Cash Transfers in South Africa

What do we know?

ABCDE 2 June 2010

Ingrid Woolard & Murray Leibbrandt
Southern Africa Labour and Development Research Unit
University of Cape Town

saldru
southern africa labour and development research unit

Stylized facts about CCTs

1. Reduce poverty and inequality
2. Help households break the intergenerational transmission of poverty by promoting child health, nutrition and schooling
3. Impact is enhanced by targeting women
4. Have small effects on labour force participation and fertility
5. Do not crowd out remittances
6. Conditionalities matter (?)
7. CCTs must be part of an integrated package of services

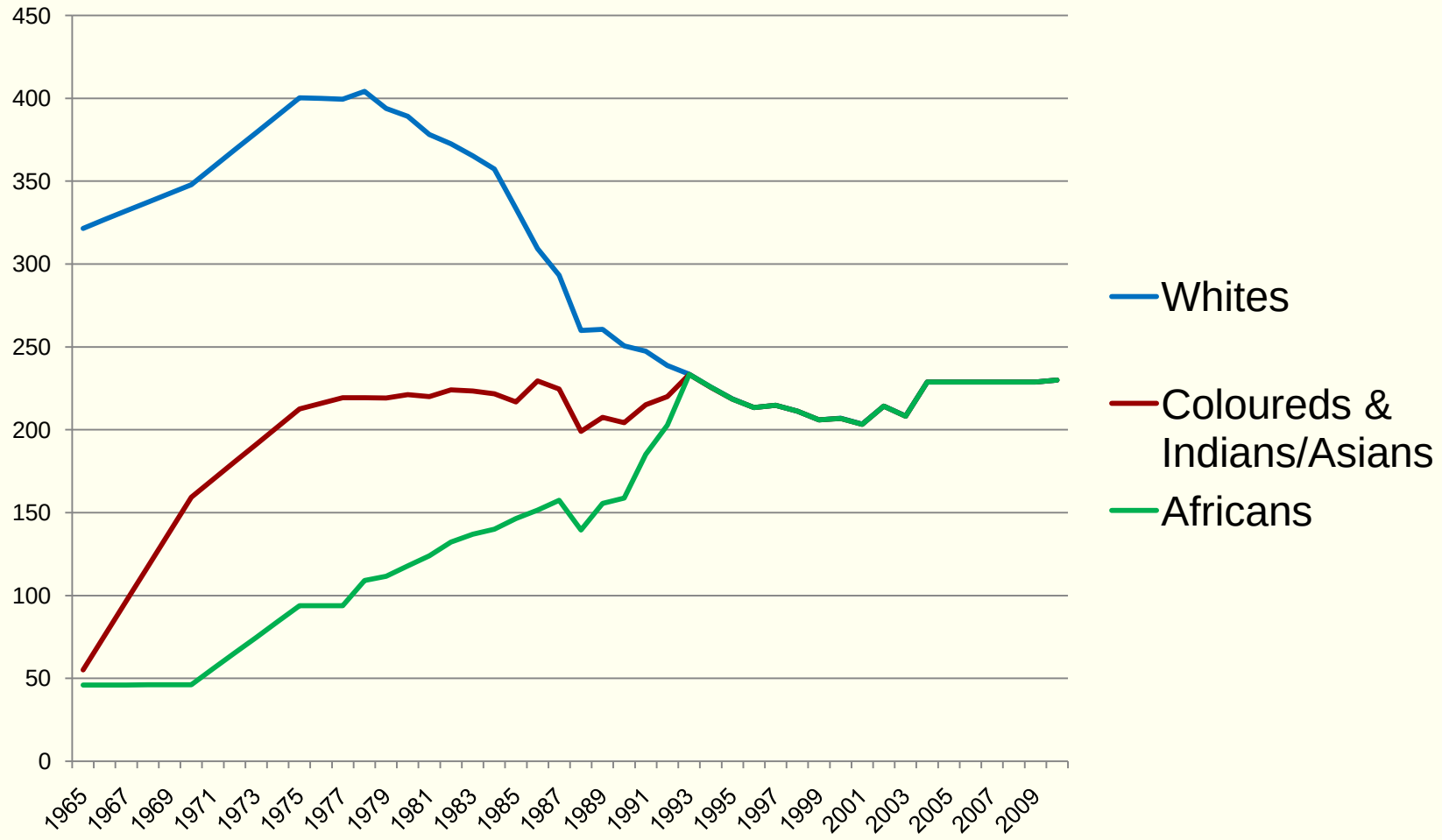
Why is SA an interesting case study?

