

**Inequalities in Emerging Economies:
What Role for Social Policies?**

**ELSA and EU Conference
19 May 2010**

Unconditional Social Assistance Grants in South Africa

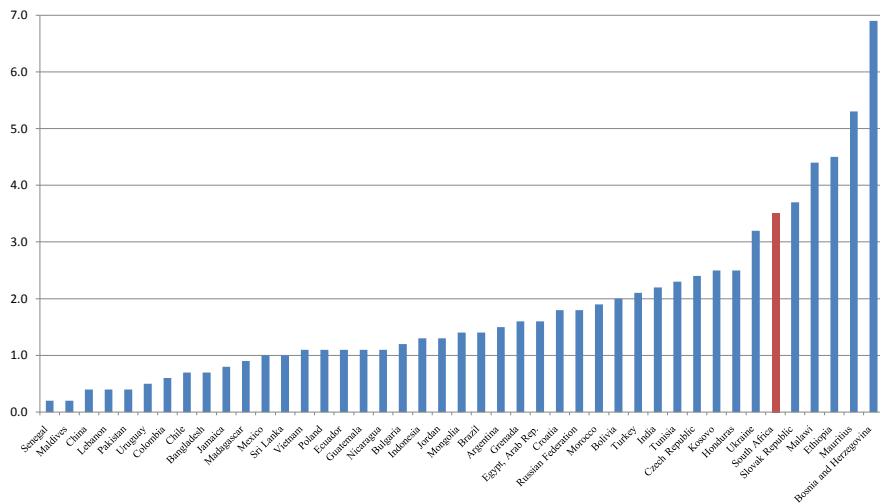
www.oecd.org/els/social/inequality/emergingeconomies



Social Grants in South Africa

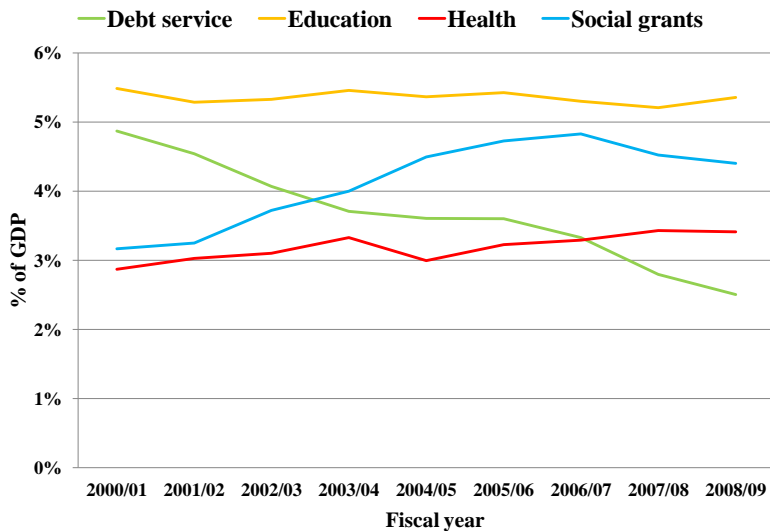
- State Old Age Pension
- Child Support Grant
- Disability Grant
- Foster Care Grant
- Care Dependency
- War Veterans

