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The Impact of Social Grants on Poverty Reduction in South Africa#

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ABSTRACT This paper analyses the impact of social grants as a social protection measure implemented by the South African government. Literature reviewed in this paper reveals that this anti-poverty measure has contributed significantly towards the reduction of poverty levels in South Africa. The paper examines the social protection measure using the Income and Expenditure Survey data (2010/11). The income decomposition technique is used to analyse household income and the results are presented using the Foster-Greer-Thorbecke indices. However, only the results of the prevalence of poverty (headcount) are explained in this paper. The results show that social grants are well-targeted and have significantly reduced poverty levels in areas with high poverty rates such as the Eastern Cape and Limpopo provinces, among the African population, in female-headed households and in rural areas.

1. INTRODUCTION

Despite the strides made by developing countries in the last two decades, the persistence of poverty still remains one of their biggest challenges (World Bank 2015; Lilenstein et al. 2016). In many Less Developed Countries (LDCs), there are records of high levels of malnutrition, poor levels of water and sanitation provision and deteriorating health conditions (Devereux and Cipryk 2009). Regardless of the high levels of economic growth which averaged 5.6 percent in the last 6 years (World Bank 2015), the Sub-Saharan region is characterized by extreme socioeconomic deprivation and harsh living conditions (Nino-Zarazua et al. 2012; Sembene 2015). According to Nino-Zarazua et al. (2012) the human development index (HDI) scores for many Sub-Saharan African countries have significantly diminished since 1990 with more than half of the population in this region living on less than US$1 a day. Statistics South Africa (Stats SA) projects that in South Africa, more than 20 percent of the population lives below the food poverty line with 45.5 percent living in moderate poverty (Stats SA 2014). As most individuals and households are poor and vulnerable, the government has to step in and implement social protection measures to protect its citizens against the harsh socio-economic effects of poverty.

Social protection has established itself firmly on the policy agenda in many countries (Adato and Hoddinott 2008). Such countries include Brazil, Mexico, Botswana, Namibia, and India, among others (van der Berg et al. 2010). The new democratic government of South Africa has also engaged in extensive social protection programmes in a bid to reduce poverty and improve the socioeconomic welfare of individuals and households (Ardington et al. 2016; ILO 2016). Given that vast amounts of money have been allocated yearly in the National Budget to expand some of the social protection measures with the purpose of lifting the marginalised out of extreme poverty conditions (National Treasury 2016), there is a need to account of these social protection initiatives in South Africa to

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determine their effectiveness. It is with this in mind that this paper provides a poverty impact analysis on the social grants system in South Africa.

1.1 Objectives of the Paper

The objective of this paper is to critically evaluate the impact of social grants on poverty reduction in South Africa. The paper aims to identify which province, which racial group, which households (with male heads or female heads), and which area of residence has benefited most from the implementation of this social protection mechanism in South Africa.

1.2 Literature Review

The objective of this paper is to ascertain the impact of social grants on poverty in South Africa. To meet this objective, this section provides a brief review of literature on some work previously conducted in this field of study.

Social grants are defined as income that is received by members of vulnerable groups from funds which they did not contribute towards (Leibbrandt et al. 2010). Such vulnerable groups are unable to provide minimum basic needs by themselves. Therefore, the grants are provided by the government to them. Such groups include young children who live in poor households, the elderly and those who are disabled (van der Berg et al. 2010). These grants are mainly focused on cushioning the impact of poverty on the poor and vulnerable households in South Africa (van der Berg et al. 2007).

The grants have become one of the main sources of income for most poor households. As the main source of income for the poor, it is evident that social grants have significantly cushioned the poor from the impact of poverty. The following section provides a brief overview on the types of social grants in South Africa.

1.3 Types of Social Assistance Grants

The types of social grants in South Africa discussed in this section include the child support grant, the disability grant, care dependency grant, foster care grant and the old-age pension. Leibbrandt et al. (2010) explained that the fundamental types of grants are the child support grant, the disability grant, and old-age pension as they target the most vulnerable groups of individuals. The various types of assistance grants are categorized as (i) childhood, (ii) working age and (iii) old-age grants (van der Berg et al. 2010).

1.3.1. Childhood Grants

1.3.1.1 Child Support Grant (CSG)

The CSG was introduced in April 1998. Prior to this grant, the State Maintenance Grant (SMG) was available (Kruger 1998). This grant was a means of mitigating the vulnerability of poor children against the impact of poverty (Goodur 2008). To qualify for the grant, both the parent and the child had to satisfy the eligibility criteria. Variables in this criterion included the child being less than 18 years of age, or one parent deceased, unmarried or separated, or in some cases, maintenance partitioned by the court (McEwen et al. 2009). Due to more stringent conditions to qualify beneficiaries, only a few children and their caregivers became recipients of this grant. Most vulnerable children remained in poverty. Hence, there was a change of the grant from the SMG to the CSG and a change in the eligibility criteria as well.

In April 1998, the CSG was implemented. The rationale for the implementation of this grant was to cover more of the poor and vulnerable population in need (McEwen et al. 2009). Although the monetary value of this grant was reduced, the coverage of the vulnerable children increased mostly amongst the rural areas (Leibbrandt et al. 2010). According to Triegaardt (2005), "the objectives of the CSG are to support households in meeting the cost of raising children, redistribute income, influence birth rates, and relieve child poverty." Triegaardt (2005) also mentioned that CSG is there to allow for child development regardless of the economic situation. The increased coverage of the CSG contributed significantly to the reduction of poverty.