- Very large cash transfer program
  - Cash transfers make up 14% of the government budget
  - More than one in four people receives a cash transfer and this number is rising
- These are *un*conditional cash transfers
- South Africa has good data so a lot or work has been done

Benefits are generous and coverage is high

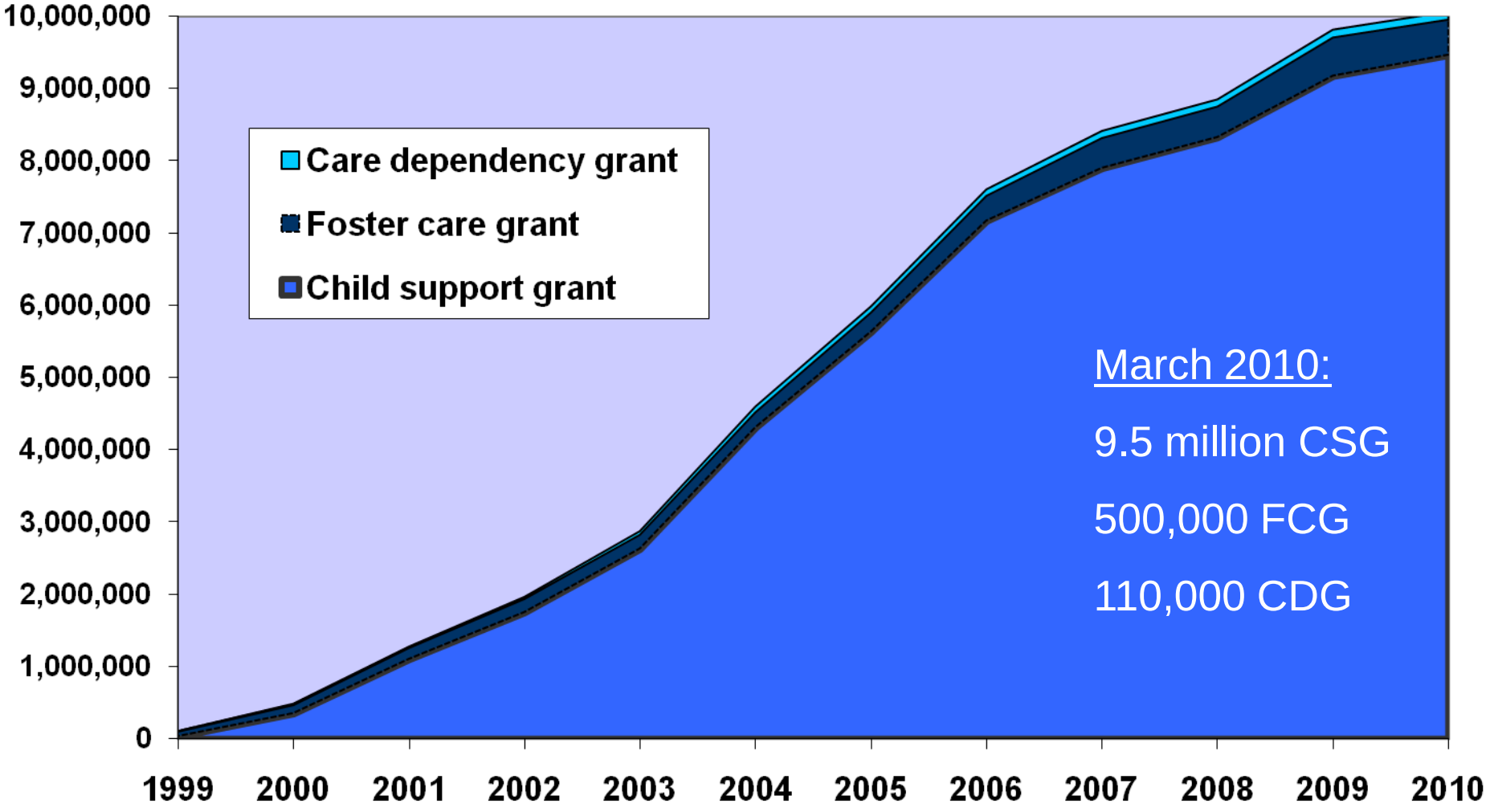
- The Old Age Pension and Disability Grant are about PPP$230 per month (1.75 times median per capita income)
- The Child Support Grant is about PPP$55 per month (40% of per capita income)
- Foster Care Grant is about PPP$150 per month
- Grants are means-tested – about 85% of the elderly and three-quarters of children are income eligible.