Social assistance spending as percentage of GDP in selected countries

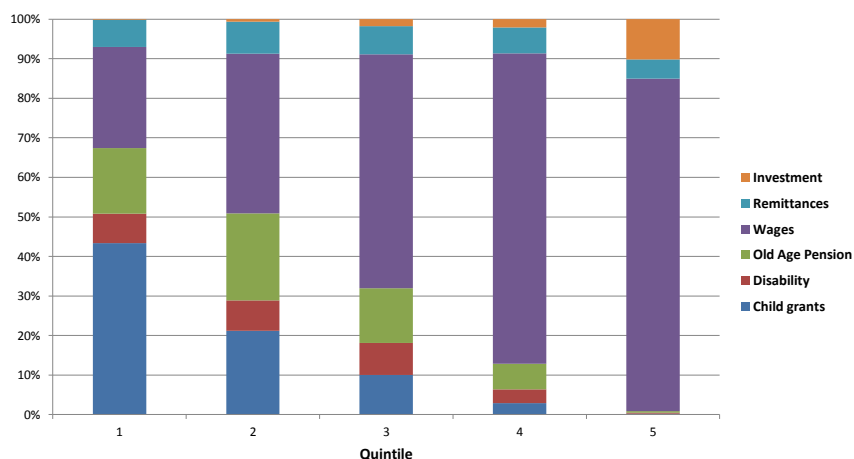


Source: Weigand and Grosh (2008) for all countries other than South Africa; South Africa (Republic of South Africa, 2010).

Expenditure items as percentage of GDP

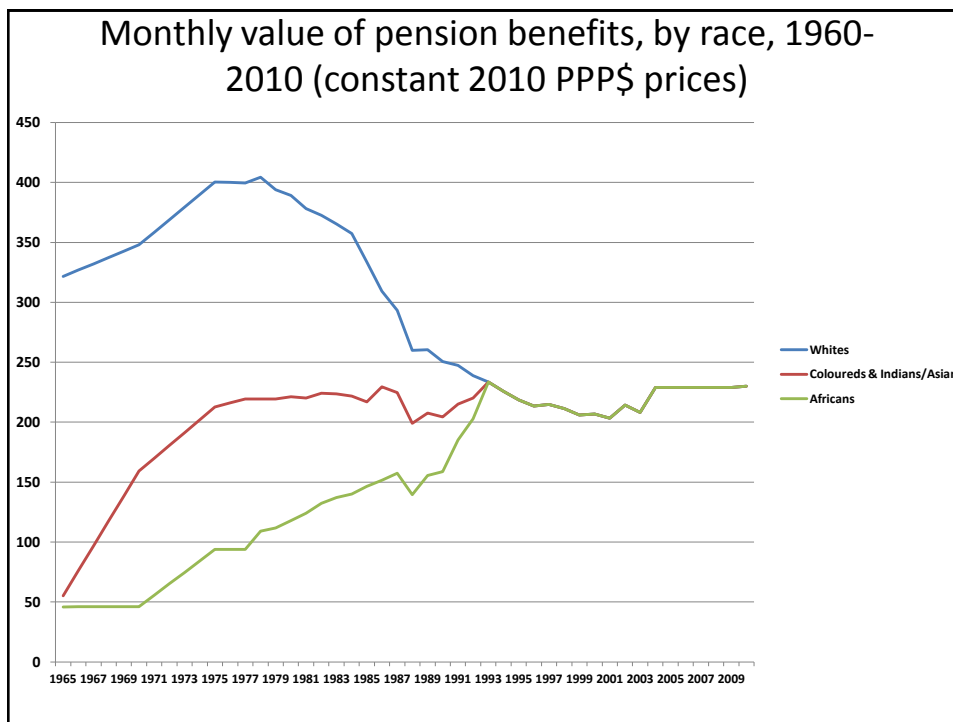


Sources of household income, by quintile, 2008



Percentage of households reporting income from social grants 2008

Quintile	% Reporting any income from Child Grants	% Reporting any income from Disability Grant	% Reporting any income from Old Age Pension
1	55.8	5.7	9.8
2	57.9	10.9	27.1
3	45.4	14.7	23.5
4	26.5	9.9	17.7
5	9.0	2.8	5.0
All	33.6	8.2	15.3



Poverty with and without government grants

Poverty when income includes government grants

Year	Poverty line=R949			Poverty line=R515		
	p0	p1	p2	p0	p1	p2
1993	0.72	0.47	0.36	0.56	0.32	0.22
2000	0.71	0.45	0.33	0.54	0.29	0.19
2008	0.70	0.44	0.32	0.54	0.28	0.18

