CHILDHOOD VULNERABILITIES in South Africa

Some Ethical Perspectives

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CHAPTER 9

REFLECTIONS ON THE EFFECTIVENESS OF CHILD SUPPORT GRANTS

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INTRODUCTION

South Africa’s unusually large social assistance system annually transfers some 3% of the country’s gross domestic product (GDP) to the poor as cash grants.¹ The child support grant (CSG) programme is one of the cornerstones of this system. Government spending on this programme exceeds 1% of South Africa’s GDP, and, in March 2019, nearly 70% of the 17.8 million grants disbursed in South Africa were CSGs (South African Social Security Agency 2019:18).

The premise of this chapter is that a humane society should maintain safety net schemes to meet the basic needs of children and other vulnerable persons. Given the extent of poverty in South Africa and its severe effects on large numbers of children, this premise implies that measures, such as the CSG programme, are essential. Yet the same factors that make such interventions essential also underscore the necessity of ensuring their effectiveness. An appropriate criterion for assessing the effectiveness of the CSG programme is the degree to which its benefits to children are maximised. The design and implementation of the programme, as well as the usage of the funds by households, all influence its efficacy. In turn, the choices that manifest in these aspects of the programme reflect the beliefs of society about its obligations to poor children, those of policymakers about the requisites and agency of the poor, and those of caregivers about the needs of children and the role of grant money within household budgets. The salience of choices rooted in beliefs imparts a strong ethical slant to attempts to assess the effectiveness of the CSG programme.

The chapter proceeds with an overview of economic and social influences on the living conditions of South African children. This section highlights the high incidence of poverty in South Africa and its severe effects on children. Next, the chapter sketches the history

¹ According to the World Bank (2018:16), government spending on social assistance programmes in developing countries averages about 1.5% of GDP.
of the CSG programme and outlines its main characteristics. A review of empirical research into the effectiveness of CSGs follows. This section also identifies limitations of the programme. Against this backdrop, the final section offers broad suggestions for improving the CSG programme itself and for enhancing its effectiveness by means of changes to other policies that affect the living conditions and future prospects of children.

THE LIVING CONDITIONS OF SOUTH AFRICAN CHILDREN

Table 1, which shows data from the Living Conditions Survey (LCS) 2014/15, confirms that poverty is rife in South Africa. In 2015, 13.8 million South Africans (that is, 25.2% of the population) earned less than the equivalent of R6 456 in April 2019 prices – the minimum amount needed to purchase enough food to remain in adequate health. The incomes of fully 21.9 million persons (40.0% of the South African population) fell short of the equivalent of R9 468 in April 2019 prices, which meant that they had to sacrifice food to purchase essential non-food items. Well over half of the population – a total of 30.4 million persons – earned less than the equivalent of R14 520 in April 2019 prices. These South Africans could not purchase adequate volumes of essential food and non-food items.
Table 1: Measures of income poverty in South Africa (2015)

<table>
<thead>
<tr>
<th>Poverty lines (Rands per person per annum)*</th>
<th>Millions of persons</th>
<th>Per cent of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food poverty line (R6 456)**</td>
<td>13.8</td>
<td>25.2</td>
</tr>
<tr>
<td>Lower-bound poverty line (R9 468)**</td>
<td>21.9</td>
<td>40.0</td>
</tr>
<tr>
<td>Upper-bound poverty line (R14 520)**</td>
<td>30.4</td>
<td>55.5</td>
</tr>
</tbody>
</table>


**Notes: The poverty line amounts in the Statistics South Africa report were adjusted to April 2019 values using Table B.1 and B.2 in Statistics South Africa (2019a:5).

**Statistics South Africa (2017:7a) described the three poverty lines as follows: “Stats SA employed an internationally recognised approach – the cost-of-basic-needs approach – to produce three poverty lines, namely the food poverty line (FPL), the lower-bound poverty line (LBPL), and the upper-bound poverty line (UBPL) … The FPL is the rand value below which individuals are unable to purchase or consume enough food to supply them with the minimum per-capita-per-day energy requirement for adequate health. The LBPL and UBPL are derived using the FPL as a base, but also include a non-food component. Individuals at the LBPL do not have command over enough resources to purchase or consume both adequate food and non-food items and are, therefore, forced to sacrifice food to obtain essential non-food items. Meanwhile, individuals at the UBPL can purchase both adequate levels of food and non-food items.”