The grant has been improved over the years. On introduction, the CSG paid R100 per month for each eligible child. Each child had to be below 7 years. The eligibility criterion was based on a means test which also considered household income. The caregiver had to provide certain documentation and had to demonstrate efforts of securing funds from other sources (Leibbrandt et al. 2010). The selection criteria still proved to be more stringent as it excluded some eligible children and caregivers from the programme.

In June 1999, the selection criterion was changed. One of the changes to the eligibility criteria was a shift from considering household income to only considering the personal income of the caregiver. With this change, more caregivers became eligible.

Furthermore, the age limit of the CSG was increased as it did not extend support to other vulnerable children who were below the age of 18. The age limit increased gradually over the years until it covered all children under the age of 18 (Coetzee 2014). The grant value has also increased from R100 in 1998 to R330 in October 2015 (National Treasury 2016). The National Treasury (2016) indicated that an estimated number of 12,052,000 children were receiving the CSG for the period 2015/16. This total number of CSG beneficiaries was 71 percent of all grant holders in South Africa.

1.3.1.2 Foster Care Grant

The foster child grant is paid to families who care for a child who is below the age of 18 and does not receive enough care from his/her biological parent/s (Vorster 2000). Such a child may have been abused by his/her biological parents or the parents may be offenders of the law (Leibbrandt et al. 2010). In other instances, the biological parents may be too poor or require additional income to provide care for their child. Hence, the child is allocated to another family from which appropriate parental and family care are provided. The foster parents follow legal procedures to be registered as foster parents. A social worker is appointed to monitor the care of the child at the foster parents.

The main aim of foster care grant is to reimburse the foster parents for the cost of taking care of a child who is not their own (van der Berg et al. 2010). However, the grant is cancelled if the foster parents decide to officially adopt the child. In 2015, the grant was increased to R860 (National Treasury 2015). The foster care grant is not specifically aimed at poverty reduction; therefore it is not means tested (Leibbrandt et al. 2010; van der Berg et al. 2010).

For the 2015/16 period, a total of 456,000 beneficiaries received the grant and they were receiving R860 per month (National Treasury 2016). The number of foster care grant holders is quite small when compared to the recipients of the CSG (12,052,000). In terms of all receivers of social grants in South Africa, only 2.69 percent were beneficiaries of the foster care grant in 2015/16 (National Treasury 2016).

1.3.1.3 Care Dependency Grant

The care dependency grant is provided to caregivers of children who are severely disabled to the extent that they need full-time care (Vorster 2000). The rationale of the provision of this grant is for parents and caregivers to provide full-time care to their disabled child at their own home rather than care institutions where it is considerably more expensive (van der Berg et al. 2010). The eligible children benefiting from the care dependency grant should be between the ages of 1 and 18 (those that are above 18 years are covered under state disability grant). Furthermore, these children should not be attending any school.

The caregivers of the applicants should provide a medical assessment report that proves that the child is permanently or severely disabled and requires full-time attention. The grant can also be given to caregivers of children who have the Human Immune Deficiency Virus (HIV) (Leibbrandt et al. 2010). The care dependency grant is means tested and the applicant, as well as the caregivers, must meet all requirements of the means test. Currently, the recipients of the grant are receiving R1, 415 per month (National Treasury 2016).

A total of 142,000 individuals were reported to have been receiving the care dependency grant (National Treasury 2016). Receivers of the care dependency grant constituted only 0.84 percent of the total beneficiaries of social grants in 2015/16 (National Treasury 2016).

1.3.2. Grants for the Working Population

1..3.2.1 Disability Grant

This grant is paid to individuals between the ages of 18 and 59 who are not beneficiaries of any other type of social grants or are under the care of state institutions (van der Berg et al. 2010).

Under this grant, eligibility is determined mainly on medical criteria; candidates must submit a medical assessment report that confirms disability. The medical assessment report must not be more than 3 months old at the date of application.

Eligible candidates are those who have a permanent disability that restricts them from entering the labour market (van der Berg and Siebrits 2010). Therefore, the main aim of the disability grant is to compensate recipients for their loss of potential labour income. The disability grant is also means tested and both the applicant and their spouse must meet the requirements of the means test. Further, these individuals must not be receiving any other type of grant.

The total number of beneficiaries of state disability grant was 1,096,000 in the 2015/16 period (National Treasury 2016). These recipients were receiving R1,415 per month and these beneficiaries constituted 6.47 percent of all receivers of social grants.

1.3.3. Grants for the Elderly

1.3.3.1 Old-Age Pension

The old-age pension was implemented to provide financial security to elderly people who are usually vulnerable in their old age (Goodur 2008). The grant was originally introduced in South Africa in 1928 with the sole purpose of addressing poverty amongst elderly white people. Over time, the grant slowly extended to the other racial groups (Vorster 2000). Prior to 1928, it was argued that Africans and Indians could rely on subsistence farming and make provision for their elderly (Pauw and Mncube 2007). As a result, this old age grant was later changed because it was discriminatory in nature. In 1992, the Social Assistance Act abolished the discriminatory provisions and the grant was extended to Africans as well (Leibbrandt et al. 2010).

