this is a law governing child benefits and custody in case of a divorce. The partner who is placed at a disadvantage by these laws may be willing to renegotiate and provide better living conditions for the other spouse. The mobilisation of interpersonal networks, such as membership of an organisation and access to social networks, may influence a person's bargaining position. Living in a community or in close proximity to family could increase a person's bargaining strength if they know that they have the support

[9] Measuring height for weight in children, where the measure of height and weight determines the child's nutritional status for their particular age.
[10] The social grants are discussed in chapter 4.
[11] Prime aged individuals, are persons between the ages of 15-60 (women)/63 (men) who can participate in the labour force.

of family and community if the marriage should not work out. Finally, attitudinal disposition and personal perception, as raised by Sen (1990), plays a role in that a person's perception of themselves influences their bargaining position. A healthy self-esteem may increase what a person gets out of household negotiations.

2.9 The impact of unearned income such as the social grants on resource allocation in the household

Both the unitary and collective models make strong inferences about the influence of unearned income on decision making and, therefore, resource allocation in the household. There is an argument to be made for unitary models in households, where income enters the household with the purpose of affecting an individual's welfare. In such a case, the household rebalances itself, meaning that the targeted individual is no better or worse off than before the transfer (Rosenzweig, 1986). The plausibility of the unitary model is that individuals who are part of a household cannot act independently of such a household. Therefore, policy cannot target individuals that are within a household, as the household has rules that govern it. Critically, however, the unitary model implies that unearned income entering a household affects its members the same way as before unearned income and the decision rule in the household remains the same (Thomas, 1990:636; Alderman et al, 1995:12; Barientos and DeJong, 2006: 542). This means that a child who gets food at school as part of a government feeding scheme programme may not be offered food at home, thus the child will not have gained any value from the feeding programme. Therefore, according to the unitary model, cash transfers targeting a particular individual within the household, such as a child, will benefit all members of the household according to the redistribution and welfare objectives of that household. Hence, in the unitary model there is no direct way of targeting individuals through cash transfers. Cash transfers are rather intended as supplementary income to the household, in the hopes that the transfer will increase the household's standard of living and somehow affect the child's welfare (Alderman, 1998). Policy objectives in a unitary framework cannot be targeted at an individual who is within a household, as they cannot act independently of the household.

Welfare outcomes after a household has received cash transfers show that there is a difference in the allocation of resources. Cash transfers have an effect on the general welfare of the family, especially that of children in developing countries (Thomas, 1990; Attanasio

and Lechene, 2002; Duflo, 2003; Barientos and Dejong, 2006, Aguero et al, 2007). The introduction of unearned income into households changes many of the dynamics, such as power and decision making; essentially it is the identity of the recipient that seems to matter (Attanasio and Lechene, 2002, Duflo, 2003). Such findings are also evident in the case of South Africa when looking at intra-household resource allocation in households with OAP recipients. Collective models infer that the cash transfer changes the composition and allocation of income in the household. These collective bargaining models pose challenges to the welfare outcomes, as these outcomes depend on how a person perceives their worth as part of the household. The distribution may not be equitable, as households are sites of cooperative conflicts. The study by Duflo (2003) illustrates a bias in terms of who the social grant earner is and thus how the income is distributed in the household.

2.10 Conclusion

The household is an important intermediary between aggregate policies, local programmes and individual welfare (Rosenzweig, 1986). The challenge in terms of the household arises because interaction between members is not observed; only the outcomes can be measured in the form of human capital indicators. The unitary model presumes that a household is an income-pooling entity represented by common preferences. The collective models, on the other hand, regard the household as a site for negotiated outcomes, depending on the threat and fall back positions of individuals. Unfortunately, the unitary model does not offer an explanation about the *process* by means of which households allocate resources. Inequalities within the household could be further entrenched by misguided policies that target an individual within a household, if the dynamics of the members' interactions are not understood.

Furthermore, the neoclassical model aggregates household utility which compromises information about individual preferences. Theoretically, the model offers a simplified platform for evaluating policy, although its form "does violence to reality" (Rosenzweig, 1986), as it fails empirically to prove the claim that households do pool income and the recipient of income does not matter.

There seem to be distinctive ways in which households deal with distribution of resources among its members along gender lines; with the introduction of welfare transfers in the hands

of women reaching children better than in the hands of men. What implications does this have for decision making in the household, should unearned income targeted at children be paid out to women? This surely will have long-run consequences on the dynamics in the household, not all positive. Perhaps rehabilitative programmes, as suggested in Black (2004), will turn the rotten parent from their selfish ways, especially if other members have no negotiating power. Whatever the case, households are complex and their preferences cannot be aggregated, thus we have to analyse another theory that may shed light on these household dynamics about sharing resources, inequality and general welfare in the household –the collective bargaining model.

There are various kinds of bargaining models which depart from aggregating household welfare. The collective model lets data describe the decision rule in each household and the model contains four assumptions that ensure the sharing rule. The unitary and cooperative models are limited specifications of the collective model. The cooperative model is also the only model that has a specific Pareto efficient point. In terms of this model, individuals do not pool their resources but rather maximise utility taking the other person's contribution as given. The EEP affects a person's contribution and negotiating power in the household, which may result in a spouse having better living conditions in a marriage.

The model highlights the interaction between the two partners in a household, although this could be generalised to a many-person household. What is important here is the threat points and fallback positions, which are not observable in the model but do affect outcomes. These threat points and fall back positions do not necessarily have to be enforceable but they have to be believable. This was explored further by looking at the four factors that influence the bargaining position of each member, the control of resources such as assets, and internal and external factors that influence decision making. Internally, these could be an individual's set of skills, and externally it could be legislation that governs the dissolution of households. Social networks are also important for members of the household, including community support. Finally, the attitudinal disposition of a person will also influence their bargaining position in a household, which could explain the different poverty levels experienced by members of the same household.

Understanding the dynamics of poverty by knowing what the markers of poverty are, discussed in chapter 3, enables us to examine whether these kinds of households are well targeted by the grants.

3. Poverty in South Africa

3.1 Introduction

Social grants are aimed at reducing poverty. To assess their effectiveness as poverty tools, it is necessary to conduct an analysis of poverty as a phenomenon in South Africa. Such an analysis will thus give insight into the nature of poverty in South Africa. The analysis will attempt to answer two questions: 1) Who is considered poor? This will be done by considering the prevalence, depth and severity of poverty. 2) What are the distinguishing markers of poverty? This will be addressed by assessing the dimensions of poverty.

Knowledge of the prevalence, depth and severity of poverty is important for understanding what the grants are required to do and the dimensions of poverty are useful for maximising the impact of the social grants. Besides these two functions, knowledge of trends in poverty is constructive for assessing the impact of grants.

The purpose of this chapter is to construct a poverty profile of South Africa. Such an analysis requires the contextualisation of poverty by highlighting the debate on the nature of poverty (see section 3.2). The complexities involved in quantifying poverty mean that income poverty is no longer considered the only convention for representing the poor. Because poverty is multidimensional, numerous techniques have been used to quantify it as it cannot be aptly captured by just one measure. The methods and techniques of such measurements are discussed in section 3.3. The discussion on the multidimensional nature of poverty validates the use of other indicators, such as access to clean water, to expand our knowledge on the nature of poverty in South Africa. Therefore, in section 3.5, the dissertation uses the income measures, together with other multidimensional measures, to construct South Africa's poverty profile. These multidimensional measures also allow for cross-country comparisons with similar developing countries (see section 3.4). The purpose of such a comparison is to assess the country's relative performance against that of other middle-income countries on the same development path and even some lower-income countries. In order to carry out this assessment of the comparability of poverty between countries, there needs to be an appreciation of the nature of poverty.

3.2 The nature of poverty

To devise policies that attain the goal of eradicating poverty, it is important to understand the nature of poverty. A definition of poverty is intended to capture the deprivation experienced by an individual (World Bank, 2000; Bhorat, Woolard and Leibrandt, 2000; Chamber, 1988; Sen, 1976; 1979), For a long time income was used as an indication of deprivation until Sen's (1976) critique on the use of income poverty to identify the poor. His work paved the way to questioning the one-dimensionality of this poverty measure and expanded the conceptualisation of poverty beyond income deprivation. This is not to disregard the role of income to quantify poverty; indeed, income measures summarise the number of the poor below a certain income level and therefore the amount of income needed by individuals to meet basic needs. It is true that income expands the number of consumption choices that a poor person has, but the measure fails to appreciate the complexity of the nature of poverty. These complexities could be best captured by social indicators such as adult literacy rates, access to health care and life expectancy at birth. The question is whether poverty should be defined according to minimal standard of living (absolute) or should it be defined according to an income distribution definition (relative) (O'Boyle and Edwards, 1999). For instance, Sen (1979) is critical of the view that poverty is a value judgement but, on the other hand, it can be argued that the definition of poverty cannot remain static and must change according to the demands of society and time. Perhaps a single definition will not suffice given the multidimensionality of poverty and it would be more appropriate for a class of measures to be used together to reflect the whole picture of poverty. The Human Development Index[12] (HDI) is an example of a multidimensional indicator of poverty by country.

We have come to understand that poverty is more than income and expenditure inequality; it also manifests in other aspects of life. Although it is hard to articulate the meaning of poverty, the *absence* of certain resources that society deems as necessities, such as primary and high school education and sanitation and so on, also signifies a level of poverty. We have also come to understand that members of the same household can have different poverty rates; chapter 2 discussed at length the implications of resource allocation on the distribution of welfare among members of the same household. However, without being fixated on the

[12] Besides the HDI, there has been recent work on devising a single *multidimensional index*. In their paper, Alkire and Santos (2010) develop a multidimensional poverty index (MPI) for 104 developing countries. Also see Alkire and Foster (2007).
Batana (2008) applies the MPI to sub-Saharan countries.

subjectivity of the definition of poverty, the dissertation will identify a definition to use for describing poverty in South Africa.

Consequently, the definition of poverty applied in this dissertation is one that defines poverty as a lack of command over resources illustrated by the absence of certain social indicators in a particular society. Indicators of poverty measure the "wellbeing" of society according to a socially accepted standard of living (Woolard and Leibbrandt, 1999). Social welfare is a function of the welfare of the poor, because poverty is seen as underdevelopment and its eradication increases the welfare and utility of society (Deaton, 1997:140). In all, the dissertation is of the view that reporting both income measures and social indicators of poverty is beneficial in creating a comprehensive picture of poverty, as the nature of poverty is not one dimensional and consequently improves the targeting of the social grants.

3.3 Measuring poverty

When measuring poverty, we are measuring the wellbeing of society, the welfare of the members of society most vulnerable to economic conditions, the standard of living and the state of deprivation among people (Bhorat, Poswell and Naidoo, 2004:1). According to Sen (1979:285), the measurement of poverty comprises two steps: 1) *identification*, which asks: who are the poor? and 2) *aggregation*, which constructs a profile of the poor in a given society.

The income poverty line methods are methods that are widely used for the identification of the poor. From Sen's (1976) headcount and poverty gap critique as methods of identifying the poor arose literature aimed at capturing the multidimensionality of poverty (Chamber, 1988; Ravallion, 1992). The reasoning behind multidimensional measures is that each person is represented by a vector of characteristics such as health, living conditions, access to clean water and sanitation (Streeten, 1995; Ravallion, 1992).

In the measurement of poverty, various methods are used, but the particular focus of this dissertation is the poverty line. The relevance of poverty lines is that "[p]overty lines separate the poor from the non-poor of society and aid in constructing a poverty profile" (Woolard and Leibbrandt, 1999:8). Poverty lines are imperfect and arbitrary but, for policy purposes, this line must be drawn somewhere.

> The idea of a poverty line is not that household/individual vulnerability can be satisfactorily reduced for analytical purposes to a single index, but rather that a consistent measure, while imperfect as a gauge … can serve as a useful comparative index of trends over time …' (StatsSA, 2007:2).

Two types of poverty line exist: *absolute poverty lines* and *relative poverty lines*, which are both adjusted for prices. *Absolute poverty lines* are absolute measures of basic needs based on an identified consumption basket of goods. Using these measures, poverty is identified as a lack of command over resources to meet basic needs (Woolard and Leibbrandt, 1999:9). An example of such a poverty line is the dollar-a-day poverty line, which allows for international comparisons. Absolute poverty lines do not change with the standard of living, reflecting minimum requirement of a basic command in resources for individuals (Coudouel, Hentschel and Wodon, 2004:33).

The *relative poverty line* is defined by the moving standard of living and reflects a society's perception of poverty; it could thus be measured at 50% of the income earned or some other measure. In such a society, the poor are considered to be those that fail to meet the particular line; suffering relative deprivation (Coudouel et al, 2004). The objection to the measure of relative poverty is that "the poor will always be among us" – even if standards of living drastically improve, the share of those in poverty will remain unaffected (Woolard and Leibbrandt, 1999:48). Measured poverty is never overcome if a relative poverty line is used, as there will always be the relatively poor in society. As Sen (1979:288) argues in this regard, adequate poverty measurement always requires an absolute poverty line: "… there is an irreducible core of absolute poverty which translates starvation, severe malnutrition and visible hardship into a diagnosis of poverty without waiting to ascertain the relative picture."

3.3.1 Constructing a poverty line

There are two general approaches to drawing a poverty line, the Food Energy Intake (FEI) method or the Cost of Basic Needs (CBN) method. The FEI is a regression equation[13] that links the value of food consumption to calories consumed (Thorbecke, 1998). It is computed using the Recommended Daily Allowance (RDA) of calories and reflects the behaviour of

[13] Regression equation: ln VFC = a + bCal, obtained through observing household consumption where VFC is the value of food consumption and Cal is the amount of calories consumed.

individual households around consumption. The RDA for South Africa is 2261 kilocalories per person, as recommended by the Medical Research Council (MRC). In rand terms this is R211 per person at 2000 prices (StatsSA, 2007). The FEI reflects food poverty alone and would need to be extended to include other basic material needs that individuals may have, such as shelter. The CBN method is a consumption bundle that is necessary for basic survival, drawn from nutritional requirements for good health. This is a bundle of goods which is used as a reference group. The disadvantage with this approach is that the reference group may not be representative of the whole population (Thorbecke, 1998). Both these methods are rooted in caloric intake, and then use other measures for non-food components, such as levels of education, health index and life expectancy at birth. There seems to be three most basically agreed-on components namely:

$$\textit{Poverty line} = \textit{benchmark poverty line} \times \textit{equivalence scale} \times \textit{updating index}$$

There is no single method for arriving at a poverty line using the above equation, simply because all of the three components have different proxies in practice. The *benchmark poverty line* can be calculated using the minimum wage, social grant or a percentage of median income. The *equivalent scale,* which is used for normalisation because households differ in size and composition, can be based on expenditure data, consumer demand theories. Finally, the *updating index* can comprise the Consumer Price Index (CPI) or the GDP deflator to name just two (Johnson, 1996).

Preliminary research into a poverty measure for South Africa shows that the cost of a child is almost the same as that of an adult (StatsSa, 2007:5), which implies that there may not be a need for an equivalence scale.[14] In the document, *A national poverty line for South Africa*, StatsSA (2007) examines the need for a nominal adjuster of the poverty line to reflect the consumption basket of poor households. While the CPI has been a more obvious choice, it should be noted that, in the past, there was a marked difference between changes in the CPI and changes in the prices of staple foods. A poverty line adjusted by the CPI would not truly reflect the income required for a set standard of living, as this in turn would lead to a misrepresentation of the number of people under the poverty line. Thus, the Foster-Greer-Thorbecke measures of poverty have become the standard in poverty analysis. As the

[14] For an in depth analysis: see Streak, Yu and van der Berg (2008).

analysis in the profile of poverty uses these measures, they are examined in more detail below.

The Foster Greer Thorbecke (FGT) class of poverty measures

The FGT class of poverty measures can be represented by the equation

$$P_\alpha = \frac{1}{n}\sum_{i=1}^{q}\left[\left(\frac{z - y_i}{z}\right)\right]^\alpha$$

where α = 0 is headcount

α = 1 Poverty gap

α = 2 Squared poverty gap

z = poverty line

y_i = is the standard of living indicator for the i^{th} household

n = population size

Literature published prior to 1984 already called for measures of poverty that would be decomposable in order to be able to evaluate poverty for different subgroups. Hence, the FGT measures have been widely used to profile poverty, as they are decomposable and comparisons between households of different kinds and individual subgroups are possible (Foster, Greer and Thorbecke, 1984).

According to Sen (1976), a good poverty measure has to satisfy four axioms, namely:

1. *Monotonicity* – all other things being equal, a reduction in income of a person below the poverty line increases the extent of poverty as measured by the poverty measure.
2. *Transfer axiom* – a pure transfer of income from a person below the poverty line to anyone who is richer must increase the poverty measure.
3. *Population symmetry* – if two or more identical populations are pooled, the poverty index must not change.
4. *Proportion of poor* – if the proportion of the population that is poor grows or diminishes the poverty index must reflect this by either rising or falling.

These axioms are used in the remainder of the section as criteria to assess the FGT measures.

The headcount ratio

The headcount ratio has become one of the most quoted poverty measures in the family of FGT measures. It is simply the proportion of the population that is below a set poverty line. It can be written as follows:

$P_0 = H = q/n$
Where q = number of people
n = population size

This is a crude measure as it does not reveal any of the characteristic of poverty in that particular society, such as the severity with which poverty is experienced by some or the anatomy of poverty in that particular society.[15] However, the poverty ratio is easily understandable and communicable (Thorbecke, 1998), as it simply stipulates the incidence of poverty in that particular community. However, the headcount ratio is in violation of the first two of Sens's axioms, monotonicity and transferability, because the ratio does not consider the severity of poverty below the poverty line. An individual who is R100 below the poverty line is recorded as having the same severity of poverty as a person who is R1000 below the poverty line (Johnson, 1996:114). The headcount is also insensitive to the distribution of income among the poor; a transfer of income from a person who is poorer to one who is less poor is not recognised as a change in poverty even though there has been a change in relative wealth (Sen, 1976:219). Because of this shortcoming, the headcount ratio should be used in conjunctions with the poverty gap index.

The poverty gap index (PG)

The PG index is a refinement of the headcount ratio and measures the average distance that a poor individual is from the poverty line, that is, it measures the depth of poverty below the poverty line (Woolard and Leibbrandt, 1999:56). The poverty gap can also be expressed as an aggregate measure of the poverty deficit, representing the amount that is needed to lift the poor up to the poverty line (May, Woolard and Klasen, 2000:30).

$$P_{\alpha} = \frac{1}{n}\sum_{i=1}^{q}\left[\left(\frac{z - y_i}{z}\right]\right)^{\alpha}$$

Where,

z = poverty line

y_i = is standard of living indicator for the i^{th} household

α = the aversion to poverty parameter

Squared poverty gap index (SPG)

This measure reflects the distribution of poverty below the poverty line. Accordingly, it measures the severity of poverty by not only taking into account the depth of poverty reflected by PG, but also the inequality among the poor, which is reflected in the formula (Coudouel et al, 2004:35).

$$P_{2} = \frac{1}{n}\sum_{i=1}^{q}\left[\left(\frac{z - y_i}{z}\right]\right)^{2}$$

The advantage of this measure is that it gives more weight to individuals who are further away from the poverty line. A person who is R1000 below the poverty line is deemed poorer than one who is R100; so a decrease in the standard of living for someone further from the poverty line will be deemed greater the poorer the person is (Woolard and Leibbrandt, 1999:58) and their poverty severity is given more weight in the aggregate measure of poverty.

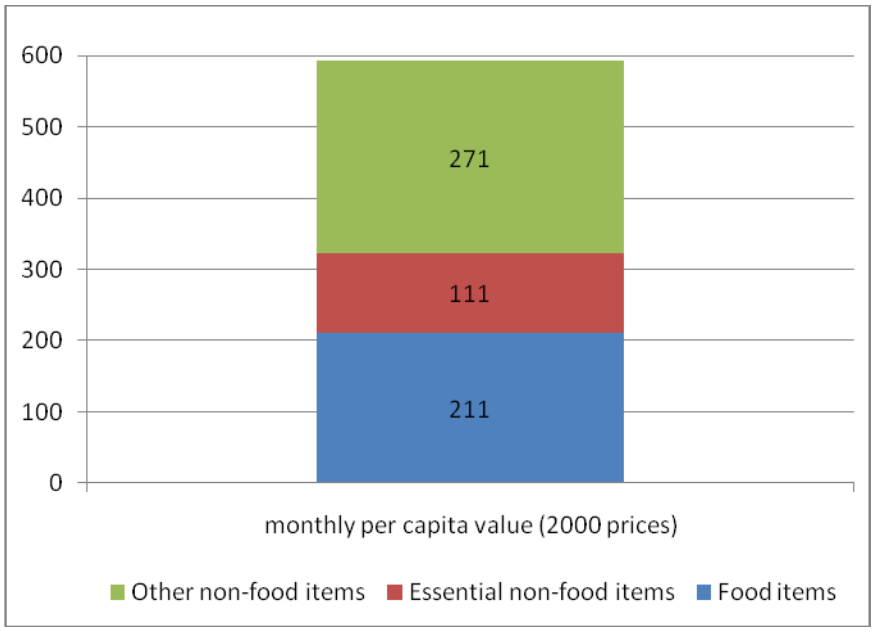
3.3.2 Data and methodology

The FGT measures were applied to the data contained in the 2005 South African Income and Expenditure Survey (IES) in order to compile a poverty analysis of the country. The method of capturing data differed slightly in this survey compared to the previous IES1995 and IES2000. In this regard, A recall and diary method was used to capture data whereas the previous two surveys used only the recall method. Using the recall method, the participant records their total expenditure over the 12-month period using the main questionnaire; this comprises the annualised expenditure figure. The diary method requires respondents to keep a diary of their expenditure for four weeks. Different groups of participants were asked to fill in this diary for each subsequent month, never having the same people fill in the diary for

longer than a month. The diary method was used mainly for non-durable goods such as food. These non-durable items were recorded for a month using the diary method and this expenditure figure was then annualised. Semi-durable and durable items were recorded using both the diary method for a month and the recall method for 11 of the 12 months to give an annualised figure for 12 months. Finally, the durable items and services were recorded using only the recall method for 12 months, giving the annualised figure.