Cash transfers to the elderly: value of the pension by race (2010 PPP$)



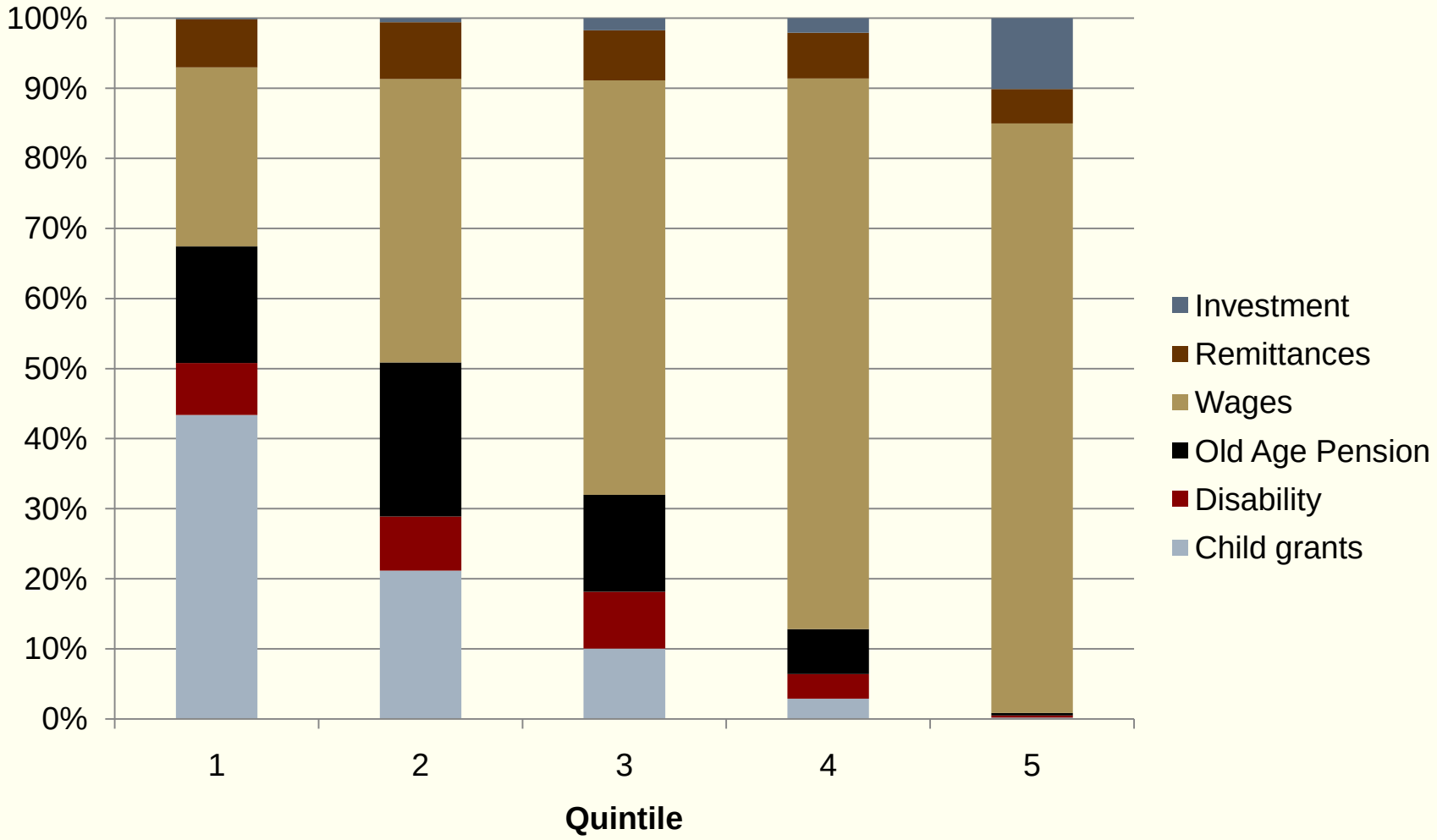
Cash transfers for children

NUMBER OF CHILD GRANT BENFICIARIES, BY YEAR



Source: SOCPEN data

1. The grants are pro-poor



1. Cash transfers reduce poverty

- A crude “morning after” simulation suggests that if cash transfers were removed and households had no time to re-organise or change behaviour, poverty would rise from 54% to 60%.

- Half of households in the bottom two quintiles report cash transfers as their main source of income.

2. Cash transfers improve educational outcomes

- Edmonds (2006) finds that school attendance and completed schooling rise when there is a *male* of pension-age in the household

- Case and Ardington (2006) find that the presence of a female pensioner has a positive effect on enrolment and progression for maternal orphans

2. Cash transfers improve child nutrition

- Duflo (2003) (using 1993 data) found that the presence of a **female** pensioner increased the nutritional status of **girls** but not boys
- Ambler (2010) using 2008 data finds the same result.
- Aguero, Carter & Woolard find a positive effect on height-for-age if the CSG is received in sufficiently high dosage during the “nutritional window” before the child turns three.
- Duflo and Ambler’s results also support the idea that giving the cash to women enhances impact

4. Effect on labour supply?

- Bertrand, Mullainathan, and Miller (2003) - reduction
- Posel, Fairburn and Lund (2006) – increase
- Ardington, Case and Hosegood (2008) - increase
- Ranchhod (2010) – reduction
- Williams (2009) [CSG] – increase

4. No obvious effect on (teen) fertilty

- 3% of grant recipients are teenagers but 15% of babies are born to teens.
- Teen fertility peaked in 1996 (before the introduction of the CSG) and has declined slightly since then