Poverty when income excludes government grants

Year	Poverty line=R949			Poverty line=R515		
	p0	p1	p2	p0	p1	p2
1993	0.73	0.53	0.43	0.60	0.4	0.32
2000	0.72	0.5	0.4	0.57	0.37	0.29
2008	0.71	0.54	0.46	0.60	0.44	0.37

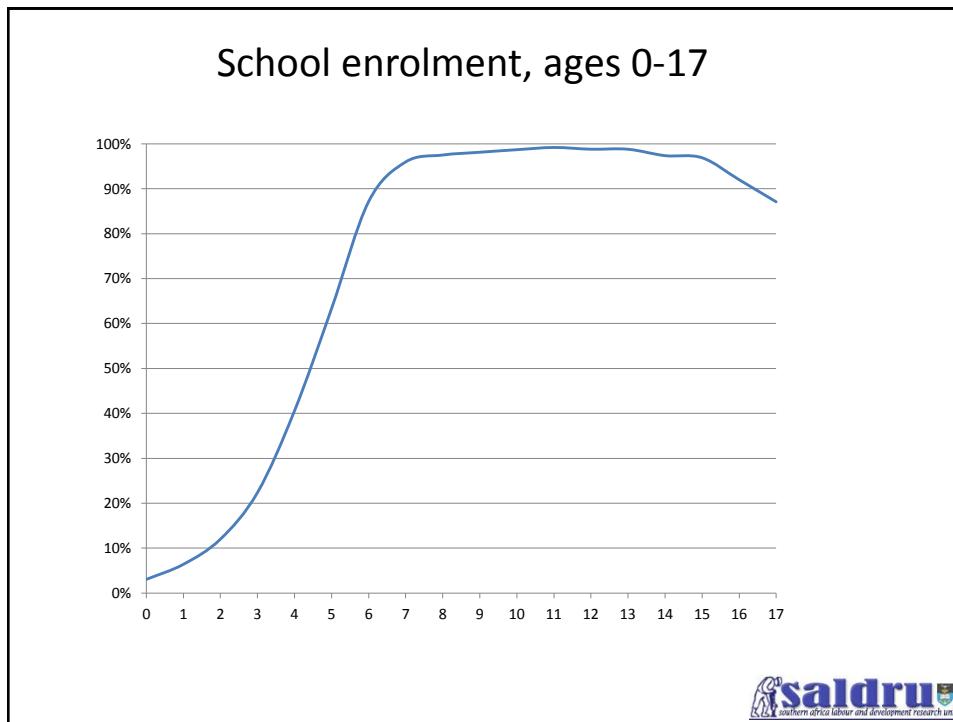
Source: Own calculations using data from SALDRU 1993, IES 2000 and NIDS 2008 data sets

Evaluating Impacts More Carefully

- Much work evaluating the impact of the State Old Age Pension on:
 - Whether it reaches the poor children?
 - Yes. Both in general and for poor children (nutrition)
 - Role of three generation families in South Africa
 - Role of women
 - Labour Supply effects?
 - More unemployed in pensioner households
 - Migration
- Also some evidence on the Child Support Grant

Do we need to add conditionalities?

- The means test has helped a lot with general targeting. (Michael's earlier point)
- But these grants are income effects with complicated behavioural responses.
- Should these responses be shaped by conditionalities?
- The example of the Child Support Grant
 - Initially there were conditionalities that impeded roll-out (bureaucratic/administrative capacity)
 - Now conditionalities are back in a "soft form"
 - Could do school enrollment but there is no point. Could not attendance or performance
 - Could not do health



Conclusions

- South Africa's grants are not first-best interventions
- However, *in South Africa* they work and have been important
- In the interests of the poor, we cannot be doctrinaire about tampering with them
- We cannot interrupt the support and weaken the capacity of the poor to use the grants for their own good