It is well known that South Africa has one of the most unequal distributions of income of all countries. The summary of the South African income distribution in Table 2 underscores the extent of poverty. The figures in this table are also based on the findings of the LCS 2014/15; as such, they reflect the situation in 2015, but all amounts are inflated to April 2019 values.
Table 2: The distribution of income in South Africa (2015)

<table>
<thead>
<tr>
<th>Income decile</th>
<th>Average annual income (Rand)</th>
<th>Per cent of total income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Poorest)</td>
<td>7 661</td>
<td>0.6</td>
</tr>
<tr>
<td>2</td>
<td>19 818</td>
<td>1.1</td>
</tr>
<tr>
<td>3</td>
<td>30 219</td>
<td>1.5</td>
</tr>
<tr>
<td>4</td>
<td>42 832</td>
<td>2.1</td>
</tr>
<tr>
<td>5</td>
<td>57 152</td>
<td>2.9</td>
</tr>
<tr>
<td>6</td>
<td>79 216</td>
<td>4.1</td>
</tr>
<tr>
<td>7</td>
<td>114 393</td>
<td>6.0</td>
</tr>
<tr>
<td>8</td>
<td>177 953</td>
<td>9.7</td>
</tr>
<tr>
<td>9</td>
<td>315 278</td>
<td>18.1</td>
</tr>
<tr>
<td>10 (Richest)</td>
<td>841 419</td>
<td>53.9</td>
</tr>
</tbody>
</table>


Note: * This column contains average household incomes adjusted to April 2019 values using Table B.1 and B.2 in Statistics South Africa (2019b:5).

It transpires from Table 2 that only households in the four richest deciles had average incomes of R100 000 or more per annum in April 2019 prices. In fact, the average annual income of the richest decile of households was almost 110 times that of households in the poorest decile, 42 times that of households in decile 2 and almost 28 times that of households in decile 3. Whereas 53.9% of total household income accrued to the richest 10% of households, the income share of the poorest 50% of households was a mere 8.2%.

Figure 1 shows that the high incidence of poverty severely affects South African children: The LCS 2014/15 revealed that the portions of children living in poverty were higher than those of adults irrespective of the choice of poverty line. It is alarming to note that two-thirds of all children in South Africa then lived in households that were unable

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2 Statistics South Africa (2018:28) classify everyone aged 0-17 years as children.
to afford adequate volumes of essential food and non-food items. In fact, the households in which fully one-third of children lived in 2015 could not even purchase enough food to remain in adequate health.


Figure 1–The incidence of poverty among South African children (2015)

The high incidence of poverty among children reflects their status as non-economically active dependents, as well as characteristics of the households in which they live. The majority of South African children live in large households with too few employed persons to generate enough income to escape poverty. In 2015, fully 71.4% of children lived in households with five or more members (Statistics South Africa 2018:29). Only 35.9% of the households with children had two employed persons, while 33.7% had one and 30.4% had none (Statistics South Africa 2018:29). The effect of large dependency burdens was clearly visible in child poverty figures for 2015: Whereas 23.1% of children in households with fewer than three members lived below the lower-bound poverty line, fully 70.4% of children in households with seven or more members lived below the LBP (Statistics South Africa 2018:31).
The link between the extent of poverty and household size is similar for the food poverty line and the upper-bound poverty line.3

Poor labour market outcomes, as well as the erosion of family structures, contribute to high dependency burdens and inadequate incomes to escape poverty. While total employment increased from 9.5 million in 1995 to 16.4 million in September 2019 (Festus et al. 2016:587; Statistics South Africa 2019c:1), the labour force expanded much faster. Hence, the number of unemployed individuals increased over the same period from 2 million (17.6% of the labour force) to 6.7 million (29.1% of the labour force) (Festus et al. 2016:587; Statistics South Africa 2019c:1). As pointed out by Blaauw (2017:350), many workers in informal employment also struggle to support their dependents because they earn low or irregular incomes. Turning to family structures, only 32.9% of South African children lived with both their biological parents in 2015, while 41.4% lived with their biological mothers and 3.8% with their biological fathers (Statistics South Africa 2018:44). The remaining 21.9% of children lived in households in which neither of their biological parents were present. This rupturing of traditional family structures is one of the main reasons why so few children live in households with two or more income earners.