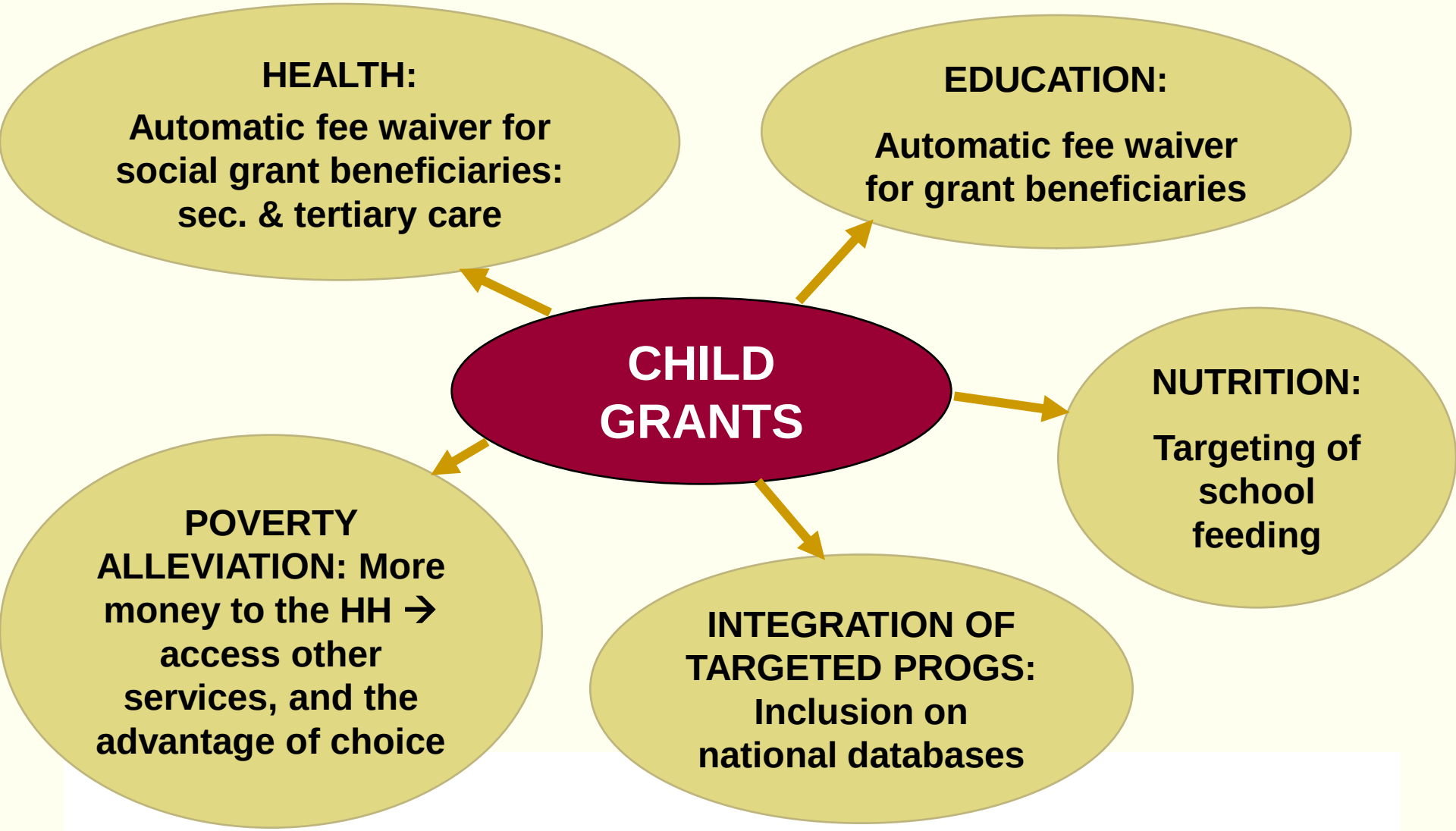
5. Do cash transfers crowd our remittances?

Jensen shows that remittances are crowded out by cash transfers.

	1997	2008
No-one employed, no remittances, no cash transfers	12	17
No-one employed, no remittances, cash transfers	18	25
No-one employed but receiving remittances	21	13
At least one employed person	49	45
Total	100	100

Household formation:
Employment has risen, yet there are more workerless households. Do the grants “empower women” or “fragment households”?

7. Articulated programs: social security as central



The CSG is deliberately targeted at women

- Application procedure is simpler for mothers.
- Admin data from 2004 tells us that 99% of CSG recipients are women; recent household survey data tells a similar story.
- Qualitative work by Hunter & Adato (2007) suggests that there are widespread perceptions that men are not entitled to apply for the CSG or that men find it demeaning to apply.