The proposed poverty line used in this chapter is the R322 lower bound used by StatsSA (2007) or R3864 per annum (see figure 3.1 below). Decomposed, this amount consists of R211 for basic food needs and R111 for essential non-food items per month. The upper bound amount is R593, which includes other non-food items that would not be considered for basic survival. This poverty line (R322) is used to measure both the poverty share and the incidence if poverty in the population and for households. Poverty share is the *proportion* of poverty that a particular group of people take in the total poverty of a particular group. Poverty incidence is the *extent* to which poverty affects a particular group; for example the incidence of poverty among women is 54.1% (StatsSA, 2005).

Figure 3.1: Poverty lines (2000) prices



Source: StatsSA (2005)

Before applying poverty lines to South African data in section 3.5, section 3.4 compares the multidimensional indices of a selected group of developing countries with those of South Africa.

3.4 South Africa's development in an international context

South Africa is compared to Brazil, Russia, India and China (the BRIC countries),[16] and Malaysia because of similar GDP per capita. The other countries are the Eastern Europe countries of the Czech Republic and Hungary and African countries, including Botswana, Lesotho, Namibia and Mauritius. A number of multidimensional indices indicate that, although South Africa's GDP per capita is high when compared to these countries, it is still faced with income distribution challenges (table 3.1). GDP per capita is a proxy for the average income of individuals in the country. If the income of a country were to be divided equally, GDP per capita is the income that each person in the country would be receiving. South Africa has a relatively high GDP per capita and hence it is classified as a middle-income developing country. Its GDP per capita is higher than that of the BRIC countries, but the gaps are closing because of the economic growth rate of these countries.

However, GDP per capita is not a good proxy for standard of living, because it does not account for any discrimination in the distribution of income. In this regard, there are other indices such as life expectancy at birth that can be used together with GDP per capita to construct a more accurate picture and highlight the developmental challenges still faced by the country. The life expectancy at birth in South Africa is 50.8 years; this is below the life expectancy in the BRIC countries and also below that of the Czech Republic and Hungary. In Africa, Mauritius's life expectancy (68.7 years) far exceeds that of South Africa. As a matter of fact, South Africans have a 31.3% chance of not surviving to the age of 40. This is one of the highest probabilities in this sample of countries, only exceeded by other African countries. In addition, the adult literacy rate of 82.2 % is the third lowest in this sample of countries; South Africa's performance is only marginally better than Botswana and Lesotho. Besides this, 12% of the population still does not have access to an improved water source, although the country performs better than China (23%) and India (14%) in this regard. In Africa, only Botswana (5%) has better access to an improved water source than South Africa. Owing to policy measures such as school feeding schemes and the child support grant, there

[16] South Africa has recently been included as part of BRICS (newly advanced developing countries). BRIC countries are becoming leaders of economic development in the "global" South of economically developing countries. It is useful to compare South Africa's development to these countries and ascertain how it fares as a development leader in the global south.

are relatively few underweight children in South Africa; 12% of children below the age of five are underweight, whereas this figure is 47% for India.

Table 3.1: Key development indicators by country

Country	Human development index	Life expectancy at birth	Adult literacy rate	GDP per capita in US $	Human poverty index in %	Probability at birth of not surviving to age 40 in %	Population not using improved water source in %	children underweight (% under age 5)	GDP per capita annual growth rate % (1990-2005)	HDI ranking
Brazil	0.8	71.7	88.6	7,200	9.7	9.2	10	6	1.1	70
Russia	0.802	65	99.4	10,845	0.782	-	-	-	-0.1	67
India	0.619	63.7	61	3,452	31.3	16.8	14	47	4.2	128
China	0.777	72.5	90.9	6,757	11.7	6.8	23	8	8.8	81
Malaysia	0.811	73.7	88.7	10,882	8.3	4.4	1	11	3.3	63
South Africa	0.674	50.8	82.4	11,110	23.5	31.7	12	12	0.6	121
Botswana	0.654	48.1	81.2	12,387	31.4	44	5	13	4.8	124
Lesotho	0.549	42.6	82.2	3,335	34.5	47.8	21	20	2.3	138
Namibia	0.65	51.6	85	7,586	26.5	35.9	13	24	1.4	125
Mauritius	0.804	68.7	99.6	12,715	11.4	5.1	0	15	3.8	65
Czech	0.891	75.9	-	20,538	-	-	-	-	1.9	32
Hungary	0.874	72.9	-	17,887	-	-	-	-	3.1	36

Source: World Bank 2008

As GDP per capita does not show the distribution of income, it is also useful to include a measure like the Gini index. The Gini index is a summary measure of the distribution of income derived from the Lorenz curve and it ranges from 0 (perfect equality) to 1 (perfect inequality). This index measures the extent to which income between individuals or households deviates from a hypothetical equal distribution line. In the past, South Africa reflected the inequalities of the past with one of the highest Gini indexes in the world. Table 3.2 shows that the Gini index for South Africa is still relatively high, 57.8, with South Africa being tied with Brazil, although the spread of the poor in the income deciles in each country may differ.

Table 3.2: International comparison of income distribution

	Poorest 20%	Richest 20%	Income ratio of the richest 10% to poorest 10%	Income ratio of richest 20% to poorest 20%	Gini index
Brazil	2.8	61.1	51.3	21.8	57
Russia	6.1	46.6	12.7	7.6	39
India	8.1	45.3	8.6	5.6	36.8
China	4.3	51.9	21.6	12.2	46.9
Malaysia	4.4	54.3	22.1	12.4	49.2
South Africa	3.5	62.2	33.1	17.9	57.8
Botswana	3.2	65.1	43	20.4	60.5
Lesotho					
Namibia	1.4	78.7	128.8	56.1	74.3
Mauritius					
Chile	3.8	60	33	15.7	54.9
Czech	10.3	35.9	5.2	3.5	25.4
Hungary	9.5	36.5	5.5	3.8	26.9

Source: World Bank 2008

The Gini index further describes the general picture of development communicated by the indicators, which show that income in the country is still skewed. Section 3.5 will also show that this inequality is still predominantly along racial lines, with a majority of whites clustered in the top decile and Africans clustered in the lower deciles.

Overall, an analysis of the development indicators shows that South Africa's development is lagging behind countries in the middle income group. This means that the high GDP per capita has not benefited a large section of the population. As shown, the poor only have command over 3.5% of the wealth of the country while the richest 20% control 62.2% of income (table 3.2). To understand this inequality and spread of poverty in the country, section 3.5 analyses important demographics in South Africa's poverty profile as well as the markers of poverty.

3.5 Poverty in South Africa

Poverty varies depending on the poverty measure that is used (see section 3.2). Income poverty has declined since 1994 owing to the expansion of social assistance, especially the social grants (Van der Berg, Louw and Yu, 2008: 74). This improvement is illustrated by an increase in access to basic services by the poor. Using different poverty rates, Van der Berg et al (2008) show that there has been a steady decline in poverty. Be that as it may, at 47% using the R388 poverty line (IES 2005), the poverty headcount is still relatively high.

3.5.1 Poverty rates of the various population groups

Apartheid legislation in education, the labour market and social assistance deliberately marginalised African people's economic prospects. As a result of these policies, therefore, poverty in South Africa developed a strong racial bias.[17] Owing to this element, we are interested in an analysis of poverty along racial lines. In the 16 years since democratisation, South Africa's poverty profile in the broader context has not changed. The poverty rates between the various population groups illustrate that poverty still shows racial trends, as the poor are still predominantly African (93.3%) (see figure 3.2 and table 3.3), with Africans and coloureds having the highest poverty rates of 54.8 and 34.2% respectively. Table 3.3 illustrates the exceptionally high share of poverty among Africans; their share of poverty is markedly higher than their share of the population in contrast to the other three groups. These findings cement the analysis in section 3.4 that South Africa is still highly unequal and income inequality is along racial lines.

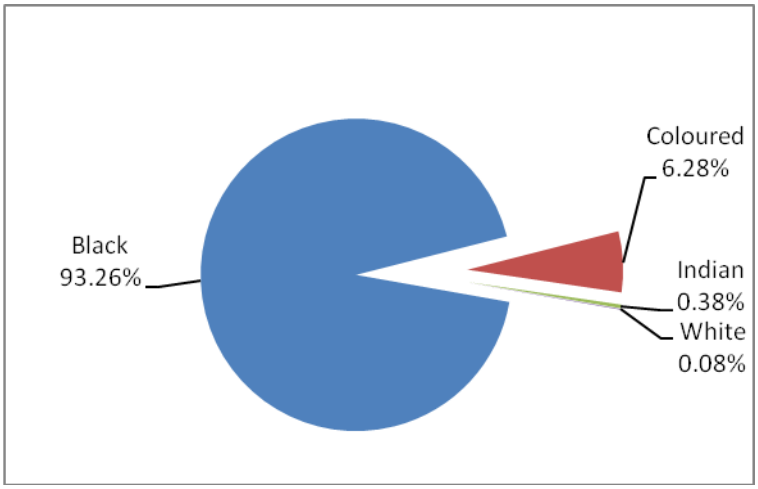
[17] The historical context of the South African social assistance system is examined in greater detail in chapter 4.

Table 3.3: Poverty rate, population share and poverty share by population group

Population group	Percentage share of population	Poverty rate of population group (%)	Percentage share of poor individuals
Black	80.1%	54.8%	93.3%
Coloured	8.7%	34.2%	6.3%
Indian	2.5%	7.1%	0.4%
White	8.6%	0.4%	0.1%
All	100%	47.1%	100%

Source: Own calculations using IES2005

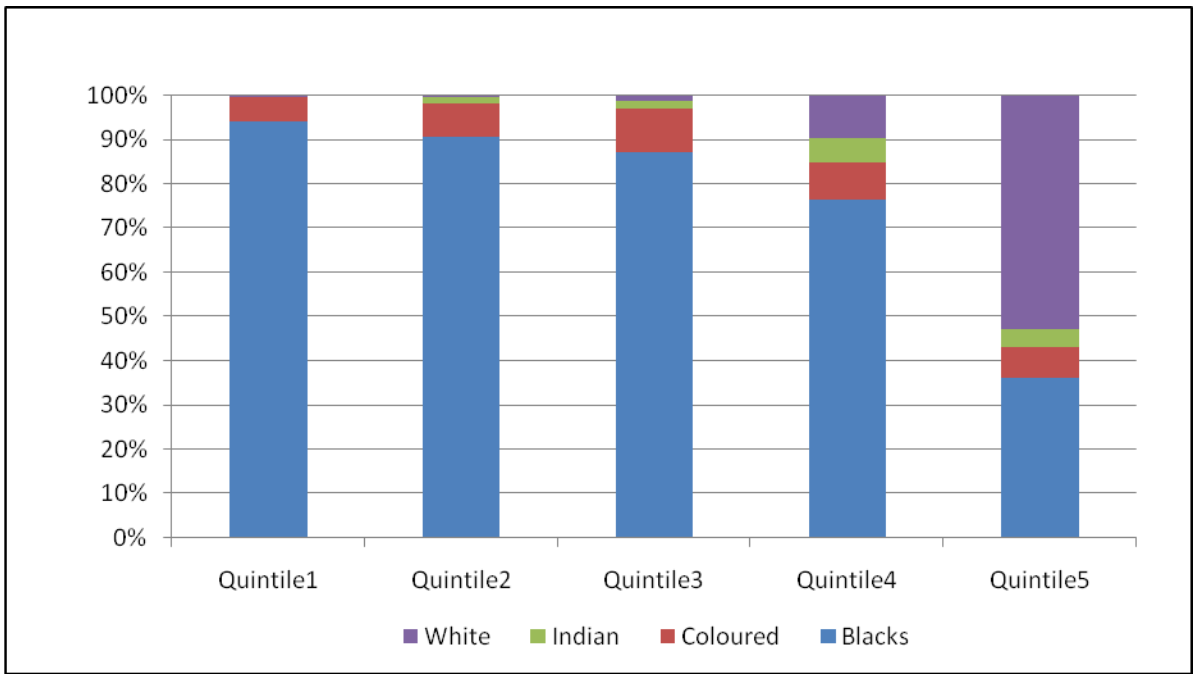
Figure 3.2: Poverty share by race



Source: Own calculations using IES2005

In order to examine the composition of income inequality in depth, an analysis by quintile is conducted. The advantage of using quintile analysis is that it offers a demographic composition at different income levels. While the Gini index tells us the extent of inequality, a quintile analysis shows us how this inequality is spread along demographic lines, allowing us to decompose income inequality. Accordingly, the first quintile represents the poorest individuals or households and the fifth quintile represents the richest individuals or households (figure 3.3). Households headed by Africans fall largely into the lowest quintiles, which emphasises the point that poverty still has a racial element. White-headed households appear from the third quintile, showing their relative affluence. Hence, whites are concentrated in the top quintiles and African in the bottom quintiles.

Figure 3.3: Race of household head in each quintile (excluding unspecified)



Source: Own calculations using IES2005

Thus far, only the headcount of poverty has been analysed, that is, how many people fall below the poverty line. In table 3.4 below, the poverty gap measure illustrates a similar pattern to the poverty headcount. Poverty is highest among Africans followed by coloured, Indian and then white South Africans. While the headcount ratio allocates equal weight to individuals falling below the poverty line, the squared poverty gap measure allocates more weight to individuals falling further from the line. Africans were furthest from the poverty line meaning that Africans were deeper into poverty than other races.

Table 3.4: Decomposition of FGT measures by race

	Poverty headcount $\alpha = 0$	Poverty gap $\alpha = 1$	Severity of poverty $\alpha = 2$
African	0.552	0.239	0.068
Coloured	0.346	0.132	0.013
Indian	0.078	0.022	0.000
White	0.004	0.001	0.084

Source: Armstrong and Burger (2009)

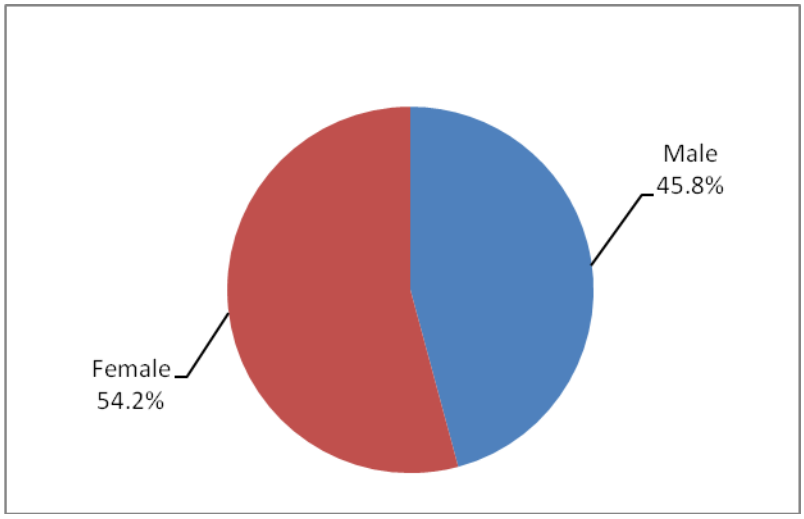
The third index, the poverty gap squared, measures the shortfall of each individual below the poverty line. Individuals who fall furthest from the poverty line are weighted more heavily

than those who lie closer to the poverty line; this is done by squaring the poverty gap ratio (Armstrong and Burger, 2009:8). This measure places greater emphasis on the severity of poverty than the preceding measures. It is logical that people who fall below the poverty line are not all equally poor; there are some whose income shortfall from the poverty line is less than others. Hence, the poverty gap which measures severity captures this income inequality among the poor. As discussed in section 3.3, despite its algebraic appeal, this measure has the disadvantage of not being as interpretable as the previous two measures. According to this measure, poverty is also most severe among Africans, showing that social assistance beneficiaries are most likely to be African. Another important aspect when it comes to the profiling of poverty is the gender dynamic of poverty in households.

3.5.2 Poverty by gender

Chapter 2 discussed the allocation of resources along gender lines, especially in communities in developing countries, showing that resources are allocated to the one who brings in the most to the family and whose self-perception is higher according to Sen (1979). The share of poverty among women in South Africa is higher than among men (figure 3.4).

Figure 3.4: Share of poverty by gender



Source: Own calculations using IES2005

The poverty bias toward females is also reflected in the share of poverty by gender of household head, where 54.6% of households in the first quintile are headed by females with only 45.3% being headed by males (table 3.5). Additionally, the standard of living in male-headed households is on average higher than in female-headed households. Female headship

is most prominent in the lower quintiles and, as the standard of living improves, male headship becomes more prominent. This shows that male-headed households are generally better off than female-headed households.

Table 3.5: Household headship by gender in quintiles

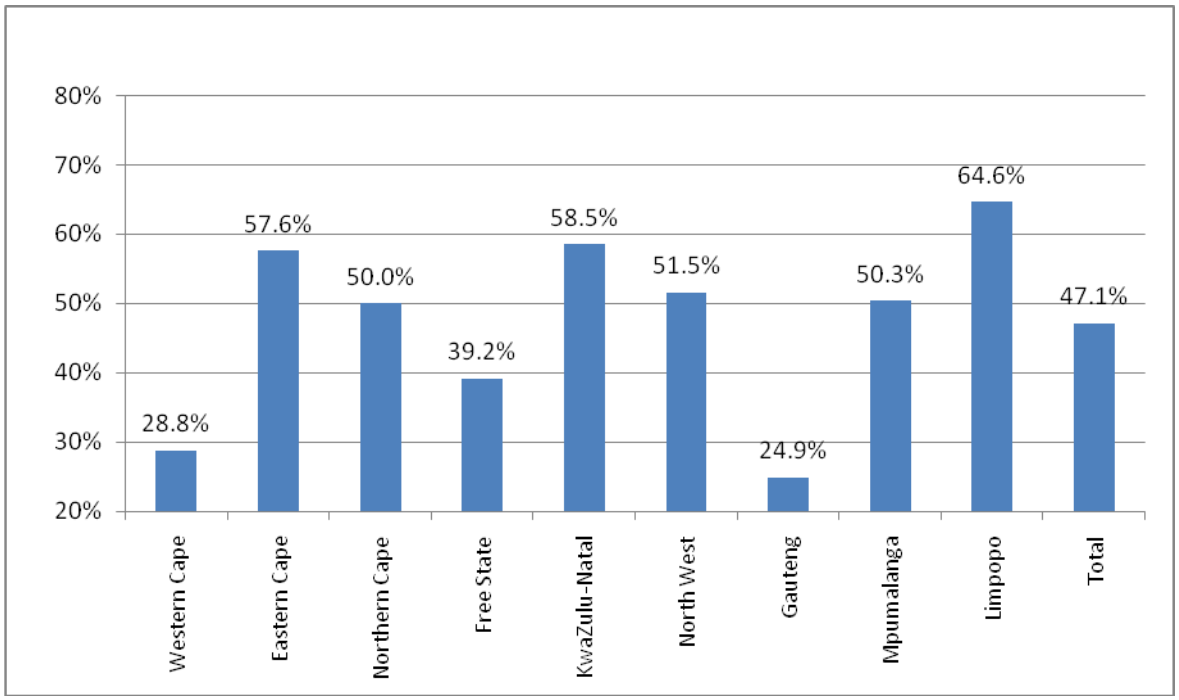
	Quintile1	Quintile2	Quintile3	Quintile4	Quintile5	Total
Male	45.3%	51.2%	60.9%	71.1%	76.8%	61.1%
Female	54.6%	48.7%	39.1%	28.8%	23.1%	38.9%
Unspecified	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Source: Own calculations using IES2005

3.5.3 Poverty by Province

As illustrated in figure 3.5 below, individual poverty is highest in Limpopo, KwaZulu-Natal and the Eastern Cape. These are the most populous and rural provinces (at the time of IES2005/6). Sixty per cent of South Africa's poor live in these three provinces, while the two richest provinces (Gauteng and the Western Cape) have only a sixth of the poor (Armstrong, Lekezwa & Siebrits, 2008:10).

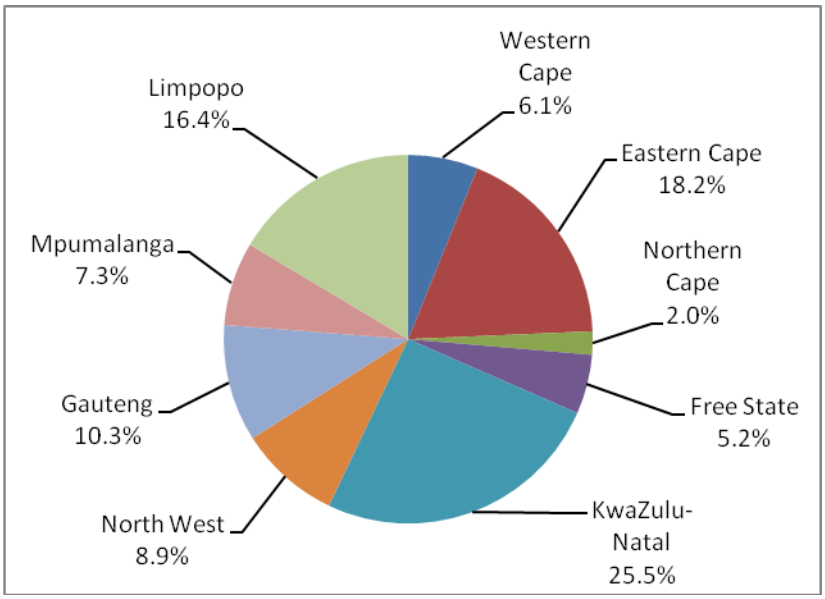
Figure 3.5: Poverty rate by province



Source: Own calculations using IES2005

Households in KwaZulu-Natal have the highest share of poverty, followed by the Eastern Cape and Limpopo (figure 3.6). Although Gauteng has the lowest incidence of poverty, according to figure 3.6, it has the fourth highest share of poor households. These provinces are also the most populous, with 47% of South Africa's population at the time of IES2005.

Figure 3.6: Poverty share by province



Source: Own calculations using IES2005

Table 3.6: Income distribution by province

	Quintile1	Quintile5
Western Cape	5.0%	17.3%
Eastern Cape	20.4%	8.9%
Northern Cape	2.0%	1.5%
Free State	5.5%	7.8%
KwaZulu-Natal	24.1%	12.8%
North West	9.2%	6.9%
Gauteng	8.5%	35.2%
Mpumalanga	7.6%	4.8%
Limpopo	17.8%	4.8%
Total	100.0%	100.0%

Source: Own calculations using IES2005

Households in the poorest quintile live mainly in Limpopo, KwaZulu-Natal and the Eastern Cape (table 3.6). Gauteng has the highest share in the fifth quintile, 35%, followed by the Western Cape (17%). The fact that poverty is concentrated in the predominantly rural

provinces shows that the majority of the poor population live in the rural areas, with high percentages both in the first and the second quintile (table 3.7).

