From state maintenance grants to a new child support system: Building a policy for poverty alleviation with special reference to the financial, social, and developmental impacts.

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Abbreviations

ANC	African National Congress
CORSIM	Cornell Dynamic Microsimulation Model
COSATU	Congress of South African Trade Unions
CSB	Child Support Benefit (the name first used for the now CSG)
CSG	Child Support Grant
CSGTT	Child Support Grant Task Team
CSS	Central Statistical Services
DBSA	Development Bank of Southern Africa
DG	Disability Grant
DIB	Demographic Information Bureau
EFSA	Ecumenical Foundation of Southern Africa
ELCRN	Evangelical Lutheran Church in the Republic of Namibia
ESD	Enumerator Sub-Districts
FFC	Fiscal and Financial Commission
GDI	Gender-related Development Index
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GEM	Gender Empowerment Measure
HDI	Human Development Index
HDR	Human Development Report
HH	Household
HPI	Human Poverty Index
HSL	Household Subsistence Level
IMF	International Monetary Fund
JASSS	Journal of Artificial Societies and Social Simulation
LSMS	Living Standards Measurement Survey
MINMEC	Welfare MINMEC: the committee of the Minister of Welfare and the Provincial Members of the Executive Council
NATSEM	National Centre for Social and Economic Policy
NEC	National Executive Council
NGO	Non Governmental Organisation
NIEP	National Institute for Economic Policy
OHS	October Household Survey
PCE	per capita expenditure
PES	Post Enumerate Survey
PQLI	Physical Quality of Live Index
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
SABC	South African Broadcasting Service
SALDRU	Southern Africa Labour and Development Research Unit
SANGOCO	South African NGO Coalition
SAP	Structural Adjustment Programme
SMG	State Maintenance Grant
SOAP	State Old Age Pension
TBVC states	former so called 'independent' states: Transkei, Bophuthatswana, Venda and Ciskei
UN	United Nations

UNRISD	United Nations Research Institute for Social Development
UPE	University of Port Elizabeth
WISP	Weighted Index of Social Progress

Table of Contents

Tables

Figures

Introduction

> *We recognise that some problems, like unemployment, will require years for their solution. But an improvement in the conditions in which our children are growing and learning, is something which must not wait for years. (Mandela, 1995:VII)*

Stating the problem

The restructuring of the <u>S</u>tate <u>M</u>aintenance <u>G</u>rant (SMG) system into a new <u>C</u>hild <u>S</u>upport <u>G</u>rant (CSG) constitutes a major social policy shift in the new South Africa. The State Maintenance Grant system was part and parcel of the social security system which the former regime in its apartheid ideology had created over the years. At the time when this research started[1] the State Maintenance Grant system was the biggest social security system which was still more or less untouched in its place. It was meant to support single mothers when the husband was deceased, in prison, disabled or untraceable. In reality, the system still reflected racial discrimination and was extremely unreliable as a social security system:

> *There is great racial inequity in child and family-care benefits. Poor black women have been particularly disadvantaged. It is from this group that the greatest demand for social assistance will be felt in the future.*
>
> *Women can claim support for themselves and their children through the law courts. The system, however, is complex and unreliable. There is a high rate of defaulting by fathers. Where the judicial system fails, mothers may apply for the State maintenance grants. These have comprised only a small part (about 15%) of the overall social assistance budget, while as many as 2,8 million women qualify for them under the present rules of eligibility. (White Paper, 1997:49)*

This quotation from the White Paper reflects the different motivations of why the Maintenance Grant System had to be changed: Firstly, the programme that was in place was insufficient in targeting and addressing poverty in a significant way, secondly, from a fiscal point of view it was feared that it potentially could expand the budget beyond the means of Government.[2]

Although a change seemed inevitable one also has to be aware that it was and still is today a very sensitive issue: Especially in the Western Cape and Northern Cape, among the so-called 'coloured'[3] community the Maintenance Grants are often still the sole or at least main source of income for families. (Haarmann and Haarmann, 1997a:9-13)[4]

The Committee of the <u>Min</u>ister of Welfare and the Provincial <u>M</u>embers of the <u>E</u>xecutive <u>C</u>ouncil (the Welfare MINMEC) established the Lund Committee on Child and Family Support in November 1995 to investigate the financial sustainability of the existing system and to make recommendations for its restructuring. This Committee published its report in August 1996. It was suggested that the State

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[1] The research was conducted between November 1995 and April 1998. April 1998 saw the introduction of the CSG. Hence, this thesis cannot provide an analysis of the implementation phase of the programme.

[2] A pilot study has shown that the costs for the present maintenance grant system could go up to R18 billion. (Haarmann and Haarmann, 1997a:6-9) This estimate is higher than the one provided in Chapter 5 as the more recent calculations are adjusted to the preliminary 1996 Census results which indicated a much smaller population than previously thought.

[3] The author regards racial naming as in itself racist and hence it should in principle be avoided. However, in a study of this nature the author felt compelled to use this terminology in order to be able to describe the different social realities created by the apartheid regime. Ironically, one thus has to use racist terminology to analyse the injustice still present in today's South Africa.

[4] The phasing-out of the SMGs started in April 1998. The real and dramatic impact for the communities and families concerned will therefore only be felt in the next three years.

Maintenance Grant system be phased out and that a flat-rate Child Support Grant[5] be paid to poor children, regardless of the family form they are living in. The Committee presented three possible age-groups (0-4 years; 0-6 years or 0-9 years), which should be eligible for support and two different levels of the grant (R70 or R125 per month). The Committee suggested three different possible budgetary scenarios (total budget: R1,2bn; R1,5bn or 2bn.). According to the report's calculations these budgets could support between 7% and 39% of children in South Africa. (Lund Committee, 1996a:96) In April 1998, after nearly two years of policy development, the Department introduced a new Child Support Grant of R100 per month for children under the age of seven. The declared goal of the Department is to put 3 million of the poorest children on the system in the next five years. It was decided that the State Maintenance Grants (SMGs) are to be phased out over a three year period.

The Lund report and the new policy raised criticisms from various sides (researchers, Non Governmental Organisations (NGOs), trade unions and churches[6]), which led to a public debate and to public hearings on the issue.[7]

The points of criticism are manifold. Here it suffice to mention the most substantial ones which will be further discussed in the research:

- It was questioned whether the level of benefit and especially the limited number of children supported could make a decisive difference in fighting poverty amongst South Africa's children. The logic behind the approach of the Committee has been questioned as it seemed to be pure cost containment instead of an analysis of the poverty situation in South Africa.

- The financial calculations in the report were criticised as the statistical data they are based on differ drastically from other survey data. The calculations were further seen as over-simplified as they leave out many important factors. This point was in particular worrying as the financial concerns were the main reason for setting up the investigation.

- The Lund report made no concrete proposal of how a means-test should function, and this despite the widely spread poverty in South Africa and the intention of the Lund report to drastically limit the number of children who are to get support. The subsequent proposals of the Department and the final regulations were criticised for their administrative complexity, the creation of negative incentives, their excessive conditionality and their exclusion of a part of poor children in need.

Purpose of the study

In November 1995, the research started with the aim to find a systematic approach to the design of a Child Support Grant system in South Africa, which is effective, well targeted and takes account of the fiscal constraints of Government. During the last two years, the research was based on and closely linked to the current developments and discussions regarding the new policy. The research led to the development of a model which is able to highlight the connection of various factors like the number of children on the system, the means-test, the administrative capacity. In this way one can examine the financial, social and developmental impact of different policy scenarios. In the process, the study led to the analysis of the use of microsimulation models in social policy formulation and development in industrialised countries. The literature on microsimulation is limited to industrialised countries and so far no application of this method in a developing context could be established. On the basis of the information about the models used in industrialised countries, the first model was revised and ex-

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[5]   The original term of the Lund report was 'benefit' instead of 'grant'. However this was changed in the legislation for the new system, as 'benefit' in legal terms is said to refer to support from a contributory scheme (social insurance) in contrast to 'grant' which is from a non-contributory scheme (social assistance).

[6]   Researchers: The author, Claudia Haarmann, Barberton, Creamer, NGOs: e.g. Women on Farms Project; welfare organisations e.g. Child Welfare; Churches e.g. SACC; SACBC. For a complete list see Appendix 3 in Claudia Haarmann's thesis.

[7]   For more information on the criticism and the public debate see the thesis of Claudia Haarmann Chapters 3 and 4.

tended. Moreover, the research broadens into a more general look at the use of microsimulation models for social policy in industrialised countries.

The purpose of this study is therefore twofold. On the one hand, it wants to contribute to the present discussion on the Child Support Grant in South Africa by analysing the poverty situation and by evaluating different policy options. This part points to feasible alternatives to the current policy.

On the other hand, it takes this analysis of the development of a concrete social policy as a case study for the possible use of microsimulation models in developing countries. This part broadens the study by developing a systematic approach towards analysing poverty alleviation policies with the help of microsimulation models.

Structure of the research

The first chapter provides an introduction into the current social policy discussion in South Africa. The chapter starts with an overview of four internationally prominent approaches towards social and economic policy: The 'New Right' approach, the 'Middle Way' approach, the 'Radical Social Democratic and Democratic Socialist' approach and the 'Marxist' approach. On the basis of this overview, the current South African situation with its challenges is analysed.

The second chapter looks at the type of information required for effective social planning and discusses the usefulness of household surveys in this context. While there cannot be any doubt about the significance that household surveys have gained in developing countries in the past years, this thesis would like to argue that their full potential is not yet adequately put to its use. The chapter elaborates that household surveys form an excellent basis for the application of microsimulation models. It is argued that microsimulation, although so far mainly applied in industrialised countries, could prove to become a reliable tool for social policy planning in developing countries as well.

As the research is mainly based on quantitative analysis and household surveys, the third chapter therefore gives a thorough analysis of the data sets available in the South African context. From that the reasons for choosing the <u>S</u>outhern <u>A</u>frica <u>L</u>abour and <u>D</u>evelopment <u>R</u>esearch <u>U</u>nit (SALDRU) data for this research are developed. In the process, the shortcomings of other data sets are unveiled, as well. Given the fact that some of these other sets were used by the <u>F</u>iscal and <u>F</u>inancial <u>C</u>ommission (FFC) for calculations for the new policy, and that at the heart of the different financial calculations there is the difference in the population estimates, this analysis provides the basis for various points of criticism of the calculations done for the Lund report and for the Department of Welfare.

The fourth chapter provides a picture of the living conditions of children in South Africa. Due to the fact that Cabinet decided that the CSG programme was for children from 0-6 years (inclusive), the analysis focuses on this age-group. Expanding an approach which was developed by Klasen, a composite index of poverty indicators is applied to draw this picture of the living conditions of children in South Africa with the help of the SALDRU data. The chapter also includes an analysis of the household and family structures children live in. This situation of the children is the basis on which a programme has to be designed and spells out the context in which it has to function. It furthermore provides information why the proposed policy including the different proposals regarding a means-test can be criticised. It will be shown that they do not adequately take account of the high percentage of children living in impoverished circumstances.

This is followed by a chapter which has a closer look at the reasons for changing the State Maintenance Grant system. It firstly calculates the potential financial implications of extending the 'old' system and comes to the conclusion that such an extension could potentially cost R13.7 billion which would blow the current budget. Furthermore, the chapter argues that a support for single parents, which is based on a concept of a 'nuclear' family break up, is not useful in the South African situation. At present we find various different family forms in South Africa and the 'nuclear' family form is neither the norm nor does its break up necessarily constitute a good indicator for poverty.

The sixth chapter gives an overview of the Lund Committee's work and the final recommendations for the restructuring of the State Maintenance Grant system into a Child Support system. It then argues in favour of one of the aspects of the recommendations, namely, that the grant should be inde-

pendent of the family form and rather 'follow the child'. However, many other aspects of the recommendations are criticised subsequently. It needs to be said that the content of the chapter was developed shortly after the report of the Lund Committee had been published. Since the new policy approved by Cabinet is in principle based on the recommendations, the points of criticism also apply to this policy.

After only touching on the question of the means-test in the sixth chapter, as one of the technical aspects of the recommendations which have not been thoroughly developed and discussed in the report, the seventh chapter is devoted to this technical question. It provides a general discussion about options of targeting mechanisms in a poverty alleviation programme. On this basis, it analyses the different proposals and the final means-test of the Department, as well as the alternative suggestion by the author and Claudia Haarmann in co-operation with Pieter le Roux. In essence, it will be argued that the approach of the Department is more concerned with cost containment than with including all children in need. It is demonstrated that their approach will lead to high administrative costs and discrimination against the poorest children. The alternative suggestion is based on a needs assessment and has the aim of keeping the test administratively as simple as possible and hence cost-effective. In addition, the chapter outlines the importance of the kind of means-test chosen for the microsimulation model and the different scenarios tested by the model.

The last chapter develops a microsimulation model by which the implications of different options can be clarified. The model comprises many different factors, which are divided into two groups:

1. Factors determined by the programme itself, like the level of the grant, the age-group etc.

2. Assumptions, like the data-base, population growth and the administrative capacity of the welfare offices.

With the help of this model the implications of the options discussed during the course of 1997 can be shown and a thorough analysis of the influence of each of the factors is given, which finally allows one to make an informed decision on the policy options.

More generally, the chapter shows the application of such models for the analysis of poverty alleviation policies in developing countries.

Methodology

The research is guided by the intention to make a practical contribution to the present discussion about and developments in the new policy for child support in South Africa. At the same time, this contribution is used as a case study for the application of microsimulation in a developing context. Microsimulation is based on quantitative data analysis and the main part of this thesis uses quantitative methods, not only as the basis for the microsimulation model in Chapter 8, but also for the situation analysis of children in poverty in Chapter 4. In addition, qualitative methods are applied in a field research into the living conditions of women living in a rural area in the Western Cape as well as in the review of literature and the public debate.

However, the research is not only based on theoretical models, but is strongly guided by the current discussions, the political context and the need to systematically analyse the current practical proposals of social policy and their implications for the life of many children in South Africa.

This aim of informing the present political and developmental debate, while being aware of the moving away from the 'traditional' view of knowledge, is modelled on Gareth Morgan's description of 'reflexive social science' as quoted by Mouton (1996:32):

> *In broadening our view of knowledge in this way, we are obliged to reframe the process of evaluation in a manner that supplements the purely technical considerations (...), with considerations that recognise that the significance of knowledge is not simply epistemological, but ideological, political, ethical and moral as well.*

The quantitative analysis is by and large based on the data of the South Africa Living Standards and Development Survey from 1993, conducted by SALDRU.[8] If not indicated otherwise, all calculations are based on the author's own statistical and economical calculations done on this data set. A thorough analysis of the reasons for choosing this data set, its possibilities, and limitations are given in Chapter 3. For the moment it suffices to say that the analysis of the household and family structure in Chapter 4 could be based on this survey, as it comprises the necessary information for such an analysis in the household roster. Furthermore, it provides the basis from which to calculate the potential costs of the SMG system in Chapter 5 and is instrumental to the testing of the different scenarios in Chapter 8.

Field research conducted by the author and Claudia Haarmann entails 20 in-depth interviews. 12 of them were made with women who are recipients of state maintenance grants and the other 8 were conducted with couples who were interviewed by SALDRU in 1993. The author draws on the analysis of these qualitative interviews covered in more detail by Claudia Haarmann in her thesis. This field research was done to get insights into the situation of families and single parents living in rural areas. It is meant to supplement the quantitative analysis of the SALDRU data with a qualitative perspective: Whereas the SALDRU data allows one to determine the numbers of people benefiting from different systems, and to calculate costs on a nation-wide basis, the research in Ceres gives an idea of the concrete situation of the people, especially families who are presently receiving the grant.

In addition, a qualitative analysis of the literature and the public debate is undertaken. As the research is conducted on a topical issue in South Africa, mainly recent policy papers and research papers are used. The author also got into contact with researchers in the same field and thus is able to draw information from their unpublished research.

The design of the model with its various factors to analyse the implications of different policy proposals is informed by the use of microsimulation models in industrialised countries, the proposals themselves and the public debate between civil society, the Parliamentary Portfolio Committee and the Department of Welfare as well as by direct contact between the author and different role players.

Motivation of the author

It seems important to explain the interest and the background of the author, which inevitably influences this research. Grown up in a smallish town in Western Germany, the author completed his schooling and alternative national service there. In the course of 1991, the author worked as a volunteer for the Evangelical Lutheran Church in the Republic of Namibia (ELCRN). There he had the chance to work in different parts of Namibia, mainly the rural areas, formerly so-called 'homelands' and 'townships'. Since then the author has worked with different organisations in community development projects, most recently in the North of Namibia, in Omundaungilo. This experience, the author believes, was important for himself, not only because of his learning about the different faces of poverty in the Southern African context, but also for developing a feeling of connectiveness: both by being privileged to have this learning experience and at the same time being motivated to engage constructively in overcoming racism and poverty. From 1991-95 the author studied Sociology, Theology and Economics in Germany and finally did his Honours in Development Studies at the University of the Western Cape, South Africa, in 1995.

In November 1995 the research for this thesis was initiated with the support of the present Minister of Welfare and Population Development, Geraldine Fraser-Moleketi. This led to the author's research work for the Lund Committee. After the report of the Committee had been released, the author together with Claudia Haarmann published a paper[9] with a critique of the Committee's recommendations. Furthermore, he got involved in and did research for a group of organisations of civil society[10] which criticised the report and demanded public hearings on the matter. At the public hearings, the

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[8]   See Chapter 1

[9]   HAARMANN, Claudia; HAARMANN, Dirk 1997a. *A child and family support system for South Africa. A call on government and civil society to join forces in the fight against poverty*. Bellville (Ecumenical Foundation of Southern Africa).

[10] The 'Lund Working Group'. For more information see the thesis by Claudia Haarmann.

author, together with Claudia Haarmann, made a submission to the Parliamentary Portfolio Committee on Welfare. He further conducted research for the Portfolio Committee during the last two years and was asked to do the calculations for the Committee's alternative proposal.

While following scientific methodology in explaining the facts and different positions as objectively as possible, the author cannot and does not want to deny that he writes from an engaged and highly involved position.

Chapter 1: The dominant approaches influencing social policy in South Africa

1.1) Introduction

Since the first democratic elections in 1994, South Africa has been in the process of restructuring its society and economy in order to overcome the legacy of apartheid. Apartheid policy divided the economic, political and social sphere along racial lines and hence created a distorted development of the country.

Regarding the impact of apartheid policy on the economy, the September Commission[11] made the following summary:

> *Under apartheid, the South African economy developed structures which ensured a grossly unequal distribution of economic resources, distorted industrial development, wide-spread poverty, low living standards of the majority of South Africans, an inefficient public service with a racially skewed pattern of delivery, and an extremely segmented labour market. (September Commission, 1997:Chapter 4, p.1)*

As a direct consequence of the apartheid policy South Africa has one of the most unequal distributions of wealth. Looking at the Gini-coefficient as an indicator of inequality, only Brazil (63.4) and Guatemala (59.6) have a 'more unequal' distribution of income (South Africa, 58.4). (The World Bank 1996:196-197)

Looking at the welfare sector in particular, the White Paper for Social Welfare identified the following disparities within the system:

> *Past welfare policies, legislation and programmes were inequitable, inappropriate and ineffective in addressing poverty, basic human needs and the social development priorities of all people.*
>
> *Racial, gender, sectoral and geographic disparities have created significant distortions in the delivery system. In general, welfare service provision has an urban and racial bias. Services are not always located in underprivileged communities and therefore inaccessible to their members. (White Paper, 1997:11)*

The question arises which approach South Africa is adopting to overcome this legacy and to create a more equal society. Is South Africa adopting a radical social policy model which wishes to redistribute resources on a large scale to the poor, or is it moving the direction of the minimalist social welfare policies proposed by the neo-liberals, to mention but two extremes.

This chapter serves as an introduction into the current social policy discussion in South Africa in order to understand the influences prevailing and the issues arising within the policy planning process. The chapter is structured in a way that in the first section four internationally prominent approaches towards social policy and their topicality are discussed. The second part is going to use this as a basis for the analysis and discussion of the South African situation.

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[11]   The September Commission was mandated by the Congress of South African Trade Union (COSATU) and had the task to investigate the changed political and economic conditions in South Africa and assess the appropriateness of COSATU's policies and strategies.

1.2.) An overview of approaches towards social policy and their topicality

Based on the discussion of Midgley in *'Social Welfare in global context'* and George and Page (ed.) in *'Modern Thinkers on Welfare'* four approaches are looked at. One has, of course, to be aware of the limitations of such categorisation. Midgley (1997:95-97) points to the fact that with regard to the 'welfare state' many different typologies have been developed to explain certain characteristics, but none of them is widely accepted. Moreover, there is no typology that can cover all features and there is, especially for developing countries, a lack of categories. Despite these problems attached to categorisation, it will be applied here, as this analysis is concerned with broad policy directions.

The following four dominant approaches have been chosen because of their topicality:

1. The '**New Right**' approach which sees the solution within the capitalist system and in the unlimited functioning of the market forces. This approach is advocated by economists like Hayek and Friedman.

2. The **'Middle Way'** approach which advocates that the market to a certain extent needs regulations and interventions, as 'Laissez-faire' capitalism creates unacceptable social and economic problems. Key thinkers of this approach are Beveridge, Keynes and Marshall.[12]

3. The **'Radical Social Democratic and Democratic Socialist'** approach. This approach combines two different beliefs in terms of the eventual nature of the desired economic system - social market economy vs. socialism. However, they both advocate a very similar type of social policy, namely an extension of wide ranging social policies based on redistribution and social justice. The work of Tawney, Titmuss and Harrington is taken exemplary for this approach.

4. The **'Marxist'** approach which contends that capitalism uses social reforms to gain legitimisation for the system. However, the system will evidently end up in crises as the two (capitalism and growing public expenditure to finance social policy) contradict each other. Scholars like Offe, O'Connor and Habermas developed this approach.

A short overview of these different approaches and their current influence will provide a better basis for the analysis of the South African situation.

1.2.1.) The New Right

The writings of Hayek and Friedman capture the thinking of the New Right approach of economic liberalism, antistatism, traditionalism, and individual liberty quite comprehensively. Interestingly, their work initially - before the second world war and in the three decades after that - did not have a lot of influence. However, the coming to power of right wing leaders like Thatcher and Reagan and the promotion of New Right ideas by the World Bank and the International Monetary Fund (IMF) marked a 'world-wide' shift of the political climate to the right and Hayek's and Friedman's ideas gained new importance. (George & Page, 1995:15-16 and Midgley, 1997: 140)

The main thrust of the New Right approach is its absolute belief in the market forces: Not only are government interventions not necessary to maximise efficiency and to satisfy needs, but also, planning and intervention restrict personal liberty and will eventually lead to 'serfdom', to use Hayek's favourite term. The approach contends that intervention and planning require centralised economic knowledge, however, human knowledge is highly imperfect and the inevitable consequence is that authoritarian power is needed to implement government policy, which in turn leads to the suppression

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[12]   The term Middle Way was also used during the 1960s to describe Sweden as the 'middle way' between the Soviet Union's model on the one hand and the USA's (and other European) model on the other hand. However, the term is used here as expression of 'managed capitalism' which follows the definition of Macmillan in his 1938 book. (George & Page, 1995:49)

of liberty. The same principle is applied regarding the achievement of social justice through social policy. Hayek (1978:100) foresees that:

> *Differences in wealth, education, tradition, religion, language or race may today become the cause of differential treatment on the pretext of a pretended principle of social justice or of public necessity. Once such discrimination is recognized as legitimate, all the safeguards of individual freedom of the liberal tradition are gone.*

This belief in the market is applied to social and economic policy. The implications for economic policy are the demand for very limited regulations and control as the market will regulate itself. Friedman and Hayek are in particular strong in regard to inflation. Both regard the post war development as a disaster and Friedman argues the high inflation was due to the attempt to 'fine-tune' the economy by the state as Keynes[13] had advocated. A strict monetary policy has to be subscribed to to avoid these distortions in the market. By the same token the attempt to achieve full employment through government intervention is attacked. According to the New Right, the market has to create employment, and any intervention does more harm than good. (Tomlinson, 1995:24 & Barry, 1995:33)

The New Right follows this approach also in the provision of social services as it criticises the involvement of the state in this area:

> *The overarching strategy of the radical right toward the welfare state is to replace government with other social institutions including the informal sector, the family, the non-profit voluntary sector, and the proprietary commercial sector, as a basis of welfare provision. (Stoesz and Midgley, 1991:35)*

According to the New Right, the family should take care of the welfare of its members. If this support structure breaks-down or is not functioning, the extended family, friends and neighbours are seen as the next option for assistance.

