

Cash transfers in South Africa: their role in short-run poverty alleviation and human capital investment

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Objectives of cash transfer programmes

- *Short-run* effect on poverty through putting cash into poor households.
- *Long-run* poverty alleviation through investment in human capital (nutrition, health, education).

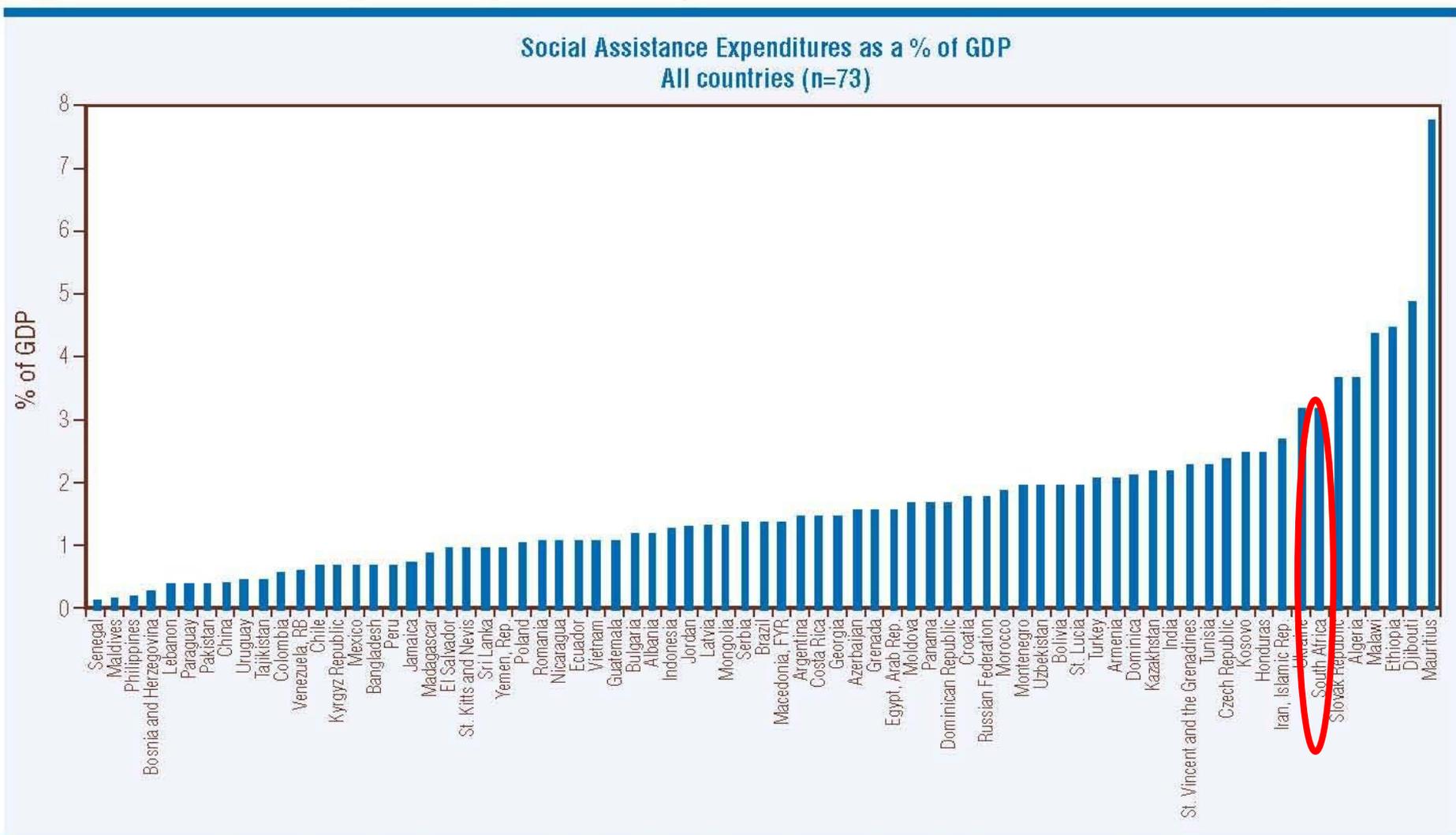
Social security in South Africa

Social insurance – Unemployment Insurance – is paid to about 207 000 individuals each month (about 5% of the unemployed). It is a contributory scheme and accounts for 0.2% of GDP