Table 3.7: Rural and urban dwellers in each income quintile

	Quintile1	Quintile2	Quintile3	Quintile4	Quintile5	Total
Urban	37.0%	53.2%	65.6%	79.6%	90.2%	65.1%
Rural	63.0%	46.8%	34.5%	20.4%	9.8%	34.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

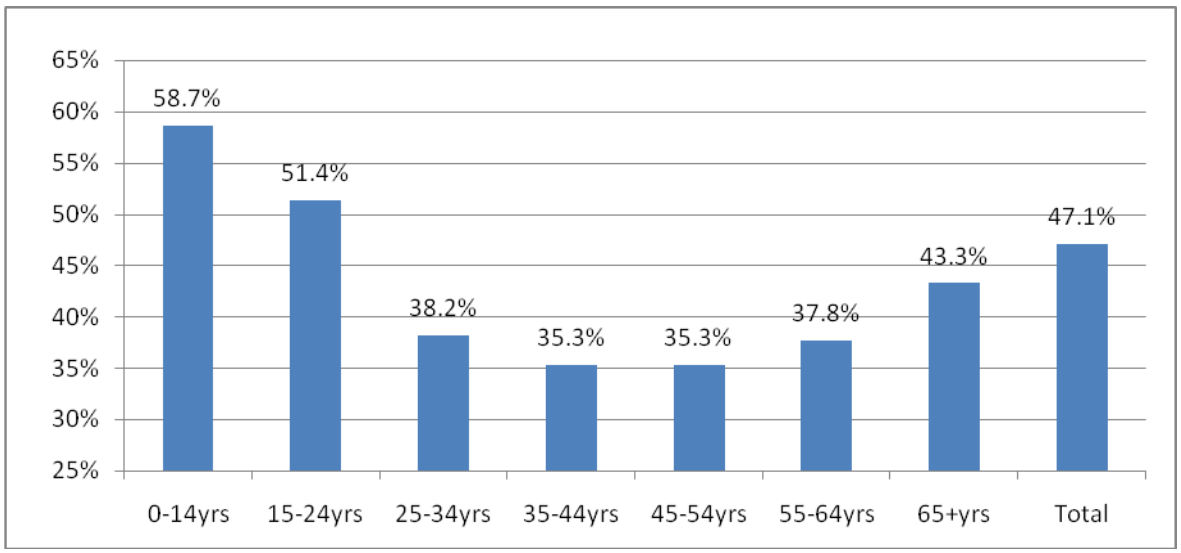
Source: Own calculations using IES2005

Although rural dwellers comprise only 34.9% of the total, the poor in rural areas are clustered in the ultra poor quintile. However, at the 40% quintile, there are more poor urban dwellers (53.2%) than there are rural dwellers (46.8 %), in fact only the poorest quintile contains more rural than urban dwellers.

3.5.4 Poverty by age

The poverty rate is highest in children below the age of 15 years (39%) and in the elderly aged 65 years and older. Poverty rates are lower for the working age[18] group, figure 3.7 below.

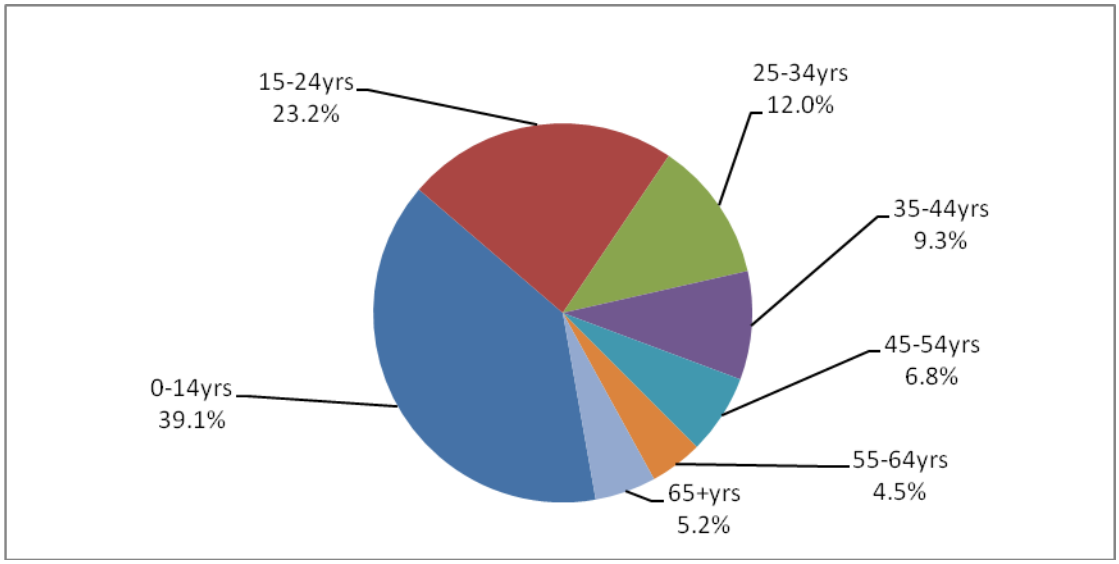
Figure 3.7: Poverty rates by age



Source: Own calculations using IES2005

[18] Working age population lies between 15-60 years for females and 15-65 years for males in South Africa.

Figure 3.8: Poverty share by age category



Source: Own calculations using IES2005

While figure 3.8 shows that the incidence of poverty is highest among younger people, table 3.8 shows the incidence of poverty among heads of households. The table shows that the poor are concentrated in households headed by working age individuals. There are two possible reasons for this: Firstly, many working-age individuals may be unemployed and secondly, many workers earn irregular or low wages which are inadequate to lift them from poverty.

Table 3.7: Percentage of poverty by age of household head

	Quintile1	Quintile2	Quintile3	Quintile4	Quintile5	Total
0–14 yrs	0.2%	0.3%	0.4%	0.1%	0.3%	0.3%
15–24 yrs	4.2%	5.7%	6.3%	7.2%	5.0%	5.7%
25–34 yrs	15.3%	18.6%	24.7%	28.3%	24.6%	22.3%
35–44 yrs	20.9%	20.3%	21.3%	24.3%	23.9%	22.1%
45–54 yrs	21.6%	19.9%	18.7%	18.4%	23.2%	20.4%
55–64 yrs	17.0%	15.3%	14.9%	12.6%	14.7%	14.9%
65+ yrs	20.8%	20.1%	13.8%	9.1%	8.4%	14.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Own calculations using IES2005

Households headed by elderly people who are 65+ yrs have the highest incidence of poverty (47.3%). This is as a result of the old age grant that the elderly people get, as the poor tend to cluster around a stable form of income however low it may be.[19]

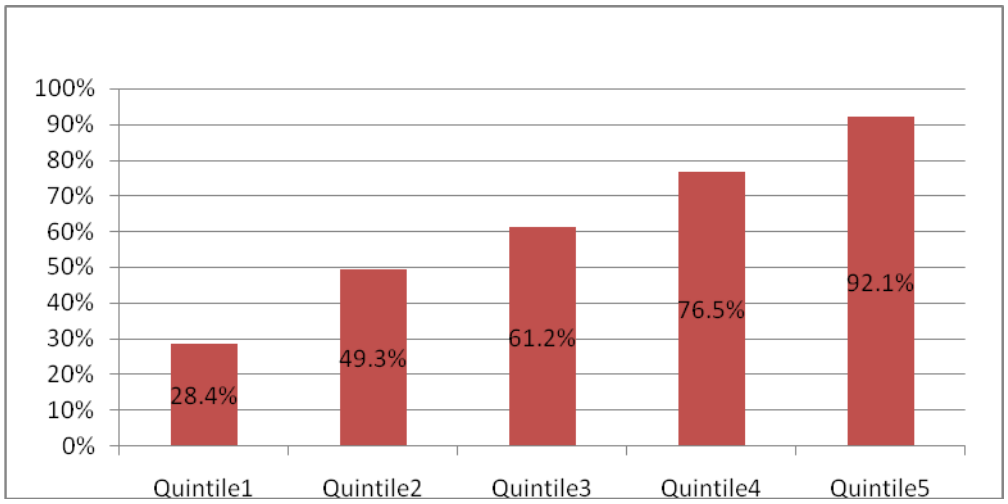
[19] This is further explored in chapter 5

3.6 Non-income metric indicators of poverty

The poor often lack access to basic services, such as water, sanitation, health and energy, and they are also socially excluded (Coudouel et al, 2004:421; Bhorat et al, 2004:5). The lack of provision of services to the poor increases the burden of poverty, as the time taken by the poor to access basic services takes away from time that they could spend in production to generate income; such burdens of poverty would include fetching water and firewood (RDP, 1995:17). This section highlights the disparities that still exist between the ultra poor and the wealthiest quintiles. Public services not afforded to the poor further entrenches their poverty by demanding more of their time.

The availability of energy reduces the time that the poor have to spend away from production activities that generate income. However, only 28.4% of the poor have access to electricity, which confirms that the poor are still using paraffin and firewood as forms of energy (figure 3.9). Access to electricity as a main source of energy for cooking increases with each successive quintile as expected. Consequently, there were more poor households that use wood, 37% as opposed those that use electricity 28.4% (table 3.9). In the second quintile, however, almost half the households used electricity which is significantly greater than the bottom quintile.

Figure 3.9: Percentage of households using electricity as main energy source for cooking



Source: Own calculations using IES 2005

3.6.1 Access to water and sanitation

Piped water is important for relieving the plight of poverty, as it reduces the risk of outbreaks of waterborne diseases such as cholera (Bhorat et al, 2004:7). Besides the risk of disease, poor women waste time that could be dedicated to labour market activities fetching water for the household. As with access to electricity, access to running water is still relatively low for the poor. The percentage of the ultra poor that have access to on-site or in-the-yard piped water is 28.6%. Very few of them have an 'in-dwelling' water supply (12.9%).

Table 3.8: Selected characteristics of South African households by quintile

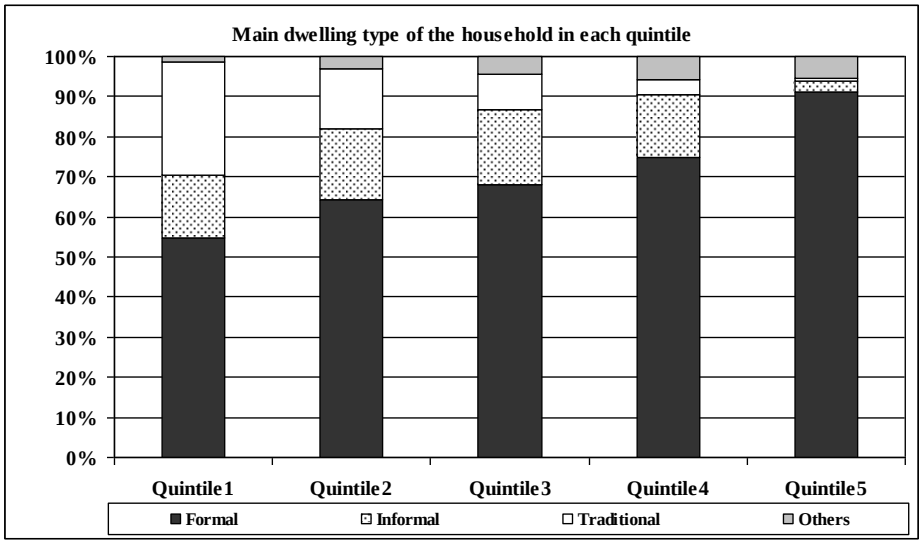
	Quintile1	**Quintile2**	**Quintile3**	**Quintile4**	**Quintile5**
Electricity from mains	28.3%	49.2%	61.1%	76.4%	92.1%
Electricity from generator	0.1%	0.0%	0.1%	0.1%	0.0%
Paraffin as source of energy	28.4%	26.2%	23.9%	14.9%	3.0%
Wood as source of energy	37.5%	18.2%	8.9%	3.2%	0.3%
Piped water in dwelling	12.9%	25.1%	33.9%	51.0%	83.6%
Piped water on site or in yard	28.6%	31.7%	35.8%	29.2%	11.0%
Flush/chemical toilet	25.6%	41.7%	56.9%	74.9%	94.5%
Pit latrine with ventilation	14.5%	10.9%	8.1%	5.1%	1.3%
Pit latrine without ventilation	37.2%	32.5%	25.2%	14.9%	3.1%
Refuse removed by local authority at least once a week	28.4%	44.6%	56.8%	70.8%	87.3%
Own refuse dump	58.7%	42.7%	31.7%	17.9%	6.5%

Source: Own calculations using IES2005

Another basic service to which the poor have limited access is flush or chemical toilets. Only 25.6% of households in the poorest quintile have access to these forms of toilets, compared to almost full coverage in the fifth quintile. These kinds of conditions increase vulnerability to health ailments.

In all quintiles, formal housing represents more than 50% of the type of dwelling including in the poorest 20% (figure 3.10). The informal housing sector, however, displays a peculiar trend: there are more people living in informal settlements in the third quintile (18.7%) than in the first quintile (15.7%). These are the working poor, who are often not reached by social policy intervention such as social grants (Frye, 2007).

Figure 3.10: Main dwelling type of households by income distribution

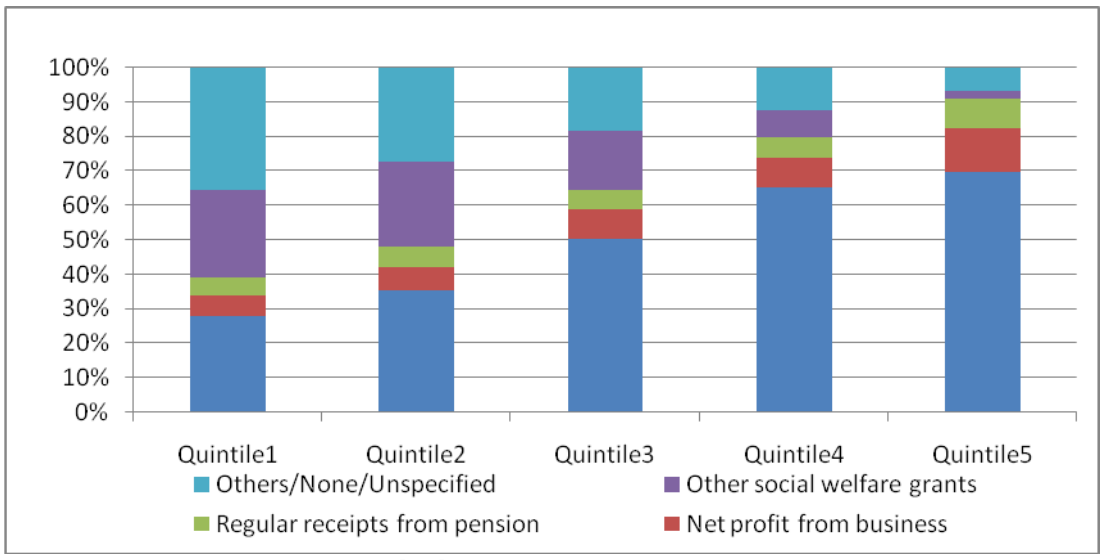


Source: Own calculations using IES2005

3.7 Sources of income of the poor

A lack of skills limits the employment prospects of poor people in the labour market and the lowest quintiles are becoming increasingly reliant on grants as a main source of income as illustrated in figure 3.11 below. The NIDS survey shows that poor households' reliance on grants went from 15% in 1993 to 73% in 2008 (Leibbrandt et al, 2010:26). This increased reliance on social grants by poor households is also shown by the decreasing trend in labour market income. Income decreased for all quintiles except in the highest quintile (figure 3.11). To compare income distribution, in 1993, the richest 10% accounted for half the income of the country and this figure increased to almost 60% in 2008 (Leibbrandt, 2010:26). Only 28% of household heads in the lowest quintile received salaries or wages; most depended on unspecified forms of income. This reveals the instability of regular income to these households. Salaries and wages, which are the most stable form of income, increase with each quintile, while social grants are highly concentrated in the lowest two quintiles, which suggests that the poor depend on the grants as a form of income and also that the grants are well targeted.

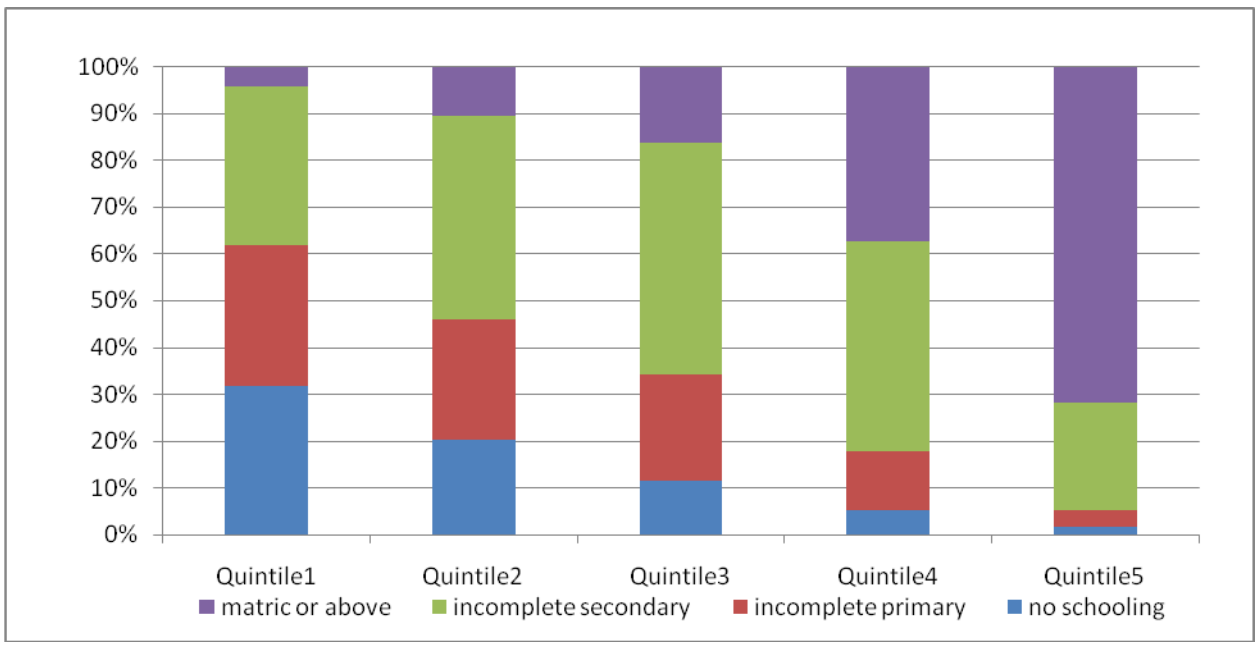
Figure 3.11: Main income source of household head in each quintile



Source: Own calculations using IES2005

Besides limited access to the labour market, one other reason why the lower quintiles have poor access to salaried income is inadequate education. Poverty is synonymous with lower levels of education. Over 30% of household heads in the poorest quintile have no schooling, in fact 99% of them have no formal school qualification, and this pattern is repeated in the second quintile (figure 3.12). The education levels improve in each subsequent quintile, which means that there is a close relationship between educational attainment and the prevention of poverty.

Figure 3.12: Educational attainment of household head by quintile



Source: own calculations using IES 2005

There are more household heads with incomplete secondary schooling in the population than no schooling at all (table3.10). It is thus in households where the head has no schooling that the highest poverty headcount occurs, 76.3%. In addition, the poverty gap measures of those who had incomplete schooling and incomplete secondary schooling were higher than those of other groups and poverty levels were negligible in groups where the head had a post-matric qualification. This shows that educational attainment does indeed play a role in preventing poverty, as households with high levels of educational attainment rarely become poor.

Table 3.9: Decomposing poverty by educational attainment of household head

	Population share	Subgroup FGT		
		$\alpha = 0$	$\alpha = 1$	$\alpha = 2$
No schooling	19%	0.763	0.37	0.157
Incomplete schooling	22%	0.647	0.284	0.084
Incomplete secondary	37%	0.43	0.165	0.025
Matric	13%	0.162	0.053	0.005
Matric and diploma	5%	0.032	0.011	0
Degree	3.30%	0.003	0	0

Source: Armstrong and Burger (2009)

3.8 Conclusion

The above analysis outlined the poverty level in South Africa by analysing it at both the household and the individual level. It is useful to explore poverty at the household level because household dynamics influence the allocation of resources to individual members. What these statistics illustrate is that poverty is multidimensional as was mentioned in the introduction. The poverty measures and the poverty line simply allow us to quantify at a certain level what a society would deem to be an acceptable standard of living. This purpose was served by the FGT measures at the R322 poverty line.

It was also shown that poverty still has a persistent racial bias as depicted by the IES 2005/6. There is still great inequality between the wealthiest group and the poorest population groups. In this regard, quintile analyses were used to highlight the disparities that still exist among the income groups and the severity with which others experience poverty. The analysis of poverty in South Africa shows which individuals and households are affected the most by poverty. In this regard, it was shown that it is mainly women-headed households that are in

poverty; furthermore, females as a group experience higher levels of poverty than men. Furthermore, the highest incidences of poverty occur among children under the age of 15 and among the elderly aged above 65 years.

The analysis also showed that it is individuals and households in the predominantly poor provinces that experience poverty the most; the provinces most affected by poverty being KwaZulu-Natal, Limpopo and the Eastern Cape. This point is reiterated by the fact that households in the poorest quintile came mostly from rural areas, although there is significant poverty in the urban areas as well, as seen from the second quintile. This section of the poverty stricken comprises the poor living in urban areas, many of whom are migrants from rural areas. The poor both in urban and rural areas have limited access to basic services such as running water and electricity thus they spend valuable time gathering water or energy for cooking, instead of using this time in productive activities that would earn them an income. It was found that the bottom quintile still relies on wood and paraffin for cooking.

The sources of income for these households were unspecified or uncertain, compared to the stability of wages and salary in the top two quintiles. There was also a reliance on grants as a source of income in the bottom quintiles, which shows the role that the social grants could be playing in alleviating poverty in poor households. The role of social grants should be understood in a historical context as grants were intended to be a small component of comprehensive state social assistance during the apartheid years.