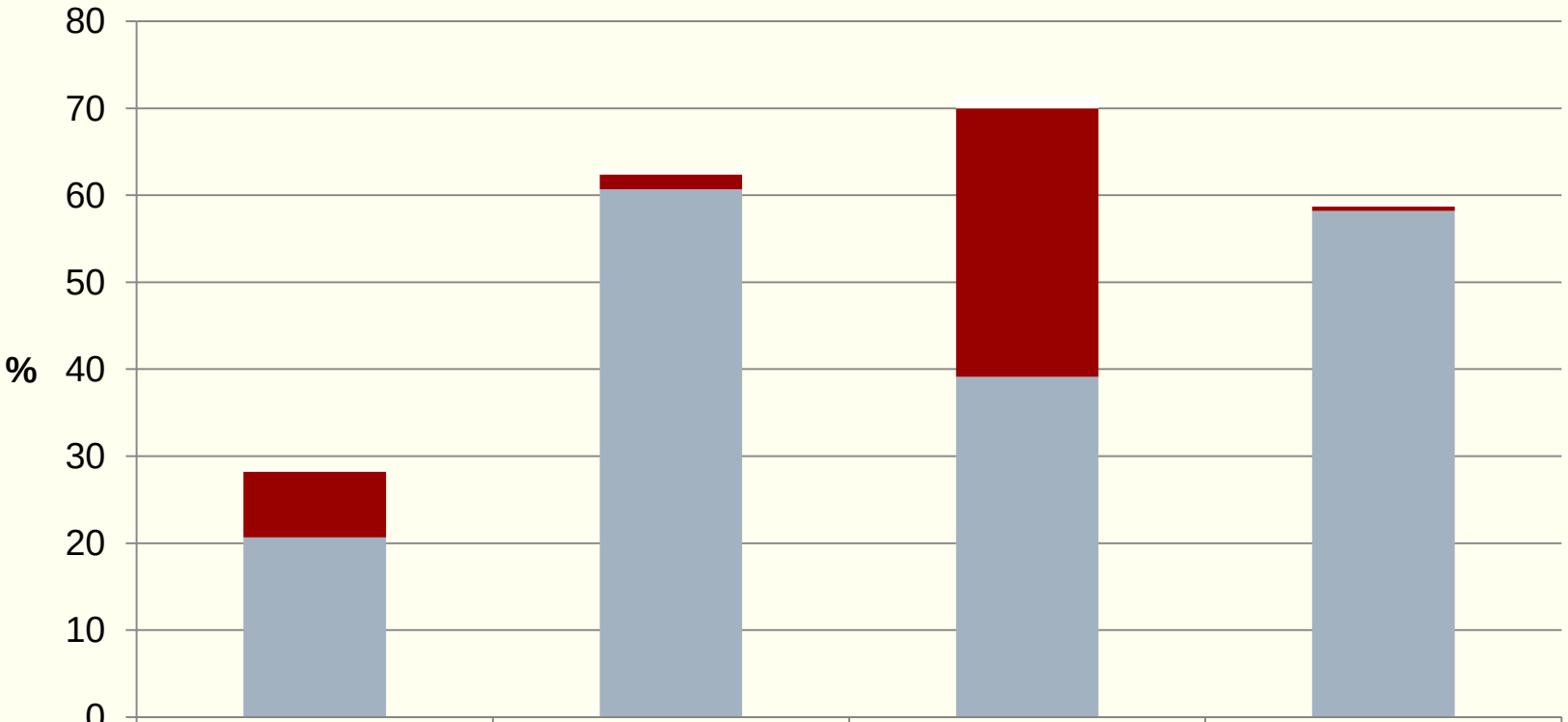
Men and the Child Support Grant

As far as she knows they do not give the grant to men at the offices. If a man comes for an application he is told to bring along maybe a granny because he cannot receive the grant on behalf of a child, being a man.

There were not many males and those that were there they were not talking. I do not know, maybe they were embarrassed by the fact that there were more females. It means it is the female thing.

(pay point observations, Adato and Hunter, 2007)

What happens to maternal orphans?



	Maternal orphan	Paternal orphan	Dual orphan	Not an orphan
CDG	0.3	0.7	1.4	0.4
FCG	7.6	1.7	30.9	0.5
CSG	20.7	60.7	39.1	58.2

Unintended consequences of the FCG

- The number of dual orphans in South Africa is expected to rise from 600 000 in 2008 to 1.2 million by 2015.
- The Foster Care Grant is almost 3 times the size of the CSG and is not means-tested.
- Surely a strong incentive to foster rather than adopt a child.

Has evidence mattered for policy?

"Recent survey data has provided clear empirical evidence of significant improvements in child nutrition associated with the child support grant, which in turn positively affect cognitive ability and school outcomes"

- 2006 Budget Speech

Could we have known more?

(1) In 2005, the Department of Social Development launched a panel survey of grant beneficiaries.

- After the first wave, a “control group” consisting of the next door neighbours of the grant beneficiaries was introduced.
- The data has yet to be released.

(2) In 2007, UNICEF offered TA to run field experiments on “CSG+” to support the discussions at that time about extending the CSG to older teens.

To condition or not to condition?