Table 3 shows the proportions of South African children who lack access to important facilities and public services. The South African Government has markedly expanded access to most of these facilities and services since the political transition in 1994 (see South Africa 2019). Nonetheless, it is clear from the table that the deprivation suffered by many South African children extends beyond inadequate financial resources.

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3 It should not be inferred from this connection that a preference for many children is a major cause of household poverty in South Africa. Many large households are not made up of nuclear families; instead, they consist of members of extended families who live together to share resources (including social assistance grants) and reduce some living expenses.
Table 3: South African children’s access to facilities and public services (2015)

<table>
<thead>
<tr>
<th>Facility or service</th>
<th>Percent without full access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal housing</td>
<td>22.1</td>
</tr>
<tr>
<td>Electricity for lighting</td>
<td>7.9</td>
</tr>
<tr>
<td>Piped water in dwelling</td>
<td>24.1</td>
</tr>
<tr>
<td>Flush toilet in the dwelling or the yard</td>
<td>49.7</td>
</tr>
<tr>
<td>Refuse removal</td>
<td>50.5</td>
</tr>
<tr>
<td>Medical aid</td>
<td>87.6</td>
</tr>
<tr>
<td>Medical clinic within 2 km of dwelling</td>
<td>49.6</td>
</tr>
<tr>
<td>Early childhood development programme</td>
<td>61.6</td>
</tr>
<tr>
<td>Safe play areas</td>
<td>65.1</td>
</tr>
</tbody>
</table>


The statistics presented in this section emphasise the importance of policy interventions that can improve the living conditions of South African children by providing them with financial resources, facilities and other public services. This reality is a vital aspect of the context within which the effectiveness of the CSG programme should be assessed.

HISTORY AND EVOLUTION OF THE CHILD SUPPORT GRANT

The CSG programme was introduced in April 1998 to replace the State Maintenance Grant (SMG), which had been in existence since the 1930s. The SMG dated from a time when the social security system was designed around the needs of whites and was based on a household structure model of nuclear families with formal marriage in which fathers were breadwinners and mothers primarily homemakers and child-rearers (Lund 2007:22). Hence, the SMG was targeted at
a well-defined group of vulnerable persons. Woolard, Harttgen and Klasen (2011) state:

The State Maintenance Grant was intended for a parent or guardian living with a child under 18 if the applicant was unmarried, widowed or separated; had been deserted by their spouse for more than 6 months; had a spouse who received a social grant; or had a spouse who had been in prison, a drug treatment centre or a similar institution for more than 6 months. Applicants had to prove that they had made efforts to apply for private maintenance from the other parent but had been unsuccessful in doing so. There were limitations not only on non-parent receipt of the grant, but also on eligibility with regard to children born outside of marriage. (p. 362)

The SMG was means-tested and had two components: A parent allowance and a child allowance. The grant was relatively generous (Lund 2007:15). In July 1995, for example, the parent allowance amounted to R410 per month at current prices and the child allowance to R127 (R537 in July 1995 prices was the equivalent of R2 075 in April 2019 prices). Hence, the total value of a SMG exceeded the R410 of the grants to elderly and disabled persons, which were the two biggest social assistance programmes at the time. The coverage of the programme was limited, though: According to Lund (:16), some 200 000 women and a similar number of children received SMGs or the equivalent grants disbursed in the so-called homelands in the early 1990s (:16). Only one out of every 1 000 white children then received an SMG, largely because the means test excluded most white families from eligibility (:16). Access was much more widespread among coloureds and Indians – in the early 1990s, roughly 50 out of every 1 000 coloured children and 40 out of every 1 000 Indian children received such grants – but the underdeveloped nature of similar programmes in the homelands and feeble enrolment efforts elsewhere in South Africa limited access among African children to 14 out of every 1 000 (:16).
When the various welfare administrations were merged and apartheid-era discrimination in access to social assistance was eliminated, it transpired that expansion to all eligible children probably would have raised the cost of the SMG programme twenty-fold (Woolard et al. 2011:362). Such a large increase would not have been affordable. It was against this backdrop that the Government appointed the Lund Committee in 1995 to assess the prevailing system and to recommend other options to assist needy children and families. The Committee’s 1996 report recommended the creation of a child-focused programme with much wider coverage but smaller grant amounts. This proposal was the basis for the introduction of the CSG.