4. The South African social security system

4.1 Introduction

Hansi Pollak (1960:22) describes South Africa's development trajectory during apartheid as one marked by "colossal achievement and tragic failure", highlighting the peculiarity of the South African way of life during that era. The policy of apartheid was pervasive throughout society; it ruled private lives and determined policy direction that affected the country as a whole. Issues that government and the public were grappling with were mirrored in the microcosm of social welfare, which was marked by an overtone of conflict between the provision of welfare to the poor regardless of race and the development of separate political states. Pollak (1960:22) states that "there emerged a picture of extraordinary contradiction, bewildering in its stubborn complexities". Towards the end of apartheid, the government had reached parity in the old age pension and had made great progress in reducing the gap in other social spending, such as education, between whites and other races.

However, the old age pension's levels and the rate at which it was extended to Africans and other groups was discriminatory. It was marred by political agendas and used as an instrument to further advance the policy of separate development. Even so, social assistance attained parity in 1993 closing the discriminatory gap that existed between the races by increasing the welfare of the other groups while it left those of white South Africans unadjusted. The social security system is outlined here in order to contextualise the role of social grants, section 4.2. A brief history is given that sketches the inception of the old age pension, which further developed and established a foundation for other forms of social grant. Section 4.3 discusses the achievements of the apartheid welfare system, while section 4.4 deals with the failures that resulted. The post-apartheid labour market failures and the current system are also discussed and then a conclusion is given.

4.2 Social security system

The South African social security system consists of two main components: a contributory social insurance and social assistance. The social insurance system consists of three compulsory contributory social security funds that provide conditional income for people.

These contributory security funds are the *Unemployment Insurance Fund* (UIF), which provides temporary funds to unemployed individuals who fall within categories set out in the Unemployment Insurance Act and the Unemployment Insurance Contribution. The *Compensation Fund* provides income benefits to workers who have been injured on the job, as well as providing for the rehabilitation of disabled workers and/or benefits to surviving families of victims of work-related deaths. The *Road Accident Fund* compensates for the loss of earnings and gives financial support to victims of road accidents (National Treasury, 2010). Alongside the social insurance system is the social assistance system.

The South African social security system provides state support over an individual's life course (Van der Berg et al, 2009:6). The life course support social security framework takes care of an individual throughout the life stages (table 4.1). In childhood, the government has made the *child support grant* (CSG) available, which was introduced in 1998 to assist poor families with children at an initial amount of R100. The *care dependency grant* is intended for disabled children below the age of 18, while the last of the childhood grants, the *foster care grant,* provides financial assistance for families who care for the children of others who have been deemed in need of care by the courts. Social security coverage of *working age* adults is taken care of by the state *disability grant*. Disability grants are made available to people who have been disabled by events or circumstances besides road accidents. The inadequacy of the social security system in providing for unemployed adults is discussed in section 4.4; however, prior to that, the historical context of the South African social assistance system is discussed below.

Table 4.1: A life course social security framework

Age 0–18	Age 16–24	Age 24–60	Age 61+
Child support allowance	Educational allowances	Income loss insurance Means tested social assistance	Universal pensions Compulsory contributory pensions Contributory survivor pension Means-tested social assistance
Disability allowances	Disability allowances	Disability allowance	Disability allowance

Source: Van der Berg et al, 2009: 8

4.3 A brief historical overview of the South African social assistance system

In the 1920s poverty relief was carried out mainly by the churches; however, when it became apparent that there was a serious problem relating to poverty levels in the white community, the Pienaar Commission was appointed to carry out an investigation. The mandate of the commission was to examine and report on

- the payment of pensions by the state to needy aged and permanently incapacitated persons who are unable to maintain themselves and for whom no provision at present exists
- a system of national insurance as a means of making provision for the risk of sickness, accidents, premature death, invalidity, old age, unemployment and maternity.

Poor whites had become destitute because of a multitude of problems, both exogenous and endogenous, such as the level of education, the labour and government policies of the day, the demography, environment, language and culture (see Fourie [2006] for an in-depth analysis of these issues and a comparison with the nature of poverty in post-apartheid South Africa). Iliffe (1987:117) argues that poor whites were poor because they were propertyless (some were *bywoners*, i.e. hired men on farms, poor settlers), as well as the growing number of unskilled and poorly trained labourers and workers outside of farming. Their poverty was not due to being incapacitated or unemployed but rather because of the low wages (Iliffe, 1987).

The low wages among Afrikaners were caused by the abundantly available cheap and unskilled African labour, especially on the Witwatersrand. The 1920s in South Africa were characterised by increased economic growth, owing to activity in the gold mines of the Witwatersrand, where skilled British and unskilled African labour in the reef competed with poor Afrikaners. In addition, the agricultural terrain of the countryside was changing to commercial agriculture, pushing out unskilled Afrikaners (Seekings, 2007:5). These problems consequently culminated in political pressure to resolve the poor white problem. Job reservation and policies to uplift poor white people included training initiatives and temporary and public works programmes for unskilled white labourers. Government parastatals such as ISCOR[20] were expected to carry out job reservation that favoured whites,

[20] Iron and Steel Cooperation- ISCOR

even though it was costly, and government rewarded firms that employed "civilised labour" (Seekings, 2007). All this was done to re-establish racial hierarchy as the lines were becoming blurred with rural whites experiencing extreme poverty while there was upward mobility among some urban Africans.

Despite these efforts, it soon became evident that unemployment was not the only form of poverty experienced by poor whites. The Pienaar Commission looked further into the issue and found that there was only 4% unemployment in the white and coloured communities, yet 10% of whites were experiencing poverty (Seekings, 2007; Iliffe, 1987). It became apparent that there was another kind of poverty that needed urgent addressing, that needed a systematic set of grants whose target was instant rather than the gradual relief that had been adapted up to that point through public works programmes and changes in labour policies (Seekings, 2007). These grants were to be targeted at the "deserving poor",[21] the elderly people who could not be supported by their children and had fallen into poverty.

Although the law stipulated that children were responsible for the maintenance of their parents, the Pienaar Commission found that due to changes in social structures, many children were unable to do this. The Commission therefore recommended that the old age pension bill be passed,[22] whereby the age of eligibility was set at 65 for men and 60 for women, both receiving an equal amount per race. However, the Commission did not make any provision for Africans or Indians. The Old Age Pensions Act of 1928 served two purposes: to restore racial hierarchy through the discriminatory amount allocated according to race and to win voters, as the majority of poor whites were Afrikaner voters and were a strong constituency of the Pact government. The former purpose was so that poor whites could gain back their racial "dignity"; the Carnegie Commission of 1932 reported that in rural areas *bywoners* were regarded of lesser status than farmers, while some poor whites lived in multiracial slums in urban areas (Iliffe, 1987:118). The social grant, in contrast to the civilised labour stance of the Pact government, was an easier way of ensuring that the standard of living of whites and coloureds was above that of Africans. As for the voting power of poor whites, the Carnegie Commission criticised politicians as misguided and

[21] Children and the disabled were also included in the definition of 'deserving poor'

[22] The work by Pienaar is preceded by Collie who investigated possible welfare systems to solve the poverty problem among whites. The Pienaar Commission's work looked further into the issues of poverty in white communities and came to the conclusion of the much need for the old age pension already mentioned by Collie- see Seekings (2007)

irresponsible in courting poor whites for their votes by promising cash transfers. According to the Commission, social welfare pauperised poor whites and it rather advocated for rehabilitative programmes (Iliffe, 1987:121). The Carnegie Commission maintained that state paternalism rather the poor white's sense of self.

> The commission is convinced that much of the assistance is given in such a way as to have a demoralising effect on poor whites and so increases the difficulty of their rehabilitation. It causes loss of independence and may imbue them with a sense of inferiority, impairs their industry, weakens their sense of personal responsibility and helps to make them dishonest (Seekings, 2007:521).

Social assistance went through four phases of development from 1930 until 1980 (Bromberger 1982). The period 1930–1948 was a period of limited progress towards incorporation and equality, limited in the sense that the Pact government of the day reluctantly incorporated Africans into the system. From 1948–61 was an era of retrenchment where the Nationalist government scaled back on the provision of social welfare by the state. There were signs of a thaw in 1961–71, however, and the last phase 1972–80 showed a trend towards reincorporation and reduced inequality. These periods are important to illustrate the phase that the social assistance system went through. They are discussed in more detail below. The sections that follow examine the achievements and failures of the apartheid welfare system.

4.4 The colossal achievement of the social assistance system under apartheid

South African social assistance has drawn attention for its advanced development for a middle-income country. For a developing country, the social assistance system is considered exceptional, as it has been able to provide social assistance to more than a quarter of the South African population, and is financed by general taxes. The *exceptionalism* (Seekings, 2002:12) of the system is manifest by the size of the social assistance system relative to those of other developing countries. The expenditure of GDP on social assistance expenditure amounted to 3.3% in 2009 (National Treasury, 2009:90). Its peculiarity also lies in the fact that at the height of apartheid in South Africa, it could be extended to all races reducing some of the inequality and countering poverty among other population groups that were not white.

In developing social security systems, middle-income countries typically start by creating contributory social insurance programmes, the financing burdens of which are shared by workers and their employers. The national pension systems of Latin American countries are well-known examples. The main achievement of South Africa has been to go further by instituting huge non-contributory grant systems funded from general tax revenue. This is exceptional in two senses: firstly, the social grants assist large parts of the population and, secondly, provide large pension and disability benefits relative to per capita income.

The South African social grant reaches 27% of the population; this broad coverage starts from childhood, with a child support grant, and includes a disability grant for individuals who are unable to enter the labour market and those who are in old age[23]. The grant system is able to protect those who are vulnerable to poverty and are not able to meaningfully participate in the labour market, such as children, the aged and those with disabilities. This section highlights the metamorphosis of the grant system from its original purpose of taking care of a small number of destitute white people to becoming a source of income for almost 73% of households in the lowest quintile, basically becoming poverty grants. Much of this section highlights the instrumental role the grant system has played in keeping South Africans out of poverty.

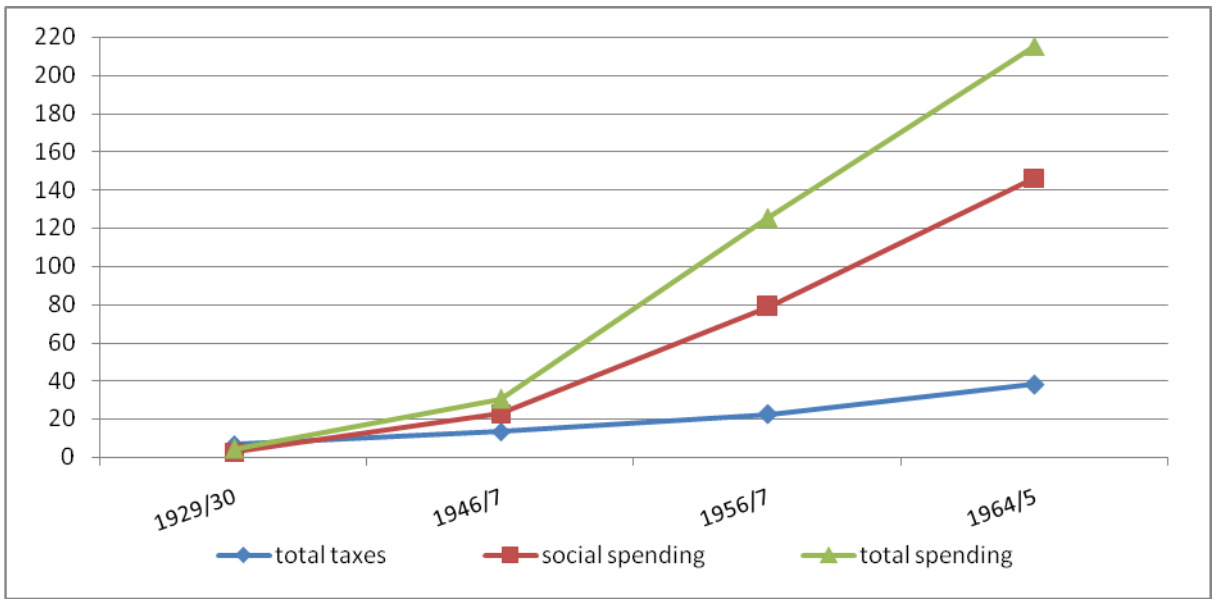
The Old Age Pension Act of 1928 began building a welfare system for all groups, although the levels of payment were initially discriminatory and Africans were initially excluded (Bromberger, 1982:166). The *exceptionalism* of the South African welfare system under apartheid was that its redistribution to the poor occurred through social assistance in the segregationist climate of apartheid (Seekings, 2002:12). Although the Pact government was ambivalent and perhaps more resistant to extending the social pension to Africans, this came to pass in 1944. Bromberger (1982) classifies this period one of "limited progress towards incorporation and equality", which was reflected in the gradual shift to extend more grants, such as the disability grant and the child maintenance grant, to Africans. After the National party came into power in 1948 it threatened to abolish the African pension but never carried out this threat, rather letting the real value of the pension decrease. By the 1960s, there was evidence of a shift over time in government's stance over certain redistribution issues especially social spending concerning Africans. In an era that Bromberger (1982) classifies as

[23] The life course coverage of individuals by the government was discussed in section 4.2.

"showing signs of a thaw" there was less resistance to expanding social service provision to Africans and Bromberger (1982) believes that the changing economic climate might have influenced the policy modifications. The 1960s in South Africa were marked by relatively high growth which averaged about 6% per annum for the decade as whole. Thus, the climate was more favourable for some reform in black expenditure policy and the gap between African and white pension began to decrease in the mid-1960s (Kruger, 1992).

The redistributive nature of social assistance is highlighted in the fiscal incidence since 1929 till end of the apartheid era (figure 4.1), as Africans paid a small portion of the overall taxation. The figures below relate to all social spending[24].

Figure 4.1: Fiscal incidence for the black population, various years



Source: Leistner (1968:175)

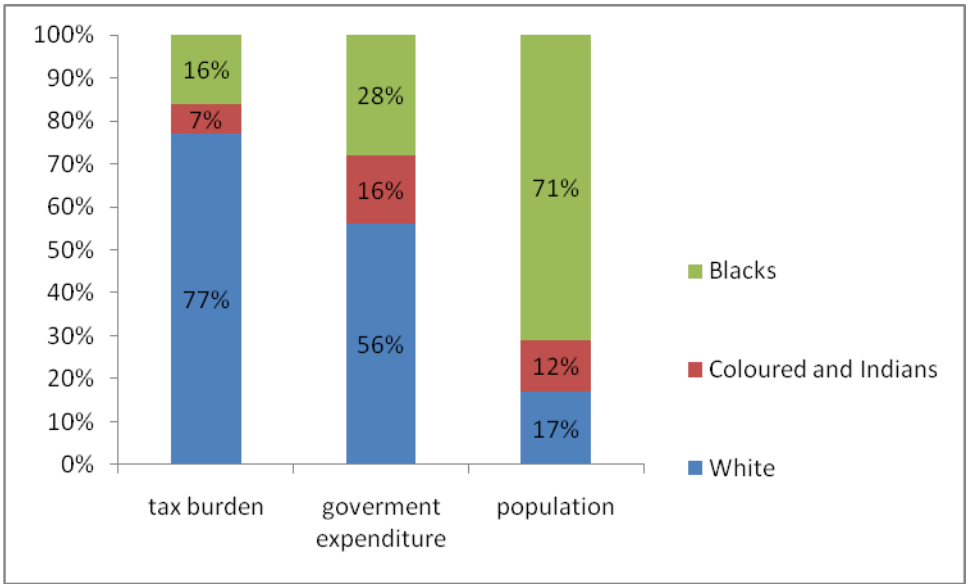
Figure 4.1 shows that the expenditure on Africans was more than the total taxes they paid throughout the years,[25] with the gap between total taxes paid by Africans and social spending being almost four times by 1964/5. There had been views in the South African policy debate that every group should be perceived as a separate political and economic entity, thus only the taxes collected from the particular group should be used to finance its public spending

[24] Total social spending is used to show overall spending on African as there was no available data on the different components and proportions of social spending that went to the different races. This broad estimation of social spending is the closest estimation available to assist in quantifying the effects of changes in spending towards Africans throughout the years.

[25] Of course the earning potential of Africans restricted the amount they could contribute to taxes as well.

(van der Berg, 1989:197): a counter-view was that South Africa was one nation and it did not matter how the tax was earned but it should be redistributed equally among its citizens. The prevailing middle ground between the two was that of shared fiscal responsibility between South Africans. Using McGrath's 1975 figures, Van der Berg (1989) shows the tax burden, government expenditure and population share by each racial group in figure 4.2. Whites paid 77% of the tax burden, coloureds and Indians 7%, while Africans paid 16%. Government spending reflected that 56% of its spending went to whites, 16% went to coloureds and Indians, while 28% of the spending went to Africans. This contrasts with the fact that whites comprised 17% of the population in 1975, with coloureds and Indians comprising 12%, and Africans a majority of 77%. Although the majority of government spending went to whites, it was still far less than the share they contributed to taxes. This was redistributed through spending on other races. Although few whites received government benefits, those that did received far larger amounts than other groups.

Figure 4.2: Estimated percentage shares of different groups in taxes paid, benefits received from government social expenditure and population, 1975



Source: Van der Berg (1989)

Van der Berg (1989:197) shows that from the 1970s, the average African pension increased from 12% of the white pension to approximately 35% in 1985, with the values of the social pensions being equalised in 1993. This was partly due to the fact that government let the real value of white pension decrease while increasing the real value of African pension (Van der Berg, 1989:198). The total social expenditure per capita increased from 12% in 1975 to 21%

in 1986 and 28% by 1990 of per capita social spending on whites. In the last three years of apartheid there was a sharp increase to 69% in 1993 (van der Berg, 2001:257). Social spending on blacks grew at 10% per annum from 1975 to 1993 in nominal terms.

4.5 Tragic failure of the apartheid social welfare system

Although by the end of the apartheid era there was a degree of welfare for every race in South Africa, it was plagued by many challenges mainly political in nature. Despite there being some form of small non-contributory pensions which were given to war veterans and as child support, none caused as much discourse as the old age pension. The old age pension became the target of all that was wrong with the social welfare system, perhaps because none of the other preceding pensions had dealt with the question of poverty so confrontationally. The tragic failure of the apartheid system can be summarised into three overarching themes. The *ambivalence* that existed in extending social assistance to Africans; it took 16 years from the passing of the Old Age Pension Act of 1928 to extend it to Africans. Even after the old age pension was extended, there was much *discrimination* in the levels that other races received, which were less than that of white people. At one point the National Party threatened to stop Africans from receiving it. The privileged welfare state that was created to protect white people could not be extended in its entirety to other races. In addition, the effectiveness of social assistance was frustrated further by the *segregation* policy that was pervasive in the country, penetrating everyday life including the administrating of social welfare. Below is an analysis of these issues.

The reasons for excluding Africans and there different treatment were complex (Kruger, 1992). At the introduction of the non-contributory old age pension, the reason for resisting Africans receiving social welfare was the fiscal burden that an extension to their elderly might cause on the system. Even at discriminatory levels under Collie's recommendations, Africans would take up 40% of expenditure compared to 36% for whites, 22% for coloureds and 3% for Indians (Seekings:2007:15). The aspect of occupational insurance that liberated white South Africans from dependence on the social pensions was occupational pensions, whereas Africans constituted most of the poor who did not have access to such insurance. Thus, few whites were dependent on social assistance because of these other contingencies. Working age Africans had nothing to fall back on unless they qualified for disability grants.

As a security system for the limited number of whites who depended on it, the system worked.

However, at the core of the resistance to extending welfare to Africans were the fears that it would defeat the purposes of segregation (Seekings, 2007:16). There were concerns that Africans would resist going back to the rural areas and there would be an influx into urban areas as the pension would be able to sustain Africans who remained in the urban areas. The other justification for not extending the grant to Africans was that under native law, it was the duty of the kraal head to support any member belonging to his kraal. The child maintenance grant for African children was also denied on these grounds and also because it was feared that African women would flock to the urban areas. There was a misconception that the standard of living in the reserves was high and, due to the agrarian nature of the rural areas, the reserves were self-sufficient (Kruger, 1992:165). Because of this attitude, the Native Economic Commission, which investigated poverty in the reserves, recommended that instead of giving social assistance to Africans, the appropriate response would be agricultural betterment in the 1930s (Seekings, 2007:17). The underlying belief about life in the reserves or of Africans generally was that because they were not "civilised labour", their needs were basic and they carried out subsistence farming in the reserves. The reality in the reserves differed from this perception; they were overcrowded and were unable to sustain their inhabitants. Fundamentally, the exclusion of Africans was a question of whether the African "deserving poor" were as deserving of poverty relief as the white "deserving poor" (Seekings, 2007).

As a result of this conflict in provision, government expenditure on Africans in the 1920s was largely funded from their own taxes. These were mainly used to expand housing, and recreational and welfare services for Africans. Pollak (1960:4) highlights the paradox in this, that "the economically most under privileged largely paid for their services". This was also the case in the period 1948 to 1961, classified as a "retrenchment era" by Bromberger (1982). During this era the post-1948 National Party government reversed some of the progress made in reducing discrimination. Expenditure on Africans was constrained as a result of the self-balancing/financing principle (Kruger, 1992:174); which encapsulated the apartheid paradigm that every group should be regarded as a separate entity and thus be responsible for its own expenditure (Van der Berg, 1989:197). Bromberger (1982:175) remarks that the core policy direction during this item was regressive, as government sought to stop or slow down

the process of African urbanisation. Also during this period, the relatively new welfare system at the time came under ferocious attack from the National Party. As a result of the already existing government ambivalence towards financing African welfare, this period saw even greater retractions in the progress already made. Notably, the pension ratios were allowed to decrease. In 1948, the African pension had been 25% of the white pension, while coloured and Indian pensions were set at 50%. By 1950, the ratio had decreased to coloureds 46.4%, Indians 39.3% and Africans 17.9% (Pollak, 1981:158). Pensions continued to deteriorate until 1966 for blacks although for the other races they picked up.

