Inequalities in Emerging Economies: What Role for Social Policies?

ELSA and EU Conference
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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

- Debt service
- Education
- Health
- Social grants

% of GDP vs. Fiscal year


0% | 1% | 2% | 3% | 4% | 5% | 6%
Sources of household income, by quintile, 2008

Percentage of households reporting income from social grants
2008

<table>
<thead>
<tr>
<th>Quintile</th>
<th>% Reporting any income from Child Grants</th>
<th>% Reporting any income from Disability Grant</th>
<th>% Reporting any income from Old Age Pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>55.8</td>
<td>5.7</td>
<td>9.8</td>
</tr>
<tr>
<td>2</td>
<td>57.9</td>
<td>10.9</td>
<td>27.1</td>
</tr>
<tr>
<td>3</td>
<td>45.4</td>
<td>14.7</td>
<td>23.5</td>
</tr>
<tr>
<td>4</td>
<td>26.5</td>
<td>9.9</td>
<td>17.7</td>
</tr>
<tr>
<td>5</td>
<td>9.0</td>
<td>2.8</td>
<td>5.0</td>
</tr>
<tr>
<td>All</td>
<td>33.6</td>
<td>8.2</td>
<td>15.3</td>
</tr>
</tbody>
</table>
Poverty with and without government grants

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty when income includes government grants</th>
<th>Poverty when income excludes government grants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poverty line=R949</td>
<td>Poverty line=R515</td>
</tr>
<tr>
<td></td>
<td>p0  p1  p2</td>
<td>p0  p1  p2</td>
</tr>
<tr>
<td>1993</td>
<td>0.72 0.47 0.36</td>
<td>0.56 0.32 0.22</td>
</tr>
<tr>
<td>2000</td>
<td>0.70 0.44 0.32</td>
<td>0.54 0.28 0.18</td>
</tr>
<tr>
<td>2008</td>
<td>0.72 0.54 0.46</td>
<td>0.60 0.44 0.37</td>
</tr>
</tbody>
</table>

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