At the time of its introduction, the CSG amounted to R100 per month – the equivalent of R319 in April 2019 prices. Since the inception of the programme, the grant has been disbursed to the qualifying child’s primary caregiver, who must be a South African citizen, permanent resident or refugee. The CSG initially was available only to children younger than seven years, and eligibility was determined by a means test based on total household income, presentation of various documents and demonstration of efforts to secure other forms of funds. The onerous nature of these requirements contributed to the slow initial take-up rate depicted in Figure 2. In response to this, the Government abolished some requirements that still linked eligibility for the CSG to family structure and relaxed the means test by linking it to the income of the primary caregiver and his or her spouse (instead of that of the beneficiary’s entire household) (Lund 2007:74-75; Woolard et al. 2011:363). In addition, eligibility was expanded in a step-wise manner to children under the ages of nine (2003), 11 (2004), 14 (2003-2005), 15 (2009) and 18 (2010-2012) (Williams 2007:8; Patel & Plagerson 2016:40). The expansion to children under the age of 18 was accompanied by a further relaxation of the means test. The

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For the purposes of the means test, caregivers had to submit wage certificates for themselves and their spouses, proof of receipt of private pensions, proof (in the form of bank statements) of cash investments, and affidavits with proof of household income. In addition, they had to present identification documents and photos, confirmation of the biological parents’ consent to applicant’s status as primary caregivers, and birth certificates and clinic cards of the child beneficiaries. Lund (2007:72-78) provided a detailed discussion of these requirements and their effects.
outcome of these measures was a sharp increase in the take-up of the CSG from almost 1.3 million in 2002 to almost 9.6 million in 2010 (see Figure 2). Although the rate of growth has slowed notably since then, disbursements reached 12.2 million in 2018. This implied that about 62% of South African children under the age of 18 received a CSG.5

The Government has regularly increased the amount of the CSG to compensate for the eroding effect of inflation. At the time of writing this (February 2020), the grant amounts to R425 per month. Hence, the increase from the initial amount of R100 per month represented real growth in its buying power: If the CSG merely had increased with the consumer price index, it would have amounted to R324 in November 2019. In combination, these adjustments to the amount of the grant and growth in the number of beneficiaries caused a marked increase in government expenditure on CSGs (see Figure 3). Such spending grew from R1.4 billion in 2001 to R55.8 billion in 2018. This represented an increase from 0.14% of GDP to 1.18%, with a marked slowdown from 2010 onwards. Several economists have argued that the CSG programme (and, indeed the social grant system as a whole) is affordable in its current form, but have added that further expansion would be unwise from a fiscal sustainability point of view (Leibbrandt & Woolard 2010:28-29; Van der Berg & Siebrits 2010:8-13; Woolard et al. 2011:372-374).

5 This ratio is based on the 2018 child population figure of 19 741 000 in Hall (2019:216).

Figure 2: Growth in the disbursement of child support grants (1999-2018)


Figure 3: Government spending on child support grants (2001-2018)
As was stated earlier, the means test formula that determines eligibility for the CSG was changed soon after the inception of the programme and again in 2010. In addition, the cut-off amount has been adjusted regularly to compensate for inflation. In the 2019/20 fiscal year, disbursement of CSGs was restricted to single caregivers who earned less than R50 400 per annum and married caregivers who earned less than R100 800 per annum (National Treasury 2019:351). Although the eligibility requirements have been relaxed, caregivers must still provide identity documents and proof of their caregiver status and income, as well as birth certificates for the child beneficiaries. In 2010, the Government introduced the further requirement that caregivers should annually submit school attendance certificates for child beneficiaries between the ages of seven and 18. However, it was clear from the outset that disbursement of the grant would not be jeopardised if children fail to attend school or if the caregivers do not submit such certificates. The absence of a mechanism to force caregivers to ensure that children regularly attend school has rendered the condition weak.

**THE EFFECTIVENESS AND LIMITATIONS OF THE CSG PROGRAMME**

The previous section of this chapter stated that the CSG programme disbursed R55.8 billion – the equivalent of 1.18% of South Africa’s GDP – in 2018. Fiscal incidence studies have established that all the grant programmes are well targeted at poor households: The means tests are effective at preventing large-scale leakage of grant money to higher-income groups (Maboshe & Woolard 2018:10-12). The purpose of this section is to discuss the effectiveness of the CSG programme, which has to do with the extent to which it benefits children in poor households, the forms such benefits take, and its limitations. To this end, the section surveys the large body of empirical research into these issues.