Discrimination in the apartheid welfare system was largely due to the fact that government created a standard of living for white people through welfare, health and education which far exceeded the country's ability to extend the same level of welfare benefits to other races due to the limit in resources (Van der Berg, 1989:197). Because the number of whites on welfare was so negligible compared to the whole population, their pension amount could be set at a higher level than everyone else's. However, if the same amount were to be extended to Africans, it would cause a high fiscal burden on resources. When the pension was extended to Africans, they received far less than whites. In 1944, whites received R5, coloured and Indians R3 and Africans received R2 in nominal terms (Kruger, 1992:171). By 1947, the monthly income for whites was R12, R6.50 for coloureds and Indians while Africans received R4. It was the same with the children's grant: whites received R5, coloureds and Indians R1.70 and Africans R1.25. The alternative policy option for all these grants would have been to set a lower equal amount for all groups. The reason such an approach was not adopted, extending the full social assistance amount to other races, was because social assistance was used as a political instrument to establishing racial hierarchy (Seekings, 2007a:4).

The fragmentation of the welfare system caused much inefficiency. Owing to the policy of separate development, the National Party government wanted to establish a policy of segregation in all spheres of society. Although one department could administer social welfare effectively, it was fragmented according to race and geography. At one point, health services in the early 1990s were administered by 18 separate departments of health (Kruger, 1992:195). The same happened with pensions; although they were funded by the South African government each homeland was responsible for its own administration. State welfare services for Africans were transferred to the Department of Bantu Commissioners in rural

areas (Pollak, 1981:170). For coloured people they were transferred to the Directorate of Community Welfare and Pensions of the Administration of Coloured Affairs even though in smaller towns they were administered by local magistrates and the Department of Social Welfare provided them with professional services. Indians welfare and pensions were directed to the Department of Indian Affairs (Pollak, 1981:170). This created inconsistencies in the provision of services. No one had any idea of the overall picture of welfare concerning Africans, Indians and coloureds or whether it was effective in targeting them.

In 1976, the Theron Commission was appointed to investigate matters relating to the coloured population. This Commission recommended that the welfare services of government should be administered by one department, a department which would be responsible for the planning and administration of welfare for all racial groups. These recommendations were rejected (Pollak, 1981:170). Although the National Party made great strides in closing the gaps in social welfare, it had no intention of integrating South Africa. Part of the reason for achieving equality in the pensions was to legitimise the tricameral parliament which was a one step further in the segregation process (Van der Berg, 1997:487)

Perhaps one of the most tragic failures of the apartheid system, which has echoed into the new South Africa, was its lack of recognition of the poor who did not fall into the category of the "deserving poor". In South Africa, there was at that time a group of people who had become destitute as a result of changing economic conditions. Iliffe (1987) classifies them as the "propertyless poor". National government policies, however, catered for people who had no access to the labour market such as children, elderly people and those with disabilities. These were the "deserving poor". There were, however, a growing number of South Africans who did have access to the labour market but remained poor in other aspects such as property and were unemployed. Overall, South Africa's underdevelopment was becoming increasingly visible both because of job scarcity and because of the poor in urban areas. Moreover, it also became apparent that the economy could not function solely on the basis of a few skilled white people (Van der Berg, 1989:203). Thus, at the dawn of the new democracy, South Africa found itself an inequitable country.

4.6 Post-apartheid system

Out of apartheid South Africa there emerged two nations; one disfigured by poverty and unemployment while the other's per capita income was readily comparable to developed countries. Poverty and affluence lived side by side. The new South Africa continues to be divided along racial lines, where poverty is synonymous with race albeit decreasingly so. South Africa is one of the most unequal nations in the world; accordingly, its income inequality in 1993 was a Gini coefficient of 0.68 the highest ever recorded. In 2008, the Gini coefficient was 0.59 (Van der Berg, 1997; Leibbrandt, Woolard, Finn and Argent, 2010). This changing dynamic in inequality is attributed to the rising per capita black income; however, this is offset by the increasing inequality between the poorest of Africans and the most affluent of them (Van der Berg and Louw, 2004:568–589). The increasing inequality between members of the same race shows that inequality is becoming more intra-racially defined than between races. The Gini coefficient was highest in Africans, 0.51 and lowest in Whites, 0.36 meaning the level of inequality between Africans was higher than the level of inequality between whites (Leibbrandt et al, 2010:16).

Poverty, inequality and the labour market are linked in South Africa because of the apartheid government's use of the labour market as a tool to establish separate development. While apartheid perpetuated income poverty by protecting the privileged position of whites through job reservation and relatively high wages, democratic South Africa's labour legislation did little to challenge this construct but protected the employed insiders through social insurance (Seekings, 2007a). The post-apartheid system stopped awarding affluence based on colour but based on skill, there were, however, structural changes in the South African economy and the global economies that also perpetuated such a position.

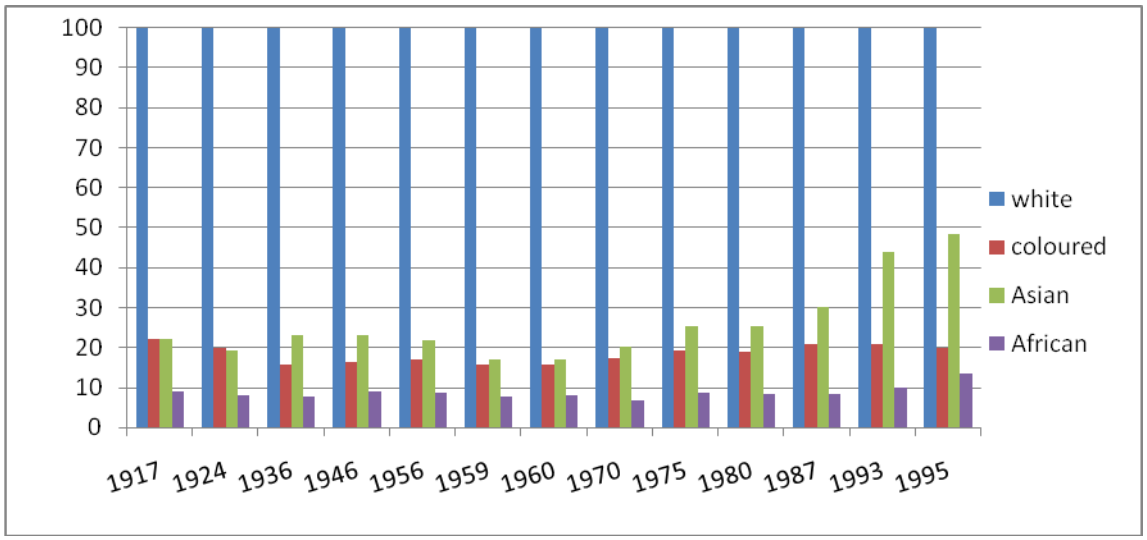
> … but in deracialising the legislation that formerly protected the privileges of an elite of white workers, the state introducing legislation that would ensure privileges for an elite of post apartheid workers, whatever race or skin colour (Seekings 2007b:23)

This meant that African insiders joined in the privilege position of whites, while African outsiders were, and continue to be, marginalised because of lack of skills and geographic location (Van der Berg, 1997:483). The removal of racial constraints in the labour market has contributed to the upward mobility of African people and the increasing intra-racial inequality between some urban Africans and those who are on the outside (Seekings, 2007b:12; Van der Berg, 1997). To be clear, the new democratic government did not

challenge the labour legislation construct that entrenched inequality in the apartheid era such as the accessibility of social insurance, instead, it extended the privileges of the previous system to all races.

Figure 4.3 below looks at racial trends in income earnings as a percentage of the white level at the dawn of new democracy.

Figure 4.3: Relative per capita personal income by race as a percentage of white levels



Source: Leibbrandt, Woolard and Bhorat (2001)

The figure shows the evolution of personal income as a percentage of white levels right up until the post-apartheid period in South Africa. For the Asian[26] population, per capita income has shown a steady increase from 1970s; in 1995, it was 48.4% of the white level, which is the highest of all groups. The coloured population has also experienced some form of increase since the 1970s, which signalled a boom period and a reluctant change in labour laws in South Africa, although it seems to stagnate around 20% of relative white income even post apartheid.

Table 4.2 demonstrates that there are still great income disparities between the races, reflected by the currently relatively high Gini coefficient. Africans still had the lowest earnings in 2008 compared to the other racial groups. The average income of the white group was seven times that of Africans. Although the mean per capita income was low for Africans in 2008, the majority of people earned far less.

[26] Asian population group in this context is both Indian and individuals of Orient descendent..

Table 4.10: Income overview by race at 2008 prices

	1993	1993	2000	2000	2008	2008
	mean	median	mean	median	mean	median
African	539	304	762	360	816	367
Coloured	1072	795	1443	816	1318	800
Indian	2148	1430	2625	1536	4288	1860
White	4632	3418	6005	4170	6275	4188
All	1147	419	1349	453	1456	450

Source: Leibbrandt et al (2009:77)

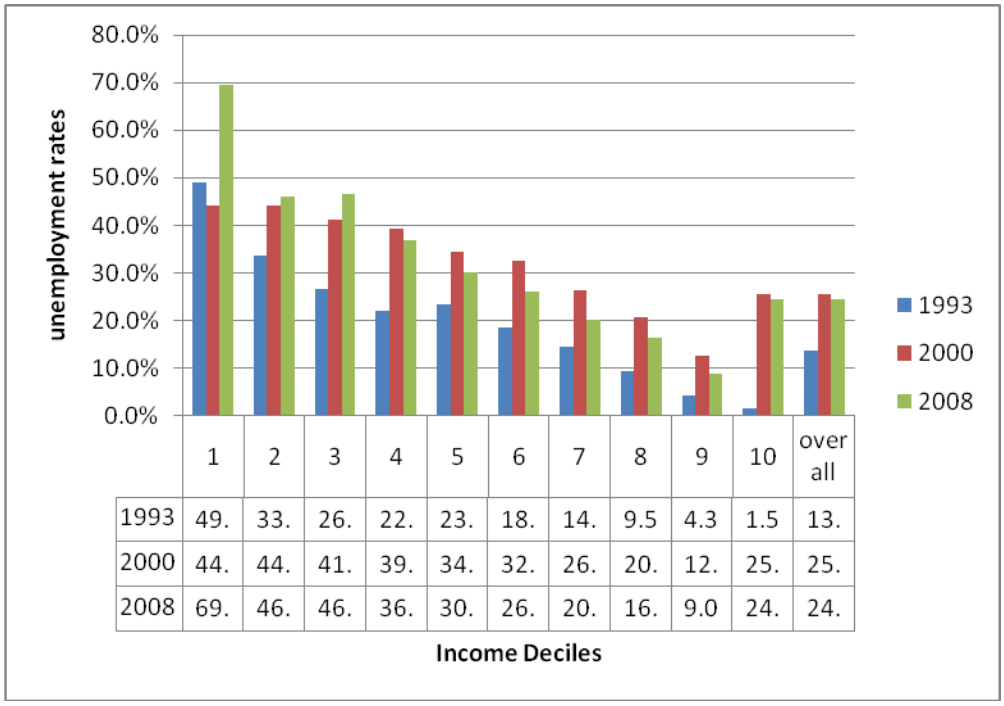
Thus, in South Africa there is currently a labour market that is still divided by skills where the majority of participants are low skilled; with this skills difference being exacerbated by an ineffective education system.

4.6.1 Unemployment

Poverty in South Africa is critically linked to income inequality, which in turn is linked to the labour market. In 1994, 10.3 million (of whom 10.2 million were Africans) South Africans lived in households that did not have anyone participating in the labour force, either formally or informally (South Africa, 2002a:70). Unemployment has continued to be on the increase post apartheid. Hodge (2009) attributes the stubborn unemployment trend to the growth of the labour force in excess of jobs created, that is, the labour force has grown faster than the number of job opportunities.

In 2008, the narrow unemployment rate in South Africa was 24.4%; decomposing this rate by income decile shows that it was highest in the low income deciles. In 1993, this rate was 49.1% and it increased to 69.4% in 2008 in the bottom decile. At the same time, unemployment rates became progressively lower in the high earning income deciles.

Figure 4.4: Unemployment rates by income decile



	1	2	3	4	5	6	7	8	9	10	over all
1993	49.	33.	26.	22.	23.	18.	14.	9.5	4.3	1.5	13.
2000	44.	44.	41.	39.	34.	32.	26.	20.	12.	25.	25.
2008	69.	46.	46.	36.	30.	26.	20.	16.	9.0	24.	24.

Source: Own graph using figures in Leibbrandt et al (2010:32)

The benefits in the formal labour system are structured such that they benefit those who are formally employed and who earn above a certain threshold. There is a comprehensive social insurance system that insures those who are employed although the unemployment insurance component is limited (Van der Berg, 1997). Both the social retirement insurance and the social assistance were modelled and instituted for whites, with Africans gradually being added on. Although the social insurance system was extended to Africans, most of them were involved in informal employment, which was not covered by social insurance, or were unemployed (Van der Berg, 1997:486). Under the apartheid social system, the UIF was designed to take care of the very few whites who were unemployed; however, when it was also gradually extended to Africans, it captured more people than the social insurance system (Van der Berg, 1997). The one form of social insurance that was designed for the unemployed was based on the fact that whites rarely experienced structural unemployment.

The current unemployment benefit scheme is short term. Employer and employee each contribute 1% of the employee's earnings to UIF and this amount is capped is at R12 478 per month so the maximum contribution is R124.78 per month even if the employee earns more (Van der Berg and Siebrits, 2010:3). UIF is available at one day for every six days worked and a person can claim for up to a maximum of 238 days in a period of four years. The payouts range from 68% of contribution for a low income earner to 38% of contribution for

high income earners. Nonetheless, this system was not designed to handle long-term unemployment. The inability to handle the current levels of unemployment is due to the structural nature of South African unemployment, meaning unemployment exists because of the mismatch between the available skills and the kind of work available. At present the nature of coverage against unemployment leaves a major gap in the South African social security system, but any system capable of eliminating this gap would be very expensive, given the high level of unemployment in SA.

4.7 The current social assistance system

In 2009/10, nominal government spending on social grants was projected at 3.5% of GDP (National Treasury 2010:106). Table 4.3 illustrates the nominal social expenditure by type of grant; the greatest expenditure going to the OAP grant and then the CSG. The OAP was the largest grant by expenditure at 37%. The CSG's growth rate throughout the years has been 14%, while that of the OAP has been 11%. The fastest growing grants of those presented in table 4.3 was the uptake of the foster care grant (15%) (National Treasury, 2010:106). Although the CSG amount is far less than the OAP (table 4.4), spending on the CSG is closing the gap with the OAP. This is because the number of beneficiaries of the CSG has increased throughout the years (table 4.5). Currently, the CSG has over nine million beneficiaries, making it the largest grant in terms of numbers of beneficiaries. In the 2009/10 financial year it constituted 68% of beneficiaries.

Table 4.11: Social expenditure by type of grant, 2006/07–2009/10 (million rands)

Social grant	2006/07	2007/08	2008/10	2009/10
Old age grant	21222	22801	25934	29991
War veteran grant	25	22	20	18
Disability grant	14261	15280	16474	16853
Foster care grant	2851	1132	1292	1356
Care dependency grant	1006	1132	1292	1356
Child support grant	17559	19625	22248	27273

Source: National Treasury (2010:106)

Table 4.12: Social grant amount by type of grant in rands, 2005–2010

Social grant	2005	2006	2007	2008	2009	2010
Old age grant	780	820	870	940	1010	1080
War veteran grant	798	838	890	960	1030	1100
Disability grant	780	820	870	940	1010	1080
Foster care grant	560	590	620	650	680	680
Care dependency grant	780	820	870	940	1010	1080
Child support grant	180	190	200	215	240	250

Source: National Treasury (2007; 2008; 2009; 2010)

Table 4.13: Social grant beneficiary numbers by type of grant, 2005–2010

Beneficiaries of social assistance grants					
Grant	**Number of beneficiaries**				
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Old age grant	2144117	2195018	2218993	2343995	2534082
War veteran's grant	2832	2340	1963	1599	1248
Disability grant	1319536	1422808	1413263	1371712	1310761
Foster Care grant	312614	400503	443191	476394	569215
Care Dependency Grant	94263	98631	101836	107065	119307
Child Support Grant	7044901	7863841	8195524	8765354	9424281
Total	**10918263**	**11983141**	**12374770**	**13066118**	**13958894**

Source: National Treasury (2010:105)

The OAP and the CSG warrant closer analysis for various reasons and thus the focus of the dissertation is the impact of these two grants on poverty. Firstly, the OAP is the biggest grant in terms of government expenditure and it is also a far larger amount than the CSG – R1080 compared to R250 in 2010.

The payout of the child support grant usually increases by R10 each year; it was R210 in 2009. Both the OAP and the disability grant amounted to R940 in value. However, the grants do not always keep abreast of inflation (Pauw and Mncube, 2007).

Although the current social assistance system is redistributive and reaches many of the poor, mainly through the OAP and the CSG, it still remains inadequate (Samson, 2002; Meth, 2008, South Africa, 2002b). To address this, the government regards the Expanded Public

Works Programme (EPWP) as an important intervention to partially fill the gap (Siebrits and Van der Berg, 2010). Most adults (87%) and children (76%) live in households that do not have a pensioner (Samson, 2002:71). It is therefore important that these households have access to other forms of social assistance such as the EPWP. The BIG also is another option that has been considered; however, it has been rejected by the government on the grounds that it is a form of poverty alleviation.

4.8 Conclusion

Conclusions to be drawn from the critique of the apartheid social assistance system are that there existed some form of welfare system for all races despite the discriminatory levels. Although Africans, Indians and coloureds received pensions, health services and education, there was a huge difference in the quality of the services received. It took approximately sixty years for South Africa's welfare system to achieve parity, which happened in 1993; however, in the final years of apartheid, the state accelerated expenditure on other races while letting that on whites decline. Even though it was marred by the politics of segregation, the social system managed to redistribute income through social welfare. Furthermore, the issue of increasing poverty and unemployment in the country led to the debate on the introduction of a universal grant. However, the South African system remained rooted in the view that only those who cannot obtain labour-market income should qualify for grants. Therefore, as unemployment grew from the 1970s onwards, growing numbers of the poor did not qualify for social assistance. Accordingly, although the social assistance system is very large compared to those of other middle-income countries, it is still incomplete in the sense that a very large vulnerable group (the long-term unemployed) cannot access assistance. It is against this background that the controversial issue of universal grants has arisen.

The above arguments put forth strong cases either advocating or opposing the institution of the BIG. The fact remains that the BIG would require vast resources and it depends on policy makers and budgetary commitments whether South Africa could commit to it. Thus, the government has decided to expand the public works programme, which gives citizens access to employment albeit only in the short run.

5. The impact of the social grants on poverty

5.1 Introduction

Chapter 4 highlighted the current state of social assistance in South Africa. At present, the government's antipoverty strategy depends on social grants alongside its public works programmes. The role of grants is therefore pivotal in poverty alleviation, as highlighted by Van der Berg and Siebrits (2010). With government currently experiencing fiscal stress owing to the global recession, all of government spending has come under pressure and there is thus a need to justify the role of social grants as an antipoverty strategy. The two main grants which are the focus of this dissertation, for reasons already explained in chapter 4, are the CSG and the OAP. However, it important to discuss the broader impact of grants before launching into a discussion on the CSG and the OAP. The purpose this serves is that it gives a holistic picture of the impact of social grants as, in light of the fiscal stress, it is important to show that the social grant system in its entirety is effective and not just the OAP and CSG.

The sources of data analysis used in this section mainly comes from the IES 2005, the GHS 2002-2007, these sources were also the data set used for secondary data used in this analysis. Section 5.2 measures the impact of social grant income in comparison with other sources of income. In essence this section answers the research question, while the sections that follow 5.2 expound on the impact of social grants on poverty. Section 5.2 also discusses the impact of social grants on the incidence, depth and severity of poverty while a quintile analysis decomposes these results into income distribution. Section 5.3 then launches into a descriptive analysis of the characteristics of the CSG and OAP individuals and households. As with the descriptive section of chapter 3, the descriptive analysis is carried out in order to investigate whether these two grants are well targeted and also to alert us to developing trends in such households: that is, the impact of social grants on the labour market. The reported hunger incidence discussed in section 5.4 expands on the targeting of the grants. Here hunger is used as a crude measure of poverty to show that grant income not only reaches the recipient but also the entire household, which is a prediction of the unitary household model.[27] In section 5.5, the development effects of the social grants on individuals

[27] Although this has no implications for the equitability of the distribution, the collective bargaining models would argue that the identity of the recipient of transfer augments resource distribution.

are also explained using both the unitary and collective bargaining models. The section also discusses the effects of grants on the labour market and on fertility.

5.2 Income impact of social grants

Income alleviates poverty. Armstrong and Burger (2009) use marginal effects analysis[28] on IES 2005 data to compare the level, depth and severity of poverty against what would have prevailed if a source of income did not exist. The advantage of this method is that it circumvents the problem of simply measuring the mean impact of the source of income in alleviating poverty. Mean income is not able to capture the distributive effects that these sources have in this regard, and averaging would not show the impact that those income sources have on lifting or shifting individuals and families closer to or above the poverty line (Armstrong and Burger, 2009). Because income alleviates poverty, all forms of income have a reducing effect on poverty, although some sources of income have a greater impact on poverty alleviation than others (table 5.1). Wages, which account for 71% share of income, have the greatest effect on poverty, as they decrease poverty by 35%, whereas social grants, whose income share is 9%, decreased poverty by 4.7%.

It should be noted from table 5.1 that, as the sensitivity of poverty measures increased, so did the relative impact of smaller sources of income, such as the social grants, on the incidence of poverty. The relative impact of social grants on the depth of poverty was 23% and severity was 27%. Even though the impact of wages still remained relatively higher than other forms of income, social grants made a substantial contribution compared to their impact on headcount. This means that social grants are effective in reducing the severity and depth of poverty by pushing individuals closer to the poverty lines relative to their share of income.

The point that smaller proportions of income contributed substantially in the alleviation of poverty relative to their income share is illustrated when *relative effect on poverty of income* source is divided by the *relative size of income source* expressed as *elasticity* measure. The social grants are the most efficiently targeted and, given their proportion of income, they also have the greatest impact on poverty. A rand spent on social grants is six times more effective

[28] Armstrong and Burger(2009) adapt the methodology used by Duclos and Araah (2006) of measuring the levels of poverty that would have prevailed in the absence of a certain type of income.

than a rand that is earned in the labour market (Armstrong and Burger, 2009:11). The relative contribution of each component to poverty is also reported in table 5.1.