At the inception of the CSG in 1998:

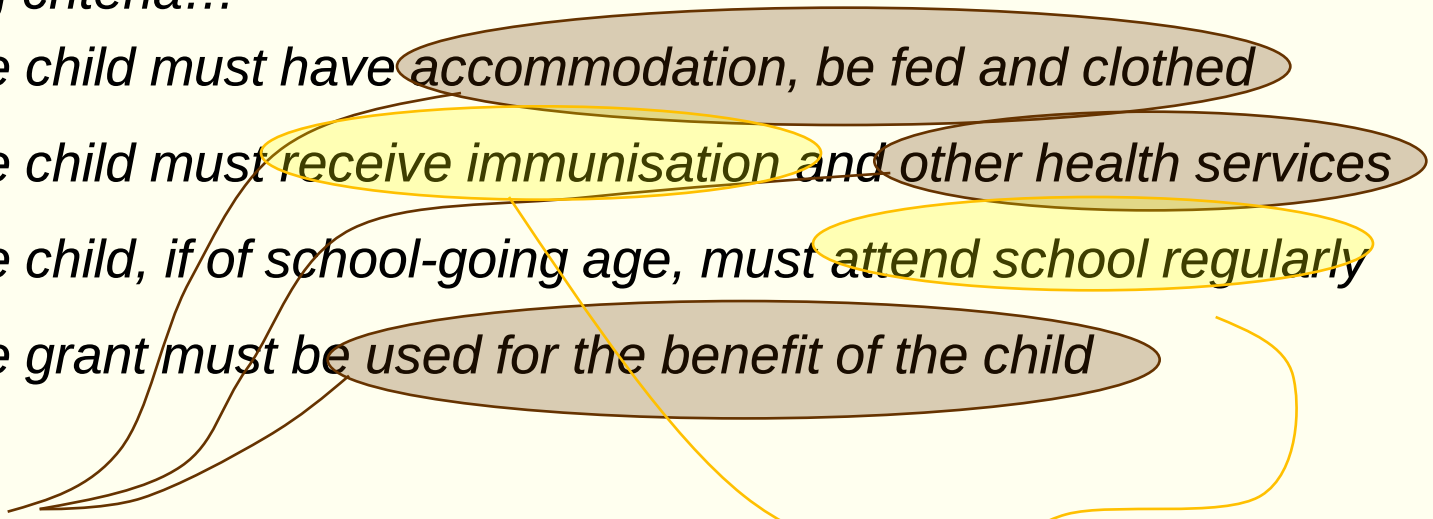
- Several conditionalities, including participation in “development programs” and proof that the child was immunised.
- All conditions were dropped after a year after they were found to be unworkable and a barrier to take-up.

Another attempt at conditions

2004 – Draft regulations to Social Assistance Act of 2002 (conditions not included in final wording).

"A primary caregiver who is in receipt of a CSG must comply with the following criteria…"

- *The child must have accommodation, be fed and clothed*
- *The child must receive immunisation and other health services*
- *The child, if of school-going age, must attend school regularly*
- *The grant must be used for the benefit of the child*