The extent to which children benefit from cash transfers depends on the choices of the adults who receive and spend the money on their
behalf. Caregivers could spend CSG money on the needs of children or use it for their own ends, which might range from luxuries and ‘sin goods’ (such as alcoholic beverages, tobacco products and lottery tickets) to the transport costs of job-search activities. Several studies (Bengtsson 2012; d’Agostino, Scarlato & Napolitano 2017; Delany et al. 2008; Goldblatt 2006; Khosa & Kaseke 2017; Patel et al. 2011; Samson et al. 2004; Vorster & De Waal 2008; Williams 2007) have analysed the self-reported spending patterns of households that receive CSGs. None has reported evidence of large-scale squandering of grant money. The recurring finding of these studies has been that households pool the funds with other sources of income (e.g. wages, old-age grants and remittances) and mainly buy food, clothing, transportation services, heating and other basic items needed by children and adults. To be sure, such income pooling implies that the grants are not spent solely on the needs of children. Very poor households, however, literally cannot afford not to share their few steady sources of income, such as monthly grants.

At least some caregivers are likely to underreport the extent to which they use CSG money to buy luxuries, ‘sin goods’ and entertainment. This likelihood raises doubts about the reliability of survey findings regarding the spending of grant money. The credibility of these findings is enhanced by other research findings, though. For one thing, the consumption patterns reported by CSG-receiving households are very similar to those for all lower-income households in official publications of Statistics South Africa. Table 4, which contains statistics from the LCS 2014/15, confirms this: households in the four poorest deciles reported that four categories of spending (food and non-alcoholic beverages; housing, water, electricity, gas and other fuels; transport services; and clothing and footwear) accounted for more than 75% of their total consumption expenditure.

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6 Research on the usage of the old-age grant in South Africa (e.g. Case & Deaton 1998) and various cash transfers available in other countries (e.g. Evans & Popova 2017) has yielded similar findings.

7 The table also shows the more varied average consumption pattern of the richer households in the ninth decile.
expenditure share of alcoholic beverages, tobacco and narcotics by households in these deciles was about 2%.

Table 4: The composition of spending by selected groups of South African households (2013/14)

<table>
<thead>
<tr>
<th>Expenditure category</th>
<th>Percentages of total expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Decile 1</td>
</tr>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>31.1</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>8.0</td>
</tr>
<tr>
<td>Housing, water, electricity, gas and other fuels</td>
<td>29.0</td>
</tr>
<tr>
<td>Transport</td>
<td>11.8</td>
</tr>
<tr>
<td>Alcoholic beverages, tobacco and narcotics</td>
<td>2.2</td>
</tr>
<tr>
<td>Furnishings, household equipment and routine house maintenance</td>
<td>3.0</td>
</tr>
<tr>
<td>Health</td>
<td>0.9</td>
</tr>
<tr>
<td>Communication</td>
<td>5.0</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>1.4</td>
</tr>
<tr>
<td>Education</td>
<td>0.3</td>
</tr>
<tr>
<td>Restaurants and hotels</td>
<td>1.6</td>
</tr>
<tr>
<td>Miscellaneous goods and services</td>
<td>5.7</td>
</tr>
<tr>
<td>Other unclassified expenses</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
<tr>
<td>Subtotal (first four categories)</td>
<td>79.9</td>
</tr>
</tbody>
</table>

This evidence is not compelling, however, because it may be the case that poorer households routinely misreport their spending patterns, irrespective of whether surveys focus on their use of CSG money or other income sources. This makes it important to obtain direct evidence of the effects of CSGs on children. Hence, several studies have tried to establish whether receipt of CSGs improves the nutrition, health and educational outcomes of children. The very high take-up rate of the CSG in poor households have precluded quasi-experimental comparisons of recipients and non-recipients. Hence, most of these studies have compared children of similar ages that had been receiving CSGs for different periods of time.\(^8\) Agüero, Carter and Woolard (2007), d’Agostino et al. (2017) and Patel et al. (2018) found that longer receipt of CSGs improved food security in poor households, as well as the nutrition of resident children. Moreover, height-for-age scores suggested that the physical development of children was enhanced by these and other benefits of longer-term access to CSG money (Coetzee 2013; Delany et al. 2008).\(^9\) Enrolment in the CSG programme at a very young age also has been linked positively to regular school attendance, better grades and a stronger likelihood of attaining higher levels of schooling (Coetzee 2013; Eyal & Woolard 2013; Patel et al. 2018).