Table 5.14: Decomposing poverty by income sources

Absolute contribution to poverty					Relative contribution to poverty			Elasticity of Poverty to 1% change in income components		
	income share	α = 0	α = 1	α = 2	α = 0	α = 1	α = 2	α = 0	α = 1	α = 2
Wages	71%	–0.354	–0.414	–0.42	71%	55%	50%	1.00	0.77	0.7
Self-employment/ employed	11%	–0.041	–0.056	–0.06	8%	7%	7%	0.76	0.69	0.67
Rent and royalties	1%	–0.004	–0.006	–0.01	1%	1%	1%	0.63	58%	58%
Social grants	7%	–0.047	–0.176	–0.23	9%	23%	27%	1.42	3.51	4.09
Allowances	3%	–0.017	–0.021	–0.02	3%	3%	3%	1.12	0.93	0.88
Remittances	2%	–0.012	–0.037	–0.05	3%	5%	5%	1.41	2.74	3.09
Other	5%	–0.021	–0.046	–0.06	4%	6%	7%	0.82	1.18	1.36
	100%				100%	100%	100%	1.00	1.00	1.00

Source: Armstrong and Burger (2009).

However, the impact of grants on poverty does depend on where we draw the poverty line; Armstrong and Burger (2009:12) show the impact of grants at different poverty lines (table 5.2). As expected the impact of the grants on poverty decreases the higher the poverty line is, almost negligible (2%) at the R7116 (2000 prices) per annum poverty line. The impact of grants on poverty is greatest at the R2532 (2000 prices) poverty line, where poverty was reduced by 13.8%, showing that the social grants were effective in reaching individuals in severe poverty who are low-earning individuals. This illustrates that smaller income sources, such as the grants, are effective in lifting lower-earning individuals towards or closer to the poverty line. Although larger income components still have a greater overall influence on poverty alleviation, smaller components are often more effective in pushing lower-earning individuals towards or closer to the poverty line. This section illustrates that this is the case for social grants, especially relative to their share in overall income.

Table5.15: The effects of social grants on headcount poverty at different poverty lines (%)

	Poverty lines at (2000) prices		
	R 2 532	R 3 864	R 7 116
Before social grants	45.5%	55%	66.7%
After social grants	32.6%	47.3%	65.3%
Difference	**–13.8%**	**–07.7%**	**–02.4%**

Source: Armstrong and Burger (2009)

Armstrong et al (2008) used the same technique, at the R3864 poverty line, to show that 15% of people were lifted out of poverty. They warn, however, that these results are only indicative on the basis of relative poverty lines; where the reduction rate of poverty depends on the line used. They also make a strong labour market assumption: that the social grants have no labour market effects, meaning an individual would not base their labour market participation on ability to access grants.

The preceding analysis shows that grants are effective in lifting people out of severe and deep poverty, which implies that the grants are well targeted. Quintile analysis, such as the one carried out below, is useful for showing the percentages of households in each income group that relies on social grants. There would seem to be a trend of decreasing reliance on grants at higher levels of income distribution (table 5.3). Households in the lower quintiles rely more on the social grants as sources of income than in the higher quintiles. Accordingly, from 2002 to 2007, there has been an upward trend of reliance on the social grants by households in the

lowest two quintiles. It would seem that the social grants are well targeted in reaching the poorest 40%, although the numbers and the extent of impact differ between the two quintiles. In 2006, in total, 30.4% of households in South Africa had the grants as their main source of income. This corresponds with Armstrong and Burger's (2009) finding that the social grants are sufficient to lift many households out of the poorest quintile.

Table 5.16: Percentage of households reporting grants as their main source of income by quintile

Quintile	2002	2003	2004	2005	2006
1	16.1	16.9	21.4	39.6	47.7
2	31.4	36.1	44	49.5	51
3	31.1	34	42.2	38.1	34.5
4	18.1	19.5	16.7	14.3	16.0
5	4.4	4.2	3.5	2.8	2.5
Total	18.2	19.6	21.5	28.9	30.4

Source: Leibbrandt et al (2010:61)

To decompose these findings further, table 5.4 below shows that individual and household beneficiaries of the CSG and the OAP were mainly concentrated in the lowest quintiles. In the lowest quintile, there was a greater share of households reporting any income from the CSG than was the case for the OAP, which shows that OAP households are concentrated in the second and third quintile. This is a good indication that the OAP lifts people out of severe poverty, although the relative amounts of the two grants play an important role, with the OAP being three to four times the size of the CSG (Leibbrandt et al, 2010:61). Armstrong and Burger (2009) obtained similar results, showing that grants are effective in bringing people closer or over the poverty line. Households that reported any income from the CSG are mostly concentrated in the first and second quintile, consequently, they are the 40% who are in severe poverty.

Table 5.17: Percentage of households reporting income from social grants by quintile

Quintile	% reporting any income from child support grants	% reporting any income from the old age pension
1	55.8	9.8%
2	57.9%	27.1%
3	45.4%	23.5%
4	26.5%	17.7%
5	9.0%	5%
all	33.6%	15.3%

Source: Leibbrandt et al (2010:61)

The analysis in this section means individuals were still poor, as they were still below the poverty line, but not as severely poor as they would have been in the absence of the grant. Hence, the social grants, as a source of income, are effective in reducing the depth and severity of poverty.

5.3 Bivariate analysis

The preceding section shows that grants have an impact on poverty. The following analysis is intended to create an understanding of households that contain grant recipients; in doing so, a broader and more comprehensive picture will be painted of the kind of households that receive grants. For instance, this section discusses the targeting of social grants by government.

5.3.1 The Child Support Grant

5.3.1.1 Person level analysis

Nearly 60% of CSG beneficiaries[29] come from the Eastern Cape, KwaZulu-Natal and Limpopo, which are the poorest of the provinces and have a strong rural dimension associated with poverty (see table 1 in the appendix). According to the 2007 GHS these provinces together make up 51.2% of South Africa's population. In the two years that the "Area type" of the recipient was reported, two-thirds of the beneficiaries lived in rural areas. While there was little difference in the gender of the beneficiaries, there was an

[29] Where beneficiaries are the children receiving the grant and recipients are the caregivers that receive the grant on behalf of the children.

overwhelming race element. More than 94% of grant recipients were African children, followed by coloured children, who make up 5% of grant recipients. These percentages remain relatively unchanged through the years. In 2003, 36% of the children who received the grant were reported to be attending an educational institution at the time of the survey; this had doubled to 65% by 2007. The grant has been gradually expanded to include children of school-going age.

5.3.1.2 CSG receiving household s

Poor households have a high proportion of children under the age of eighteen; poor households comprised 65.5% children compared to 42.5% adults (Streak, Yu and van der Berg, 2008:15). It is also true that most household that received the CSG had a high proportion of children (Delany, Ismail, Graham and Ramkissoon, 2008:21). Although the CSG is targeted at children, it is receive by an adult caregiver. This has implications for the intended outcomes of targeting and whether a child benefits, as this depends on the household decision-making structure. If the household conforms to the unitary model, then the grant will reach the child equally along with other members of the family (Barrientos and Dejong, 2006). The challenge with the CSG is the fact that the modest amount is based on the needs of the child, but a child cannot be singled out as he or she lives in a household. Therefore, how the grant reaches the child depends on the household decision-making structure. Although the grant is intended for the child, it is impossible to determine the intra-household allocation of resources. This becomes even harder when the collective decision model is used as an analytical framework, where the bargaining power lies in the amount of income and the recipient's ability to influence resource allocation decisions in the household. A child does not have the degree of bargaining power that adults have in a household, thus the gender of the primary caregiver receiving the cash transfer for the child has become important. Duflo (2003) and Delany et al (2008) show that cash transfers are used to take care of essentials in the home, such as food, fuel for cooking and clothing. This has created interest in how unconditional cash transfers are used within households given that there is no policing of how they are spent.

The impact of an unconditional cash transfer can be difficult to measure and policymakers look for different things. Educators may look at school attendance and performance, while health officials may be looking for nutritional indicators such as height-weight ratio for a

particular age. Consequently, the same grant can be successful in terms of one indicator and fail in terms of another. The effectiveness of targeted conditional grants, like those found in Latin America, is easier to measure. The objectives of the *Familia Escola* in Brazil are to end child labour and have children go to school, while *Progresa* in Mexico is targeted at health and education. This trend is similar for other Latin American countries. Thus school attendance rates, clinic visits, and height and weight for age all measure the effectiveness of such programmes.

The challenge with the CSG is that the targets are broad, simply to "follow the child", yet even so, it is comparable to the Conditional Cash Transfers (CCTs) of Latin America. Even when applying these indicators, it has been proven that the CSG has an impact on poverty. While there is an absent counterfactual of how effective the programme might be if there were conditions attached to it. The CSG is effective even though there is no conditionality attached for continued receipt of the grant.

5.3.1.3 Demographic profile and household head characteristics[30]

As was found in the person level analysis, households with at least one CSG beneficiary are found mainly in the rural provinces of Limpopo, KwaZulu-Natal and the Eastern Cape. There is also a strong rural areas dimension to the receipt of CSG, with 60% of beneficiaries living in the rural areas in 2004. In 2007 households which had a grant recipient were slightly bigger in size (5.58) than households that did not receive the grant (4.61), with most grant recipients living in two- or three-generation households. Two-generation households could be made up of the parent and child or in some instances the child and grandparent as a primary caregiver. This is not surprising; given the spread of HIV/Aids in the working population some grandparents are left to care for their grandchildren. Of these two-generation households, 57% were headed by women and 42% by men. The high proportion of African households receiving CSG is consistent with the findings at the person level. The majority of these households (94%) are headed by an African and 6% are headed by a coloured. Furthermore, more than 85% of these households were headed by a person who had less than a matric qualification. However, it is worthwhile noting that a growing proportion of households that receive the CSG are headed by someone with a matric (from 6.5% in 2002 to

[30] Table 2in the appendix

approximately 10% in 2007), implying that this qualification is not enough to keep people out of poverty.

5.3.1.4. Living conditions of households with at least one eligible member[31]

Section 3.6 illustrates that the poor often lack access to basic services such as water, sanitation and energy and their living conditions are unsatisfactory. The purpose of a non-money metric analysis in this section is to assess the reach of the CSG. We are interested in knowing if the grant has been able to reach the kind of households described as poor in section 3.6. CSG-receiving households have a higher average number of persons per room (1.84) than those where there is no CSG beneficiary (1.37). A large number of these households rely on public taps to access water, whereas 55% of households that do not receive the CSG have their own piped water in the home. Sanitation remains a big challenge for these CSG-receiving households; 63% of them do not have access to a flush or chemical toilet for sanitation. Electricity and solar energy are used as a form of fuel for cooking by 49% of the CSG households. The third most common source of energy for cooking is firewood. In 2002, many children came from homes that used wood for cooking; this has changed drastically – in 2007 49% of these households used electricity for cooking – this shows an improvement in access to electricity by CSG-receiving households. When it comes to refuse removal, 49% have their own refuse dump and 41% have their refuse removed at least once a week. Although these are relatively high proportions, this analysis broadly corresponds to the poverty analysis in chapter 3, which showed the lack of access to basic goods usually experienced by the poor. However, these results show that the CSG is being accessed by the poorest household.

5.3.1.5. Household income and expenditure[32]

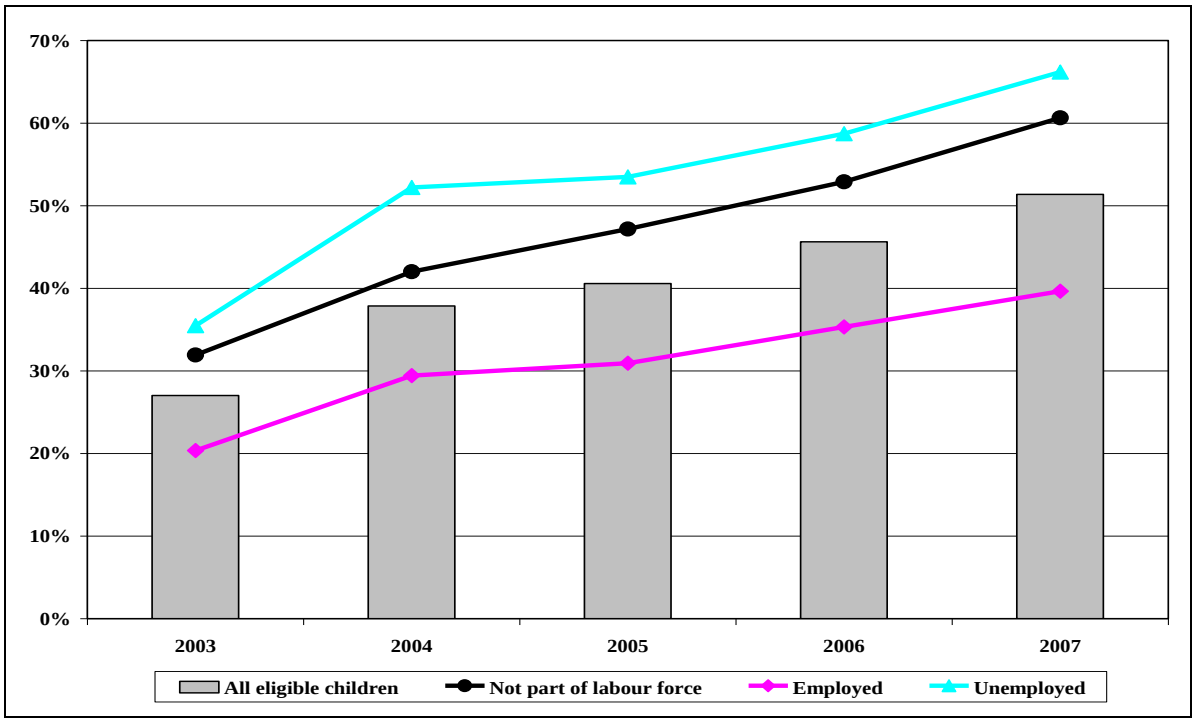
Of the households that received the CSG, 42% are dependent on social grants as their main source of income followed closely by households that receive salaries or wages. These salary-receiving households use the CSG to supplement household income. Only 11% of households which had remittances as their main source of income reported receiving the CSG. A third of

[31] Table 5 in the appendix
[32] Table 6 in the appendix

these households live on less than R1200 a month. Much of the income of these households depends on the labour participation of household heads.

Figure 5.1 below shows that it was households with lower labour participation of household heads that received the CSG by broad employment status.[33] Slightly over a third of CSG beneficiaries came from households headed by an employed individual; this proportion is above 50% throughout the years where there is no grant beneficiary. The mean number of employed in grant-receiving households is lower compared to the mean in households that do not receive the grant. The mean number of employed people is 0.74 for households that received the grant and 1.16 where there is no grant beneficiary.

Figure 5.5: Proportion of eligible children receiving CSG by broad employment status of household head



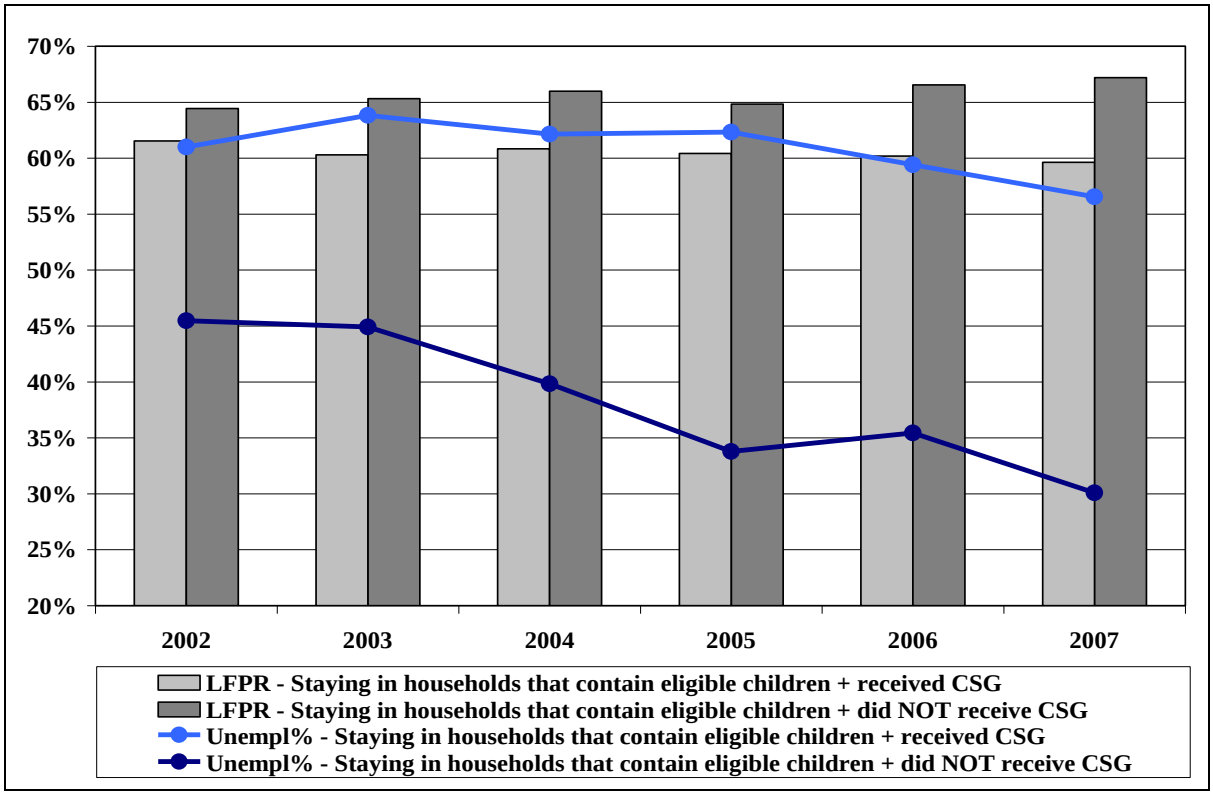
Source: Own calculations using GHS 2002–2007

[33] Statistics South Africa uses two definitions of unemployment, namely a strict (official) definition and broad definition. The strictly unemployed are working age people who did not work during seven days prior to the interview but would want to work and are actively looking for work or start some form of self employment in a month prior to the interview. The broad unemployment definition excludes those who are actively looking for work in the four weeks; these are often called discouraged workers.

5.3.1.6. Labour force participation rate (LFPR) in CSG households

Figure 5.2 points to the fact that unemployment rates for households that do not receive the CSG is lower than those households who receive the CSG. The labour force participation rate for working age individuals in households that receive CSG is 60%, compared to 67% of those who did not receive the CSG in 2007. The participation rate for males and females in CSG-receiving households does not differ much at roughly 60% (see figure 5.3 and figure5. 4). However, the participation rate of males in households that do not receive the CSG is 72% and 62% for females. In addition, there is higher participation in the labour force for households that do not receive the CSG. The difficulty with interpreting these numbers is the suggestive causality between labour market participation and the CSG. There are two plausible reasons for such an observation: It could be that households that have unemployed individuals pass the means test and therefore receive the CSG; alternatively it could be that the availability of the grant enables individuals to stay at home. Since 2005, the white participation rate has been on a steady decline, whereas African and coloureds have remained within the same margins. Coloured households that do not receive the CSG still have high levels of labour participation rates.

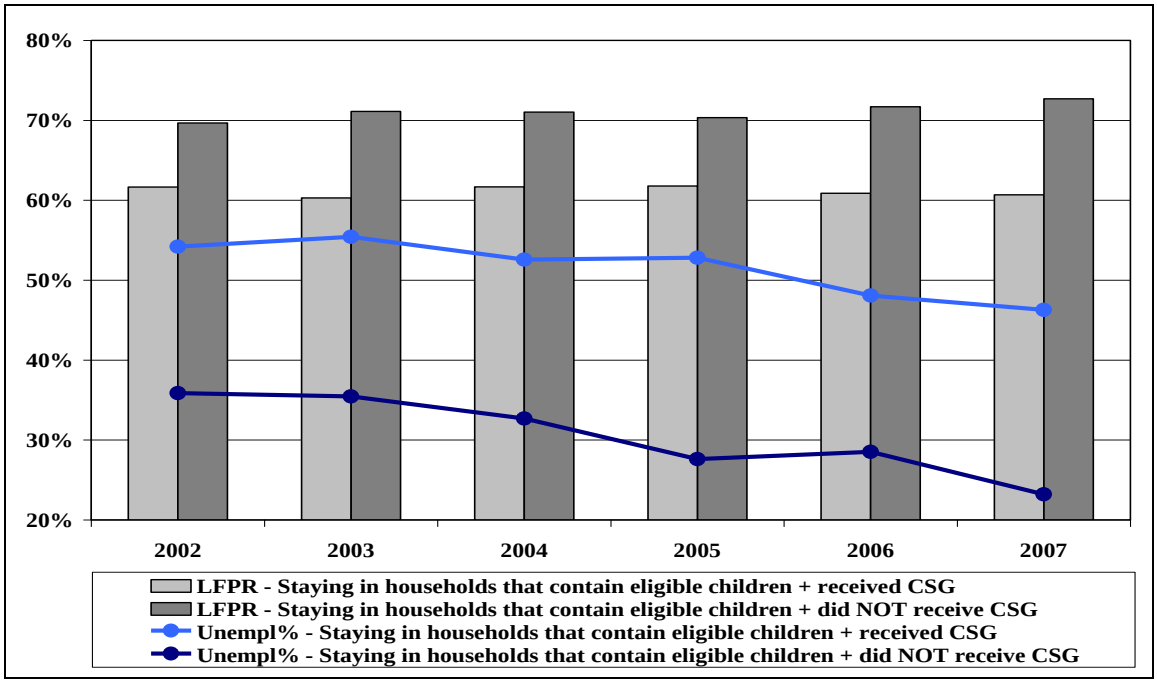
Figure 5.6: Broad labour force participation rates and unemployment rate of the working-age population by the CSG acceptance status of the households that contain eligible children



Source: Own calculations using GHS 2002–2007

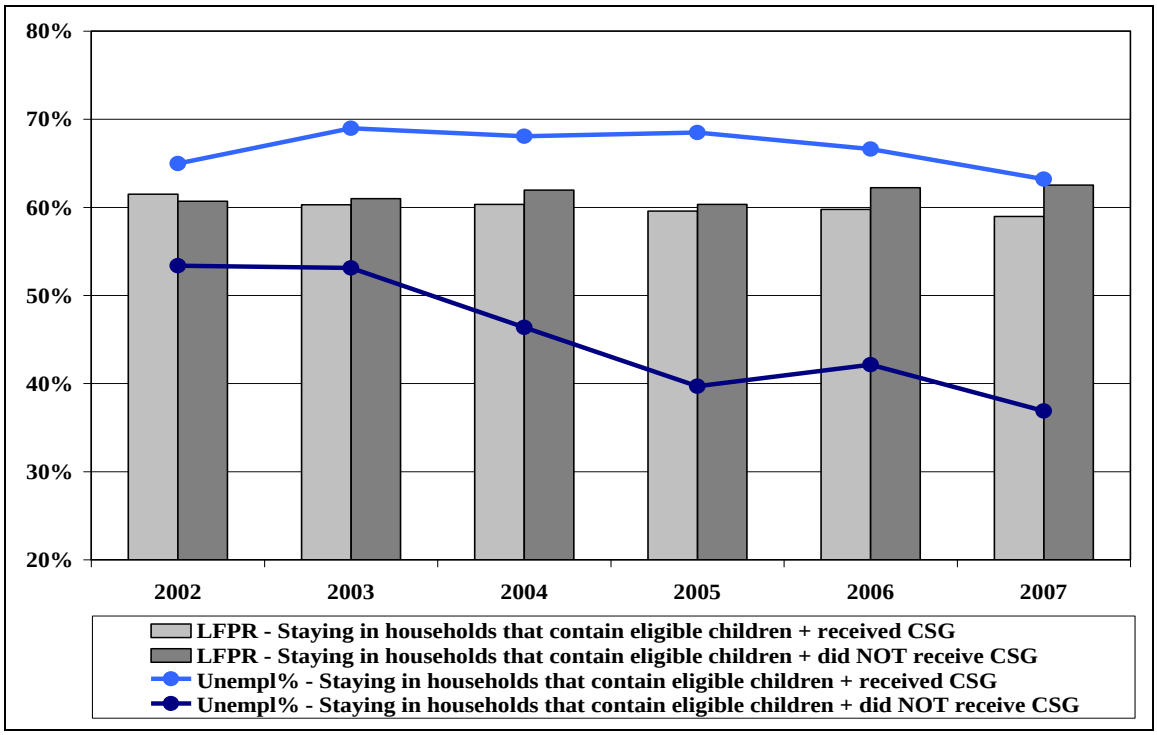
The overall unemployment rate for CSG-receiving households has declined from 61% in 2002 to 57% in 2007 (see figure 5.2). It should be noted from figure 5.2 that both kinds of households that had an eligible grant beneficiary experienced a gradual decline in unemployment. The unemployment rate for males in households that had a grant recipient was much higher compared to males in households with no grant recipient (see figure 5.3). A similar trend is found with females. Females in CSG-receiving households have the highest unemployment rates compared to males in CSG household and females in households where there are no grant recipients, almost 70% in 2003. The highest unemployment rate was among African-headed households – 58% in 2007 – and white households had the lowest. For households that did not receive the CSG, whites had the lowest unemployment rate. Thus, in general, for the working age population in households that receive the CSG, the LFPR is lower and the unemployment rate is higher (see figures 5.3 and 5.4).