The state old-age pension is determined according to both the means test and the age of the candidates (Samson et al. 2004). Applicants must be at least 60 years and above for both genders. The applicant and their spouse must both comply with the means test and the recipient should not be under the care of a state institution (van der Berg et al. 2010). Furthermore, recipients of the old-age pension should not be a recipient of any other type of social grant. The old-age pension is slightly different from the CSG. The CSG is a fixed amount whilst the state old-age pension has a sliding scale; the amount of the grant progressively declines for each additional rand of income that will be earned by the beneficiaries of the grant (Leibbrandt et al. 2010).

During 2015/16 period, a total of 3,182,000 individuals were reported to have been receiving the old-age pension. The old-age pension is the second most dominant grant in terms of numbers of recipients (dominated by CSG). Although dominated in terms of numbers by the CSG, the monetary value of old-age pension outweighs all other grants. These beneficiaries were receiving R1,415 and a total of 18.80 percent constitutes the proportion of people who receive state old-age pensions amongst the entire reported beneficiaries of social grants in South Africa (National Treasury 2016).

1.4 Empirical Evidence of the Impact of the Social Grants on Poverty

The main role of the social assistance grants in South Africa is to mitigate poverty and promote socio-economic development in the country. The grants are well targeted (as they are means tested) and have significantly reduced poverty levels amongst the poor and vulnerable individuals (Leibbrandt et al. 2010).

A large number of poor individuals have reported a significant welfare improvement as a result of social grants. Leibbrandt et al. (2010) analysed the impact of CSG on poverty reduction using R515 per capita poverty line. The results from this paper indicated that the total number of households belonging in the poorest quintiles (quintile 1 and 2) who received the CSG increased from 16 percent to 69 percent between 1997 and 2006. During this period, 53 percent of households were lifted out of poverty, which is a significant poverty reduction (Leibbrandt et al. 2010).

Van der Berg et al. (2010) also analysed the impact of grants on poverty. This paper used R3,000 annual incomes as the poverty threshold. Their results showed that social grants decreased the poverty rate amongst individual households from 55.4 percent to 47.1 percent in 2008. Furthermore, caregivers of poor children who reported not having enough food for their children dropped from 31 percent to 17 percent between 2002 and 2008 (van der Berg et al. 2010). The decrease in the poverty rates is evidence that the social grants have contributed significantly towards reducing poverty levels in South Africa.

Moreover, some households that had access to social grants indicated an increase in the level of school attendance for children belonging to their households. These reports were mostly received from households receiving the old-age grant. Samson et al. (2004) and Goodur (2008) explained that it is not only children who benefited from old-age grant but all other members of the households would receive a positive impact, particularly when the recipient of the grant is female. These are significant and positive contributions of social grants in South Africa.

Armstrong and Burger (2009) also investigated the impact of grants on poverty using different poverty lines. They analysed poverty using R2,532, R3,864 and R7,116 as poverty lines. The results indicated a decrease of 13.9 percent in poverty levels after social grants had been implemented (when using R2,532 as the poverty line). On the other hand, poverty levels only declined by 2.3 percent when using R7,116 as the poverty line. The significant decline in poverty levels (when using R2,532 than R7,116 poverty line) indicates that social grants are more significant when households are in extreme poverty as they consider social grants as a main source of income. The impact on poverty may be minimal for households with a higher income level (and under a higher poverty line) as these households may be considered less poor and may possess multiple sources of income. Hence, income from grants may not be considered as a main source of income.

This section has provided a review of the literature on the implementation of social grants in South Africa. Such literature has revealed that social grants have contributed significantly towards the reduction of poverty levels amongst vulnerable individuals. Beneficiaries have also indicated an increase in their socio-economic status mainly for female-headed households who are recipients of the old-age grant. Also, evidence has shown an increase in school attendance and participation from children who are receiving the CSG. The following section provides the material and method implemented in this paper to determine the impact of social grants on poverty in South Africa.

2. MATERIAL AND METHODS

2.1. Methodology

This paper uses the income decomposition technique to evaluate the impact of social grants on poverty. This technique was also used by Armstrong and Burger (2009) in analysing the impact of social grants on poverty reduction. The income decomposition technique is used together with the FGT measures of poverty where the impact of social grants will be presented in terms of headcount, poverty gap, and poverty gap squared indices. The paper will only provide a headcount poverty analysis.

The income decomposition technique breaks down household income according to its respective sources. The different sources of income include income from work, income from grants and any other financial source of income. Income from work is considered as earnings received from any type of employment which households undertook. Income from other sources may be categorised as income from subsistence farming, royalties, regular allowance received from non-household members, just to mention a few. As such, income from work and income from other sources are considered as the primary income within a household whereas income from social grants is considered as secondary income.

Based on this technique, the absolute measurement of poverty is used in this paper. Using the lower-bound poverty line provided by Stats SA (2014)[1] households whose income from work and from other sources falls below the determined poverty line are considered poor. This scenario can be expressed as follows:

$$z \leq Yw_i + Yo_i$$

In the above expression, z represents the poverty line. Ywi is the income from work for household i and Yoi is income from other sources within household i. As mentioned before, households whose income from work combined with income from other sources falls below the set poverty line are considered poor before any income from grant/s has been received.

