

Income inequality and social grants: Ensuring social assistance for children most in need

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South Africa's social assistance system is better developed than those of most middle-income countries. This is in line with section 27(1) of the Constitution which states that "everyone has the right to have access to ... social security, including, if they are unable to support themselves and their dependants, appropriate social assistance". It is also in line with the Constitution that social grants are provided primarily for categories of individuals who are likely to be unable to provide for their own needs, namely the elderly, people with disabilities and children.

Most social grants aim to reduce poverty and include a means test that is intended to ensure that the grant reaches only those with income and assets below a given threshold. But to what extent do these grants also reduce inequality?

This essay explores the relationship between social grants and inequality by addressing the following questions:

- How can grants address inequality?
- How can grants address child inequality?
- Do grants address gender inequality?
- Where is the current grant system failing in terms of inequality?

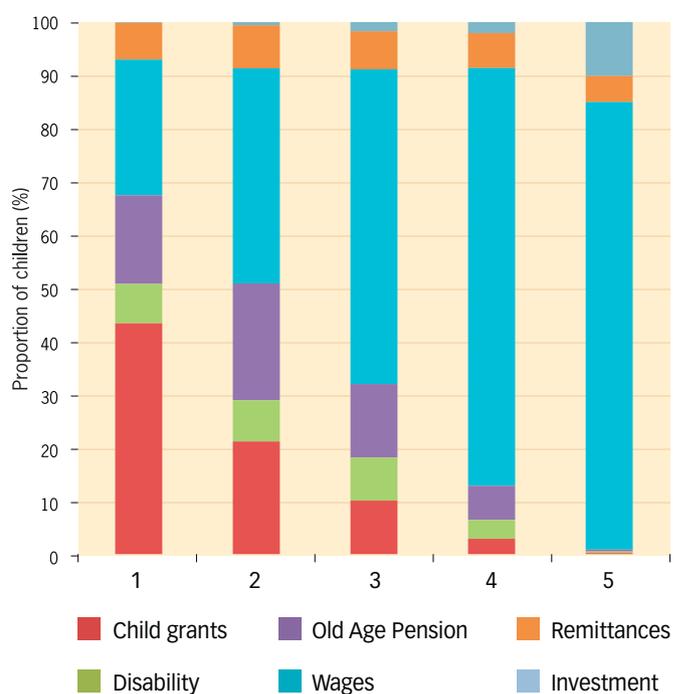
How can grants address inequality?

Grants are an important source of income for poor households. Figure 14 shows that more than half of the income flowing into the poorest 40% of households comes from social assistance.

It is well established that social grants reduce poverty. For example, one study has shown that the poverty rate in South Africa would be six percentage points higher in the absence of the grants.¹ There has been less research on the impact of the grants on inequality. Nevertheless, the evidence that does exist all points in the same direction: that the grant system as a whole reduces income inequality.² For example, a recent study found that the Gini coefficientⁱ would be reduced from 0.73 if no grants existed to 0.70 if everyone who was eligible took up their grant.³

South Africa's grant system includes three child grants alongside several adult grants. The Child Support Grant (CSG) is the main poverty-oriented child grant. It is available to all primary caregivers who pass a simple means test that is set at 10 times the value of the grant (or double this amount for the spouses' combined

Figure 14: Composition of household income, by quintile, 2008



Sources: Southern Africa Labour and Development Research Unit (2012) *National Income Dynamics Study 2008, Wave 1 [dataset]. Version 4.1*. Cape Town: SALDRU, UCT [producer], DataFirst [distributor]. Calculations by Ingrid Woolard, SALDRU, UCT.
Note: Agricultural income and imputed rent are excluded from income for this calculation.

income if the caregiver is married). The Care Dependency Grant (CDG) is provided to caregivers of severely disabled children on the basis that these caregivers will have limited opportunity to earn money given the intensive care needs of these children. The Foster Child Grant (FCG) is provided to foster parents of children who are placed in foster care because they are considered by the courts to be "in need of care and protection" in terms of the Children's Act (section 150).