When it comes to the provision of formal social services, this approach argues for the delivery by the commercial sector in which the principles of the market exist. For example, Hayek is not generally against a compulsory social insurance scheme. However, such a scheme must not be a unitary, redistributive monopoly scheme run by the state, but private companies

> *(...) which demonstrate the values of efficiency, private property and autonomy (...) (Stoesz, Midgley, 1991:39)*

are advocated as the right instrument for it.

The New Right regards extreme disparities in society not as a social illness but as an economic necessity. Hence, the role of social assistance is a minimalist one in that it should cover only those 'who require protection against acts of desperation'.[14] However, as the following quote from the Economist with regard to the American social policy shows, it must not be allowed to be redistributive:

> *Reformers promise to get recipients into work by penalising them for not working: the pain and the gain are inextricably linked, just as America's striking inequality sharpens the incentives that make it dynamic. (The Economist, 3.8.1996)*

The points of criticism raised by Hayek and Friedman against the American old age pension scheme make the objections of the New Right against the welfare state clear. They argue that the insurance principle was abandoned as the pensions are not funded by actual savings but through current tax revenues. This means that the young who are currently in employment pay for the old generation. The so called 'pay as you go' system which is based on the 'generation contract':

> *the young 'agree' to support the old on the condition that a future generation will support them when they reach retirement. (Barry, 1995:42)*

Moreover, the benefits are related to the wages and not to the contributions, and are extended beyond the workforce to cover family and survivors.

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13   See 1.2.2.) The Middle Way
14   see Tomlinson 1995: 16-30

This moving away from the insurance principles has according to Hayek and Friedman serious negative consequences: First of all, the system is in the long run financially unsustainable. While the poll tax had to be increased since 1935 to cover the raising costs, Friedman predicted horrendous future cost as the change in demographic developments, mainly the relative decline of the birth-rate and the longevity due to improved health care, are not taken into account. The system is also redistributive which is a feature the New Right is opposed to. According to Hayek, the fact that benefits are not related to the actuarial principles leads to exaggerated claims and misuse. This fact also runs the high risk to be used by vote-catching politicians as they try to buy the votes of the pensioners by offering excessive benefits. (Tomlinson, 1995:21-24 and Barry, 1995:41-44)

Friedman furthermore argues that it is

> *(...) fundamentally illiberal for the state to determine people's time preferences. Pensions are simply deferred wages, and the decision as to how an individual spends and saves his or her income over a lifetime should be entirely a personal one. (Barry, 1995:42)*

He further points out that in the case of a compulsory scheme, the individuals must at least be allowed to invest the savings in the competitive and more efficient market instead of being forced to buy annuities from the state. Investment in the capital market would be more profitable, would lead to higher pension levels, and could go a long way to deal with the decline in the workforce.

Esping-Andersen, looking at the impact of the New Right approach in advanced welfare states during the last 20 years, concludes that

> *(...) those following a more radical liberalization strategy do better in terms of employment but suffer a high cost in terms of inequality and poverty. In contrast, those resilient to change, pay the price of high unemployment (...) (Esping-Andersen, 1996:25)*

The tenor regarding social policy and social programmes, particularly in industrialised countries, seems to be that changes have taken place, but that they are less dramatic than one is led to believe. They did restructure the welfare state, but a dismantling has not occurred and the changes have only haltered the further expansion of welfare. (Midgley, 1997:141-142 & Esping-Andersen, 1996:265). Looking at the financial side, this observation is supported by the fact that between 1980 and 1995, the social spending in OECD countries has been restrained, but did not decrease.[15]

The most important impact of the New Right is probably their points of criticism on existing programmes, and the prediction of crises like the rise in costs of pension schemes due to the ageing of the population, and the misuse of certain benefits like sick leave without doctor prescription etc.[16] This has led to the fact that also in traditionally Middle Way or Radical Social Democratic welfare programmes, market principles have been introduced on some levels to increase efficiency, responsibility, and freedom of choice. These issues raised by the New Right are prevailing in social policy discussion, and cannot be ignored by social policy planners.

As outlined earlier, the IMF and the World Bank also advocate the New Right approach. The Structural Adjustment Programmes (SAPs), which developing countries are obliged to perform in order to have access to loans from the IMF, are the prime example for the translation of this approach into economic policy.

The main components of a SAP, although certain features might differ from country to country, are:

1. Devaluation of currency

2. Privatisation

3. Monetary and fiscal discipline

4. Price liberalisation

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[15]   See OECD 1995. For Britain 'The Economist' concluded that: *"Since 1979 welfare spending - broadly defined to include pensions, social security, education, the National Health Services, and public housing - has increased by half in real terms. Even as a proportion of GDP it has increased from 23% to 26%."* (The Economist, 21.9.1996)

[16]   See Stephens, 1996:46

5.   Cutting of subsidisation

6.   Trade liberalisation

The focus of the SAPs is the reduction of government intervention into the economy, the reduction of government spending and the promotion of export-led growth. (Deng, 1996:179 & Padayachee, 1996:355)

The effect of the New Right approach on developing countries is regarded as more dramatic than on industrialised countries. Kneipers summarised their effect on the countries as follows:

> *(...) mass unemployment, pauperization and inflation are frequently the consequences of such austerity programmes. Moreover, there has so far been no indication that these negative consequences are merely the trade-off for a long-term economic recovery: not one of the countries included in IMF programmes can be cited as proof for the postulate that employment level and real incomes rise following a preceding phase of 'purging' austerity (as quoted in Padayachee 1996:356-357)*

This economic austerity and the conditions of the IMF have had severe social consequences in many parts of Africa:

> *(...) rural clinics have no drugs, schools are overcrowded, social services staff are demoralized, and income support programs have been abolished. (Midgley, 1997:143)*

Although it appears that the New Right had less influence on social policy in the industrialised countries as expected, the projection of the policy on developing countries and the prevailing right wing political climate do indicate that the ideas and forces are strongly prevailing.

1.2.2.) The Middle Way

Supporters of this approach differ in terms of concrete policy issues and in their assessment of aspects of 'laissez-faire' capitalism and centrally planned socialism. However, they all agree that capitalism is the preferred and sustainable system, but the market is imperfect and can fail. Capitalism is seen as the most successful system to produce wealth, but it has its flaws in distribution. On this basis, government interventions are justified and at times necessary. Moreover, one cannot allow private prosperity on the one hand and extreme poverty on the other hand. Social policy is therefore important to provide services and goods where the market fails. However, individual initiative and family responsibility are not to be undermined. (George & Page, 1995:49-50)

An overview of the important thoughts of Keynes and Beveridge should suffice here to grasp the content of this Middle Way approach: Keynes is often regarded as the most influential economist of the twentieth century (Mohr & Fourie, 1995:63), Beveridge is referred to as the founding father of the welfare state, because of his 1942 report on 'Social Insurance and Allied Services' and his subsequent work (Silburn, 1995:92).

Keynes' point of departure for his macro-economic theory is the experience of the Great Depression from 1929 to 1932 with its high and increasing unemployment rates in all affected countries. This experience contradicted the up to then belief of classical economic theory that there was a 'natural tendency towards full employment' and that aggregated supply would create its own - sufficient - demand. Keynes turned this theory upside down and identified aggregated demand as the determinant of the economy.

> *(...)Keynes explained why aggregated demand could be insufficient to sustain the levels of production and employment. When this happened, the government had to stimulate the total demand for goods and services by applying the appropriate policy measures. These measures included raising government expenditure or decreasing taxes. Keynes therefore provided the intellectual justification of government intervention to stimulate economic activity and reduce unemployment. (Mohr & Fourie, 1995:63)*

Keynes was not directly involved with social policy, but focused on the situation of high unemployment in an economy, which he saw as 'wasteful' and 'inefficient'. Nevertheless, this justified intervention and the use of government resources, therefore Williams and Williams (1995:75) conclude:

> *(...) above all, if Keynes had not seemingly provided a solution to mass unemployment, the nature and scope of the post-war social welfare experiment would certainly have been different.*

Moreover, Keynes' personal involvement and his theory had an important influence on Beveridge while he developed the policies for a comprehensive social welfare system in 1942 and thereafter. Beveridge saw employment and extensive government intervention in social affairs as the instrument for the introduction of a welfare system (Williams & Williams, 1995:77-78). His report, advocating a comprehensive, compulsory, contributory, and uniform social insurance scheme which is backed up by health care, social assistance, housing, education, and social services, marks the beginning of social security, based on the following principles:

- the principle of unity, (single administration)

- the principle of equality (standardisation of legal conditions and removal of inequality among the insured)

- the principle of universality (coverage of the whole population regardless of employment status)

- the principle of completeness (coverage of all risks)

- the principle of solidarity (financing through taxation, provision of minimum but sufficient benefits, progressive redistribution of income) (Mesa-Lago, 1991:356-357)

The era in which this approach, of course with variations and different focuses, was put into practice, - from the Second World War to the end of the 1970s - is often referred to as the 'Golden Age of State Welfare'. A period characterised by the welfare consensus:

> *(...) political parties of quite different persuasion appeared to accept that extensive state social provisions were needed to ensure prosperity. (Midgley, 1997:137)*

In the industrialised countries, this period combined economic growth with the introduction and extension of welfare programs. Midgley (1997:114) points out that

> *(...) standards of living for large numbers of people in the industrial countries improved significantly.*

The impact of the Middle Way approach for the developing countries in turn is rather mixed. While it is acknowledged that social programmes exerted a positive influence in areas like education, reduction of infant morality and the provision of clean drinking water (Midgley, 1997:119-121), Midgley (1984:ix) criticises the 'Western style' social security programmes as inappropriate for the context of development countries and concludes that

> *(...) these schemes have brought few, if any benefits for ordinary people. They cater primarily for those who are already privileged by having secure jobs and steady incomes and exclude those whose needs for social security are the greatest.*[17]

This quotation unveils the problems with social programmes in developing countries which are based on the 'Western model': the employment structure is different from the one to be found in industrialised countries, as the majority of the people depend on the informal or agrarian sector and it is not the 'interruption of earnings' through temporary unemployment that constitutes the main risk of poverty. However, this fact is not only important for the context of developing countries, but is becoming more and more relevant for industrialised countries as well. The steady rise in unemployment over long periods of time poses a challenge to the basis of the Beveridge system as well as to the belief in the success of intervention as advocated by Keynes. While the Keynesian theory first came under attack from the monetarists because of rising inflation and the instability of prices, the discussion about the causes of the economic problems and the nature and appropriateness of government intervention is not yet over. One has to be aware that this discussion is often highly dependent on ideological factors as well. But whatever the outcome of the discussion might be, it is clear that social policy today operates in a very different context from the one at the time when the theory, which first made the development of a welfare state possible, was created. As outlined earlier, the points of criticism of the New

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[17] Note that South Africa is in a different situation as far as state old age pensions are concerned: Here the old age pensions were first introduced to cover a few poor 'whites'. However, the coverage was extended to all 'population groups' shortly before the first democratic election in 1994. See Deaton 1994, Case and Deaton 1996, Morgan 1995 and for a discussion on the Namibian case see Morgan 1991.

Right cannot be ignored and the proponents of the Middle Way have to find solutions to the problems identified.

1.2.3.) The Radical Social Democrats and Democratic Socialists

This approach combines two lines of thought in terms of the desired economic system. While the Radical Social Democrats strive towards a regulated social market economy based on the principles of egalitarianism and solidarity, the Democratic Socialists stand for a step by step reform process of the capitalist system towards the establishment of democratic socialism. However, their conceptions in terms of social policy are very similar. Due to the fact that this overview is mainly concerned with social policy, the two will be covered by one approach here.

The approach advocates state intervention in both, social and economic policy to achieve social equality. The Middle Way believes that social policy does not aim at abolishing inequality, as inequality to a certain degree is seen as conducive for economic activity. In contrast, the Radical Social Democrats and Democratic Socialists regard social policies as

> *(...) the deliberate intention of enhancing solidarity and minimizing the class and other divisions (...). (Midgley, 1995:145)*

Welfare is based on the principle of universality and solidarity and in so far the general idea of social programmes is similar to the Middle Way approach. However, one of welfare's main functions is to create new values and a human society based on social integration, egalitarianism, solidarity and a strong sense of community. (Wilding, 1995:157; George & Page, 1995:131-132; Midgley, 1997:91)

Universalism is seen as a 'key concept' to achieve social integration, as it breaks down distinction and discrimination. (Wilding, 1995:155). Titmuss, one of the representatives of this approach, traces the importance of universalism to two factors:

1. The 'unidentifiable causality of diswelfares'

2. The implication of the alternative - selectivity which has the negative results of stigmatisation: *the stigma threatens the person stigmatized, the programme, and the society which condones stigmatization (Wilding, 1995:156)*

The approach goes further than the Middle Way by advocating that a high degree of 'decommodification' is to be achieved: That means that

> *(...) citizenship rather than market participation and market position forms the basis to income or publicly provided goods and services, and individuals suffer relatively small losses of income from exiting paid work temporarily or permanently (...). (Stephens, 1996:36)*

This principle leads to the promotion of, for example, free public education, low-cost housing as a basic right, extension of public works programmes, raising the minimum wage, and the nationalising of health care. Social services should be strongly based on client and citizen participation and to foster equality access for groups of disadvantaged should be enhanced.

By the same token, proponents speak out strongly against the privatisation of welfare provisions as this would undermine the very principles of solidarity, equality, and universalism. Titmuss developed six main points of criticism against the institution of private welfare:

1. It consolidates inequalities as it is based on occupational success.

2. It weakens and damages public services as it reduces 'any sense of general social obligation'.

3. It is socially divisive as it excludes or discriminates against minority groups.

4. It does not enhance freedom of choice as employees seldom have an opportunity to choose between schemes and hardly have a chance to participate in the organisation of the scheme.

5. It concentrates power and capital in the insurance companies and it is questionable how this is used.

6. It is largely publicly funded, therefore there should be greater public regulation and control. (Wilding, 1995:157-158)

Given these points of criticism, it becomes obvious why Titmuss so strongly advocates the state as the provider of social services.

The approach had its heyday during the 'Golden Age of State Welfare' when at least parts of it were put into practice in various countries. Many representatives of the approach had a direct or indirect influence on policy making, like Harrington in the USA, and Titmuss in Britain and also in developing countries. (Midgley, 1995:145; Wilding, 1995:160-161; Gorman, 1995:194). However, the development in recent years rather indicates a strengthening of capitalism, a discussion about the usefulness of state intervention and a move towards privatisation within the social services. (George & Page, 1995:131-132). Stephens (1995:47) points out that proponents of this approach

> *(...) have come to accept the idea of private competition with the state, albeit subject to state regulations and financing.*

That means that a moving away from the original conviction has taken place, however, important principles are still maintained. For example, the option for households to pay extra for services is opposed on the grounds that a two - or multi-class system of services will develop. This contradicts the goal of equality. In addition, the problems of selectivity or 'cream-skimming', and social dumping is highlighted.

> *Any scheme that pays a standard fee for each user or group of users gives providers an incentive to search for customers who will be cheap to service. GPs would prefer to have the young and fit on their rolls, the old and infirm are financially less appealing. (The Economist. 21.9.1996)*

It is argued that in these areas state intervention and regulations are needed to prevent a further discrimination against vulnerable groups.

With regard to the Democratic Socialists in particular, George and Page (1995;132) conclude that due to recent developments, they have become less fundamental in their objections against capitalism, as they realise that things are

> *(...) not totally irreconcilable, rather, they can somehow complement each other to create a new system with more socialist than capitalist features. Logically this may well be doubtful, but politically it is the only way forward for democratic socialism.*

1.2.4.) The Marxists

Looking at the Marxist approach, one has to be aware that there are differences and different focuses between various Marxist scholars in the interpretation of the role of the state and the function of welfare within the system. However, due to the broadness of this overview, the differences cannot be discussed in much detail. While trying to be inclusive regarding different theories, the overview will focus on the more recent Marxists scholars, Offe and O'Connor.

To put the Marxist approach into perspective, it is vital to understand its interpretation of the role of the state and of social welfare in a capitalist society. Welfare is not regarded as socialist in character, like the Democratic Socialists argue, but is seen as part and parcel of capitalism where it fulfils a reinforcing function (George & Page, 1995:199-200). The approach that socialism could come about through reforms[18] instead of a revolution is regarded as a sell-out.

The point of departure of the classical Marxist approach is the interpretation of the role of the state within the capitalist system. By introducing social programmes, the state is regarded as acting on behalf of the capitalist class to prevent a revolution of the working class. The introduction of social programmes by Bismarck is often cited as an example of this theory. More recent Marxist interpretations take more detailed approaches: Attention is given to different sections and interest groups within the two classes and the 'relative autonomy' of the state and other institutions (George & Page, 1995:200 and Dean, 1995:224). Moreover, scholars like O'Connor and Offe move further by stressing the con-

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18   See 1.2.3.) The Radical Social Democrats and Democratic Socialists

traditions within the modern capitalist state and its tendency of entering into crises not only in the economic sphere, but also in the political-administrative and normative spheres (Dean, 1995:223-224).

According to O'Connor, the capitalist state has to fulfil two functions in order to facilitate continued capitalist exploitation: aiding the *accumulation* of capital and supporting the *legitimation* of the capitalist system amongst 'ordinary' people. This is done through two types of expenditure: *social capital* and *social expenses*. The former includes social investment spending to increase the productivity of the labour force as well as social consumption spending to 'lower the reproduction costs of labour power' (Gough, 1995:203). Social programmes like education, medical care, and housing come under these categories. They reduce the costs of labour for the capitalists and hence support accumulation (Midgley, 1997:105-106). *Social expenses* do not support accumulation, but they are functional to the system by maintaining a degree of social harmony. Examples of programmes are social security for retired workers, income support, and services for disabled people (Midgley, 1997:106). However, while welfare is first introduced to maintain the capitalist system, the two functions are seen as contradicting each other and will eventually cause a fiscal crisis[19]:

> *As capitalists demand ever-increasing profits, and as people require more social welfare programs, the state finds that it cannot pay for ever-expanding social programs. Eventually, the system collapses under the weight of these internal contradictions, and capitalism enters a phase of serious crisis. (Midgley, 1997:106)*

This is the background for Offe's statement which encapsulates the function and consequence of welfare in the capitalist system.

> *The contradiction is, that while capitalism cannot coexist with, neither can it exist without the welfare state (Offe,1982:11, as quoted by Dean, 1995:220)*

Hence, welfare in a capitalist system is not sustainable and while it is acknowledged that welfare within capitalism can provide real and lasting benefits, 'authentic' welfare can, according to Marxist theory, only exist in socialism

> *(...) where people contribute according to their ability and receive according to their need (...) (Midgley, 1997:105).*

The formerly communist countries tried to put the Marxist approach towards welfare into practice. This resulted in social programmes being entirely state or state company run, like health services, social security, and public housing. The most distinctive feature, however, to keep people out of poverty and to provide social security was achieved by 'full' employment through economic planning (Midgley, 1997:82-84 & 117-119). These measures contributed significantly to increasing levels of social welfare in former communist countries during the 1960s and 1970s. Moreover,

> *the United Nations report that the Gini coefficient (...) was lower in Eastern Europe and the Soviet Union than in any other world region (Midgley, 1997:52)*

However, the shortcomings of central economic planning, the arising economic problems, the closure of many state companies, and the collapse of communism in the long run resulted in an economic decline which led to increasing unemployment. Although most of these countries increased social spending, especially for the support of the unemployed, in relation to the Gross Domestic Product (GDP) substantially (Midgley, 1997:84), it is questionable whether these programmes are sustainable given the lack of economic growth. Midgley (1997: 84) points out that there is a move towards the integration of voluntary organisations and professional social work into the former state-run programmes, however, it remains to be seen how the transformation in these countries will further develop and what kind of social welfare will be built up.

While there is not so much practical application of the Marxist approach any more, George and Page (1995:200) argue that one has to realise its strength in the theoretical dimension.

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[19] Offe goes further and predicts a crisis on three levels: A fiscal crisis, in which the demands exceed the capacity of the economy, an administrative crisis, in which the service delivery fails to be effective and a legitimation crisis, which is triggered by the other two and which erodes the belief of the people in the system. (Dean, 1995:224)

> *Marxism provides a better explanation of the development and functions of the welfare state than most of the other ideologies (...). It certainly provided a much-needed corrective to the social science thesis, which attributed the development of the welfare state to altruistic and charitable individuals.*

The next paragraph examines the trends in South Africa's social policy formulation and implementation, and the kind of influence the above discussed approaches have.

1.3.) An analysis of the South African situation

The period from the election in 1994 until now saw the formulation and implementation of new policies in virtually all spheres of government. This was important to rid society of apartheid laws which favoured a minority and deprived the majority of basic human rights. Organisations of civil society, unions, and business became involved, mainly through the formulation of their own policy documents[20], through the participation at public hearings in Parliament, and through direct engagement with political parties. This introductory overview cannot capture the variety of all these policy proposals and policies, however, it attempts to have a closer look at the direction South Africa is taking and to identify the important underlying approaches which affect social policy formulation in South Africa.

1.3.1.) The background

The Reconstruction and Development Programme (RDP) constituted the election manifesto of the African National Congress (ANC) and was, after the ANC had won the election, adopted as Government policy. A special Ministry was established to work on the implementation of the RDP. One of the six basic principles of this programme makes the approach towards the economy and the improvement of the social conditions clear:

> *1.3.6. The RDP is based on reconstruction and development being parts of an integrated process. (...) Growth - the measurable increase in the output of the modern industrial economy - is commonly seen as the priority that must precede development. Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view, development is a deduction from growth. The RDP breaks decisively with this approach. (...) The RDP integrates growth, development, reconstruction and redistribution into a unified programme. (ANC, 1994:6)*

The RDP advocates a 'leading and enabling role of the state' in the economy (ANC, 1994:78), democratisation of the state and society, the development of lively communities and a process of nation-building towards a 'democratic, non-racial and non-sexist future' (ANC, 1994:1).

When trying to put the RDP in one of the categories discussed in the first part of this chapter, one can identify many principles of the Middle Way approach, as well as of the Radical Social Democrats and Democratic Socialist approach. Principles of the latter, like the stronger involvement of the state in the economy and the building of a 'better' society, feature very strongly in the programme. Looking at the desired nature of the economic system, one has to be aware that the RDP does not declare socialism as the final goal for the reconstruction and transformation process. However, COSATU, one of the alliance partners of the ANC, clearly spells out their commitment to socialism. They stand for a democratic restructuring of the economy and society as the starting point for socialism, and by doing so advocate a Democratic Socialist approach as opposed to the Marxist approach.[21]

Looking at the role of the state in society, it becomes obvious that the South African constitution is similar in character to the RDP. The inclusion of socio-economic rights in the Bill of Rights has put the state 'under a constitutional duty to realise certain economic and social rights' (Heyns, 1998:1). The right to social security is one of these and it reads:

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20   Like 'Growth for all' from the side of business or 'Social Equity' from Congress of South African Trade Unions (COSATU).

21   See September Commission, 1997

> *Everyone has the right to have access to social security, including, if they are unable to support them-selves and their dependants, appropriate social assistance [1996 Constitution of the Republic of South Africa, section 27 (1)(c)]*

The business community in South Africa, represented by the SA Foundation, published a document which differs drastically from the above mentioned approaches. In its 'Growth for all' strategy, the characteristics of a New Right approach are clearly identifiable. Their proposal to put South Africa on an economic growth path, to create jobs and eradicate poverty, entails a strong belief in the market forces and a strict monetary policy just as promoted by Hayek and Friedman. At the same time, this strategy applies many of the measures typical of a Structural Adjustment Programme like privatisation, the liberalisation of trade, and strict fiscal discipline.[22]

Another important document influencing Government is the macro-economic strategy (GEAR) which was adopted in the middle of 1996. The long-term visions of the <u>G</u>rowth, <u>E</u>mployment <u>a</u>nd <u>R</u>edistri-bution (GEAR) strategy are spelt out as:

- *a competitive fast-growing economy which creates sufficient jobs for all workseekers*

- *a redistribution of income and opportunities in favour of the poor*

- *a society in which sound health, education and other services are available to all, and*

- *an environment in which homes are secure and places of work are productive (GEAR, 1996:1)*

In terms of fiscal and monetary policy, the document states:

> *In brief, government consumption expenditure should be cut back, private and public sector wage in-creases kept in check, tariff reform accelerated to compensate for the depreciation and domestic savings performance improved.(..)* [Anti-inflationary measures include] *accelerated tariff liberalisation, sharper deficit reduction, tight monetary policy (...). (GEAR, 1996:5).*

Looking at this programme features of both, the New Right approach, and the SAPs as well as the Middle Way approach are recognisable. Or putting it into the South African context, it becomes evi-dent that in this document, while it does state that it keeps within the goals of the RDP and will work towards its implementation, many macro-economic strategies have nearly been copied from the busi-ness proposal. This ambiguity or two-way approach becomes also clear in the following quotation by le Roux (1997:10)

> *Although it* [GEAR] *does accept a large part of the macro-economic assumptions* [of the neo-liberal ap-proach]*, similar to the South African Foundation (1996) proposal, it nevertheless undertakes to actively intervene to redistribute in favour of the poor.*

Given the prevalence of three of the four discussed approaches in important policy documents and amongst influential role players and institutions in South Africa, the question arises which route South Africa is actually taking at the moment.