Misuse of cash transfer programmes can also take the form of undesirable behavioural changes to become or remain eligible for payments. On this score, many South Africans have expressed concern about the possibility that large numbers of female caregivers (including adolescents) may have been having babies for the sole purpose of obtaining grant money (Makiwane 2010:201). While empirical research into this question remains scant, the available evidence is inconsistent with widespread behaviour of this nature. The declines in the total fertility rates of adult and adolescent South African women that had started in the 1980s and 1990s, respectively, did not stop...

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\(^8\) Such differences came about because some caregivers applied for grants sooner than others did when the CSG was introduced and whenever the eligibility age was raised.

\(^9\) The other benefits include reduced susceptibility to illness (see Heinrich et al. 2012).
or reverse after the introduction of the CSG (Branson, Ardington & Leibbrandt 2013:8-11; Makiwane 2010:195, 200).  

By international standards, however, the fertility rate among adolescent South African women remains high (Branson et al. 2013:21). Hence, it is notable that some studies have suggested that the CSG may be a mitigating factor. Rosenberg et al (2015), for example, reported that caregivers who receive CSGs were less likely than non-recipient mothers to have a second child soon after the first. In addition, Heinrich et al. (2012:93-101) found that female adolescents who lived in households receiving CSGs or who received such grants from a very young age were less likely to engage in sexual activity (especially with multiple partners) and to fall pregnant than their peers who no longer received CSGs or started receiving them later in their childhood years. By contrast, Cluver et al. (2013) did not find an association between receipt of a CSG and the likelihood of multiple sex partners. However, their survey in urban and rural areas of Mpumalanga and the Western Cape showed that female adolescents who live in CSG-receiving households were only half as likely to engage in transactional sex and one-third less likely to have sexual relationships with markedly older men than their peers living in non-recipient households. Grinspun (2016:48) offered an important possible explanation for these findings: “It appears that the grant reduces the economic pressure that can drive teenage girls to take risks regarding partner selection or limit their power to negotiate sex.”  

Studies of South Africa’s old-age pension scheme (e.g. Duflo 2003) and transfer programmes in other countries (e.g. Evans & Popova 2017) have suggested that women generally are more likely to spend cash benefits on the needs of children than men are. Although the rules of the CSG programme are gender-neutral, the vast majority of recipient caregivers are women (Patel, Knijn & Van Wel 2015:380).  

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10 Makiwane (2010:195) defines the total fertility rate as the “the number of children a hypothetical woman would have during her lifetime if she conforms to the current fertility rates of women in different reproductive age groups.” This implies that the teenage fertility rate is the “the number of births per 1 000 women aged 15-19 in a specified period of time” (Makiwane 2010:195).

11 A nationwide survey by Vorster and De Waal (2008), for example, found that 96% of the caregivers of CSG recipients were women.
This may well be one of the reasons for the positive outcomes discussed thus far in this section. Research has shown that the CSG has also contributed to the empowerment of female caregivers by lessening the indignity of extreme poverty, reducing their financial dependence on others (most notably their partners), strengthening their roles in decision making about the use of household resources and enabling them to be more involved in the day-to-care care of their children (see Granlund & Hochfeld 2020; Khosa & Kaseke 2017; Patel, 2012; Patel & Hochfeld 2011; Patel et al. 2015; Wright et al. 2015; Zembe-Mkabilea et al. 2015). These benefits are particularly important in a society characterised by high levels of gender inequality and gender-based violence.

In sum, a credible body of evidence suggests that the CSG programme is highly effective. The programme provides large amounts of cash to poor households with children and avoids extensive leakage to the affluent. Furthermore, caregivers generally use the money to the benefit of children and the programme has not given rise to substantial perverse behavioural responses. Instead, it has contributed to the empowerment of many female caregivers. These conclusions do not imply that no caregivers waste CSG money or that no one engages in undesirable behaviour to access grants. Such problems, however, do not seem serious enough to negate the positive effects of CSGs or to warrant a fundamental reconsideration of the programme. Having said this, it should be added that the CSG programme is not without limitations. The remainder of this section identifies some of these limitations, and the next section suggests some remedial reforms.