In July 2012, the CSG was provided to 11.2 million children, the CDG to 117,256 children, and the FCG to 572,903 children.⁴ One would therefore expect the CSG to have a much greater impact on poverty and inequality than the other two grants. However, the

ⁱ The Gini coefficient is a measure of national income equality. It ranges from 0 (no inequality) to 1 (complete inequality). See box 3 on p. 35 for a more comprehensive discussion.

impact of the CSG is less than it might be otherwise because of the small size of the grant – R280 per month in 2012, as against R770 for the FCG and R1,200 for the Care Dependency Grant.

Children do not benefit from the poverty- and inequality-reducing impacts of the child grants alone. As children live in households, they can also benefit from the impact of adult grants. In particular, they can benefit from the Old Age Grant (OAG) if their households include grandparents who receive this grant. In addition, social grants are linked to other forms of poverty alleviation, such as school fee waivers and free public health care.

The OAG reached more than 2.7 million people aged 60 years and older in March 2012,⁵ and has a value of R1,200 – more than four times that of the CSG. Many children live in households which include their grandparents. In some cases these households include the child's parents. In other cases – for example, where the parents have died or are living elsewhere to earn an income – the children live with only their grandparents. If, as is generally the case, the Old Age Grant money is shared among household members, children's poverty will be reduced by this grant. This will not, however, happen for all poor children who live with grandparents as a large number of grandparents are below the age of 60.ⁱⁱ

The main purpose of the grants is to reduce poverty, not inequality. The grants do not always succeed in lifting households above a particular poverty line, but they do reduce poverty to the extent that any increase in income reduces income poverty. However, the grants are a rather blunt tool for reducing income inequality, given the relatively small grant amounts and the extreme differences between rich and poor in South Africa (illustrated in figure 2 on p. 33).

How can grants address child inequality?

Nevertheless, in South Africa there have been some elements in the design of grants that have specifically attempted to address inequality amongst children. Many of these have been designed to address substantive equality (or equity) rather than simply formal equality. This is in line with section 9 of the Constitution which prohibits both direct and indirect discrimination.

Formal equality is achieved when all individuals are treated in exactly the same way. Formal equality is reflected in policies that are implemented irrespective of the characteristics of the individual, such as race and gender. Formal equality thus aims at equality of opportunity. Substantive equality reflects a stance that recognises that individuals from different groups may be in different situations, and that policy needs to take these differences into account and, if necessary, treat individuals from different groups differently to achieve equal outcomes. Substantive equality thus aims at equality of outcome, rather than equality of opportunity. (For a more comprehensive discussion, see the essay on pp. 24 – 31.)

Means test or universal grant?

The first way in which the child grant system attempts to address inequality is by using a means test. The Lund Committee that designed the CSG in the late 1990s considered recommending a universal grant. After discussion, it was agreed that a universal grant was not appropriate in a country with levels of inequality as high as those in South Africa.⁶ This decision was further supported by the concern about how much money could be made available at the time, resulting in a stark trade-off between the amount of the grant and the number of children who would be reached. When introduced, the CSG was thus available only for children under seven years of age, and only for those whose caregivers passed a means test set at a relatively low level.

Today, the means test remains, but at a much higher level that renders 75% or more of all children eligible. Some might argue that at this point the means test could be dropped. However, this would almost certainly mean a trade-off between making the current small grant available for a larger number of children, and providing a somewhat bigger grant for only those children who are currently eligible. In this trade-off, it is clear that the second option would have greater impact in reducing both poverty and inequality.

Some might argue that the money used to provide the CSG, or a rebate to children in wealthier households, could be “clawed back” through tax. However, this would be possible for only part of the money spent by government given that the marginal tax rate does not reach 100% even for the wealthiest individuals.

A differentiated means test

When the CSG was first introduced, the means test was set at a lower level for caregivers of children in formal urban areas than for caregivers of children in informal urban and rural areas. This made it more difficult for caregivers in formal urban areas to access the grant. The dual approach was in line both with the notion of substantive equality and with the understanding that poverty does not relate only to inadequate income. The approach recognised that children in informal urban and rural areas were less likely to have access to a range of different services, were more likely to have poor quality services, and would also face greater obstacles in accessing these services.