1.3.2.) The current situation

COSATU argues that Government, in the last four years, has been moving away from the RDP as the articulation of the

> *(...) main aspiration of the movement for the post-apartheid South Africa, that is, growth, development, reconstruction and redistribution, in a consistent macroeconomic framework, using Keynesian paradigm. (COSATU ,1996:2)*

There has been a slow, but in the end dramatic shift from the ideals of the RDP to the adoption of a neo-liberal, conservative economic policy. This shift, it is pointed out, started with the release of the RDP White Paper and ended with the adoption of GEAR. The shift entails

- the replacement of fiscal prudence as a means to achieve RDP objectives to an objec-tive of the RDP

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[22]   See SA Foundation, 1996

- the dropping of 'redistribution' as the main objective

- the reduction of the involvement of Government in the economy

GEAR is assessed as

> *an adoption of the essential tenets and policy recommendations of the neo-liberal framework advocated by the IMF in its structural adjustment programmes. (NIEP, 1996:2)*

Government would deny these accusations vehemently. The Minister of Finance reiterates that the RDP and GEAR are not contradictory and that GEAR is essential to fulfil the goals of the RDP.

> *What is important to stress is that we are convinced that despite some recent press reports that the macroeconomic strategy is somehow in conflict with the development and redistribution goals of the RDP, there is no conflict within government surrounding our perspective on economic development. (...) The macroeconomic strategy provides a foundation to underpin accelerated RDP delivery. (Manuel, 1996:3)*

Having that background, it is important to look at concrete examples in order to be able to examine the impact of the RDP and GEAR on the ground.

An example where the GEAR approach is visible, is the current policy of cutting and rationalising the public service. The education sector is one area where the impact of this policy is felt. Although Government has declared education as its top priority (Department of Finance, 1998:para 5.13), the process involves the redeployment of teachers, the retrenchment of permanent teachers through the offer of voluntary severance packages and the lapsing of contracts of temporary teachers. There are several problems with this process: While it was intended to equalise the teacher - pupil ratio in the schools, the situation has worsened at many formerly disadvantaged schools and the following RDP objective seems to be far out of reach:

> *Classes of 50-80 or more students are unacceptable. We must ensure that no class exceeds 40 students by the end of the decade (ANC, 1994:64)*

Up to now there is no norm regarding the teacher/pupil ratio and the 'Provincial Review Report (1997:para: 5.6.12) admits that the setting of norms is difficult as many provinces would fail to realise these in the short term.

Moreover, similarly to what has been observed concerning structural adjustment programmes, which usually recommend similar remedies to cut costs in public education, the quality of leadership and teaching has seriously deteriorated in many schools: The severance packages are very attractive for teachers with a long record of employment and higher positions in the schools and far less attractive to younger teachers with less years of employment. This fact created a situation were many principals and experienced teachers took the packages and left the schools to the younger, less experienced teachers. (Minister for the Public Service, 1997:para:5.6.11) The approach of the Government that numbers do not mean quality might be right in the case of the oversized public service under apartheid. However, this way of trying to achieve quality by reducing the numbers, without looking at the structural problems and the background of the people who are 'downsized', is very questionable indeed.

The financial side of the process is also problematic. It is not evident that the Department of Education or the Department of Finance have done long-term financial calculations regarding the effect of the process. First of all the severance packages, which entailed over R1mill. for some principals, required a 'major increase' in education spending in the last three years (Department of Finance, 1998:5.11-5.12), exactly the period in which money was meant to be saved. Moreover, in the case of the Western Cape, more people than anticipated took the packages which resulted in a situation where new teachers had to be hired. This, of course, is costly and again, experienced teachers were replaced by newcomers.

While the process has achieved a cutting down of numbers, the problems of quality in education and the disparities inherited from the past have not been vigorously addressed. Looking at the education budgets of the next three years, only an increase which keeps pace with the predicted inflation rate has been planned for. However, it is said, that the increase will predominantly be spent on universities

and technikons. (Department of Finance, 1998:5.12) The redistributive potential of education spending to redress the imbalance of the past, as envisaged in the RDP, is therefore doubtful.

Welfare is a second area in order to examine whether GEAR 'undertakes to actively intervene to redistribute to the poor' or whether it only implements neo-liberal macro-economic measures. Le Roux (1997:11) pointed to the fact that the 1997 budget, while cutting back on expenditure, did manage to allocate more money to the poor and therefore the promise of Government that with GEAR more redistribution will take place, might be kept.

This thesis has a close look at the practical example of the restructuring of the State Maintenance Grant system into a new Child Support Grant system. The decisions made during the policy process and the final policy present an important case study for the analysis of the approach and strategies taken by Government in social policy.

1.4.) Conclusion

The chapter discussed that there are indications of a shift from a Radical Democratic Socialist and Democratic Socialist approach towards a more New Right or neo-liberal approach in South Africa. However, while Government promotes New Right remedies, they do not admit that the approaches are contradictory and they maintain that redistribution will take place. The negative impact of the New Right policies on the achievement of the ideals of the liberation movement as articulated in the RDP are not spelt out. Quite to the contrary, Government argues for neo-liberal remedies for the economy in an idealistic liberation movement rhetoric. The Minister of Finance started his 1998 budget speech on an emotional note, spelling out what redistribution, upliftment of the poor and the creation of an equitable and better society is about:

> *The budget is about people, not numbers (...) It* [the struggle] *was and is about equity, about access to resources, about decent housing. It is about schools and the education of our children. It is about wiping away the hunger and fear on children's faces. It is about lifting the despair of poverty from a parent's shoulders. It is about reaching out to the grandmother so as to ease the years of pain and humiliation etched into her face. (Manuel, 1998:1)*

The same budget did not allow to increase the old-age pensions according to inflation so that the grandmother will have less food at the end of the month than last year.

This situation poses a challenge to the formulation of social policy which is in accordance with the goals set out in the RDP in general and in particular to the welfare policy which, according to the White Paper, tries to implement the developmental approach. The proponents of these approaches have to look beyond the rhetoric by making the consequences of the New Right approach for social policy very clear and show that redistribution is not taking place. For example, the developmental approach favours the creation of employment and self-employment opportunities in comparison to 'dependency payments'. GEAR's focus is job creation as well. However, the way and probably the outcome of these two goals is different: GEAR depends on the creation of an investment friendly environment through labour market flexibility and cuts in public expenditure to show fiscal discipline and commitment to macroeconomic stability. The developmental approach relies on interventions in the economy by an active state, as well as on redistribution and the allocation of resources towards developmental programmes. (Midgley, 1997:200)

These theoretical arguments must be supported by economic and social planning in order to be heard. Such planning is necessary in order to be able to evaluate the resources needed for policy implementation as well as to be able to assess the impact and the redistributive character of the policy. The practical existence of the New Right approach requires that social policy is based on sound information and is able to indicate its positive contribution to the social and economic development of the country. Moreover, the information provided will have to go a long way to achieve transparency and accountability within Government.

Chapter 2: Formulating poverty alleviation policy: the usage of household surveys and the concept of microsimulation

This chapter wants to explore a systematic approach towards the formulation of poverty alleviation policies in developing countries. Such an approach is able to provide sound information about the implementation and impact of policies. It will therefore go a long way to meet the challenge of social policy formulation as described in the first chapter.

The chapter starts with an overview of the type of information required for effective social planning. Secondly, the current application of household surveys in the policy processes in developing countries is looked at. Thirdly, the use of household surveys for microsimulation - a new field for development studies - is introduced. It is suggested that a greater focus on this methodology could significantly enhance social policy planning and implementation.

The idea for this chapter arose after the main thrust of policy research especially in Chapter 4 and Chapter 8 had already been completed. The methodology for the modelling exercise in Chapter 8 was developed during the process of lobbying for an efficient and effective child support policy in South Africa. At that time the model was built in a rather simple and straightforward way, combining the relevant variables and taking advantage of the flexibility and speed of nowadays commonly available statistic and data sheet programmes. Even first runs on the model - which was substantially extended and revised over time - offered new insights into the way in which the connection of various factors of a new policy could be highlighted, which until then had enjoyed little or no attention at all.[23] Even more surprising than this lack of concrete policy planning was the fact that up to now standard approaches in research for both, the economic as well as social impacts of the various policy suggestions, were not able to offer a similar quality of insights. This chapter now tries to do two things: First, to clarify methodological questions relevant for the now revised Chapter 4 and Chapter 8. Secondly, to contribute to the debate on policy planning, especially in developing countries. It is hoped that this thesis might be of interest for research conducted to enhance the development of other social policies. The later chapters of this thesis can be regarded as a case study of the methodology developed here.

2.1.) Information and the development of social policies[24]

The development of policies needs detailed and concrete information to be efficient and to predict the impact of the policy as reliably as possible, especially in a world where resources for social policies are scarce.[25] The approach towards the planning process should therefore be guided by a conceptual assessment of the information required, followed by a search for the appropriate source or combination of sources. It is obvious, that such an approach is somewhat ideal-typical. However, this seems to be a more reliable way than limiting the point of view by using already available evidence with the danger of losing one's original point of departure.

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[23]   See Claudia Haarmann's thesis

[24]   This section just gives a broad overview of the content of the policy planning process. More and detailed information is discussed in '2.3.) Advancing policy formulation: Simulating social policy on household survey data'.

[25]   See Chapter 1; compare also Orcutt, 1986:1

The information required for policy formulation can be divided into two groups according to their chronological use during the process[26]:

1. A detailed *problem analysis* must be conducted. This requires information about:

    - the cause of poverty

    - the nature of poverty

    - characteristics of the people in need

    - the number of people in need

    - the kind of support needed (e.g. cash transfers, infrastructural support, employment creation.)

2. An *evaluation of policy scenarios* must be performed: Such an evaluation of different scenarios includes two aspects: Firstly, the predicted success of the policy in overcoming the problem and secondly, the consequences of the policy for the implementing body (e.g. costs, administrative requirements). This second phase requires information about:

    - Nature of the support

    - Intended positive effect of the support

    - Time of implementation

    - Time span of reaching the beneficiaries

    - Cost of support

    - Cost development over time

    - Nature of administrative capacity needed

    - Necessary growth in administrative capacity

While it has been in principle acknowledged in recent years that effective poverty alleviation policy requires a multidisciplinary approach, especially combing economic and sociological insights (Midgley, 1988:24-27), there is often still a bias towards regarding the 'problem analysis' as part of the sociological realm and the evaluation of 'policy scenarios' as a purely economic exercise.

With regard to the 'problem analysis' much work has been done in the South African context to fill important gaps of knowledge. Various publications were published in this field e.g.:

- *South Africans rich and poor: Baseline household statistics.* SALDRU 1994

- *Key indicators of poverty in South Africa.* World Bank 1995

- *Living in South Africa. Selected findings of the 1995 October household survey.* CSS 1996

- *Children, poverty and disparity reduction.* UNICEF 1996

However, still not only more detailed information is missing, but even major issues have not yet been dealt with adequately. To mention but a few:

- The exact population figures. It is believed that the final release of the 1996 Census data will go a long way to solve this problem.

- Further; commonly accepted unemployment figures and measures are missing.[27]

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[26] Note that this division is based on the information required and should not be confused with the distinction between 'policy analysis' and 'policy advocacy' which is criticised as artificial and undesirable by Patel (1992:3).

The second part, the 'evaluation of policy scenarios' has often been - at least for social policies - taken less seriously or has in fact been sidelined. As will be shown later, the calculations for the child support programme from the side of the Government only entailed simple accounting calculations.[28] These calculations solely looked at the economic side. Social and administrative factors were neglected and the question arises, why this was so. Although this question cannot be answered satisfactorily, as more research would be needed, some contributing factors can be identified:

- There are no tools available

- There is no tradition

- Economists regard such calculations and the social realm as too 'simple' and rather focus on areas like trade and banking, where success is highly rewarded.

- Sociologists and development researchers neglect the field as 'number crunching'.

Having identified the information requirements for effective policy planning, the subsequent paragraphs of this chapter try to elaborate in how far national household surveys are useful in providing the necessary information.

2.2.) Common use of household surveys in developing countries

During the past 10 to 15 years national household surveys have become increasingly important for policy research and planning in developing countries.

> *Until a few years ago, such surveys were very rare in developing countries. The <u>L</u>iving <u>S</u>tandards <u>M</u>easurement <u>S</u>urvey (LSMS) program* [the World Bank's series of national household surveys] *was launched in 1980 to help foster the collection of good data from household surveys and improve its subsequent use in policy making. (...)*

> *The interest in conducting and analysing surveys like the LSMS has grown markedly since the early days of the project. Such surveys are now being done in many more places than the LSMS division of the World Bank can work. (Grosh & Munoz,1996: foreword)*

Especially the rapid development in computer technology enables researchers to gather and process data on ordinary PCs. This makes the household surveys relatively cheap and fast in comparison to even a few years ago. (Deaton, 1997:1) Both factors have significantly contributed to the advantage of household surveys vs. administrative records and national census data in developing countries:

- Household survey data is often able to provide the latest information, indicating trends in population development, migration and economic situations. The time span between the carrying out of the survey and the availability of results for policy planning is short. Conversely, national censuses are lavish and costly and therefore take long to prepare and process. While administrative records should usually give the latest data, the information recorded is often not consistently networked, inadequate, faulty or even fraudulent.[29]

- Household surveys can provide more reliable detailed information. In comparison to national censuses, household surveys have the advantage - due to their more limited scale - that enumerators can be better trained and supervised and that they can spend more time with less people. Administrative data on the other hand is often unable to give any more information than the basic numbers.

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[27]   Klasen and Woolard are currently busy with a comprehensive research on *Levels, trends and consistency of employment and unemployment figures in South Africa.* By May 1998 they have released drafts for private circulation only.

[28]   For more details regarding the criticism and danger of simple accounting see the Master thesis of Claudia Haarmann and see Chapter 8.

[29]   For the state of administrative records available in South Africa see CRSS 1996:10-12, 17-18

While there cannot be any doubt about the significance that household surveys have gained in developing countries in the past years, this thesis would like to argue that their full potential is not yet adequately put to its use. One main feature, namely the fact that national household surveys give a miniature picture of the households in the country, has not yet received the attention it should and has often even been overlooked. Before it is argued, that more research in this direction could significantly enhance efficient policy planning[30], this chapter wants to highlight the current field of application:

The relevance of household surveys in developing countries developed due to their ability to describe and illustrate policy issues either with regard to the status quo or the development from previous surveys to the status quo. Thereby the main focus is set on what was termed *policy analysis* earlier on. The dominance of this approach is evident throughout international as well as national literature:

In the World Bank's manual for their LSMS surveys the main thrust is described as

> *(...) to ensure that the development community's effort to reduce poverty can be guided by quantitative information levels, causes and consequences of poverty. (Grosh & Munoz, 1996: Foreword)*[31] [32]

Deaton regards their main use in a similar way. For him household surveys are an ideal tool to gain

> *(...) useful and interesting stylized facts (...)* [which] *provide convenient summaries of the data that serve as a background to discussions of policy. (Deaton, 1997:4)*

To give a South African example, the Central Statistical Services (CSS) puts the emphasis of household surveys on a description of the developments towards the current situation over time. They conduct household surveys at regular intervals:

> *A programme of household surveys should make it possible, not only to describe the situation of a country at a given point in time, but also to measure change in people's life circumstances as and when new government policies are implemented. (CSS, 1996:1)*

This approach - as mentioned earlier on - goes a long way to provide a sound basis for a problem analysis.[33] [34] In a more applied form, Chapter 4 tries exactly to do this for the new child support programme.[35]

2.3.) Advancing policy formulation: Simulating social policy on household survey data

An evaluation of policy scenarios is crucial for effective policy planning.[36] It was highlighted earlier that national household surveys give a complex miniature picture of a country.[37] Beyond allowing for a description and illustration of policy issues, this miniature picture lays the foundation for simulating social policies. In recent years this field of social research has become known as *microsimulation.*

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[30]   See page 31: '2.3.) Advancing policy formulation: Simulating social policy on household survey data'

[31]   compare also the use of the SALDRU data in e.g. Klasen 1996, UNICEF 1997, RDP/World Bank 1996, le Roux 1995, SALDRU 1994

[32]   See also Deaton, 1997:32-40

[33]   compare point 1 'problem analysis' page 29

[34]   A certain degree of caution should always be kept as errors in the data will almost inevitably occur. This has various reasons: sample errors, data processing errors or simply misunderstood questions because of the way they were posed in the survey, or simple language problems. These are common and important problems and for example the problem of sampling errors is dealt with in some detail in Chapter 3. To some extent, however, one will have to live with these problems and just have to note that household surveys - like any other research method - do not represent reality but just a reflection of it.

[35]   See page 47: 'Chapter 4: Insights into the living conditions of South Africa's children'

[36]   See '2.1.) Information and the development of social policies' page 29

[37]   See page 31

2.3.1.) The concept of microsimulation

Microsimulation uses data from household surveys or administrative records to model the effects of social policy changes on the micro level - usually households. These effects are aggregated and if necessary weighted to predict the costs, administrative requirements and social effects of the relevant policies for the whole population. (CRESS, 1998:1; Gilbert, 1998:5-6; Harding, 1996:1; MATH, 1998:1; NATSEM, 1998:1; Orcutt and Merz, 1986:1;)

> *Microsimulation is a means of modelling real life events by simulating the actions of individual units that make up the system where the events occur. For example, microsimulation can be used to simulate the operation and effect of tax systems by applying tax rules to information about individuals, families or firms which has previously been collected and stored on computer files. (NATSEM, 1998:1)*

For the construction of a microdata file usually household survey data is preferred over administrative records.[38] It is common for microsimulation to have to apply 'ageing' of the data. This is to account for the changes which took place between the data collection and the actual use of the data. One can distinguish between two different types of models of 'ageing':

1. A *static model* does not modify the data set during the modelling process. Each micro unit is kept like recorded in the original microdata file. Temporary adjustments for e.g. demographic changes are facilitated through re-weighting. (Harding, 1996:2-4; Merz, 1991:3-4)

2. *Dynamic models*, however, change the characteristics of each micro unit for each time period included in the model. In accordance with allocated probabilities like ageing, fertility, death, marriage, divorce, education, labour force participation, each micro unit is moved forward in time. (Gilbert, 1998:5-6; Harding, 1996:4-6; Merz, 1991:5-6)

2.3.1.1.) Static microsimulation models

Harding identifies 4 steps which are typical of a static microsimulation exercise of social policies:

1. *Reweighting:* In order to account for demographic changes since the data has been collected and to provide budget estimates for the near future, weights are allocated to each individual record.

2. *Uprating*: Similar to what reweighting does to adjust demographic changes over time, uprating adjusts monetary values in the original data file for e.g. growth and inflation. Together, reweighting and uprating are referred to as 'ageing'.

3. *Applying eligibility or liability criteria*: After the ageing of the data file, the receipt of social security and other benefits and /or income tax or other liabilities are imputed. This is done by applying the rules for eligibility or liability to the data.

4. *Applying take-up rates*: Often to account for external benchmark data less than 100% take-ups are simulated (Harding, 1996:3)

The rules of eligibility or liability can be changed and the gains and losses of different policy scenarios can be shown. Aggregates on different levels allow investigation of distributional changes for both, small sub groups (e.g. particular region, race, sole parents) as well as for the entire population.

Static microsimulation models are limited in that they show only the immediate distributional impact of a policy. Static models are usually unable to simulate behavioural changes of individuals responding to the policy.

> *Consequently, efforts are now being made to link microsimulation models to macroeconomic models, to capture these second-round or feedback effects of a policy change. (Harding, 1996:4)*

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[38] For a detailed discussion of the reasons see page 30. This chapter concentrates on the use of household surveys for these reasons and those explained in '2.3.4.) Use of microsimulation in ' page 35.

2.3.1.2.) Dynamic microsimulation models

Dynamic models age the micro data units usually per year.

> *In a dynamic cross-section microsimulation model each microunit of a sample is aged individually by an empirically based survival probability. In addition, a child (or children) could be born within the simulation period or a family and household situation might be changed by marriage, divorce or other occurrence. (Merz, 1993:5)*

One might assume that behaviour change is captured in the dynamic simulation, however, this is usually also limited. While for example the behavioural change on the labour market through a change in the family situation can be modelled, even dynamic models have problems in simulating behavioural change through policy change. The main reason being that there is little data to allocate realistic probabilities for the change. Typical uses for dynamic models are research into retirement benefits for an ageing society, future health status of a population, future demand for nurses etc.

Harding identifies several problems with dynamic microsimulation:

- *(...) dynamic models have to date required many years to construct, so that they are both expensive and time consuming. (Harding, 1996:6) (...) During the next decade, more progress should be made on evaluating whether the benefits of dynamic microsimulation models are worth their costs. (Harding, 1996:6)*

- *Dynamic models are also far more 'data hungry' than static models. Cross-section data are generally not very useful for setting the parameters of dynamic models, as it is the probabilities of <u>transition</u> between states which are critical. Yet, unfortunately, many countries do not have comprehensive longitudinal or panel surveys which would allow one to set such probabilities with some confidence. (Harding 1996:5)*

2.3.2.) Micro- vs. Macrosimulation

In order to identify the distinct features of microsimulation, it is useful to compare it to a standard simulation approach and its critiques in economics - namely macroeconomic simulation.

Both methods make use of models in order to explain complex social realities:

> *Modelling (...) uses subjective judgements to delimit, omit and restrict information. Models therefore, are designed to control and manage information to unravel a complex reality. (Imbrogno, 1995:17)*

While microeconomic simulation is usually concerned with the evaluation of social policies, macroeconomic models look at the national economy e.g. industrial policy, trade balances, consumption and saving. In order to gain insights, especially for industrial policies, macroeconomic analysis uses national aggregates to simulate future developments.

The main criticism of this methodology lies in the oversimplification necessary for the aggregation (usually in the form of a national production function). Factors influencing economic development on a national level are extremely complex. A formula which intends to capture these developments for a macro level, has necessarily to leave out crucial information aspects. Therefore the conditionality attached to the models is very high. Due to the oversimplification of a complex reality the practical use of such model is often questioned. (le Roux 1975:357-369).

> *It is not that achieved testing of embodied substantive hypothesis has been totally absent, but that achieved testing has been so woefully weak that resulting models are clearly inadequate for informing policy-makers about consequences of contemplated actions. (Orcutt, 1986:11)*

> *(...) in general, macro-models were insufficiently detailed to produce reliable costing and forecasting (Eason, 1996:25)*

This critique of macroeconomic simulation hints at the advantage of microsimulation: The distinct feature of microeconomic modelling is to model policy change on micro units. Thereby the policy change is tested for each and every single case. Macro conclusions are still possible based on simple sum-ups of the simulated micro events. The method thereby remains flexible to accommodate various contexts on the micro level and avoids the high conditionalities attached to aggregated functions.

2.3.3.) International experience with microsimulation

The concept of microsimulation for policy analysis was pioneered by the economist Guy Orcutt in the late 1950s and 1960s. The methodology, however, has only been applied more successfully during the past decade due to rapid computer hard- and software improvement. (NATSEM, 1998:1; Merz, 1993:3; Krupp, 1996:31,36)

The last 5 - 10 years have seen a rapid growth of interest in the field of microsimulation in industrialised countries. Several research institutes, university departments, and journals with a specialisation in this field have been established. For example:

- *Microsimulation at Mathematica Policy Research, Washington, USA*: With 20 years of experience in the field, the research unit is one of the oldest of its kind. The models are designed to simulate welfare reform in the American states and give information to policy makers on affected caseloads, costs, and factors such as the ability of states to meet federal work requirements.

- *The Cornell Dynamic Microsimulation Model (CORSIM), Cornell University, New York, USA*: CORSIM was started in 1987 at the Cornell University. With a dynamic microsimulation model, individual and family behaviour over time is tested.