'Normative injunctions' – not specified / measurable

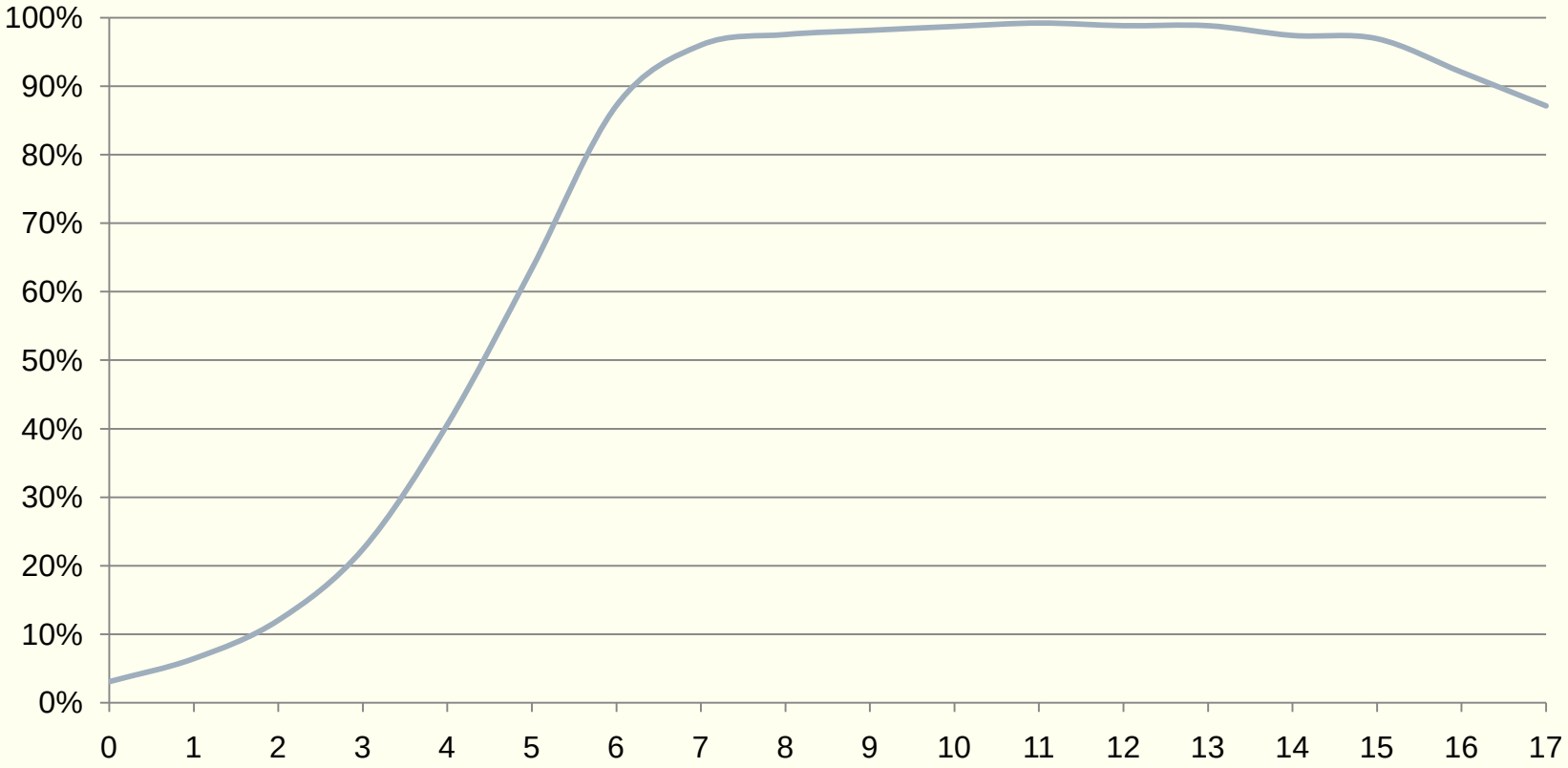
Behavioural conditions

Conditions in the context of age extension

2009 – conditions in draft regulations

- The issue of conditionality raised again in the context of preparations to extend the age threshold of the CSG from 15 to 17.
- The draft regulations introduced a behavioural condition requiring proof of the child's enrolment and attendance in school every six months.
- If not enrolled in school or attended school irregularly, the CSG would be suspended and the caregiver would need to submit reasons explaining the child's absence from school.
- If accepted as "reasonable", then the CSG would be re-instated, but with no provision for back-pay for the 'lost' months when the CSG was suspended.

Can enrolment really be increased?



Settling on ‘soft’ conditions

2010 – final regulations

- Following submissions from researchers and children’s rights groups and civil society organisations, the conditions were softened – they remain in the regulations, but no sanctions are specified.

Conclusion

- We do know quite a lot about cash transfers in SA, but much less than one would hope to know about such a massive system.
- The grants are clearly pro-poor and redistributive.
- Despite the lack of behavioural conditions, the grants seem to have an impact on health and education outcomes.
- The ongoing discussions about introducing conditions are motivated by political economy concerns: “the poor must be seen to be doing their part”.
- Given the “rights based” approach to social security, it seems unlikely that there will ever be a serious attempt to impose conditions.