After receiving the income from the grant, aggregate income is determined which is the sum of income from work, from other sources and income from grant/s. Again, using the lower-bound poverty line, households whose aggregated income falls below the determined poverty line are considered poor. The following equation presents this case:

$$z \leq Yw_i + Yo_i + \Sigma Yg_i$$

In the expression above, z represents the poverty line, Yw_i is regarded as income from work for household i, Yo_i income from other sources within household i, and Yg_i is income from grant received by household i. Income from grant in a household can be summed as a household might receive more than one grant. After receiving income from grant/s, households whose aggregate income falls below the determined poverty line are considered poor *after* receiving the grant/s.

To evaluate the impact of social grants on poverty, the change in the proportion of poor households *before* and *after* social grants have been received is considered as the impact of social grants on poverty. The higher the difference between the percentage of poor households before and after grants, the more significant the programme is at reducing poverty levels.

As explained before, the analysis of poverty is presented based on the FGT measures of poverty. These measures of poverty provide a clear picture of how social grants impact the prevalence, depth, and severity of poverty amongst households (Foster et al. 2010). The FGT measure of poverty can be expressed as follows:

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

Where $\alpha = 0: \rightarrow \quad P_0 = \frac{1}{n}\sum_{i=1}^{q}\left[\left(\frac{z-y_i}{z}\right)\right]^0 = \frac{q}{n}$

represents poverty headcount

$$\alpha = 1: \rightarrow \quad P_1 = \frac{1}{n}\sum_{i=1}^{q}\left[\left(\frac{z-y_i}{z}\right)\right]^1 = \frac{1}{n}\sum_{i=1}^{q}\left(\frac{z-y_i}{z}\right)$$

represents poverty gap

$$\alpha = 2: \rightarrow \quad P_2 = \frac{1}{n}\sum_{i=1}^{q}\left[\left(\frac{z-y_i}{z}\right)\right]^2$$

represents squared poverty gap

In the formulas above, q = number of people in the economy; z= poverty line; Y_i income of the ith household; and n= population size.

The headcount poverty ratio reveals the proportion of the population that lie below the set poverty line (Lekezwa 2011). Headcount poverty ratio is the most frequently used index for assessing poverty as it is easier to understand when compared to the other FGT indices. Some of the drawbacks of the headcount index are that it does not consider the depth as well as the severity of poverty. Also, the headcount index fails to analyse the distribution of income amongst poor individuals: for instance, a person whose income is R50 below the poverty line per month and another whose income is R200 below the poverty line are both considered poor although the severity of poverty differs between them. Additionally, the poverty headcount measure does not consider a transfer of income from one household to another who both fall below the poverty line. Although there is a change in the severity of poverty, the poverty headcount measure does not change.

The other index of FGT is the poverty gap index. This index measures the depth of poor household's income from the set poverty line (Foster et al. 2010). In other words, the poverty gap index assesses how deep an individual lays in poverty. The poverty gap index also reveals the amount of income that is required to lift a poor household out of poverty (Lekezwa 2011).

The last index of the FGT indices of poverty is the squared poverty gap index. This index shows the distribution of poverty below the poverty line. The index explores the severity of poverty amongst the poor households (Foster et al. 2010). Unlike the headcount index that only shows the prevalence of poverty and the poverty gap that reveals the distance from the poverty line, the squared poverty gap index emphasises more on individuals whose incomes are further below the poverty line (Lekezwa 2011).

The impact of social grants on poverty is analysed using the following explanatory variables:

poor=(province, race, gender, area type)

Armstrong et al. (2008) explain these variables as key poverty markers. Province distinguishes were the household reside (amongst the nine provinces of South Africa). This distinction is vital as the standards of living in each province are significantly different. Some provinces are richer, for instance, Western Cape and Gauteng province, whilst others are considerably poorer (Eastern Cape and Limpopo). Therefore, the province is a key poverty indicator as one would expect a significant difference in the impact of any social protection measure.

Also, race is another important variable for poverty analysis. This variable represents a racial group of the household head (whether African Black, Coloured, Asian or White). Although many authors have argued an increase in intra-racial discrimination and inequality (van der Berg et al. 2005; Leibbrandt et al. 2010), poverty levels amongst the racial groups are still fundamentally different. Africans and Coloureds still appear to be poorer than White and Asians in South Africa. Thus, this paper observes the impact of social protection measures based on racial composition.

Gender is another important explanatory variable. The variable denotes whether the head of the household is male or female. There appears to be an increase in the proportion of female-headed households and evidence has shown that these households appear to be much poorer than male-headed households (Rajaram 2009). However, this paper was based in rural areas of India. Hence, as the social protection measures are implemented in South Africa, this paper analyses how the social grants affect households based on the gender of the household head, whether female-headed households are receiving more benefits from the grants or not.

The last variable is area type which indicates whether households reside either in an urban or rural area. Poverty profiles for households in urban and rural areas are different. Therefore, social protection measures should have different impacts and it is of interest to analyse the extent of impact in each area.