- *National Centre for Social and Economic Modelling (NATSEM), University of Canberra, Australia*: NATSEM was established in January 1993 as part of the Faculty for Management at the University of Canberra in co-operation with the Australian federal Department of Health, Housing and Community Services. Its specialisation lies in its use of microsimulation for the analysis of the distributional impact of social and economic policy. Both static (e.g. STINMOD) and dynamic models (e.g. DYNAMOD) are built and used.

- *The Microsimulation Unit at the Department of Applied Economics, University of Cambridge, UK*: The unit was established in the mid-90s with a focus on enhancing and promoting microsimulation. The unit is currently part of a team constructing EUROMOD, a Europe-wide benefit-tax model.

- *Centre for Research on Simulation in the Social Sciences, University of Surrey, UK*: The unit is situated at the University of Surrey and was started in 1997 with the support of the Social Research Council. Its work is dedicated to investigate the potential of simulation (microsimulation is seen as a part of this) for social science. Furthermore, courses in simulation training are offered.

- *Journal of Artificial Societies and Social Simulation (JASSS), University of Surrey, UK*: JASSS is an online journal. The first edition was published in the beginning of 1998.

The main fields where microsimulation found practical application so far are: Firstly, social security[39] and especially programmes aimed at families and children[40] and pensions[41], and secondly, tax reform.[42] Other fields include: public health, housing, demography, life income, labour market, unemployment.[43]

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[39]   See Baekgaard, 1993:129-148; Beebout, 1986:83-97; Cox and Paul, 1994; Nelissen, 1993:225-271; Solmaki, 1993:93-110

[40]   See Polette and Robinson, 1996; Schofield, Polette, Hardin, 1996b; Schofield, Polette, Hardin, 1996a

[41]   See Andreassen, Fredriksen and Ljones, 1993:329-360; Eklind, Eriksson, Hussénius and Müller, 1993:313-328; Falkingham and Harding, 1993:233-266; Galler, 1993:293-312; Nelissen, 1993:267-292

[42]   Eason, 1993:23-45; Habib, 1986:117-137; Klevmarken & Olovosson, 1993:203-232; Lietmeyer, 1986:139:152; Merz, 1993:177-202; Symons and Warren, 1993:149-176

[43]   Eliasson, 1986:299-328; Hain and Helberg, 1986:251-270; Harding, 1993; Lathouwer, 1993:69-92; Percival and Schofield, 1995 ; Smith, 1986:211-225

One can safely say that microsimulation has become a standard procedure with a high reputation in the field of social policy making in industrialised countries.

> *In the United States, for example, Congress will not consider any social security or tax legislation without closely examining the distributional outcomes predicted by microsimulation models. (NATSEM:1998:2)*

Nevertheless Krupp concludes that this is only the beginning and he foresees potential for future expansion:

> *In recent years, microsimulation models have developed into useful instruments for policy evaluation. In the United States they already play an important role in the preparation of economic and social policy decisions. But also in the Federal Republic of Germany they have made an appearance, even if this has gone relatively unnoticed. In spite of this, their potential for effective policy evaluation is by no means exhausted. (Krupp, 1996:31)*

It has to be mentioned that microsimulation, like other social science methodologies, is only an expedient to describe reality. Necessarily so there are risks involved. Any model is only as good as its assumptions. Often the assumptions cannot be verified and thereby are tinged by the modeler's perceptions. Especially in complicated modelling exercises these assumptions might not be transparent anymore. Assumptions should be spelled out during the modelling process so that they can be scrutinised later on.

> *Our message to users, including decision makers and their staffs, is that they must systematically demand information on the level and sources of uncertainty in policy analysis work. (...) Users need information about uncertainty for several purposes: to evaluate competing estimates, for example, from congressional and executive branch agencies; to determine how much weight to give to the 'numbers' in making policy choices; and to determine when it no longer makes sense to fine-tune policy proposals because available information cannot reliably distinguish alternatives. (Citro and Hanushek, 1991:4)*

While some assumptions will be always contentious, one possible solution is to run different scenarios including the assumptions as variables in the model. Thereby, the impact of the contentious assumptions and the probability of the exactness of the model can be tested.

2.3.4.) Use of microsimulation in developing countries

Up to now microsimulation has not yet found any major application in developing countries. Several factors might be the reason for this:

- Data availability is often difficult, especially as detailed, recent data is required. Detailed administrative records are often missing or faulty.

- There are only relatively few people working on social and economic policies, who have the required economic and statistical training.

- The methodology is relatively new and not yet widely known.

Despite these difficulties there are several reasons, why microsimulation should be promoted in developing countries:

- Policy planning over time has increasingly become important.[44] It often takes years from the formulation of a policy to its implementation and full growth. It is therefore imperative to be able to predict the costs over a long period of time. Based on microsimulation, informed decisions can be made on how much money will be needed to introduce a specific programme and what kind of administrative structures and resources will be required to effectively facilitate the success of the respective programme. Further, governments might find themselves in a position where programmes which address the root causes of poverty are in the process of implementation. However, it might in fact take years for the programmes to show the intended effects. People are often in such a devastating situation that interim support structures are needed to bridge the time gap.

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44   compare also Wright (1979:23-50)

- Especially in times of scarce resources and the practical existence of the 'New Right' approach effective planning is of utmost importance.

- While the availability of administrative data might pose a problem, household surveys are readily available, with detailed enough information. One has to note that often behavioural changes are not as extensively researched as in industrialised countries. This might pose some limits to model-building, especially with dynamic models.

- Microsimulation allows for more innovative ideas to be tested. Thereby developing countries would not be so much bound to follow 'Western' success paths but rather could explore new social programmes.

- Microsimulation forms a good basis for scenario planning, because of its ability to assess different realistic scenarios, their costs, administrative requirements, and social advantages so that planning becomes more realistic and is not so much in danger of getting 'ideologically' blocked.

- Microsimulation does increase transparency. With the possibility to test different policy scenarios aims and goals are spelled out more clearly.

2.4.) Conclusion

This chapter has started off by looking at the information requirements for policy formulation. Two different areas in policy planning were identified where information is required, namely the problem analysis and the evaluation of policy scenarios. For both, household surveys have been proved to be useful and readily used tools in developing countries. However, with the help of a recent South African example, it was illustrated that results from risky econometric calculations should be approached with caution in their use for policy guidance. Then, the concept of microsimulation was introduced. It is suggested that with the help of household surveys microsimulation could fill important information gaps for the evaluation of policy scenarios especially in developing countries.

In a final note it seems to be important to address the public availability of information acquired in policy processes: It seems to be of utmost importance that not only beneficiaries of social policies are informed about what they have to expect from policy changes, but the policy planning process should be transparent for the public as well. This is important for the sake of the democratic and participatory principle.[45] In the South African context, the ANC in the RDP document eloquently expresses why the processes of planning and development in South Africa have been structurally distorted by the former regime (RDP, 1994:136). Among others:

> *Decision-making remains largely unaccountable either to the public or to monitoring structures. Typically, civil servants act in secret. They rarely justify or explain their decisions in public, and they often have poor relations with NGOs, civics and other community organisations. (RDP, 1994:136)*

This stands in stark contrast to the goal set by the ANC for its democratic vision of South Africa:

> *Every possible step must be taken to ensure that the decision-makers are held accountable for their decisions. They must motivate publicly all decisions with sound reasons. (RDP, 1994:141)*

It is hoped that the model built in this research for the better evaluation of the new Child Support Grant system will help towards the achievement of this goal. Furthermore, it might be a useful example for other social policy formulation processes.

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45   See also SALDRU, 1994a:i

Chapter 3: Assessment of the data available in the South African context

Chapter 2 discussed in general terms the use of household surveys in building microsimulation models and in the formulation of poverty alleviation policy. This third chapter now assesses the South African data sources. It analyses the different data sources available in South Africa and evaluates them specifically against their usefulness for the calculations required for the research on a child support system. This chapter does not give answers to the research problem, but clarifies the reasons for choosing one of the various data sets. It further examines the areas where reliable answers can be obtained and where problems may arise.

The chapter starts by outlining the general problem any research of this nature has to face in present day South Africa. Further, it indicates the demands the data have to meet in order to be suitable for this research. In the second section the relevant data sources in South Africa are discussed, in terms of the information provided and in terms of the reliability of the population data. The emphasis lies on those aspects of the different data sets which have had a substantial influence on the process of developing the CSG. This analysis is important for the work in the subsequent chapters. The concluding paragraph summarises the reasons for using the SALDRU data as the basis for this thesis and explains the advantages and risks this choice implies.

3.1.) Problem statement

There is a consensus among the researchers in this field that so far no comprehensive data set on income and demographic issues exists which is widely accepted.[46] The main reason for this is that during the years of apartheid reliable statistics concerning the majority of people were often not collected at all or collected in such a way that they were ideologically coloured. Those institutions or people who collected and processed the data were seen as part and parcel of the ideology of the apartheid regime so that, even assuming that they intended to collect 'objective' information, public acceptance was so low that the results were questionable. In any case, as Davis and Mungo rightly pointed out, even the objectivity of the apartheid bureaucracy must be questioned on the basis of the prejudices which were taken for granted and hence imbedded in the results of the research. (Davis & Mungo, 1997:6).

Although no generally accepted comprehensive data system exists, one nevertheless needs to have a picture of the social realities which is reliable in order to build a microsimulation model and to plan and evaluate a new policy like the CSG system.[47] One needs to be able to assess and project both the current problem (*problem analysis*[48]) as well as the social and financial impact of the new policy (*evaluation of the policy scenarios*[49]). Ultimately the reliability of the assessment and the projections made depend on the accuracy of the data they are based on. It is thus crucial to make an informed decision on which of the various data sets to use. To make this decision as transparent as possible the following sections try to explain what options in terms of data bases were available at the time when this research was conducted and finally why the SALDRU data were chosen.

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[46] See le Roux, 1995; World Bank, 1995; CSS, 1997; FFC, 1996b, et al.

[47] See '2.1.) Information and the development of social policies'

[48] See 29

[49] See 29

In order for the research to evaluate both, the SMG and the CSG, the data set must be specifically able to answer questions on the living conditions of South Africa's children. The following basic information on South Africa's population is therefore required[50]:

- *How old are the persons?* First of all, one has to be able to find out who is a child and of what age.

- *How many children are in the respective age groups?* This is important to form a picture of the numbers involved and, together with the following questions, this information is crucial to assess the costs of any new policy.

- *Where do they live?* This becomes important in order to locate where assistance is physically needed.

- *With whom are the children living? What are the prevailing family structures of those families the programme wants to target?* One has to be able to link the child with the household it is living in and with its care-givers. This is important to reconstruct households and - in combination with the next question - to assess poverty or wealth of the children.

- *How much money does the mother/father earn? What are the living conditions like?*

- *By how much will the number of children increase or decrease over the next years?* While usually one data set does not give this information the question is about the most reliable assumptions on future fertility rates. This is crucial for the evaluation of the policy scenarios.

The different data sets must therefore be evaluated in terms of their reliability, accuracy and whether they are able to answer the above questions.

3.2.) The different data bases and their usefulness for the development of a new CSG system

The new CSG system is a national programme. Hence the appropriate data set has to be able to provide information on a national level. There are basically two different types of data sets which can provide such information:

I. National counts of people: Census (1970, 1985, 1991,1996); Demographic Information Bureau (DIB); CDE; Development Bank of Southern Africa (DBSA)

II. National sample household surveys: SALDRU (1993); October Household surveys (1994,95,96)

3.2.1) National counts of people: Census (1970, 1985, 1991, 1996); DIB; CDE; DBSA

3.2.1.1.) The Census

The advantage of censuses is that they should in principle give more accurate populations figures than a sample survey. This is not necessarily true in the South African context: As mentioned earlier, the censuses, including the 1991 one, are questionable regarding the reliability of their information, as they were part and parcel of the policies of the previous apartheid regime.[51]

However, a lack of acceptance of the 1996 Census, the first census after the first democratic elections in 1994, is less likely. A lot of effort was put into an awareness campaign prior to the collections of

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50   See Chapter 6, Chapter 5, Chapter 7
51   See page 37: '3.1.) Problem statement'

the data. From this point of view one can expect the results to be the most accurate information collected so far.

The preliminary results, which were published in June 1997, are said to be accurate as they were double checked with different methods. The final results are expected to be an adjustment of these figures within +/- 5%. (CSS, 1997:5-6) Problematic for this research is, however, that the preliminary results only provide a break down into gender, rural / urban areas and provinces. A break down into the age distribution would be extremely important. This and the other results will only be released during the course of 1998 (CSS, 1997:4).

The disadvantage of censuses is that they provide less information on the living standards and family structures. Due to the immense time and cost factors which are involved to collect data from each and every person in the country, a census questionnaire by definition has to be shorter than a questionnaire in a sample survey. Furthermore, the enumerators are less likely to be well trained than a relatively smaller number of data collectors in a sample survey.[52]

Therefore, even the 1996 Census data will not be sufficient on their own to give the necessary information to evaluate either the maintenance grant system or options for a new CSG system. The major shortfall of the 1996 Census (and earlier), when one is concerned with the calculations needed in the welfare sector, is that it did not collect sufficient information to reconstruct household and family structures. Preferring to collect information such as the type of sanitary facilities used in the households, it was decided not to include a question on the relationships between the members in the household. Such an item of information is crucial in order to be able to judge who is the mother/father or grandmother/grandfather of each child in a household. Such information would enable one to determine, what the social structures in South African families actually look like, rather than being dependent on assumptions which often presume Western stereotypes of child care in a nuclear family. This is all the more unfortunate as one could easily have gathered the required information about sanitation in a less costly sample survey. Accurate information about the actual household structures is more difficult to gather and the representativeness is more questionable in a sample survey than in a nationally collected data base.

3.2.1.2.) DIB; CDE; DBSA data

Besides the census there are still other data sets, which mainly give information about the total population broken down into a few variables. The cost projections on the new CSG system for the Lund report (Lund Committee, 1996a:138) and later for the Department of Welfare (Minister Fraser-Moleketi SABC TV News, 21 April 1997) were done by the FFC. The FFC used the data set from the DIB.[53]

The FFC argued that

> *... no population data at present can be seen to be correct, but the FFC is of the opinion that the DIB data are more accurate than the others and will be used in the interim until such time that the 1996 census data become available. (FFC, 1996b:Chapter 6, p.6)*

This thesis disagrees with this statement, particularly as far as the calculations for the new CSG system are concerned. The main critique of the DIB data arises from the population figures, as will be shown below. With regard to the information which is recorded, criticism similar to that which was raised with regard to the Censuses (also 1996) applies: The DIB data contains even less information on the family structure than the Census. It is therefore unsuitable for a detailed analysis of the maintenance grant system and for the calculations of the impact of a new CSG system.

Besides this, the FFC chose the DIB data because it was supposedly built on a superior basis to the national population estimates:

> *DIB calculated its figures and accompanying growth rates based on district figures upwards, for example from a district level to a national level, therefore bottom-up. (FFC, 1996b:Chapter 6 p.5)*

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[52]   See also page 30

[53]   Therefore this data set is taken as an example of the other data sources like CDE and DBSA.

Although a bottom-up approach is generally to be preferred in development, this approach is, in this case, highly questionable. The districts and the provinces do have a vested interest in overestimating their population and their rate of poverty, as this is directly linked to the allocation of resources through the FFC allocation formula. The argument that it was collected bottom-up, without any further explanation, does not present a 'superior basis' on which to determine the population figure. Indeed one should expect overestimates.

3.2.2.) National sample household surveys: SALDRU (1993); October Household surveys (1993,94,95,96)

The national household surveys only sampled a small percentage of the total population, but it was tried to ensure that they were representative. According to the assumed representativeness a certain weight is allocated to each person interviewed.[54] This enables the user of the data to do calculation on the basis of total population numbers. This method is problematic, as in both cases, the SALDRU as well as the October Household Survey (OHS) data, population estimates were used to determine the weighting. Consequently, the same mistakes as were made in the 1991 Census[55] will be inherent in the data (although to a lesser extent in the case of the SALDRU data).[56]

3.2.2.1.) SALDRU

SALDRU, with the technical assistance of the World Bank, conducted a national household survey shortly before the elections in 1994. A sample which comprises detailed information about more than 40,000 individuals gathered from nearly 9,000 households. The information recorded consists of questions regarding the household composition, income, expenditure, employment, health status, nutritional status of children under 6 years, education, transport, housing, agriculture and the perceived quality of life.

> *The principal purpose of the survey (...) was to collect hard statistical information about the conditions under which South Africans live in order to provide policy makers with the data required for planning strategies to implement such goals as those outlined in the Government of National Unity's Reconstruction and Development Programme. (SALDRU, 1994a:i)*

Different points of criticism have been raised against the data e.g. the undersampling of worker hostels, the underrepresentation of illegal immigrants. While working with the data, it also became obvious that recipients of maintenance grants are highly underrepresented.[57] However, this research is not based on the actual identification of maintenance grant recipients. Therefore, this error does not affect the results of this research. The calculations for the research required an accurate picture of the different household structures prevailing in South Africa. These structures - in conjunction with the income - are essential to identify eligible beneficiaries of the present system as well as beneficiaries of alternative systems.

Particularly with regard to the household structure, the data seems to be relatively accurate because the SALDRU questionnaire starts with questions about the household structure. SALDRU attached great importance to this first section as the information was needed to answer the main areas of the research, namely:

> *(i)   Who are the poor?*

> *(ii) What is the relationship between education, age, gender and household income?; and*

> *(iii) Are female-headed households more likely to be poor? (SALDRU, 1994a:iii)*

Le Roux (1995:1) judged the accuracy of the data collected after a subsequent check-up:

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54   See '*3.2.2.1.) SALDRU*', '*3.2.2.2.) October Household surveys (1993,94,95,96)*'
55   See '3.3.) The population data'
56   See also page 30
57   Only 55 people out of a sample of 43,000 are recorded to receive a state maintenance grant.

> *From the flying that was done to check on the questionnaires after they had been completed, it was clear that many sections were not as reliably completed as one would have wished them to be. However, with a few exceptions[58], the detail on the household roster, which contains a good deal of basic information on the members of the household and their interrelationship seems to have been completed with a great deal of reliability. (Le Roux;1995:1)*

In order to get a national picture, a method which is called 'self-weighting' was applied to the data set. Due to the fact that the 1991 Census data were questionable, this method was chosen to correct any miscounts of the population. The principle idea was the following:

1. The sampling frame was chosen along Census <u>E</u>numerator <u>S</u>ub-<u>D</u>istricts (ESD). Where the ESDs comprised a relatively large population (e.g. townships, so-called "independent states"), they were divided, using area photographs or village demarcations. According to the estimated population of each section a representative sample was drawn. (SALDRU, 1994a:V)

2. A weight was allocated to each section according to the relation by which the total sample estimate matched the total population estimate. In the case that the population estimate (1991 Census) was right, the calculations with the household survey would bring the same total number. If, however, the census miscounted any of the sections, the actual counts in each section would reflect this and then by weighting the sections also the total population number would be corrected. (SALDRU, 1994a:VII-VIII)

However, that data was not always collected as initially planned. Some sectors, for example, were not sampled at all due to the violence prevailing there.

> *Accordingly it was decided to use weights as far as possible at the level of the old provincial/homeland boundaries and race. The listing of households in each cluster combined with the sampling interval was used to determine how many households should have been interviewed. Where this deviated from the number actually interviewed, this was taken into account. The assumption was that the households left out were racially distributed in the same proportion as the actual households interviewed. When these numbers were then calculated at the provincial level, a weight could be calculated for each race group to rectify errors made in the field work. (SALDRU, 1994a:VII)*

In summary, this means that the SALDRU weighting is in principle based on an independent count. However, to match the racial distribution on a provincial level adjustments have been made towards the data based on the 1991 Census and Sadie's projections. As will be shown later, this means that its population data is relatively good, but not quite free from the mistakes inherent in the 1991 Census and the models used to adjust it.

3.2.2.2.) October Household surveys (1993,94,95,96)

Since October 1993 the <u>C</u>entral <u>S</u>tatistical <u>S</u>ervices (CSS) conducted household sample surveys. In the first year former 'TBVC states'[59] were excluded. From 1994 onwards the OHS was conducted in the whole of South Africa.[60] In 1995, a sample of 30,000 households was drawn. The 1995 survey with regard to the information which is recorded is as detailed as the SALDRU data.

The disadvantage of the earlier OHS was a lack of political acceptance of the CSS.[61] This is not the case with the more recent surveys. One concern from the point of view of this research is that the household roster was unfortunately not put into the first section of the questionnaire, therefore one is less likely, than in the case of the SALDRU data, to get the highest accuracy here. (compare CSS, 1996a)

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58 *"Most organisations tended to heap the children at seven and to have a dip at six. This tendency was most likely induced by the requirement that households with children that were six or younger had to be revisited to weigh these children for anthropometric purposes (...)."*

59 former so-called 'independent' states: <u>T</u>ranskei, <u>B</u>ophuthatswana, <u>V</u>enda and <u>C</u>iskei

60 When this research started, only the results of the 1994 survey were available.

61 See the section on Census

A major problem with this data is that it was not self weighting but that the weighting was done according to the projections based on the 1991 Census.

3.3.) The population data

The preliminary results of the 1996 Census indicate that South Africa's population was nearly 4 million lower than expected in the light of the 1991 Census and more than 8 million lower than the data base used by the FFC.[62]

Until the preliminary results of the 1996 Census were released, there was much uncertainty regarding which population estimates should be used. This situation was mainly due to the inaccuracy of the previous Censuses including the 1991 one. The last full national census was done in 1970.

Figure 1: Comparison of the estimated total population by different data sources (Numbers in thousands)

Between 1970 and 1996 no national census included all South Africans. In addition to a lack of political acceptance[63], they displayed the following shortcomings:

- *The censuses conducted by the CSS in 1985 and 1991 are incomplete, since they excluded the former Transkei, Bophuthatswana, Venda and Ciskei (TBVC) states. Separate censuses were conducted in the TBVC states in these years, but no attempt was made to use these counts to estimate the size of the total South African population. (...) The projections from 1970 were applied instead.*

- *Secondly, within South Africa excluding TBVC, certain parts of the country where predominantly Africans live, were not clearly demarcated into Eas in 1991, particularly rural areas in the former self-governing territories (KwaZulu, Gazankulu, Lebowa, KaNgwane, KwaNdebele and Qwaqwa). Instead, 'sweeps' were done in which groups of enumerators were entrusted with counting larger areas as best they could, without the controls of demarcated boundaries or lists.*

- *Thirdly, in 1991 in certain other parts of the country particularly informal settlements, aerial photographs were used to count the number of dwellings; and then the average household size per dwelling was obtained from small-scale surveys on the ground, and used to estimate the size of the population. (CSS, 1997:31)*

To counteract these shortcomings, the 1991 Census was adjusted according to the overall projected population growth model:

> *Demographic modelling has been widely used internationally as the basis on which to compare census results for accuracy. (...) But it is an unexpected practice to adjust the results of a population census to* <u>*match*</u> *the model, since there are various sensitive assumptions upon which such a model is built. For example, assumptions are made regarding fertility and mortality rates, and net migration, which may prove to be wrong. However, in 1991 the CSS adopted this unusual approach to the adjustment of the raw census data (...). (CSS, 1997:31-32)*

The demographic model which was used, was built by Sadie:

- *For whites, Indians and coloureds, he used available fertility, mortality and migration data for the period 1980-85 and 1985-90*

- *For Africans, he noted that the 1980 and 1985 census 'for the most part have been conspicuous for their deficiencies' (Sadie, 1992,p.6). For this group he used the 1970 census as the baseline, since that census indulged the TBVC states. As a first stage he calculated* <u>*mortality and fertility*</u> *rates. These new rates were actually lower compared to those he had used in his earlier work (Sadie, 1988) to take account of the more recently available data from the Demographic and Health Survey conducted in the late 1980s.*
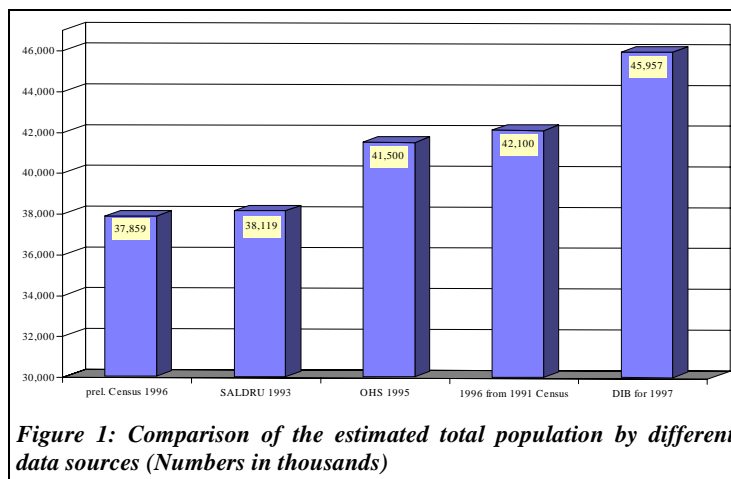
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62 See Figure 1
6363 See '3.1.) Problem statement'

- *In the second and third stage of his model, after adjusting for population flows within South Africa, he separated out sub-totals for the TBVC states and the so-called 'RSA'. (...) The adoption of this modelling approach meant that the censuses which had taken place in the TBVC states were <u>not</u> used to estimate the population size in these areas. (CSS, 1997:32)*

Figure 2 shows the estimates of the total population from 1970 to 2011 according to Sadie. It is obvious that the estimate of the 'black' population growth determines the total population growth in South Africa.