Social assistance – *unconditional* cash transfers – go to 14 million individuals (about 30% of the population) each month and accounts for 3.5% of GDP

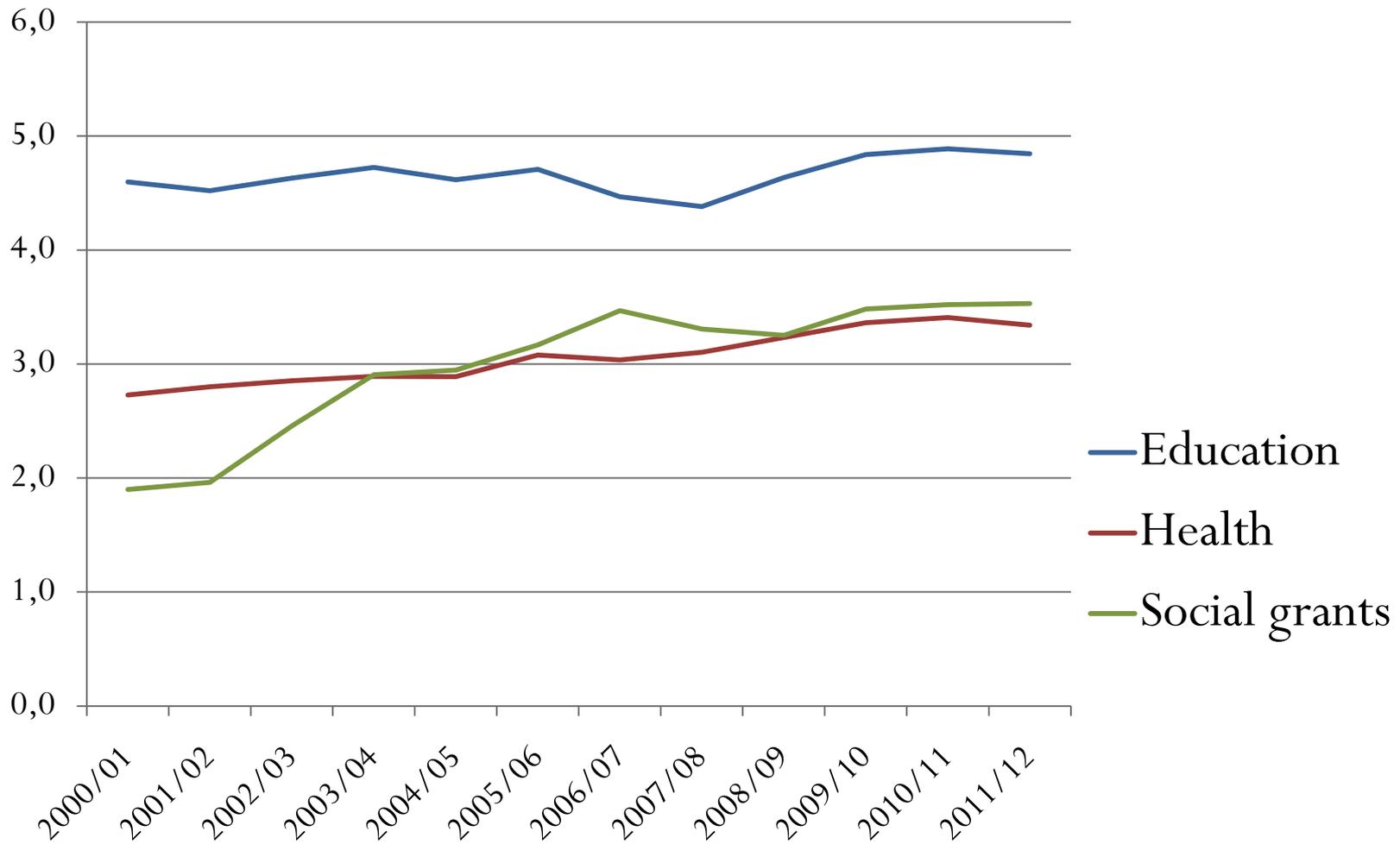
Targeted at vulnerable groups: the major grant types are the State Old Age Pension, the Disability Grant, the Child Support Grant and the Foster Care Grant.