Perhaps the most obvious and serious limitation of the CSG programme is the small size of the grant. As was explained earlier, policymakers chose to make relatively small grants available to the largest possible number of children in poor households. The Government accepted the recommendation of the Lund Committee to base the amount of the grant on the cost of food for a child under the age of seven years, and drew on independent research to set its initial value at R100 per month (the equivalent of R319 per month in April 2019 prices) (Budlender 2018:95). According to Budlender (:95),
“Government acknowledged that food was not the only child-related cost but argued that the CSG should be regarded as part of a larger package of services.” While the grant has been increased regularly and has grown in real terms since its introduction, the basis of its determination was not changed as eligibility was expanded in steps to qualifying children up to the age of 18. Hence, it no longer suffices to cover even the food needs of many beneficiaries. In April 2017, for example, the CSG amounted to R380 per month – the equivalent of R415 per month or R4 974 per annum in April 2019 prices. Thus, it was markedly lower than April 2017 value of the food poverty line, which amounted to R6 951 per annum in April 2019 prices. The upper-bound poverty line, which probably was a more accurate yardstick of the cost of meeting all basic needs of adolescent CSG beneficiaries, then amounted to no less than R14 896 per annum.

In addition, a number of studies have identified other factors that undermine the effectiveness of the CSG programme. These factors are not directly related to the design of the programme, but influence its efficacy via the milieu within which the grants are used and by shaping the decisions of caregivers and children. Research has shown, for example, that the knowledge and skills of caregivers influence the effects of the grants on children. Heinrich et al. (2012:47-50) found that the positive effects of the CSGs on the height-for-age scores of children and the likelihood that they attend a pre-school were significantly higher if the mothers had eight or more years of schooling. They argued that this probably reflected the ability of better-educated mothers to make more effective use of cash grants. More recently, an analysis of data from the fourth and fifth waves of the National Income Dynamics Study (NIDS) suggested that receipt of the CSG does not enhance the physical growth of recipient children if the caregivers “… do not command the necessary financial knowledge to manage it for the benefit of children” (Von Fintel, Von Fintel & Buthelezi, 2019:12). Although their analysis could not identify

12 The NIDS questionnaire contained five questions that have been used in many countries to gauge the financial literacy of survey respondents. The following is an example of these questions: “Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the
specific mechanisms that link the financial literacy of caregivers to children’s physical development, Von Fintel et al. (2019:18) argued that it may have to do with the quality of diets: Financially literate mothers did not spend larger portions of their incomes on food that their non-financially literate peers did, which suggested that the improved child development outcomes probably reflected purchases of more nutritious fare.

Torkelson (2020) identified two further adverse consequences of the limited money management skills of some caregivers, namely a proclivity to fall prey to unscrupulous moneylenders and peddlers of other financial products. In 2012, the South African Government followed a trend in developing countries by linking cash transfers to measures to promote integration of the poor into the formal financial sector. To this end, it contracted a private company, Cash Paymaster Services (CPS, a subsidiary of Net1) to handle the disbursement of all social grants. CPS opened accounts for millions of grant recipients at Grindrod Bank, and issued them with smartcards that gave the company access to their full account histories. Using proprietary technology and its control over the bank accounts, CPS exploited caregivers’ unfamiliarity with electronic transactions and limited financial skills to establish lucrative subsidiaries that extended microloans, made various payments, and sold insurance and prepaid utility services (:5-9). The ability to deduct loan repayments and insurance premiums from recipients’ bank accounts made these businesses virtually risk-free to CPS. However, many caregivers became heavily indebted to the CPS subsidiaries and were forced to borrow more from other moneylenders that charged exorbitant interest rates and used abusive practices to ensure repayment. As Torkelson put it:

People effectively used their future social grant payments for present needs through credit, diminishing the value of their grant in upcoming months, and causing further consumption crises. The grant meant to be given to the most vulnerable people
for basic needs was transferred instead to a private corporation through the repayment of debts.\textsuperscript{13} (p. 9)

Aspects of this dispensation ended when the contract between the South African Social Security Agency and CPS expired in 2017. Yet many grant-receiving households remain heavily burdened by debts to formal and informal lenders (Torkelson 2020:9). Such indebtedness largely reflects the inability of their members to secure steady jobs in an economy experiencing very high levels of unemployment, but often is exacerbated by inadequate understanding of the consequences of excessive borrowing.