The difference in the total numbers between the Census 1996 and Sadie's projection has so far been explained by the difference in the 'black' fertility rates, which the CSS regarded as too high.[64] (CSS, 1997:33) However, Sadie commented that:

Figure 2: Estimates of total population according to race, graph is based on Sadie's data 1993 (Sadie, 1993)

"I can't find any explanation in fertility rates. They may have declined more rapidly than we assumed, but that still wouldn't explain a discrepancy of four million. The population development programme must have been more effective than we thought - but it couldn't make all that difference." (Davis & Soggot, 1997:6)

Therefore, he believes, that something went wrong with the 1996 Census. The figures are, from his point of view, too low. (Davis & Soggot, 1997:6)

Orkin, the head of the CSS, remains convinced that the 1996 Census data is right and the mistake lies within the risky data which was used to build the model for adjusting the 1991 Census. (Davis & Soggot, 1997:6)

These debates are of great importance to the new CSG system: If the differences in the estimated populations can be explained by the difference in the fertility rate[65], this would have a drastic effect on the number of children presently living. This means that the number of children would not only have to be corrected according to the percentage by which the total population diverged from the previous estimates, but by far more. The Census Evaluation Committee therefore noted:

If the fertility hypothesis is true, the gap between earlier projections and the census estimate of the number of children will be particularly large. (CSS, 1997:41)

Although this finding would impact on all data sets which are available at the moment, this would be specifically the case, where projections were done for the longer period of the past 5 years.[66] The adjustment required is particularly high for the data used by the FFC for their calculations of the new CSG system. The FFC chose a different data source than Sadie's, as they argued that his

figures suggest that South Africa has progressed further along the fertility and migratory curves than is generally agreed within the demography profession. (FFC, 1996b:Chapter 6 p.9)

Since the FFC reject this conclusion, they used even higher population estimates than Sadie's model.

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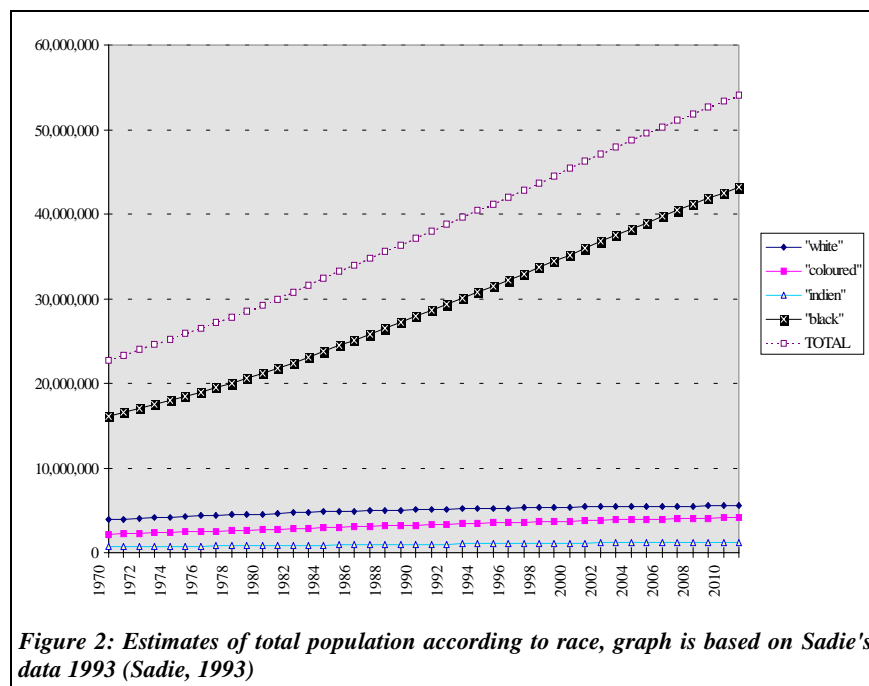
[64] The method which Sadie used and his projected mortality rates are regarded as generally right. (CSS, 1997:33)

[65] The fertility rate is calculated in the average number of children a woman is expected to have in her lifetime.

[66] The fertility rate is said to have been declining during the past 5 years, unlike what was projected in the models used to adjust the 1991 Census. (see also page 44)

3.3.1.) Population growth rates

Directly linked to the population estimates are the projected population growth rates and again more specifically those of the children. For example, the post-enumerate survey, which was conducted to double-check the results of the 1996 Census, confirmed

> *a pattern of declining fertility during the five years prior to the PES. (CSS, 1997:37)*[67]

It is important to note that Sadie's projection indicated a population growth rate of an average 0.88% per year for children from 0-6 between 1997 and 2005.[68] This assumption is clearly too high if the CSS fertility theory should be correct.

Figure 3: Population growth of the age group of 0-4 years according to race, graph based on Sadie's data 1993 (Sadie, 1993)
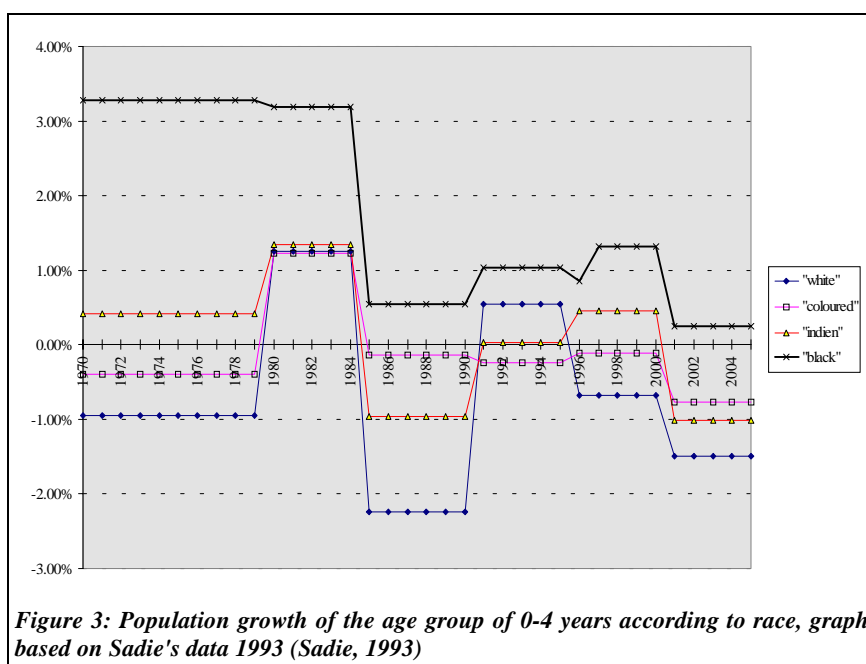
The FFC in their turn calculated that an intended 30% target of the CSG among children up to the age of 6 years would equal just over 3 million children by the year 2005. This works out to an average growth rate of 2.52% per year! This seems to be far too high relative even to Sadie's projections, and even more if compared to the findings of the 1996 Census.

3.3.2.) Migration

A further point of criticism on the data used by the FFC is that people who illegally migrated to South Africa were included.

This has blown up the number of children by including children who in reality could never have come onto the SMG system. It has to be concluded that the population data which was used by the FFC was not - as claimed - conservative, but simply unrealistic. So far this error has not been acknowledged and has only been corrected after intense public pressure.

The DIB data is based on the 1991 Census

> *for the Asian, Coloured and White population figures. In the case of the Black population figures, several different sources were used to adjust the figures, including taking account of the illegal immigrants. (FFC, 1996b:Chapter 6 p.5)*

Even if there is an undercount of the illegal immigrants in the SALDRU data, it is obvious that they should not be taken into account in the calculations for a new CSG system, as any entitlement to a new programme requires a South African ID book.

3.4.) Conclusions

It can be concluded that the data used by the FFC to compile the calculations for the Lund report and later for the Department of Welfare has to be rejected as unreliable for the following reasons:

- The data set does not allow for a detailed analysis of the situation the children are living in, neither in terms of the poverty they face, nor the family structures they live in.

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[67]   PES = Post Enumerate Survey
[68]   See page 44: Figure 3

- • The population data used by the FFC and its growth rates are far too high if compared to the preliminary results of the 1996 Census. This can be explained in the following way:

  - • The basic data set is built from a district level upwards, even though the districts and provinces have a vested interest in overestimating their population and poverty - after all, the fiscus allocates money on the basis of the population.

  - • High population growth rates were assumed, indicating a population explosion, whereas the evidence is that fertility rates are declining.

  - • Illegal immigrants are explicitly included in the data, whereas their children will not be able to come onto a South African CSG system.

Further, it must be concluded that the SALDRU data is preferable for the following reasons: It was pointed out above[69] that for the present research only a household sample survey could provide the necessary detailed information. In addition, the data base should be matched against the results of the 1996 Census findings regarding the overall population size. Figure 1 (p. 42) compares the different data sources. It shows that the DIB data makes by far too high estimates given the preliminary results of the 1996 Census.

Furthermore, Figure 1 shows that both, the OHS and the SALDRU data, potentially could provide the information needed for this research. Surprisingly, the original SALDRU data from 1993 (38,119,000) is closer (nearly exactly the same!) to the preliminary results of the 1996 Census (37,859,000) than the OHS data from 1995 (41,500,000). This can be explained if one accepts the theory that the growth rate was set too high. Although both data sets were to some extent adjusted on the basis of the 1991 Census, this has been true to a lesser extent in the case of the SALDRU weighting, which had rather marginal effects.[70]
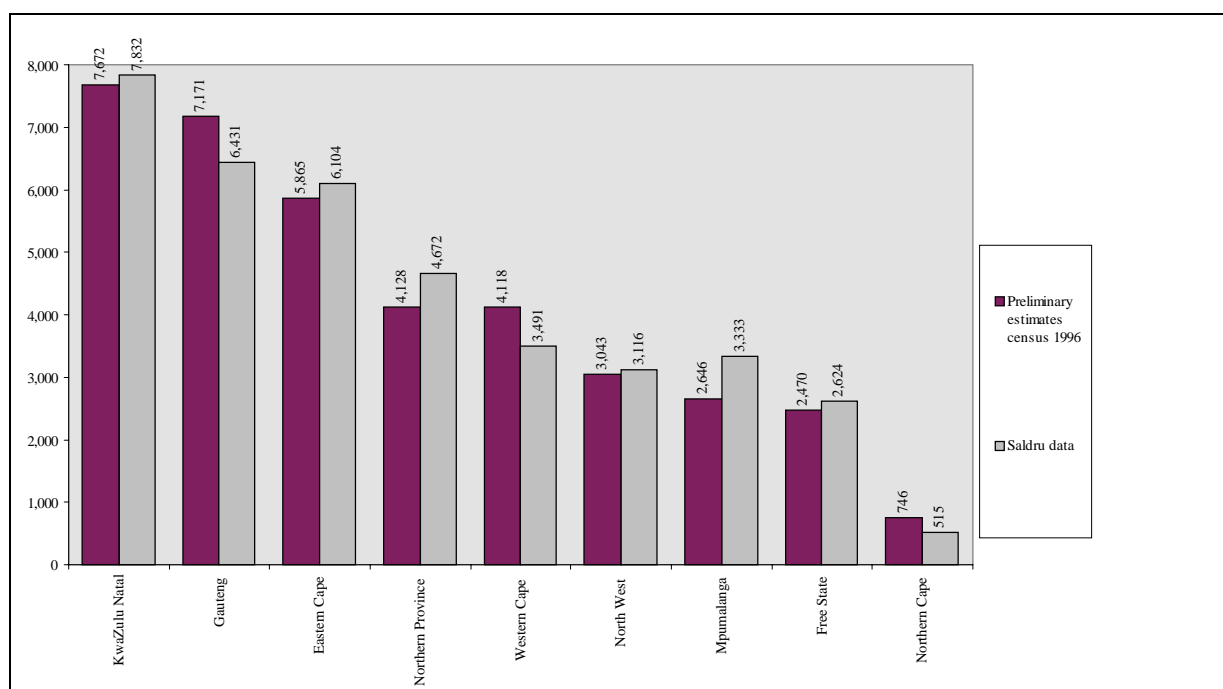
Figure 4: Comparison of the preliminary estimates of the Census 1996 with the SALDRU data according to provinces (Numbers are in thousands)[71]

If one takes a closer look at the distribution according to gender and province[72] the supposition that the 1993 SALDRU data matches extremely well with the 1996 Census is supported.

The theory of the CSS that the population growth within the 'black' communities was overestimated could be supported by the fact that in the SALDRU data[73] the population in provinces where the majority of the 'black' population is living (KwaZulu, Eastern Cape, Northern Province, Mpumalanga and the Free State) is overestimated and the population in those provinces where the majority of 'white', 'coloured' and 'indian' people stay is underestimated (Gauteng, Western Cape and Northern Cape).[74]

From this point of view one is led to conclude that the SALDRU data is the most reliable and detailed data source for this research.[75] Hence, the SALDRU data as collected in 1993 is used as the basis for this thesis. However, it is to be expected that if the fertility theory is substantiated, the SALDRU data, which was in its racial composition influenced by the wrong model used to adjust the 1991 Census, will still be found to rather overestimate the number of children. Despite a lack of finality on this issue the SALDRU data is used for this research, knowing that its results will remain conservative.

It should be kept in mind that final certainty about the reliability of the data sets will only be reached when the 1996 Census breakdown by age is released.

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[71]   See page 151: Table 9: Comparison of the preliminary estimates of the Census 1996 and the SALDRU data 1993 according provinces and gender taking account of all respondents and only those who are resident in a household weighted by enumeration

[72]   See Figure 4 and as well Table 9 page 151

[73]   As argued earlier (p. 41) the total population was counted relatively independent of the 1991 census, however, adjustments according to the racial distribution in the provinces were made in the process of applying weights.

[74]   See Figure 4

[75]   See also Klasen, 1996:2-3

Chapter 4: Insights into the living conditions of South Africa's children

This chapter analyses the social realities facing the children in South Africa. It tries to give a complex but still graphic picture of the living conditions. The focus is on those factors which constitute or indicate poverty. Thus this discussion of the living conditions of children attempts to indicate where exactly the need for support of children in South Africa lies. The section on the 'problem analysis'[76] is important as it provides the basis from which the Lund recommendations [see Chapter 6] as well as any new suggestion [see Chapter 8] will have to be evaluated. The assessment is two-dimensional as it must consider:

- width (How many children have to be reached?)
- depth (How much assistance is needed?)

This chapter further sets the parameters within which a possible means-test will have to operate

- to select the recipients in a fair and equitable way
- and to decide about the administrative practicality [see Chapter 7].

The first two sections of this chapter give a short introduction to the methodology adopted. These sections are not meant to give a comprehensive overview of possible social indicators, but rather want to clarify the method used in this thesis. In the third part the results of the analysis of the living conditions are presented, whereas those facts which concern the household and family structure are portrayed separately in a fourth section. This fourth section is set apart, as the present maintenance grant system uses the family status as a target mechanism (i.e. only single parent families receive support). The new CSG system promised to target all children disregarding the household and family status. Hence, the fourth section highlights the issues in this context.

For the sake of further cross references in the subsequent chapters this chapter focuses on all children up to 6 years (incl.).[77] This does not imply that the author believes older children do not need support! However, as argued in Chapter 8, it is acknowledged that in South Africa's present situation a mechanism to contain the costs of the new support system must be installed. Chapter 8 argues that the age-cohort up to 6 seems to be the best possible compromise.

4.1.) Social indicators: methodology and interpretation

There are obvious limitations to the description of the living conditions of South Africa's children, as it is difficult and often impossible to capture information on all relevant living conditions in figures and statistics. For example the statistics could identify a child as living in poverty with the following indicators: the child lives with her/his mother in a low income group in a rural area. The statistics do not give information on, for example the care the child receives. E.g. a child living in a high income group in a suburb with parents who neglect it, would not necessarily be living in 'better' living condi-

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[76] See '2.1.) Information and the development of social policies' page 29

[77] Throughout this thesis 'incl.' refers to all children of the respective age group up to their next birthday, e.g. here: their 7th birthday.

tions. There are quite clearly material and immaterial factors which determine children's living conditions.[78]

This study requires a national picture of the problem of child poverty. Clearly, a quantitative analysis is important to plan the social as well as the economic aspects of a national programme of this kind. By necessity, such a study is in danger of being biased towards a numerate approach. It needs to be mentioned that there are shortcomings of such a focus.[79] This thesis would like to follow Ramphele and Wilson in their description of the limitations of quantitative analysis in the book 'Uprooting poverty: The South African challenge':

> *We do not wish to be misunderstood: statistical analysis is essential, and the effort to toughen up the soft social sciences by improving the quality of statistics is one of the most significant intellectual advances of our time. But precisely because the numbers are so important it is vital to pause at the beginning to consider what we are measuring and, perhaps even more significant, what we are not measuring. In the social sciences there has to be a constant tension between the case-study methodology as practised by anthropologists, and the representative statistical sample derived from questionnaires beloved by sociologists and economists. Each is periodically driven to distraction by the other. But each badly needs the other in order to avoid the Scylla of assuming that a particular case study is typical of a whole population and the Charybdis of asserting that what has been enumerated (and statistically analysed) is necessarily the whole (or even the most important part) of the truth. (Ramphele & Wilson; 1989:15)*

One has to acknowledge that not enough case studies have been conducted on this research problem in South Africa.[80] However, it was felt that at this particular point in time an analysis of the material factors on a national level is important and necessary as they constitute the prerequisites for the development of a programme aimed at reducing material poverty. This is where a new child support programme - providing cash transfers - can hope to have its main impact.[81]

4.1.1.) Measuring poverty

Poverty can be described in two different ways[82]:

- in relative terms: *relative poverty*
- in absolute terms: *absolute poverty*

4.1.1.1.) Measuring relative poverty

Relative poverty measures define poverty in relation to other members of a respective group. E.g. the World Bank defines those people in South Africa as living below the poverty line who belong to the poorest 40% of households. The advantage this definition offers is that this figure is relatively easy to determine.

> *Given that as yet there is no national consensus on an absolute poverty line, to be practical we selected the relative definition: we define as 'poor' the poorest 40% of households, and as 'ultra poor' the poorest 20% of households." (World Bank, 1995:8)*

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[78] See also Webster, 1990:15-23

[79] See also Neuman, 1997:14-15

[80] Together with Claudia Haarmann the author conducted a series of in-depth interviews around Ceres (see 'Introduction').

[81] See Chapter 6: The CSG programme in its main objective is meant to be a poverty alleviation programme.

[82] See also Giddens, 1994:245-246; Nohlen, 1993:58-59; Deaton, 1997:144

Figure 5: Comparison of average expenditure per month in households with children up to 6 years (incl.) standardised to one person; according to deciles
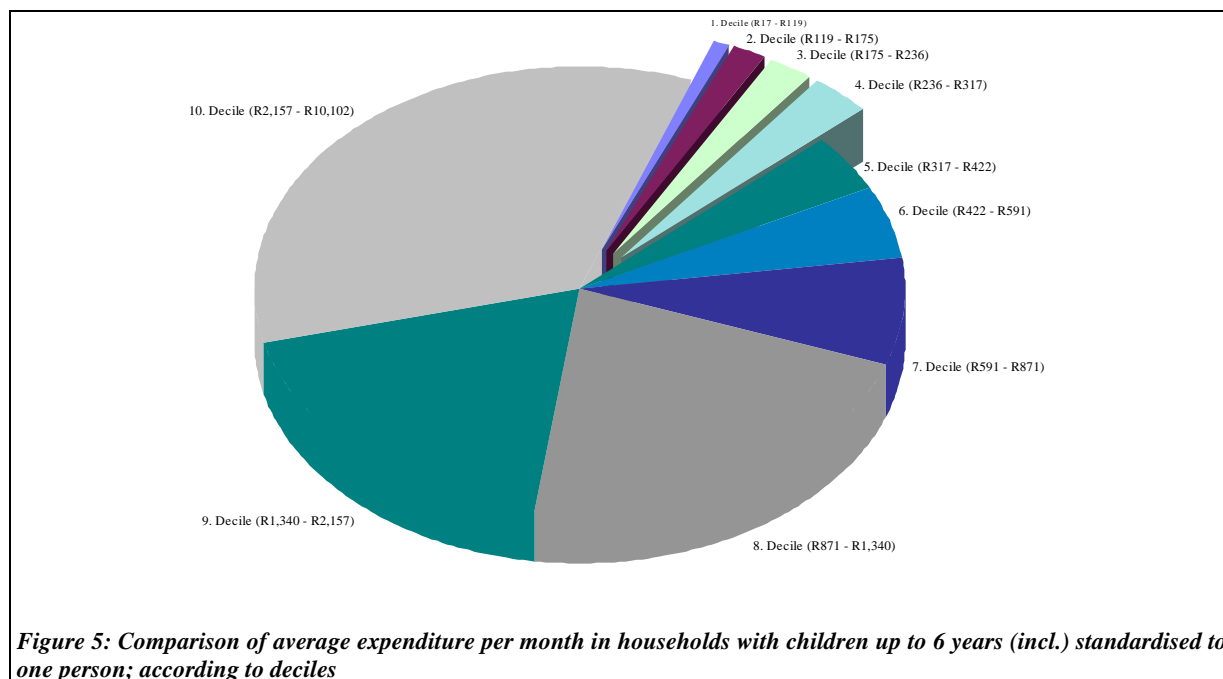
The problem implied is that such a definition does not allow one to say that those above 'the poverty line' are not poor, or at least do have the means to live a decent human life as regards nutrition, shelter etc. It only allows one to say, in case that the indicator is chosen well [see below], that a certain group of people is worse or better off than another. Figure 5 shows that due to the fact that a lot of people are relatively poor and only a few relatively well off, a cut-off point at the poorest 40% of the households defines some as the 'poor' and others as the 'non-poor' whereas the difference in the living standard might be minimal. The actual difference e.g. in the mean between the fourth and fifth decile (the border between the 2nd and 3rd quintile[83]) is R94 per month, whereas the difference between the mean in the eighth and the ninth decile (the border to the top quintile) amounts to R950.

It becomes clear that although this approach is said to be an alternative to defining minimum standards (e.g. the USA do have a nationally defined minimum standard), in fact the 40% cut-off is used like a minimum standard. Hence, this also leads to the discussion of why the adequate cut-off point is not to be set at e.g. 50% or 30%? The World Bank justifies its choice of 40% by saying:

> *It turns out that these cut-offs indicate an extent of poverty in the same range as that produced by the minimum food need lines. (World Bank, 1995:8)*

This reveals that ultimately the 40% were chosen as a cut-off because a poverty line set according to nutrition standards indicates the same percentage. Yet a poverty definition determined through nutrition only should be challenged. Furthermore it can be argued that even if the percentages correlate, this does not necessarily mean that also the same people are in- or excluded as poor.

4.1.1.2.) Measuring absolute poverty

Absolute poverty measures try to define a minimum standard e.g. for income or nutrition which is thought to be required for a basic living. One tries to find an absolute cut-off point and from there determines who and how many are living below this poverty line, rather than setting a fixed percentage beforehand. In principle this seems to be the superior method. However, there are also problems with this method:

- Absolute poverty measures are subjective, as they always have a 'relative' component. 'Relative' here means relative to a certain standard and not, as in 'relative poverty' to other people. So Lange argues that poverty can be measured either against

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83   This is where the World Bank sets the poverty line

> *. (...)a socially determined minimum requirement or subsistence level. (...) Hence, poverty is always rela-*
> *tive to how a certain society or social class defines the minimum requirement or subsistence level.[84]*
> *(Lange, 1988:66)*

- Absolute poverty lines cannot define absolute values for each case but by definition have to generalise. E.g. an income which might be sufficient in one area might not be sufficient in another, because of a difference in purchasing power or because of different needs. Or e.g. a traditional dwelling might be regarded as sufficient or even good for the climate at the north-east coast, however, in the Western Cape with rainy and cold weather in winter it might be a health risk.[85]

- Absolute poverty lines need to be redefined over time. Sen raises a valuable point when arguing that growing urbanisation might raise, for example, costs of living, as time and travel costs to and from work increase. A poverty line set 5 to 10 years ago might have been sufficient then but no longer today. Hence, absolute poverty lines must not be kept fixed. (Deaton, 1997:144)

- There are ideological disputes about what is actually needed for a basic living: Is the satisfaction of nutritional and health needs sufficient? Or have, as this thesis would like to argue, means and resources like education, employment and rights of self determination to be taken into account?[86]

4.1.1.3.) Poverty line

Both, relative and absolute poverty measures, try to define a *poverty line* also referred to as the *poverty datum line* or *poverty datum income*.[87] Those people below this line are regarded as the 'poor' and those above as the 'non-poor'. There are several problems with this:

> *Defining such an income involves an element of arbitrariness and a small change in the stipulated pov-*
> *erty datum income can have great impact on the extent of measured poverty. (Whiteside, 1995:18)*

A poverty line gives an indication of how many people are regarded as poor (*headcount index*). However, the line in itself does not yet indicate how poor those people are.