Figure 5.7: Broad labour force participation rates and unemployment rate of the male working-age population, by the CSG acceptance status of the households that contain eligible children



Source: Own calculations using GHS 2002–2007

Figure 5.8: Broad labour force participation rates and unemployment rate of the female working-age population, by the CSG acceptance status of the households that contain eligible children



Source: Own calculations using GHS 2002–2007

5.3.2 The old age pension

5.3.2.1 Selected person-level analysis of old age pension recipients

The OAP is one of the biggest social grants in the country, the main beneficiaries of which, in both 2002 and 2007, were females. One reason for the greater proportion of females receiving the OAP is because the eligibility age for females (60 years) is set lower than males (65 years). The Department of Social Services has since equalised the eligibility age and the eligibility age for men is being reduced stepwise from 65 to 60 – it is currently 63. In 2002 and 2007, there was also a strong racial dimension in the group that received the OAP; in 2007, most of the OAP recipients were African (79.5%). The white population group which was the next biggest group to receive the OAP was just under 10% in 2007. Note that the proportion of white elderly people receiving the grant has shown a gradual increase.

Table 5.18: Selected person-level characteristics of old age pension receiving individuals (%)

Selected old age pension characteristics	**2002**	**2007**
Person-level characteristics		
Gender		
Male	27.12	29.43
Female	72.88	70.57
Population group		
African	81.89	79.5
Coloured	7.68	7.73
Indian	2.57	3.15
White	7.85	9.62

Source: GHS 2002; 2007

5.3.2.2 Characteristics of households head in OAP-receiving households.

The headship of a household has implications for the distribution of resources in that household. Literature on the OAP has highlighted that the OAP benefits more than just the recipient in the households which it enters.[34] OAP-receiving households are predominately headed by a female (table 5.6). In both 2002 and 2007, most of these household heads were also African. The main source of income in the households was the OAP, which is not surprising as a majority of these heads have no schooling and are no longer part of the labour

[34] Section 5.5 discusses the labour market implications of the OAP in detail.

force. These characteristics seem to infer that most of these household heads are elderly people. The headship of elderly people has increased; from 71.2% in 2002 to 74.3% in 2007. Headship has implications for the way resources are distributed in the household. The unitary model maintains that the income would not change the distribution of resources; however, this is not the case. Spending by elderly people improves the distribution between members of the household; moreover, the OAP has been known to favour children.

Table 5.19: Selected household head characteristics of OAP-receiving household (%)

Gender of household head (%)		
Male	40.9	39.9
Female	59.0	60.1
Population group of household head (%)		
Black	87.3	86.7
Coloured	6.8	7.1
Indian	1.8	2.1
White	4.1	4.0
Income source of household head (%)		
Salaries/wages	22.9	23.0
Remittances	2.8	2.7
Social grants	72.3	74.1
Household head's level of education (%)		
No schooling	46.5	44.9
Incomplete primary	26.7	26.9
Incomplete secondary	20.93	22.02
Household head's employment status (%)		
Not part of labour force	83.64	87.92
Employed	13.95	9.78
Unemployed	2.42	2.3
Age of household head (%)		
45–54 years	4.3	3.8
55–64 years	18.96	17.88
65+ years	71.23	74.31

Source: GHS 2002, 2007

Households that have an OAP recipient are on average larger in size than households that do not. There is also higher proportion of three-generation households where there is an OAP recipient (see table 5.7). Duflo (2003) shows that the elderly people usually lived with their grandchildren. Accordingly, there are fewer elderly people that received the OAP and live by themselves (6.9%) compared to elderly people who do not receive the OAP and live by themselves (28.3%). This confirms that there is clustering around the OAP and household sizes are larger where there is an OAP recipient (Duflo, 2003). On average, where there was a pension recipient, there were fewer working age adults. This finding neither confirms nor

disproves the discourse on the impact of the OAP on prime aged individuals. Much of the interpretation the OAP has to do with how a household is defined. Bertrand et al (2003) and Posel et al (2004) find different outcomes for the impact of grants on the working age population.[35]

Table 5.20: Household size where there is an OAP-eligible recipient 2007

	Received OAP	Did not receive OAP
Mean Std dev	6.48 3.17	5.09 3.38
One-generation household (%) Two-generation household (%) Three-generation household (%)	6.88 33.02 57.39	28.38 34.15 36.28
Number of working age adult Std dev	0.67 0.99	1.18 1.05

Source: GHS 2002, 2007

5.3.2.3 Employment status and labour participation in OAP households

This section describes the relationship between OAP-receiving households and the labour market, bearing in mind that there are various definitions of household membership[36]. For both 2002 and 2007, the GHS illustrates that a great proportion of prime-aged members of the household where there is an OAP recipients are not part of the labour force – 58.7% and 62.6% respectively (table 5.8). The proportion of unemployed individuals living with OAP recipients has decreased since 2002, with mostly females who are not part of the labour force living in OAP households (table 5.9). Where there is an unemployed individual in an OAP household, it is usually unemployed males (23.5%) compared to unemployed females (20.1%). With substantially high proportions of prime-aged individuals living with OAP recipients, where the main source of income is the social grants and the household size is relatively larger than non-grant receiving households, it is small wonder that most of these households are likely to be plunged into poverty. The analysis on reported hunger in section 5.4 will expand understanding of the impact of social grants on poverty.

[35] This is further analysed in labour market effects of grants (section 5.5.2).

[36] See application to section 5.4 where Edmunds et al (2005) and Betrand et al (2003) found different results on the labour market impact of OAP due to the definition of household membership. The challenges of defining membership are also discussed in chapter 2

Table 5.21: Broad employment status of prime-aged individuals in OAP-receiving households (%)

status	2002	2007
Not part of the labour force	58.67	62.57
Employed	15.35	15.91
Unemployed	25.98	21.51
Total	100	100

Source: GHS 2002, 2007

Table 5.22: Broad employment status of prime-aged individuals in OAP-receiving households in 2007 by gender (%)

status	female	male
Not part of labour force	66.79	56.64
Employed	13.09	19.88
Unemployed	20.12	23.48
Total	100	100

Source: GHS 2007

5.4 Hunger variable analysis

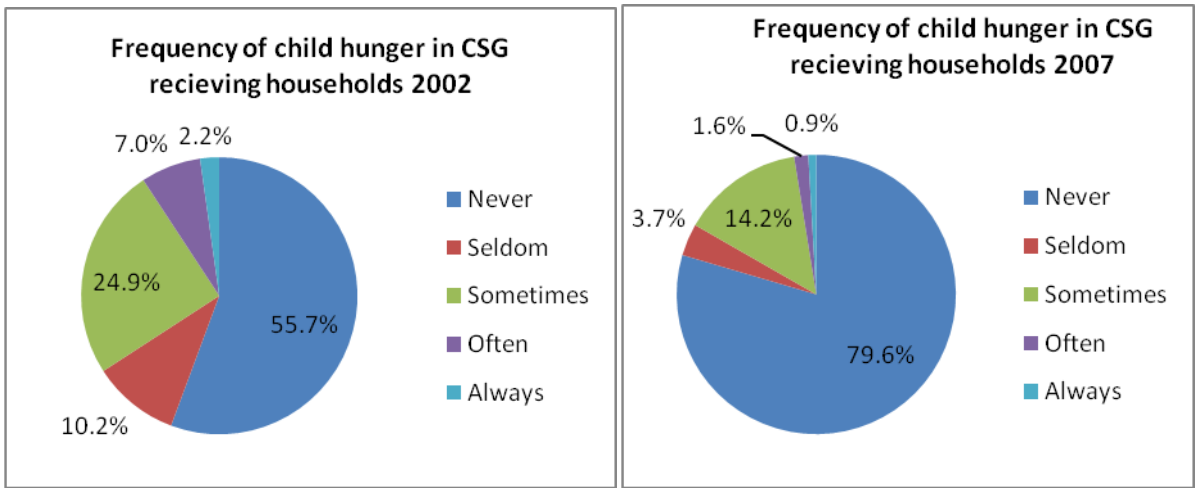
Although both the CSG and the OAP are unconditional grants, there is evidence that they are used as regular income within household (Duflo, 2003). Between 2003 and 2007, there was a decrease in the number of reported *always* hungry incidences in children where there was a CSG recipient. There was also a greater number of grant-receiving children who report *never* feeling hungry (78.2%) compared to grant-receiving children in other *hunger categories* in 2007 (table 5.10). This shows that the CSG has had some impact in reducing the frequency of reported hunger for CSG-receiving children. Note that children who report *always* feeling hungry amounted to less than 1% in 2007. The CSG has made considerable progress in reaching vulnerable children in poor households when comparing the two years.

Table 5.123: Reported child hunger in CSG and non-CSG-receiving households

	Eligible age +					**Eligible age +**				
	Received CSG					**Did NOT receive CSG**				
	GHS	**GHS**	**GHS**	**GHS**	**GHS**	**GHS**	**GHS**	**GHS**	**GHS**	**GHS**
	2003	**2004**	**2005**	**2006**	**2007**	**2003**	**2004**	**2005**	**2006**	**2007**
Never	56.50%	64.40%	67.10%	76.90%	78.20%	69.00%	72.70%	77.20%	84.70%	87.10%
Seldom	7.70%	6.60%	6.00%	3.30%	3.70%	5.00%	5.10%	4.20%	2.90%	2.10%
Sometimes	24.50%	22.30%	20.10%	16.40%	15.70%	18.40%	16.40%	13.70%	10.20%	8.70%
Often	6.80%	4.30%	3.80%	2.00%	1.50%	4.50%	3.50%	2.70%	1.40%	1.30%
Always	4.50%	2.40%	3.00%	1.40%	1.00%	3.10%	2.30%	2.30%	0.90%	0.70%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

. *Source: GHS 2002, 2007*

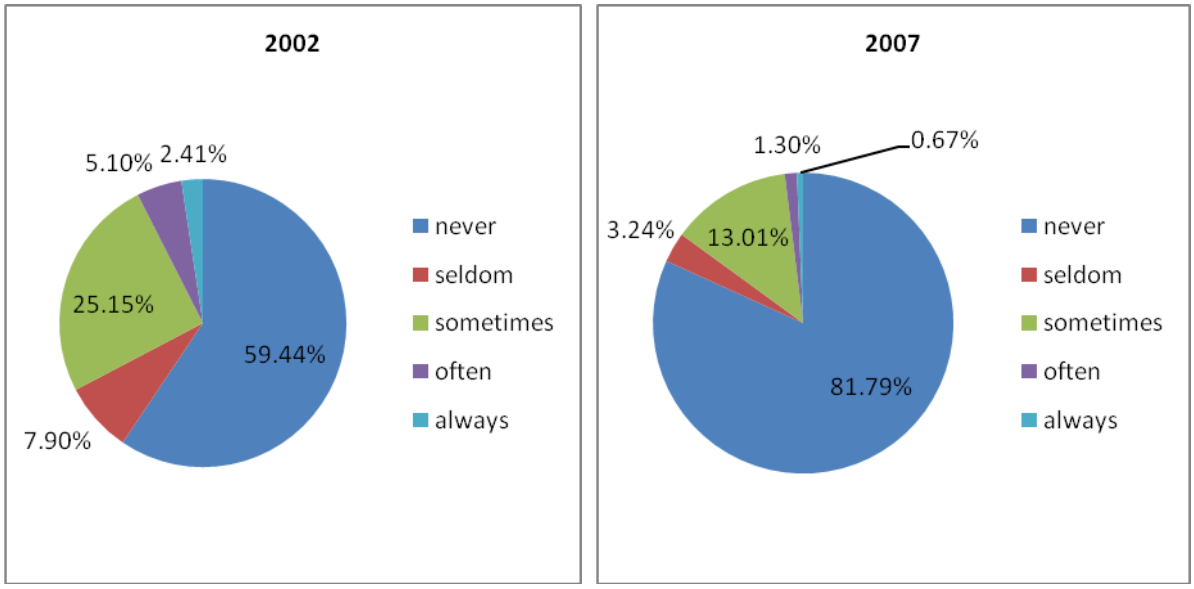
Figure 5.9: Reported hunger for CSG-eligible children



Source: own calculations using GHS 2002, 2007

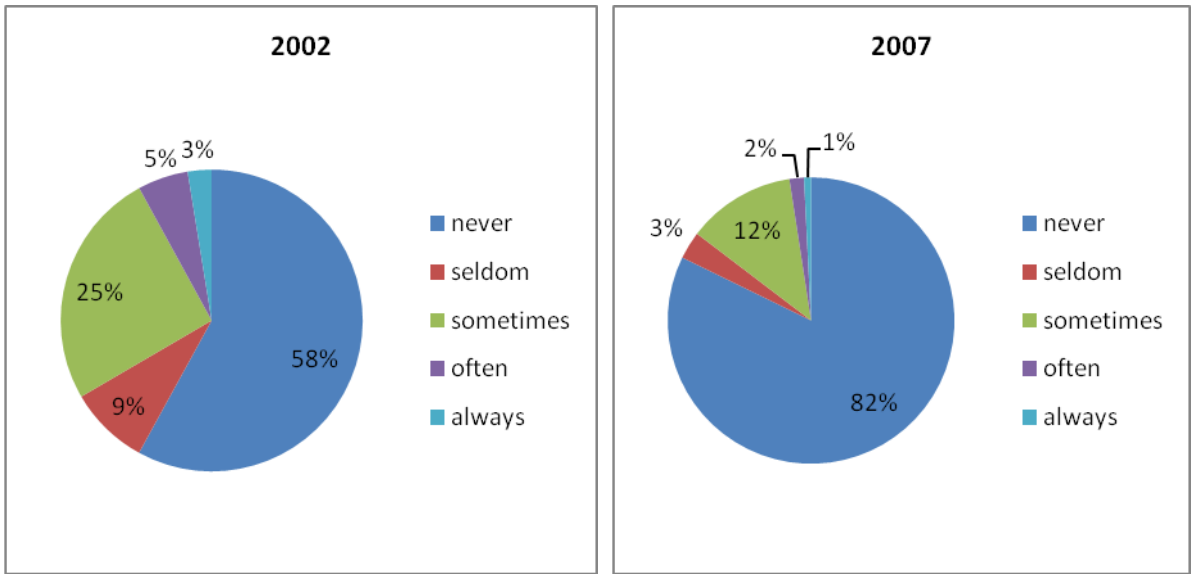
The CSG results and the OAP results for reported child hunger show similarities (figure 5.6). In 2002, almost 60% of children in OAP-receiving households reported never going hungry as opposed to 81.79% in 2007. Those that reported that they were sometimes hungry declined by 12%. The OAP thus seems to have had a greater impact on child hunger than the CSG when comparing the sets of figures. There are at least two possible reasons for this: Firstly, the size of the OAP far exceeds the CSG, therefore the OAP can reach more individuals than the CSG. Secondly, elderly people are usually household heads in OAP-receiving households and therefore there is a more altruistic distribution of resources that favours children more than in households where the head is younger. The altruism of pension recipients is also illustrated by the decreasing reported hunger of adults who live in OAP households (figure 5.7). Here the percentages are similar to those of children in OAP households. Pensioners have more scope to assist the entire family because the OAP is far larger than the CSG.

Figure 5.10: Reported child hunger for children in OAP-receiving households



Source: Own calculations using GHS 2002, 2007

Figure 5.11: Reported adult hunger in OAP-receiving households



Source: own calculations using GHS 2002, 2007.

5.5 Development effects

5.5.1 The effects of social grants on the labour market

Opinion is divided on the incentive effects of the social grants on labour supply in South Africa (Edmonds et al, 2001; Bertrand et al, 2003; Posel et al, 2004; Klasen and Woolard,

200). Edmonds et al (2001) studied the effects of large cash transfers on household composition in African households. They found different effects in households headed by women and by men, with a greater number of children and fewer working age women in female-headed household than in male-headed households.

Bertrand et al (2003) found that there was a negative correlation between looking for work and prime-aged individuals within households where there was an OAP grant recipient. Kingdon and Knight (2000) also found that the reservation wage[37] of some individuals (predominantly males) increased due to the lack of pressure to work and therefore prolonging the search for employment. Klasen and Woolard (2005) examined how unemployment persisted without formal state support for the unemployed, especially with South Africa's high rate of unemployment in the rural areas. It was found that the unemployed survived by attaching themselves to a household that had a working individual or grant recipient. They also found that prime-aged[38] individuals moved in with people who received the OAP, putting a strain on the household resources and pulling the whole household into poverty. These coping strategies negatively influenced search and employment prospects, as the location of economic support is often far away from promising labour market opportunities – these safety nets create regional immobility of the unemployed (Klasen and Woolard, 2005:4).

Klasen and Woolard (2005) and Bertrand et al (2003) argue that the social grant ends up supporting people whom it was not intended to support. The lack of economic support reduces a person's employment prospects, as they cannot work away from home due to the additional costs involved in job search (Klasen and Woolard, 2005:20). Although the effects of these coping strategies, that is, the unemployed attaching themselves to households whose resources are already strained, are problematic, they are understandable and represent a rational response to the incentive set. For Lund (2006), findings that suppose that prime-aged males are the unintended beneficiaries of the OAP, did not make economic sense. Given the current environment in South Africa of high unemployment and high job search costs, it seems less credible that these men would voluntarily leave the job market (Lund, 2006:172).

[37] The reservation wage is the wage that an individual would be willing to back to the labour market for. It is the wage that is greater than the opportunity cost of not working for the individual.
[38] Prime-aged individuals being between 15 to 64 for men and 15 to 59 for women,

Table 5.11 shows that a great proportion of broadly unemployed individuals depend on the social grants as a main form of income. The table also shows that the majority of households with individuals who are not part of the labour force depend on social grants as a main source of income (41.7%). However, the unemployed mainly attach themselves to households that received salaries and wages as a main source of income (40.3%), with 31.2% of this group living in households that still mainly depend on the social grants. The pension and other grants act as a safety net for individuals not participating in the labour market and those who are unemployed. The social grants have also allowed people to leave the household in search of work so the view that social grants encourage non-labour participation is not supported by Posel et al (2004)

Table 5.24 Income source by income status (%)

Main household income	**broad**	**employment**	**status**	
Source	Non participant	employed	unemployed	**Total**
Salaries/wages	37.71	86.91	40.3	56.68
Remittances	13.57	1.61	18.92	10.45
Social grants	41.75	5.63	31.23	25.68
Sales of farm product	0.86	1.33	0.81	1.02
Other non-farm income	4.25	3.93	4.44	4.18
No income	1.43	0.18	4.03	1.61
Unspecified	0.43	0.41	0.26	0.38
Total	100	100	100	100

Source: Own calculations using GHS 2002-2007

Posel et al (2004) investigated migrant labour and the household (mainly how the OAP affected the labour supply). They found that the OAP facilitated the ability of household members to look for employment away from home. These results were more prominent among women, who left home to go look for work away from the rural areas even though it was temporary employment. The OAP assisted by providing financial support for these individuals and provided for children who were often left with the grandmother during this time.

Furthermore, Posel et al (2004) found no convincing evidence that prime-aged males who lived with old age pensioners do not actively seek employment – the results were robust. However, even if it were the case, Black (2004:419) argues that it is not rational to look for

employment if the probability of finding it was too low compared to the effort and costs involved in the search. This could explain the observed reluctance of the prime-aged male to look for work especially in rural areas (Klasen and Woolard, 2005).