Figure 1. Social Safety Net Expenditures (% GDP, Selected Countries and Years)



Sources: See Annexes from Weigand and Grosh (2008) for detailed sources for developing and transition countries, OECD 2004.

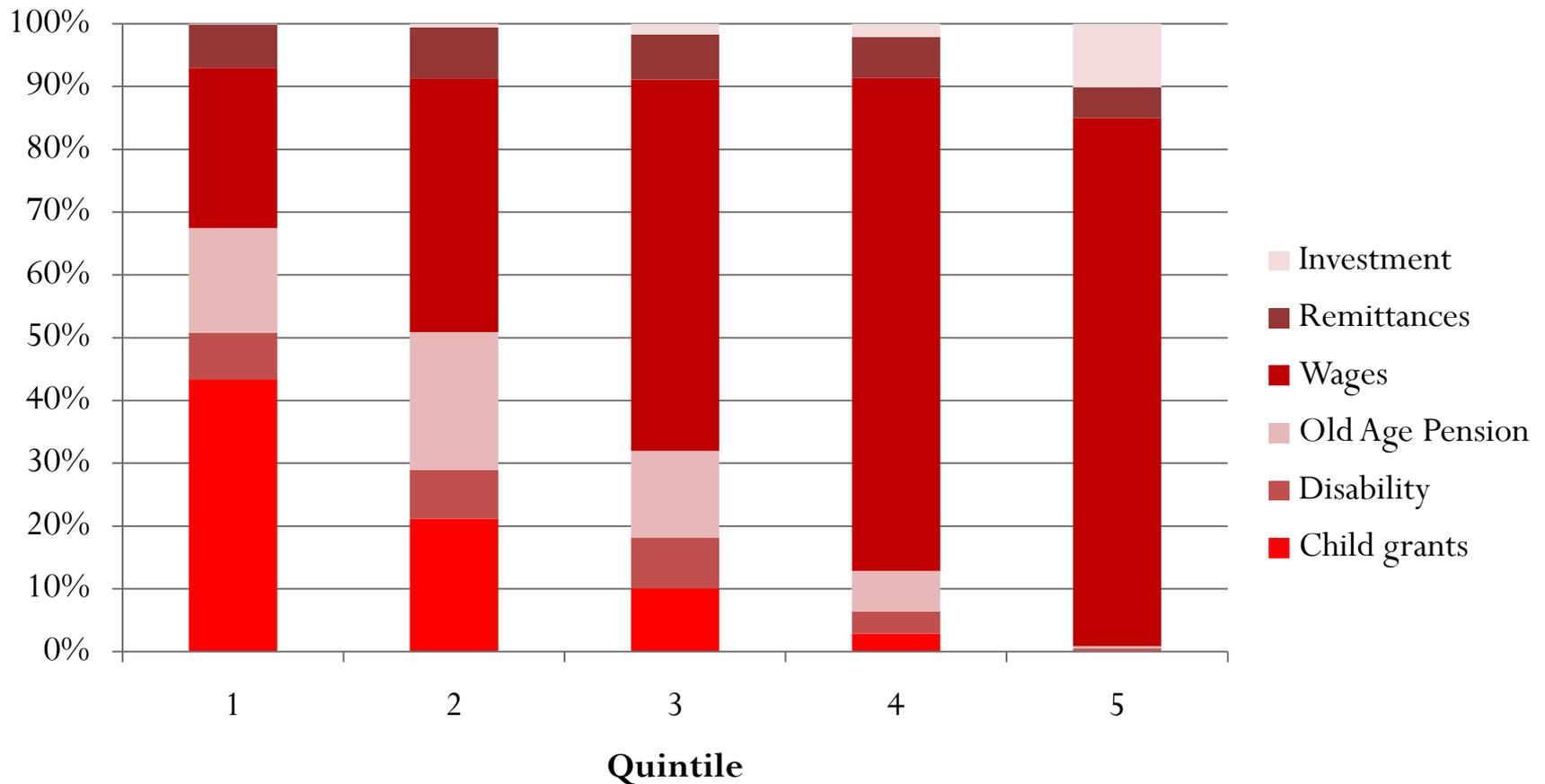
Spending on education, health and cash transfers