> *The real value of poverty datum lines is thus in measuring <u>changes</u> in poverty levels over time as opposed*
> *to measuring the <u>absolute</u> extent of poverty at a particular time. (Whiteside, 1995:18)*

Different methods are used to try to rectify this shortcoming: The *poverty gap index* expresses the mean of a defined group below the poverty line.[88] [89] In this thesis mainly a division into quintiles, deciles or deprivation ranking groups is used, which at least allows for a differentiation into two groups among the poor.

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[84] The original quotation is in German: *(...) einem gesellschaftlichen Mindestbedarf oder am Existenzminimum. (...)*
Armut ist somit immer relativ zu dem was in einer bestimmten Gesellschaft oder Gesellschaftsschicht als Mindestbe-
darf oder Existenzminimum bezeichnet wird

[85] For a further discussion see 62.

[86] Note that Deaton and others for example argue that a poverty line based on nutrition is adequate for developing countries but not for example the USA: "*For the United States or other developed economies, where few people spend more than a third of their incomes on food, such a definition is clearly inadequate on its own and must be supplemented by reference to commodities other than food. However, in countries such as India and Pakistan, where a substantial fraction of the population spend three quarters or more of their budgets on food, a hunger-based definition makes sense .*" (Deaton, 1997:206)

[87] See also Ramphele & Wilson, 1989:16

[88] Often the squared poverty gap index is used, which gives greater weight to those further below the poverty line. (Carvalho & White, 1994:26)

[89] For more detail see also Deaton, 1997;141-148: He explains the underlying calculations in detail and further critiques Sen's poverty index. Sen's poverty index is in essence a poverty gap index weighted according to the Gini coefficient.

4.1.2.) Typology of indicators

Besides the different methods for measuring poverty the indicators used are crucial. In the end they determine what actually is measured. Clarity on what the indicators are measuring and moreover, what they are not measuring, is therefore decisive, especially if these indicators are to be used as proxies for complex social structures and phenomena like poverty.[90] Without going into too much detail the next section tries to look at the relevance of different indicators to determine the living conditions of children.

4.1.2.1.) Defining poverty through income / expenditure

Carvalho and White from the World Bank argue that

> *Well-being is measured most directly by data on income or consumption. (Carvalho & White, 1994:22)*

However, one has to accept that poverty is a more complex and diverse phenomenon than purely a monetary matter:

> *Poverty is like illness. It shows itself in different ways in different historical situations, and it has divers causes. (...) Not only are there several different dimensions of material and non-material poverty but there is also a complex interaction between cause and effect, which makes it difficult to describe a state of poverty without considering those factors, themselves aspects of poverty, that cause further misery. (Ramphele & Wilson, 1989:14)*

This thesis would like to argue that in any given poverty definition the economic characteristics play an important role, therefore income or consumption are important and relevant indicators to assess the living conditions. Nevertheless, there are limitations, and reducing the poverty definition to one indicator only seems to be an oversimplification. Later on, it is argued that income/expenditure data should be one in a list of several other indicators.[91]

4.1.2.1.1.) Income versus expenditure

On the question whether income or expenditure data is better, Carvalho and White argue that:

> *Consumption is usually preferred over income since income varies over time whereas consumption is smoothed over time. Consumption also captures people's access to publicly provided goods. (Carvalho & White, 1994:22)*

Whiteside argues that it depends on what the indicator is used for: Expenditure is said to be more adequate for measuring poverty, while income is preferred to determine inequality. (Whiteside, 1995:23)[92]

Especially in the context of the means-test, income has been criticised for often being wrongly measured (Department of Welfare, 1997d:13). An argument against the SALDRU income data is that interviewees did not declare all sources of income, or at least declared less than they actually received, partly because they might have been afraid of being caught for tax evasion.[93] Further, as Deaton points out, surveys in developing countries are less likely to produce reliable income than expenditure data:

> *At the practical level (...) the difficulties of measuring income are much more severe than those of measuring consumption, especially for rural households whose income comes largely from self-employment in agriculture. (Deaton, 1997:149)*

Another argument might be that the person in the household who answered the questionnaire, may not have known about all income sources of the other household members. For these reasons it seems to be worthwhile having a look at the actual difference between income and expenditure in the SALDRU data:

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[90] See also Neuman, 1997:130-175 (especially 168-170)
[91] See also Carvalho & White, 1994:12-25
[92] See also Pillay, 1996:23, 25 and Anand & Harris, 1994:226
[93] In fact the data was confidential and in reality this danger did not exist, however, especially in the South African context at that time, people might have had good reasons for being cautious about 'official' collections of statistics.

Figure 6: Percentage of total household (HH) income under- or over-counted in comparison to the total household expenditure for all children up to 6 years (incl.) according to ranking groups[94] [95]
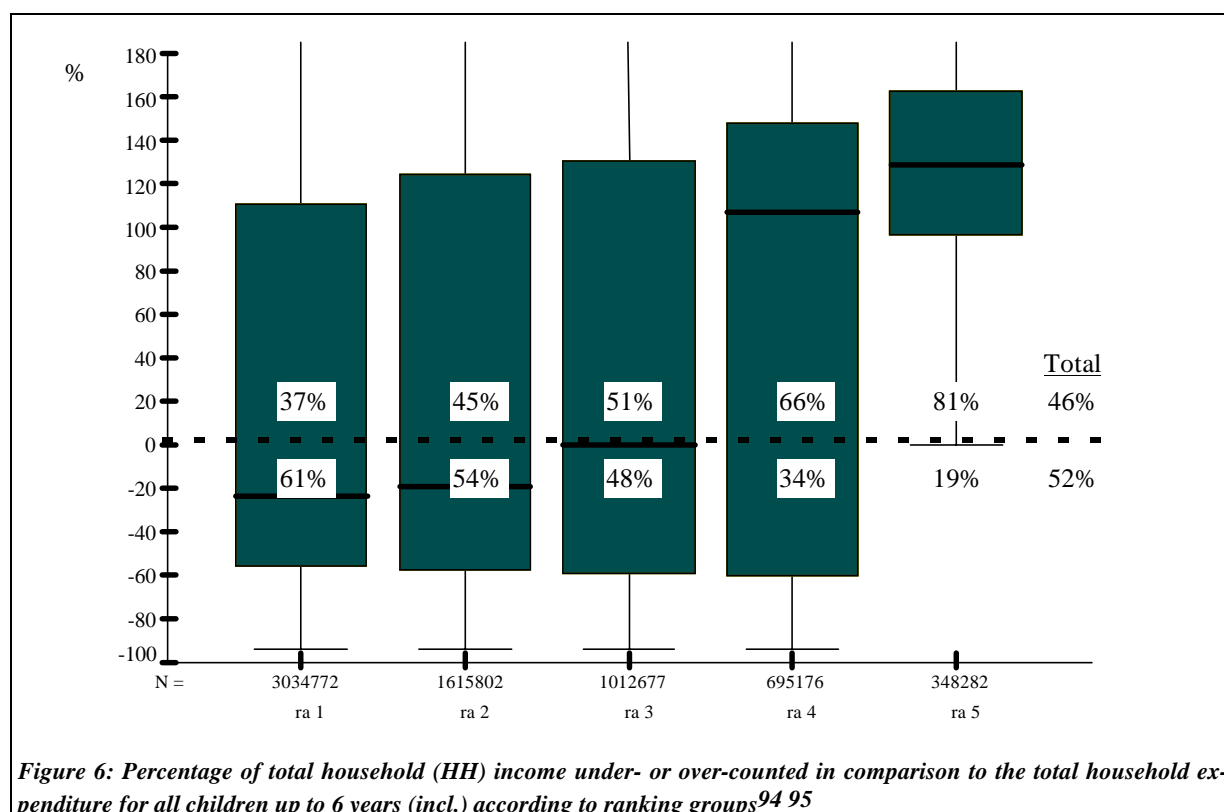
Figure 6 compares the *total HH income* to the *total HH expenditure* recorded. The graph indicates the percentage of how much more, or less income was recorded compared to the expenditure. The children where the income and expenditure matches are located on the zero line. In fact this should be the case if the household does not make any savings or debts and the expenditure as well as the income data are correctly collected. Figure 6 shows that in total the undercount of the income is not exceptionally high. Moreover, for a considerable number of children in all ranking groups the household income is in fact up to 100% higher than the actual expenditure recorded. A comparison of the different ranking groups clearly shows that in the poorer groupings it is the income which tends to be undercounted whereas in the wealthier groupings it is the expenditure. These findings can be explained in the following way: Income determines the opportunity to purchase goods, whereas expenditure shows what is actually been purchased. The poorer households have to spend more than their actual income, meaning that they either are in a constantly increasing debt crisis or that they have some - mainly irregular - income sources which they did not declare, or both. The richer households do not spend their full income every month, but save some of the money and spend it later (e.g. on a car or a house). This money is then not regarded as a regular expenditure and not accounted for in the data. It is surprising that this is the case for nearly all households in the top ranking group. They are the ones who had the greatest interest in not declaring all their income if they were worried about being penalised for tax evasion.

In conclusion, the allegation that income sources on a large scale are not accounted for in the SALDRU data, cannot be substantiated. Even in the poorer groupings the undercount is below expected levels. However, there exists a tendency that *income* rather *underestimates the resources available* in the poorer groupings and *expenditure* rather overestimates it (debts affect the future income). In the richer groupings these tendencies are reversed.

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94   For a further explanation of the ranking groups see page 59: '4.2.1.) Ranking groups determined by a composite '. Here it is just important that the children in ra. 1 are classified as the poorest group of children, whereas the children in ra. 5 belong to the richest classification.

95   For a detailed explanation of this type of graph see the description of Figure 13 on page 76.

4.1.2.1.2.) Units measured

If one takes income or expenditure as an indicator for poverty one has to decide which unit is to be measured. Usually three different categories are used.[96]

Household

The household is very often the unit analysed here. There are mainly two reasons for this:

1. The information on income and expenditure is usually derived from a household survey. This, especially in the case of expenditure data, does not allow for a smaller differentiation than the household. From this point of view the household income or expenditure is often the most practical unit.[97]

2. It is argued that the household is the unit where the economic decisions are taken[98]. E.g. Ardington and Lund argue that through old-age pensions not only the aged themselves benefit, but also children are fed, their school fees are paid or even farming activities are supported. (Ardington & Lund, 1995) This is seen as evidence that the money - especially in poorer families - is pooled.

Seen in this light it seems to be important to take the household as the important unit in one form or the other. However, there are also problems:

1. Even for the use of a household survey it is difficult to define the concept of a household in practical terms e.g.:

   a) If one follows for example a definition based on the location e.g. all people under one roof form a household, migrant workers are excluded. However, their income might be an important source for the wealth of the members of a particular household.

   b) If one includes all people who contribute to the household, e.g. migrant labourers would be counted for in multiple households, and one has to decide what proportion of their income is part of which household income.

   c) Households are not static. Children might live in one household for the time of schooling but in another during school holidays.[99]

2. All evidence points to the existence of some kind of 'income pool' in poor households[100]. However, in the South African context too little research has been done into the question who controls the pool and into the extent to which different people within the same household benefit from these resources. Different gender roles for example seem also to be crucial to understand this phenomenon. There is reason to believe that a bigger share of the income is contributed to the pool and in the end to the benefit of the children, if it is earned by women. Men are believed to spend more of their money on their own needs. This is supported in the South African context by various authors who point to the fact that:

   Evidence elsewhere suggests that often income earned by a woman is more likely to be distributed to the benefit of other household members - particularly children - than the same income earned by men. Women generally put higher priority on the basic needs of the family - including nutritional - than men rather than concentrating only on their own needs. (Budlender, 1993:6)[101]

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[96]   See also Whiteside, 1995:8-10
[97]   See also Deaton, 1997:150,205
[98]   See also Haddad, Hoddinott and Alderman, 1997
[99]   See also (Lund Committee, 1996a:18)
[100]   For a discussion on developing countries in general, see Haddad, Hoddinott, and Alderman, 1997
[101]   See also Casge and Deaton, 1996:23

However, more research has to be done in order to really understand the intra house-hold distribution of resources.[102]

3. Larger families are discriminated against if one only compares the household income / expenditure. It is obvious that it makes a substantial difference if a single person household has an income of e.g. R2000 or a household of 11 people has the same income.[103] Later in this chapter it will be shown that especially the poorer children are more likely to live in larger households and would be discriminated against if only the household income or expenditure without further adjustments was used.[104]

Per capita

To counter this discrimination against larger households, it seems to be useful to look at the income an individual gets. However, this does not take account of the question of how many dependants or other supporters this individual might have.

Another possibility is to calculate the per capita income / expenditure by dividing the household income by the number of people living in the household. At first sight this seems to be superior to the method of taking only the household income into account. Nevertheless, it is far from being really accurate, as differences in the economies of scale between larger and smaller households are not accounted for. There are mainly two reasons why economies of scale apply on the household level: Firstly, buying e.g. groceries in bulk usually works out cheaper than smaller quantities. Second, households buy 'public' goods, like radios, which lose no value if they are used by more than one person.[105]

Deaton points out that

> *(...) in all household survey data of which I am aware, total household expenditure rises with household size, but not as rapidly, so that PCE decreases with household size. (Deaton, 1997:243)*

In this case smaller households, like single parent households, would be discriminated against, if poverty was determined through simple per capita income / expenditure.

Household equivalents

The usage of household equivalents was developed because of the shortcomings of the household per capita calculations. This concept tries to standardise the different households through mathematical adjustments to one ideal type of household, which then allows for direct comparison.

1. The household income is powered by a figure smaller than 1 to allow for economies of scale.

2. Often different weights are used for different groups, e.g. children or elderly women are weighted less than adult men, or households in the rural areas more than in urban areas.

The different weights are intended to reflect the different needs. This also poses problems: It has to be decided from where the weighting can be derived. The method used by the World Bank argues that children and older women have less nutritional needs than adult males. Therefore Deaton argues that they should be weighted as half an adult male. (Deaton, 1997:244)[106] However, consumption does not

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[102] See also Deaton, 1997:223-240

[103] This becomes especially important when one looks at the different means-test suggestions. (see page 107: '7.2.1.2.) The target rate of 48% and the final regulations')

[104] See page 74: '4.4.) Household structures: different patterns of child care'

[105] See also Deaton, 1997:241-242

[106] Note that Deaton acknowledges that no agreement on the use of equivalent scales exists: "*Although the construction of scales is of importance for any enterprise that uses household survey data to draw conclusions about welfare, the state of knowledge and agreement in the area is not such as to allow incontrovertible conclusions or recommendations." (Deaton, 1997:205)*

only mean nutrition. For example the cost of proper health care for a baby (e.g. creams, nappies, transport to the clinic) is most probably higher than that of an adult male. Furthermore the nutritional requirements for a child of 16 years are not necessarily lower and might be even higher than for an adult male. While it is acknowledged that differences in need especially concerning nutrition during different phases of life exist, the thumb-suck figure indicating that children and older women need half the money of an adult male, seems to be an oversimplification. Deaton himself quotes an interesting example with reference to the weighting of the aged:

> *For example, the 'fact' that there is less poverty among the elderly in the United States depends on the assumption in the official counts that the elderly need less than other adults (see Deaton and Paxson 1997). (Deaton, 1997:243)*

Carvalho and White argue therefore that one has to be cautious as to what weighting is attached. They warn not to use weighting based on intra-household consumption patterns,

> *"since these patterns reflect inequalities in intra-household distribution as well as in need." (Carvalho and White, 1994:22)*

Due to these problems, it was decided to allocate no special weighting for difference in age and sex. This thesis uses household equivalents only by taking account of economies of scale.[107]

4.1.2.2.) Non-income-based indicators of poverty

As argued earlier, poverty is constituted by various factors and not only by the economic situation measured by income / expenditure data. Furthermore the income and expenditure data which is available from household surveys does not in all cases present a reliable picture, not even of the economic situation of the household. It therefore seems to be important to have a look at the non-income based indicators.[108]

The FFC argues that *'ruralness'* is the best available indicator to determine poverty on the level of the different provinces:

> *It should be noted that other socio-economic indicators such as poverty levels and the Human Development Index (HDI) were considered for weighting. In the end it was felt that "ruralness" of the population would be the most appropriate and least contentious of the indicators for weighting given the nature of the data in this country. The reasons include the reliability of the data, the consistent collection of the information, the national and inter-provincial applicability of the measure and the close correlation between the different measures[109]. (FFC, 1996b:33)*

It is true that many of the households in rural areas in South Africa are poor[110], however, it has to be argued that the reverse is not necessarily true: One cannot say that people living in an urban area are not as poor. Especially people in informal settlements or townships would be excluded by such a definition. 'Ruralness' seems to be important to describe the living conditions, but not reliable to function as an indicator.

4.1.2.3.) Composite indices

Composite indices developed out of the criticism against using only per capita GDP to compare and to rank different countries. It was felt that monetary values on their own were inadequate to identify the social development status of a country:[111]

> *As a specialised social science tool proven to be useful in economic analyses, forecasting and planning, GNP simply cannot incorporate all of the diverse social phenomena required to access changes in 'human welfare' over time. (Estes, 1984:9-10)[112]*

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107   See also page 65: '4.2.2.) Quintiles'
108   See also Pillay, 1996:29-32
109   *The targeting error which occurs will decline as credible income and demographic data are established.*
110   See Figure 8: Poverty among children - ranking group 1; see also Ramphele & Wilson, 1989:25
111   For a recent critique on the use of the GDP to identify people's economic situation especially in countries, where there is uncertainty of the importance and way of measurement of the informal economy, see the Estonian Human Development Report 1997.

In order to capture the complexity of poverty and social development more adequately, different indicators for the standard of living were combined into a composite index. (UN, 1994:Para. 47)

> *Indicators of levels of living are intended to represent dimensions of welfare. They have recently been caught up in what has come to be known as the 'social indicator movement', which is concerned with a much wider range of social phenomena. (Baster, 1972:8)*

In the 1960s, the United Nations Research Institute for Social Development (UNRISD) pioneered the development of a single index combining data from income and non-income variables. However, at that time disagreement about the method led to a development of two different indices of which none was widely accepted. (Baster, 1972 and Midgley, 1997:45-46) Since then a variety of composite indices have been developed and their application contributed significantly to new insights in addressing poverty. (Doraid, 1997:Box 2)[113]

It is noteworthy that the composite indices were developed to facilitate an international ranking and comparison of countries. The application of composite indices for disaggregated groupings up to household level is a rather recent development. (Sautter and Serries, 1993:48-50)

The following paragraphs are going to discuss three internationally prominent approaches of composite indices and their usage mainly in facilitating a comparison on a country to country level. In addition, the method developed by Klasen is looked at. Klasen built a composite index in order to examine the poverty situation in South Africa beyond calculations based only on income / expenditure data. Building on Klasen's work this thesis develops its main methodology to illuminate the poverty situation of children in South Africa.[114] Finally, the points of criticism levelled against the composite indices will be discussed.

Physical Quality of Life Index **(PQLI):** Morris developed the PQLI index in his 1979 book 'Measuring the condition of the worlds poor'. The index consists of three non-income variables, namely, *life expectancy at birth, infant mortality and adult literacy*. (Midgley, 1997:46)

> *The PQLI is designed primarily to measure the performance of the world's poor countries in meeting the most basic needs of people. (That the PQLI can highlight interesting and important facts about other countries is purely serendipitous.) (Morris, 1982:15)*

The PQLI index thereby does not intend to replace economic measures but

> *promises to serve as a creative complement to the GNP. (Morris, 1979:93 as quoted by Estes, 1984:14)*

Weighted Index of Social Progress **(WISP):** While the PQLI is criticised for only reflecting health and educational services, the WISP covers social development more comprehensively. (GIB, 1998:1) The aim of the WISP is:

> *(...) to develop a paradigm of world social development (...) that: (a) would reflect changes in the capacity of individual nations to provide more adequately for the basic social and material needs of their population; and (b) would be a relatively more objective approach to assessing these changes in the context of gains and losses in global social provision over time. (Estes, 1984:5)*

The WISP composite index currently exists of 45 variables, which are grouped in 10 different categories, namely; *education, health status, women status, defence effort, economic, demographic, geography, political participation, cultural diversity, and welfare effort*. (Estes, 1997:2) Each of the 45 variables scores on a range from 100 (best) to 0 (worst). (Smith, 1997:2)

The main aim of the WISP index is to function as a tool for assessing shifts in the capacity of nations to provide for the basic needs of their population over time. (Estes, 1984:17) Amongst others the 'The World Social Situation, 1970-1995' report, is based on the WISP.

UNDP composite indices: The most renowned composite index is the *Human Development Index* (HDI), which was developed in 1990. It was especially developed for the UN annual Human Devel-

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112   see also Morris, 1982:3,5-6
113   see also Bastes 1972; Morris 1982; Estes 1984 and 1988; Murray 1991; Doraid 1997
114   For further detail of the methodology used in this thesis see the next section: '4.2.) The methodology of determining poverty in this thesis'.

opment <u>R</u>eports (HDR), where it is used to rank the different countries of the world. The HDI incorporates *national indicators of health, education, and income*. First, adult literacy measures education. Since 1991, the average years in schooling were added as a second measure for education. The average life expectancy measures health, and per capita GDP is used as the measure of income. (UN, 1994:Para. 44)

> *The HDI sets a minimum and a maximum for each dimension and then shows where each country stands in relation to these scales - expressed as a value between 0 and 1. So, since the minimum literacy rate is 0% and the maximum is 100% the literacy component of knowledge for a country where the literacy is 75% would be 0.75. Similarly, the minimum for life expectancy is 25 years and the maximum 85 years, so the longevity component for country where life is 55 years would be 0.5. For income the minimum is $200 (PPP) and the maximum is $40,000 (PPP). (...) The scores for the three dimensions are then averaged in an overall index. (Doraid, 1997:Box 1)*

While the HDI was mainly developed as a national comparative figure, it is also used in a disaggregated form. Disaggregated HDIs allow for a comparison of different groupings, e.g. race, urban / rural. The calculations remain the same, whereby each group is then treated like a 'separate country'. (Doraid, 1997:3)

Besides the HDI the UN also developed three other composite indices:

- The *<u>H</u>uman <u>P</u>overty <u>I</u>ndex* (HPI) which is based on three groupings of non-income variables: Longevity (measured in the percentage of people expected to die before age 40), knowledge (measured in adult illiteracy), and living standard (represented by three variables: access to health services, to safe water, and percentage of malnourished children under 5). (Doraid, 1997:5-7)

- The *<u>G</u>ender-related <u>D</u>evelopment <u>I</u>ndex* (GDI) which is basically an HDI but imposes a penalty for inequality between men and women. (Doraid, 1997:9-10)

- Like the GDI the *<u>G</u>ender <u>E</u>mpowerment <u>M</u>easure* (GEM) is a measurement of inequality. It examines whether women and men are actively taking part in the economic and political sphere of a given country. (Doraid, 1997:9-10)

Klasen's assessment of poverty in South Africa: Based on Sen's notion of using a capability concept in the definition and measurement of well-being, Klasen developed a composite index of deprivation for the South African context. (Klasen, 1996:3-4) His index consists of 12 measures of deprivation, namely, *income, health education, household wealth, access to services, transport, and perceptions of quality of life.*

> *Each indicator ranges from 1 to 5 with one being the lowest and five the highest. In doing the scoring it was aimed to roughly ensure that a score of five represents the best possible standards or condition, a score of three should allow a basic level of welfare to lead a simple but reasonable safe and healthy existence, while a score of one is an indication of severe deprivation, severe health hazards, and few physical and human resources. The total deprivation index is a simple average of all individual scores. (Klasen, 1996:7-8)*

Klasen developed this method to compare the results with those obtained through ranking into quintiles.[115] His conclusion is that

> *(...) the two indicators correspond fairly closely. (Klasen, 1996:1)*

However,

> *the income poverty measure misses a considerable number of people who are severely deprived in many of the non-income measures of well-being. (Klasen, 1996:1)*

Critique of composite indices

The development and use of composite indices has not remained without critique.