The dual approach proved to be problematic for several reasons.⁷ Firstly, the approach was too complicated and there were difficulties for both officials and applicants in knowing in which category particular caregivers and areas fell. Secondly, many people – including applicants – felt that the approach was inequitable because, at face value, this is how it appeared. Thirdly, and importantly, because the threshold was low, the system essentially discriminated between different groups of poor children and their caregivers rather than between poor and not poor.

ii In the National Income Dynamic Survey Wave 2 data, just over half (55%) of household heads and their spouses that co-resided with their grandchildren were under the age of 60 in 2008.

In 2008 the means test was changed to a level 10 times the value of the grant – more than double the previous level. At the same time, the differentiation between children living in different areas was done away with.

“Follow the child”

A third design element aimed at avoiding inequity was the stipulation that the grant should be made available to the child’s primary caregiver, whoever this might be. The CSG replaced the State Maintenance Grant, which had a very different approach in that it was only available to a parent (primarily mother) of a child in cases where the other parent was unable to provide (eg because of death or imprisonment). The State Maintenance Grant was available for up to four legitimate children, but only one illegitimate child.

This approach was clearly inappropriate in a country such as South Africa where a child is as likely to be born outside marriage as to married parents. It was also inappropriate in a situation where 24% of South Africa’s children do not live with either of their biological parents.⁸

The CSG was thus explicitly designed to reach children irrespective of their family and living circumstance. In practice, the CSG has been claimed primarily by mothers, but it has also been claimed by many grandmothers. It would have been claimed by even more grandmothers if – as discussed later – policy confusion had not arisen about the respective functions of the FCG and CSG in terms of “care and protection” on the one hand, and poverty reduction on the other.

Do grants address gender inequality?

South Africa’s grant system reaches far more women than men. The OAG reaches more women than men because women tend to live longer than men and are thus eligible for longer, and because women tend to be poorer than men and therefore more likely to pass the means test. The child grants reach more women than men because women are far more likely than men to be the primary caregivers of children. Indeed, fewer than 40% of all South Africa’s children live with their biological fathers.⁹

The CSG could be seen as addressing gender inequality to the extent that it recognises the unpaid care work of women implied by having the responsibility of caring for children. In many cases, because of the absence of fathers, women bear this burden alongside having to find income to provide for the children. The Maintenance Act¹⁰ provides that fathers have a duty of support, whether or not they were ever married to the mother. In practice, however, many fathers are unable to provide because they are unemployed. Further, the whereabouts (or even identity) of many fathers are unknown. Where fathers are known and earning, the Act is so poorly implemented that maintenance amounts are either very low or not paid at all. In this situation, the small CSG provides some relief.

Do grants address current or future inequality?

It is clear that South Africa’s grant system addresses current inequality. What is less clear is if the grants reduce inequality in the long term.

Research has shown clearly that the grants result in increased school enrolment, better weight-for-height, and less hunger.¹¹ Some might argue that by improving the educational level and health of children the grants are placing these children in a better position to obtain employment and have sufficient earnings in their adulthood to avoid poverty – and to avoid being on the “wrong side” of inequality. It is this reasoning that has led to many other countries introducing education- and health-related conditions for grant recipients. Yet South Africa has achieved similar education and health outcomes without conditions.

In theory, access to school and health facilities should go some way to breaking the intergenerational transmission of poverty. Whether this happens in practice is questionable. It assumes, for example, that schooling is of decent quality, that jobs will be available, and that the type of schooling received will allow children to access well-paid jobs. In South Africa there is enough evidence of poor schooling, inequality of employment between Black and White youth with similar education, and inequality of earnings between Black and White, and women and men, with similar education to cast some doubt on whether this theoretical impact on future poverty or inequality will hold. A small grant such as the CSG can and does help reduce current poverty and inequality, and the system needs to be retained and strengthened for this reason. But we cannot and should not expect the social assistance system to improve children’s future economic opportunities significantly.

Where is the current grant system failing in terms of inequality?

Despite its strengths, South Africa’s current child grant system has several weaknesses. Perhaps the most important of these is the confusion around the purpose of the FCG, and the resultant inequities.