The size of the payments

- The Old Age Pension and Disability Grant are about PPP\$240 per month
- The Child Support Grant is about PPP\$55 per month
- Grants are means-tested – about 80% of the elderly and two-thirds of children are income eligible

Are the grants pro-poor?



Source: National Income Dynamics Study, 2008

% households reporting any grant income

Quintile	1997	2002	2003	2004	2005	2006
1	15.9	32.0	31.7	40.2	47.7	69.4
2	54.0	55.8	50.9	71.2	73.3	69.9
3	46.7	51.6	53.2	67.1	69.1	69.4
4	33.8	33.2	34.8	35.8	40.1	45.4
5	14.0	11.3	7.9	8.8	10.0	12.0
Total	32.9	36.8	32.0	38.6	45.5	55.2

Source: Own calculations using OHS (1997) and GHS (2002, 2003, 2004, 2005, 2006)

Poverty with and without grants

Poverty measures when cash transfers are included

Year	Poverty line PPP\$7			Poverty line PPP\$3.80		
	P0	P1	P2	P0	P1	P2
1993	0.72	0.66	0.49	0.56	0.57	0.40
2000	0.71	0.63	0.46	0.54	0.54	0.36
2008	0.70	0.63	0.46	0.54	0.52	0.34

Poverty measures when cash transfers are excluded

Year	Poverty line PPP\$7			Poverty line PPP\$3.80		
	P0	P1	P2	P0	P1	P2
1993	0.73	0.72	0.59	0.60	0.68	0.54
2000	0.72	0.69	0.55	0.57	0.64	0.50
2008	0.71	0.76	0.65	0.60	0.72	0.61