> *Such indexes raise a number of conceptual, analytical, and technical issues upon which there is no consensus. (UN, 1994:Para. 42)*

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115   For details of the methodology used for the quintiles see p. '4.2.2.) Quintiles'.

In the following the main critique points are looked at:

1. The usage is often restricted through data availability. The more complex an indicator is the more difficult it is to apply the same index to different countries and to allow for an international comparison. (Sautter and Serries, 1993:49-50)

2. A composite index by definition has to combine different indicators using weighting. Especially with regard to international comparisons the UN remarked:

    Given the quite different values that different cultures place on various aspects of individual and social life, developing a system of weighting that would be generally acceptable for international use poses difficult problems. (UN, 1994:Para. 43)

    With regard to the use of a composite index for poverty analysis Deaton even regards the methodology as unscientific:

    While it is possible to consider methods for combining these indicators into a single measure, there is no adequate theory underlying such an aggregate so that weighting schemes are inevitably arbitrary, and it is more informative - as well as honest - to keep the different indicators separate. (Deaton, 1997:149)

3. By its nature compensations between different indicators occur in combining the indicators in one single index. The main challenge lies here in the question of comparability of the indicators chosen. (Sautter and Serries, 1993:49-50)

With regard to the first critique, it has to be acknowledged that data availability often poses constraints. Especially in the debate around the HDI, this criticism is used to defend the HDI, with its relative small numbers of indicators, over other, more complex, composite indices. A common attack on the HDI, however, is that

> *the number of factors included in the index is too limited given the intent of the index (...) and continues to place more emphasis on economic rather than <u>social</u> development. (GIB, 1998:1)*

However, the UN regards especially the limitedness of indicators as an advantage, as this data is relatively easy available for international comparison. Furthermore, it is argued that the indicators used are

> *undoubtedly three of the most important components of human life. (Murray, 1991:5)*

It is hoped that with the extension and improvement of basic survey data collection around the world, the problems attached to data availability will become less prominent in future.

Concerning the second criticism it is clear that the weighting poses a challenge for composite indices. Murray, although defending the HDI, conceded:

> *Despite complex justifications for particular weighting schemes, the ultimate choice is arbitrary. (Murray, 1991:5)*

The use of a composite index cannot hope to put an end to the question of how to grasp such a complex phenomenon like poverty. On the contrary, it rather acknowledges that there is no 'perfect' method of doing so.

This thesis would like to argue that the accusation of using an insufficiently substantiated theory and thereby being dishonest, seems not to be fair. The following discussion illustrates the point: As explained earlier in this thesis, Deaton uses equivalent scales to weight household data. He acknowledges that the theoretical basis of what weight should be allocated to which item is a major area of contention in literature.[116] Furthermore, the weighting is of utmost significance for the results produced.

> *Such corrections have a major impact on measures of poverty and inequality, on the identification of who is poor, and on the design of benefit programs. (Deaton, 1997:204)*

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[116] See page 54: 'Household equivalents' and especially footnote 106

The same applies here. However, this cannot mean that one should not use equivalent scales or composite indices. In fact, the use of both methods has contributed significantly to new and often more adequate insights into the nature of poverty. The fact, that there is not a single undisputed methodology does not make a method unscientific, the decisive factor should be that the underlying assumptions are spelled out and that they can be discussed on that basis.

With regard to the third criticism against composite indices, the main challenge of a composite index of income and non-income based indicators lies in the question of whether one can compare e.g. a single non-income factor to a monetary term. Is, for example with regard to Klasen's index, the number of durables in a household to be traded off against the total expenditure? Or is that seen from an analytic point of view comparing oranges and apples? This problem is part of the very nature a composite index (and in today's society monetary characteristics are always overly-important), this thesis would like to argue that in principle this tension can be accommodated. However, it is argued that these comparisons need grouped data. These groupings should be general and ideally of equal importance. The argument is that trade-offs and thereby also comparisons e.g. between the durables and expenditure are possible on an analytic basis, but not on the micro level. The comparison seems to make more sense in the way of how the durables influence the housing situation and thereby fit in with a broader picture of accumulated wealth.

Later it will be argued that 'compensations' of one indicator through a list of others is not necessarily bad. It is argued that for example in the South African situation, where the data reliability is questioned, an even out of data errors, is intended.

This thesis therefore argues that the strength of composite indices lies in their multiple characteristics which allow for a more balanced picture than any of the indicators on their own can yield.

The next section describes in detail which methodology is used for this research.

4.2.) The methodology of determining poverty in this thesis

This thesis determines poverty mainly through a composite index which ranks the children into five deprivation groupings (page 59). However, for comparative reasons there is also a ranking into quintiles (page 65).

4.2.1.) Ranking groups determined by a composite index

At first the basic concept of the composite index used will be explained. Then the methodological decisions involved will be discussed according to the structure outlined in '4.1.) Social indicators: methodology and interpretation'.

4.2.1.1.) The principle idea

At the time when this research was conducted, little concrete and detailed data about the living conditions of South Africa's children existed. As explained earlier this situation was aggravated by the fact that there was considerable doubt about the data integrity. This led to a situation in which important findings from income and expenditure data on the poverty situation of children were often not taken as seriously for the policy process of the CSG. It was argued that the results might show such high poverty levels only due to data errors and in fact not all of the children identified as poor would need support.[117]

As the previous section has shown composite indices are best suited to reflect the multiple characteristics of poverty. Therefore, it was decided to develop such an index suited for the evaluation of the living conditions of South Africa's children. The aim is two-fold: First, it is an attempt to define an absolute poverty line, which is supported by different indicators and thereby limits the errors occur-

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[117]   See Department of Welfare, 1997d:13

ring through possible single mistakes in the data collection.[118] Second, a balanced and detailed picture is created of what the living conditions for South Africa's children entail.

On this background the thesis developed a composite index based on 9 indicators. For the assessment of indicators this approach by and large follows the work done by Klasen (Klasen, 1996). In contrast to Klasen, who took each indicator individually, the 9 indicators are grouped into the categories expenditure, housing, health, and employment opportunities:[119]

- Each of indicator ranges from '1' to '5' on a deprivation scale, '1' being extremely poor and '5' being well off.

- '1' and '2' are regarded as below the poverty line and '3' as slightly above.

- The final score, which determines the ranking groups, is the average of each mean of the four groupings (expenditure, housing, health, employment opportunities).

The next table explains the details and classification of the different indicators:

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[118]   If for example the data totally underreports the expenditure of a specific household, the wealth ranking would be still relatively accurate as e.g. the type of house and the number of durables would give the right indications in this case. Therefore errors are more evened out in a composite index.

[119]

| | Indicator | **Score (1 = most deprived up to 5 = well off; 1 and 2 are regarded as below the poverty line)** | | | | |
		1	2	3	4	5
Expenditure	standardised monthly HH expenditure (HH with 1 member)	- R229	R229 - R318	R319 - R638	R639 - R1277	R1277 -
Housing	type of house	shack	traditional dwelling, hostel, outbuilding	combination of buildings	flat, maisonette	house
	number of durables	0-1	2-4	5-7	8-10	11+
	type of energy used for cooking	wood	dung	paraffin, coal	gas from bottle, dry battery	electricity from grid, town gas
Health	type of water access	river / stream, dam, standing water	rainwater, protected spring, well, borehole	public standpipe, water tanker / carrier	piped water on premise	piped water inside house
	type of sanitation facilities	no toilet	bucket	latrine	imp. latrine, chem. toilet, flush toilet outside	flush toilet inside
	accessed health facilities	none	family / friend, trad. healer, shop	clinic, public hospital	pharmacy, visit by PHC nurse	private doctor
Employment opportunities	share of employment among the adult HH members	0-19%	20-39%	40-59%	60-79%	80-100%
	average years of education among HH members 16+ years[120]	<2	3-5	6-9	10-11	12+

Table 1: Classification of the different indicators into ranking groups

4.2.1.2.) Absolute poverty measure

The composite index constitutes an absolute poverty measure which is of great importance as the analysis for the given research problem must in essence be based on a needs assessment. There are two main reasons for this in the given context:

- The Welfare Department in its White Paper has committed itself to "working towards a comprehensive social security system in South Africa". The introduction of the CSG system has to comply with this objective and the progressive realisation of the constitutional right of access to social security. In the constitution it was laid out that:

  [s27(1)c] Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.

  At the heart of the problem then lies the question, who is unable to support him/herself. If this is seen in conjunction with the commitment to design a comprehensive social security system, the pivotal point for the construction of a social assistance scheme must be research into a minimum level defined by a needs assessment.

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120   In order to compare the indicators to Klasen, note that here 16+ and not 18 is chosen.

- Furthermore, as will be elaborated in Chapter 7, a simple means-test, which wants to be just in its applications, has to be informed by a needs assessment.

From a methodological point it therefore is clear that absolute poverty measures rather than relative measures have to be applied: While relative poverty measures [see page 48] start from a certain percentage and decide which child comes into this group and which does not, absolute poverty measures [see page 49] attempt to determine who does not have the necessary means for a basic living.

A comparison of the different results obtained through using a relative or an absolute method with regard to the composite index shows that actually both come to results within the same range.[121] The percentage of children in the population being regarded as below the poverty line are according to the:

- first two ranking groups: 69.3%

- bottom two quintiles: 65.2%.

However, as will be shown later in this thesis, the difference in the methodology described above does have far-reaching consequences regarding the ideas underlying the suggestions made for the CSG system.[122]

It should be noted that, while Klasen uses absolute cut-off points with all indicators, he falls back on the relative method when it comes to expenditure. In this thesis absolute cut-off points were used in all cases.[123]

4.2.1.3.) The set poverty line

As discussed on page 50, setting some sort of poverty line seems to be unavoidable. Especially in the case of the CSG system a careful determination of such a line is crucial: Often those below the poverty line are regarded as the target group. A major critique on the use of the poverty line has been shown to be the arbitrariness of how it is determined. While this critique in general also applies to the calculations for the composite index, the advantage of the composite index is that through the variety of different indicators there is a greater chance to even out these shortcomings in the final picture.

Furthermore, the poverty line within each indicator tries to make a qualitative distinction as to what can be considered the minimal acceptable living conditions. Rather than relying on a quantitatively determined poverty line, these poverty lines are more easily accessible and open to debate. For example, at the workshop on the means-test which was organised by the South African NGO Coalition (SANGOCO) and the Black Sash on 18 August 1997, where the author presented this method, the point was raised whether a traditional dwelling actually should be classified as 2 or rather as 3.[124] [125] In this thesis it was decided to leave the ranking (2) as it is, to keep the majority of indicators comparable to the work done by Klasen (Klasen, 1996).[126] But in the end, no one is classified as 'poor' only because she / he is living in a traditional dwelling, which puts less weight on the single decision but rather focuses on the broad picture.

The following two sections explain the calculations and ranking of the different indicators.

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[121] See also page 152: 'Table 10: Comparing the ranking of children up to 6 years incl. according to quintiles with the ranking groups'

[122] Compare page 95: '6.4.1.) A minimalist approach'; page 103: '7.2.1.1.) The target of 30% and the Department's first proposal'; page 112: '7.2.2.) Alternative suggestion: Needs assessment and simplicit'; page 132: '8.4.1.3.) Target-rate'; page 140: '8.5.) Conclusion'

[123] See '4.2.1.4.) Expenditure'

[124] Furthermore, although traditional houses are often better suited for the climate than iron roofed homes, it nevertheless indicates poverty because those who can afford it often switch to modern structures.

[125] See also the discussion of the shortcomings of measuring absolute poverty on page 49

[126] This is the case except for expenditure and accessed health facilities. For expenditure an absolute instead of a relative method is used (see explanation page 48 and page 49), in case of the accessed health facilities medicine which is bought without consultation at an ordinary shop was not seen as an acceptable minimum level of health care.

4.2.1.4.) Expenditure

As outlined on page 51, economic characteristics play an important role in determining poverty. Therefore this indicator is taken as a single group. This means, for example, that a three times greater weight is given to the 'expenditure below the HH subsistence level' than for example to 'the number of durables in the HH' which falls into the group 'housing' together with 'type of house' and 'type of energy used for cooking'.

Figure 6 on page 52 shows that expenditure is more sensitive in determining the financial situation of the poor. Expenditure was therefore used for these calculations.

The calculations take account of economics of scale by standardising the household to a single person household.[127] The household expenditure's poverty line is set at the subsistence level for the lower-middle income group in Cape Town (UPE, 1997). While the score 1 is allocated to all who fall below the lowest minimum subsistence level of the low income group in the UPE data [see Uitenhagen in UPE, 1997], the score 2 indicates standardised expenditure below the lowest subsistence level of the middle income group [see Cape Town in UPE, 1997]. It is noteworthy that the term lower-middle income group in the University of Port Elizabeth (UPE) data simply replaces the term 'coloured':

> *South Africa is in the process of socio-political transformation and in this process reference to racial groups is no longer acceptable. (...) Consequently, the terms 'black' and 'coloured', referring to these two population groups, have been replaced by the terms **'Low'** and **'Lower-Middle'** income groups, respectively. (UPE, 1997)*

The deracialisation of the terms is, however, just cosmetic, as the amount which is regarded as sufficient for the low income group (meaning 'black') is still lower than what is regarded as an acceptable minimum for the lower-middle income group (meaning 'coloured'). This racial distinction is justified by saying that the one amount

> *corresponds broadly to the eating patterns of the African population*

and the other one to the

> *slightly more westernised eating patterns of the 'coloured' population. (UPE, 1997:I)*

UPE emphasises that:

> ***The nutrient content of the two diets is, however, similar and the former is by no means inferior to the later. (UPE, 1997:I)***

This research strongly questions such an approach. It was felt that if one has to define an acceptable subsistence level, one should not confine people to a certain eating pattern on the basis of the colour of their skin. Therefore the amount for the lower-middle income group of Cape Town was chosen as the overall subsistence level so that one can assume that this is sufficient for survival, whether the family decides to eat pap or bread for breakfast. Using the lowest of the range of middle income levels means applying rather a strict measure.

If one was to calculate a poverty line based on this indicator alone, this poverty line would be slightly (2 - 3%) above the 2nd consumption quintile (relative poverty line).

4.2.1.5.) Non-income based indicators

As discussed in '4.1.2.2.) Non-income-based indicators of poverty' and in '4.1.2.3.) Composite ' the inclusion of other indicators beside expenditure is important to capture the multi-faceted picture of poverty. This is supported by one of the main findings of the study by Klasen:

> *The income poverty measure seems to miss groups of people who have slightly higher incomes, but are deprived in multiple other ways. (Klasen, 1996:37)* [128]

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[127]   Like the calculations in '4.2.2.) Quintiles' the number of persons, who stay in the household is powered by 0.9. The total monthly consumption per household is then divided by this number.

[128]   See also page 152: 'Table 10: Comparing the ranking of children up to 6 years incl. according to quintiles with the ranking groups'

The non-income based indicators are categorised according to three groupings:

- housing (This includes the 'type of house', 'number of durables in the household' and 'type of energy used for cooking'.)

- health (The grouping heath includes the 'type of water access', 'type of sanitation facilities' and 'the accessed health facilities'.)

- employment opportunities (This includes the 'share of employment among the adult household members' and the 'average years of education among household members above 16 years'.).[129]

4.2.1.6.) The ranking groups

The ranking groups are determined by the average score of the different groupings. As explained in '4.2.1.1.) The principle idea', the starting point was to identify a reasonable poverty line. The poverty line - following the ranking of each indicator - is set at slightly below an average of '3'. Like with the indicators '3' is seen to be slightly above the poverty line and follows thereby the assessment of Klasen:

> *(...) scores above 3 are sufficient for a life with moderate prospects, resources, and services (...). (Klasen, 1996:34)*

Deduced from the poverty line, ranking groups are identified in order to allow for different gradation in the description of the living conditions of South Africa's children: Ranking groups 1 and 2 have an average score, which is considered to be below the poverty line. Ranking group 3 has an average slightly above the poverty line and 4 and 5 are considered to be well off, with 5 meaning very well off.

The classification into the different ranking groups for the averages are in detail:

- 1 - 2.25 → ranking group 1

- 2.25 - 3 → ranking group 2

- 3 - 3.75 → ranking group 3

- 3.75 - 4.5 → ranking group 4

- 4.5 - 5 → ranking group 5

The range for the ranking groups 'ra. 2', 'ra. 3', and 'ra. 4' is 0.75 points of a score. It was felt that for comparative reasons the range of the groupings around the poverty line should be kept equal. However, the range in the bottom ranking group is 1.25 points of score, as it is argued that all children below an average score of 2.25 live in severe deprivation and that any further distinction in subgroups would be artificial. This is in principle in line with Klasen's assessment:

> *(...) scores below 2.5 suggest severe deprivation, multiple threats to health and welfare, and very poor human resources and prospects (...). (Klasen, 1996:34)*

Furthermore, the top ranking group has only a range of 0.5. Klasen argued, that

> *(...) scores above 4.5 suggest a very high living standard similar to the ones prevailing among the middle class and above in first-world countries (...). (Klasen, 1996:34)*

This thesis puts the emphasis on the identification of an absolute poverty line. The decisions of how the borders for each ranking group are to be set, are in principle debatable. The logic behind the chosen decision has been explained. However, it has to be acknowledged that, for example, the setting of the cut off point for the first ranking group at 2 or 2.25 or 2.5 involves a degree of arbitrariness. It is therefore important to note that the different ranking groups are meant only as an auxiliary constructs to illustrate the living conditions of the children in different gradations. The line which divides the

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[129]   For details regarding the classification of each indicator see page 61: Table 1.

bottom two ranking groups from the others is the important one as it indicates the children who do not have the minimum means to guarantee a healthy and secure life.

4.2.2.) Quintiles

This thesis uses the following definition for the ranking into quintiles:

- The households and not the persons are ranked.

- The population and the consumption figures are adjusted to 1997 standards.

- In order to take economics of scale in different household sizes into account, the number of persons, who stay in the household is powered by 0.9. The total monthly consumption per household is then divided by this number.

In contrast to this the ranking of quintiles used by the World Bank (World Bank, 1995:5):

- The household and not the persons are ranked.

- All figures are used as collected in 1993 standards.

- In order to take economics of scale in different household sizes into account the number of persons, who stay in the household is powered by 0.9.

- Every person is weighted according to an 'adult male equivalent':

  children and older females are considered to have half the consumption needs of male adults

For the reasons discussed above[130], the calculations in this thesis are not based on the adult equivalent method. As Figure 7 shows this has rather a negligible effect for the ranking of all households in comparison to the method used by the World Bank:

Figure 7: Difference in the distribution of children up to the age of 6 years (incl.) in the quintiles in percent based on the different methods used in this thesis (quintile) and by the World Bank (quintile by adeq.) to calculate household equivalents

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130   See page 54
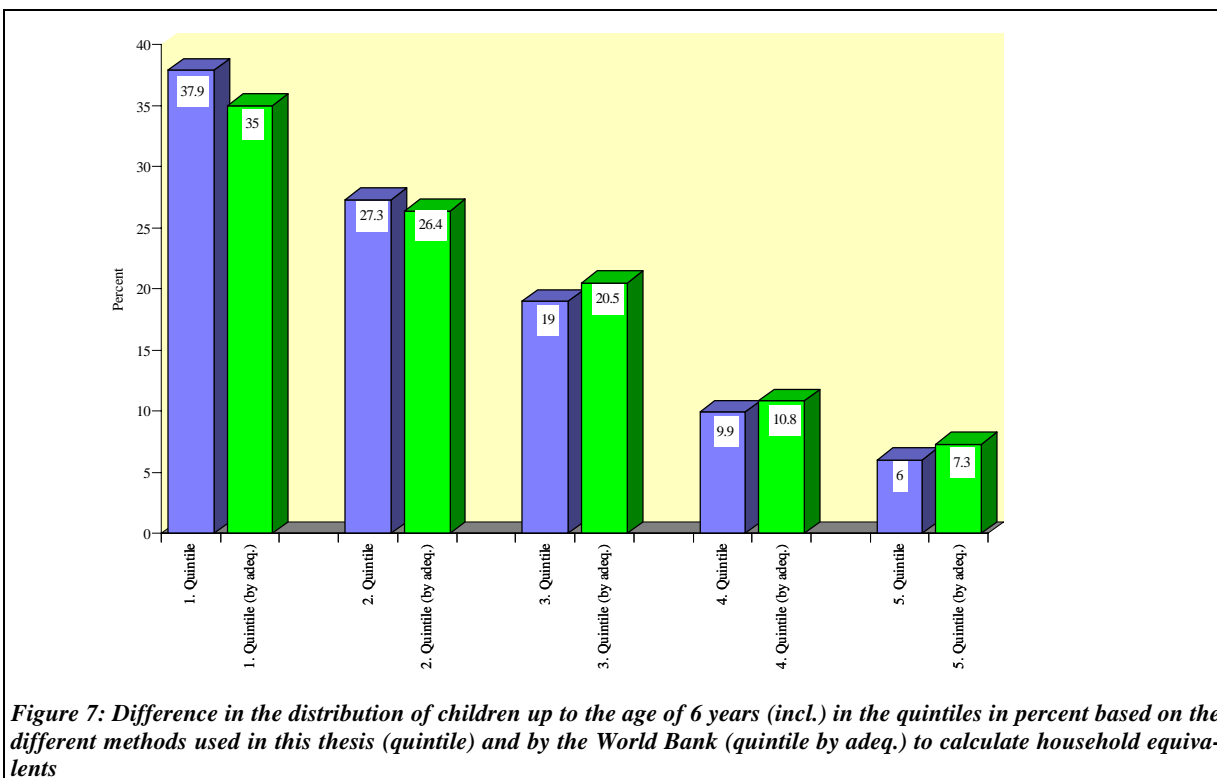
4.3.) The living conditions of children in South Africa

Based on the methods described in the last section, this section attempts to give a picture of what the living conditions of children up to the age of 6 years (incl.) in South Africa look like. An overview of such a nature necessarily cannot do justice to each individual case, but rather tries to find adequate classifications to describe the main differences in the living conditions. By determining poverty through a composite of income and non-income indicators absolute rather than relative measures for the minimum standards are used.[131] The following five pages try to capture the living conditions of children in each ranking group by means of graphs.

4.3.1.) Explanation of Figure 8 - 12

The results of the analysis are given in the figures 8 - 12. Each page represents one of the five ranking groups. 1 being the 'poorest' and 5 being 'well-off'. Each ranking group graph contains details about:

1. The percentage of the total number of children up to the age of 6 years (incl.).

2. The total number of children in the particular ranking group and a percentage breakdown according to race.

3. A breakdown according to provinces within the particular group.

4. A breakdown according to rural / urban distribution within the particular group.

5. The average total consumption in dollar per day within this ranking group.[132]

6. The average per capita food consumption in rand within this group.

7. The average percentage share of the total food expenditure which is spent on sugar and grain.

8. Figure 8 displays the different indicators and how many percent of the children within this group scored below 3 (poverty line).

(Note that the numbering of the graphs and tables for each ranking group follows the numbering of the paragraphs)

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[131] For the discussion of the principle advantages and shortcomings of such a method see '4.1.) Social indicators: methodology and interpretation' and especially page 59: '4.2.) The methodology of determining poverty in this thesis'.

[132] This is calculated with an exchange rate of $1 = R4.57 and 30 days per month.