2.2. Data

The analysis is made on the 2010/11 Income and Expenditure Survey data (IES2010/11). This data is the latest data set for the Income and Expenditure Survey (IES) available. The survey was conducted by Stats SA. The main aim of the IES data is to compile the Consumer Price Index by analysing the income and expenditure patterns of households. Nonetheless, various authors including Yu (2008), van der Berg et al. (2005), and van der Berg et al. (2010) have explained that such data can be used to analyse poverty and inequality trends in South Africa.

The IES 2010/11 is slightly different from its predecessors (IES 1995, IES 2000, and IES 2005). The IES 1999 and IES 2000 have certain similarities. These datasets were gathered using the recall method (Yu 2008). Under this method, a household had to recall and fill in their income and expenditure variables on a questionnaire provided by Stats SA. The income and expenditure records required were for 11 of the 12 months to give an annualised 12 months figure (Lekezwa 2011). The concerning issue with this method was that households had a higher probability of over or underestimating their true consumption and income values as they could not accurately recall values for the past 12 months. This issue questioned the validity and reliability of the data provided.

After the IES2000, the method of capturing the income and expenditure variables changed from recall method to diary method. This method was used for both IES2005 and IES2010/11. Under this new method, respondents no longer had to recall their previous income and expenditure records into one questionnaire for the past 12 months; they now had to fill the main questionnaire as well as 4 other weekly diaries (Yu 2008; Lekezwa 2011). The diary method was mainly used to record non-durable goods such as food items (Lekezwa 2011). Some of the advantages of using the diary method were that households could answer the questions when it most suited them. Also, the diary method significantly reduced over-reporting of consumption or expenditure variables. Thus, the reported variables were less biased (Yu 2008). There were, however, some demerits associated with the diary method. Some of these disadvantages include; the possibility of under-reporting of some consumption or expenditure variables; a costly approach in both the volume of data that needs to be collected and analysed, and time to train the diary keepers to maintain their support (Yu 2008). Nonetheless, there has been an overall improvement in the quality of data for the analysis of economic variables which includes poverty.

This section has provided information on the method as well as the data used in this paper. This section presents the results obtained from the analysis of IES2010/11. These results present the efficacy of the social protection measure and how it has contributed towards poverty reduction. The results will be assessed to determine if they align with theory and in comparison to previous studies.

3. RESULTS

3.1. Results on the Impact of Social Grants on Poverty

During 2010/11 financial year, R89 billion was set aside as expenditure on social grants (National Treasury 2010). This value was approximately 3.5 percent of GDP for the 2010 financial year which is a substantial amount considering that South Africa is under fiscal distress. With such expenditure in mind, this section presents empirical evidence on the impact of the programme on poverty reduction in South Africa. The results presented in this section are for households benefiting from the main types of grants, i.e. old-age pension, CSG, and the disability grant and households receiving more than one type of grant. Unless stated otherwise, these results are presented using the lower-bound poverty line. This approach was also followed by Armstrong et al. (2008).

The income variable is used to construct the tables presented in this section. Household income is decomposed to determine income from work, income from social grants and income from another source. As explained in the Section above, income from work and income from other sources are considered the primary sources of income whilst income from the grant, the secondary source of income. Using the lower-bound poverty line (R5,316), households receiving less than the threshold are considered poor. The proportion of poor households using this classification falls under the "Before Grant" in the tables that follow (with income from work and income from other sources as their only available income). After receiving income from the grant/s, the proportion of poor households whose aggregate income falls below the threshold falls under the "After Grant" section in the tables. The difference between the proportion of poor households after they have received the grant, and before the grant, is considered the impact of the grant/s on poverty.

Although the tables are presented in terms of the FGT indices (headcount, poverty gap and severity of poverty), results analysed in this paper are only for headcount poverty. The impact on poverty is assessed in terms of demographic, race, gender and area type of the household.

3.1.1. Impact of Social Grants on Poverty for a Household Receiving More Than One Type of Grant

The level at which poverty level is reduced in households receiving more than one type of grant within the household is presented in Table 1. Literature has shown that most female-headed households are more likely to receive the old-age pension (if the recipient is out of the working-age population) together with the child-support grant as they are more likely to provide care to children who have been left by young adults who migrate to urban areas in search of work or the parent/s were victims of HIV/AIDS (Schatz et al. 2011). As such, this household would be receiving more than one grant: the child-support grant as well as the old-age pension.

As shown in Table 1, across all poverty indices, it can be observed that significant poverty reduction was noticed in Eastern Cape and Limpopo provinces. In these provinces, social grants reduced poverty levels by 21 and 17 percent respectively. Some of the reasons for such a significant impact are that Eastern Cape and Limpopo are regarded as the poorest provinces and they lack adequate employment opportunities. Hence, income from grants is considered the main source of income in the household and it leads to a substantial decrease in poverty levels.

In contrast to the impact on poverty in Eastern Cape and Limpopo province, Western Cape and Gauteng provinces had the least decrease in poverty levels (a decrease of 3 – 4 %). These provinces are urban provinces which are much wealthier when compared to other provinces. Most of the households in these provinces consider income from work as their main source of income. Furthermore, most of the people in these provinces may possess other significant sources of income to add to their income from work. Hence, with records of the lowest levels of poverty, social grants reduce poverty marginally in these urban provinces when compared to the impact in the poorest provinces.