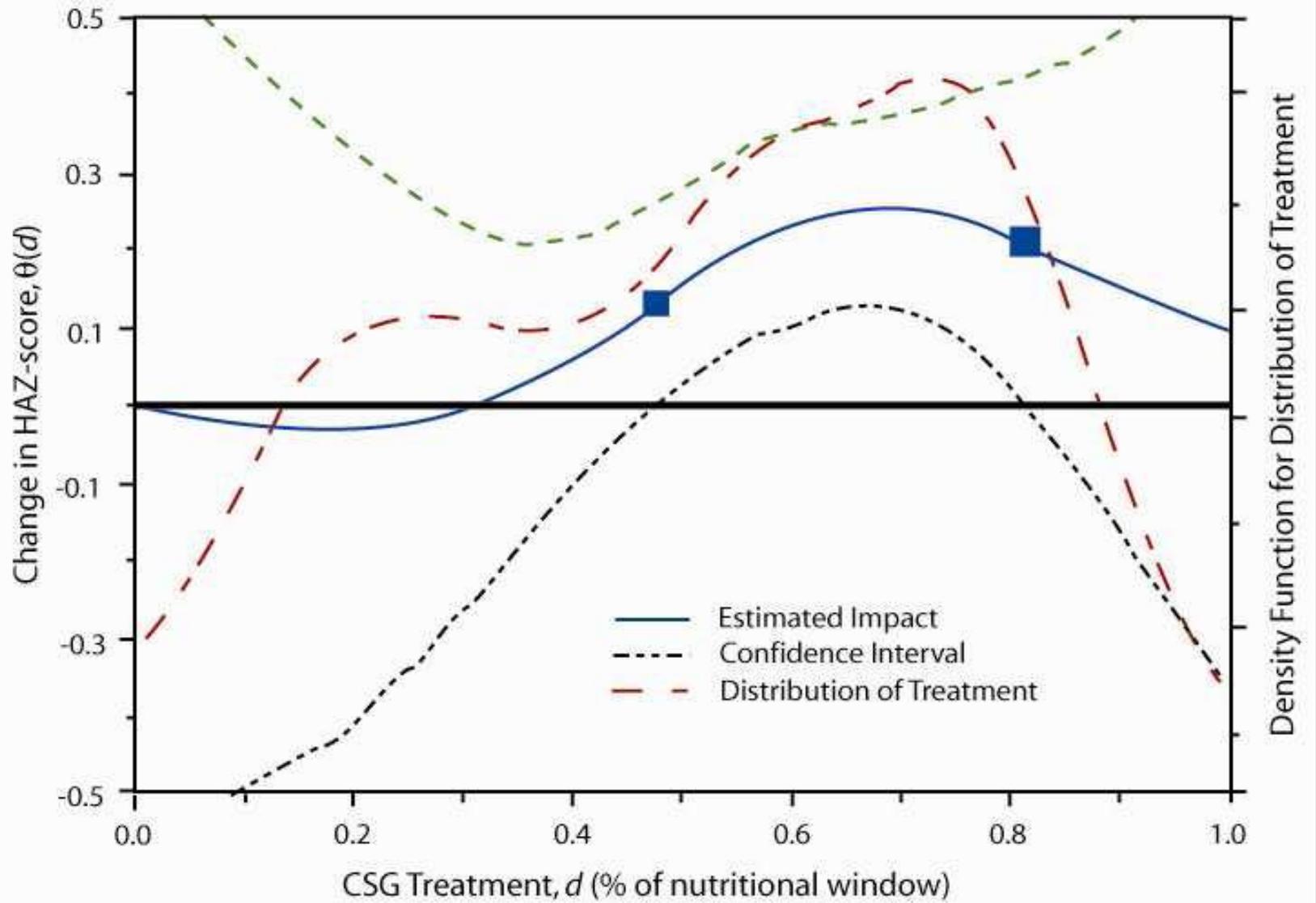
- Grant income does not change the headcount (p0) substantially.
- For p1 and p2 (depth of poverty) there is a marked improvement due to grants.
- This effect was especially strong between 2000 and 2008, coinciding with the roll-out of the Child Support Grant.

The Impact of Grants on Education

- Samson et al. (2001) find that pension receipt positively impacts on school attendance, particularly for girls.
- Hamoudi & Thomas (2005) find that children living with a pensioner have an average of a quarter year more schooling 5 years later on than those without.
- Case & Ardington (2006) find that the presence of a pensioner mitigates the negative effect of orphanhood on a child's enrolment and progression, but only if the pensioner is female.
- Boler & Timaeus (2006) find that receipt of the CSG mitigates the negative effect of orphanhood on older children ages 13-16.
- Case et al. (2005) find that receipt of the CSG increases 6 year old school enrolment by 8.1% and for 7 year olds by 1.8%

The Impact of Grants on Health

- Case (2001) finds that pension receipt improves the health not only of the pensioner, but of those living in the same household.
- Duflo (2000) finds that the presence of a female pensioner has positive health improvements for young girls but the presence of a male pensioner has no health benefits for young children.
- Agüero et al. (2008) find that receipt of the CSG in the first 36 months of life significantly improves the height-for-age ratio.



Source: IPC Working Paper Number 39

The Impact of Grants on Labour Participation

- Bertrand et al. (2000) find a reduction in working hours of members of working age when another household member reaches pensionable age. The reduction is greater for female pensioners, women tend to reduce their working hours less than men and eldest sons tends to reduce their working hours more than others.
- Posel et al. (2004) hypothesise that pension receipt provides the means to migrate, and/or the means for the pensioner to care for the children of the migrant. This result differs to Bertrand et al. due to the inclusion of non-resident household members.

Conclusion

- The extensive system of cash transfers in South Africa is
 - Pro-poor
 - Cost effective (although not discussed here)
 - Incentive compatible
 - Financially sustainable
- There is some evidence of longer-run impacts on investments in human capital, but cash transfers are not a silver bullet... need a comprehensive and coherent anti-poverty strategy that tackles poverty from all sides

Thank you for your time

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