Survey evidence contradicts the notion that individuals in poor households prefer receiving grant income to working. Surender, Ntshongwana, Noble and Wright (2007) surveyed African communities in the Eastern Cape and Western Cape about attitudes regarding the CSG and the DG being used as general poverty grants. The results reveal that unemployed people said that there is dignity attached to working. Although the grants helped, they were not enough, especially the CSG, as the needs of the child increased. Parents struggled to meet school fees and buy uniforms and there were complaints that the CSG did not keep up with inflation. Contrary to the OAP assisting with transport costs for job employment, participants in this study said that the CSG amount was too little to assist in this regard.

Consequently, like the OAP, the CSG affects household formation and decision making. It is possible to have more than one grant recipient in a household; however, this is not generic of all households. More often than not the grant money is the only source of income. Some respondents to the survey felt guilty about using the grant for the whole household when it is intended for a child, yet they admitted that they could not just take care of the child in isolation when there are other hungry people in the household. This is characteristic of the unitary household resource allocation model where the identity of the person receiving the transfer does not matter. In support of this, Rozensweig (1986) warns that individual targeted social programmes should be aware of household dynamics that may influence the effectiveness of the programme.

5.5.2 Fertility effects

There is a possibility that the CSG creates an incentive for increased fertility. There is evidence of an increase in teenage births between 1995 and 2005, with fertility increasing among girls in their late teens or early twenties (Department of Social Development, 2006). Young mothers may use the grant to gain financial independence from the household or affect resource allocation. In such a case, the collective model would argue that the identity of the recipient of the grant is relevant as it influences resource allocation.

However, there is counter evidence that only 5.3% of CSG mothers are young mothers in the group 15 to 19 years; this group accounted for only 18% of all mothers receiving grants in the 2001. The grant amount has relatively small meaning that its availability hardly seems enough of a motivation to fall pregnant to access the grant (Department of Social Development, 2006). The increase in the grant uptake is said to have been mostly because of the increased awareness of the availability of it (Department of Social Development, 2006). Makiwane (2010) found no significant positive association between the grant and the trend in teenage childbearing. In all, there has been no concrete evidence to infer that the CSG influences fertility, especially because the grant amount is so small. There still needs to be research carried out on the impact of grants on such things as fertility before misguided policy intervention. Indeed, Makiwane (2010) warns that it is important to have a full understanding of the South African case before importing international policies to deal with local problems, as with the case of the grants. In the UK and the US, for example, there have been proposals to exclude teenage mothers from receiving social grants.

5.6 Conclusion

Poverty grants are effective in reducing the incidence of poverty for households receiving the grants. A broad analysis of the grants was conducted in order to show the impact of the overall system on eradicating poverty. It was also found that the social grants have been well targeted, as the poorest 40% have the highest proportion of both CSG and OAP recipients. Although the poverty line used determines the incidence of poverty reductions, there was consistency in two of the poverty lines, with the finding that the incidence of poverty has been reduced.

The in-depth bivariate analysis of the OAP and the CSG shows that when looked at individually, the grants reach households in categories that are labelled as markers of poverty, such as access to basic services. It was found that households that have limited access to these resources have access to the social grant. Moreover, although poverty cannot be measured by a simple variable such as hunger (this dimension of poverty was discussed in section 3), nevertheless the hunger variable in a way communicates the level of poverty experienced in households by both adults and children. Child poverty in both CSG- and OAP-receiving households was low in both 2002 and 2007, and adult poverty was also low in OAP-receiving households. The implications this has for decision making is that, in terms of the unitary framework, grants proportionally reach members of the household and are

regarded as ordinary income. However, where the collective and the unitary models differ is that in the collective model, the identity of the recipient matters. Consequently, this section has shown that children are favoured in OAP-receiving households because decision makers are predominantly elderly people.

A number of debates still rage about the labour market effects of the grant, especially the ones examined. Subsequently, no concrete evidence has been found to motivate for whether grants have a negative or a positive effect on the labour market. The differing views depend much on the definition of the household. There is also no evidence to support claims that the CSG has increased fertility levels. However, there is still much we do not understand on the effects of grants on fertility owing to a lack of available data.

6. Conclusion and policy implications

The extent to which the cash transferred to poor households via the grant programmes reduces poverty is likely to be influenced significantly by the decision-making structures in the grant-receiving households. There is evidence that grant money is shared in extended households, which suggests that decision making is broadly unitary or cooperative. However, we can only observe the outcomes and not the decision-making process in this regard and therefore can only draw tentative conclusions.

There is evidence from the literature reviewed and the analysis carried out that the identity of the head is important in order for grants to become effective tools in poverty alleviation (Thomas, 1990:657; Duflo, 2003). It would also seem that the gender of the household head has a bearing on how resources are allocated in the household. Duflo (2003) found that women pensioners tended to allocate resources more altruistically than their male counterparts.

The gender of the household head has implications for the labour market. Prime-aged males were less frequent in male-headed households, implying that male heads required the other men present in the household to work. There was also a greater share of women in these male-pensioner headed households (Bertrand et al, 1999). However, this is not the situation in female-headed households, as there is a greater share of unemployed prime-aged males in such households. This could be attributed to the altruistic nature of the grandmother as prime-aged males report higher incidences of falling sick. Bertrand et al (1999) are of the view that social norms influence power within a household. Men have predominantly been the household heads in African households, thus they would still maintain their headship regardless of their employment status. In support of this, Bertrand et al (1999:29) found that men had stronger intra-household bargaining power than women and also that men were less altruistic than women, meaning that male heads had no tolerance for fellow unemployed men. These researchers found that pension transfers to female elderly people reduced employment more than transfers to male elderly pensioners.

However, Posel et al (2004) draw different conclusions about the impact of a pension-receiving elderly person on the labour supply. For poor people, unearned income enables

members to move away from rural areas in search for job opportunities in urban areas to militate against risk of not finding employment. It is the reallocation of resources in a cooperative household that enables individuals to move away for job search, augmenting future resources that will come into the home. The unitary model fails to explain this household dynamic, but the model is successful in explaining the altruistic household head who redistributes resources equitably keeping prime-aged individuals from work (Bertrand et al, 1999). There is no evidence to show that grants, especially the CSG, increase fertility rates.

Although there is cause for concern regarding the propensity of social grants to affect people's behaviour negatively, there is a case to be made for retaining grants as an important, though not the only, form of anti-poverty strategy. This highlights the need for continued research on the labour market and the social grants causal relationship. It also shows that research into the fertility effects of the grants is wanting, especially if there are speculative concerns that might inform policy on the impact of CSG on fertility. In times of fiscal stress, the analysis above has proven that grants are worthwhile, though limited, policy instruments.

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8. Appendix

Table 1: Person level characteristics of CSG age eligible beneficiaries

	Eligible age + received CSG					Eligible age + did NOT receive CSG				
	GHS 2003	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**	**GHS 2003**	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**
Province										
Western Cape	8.1%	6.1%	5.4%	5.2%	5.4%	9.8%	10.2%	10.9%	11.5%	12.0%
Eastern Cape	15.1%	16.1%	19.7%	21.2%	19.3%	16.1%	19.1%	15.3%	13.8%	12.8%
Northern Cape	1.0%	1.8%	1.7%	1.6%	2.1%	2.2%	2.1%	2.0%	2.2%	2.8%
Free State	6.9%	6.7%	7.0%	6.6%	6.6%	4.9%	5.4%	5.4%	5.7%	5.8%
KwaZulu-Natal	17.0%	18.4%	20.2%	19.7%	21.7%	22.9%	22.2%	22.2%	21.5%	21.5%
North West	9.4%	10.2%	8.0%	8.2%	8.2%	8.3%	7.3%	8.0%	7.4%	6.1%
Gauteng	11.9%	10.6%	10.7%	10.9%	11.0%	18.3%	17.7%	17.8%	19.3%	21.8%
Mpumalanga	10.6%	9.2%	8.9%	9.2%	9.8%	6.3%	6.0%	6.6%	6.4%	6.2%
Limpopo	20.2%	20.8%	18.3%	17.3%	15.9%	11.3%	10.0%	11.8%	12.3%	10.9%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Area type										
Urban	38.5%	36.4%	n/a	n/a	n/a	50.9%	52.0%	n/a	n/a	n/a
Rural	61.5%	63.6%	n/a	n/a	n/a	49.1%	48.0%	n/a	n/a	n/a
	100.0 %	100.0 %	n/a	n/a	n/a	100.0 %	100.0 %	n/a	n/a	n/a
Gender										
Male	50.0%	51.7%	52.0%	51.3%	50.8%	51.0%	52.8%	52.5%	52.4%	52.4%
Female	50.0%	48.3%	48.0%	48.7%	49.2%	49.0%	47.2%	47.5%	47.6%	47.7%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Race										
Black	94.4%	94.1%	94.1%	94.4%	94.1%	78.5%	75.9%	77.2%	76.0%	74.0%
Coloured	5.3%	5.6%	5.2%	4.9%	5.4%	10.2%	10.7%	10.6%	11.3%	12.2%
Indian	0.2%	0.3%	0.6%	0.6%	0.3%	2.4%	2.7%	2.8%	2.7%	3.2%
White	0.2%	0.0%	0.1%	0.1%	0.2%	9.0%	10.7%	9.4%	10.0%	10.7%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Attendance at educational institution at the time of survey										
Yes	36.7%	49.0%	58.8%	62.6%	64.5%	46.5%	57.3%	68.7%	66.8%	65.9%
No	63.3%	51.0%	41.2%	37.4%	35.5%	53.5%	42.7%	31.3%	33.2%	34.1%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Table 2 household characteristics of CSG age eligible beneficiaries

	Eligible age + received CSG					Eligible age + did NOT receive CSG				
	GHS 2003	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**	**GHS 2003**	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**
Household size										
Mean	6.53	6.46	6.47	6.29	6.34	6.16	6.23	5.97	5.78	5.90
Std Dev.	2.77	2.76	2.79	2.67	2.78	2.84	3.07	2.62	2.50	2.76
Gender of household head										
Male	44.1%	42.5%	44.1%	42.6%	42.2%	56.9%	57.6%	56.7%	57.0%	58.1%
Female	55.9%	57.5%	55.9%	57.4%	57.9%	43.1%	42.4%	43.3%	43.0%	41.9%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Race of household head										
Black	94.5%	94.0%	94.2%	94.4%	94.2%	78.6%	75.9%	77.1%	76.1%	73.9%
Coloured	5.2%	5.7%	5.1%	4.8%	5.3%	10.0%	10.7%	10.5%	11.0%	11.9%
Indian	0.2%	0.3%	0.5%	0.7%	0.3%	2.4%	2.7%	2.8%	2.8%	3.2%
White	0.2%	0.1%	0.2%	0.1%	0.2%	9.0%	10.7%	9.6%	10.1%	10.9%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Highest educational attainment of household head										
No schooling	26.5%	26.5%	25.8%	26.2%	24.9%	20.4%	20.0%	19.9%	17.2%	15.4%
Incomplete prim.	27.3%	27.6%	27.4%	26.2%	24.7%	21.7%	21.7%	20.4%	19.2%	17.9%
Incomplete sec.	38.4%	36.6%	37.1%	38.4%	41.0%	35.8%	32.2%	32.8%	34.8%	34.5%
Matric	6.1%	7.7%	8.2%	8.0%	8.0%	13.5%	14.6%	15.7%	18.0%	18.9%
Matric + Cert/Dip	1.2%	1.3%	1.3%	0.8%	1.2%	3.7%	6.3%	6.5%	6.1%	7.6%
Degree	0.6%	0.3%	0.2%	0.3%	0.2%	4.9%	5.3%	4.7%	4.8%	5.8%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Marital status of household head										
Married	57.3%	55.1%	52.9%	52.3%	50.9%	64.7%	64.5%	62.9%	63.6%	65.1%
Widow/Widower	22.9%	23.4%	23.6%	22.4%	22.4%	19.1%	19.6%	18.3%	16.3%	16.5%
Divorced/ Separated	4.5%	5.2%	4.8%	4.2%	3.6%	4.2%	4.3%	4.2%	3.9%	4.2%
Unmarried	15.2%	16.3%	18.7%	21.1%	23.1%	12.1%	11.6%	14.6%	16.2%	14.3%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Age of household head										
Under 18 years	0.1%	0.3%	0.2%	0.2%	0.5%	0.2%	0.3%	0.4%	0.5%	0.3%
18-24 years	2.2%	3.0%	2.4%	2.6%	2.6%	2.1%	2.1%	2.1%	2.5%	2.5%
25-34 years	16.7%	16.1%	18.7%	17.9%	16.1%	20.2%	19.4%	17.9%	18.4%	16.9%
35-44 years	24.7%	24.1%	23.7%	24.4%	24.7%	28.8%	27.7%	29.6%	30.0%	30.5%
45-54 years	21.0%	21.2%	21.7%	21.0%	20.9%	18.7%	19.1%	21.2%	21.2%	22.4%
55-64 years	17.4%	17.9%	15.8%	15.7%	16.6%	14.3%	15.0%	14.2%	13.7%	14.3%
65+ years	17.9%	17.5%	17.4%	18.2%	18.6%	15.7%	16.3%	14.5%	13.6%	13.2%

	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Number of generations in the household										
One	3.1%	3.0%	3.5%	3.5%	3.8%	2.7%	2.5%	3.9%	4.0%	3.6%
Two	49.7%	52.0%	54.1%	55.5%	53.7%	60.5%	61.0%	62.5%	64.9%	64.2%
Three	46.3%	44.2%	41.5%	40.3%	41.5%	36.4%	36.1%	32.8%	30.6%	31.2%
Four/Five	0.9%	0.8%	0.9%	0.7%	1.0%	0.4%	0.5%	0.9%	0.5%	0.9%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Table 3 Percentage of eligible children receiving CSG by household characteristics

	GHS2003	GHS2004	GHS2005	GHS2006	GHS2007
Gender of household head					
Male	26.6%	37.4%	40.4%	45.1%	43.4%
Female	27.4%	38.4%	40.9%	46.2%	59.3%
Race of household head					
Black	30.8%	43.0%	45.5%	51.1%	57.4%
Coloured	16.0%	24.1%	25.0%	26.6%	31.9%
Indian	2.3%	5.8%	12.6%	16.6%	10.0%
White	0.8%	0.3%	0.8%	0.8%	2.0%
Highest educational attainment of household head					
No schooling	32.4%	44.6%	47.0%	56.1%	63.3%
Incomplete prim.	31.8%	43.6%	47.9%	53.5%	59.5%
Incomplete sec.	28.4%	40.9%	43.6%	48.1%	55.8%
Matric	14.2%	24.3%	26.3%	27.2%	31.1%
Matric + Cert/Dip	10.6%	11.1%	12.2%	10.3%	14.6%
Degree	4.0%	3.4%	2.9%	5.4%	2.6%
Marital status of household head					
Married	24.7%	34.2%	36.5%	40.8%	45.3%
Widow/Widower	30.8%	42.1%	46.8%	53.6%	59.0%
Divorced/Separated	28.4%	42.7%	43.7%	47.7%	47.8%
Unmarried	31.9%	46.1%	46.8%	52.2%	63.0%
Age of household head					
Under 18 years	9.9%	37.2%	23.7%	27.3%	65.5%
18-24 years	28.0%	45.7%	43.0%	46.5%	52.2%
25-34 years	23.4%	33.6%	41.7%	45.0%	50.2%
35-44 years	24.1%	34.6%	35.4%	40.6%	46.1%
45-54 years	29.4%	40.3%	41.2%	45.4%	49.7%
55-64 years	31.1%	42.0%	43.3%	49.0%	55.1%
65+ years	29.8%	39.5%	45.1%	52.9%	59.8%
Number of generations in the household					
One	29.7%	41.7%	38.2%	42.3%	52.4%
Two	23.3%	34.2%	37.2%	41.8%	46.9%
Three	32.0%	42.7%	46.4%	52.5%	58.4%
Four/Five	45.2%	51.7%	40.9%	52.8%	53.3%

Table 4 Labour market characteristics of the recipients and non-recipients of CSG

	Eligible age + received CSG					Eligible age + did NOT receive CSG				
	GHS 2003	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**	**GHS 2003**	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**
Broad employment status of household head										
Not part of LF	41.5%	41.0%	41.9%	41.5%	42.0%	32.8%	34.5%	32.1%	31.0%	28.8%
Employed	35.9%	36.0%	35.8%	36.2%	37.4%	52.0%	52.7%	54.6%	55.8%	60.1%
Unemployed	22.6%	23.0%	22.4%	22.3%	20.7%	15.2%	12.8%	13.3%	13.2%	11.2%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Number of employed in the household										
Mean	0.68	0.68	0.67	0.69	0.74	0.95	1.00	1.03	1.04	1.16
Std Dev.	0.84	0.83	0.83	0.83	0.88	0.90	0.92	0.93	0.92	0.96
Number of narrow unemployed in the household										
Mean	0.63	0.58	0.60	0.59	0.54	0.51	0.50	0.41	0.45	0.41
Std Dev.	0.99	0.93	0.94	0.94	0.92	0.94	1.00	0.79	0.90	0.83
Number of broad unemployed in the household										
Mean	1.28	1.22	1.18	1.08	1.04	1.00	0.96	0.82	0.79	0.73
Std Dev.	1.29	1.22	1.18	1.10	1.13	1.21	1.32	1.09	1.06	1.03

Table 5 Living conditions of grant recipients

	Eligible age + received CSG					Eligible age + did NOT receive CSG				
	GHS 2003	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**	**GHS 2003**	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**
Dwelling type[#]										
Formal	67.2%	64.0%	60.1%	63.8%	63.0%	72.5%	70.9%	71.1%	76.2%	76.2%
Informal	32.8%	36.0%	40.0%	36.2%	37.0%	27.5%	29.1%	28.9%	23.8%	23.8%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Number of persons per room (Excluding bathrooms and toilet)										
Mean	1.94	1.90	2.05	1.96	1.99	1.75	1.70	1.71	1.64	1.68
Std Dev.	1.28	1.31	1.41	1.40	1.38	1.25	1.32	1.28	1.29	1.35
Water access										
Piped (Tap) water in dwelling	15.9%	14.4%	15.9%	16.6%	18.8%	35.5%	37.6%	39.4%	42.6%	46.3%
Piper (Tap) water on site or in yard	31.9%	33.1%	31.6%	32.7%	32.4%	24.3%	22.9%	23.9%	25.0%	25.0%
Public tap	24.6%	23.0%	25.1%	24.9%	26.4%	16.0%	15.9%	16.8%	14.9%	13.6%
Others	27.6%	29.4%	27.4%	25.8%	22.4%	24.2%	23.6%	20.0%	17.5%	15.1%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Sanitation										

Flush/Chemical toilet	31.1%	29.1%	31.1%	30.9%	33.5%	47.2%	49.2%	52.8%	55.9%	60.0%
Pit latrine with / without ventilation	49.9%	53.5%	51.4%	52.8%	52.1%	39.4%	37.1%	35.5%	35.1%	32.2%
Bucket toilet/None	19.0%	17.4%	17.5%	16.3%	14.4%	13.4%	13.7%	11.8%	9.0%	7.9%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Fuel for cooking										
Electricity/Solar	33.8%	35.2%	37.4%	41.1%	46.0%	51.7%	53.9%	57.5%	63.2%	67.4%
Paraffin	17.4%	17.5%	18.5%	17.2%	14.2%	12.9%	12.3%	12.3%	10.8%	8.5%
Wood	41.6%	41.2%	36.6%	34.5%	33.2%	30.0%	29.0%	24.6%	21.0%	19.0%
Others/None	7.2%	6.2%	7.5%	7.3%	6.7%	5.4%	4.9%	5.6%	5.1%	5.1%
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Refuse removal										
Removed at least once a week	34.7%	32.8%	35.7%	35.6%	36.6%	48.0%	49.5%	53.3%	56.9%	60.3%
Removed less than once a week	0.7%	1.6%	1.4%	1.3%	1.7%	1.2%	1.5%	1.2%	1.5%	0.9%

Table 6 Household income and expenditure information by CSG acceptance status

	Contain at least 1 member in eligible age + at least 1 member received CSG						**Contain at least 1 member in eligible age + no one received CSG**					
	GHS 2002	**GHS 2003**	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**	**GHS 2002**	**GHS 2003**	**GHS 2004**	**GHS 2005**	**GHS 2006**	**GHS 2007**
Main income source of household												
Salaries/Wages	37.6%	35.8%	35.9%	37.0%	38.5%	41.7%	59.8%	61.3%	62.8%	68.5%	69.5%	75.0%
Remittances	17.3%	19.2%	18.7%	13.4%	12.4%	11.8%	14.1%	14.2%	12.0%	10.4%	9.4%	7.7%
Pensions/Grants	37.4%	36.6%	38.0%	43.4%	44.0%	42.0%	18.1%	17.9%	18.4%	14.9%	16.3%	12.9%
Sales of farm products	1.4%	1.1%	0.9%	0.9%	1.4%	1.1%	1.0%	0.7%	1.0%	0.8%	1.0%	1.0%
Other non-farm income	5.0%	6.2%	6.1%	4.5%	2.8%	2.6%	5.1%	4.1%	4.8%	3.7%	2.4%	1.8%
No income	1.2%	1.2%	0.4%	0.8%	0.8%	0.8%	1.9%	1.9%	0.9%	1.7%	1.4%	1.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Monthly household expenditure (Rand, nominal values)												
R0-R399	37.2%	31.3%	21.6%	23.3%	22.0%	13.6%	27.6%	21.5%	12.8%	11.7%	10.0%	7.2%
R400-R799	38.2%	38.1%	39.6%	39.5%	40.0%	37.4%	30.8%	27.7%	24.3%	21.7%	21.7%	18.0%
R800-R1199	12.5%	17.6%	20.0%	19.0%	21.5%	25.1%	13.5%	15.3%	13.8%	13.0%	15.8%	14.0%
R1200-R1799	6.7%	6.6%	10.4%	10.1%	9.1%	13.8%	7.8%	8.9%	11.8%	12.2%	12.7%	12.8%
R1800-R2499	2.7%	3.5%	4.6%	4.5%	3.9%	5.4%	5.8%	6.2%	8.4%	9.1%	9.2%	10.0%
R2500-R4999	2.2%	2.4%	3.2%	2.8%	2.9%	3.9%	7.6%	9.9%	14.6%	16.7%	14.5%	17.5%
R5000-R9999	0.5%	0.5%	0.5%	0.8%	0.5%	0.6%	4.8%	7.0%	10.0%	10.8%	10.9%	13.9%
R10000+	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	2.1%	3.5%	4.2%	4.8%	5.2%	6.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%