In terms of racial decomposition, Table 1 shows that the African population is the poorest racial group. African-headed households are situated in poor areas and possess lower levels of education. Therefore, although there might be employment opportunities, most households from this racial group are unable to work and lift themselves out of poverty. Furthermore, African households are mostly overcrowded and most household heads are unable to sufficiently provide for all needs in the household. Social grants have therefore significantly reduced poverty levels among this population group compared to other racial groups. According to Table 1, poverty levels declined by 13 percent after African-headed households received grants, an impact which is significantly more than the impact among other racial groups.

Furthermore, Table 1 presents evidence that most female-headed households receive less household income than male-headed households. Before receiving the income grant, 23 percent of female-headed households were poor, that is, more twice the rate of male-headed households (12 %). After receiving the income grant,

Table 1: Impact of social grants on poverty should a household receive more than one type of grant

Province	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Western Cape	7%	3%	-4%	5%	1%	-3%	4%	1%	-3%
Eastern Cape	30%	9%	-21%	18%	4%	-14%	13%	3%	-10%
Northern Cape	15%	4%	-11%	9%	2%	-7%	6%	1%	-5%
Free State	16%	5%	-11%	9%	2%	-7%	6%	1%	-5%
KwaZulu-Natal	19%	5%	-14%	12%	3%	-9%	8%	2%	-7%
North West	22%	8%	-14%	13%	4%	-9%	9%	3%	-6%
Gauteng	7%	4%	-3%	4%	3%	-2%	3%	2%	-1%
Mpumalanga	18%	6%	-11%	10%	3%	-7%	7%	2%	-5%
Limpopo	25%	8%	-17%	14%	3%	-11%	9%	2%	-7%
Race of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
African Black	20%	7%	-13%	12%	3%	-8%	8%	2%	-6%
Coloured	9%	2%	-7%	6%	1%	-5%	5%	1%	-4%
Indian/Asian	3%	1%	-2%	3%	1%	-2%	3%	1%	-2%
White	3%	1%	-1%	2%	1%	-1%	2%	1%	-1%
Gender of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Male	12%	5%	-7%	7%	3%	-4%	5%	2%	-3%
Female	23%	6%	-17%	14%	3%	-11%	10%	2%	-8%
Area type of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Urban	10%	4%	-6%	6%	2%	-4%	5%	2%	-3%
Rural	29%	8%	-21%	17%	4%	-13%	12%	3%	-9%

Source: Own calculation using the IES2010/11 data.

there was a significantly larger decrease in poverty levels for female-headed households (17%) than male-headed households (7%).

The impact on poverty in rural areas has shown to be considerably more than the impact in urban areas. From Table 1, poverty levels decline by 21 percent in rural areas and 6 percent in urban areas. As mentioned before, income from social grants is considered the main source of income amongst the poor and vulnerable households in most rural areas. Evidently, grants significantly reduce poverty levels in rural areas of South Africa.

The following sub-sections consider the impact on poverty of individual grants namely the old-age pension, the child-support grant and the disability grant.

3.1.2. Impact of Old-Age Pension on Poverty

The impact of old-age pension on poverty reduction is presented in Table 2. The analysis was conducted based on provincial distribution, race, and gender and area type of household.

The results from Table 2 indicate that households in Eastern Cape and Limpopo province are the poorest with 25 to 30 percent of the households in these provinces being poor. Northern Cape, Free State, KwaZulu-Natal, North West and Mpumalanga provinces have between 15 and 22 percent poor households that fall below the R5,316 poverty threshold. Only Western Cape and Gauteng provinces have the least poor households.

After the roll-out of the old-age pension, Table 2 indicates that a significant impact was observed mainly in Eastern Cape Province (where poverty levels declined by 10%) followed by Limpopo provinces where the proportion of poor households was decreased by 9 percent. In urban and more wealthier provinces (Western Cape and Gauteng), the impact of old-age pension on poverty reduction was minimal with 1 percent and 2 percent decline for Gauteng and Western Cape province respectively. For other provinces, the impact of grants on poverty ranged from 5 to 7 percent.

For race, gender, and area type of household, the impact of grants on poverty seem to follow the same pattern as households receiving more than one type of grant, that is, African population are major beneficiaries of grants (a decline of 6%), female-headed households have a 7 percent decrease in poverty levels and poverty in rural areas is reduced by 11 percent. All these recordings were more when compared to the other groups.

3.1.3. Impact of Child-Support Grant on Poverty

As explained in the Section above, the child-support grant is provided to poor children below the age of 18. A review of the child-support grant in Table 3 indicates that the Eastern Cape and Limpopo provinces recorded a larger impact on poverty (11% and 10% respectively) whilst the impact in Western Cape and Gauteng is quite low (2% and 1%).

Although the monetary value of the CSG is lower than the old-age pension, its impact on poverty in the poorest provinces seems to outweigh the impact of old-age pension (11% outweighs 10% in Eastern Cape whilst 10% outweighs 9% in Limpopo province).

In terms of race, there is evidence that the African population realises the highest impact on poverty. The CSG reduces poverty levels by 7 percent which is significantly more than the other racial groups. Furthermore, there is also evidence that impact among female-headed households (10%) is more than the impact among male-headed households (3%).