Research has suggested that non-programme factors also stymie some of the benefits of CSGs to children. Cluver et al. (2014) studied determinants of the HIV infection risk of South African adolescents. They found that the risk fell from 40\% among teenagers who received neither CSGs nor psychosocial support in the previous year to about 25\% among those who received a grant or school feeding. The incidence of risky behaviour dropped further to about 17\% among boys and girls who received grants, school feeding and positive parenting. In a related study, Cluver et al. (2016) reported further benefits from adding school-based care by counsellors and teachers to the package of measures supporting cash grants. The reported incidence of risky sex among boys exposed to the full package of measures – which the authors describe as “cash, care and classroom” – was 6\%, compared to 22\% among those with no such exposure. The corresponding figures for girls were 7\% and 15\%, respectively. Only 2\% of girls who received CSGs and free schooling reported engaging in sex for economic reasons, compared to 10\% of their peers who did not.

As was mentioned earlier, the environments within which caregivers and children live further undermine the effectiveness of CSGs. Combinations of material deprivation, poor living conditions, family disruption (reflecting factors, such as declining marriage rates,}

\footnote{While James (2014) showed that many low-income households in South Africa were heavily indebted to formal and informal lenders even before CPS assumed responsibility for the disbursement of social grants, Fanta et al. (2017) confirmed that their uptake of funeral insurance and credit products had increased markedly from 2012 onwards.}
migrant labour and HIV/Aids-related deaths, among others), family and neighbourhood violence, and deficient parenting skills often characterise these environments (see Hall & Richter 2018:29-30).

**SUGGESTIONS FOR IMPROVING THE CSG PROGRAMME**

The foregoing suggested two reforms that should make the CSG programme more effective: A significant increase in the size of the grants, and the introduction of other interventions that would increase the benefits to children by improving their living environments, their lifestyle choices, and the spending choices of caregivers. The first option seems unaffordable now in view of the scale of the programme and the precarious state of the public finances (see Burger & Calitz 2019). Indeed, its longer-term affordability would remain questionable even if the fiscal situation improves markedly – as was pointed out earlier, a threefold increase would be needed merely to raise the value of the CSG to the upper-bound poverty line.

Affordability considerations aside, the feasibility of the second option also would be inhibited by the limited capacity of the government to implement and administer such complementary programmes. However, it would be possible to introduce such programmes on a limited scale and expand them in line with the growth in budgetary resources and administrative capacity. It transpired in the previous section that programmes to improve the financial literacy and parenting skills of caregivers, as well as ones to provide psychosocial care to children should be core elements of such endeavours. When designing and implementing such interventions, policymakers should incorporate lessons from other programmes with similar objectives. The Sihleng’imizi programme (a family strengthening intervention for CSG beneficiaries and their families piloted in Johannesburg in 2017 by the University of Johannesburg’s Centre for Social Development in Africa) is an example of such an initiative (see Patel et al. 2019).
Thoughtful affluent persons know that it is inadequate to restrict efforts to help the less fortunate to small cash gifts. Such gifts enable poor persons to meet some of their short-term consumption needs, but cannot break the enduring shackles of poverty. This chapter has shown that the CSG programme effectively boosts the consumption spending of poor households, and at the same time improves the longer-term prospects of some children via positive effects on their learning abilities and health. The complementary programmes proposed in this section have the potential to significantly strengthen these benefits of CSGs. Ultimately, however, children living in poor households cannot attain comfortable standards of living unless they secure good jobs in a flourishing economy. Hence, it is deeply worrying that South Africa has an exceptionally poor education system (see Spaull 2015) and a badly underperforming economy characterised by one of the highest unemployment rates in the world. These realities prevent realisation of the rich potential of the CSG programme; in fact, they constrain many recipients’ prospects of securing decent livelihoods to such an extent that their grants assume the much diminished role of palliative handouts. Discussions of the poor performance of the South African education system and economy fall outside the scope of the chapter. Yet no one interested in improving the circumstances and prospects of South African children can afford to ignore the effects of these problems nor to deny the urgency of resolving them.


REFERENCES


REFERENCES


CHAPTER 10