The FCG is designed for children in foster care. It caters for children who have been found by a court to be “in need of care and protection” because the child has been abused, neglected, abandoned, trafficked, or the like. Both the foster placement and the grant are thus intended to provide for adequate “care and protection” for the child, rather than to address poverty. Over recent years, however, this distinction has been blurred.

In the late 1990s, approximately 50,000 children were receiving the FCG. Currently, more than 10 times this number of children receive the grant.¹² This dramatic increase is the result of orphans being placed in foster care so that they can receive the grant. The majority of the orphans who benefit from FCGs live with grandparents or other close relatives.

The practice of using the FCG for orphans was explicitly promoted by former Minister of Social Development, Zola Skweyiya. The opportunity was eagerly taken up both by applicants and the social workers who assisted them. This was done because of the substantial difference in the monetary value of the CSG and FCG, and despite the fact that the foster placement involved a lengthy and expensive process in terms of social worker and court time.

This situation creates several inequalities. Firstly, it creates inequality between children on the basis of living and care arrangements – an outcome that contradicts the Lund Committee’s principle of “follow the child”. The inequality arises because, while African children living with their mothers (and not their fathers) are, on average, as poor as African children living with neither parent, the latter are eligible for a higher value grant than the former if they are orphans.¹³

Secondly, the situation creates inequities between children living in urban and rural areas. In rural areas, there is poorer access to social workers and courts. The result is that children in rural areas are more likely than those in urban areas to access the CSG rather than the FCG, despite the fact that only 65% of children in rural areas (and 64% in former “homeland” areas) live with their mother as compared to 78% of children in urban areas (calculations based on General Household Survey 2010). Thus, for example, in 2010 there were 21 children receiving the CSG for every child receiving the FCG in formal urban areas, compared to 31 children receiving the CSG for every child receiving the FCG in the former homelands).

The confusion around the purpose of the FCG not only has implications for income inequality, it also means that social workers and children’s courts do not have time to provide adequately for children truly “in need of care and protection” as they spend the bulk of their time processing applications for foster care. This reduced capacity to provide services to children who face severe threats to their health, well-being and survival can be seen as yet another aspect of inequality.

What are the conclusions?

Several steps are needed to achieve the full potential of the poverty and inequality impacts of grants for children. Firstly, the confusion around the purpose of the foster system needs to be addressed to remove the resultant inequities and to free up the social work and court systems to serve those in desperate need. Secondly, the CSG amount needs to be raised to increase the poverty and inequality

impacts, as well as to reduce the incentive for caregivers and social workers to favour the FCG over the CSG when considering options for poor orphans living with relatives.ⁱⁱⁱ

In addition, further steps need to be taken to ensure that all eligible children access the CSG as it is generally those who are most disadvantaged and most in need who do not access the grant because of lack of access to birth certificates and identity documents, distance from services, or costs incurred in applying. The necessary effort and resources need to be put into facilitating access for these children before resources are spent instead on extending the grant to those who are not poor. If this is not done, universalisation will increase, rather than reduce, inequality.

References

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- 2 See no. 1 above;
- 3 See no. 1 above;
- 4 South African Social Security Agency (2005 – 2012) SOCPEN database – special request. Pretoria: SASSA.
- 5 National Treasury (2012) *2012 Budget Review*. Pretoria: National Treasury: 85.
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- 7 Delany A, Ismail Z, Graham L & Ramkissoon Y (2008) *Review of the Child Support Grant: Uses, Implementation and Obstacles*. Commissioned report for the Department of Social Development, the South African Social Security Agency and UNICEF. Johannesburg: Community Agency for Social Enquiry.
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- 9 See no. 8 above.
- 10 Maintenance Act 99 of 1998.
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- 12 See no. 4 above.
- 13 Hall H & Proudlock P (2011) *Orphaning and the Foster Child Grant: A return to the ‘care or cash’ debate*. Children Count Brief. Cape Town: Children’s Institute, UCT.

iii At the time of publication, the Department of Social Development announced its intention to introduce a kinship grant as a “top-up” to the CSG for family members caring for orphans.