3.1.4. Impact of Disability Grant on Poverty

The impact of disability grant was analysed and Table 4 was presented.

Observing Table 4, the impact of the disability grant on poverty for all provinces is 5 percent or less. As with other grants, the impact of the disability grant is quite high in poorer regions like Eastern Cape, Northern Cape, and KwaZulu-Natal when compared to the other provinces. However, it should be noted that disabled individuals constitute a small portion of the population.

Nonetheless, Table 4 also shows that Africans and Coloureds are the racial groups that record a noticeable impact on poverty from the disability grant (3% for each racial group). The impact for other racial groups is quite small. Furthermore, the disability grant reduces poverty levels by 3 percent amongst female-headed households and poverty in the rural areas declined by 5 percent after households received the grant.

Table 2: Impact of old-age pension on poverty reduction

Province	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Western Cape	7%	5%	-2%	5%	3%	-2%	4%	3%	-1%
Eastern Cape	30%	19%	-10%	18%	12%	-7%	13%	8%	-5%
Northern Cape	15%	10%	-6%	9%	5%	-3%	6%	4%	-3%
Free State	16%	11%	-5%	9%	6%	-3%	6%	4%	-2%
KwaZulu-Natal	19%	13%	-6%	12%	8%	-4%	8%	6%	-3%
North West	22%	15%	-7%	13%	9%	-4%	9%	6%	-3%
Gauteng	7%	6%	-1%	4%	4%	-1%	3%	3%	-1%
Mpumalanga	18%	13%	-5%	10%	7%	-3%	7%	5%	-2%
Limpopo	25%	16%	-9%	14%	9%	-5%	9%	6%	-3%
Race of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
African Black	20%	14%	-6%	12%	8%	-4%	8%	6%	-3%
Coloured	9%	6%	-3%	6%	4%	-2%	5%	3%	-2%
Indian/Asian	3%	2%	-1%	3%	1%	-1%	3%	1%	-1%
White	3%	2%	-1%	2%	1%	-1%	2%	1%	-1%
Gender of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Male	12%	8%	-4%	7%	5%	-2%	5%	3%	-2%
Female	23%	16%	-7%	14%	10%	-5%	10%	7%	-3%
Area type of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Urban	10%	8%	-2%	6%	5%	-2%	5%	4%	-1%
Rural	29%	19%	-11%	17%	11%	-7%	12%	7%	-4%

Source: Own calculation using IES2010/11.

Table 3: Impact of CSG on poverty using the lower-bound poverty line

Province	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Western Cape	7%	5%	-2%	5%	3%	-1%	4%	3%	-1%
Eastern Cape	30%	19%	-11%	18%	10%	-8%	13%	7%	-5%
Northern Cape	15%	10%	-5%	9%	6%	-3%	6%	4%	-2%
Free State	16%	10%	-6%	9%	5%	-4%	6%	3%	-3%
KwaZulu-Natal	19%	11%	-8%	12%	6%	-5%	8%	4%	-4%
North West	22%	15%	-7%	13%	8%	-5%	9%	6%	-4%
Gauteng	7%	6%	-1%	4%	4%	-1%	3%	3%	-1%
Mpumalanga	18%	12%	-6%	10%	5%	-4%	7%	4%	-3%
Limpopo	25%	15%	-10%	14%	7%	-6%	9%	5%	-4%
Race of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
African Black	20%	13%	-7%	12%	7%	-5%	8%	5%	-4%
Coloured	9%	6%	-2%	6%	4%	-2%	5%	3%	-1%
Indian/Asian	3%	3%	0%	3%	3%	0%	3%	2%	0%
White	3%	3%	0%	2%	2%	0%	2%	2%	0%
Gender of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Male	12%	9%	-3%	7%	5%	-2%	5%	4%	-1%
Female	23%	13%	-10%	14%	7%	-7%	10%	5%	-5%
Area type of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Urban	10%	7%	-3%	6%	4%	-2%	5%	3%	-1%
Rural	29%	18%	-12%	17%	9%	-8%	12%	6%	-6%

Source: Own calculation using the IES2010/11.

Table 4: Impact of disability grant on poverty

Province	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Western Cape	7%	6%	-1%	5%	4%	-1%	4%	3%	-1%
Eastern Cape	30%	25%	-5%	18%	15%	-3%	13%	10%	-2%
Northern Cape	15%	11%	-4%	9%	7%	-2%	6%	5%	-2%
Free State	16%	13%	-3%	9%	7%	-2%	6%	5%	-1%
KwaZulu-Natal	19%	15%	-4%	12%	9%	-3%	8%	7%	-2%
North West	22%	18%	-3%	13%	11%	-2%	9%	8%	-1%
Gauteng	7%	6%	-1%	4%	4%	0%	3%	3%	0%
Mpumalanga	18%	15%	-2%	10%	8%	-2%	7%	5%	-1%
Limpopo	25%	22%	-3%	14%	12%	-2%	9%	8%	-1%
Race of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
African Black	20%	17%	-3%	12%	10%	-2%	8%	7%	-1%
Coloured	9%	6%	-3%	6%	4%	-2%	5%	3%	-2%
Indian/Asian	3%	3%	0%	3%	2%	0%	3%	2%	0%
White	3%	2%	0%	2%	2%	0%	2%	2%	0%
Gender of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Male	12%	10%	-2%	7%	6%	-1%	5%	4%	-1%
Female	23%	20%	-3%	14%	12%	-2%	10%	9%	-2%
Area type of hh-head	*a=0*			*a=1*			*a=2*		
	Before grant	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*	*Before grant*	*After grant*	*Impact*
Urban	10%	8%	-2%	6%	5%	-1%	5%	4%	-1%
Rural	29%	25%	-5%	17%	14%	-3%	12%	10%	-2%

Source: Own calculation using the IES2010/11.

4. DISCUSSION

An analysis of the impact of social grants indicates that social grants have considerable impact in poor and rural provinces such as Eastern Cape and Limpopo. Such impact occurs as social grants are considered the main source of household income in most of the poor and vulnerable households (van der Berg 2010; Stats SA 2015; Mabugu et al. 2016). These findings concur with the findings of Ferguson (2015) (as citied by Devereux and Waidler 2017) who observes that over 60 percent of households in Eastern Cape and Limpopo are extremely poor and heavily depend on social grants to sustain their livelihoods. Most of the poor households are overcrowded; some members of the household are victims of HIV/AIDS; some head of households are more likely to be unemployed as there are few or no work opportunities in some of these poor regions. Hence, there is low or no income from work procured into the household. As such, income from social grants will be the main source of income. However, caution should be exercised when evaluating the impact of the programme in other provinces as these results are only presented based on the headcount measure of poverty. Significant impact may still be experienced in other poorer provinces based on the poverty gap measure which measures and the severity of poverty. Although some of the participants may not have been raised above the poverty line, the income from the grant may have lifted the households closer to the poverty line thereby reducing the severity and depth of poverty within these households. Furthermore, the use of only money-metric indices of poverty may also not reveal the full impact of the grant on poor households. Having an income level that lies above the poverty threshold does not guarantee a change in the socio-economic conditions of poorer household. The analysis should be more multidimensional and investigate how such income was transmitted into the household and how it has changed household conditions (Alkire and Housseini 2014).

It is also evident that female-headed households have received a significant impact on poverty reduction when compared to male-headed households. This evidence is also in line with the research findings of Dubihlela and Dubihlela (2014), Magubu et al. (2016) and Hagen-Zanker et al. (2017) that did an impact analysis of social grants on poverty among female-headed households. The female head of households, who are more vulnerable to poverty as they may not have any assistance from their male counterparts, are efficient in utilising the income from the grants. They mostly use such income for household consumption and to cater for other needs of members of the household unlike some male head of households who are more likely to consume their entire grant income alone (Devereux and Waidler 2017).

Also, as a vulnerable and previously disadvantaged group, African population has received a significant impact on poverty reduction from social grants. Most people from this population group possess low labour skills and are unable to participate in the labour market (Stats SA 2015). As such, some are still located in the poor and underdeveloped rural areas (with few to no job opportunities) in the poor provinces. Hence, most of them (especially those who have children) dominantly rely on the income from social grants (Magubu et al. 2016). With these findings, it is evident that social grants are well-targeted amongst the poor and most vulnerable people in South Africa. An analysis of the recent IES data (for the 2015/16 period) would be pertinent to assess whether these impact trends still persist amongst the most poor and vulnerable eligible people.

5. CONCLUSION

This paper has provided results on the impact of social grants on poverty reduction using IES2010/11. The results indicated that residents in the poorest provinces of Eastern Cape and Limpopo had a significant decrease in poverty levels from the income they received from social grants. Furthermore, the results also showed that social grants have significantly mitigated the impact of poverty amongst the African population more than the other racial groups. Most of the households in the African population are still located in the poor provinces of Eastern Cape and Limpopo and as such, they have benefited significantly from social grants. In addition, empirical findings from this paper indicated that female-headed households were the major beneficiaries of grants when compared to male-headed households. Also, there was evidence of higher poverty reduction in rural areas than in urban areas. These results indicate the good targeting and distribution of the grants in South Africa as they target the poorest and the most vulnerable individuals.

6. RECOMMENDATIONS

There appear to be a strong correlation between poverty and unemployment. Hence, to increase the efficacy of social grants on poverty reduction among the poor and vulnerable people, mechanisms that also tackle unemployment must also be implemented simultaneously. These employment opportunities may be created through the expanded public works programme as well as improve labour-absorbing SMMEs. For increased efficacy, such social protection mechanisms should be monitored and carefully evaluated to ensure that the targeted poor individuals and households receive significant impact. Furthermore, due to possibly lack of resources and low levels of human capital, a continued investment in education and human capital development in poor provinces, rural areas and the African population group, may aid in reducing poverty levels in the long run amongst the poor and most vulnerable people in South Africa.

NOTES

1 South Africa uses the lower-bound and the upper-bound poverty line. Stats SA (2014) provided R443 and R620 as the official poverty lines for the period 2010-2011 during which the Income and Expenditure Survey 2010/11 was conducted. The paper only uses the lower-bound poverty line as this provides the worst poverty conditions.

2 Stats SA (2014) presented R443 as the monthly official lower-bound poverty line for 2010/11 period. Thus, per annum its R443*12=R5,316.

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