Percentage of children

45.2%

①

Total number: **3,034,772**

"african"	"coloured"	"indian"	"white"
99.4%	0.6%	0.0%	0.0%

②

③

④ rural **91.3%** / urban/metro **8.7%**

⑤ Total consumption per person per day **$ 0.88**

⑥ Food consumption per person per month **R 59**

⑦ sugar & grain / food consumption **54.6%**

⑧

Criteria

	expenditure	type of house	number of durables	type of energy used for cooking	water access	sanitation facilities	accessed health facilities	employment of members of the HH	education
Percentage below min. level	97.5%	41.4%	91.9%	79.7%	64.4%	41.7%	25.8%	87.4%	73.9%

3: numbers are in thousands
5+6+7: numbers represent average of this group
Assumed minimum standards:

Taking economics of scale into account the total household expenditure was compared with the subsistence level for the lower-middle income group in Cape Town (UPE,1997). This is seen as the required minimum. This poverty line is slightly (2-3%) above the 2nd consumption quintile (relative poverty line).
Seen as below the minimum are:
– house: shack, traditional dwelling, hostel, outbuilding
– durables (e.g. electric kettle, fridge): 0-4
– main source of energy for cooking: wood, dung
Seen as below the minimum:
– water: river/stream, dam, standing water, rainwater, protected spring, well, borehole
– sanitation: no toilet, bucket
– health facilities: none, family, traditional healer
Seen as below minimum:
– employment: 0-39% of adult HH members
– education (average of HH members over 16+): years none to Std. 5

Figure 8: Poverty among children - ranking group 1

① Percentage of children

24.1 %

② Total number: 1,615,802

"african"	"coloured"	"indian"	"white"
93.6 %	6.2 %	0.0 %	0.2 %

③

④ rural
59.1 %
urban/metro **40.9 %**

⑤ Total consumption per person per day
$ 1.66

⑥ Food consumption per person per month
R 91

⑦ sugar & grain / food consumption
39.3 %

⑧

Criteria

	expenditure	type of house	number of durables	type of energy used for cooking	water access	sanitation facilities	accessed health facilities	employment of members of the HH	education
Percentage below min. level	70.1%	25.6%	73.4%	25.2%	22.0%	16.5%	15.3%	62.0%	46.3%

3: numbers are in thousands
5+6+7: numbers represent average of this group
Assumed minimum standards:
  Taking economics of scale into account the total household expenditure was compared with the subsistence level for the lower-middle income group in Cape Town (UPE,1997). This is seen as the required minimum. This poverty line is slightly (2-3%) above the 2nd consumption quintile (relative poverty line).
Seen as below the minimum are:
  – house: shack, traditional dwelling, hostel, outbuilding
  – durables (e.g. electric kettle, fridge): 0-4
  – main source of energy for cooking: wood, dung
Seen as below the minimum:
  – water: river/stream, dam, standing water, rainwater, protected spring, well, borehole
  – sanitation: no toilet, bucket
  – health facilities: none, family, traditional healer
Seen as below minimum:
  – employment: 0-39% of adult HH members
  – education (average of HH members over 16+): years none to Std. 5

Figure 9: Poverty among children - ranking group 2

Percentage of children ①	Total number: **1,012,677** ②	③

15.1%

"african"	"coloured"	"indian"	"white"
75.4%	**18.9%**	**3.5%**	**2.2%**

rural ④	Total consumption per person per day ⑤	Food consumption per person per month ⑥	sugar & grain / food consumption ⑦
24.9% ... **75.1%** urban/metro	**$ 2.63**	**R 114**	**29.6%**

⑧

Criteria

	expenditure	type of house	number of durables	type of energy used for cooking	water access	sanitation facilities	accessed health facilities	employment of members of the HH	education
Percentage below min. level	**27.8%**	**11.8%**	**35.8%**	**3.1%**	**4.5%**	**4.3%**	**11.4%**	**49.3%**	**22.5%**

3: numbers are in thousands
5+6+7: numbers represent average of this group

Assumed minimum standards:
Taking economics of scale into account the total household expenditure was compared with the subsistence level for the lower-middle income group in Cape Town (UPE,1997). This is seen as the required minimum. This poverty line is slightly (2-3%) above the 2nd consumption quintile (relative poverty line).

Seen as below the minimum are:
– house: shack, traditional dwelling, hostel, outbuilding
– durables (e.g. electric kettle, fridge): 0-4
– main source of energy for cooking: wood, dung

Seen as below the minimum:
– water: river/stream, dam, standing water, rainwater, protected spring, well, borehole
– sanitation: no toilet, bucket
– health facilities: none, family, traditional healer

Seen as below minimum:
– employment: 0-39% of adult HH members
– education (average of HH members over 16+): years none to Std. 5

Figure 10: Poverty among children - ranking group 3

① Percentage of children

10.4%

② Total number: **695,176**

"african"	"coloured"	"indian"	"white"
34.4%	26.7%	11.1%	27.9%

③ (bar chart, y-axis 0–900)
W.Cape, N.Cape, E.Cape, KwaZulu, F.S., Mpu., N.Pr., N.W., Gaut.

④ rural **10.6%** urban/metro **89.4%**

⑤ Total consumption per person per day **$ 6.11**

⑥ Food consumption per person per month **R 168**

⑦ sugar & grain / food consumption **20.3%**

⑧ (bar chart, 0%–100%)

Criteria

expenditure	type of house	number of durables	type of energy used for cooking	water access	sanitation facilities	accessed health facilities	employment of members of the HH	education

Percentage below min. level

| 0.7% | 1.1% | 3.6% | 0.0% | 0.3% | 0.6% | 9.3% | 20.5% | 11.2% |

3: numbers are in thousands
5+6+7: numbers represent average of this group

Assumed minimum standards:
Taking economics of scale into account the total household expenditure was compared with the subsistence level for the lower-middle income group in Cape Town (UPE,1997). This is seen as the required minimum. This poverty line is slightly (2-3%) above the 2nd consumption quintile (relative poverty line).

Seen as below the minimum are:
– house: shack, traditional dwelling, hostel, outbuilding
– durables (e.g. electric kettle, fridge): 0-4
– main source of energy for cooking: wood, dung

Seen as below the minimum:
– water: river/stream, dam, standing water, rainwater, protected spring, well, borehole
– sanitation: no toilet, bucket
– health facilities: none, family, traditional healer

Seen as below minimum:
– employment: 0-39% of adult HH members
– education (average of HH members over 16+): years none to Std. 5

Figure 11: Poverty among children - ranking group 4

Figure 12: Poverty among children - ranking group 5

Percentage of children — ① — **5.2 %**

Total number: **3 4 8 , 2 8 2** — ②

"african"	"coloured"	"indian"	"white"
7.5 %	4.1 %	4.6 %	83.8 %

③

④ rural **7.2%** / urban/metro **92.8%**

⑤ Total consumption per person per day **$ 13.16**

⑥ Food consumption per person per month **R 243**

⑦ sugar & grain / food consumption **13.3 %**

⑧

Criteria

	expenditure	type of house	number of durables	type of energy used for cooking	water access	sanitation facilities	accessed health facilities	employment of members of the HH	education
Percentage below min. level	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	2.8 %	1.6 %	5.9 %

3: numbers are in thousands
5+6+7: numbers represent average of this group

Assumed minimum standards:
Taking economics of scale into account the total household expenditure was compared with the subsistence level for the lower-middle income group in Cape Town (UPE,1997). This is seen as the required minimum. This poverty line is slightly (2-3%) above the 2nd consumption quintile (relative poverty line).

Seen as below the minimum are:
– house: shack, traditional dwelling, hostel, outbuilding
– durables (e.g. electric kettle, fridge): 0-4
– main source of energy for cooking: wood, dung

Seen as below the minimum:
– water: river/stream, dam, standing water, rainwater, protected spring, well, borehole
– sanitation: no toilet, bucket
– health facilities: none, family, traditional healer

Seen as below minimum:
– employment: 0-39% of adult HH members
– education (average of HH members over 16+): years none to Std. 5

4.3.2.) Summary of poverty situation among children up to 6 years (incl.)

4.3.2.1.) Distribution over ranking groups

The children are disproportionally spread towards the ranking groups which indicate extremely bad living conditions. 45% of the children up to the age of 6 years (incl.) are in the first, 24% in the second, 15% in the third, 10% in the fourth, and only 5% in the fifth ranking group.[133] The bottom two ranking groups indicate that close to 70% of the children live below the poverty line! This is in line with other poverty definitions. One has to conclude that according to any commonly used poverty definition in South Africa between 60% to 70% of the children live below the poverty line.

4.3.2.2.) Ruralness of poverty

Poverty among children is especially severe in rural areas. Only 20% of the children in the bottom 2 ranking groups live in urban areas as compared to 80% in rural areas. It is noteworthy that this trend is reversed in the third ranking group. This indicates that the 3rd ranking group is composed of children living mainly in the so-called 'townships'. They are still relatively poor according to income and employment opportunities, however their housing and health situation pushes them slightly above the poverty line. The trend that there is an urban bias in the richer ranking groups continues from 75% in the third ranking group to 89% in the fourth and 93% in the fifth ranking group.

4.3.2.3.) Distribution of the poor over the provinces

It is striking how unevenly the poor are distributed over the provinces. Close to 1 million children from the poorest ranking group live in the Eastern Cape, KwaZulu Natal and the Northern Province respectively. This situation can be explained by the apartheid policy, which restricted 'blacks' to the former TBVCs. In particular women and children were forced to endure extreme poverty; whereas men often had to work in the industrial centres for wages below the subsistence level, the families were by law forced to stay behind. (Wolpe, 1972:426-456; Wellmer, 1976:9-33; Ntantalo, 1976:3-8))

The problem is aggravated if one considers that the provinces where the children need disproportionally more support than the others are also the provinces where welfare delivery has so far been extremely poor.

Whereas the children in the second and third ranking group are almost evenly distributed over the provinces, the children in the fourth ranking group are mainly and in the fifth ranking group exclusively from the Western Cape and Gauteng.

4.3.2.4.) Financial means of the poor

The average expenditure per capita per day of the bottom two ranking groups is $1.15. This alone is already an indication of how severe poverty is among 70% (!) of all children up to 6 years (incl.). The average for the bottom 45% is $0.88, and clearly below the "crude" international poverty line set at $1 per day. $1 per day can at best be seen as the money required for sheer survival:

> *For international comparisons in poverty, Chen, Dhatt, and Ravallion (1996) have defined a crude international poverty line, based on the purchasing power parity-adjusted equivalent of 1 US-$ per capita per day. This line is roughly equivalent to India's poverty line and should be considered the bare minimum for subsistence. (Klasen, 1996:5)*

Furthermore, Figure 6 on page 52 has shown that the household expenditure is rather an overestimate when compared with the income, which suggests that a considerable amount of the expenditure is in actual fact based on increasing debt or signals over-reporting of the households. Even so, 98% in the

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[133]   This finding is supported by the distribution of the children over the quintiles. 37.9% of the children are in the first quintile, 27.3% in the second, 19% in the third, 9.9% in the fourth, and 6% in the fifth.

first, 70% in the second, and 28% in the third ranking group fall below the minimum subsistence level according to their expenditure data.[134]

While in the bottom ranking group an average of over 70% of the total expenditure is spent on food, this amounts to only 13% in the highest ranking group, although the per capita food expenditure is over four times as high in the highest ranking group. On average nearly half (49%) of the total food expenditure in the bottom two ranking groups is spent on sugar and grain! One has to conclude that the children in these two ranking groups are extremely likely to suffer from malnutrition and vitamin deficiencies.

4.3.2.5.) Housing and health facilities

In the bottom ranking group, 41% of the children live in houses below the minimum standard (shacks, hostels, traditional dwellings etc.) and 80% of the children in this ranking group live in households where wood or dung are the main sources of energy for cooking. Nearly two thirds (64%) do not have proper water facilities (!) and two fifth (42%) have either no toilet facilities at all or only a bucket toilet!

In the second ranking group still about one quarter of the children are below the minimum standards for housing and for energy source for cooking. 22% have no clean water and 17% no permanent toilet.

The housing and health situation are the most outstanding differences between the two bottom ranking groups and the third. As mentioned earlier, this can be explained by the assumption that these are mainly the children living in townships where the households are still relatively poor but some basic facilities like brick houses and piped water do exist. But one has to be aware that the housing and health facilities indicators do not tell how many people e.g. live in one house or use the same toilet. These figures would be essential to tell if those children above the indicated minimum actually do have acceptable living conditions.

4.3.2.6.) Employment opportunities

The indicators employment share and education both indicate fairly bad employment opportunities for the household members up to the third and even in the fourth ranking group. The first indicator shows that unemployment is one of the biggest problems with close to 90% of the households facing a situation where only between 0 - 39% of the adults in the households are employed (1ra = 90%; 2ra = 62%; 3ra = 49%; 4ra = 21%; 5ra = 2%). An evaluation of the educational situation can be seen as an indication of the chances to create employment for the respective family members. Unfortunately one has to conclude that these chances are rather bleak, due to lack of education, at least for qualified employment. Any programme trying to create employment will either have to be based on low skilled labour or will have to include educational upliftment. On average over 70% of the household members in the first ranking group have less than a standard 5 education! (2ra = 46%; 3ra = 23%; 4ra = 11%; 5ra = 6%)

4.3.2.7.) Racial distribution of poverty

Poverty among children has a very strong racial component to it: Over 99% of the children within the bottom ranking are 'black'. This means 54% of all 'black' children are in this ranking group.[135] It is striking that especially 'coloured' children in the Western Cape and the Northern Cape are not stronger represented among this group (only 3.6% of the total number of 'coloured' children). One possible explanation might be that the existing maintenance grant system which - as part and parcel of the a-partheid policy - was paid out to 'coloureds' and in effect not to 'blacks' [see Chapter 5] alleviated extreme starvation among families with children in the 'coloured' population. 20% of the coloured children are in the second, 38% in the third, 36% in the fourth and 3% in the fifth ranking group. It is

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134   For further detail how this minimum is defined see page 63.
135   See Appendix page 152: 'Table 11: Racial distribution of children up to 6 years (incl.) over the ranking groups'

to be expected that a cut of this support will push 'coloured' children dramatically down on the poverty scale [see Chapter 8].

Barely any of the 'indian' and 'white' children fall below the poverty line. Except for 0.6% in the second ranking group of the 'white' children no 'white' or 'indian' child in the data is reported for the bottom two ranking groups! And despite the fact that 'white' children only represent 8% of the total number of children, their share amounts to 84% of the number of children in the top ranking group!

4.4.) Household structures: different patterns of child care

This section looks at patterns of household structures in South Africa. The division between living conditions [see previous section] and the form of child care is not absolutely compelling and often not clearly separable. Nevertheless it seems to be important to look at patterns of child care separately: The 'old' maintenance grant system, which is replaced by the new CSG system, was in essence based on the concept of a certain family structure, supporting single parents only. There have been several attempts to justify this approach, the latest by Kruger. [see Chapter 5]

Although the Department in its new policy declared the intention to include all family forms through the concept of a 'primary care giver' (Lund Committee, 1996a) [see also Chapter 6], it defined the 'primary care-giver in its proposed 'Welfare matters amendment bill', biologically:

> *(...) In the case of a child referred to in paragraph (a), is the grandfather, grandmother, brother, sister, uncle or aunt of the child and is over the age of 21 years, or any other person over such age who is related to the child in the third degree of affinity or consanguinity and who is from time to time determined by the Minister by notice in the Gazette. (Minister of Welfare and Population Development, 1997:2)*

However, organisations of civil society which were involved in the policy process and the Portfolio Committee on Welfare pointed to the contradiction of such a definition to the original underlying idea of the new grant, namely 'follow the child' [see chapter 6]. Due to this criticism, the Department changed the definition and the final law moved away from the biological basis and defines the 'primary care-giver' as:

> *(...) a person whether or not related to the child, who takes primary responsibility for meeting the daily care needs of the child (...) (Minister of Welfare and Population Development, 1998:4)*

While this definition can be regarded as a step into the right direction, the means-test for the grant is based on the household income without taking account of the structure and the relationships within the particular household.[136] As chapter 7 will point out, this again discriminates against certain household and family structures.

So far not much research has been done into this area, but it becomes obvious that the different suggestions are based on different assumptions of how households and families are structured. The maintenance grant system was based on the assumption that single mothers are the most vulnerable group and the norm where child support is needed. The Lund report, on the contrary, argues that in the South African context multiple forms of child care are the norm rather than the exception. Neither of the two assumptions were verified by the Lund report to the point where one could say how many of the children and especially poor children live in what kind of household 'type'.

This section therefore tries to draw a picture of how households are composed and how many children live in these households. It needs to be mentioned that the intra-household structures are again only touched on the surface and a deeper family sociological approach for families in South Africa still requires future research.[137]

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[136] See for more detail: Chapter 7

[137] One approach of looking into more detail of child care of 'black' children from a family sociology point of view, was made by Bozalek who based her research on 97 family profiles of her students. (Bozalek, 1997a)

4.4.1.) The 'household' definition

Bozalek rightly criticises the concept of 'household' and 'family' as an artificial one.

> *Recently the term 'household' has also been questioned by South African writers, as being a term which was developed in the west to collect survey or census data but which is unsuited to capturing diversity and fluidity of kinship relations in South African families (Russel, 1995; Spiegel, Watson and Wilkinson, 1996; Van der Waal, 1996, Ross, 1996) (Bozalek, 1997a:4)*

However, she comes to the conclusion that:

> *While these difficulties are noted, I continue to use them in this paper, for lack of more appropriate descriptions of people's living arrangements and life circumstances.*

This thesis would like to follow this route but especially when the means-test is discussed in Chapter 7, it is of importance not to mix up this artificial definition (which one might argue is unavoidable for scientific research at this point) and social reality which can be captured e.g. in legislation and regulations.[138]

For practical reasons this thesis follows the definition used by SALDRU for the data collection as described by le Roux:

> *According to the instructions to the fieldworkers, people were included in the household roster if (i) they lived under the same 'roof' or within the same compound / homestead / stand at least 15 days in the preceding year and (ii) shared food from a common source when they were together and (iii) contributed to or shared in a common resource pool. (Le Roux, 1995:2)*

In this thesis the term 'nuclear family' refers to the mother and father[139] and their children who are part of the same household.

In the following again the households are looked at from the perspective of the children up to 6 years (incl.)

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138   See also page 53
139   Identified by the respondent of the SALDRU questionnaire as the mother and father. It is likely that this is not in all cases the biological parent.

4.4.2.) The household
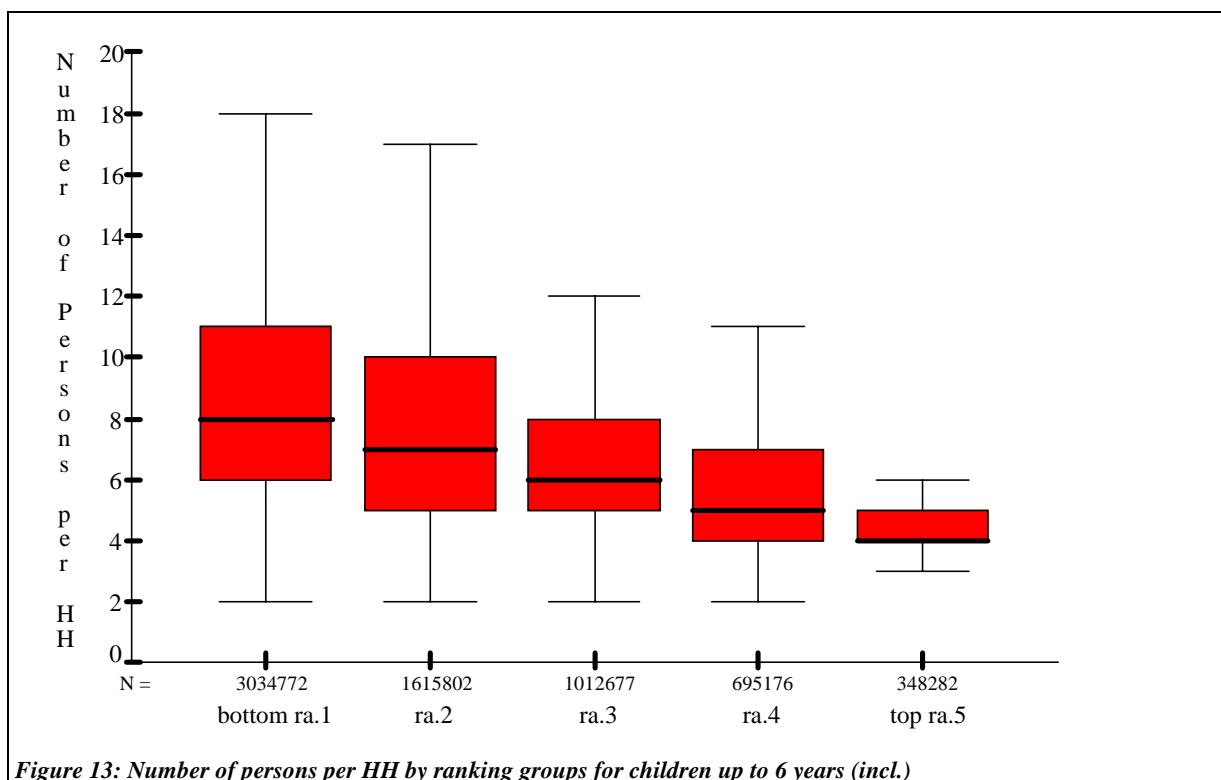
Figure 13: Number of persons per HH by ranking groups for children up to 6 years (incl.)

Figure 13 visualises the total household sizes for children up to 6 years (incl.). The first graph represents the children in the bottom ranking group. 25% (the line between 2 and 6) of the children live in households with a total size of 2 to 6 persons. The first part of the bar indicates that another 25% of the children live in households with a total number of 6 to 8 persons. The bold horizontal line at 8 thus indicates the median for this ranking group. The bar in total represents 50% of the children, which means that 50% of the children in the bottom ranking group live in families of 6 to 11 people! 25% of the poorest children even live in households with a size of 11 to 18 people. Figure 13 clearly shows that there is a strong correlation between the poverty situation of a household and the average household size: Whereas the median for the children in ranking group 2 is still at 7 persons, the richest group has only a median of 4.
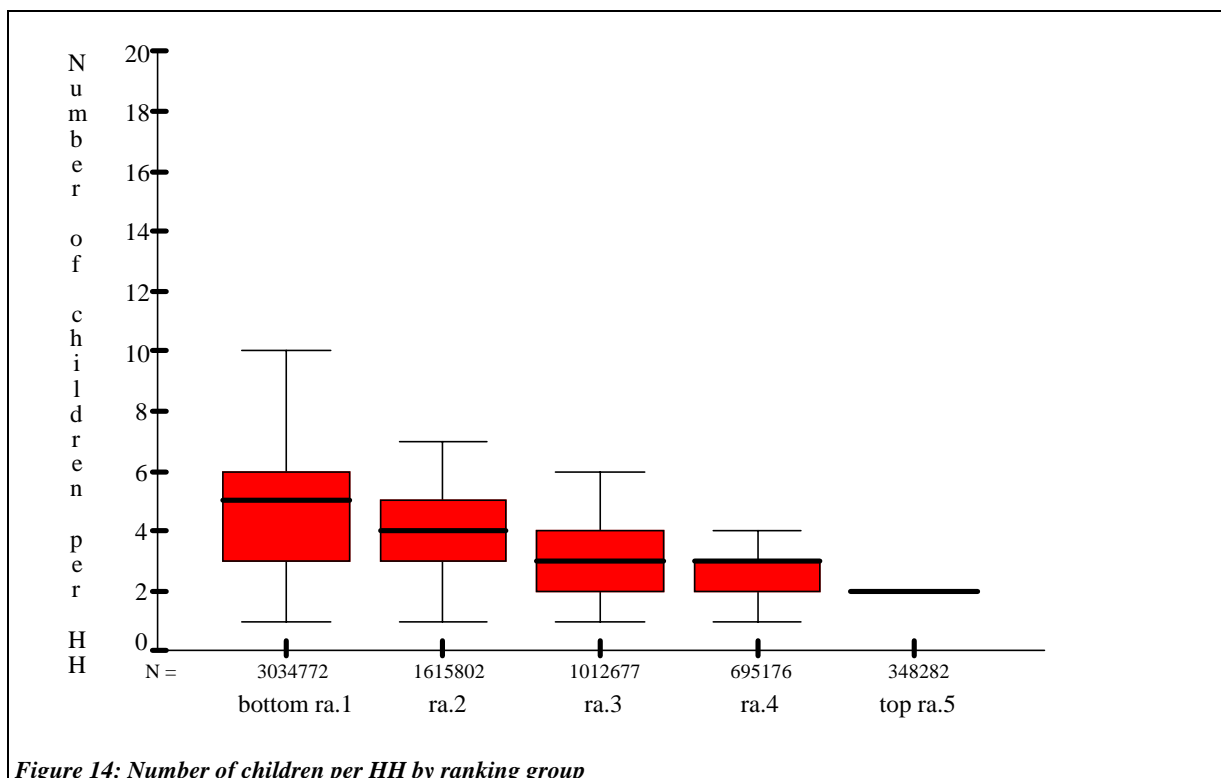
Figure 14: Number of children per HH by ranking group

Figure 14 shows the same tendency for the number of children per household (up to 18 years) as Figure 13 has shown for the total household size. For children in the bottom ranking group it is common to live with 3 to 6 children in the household, whereas the children in the richest quintile in general live only with one other child per household. This in effect also means (if only children up to the age of 6 years are supported) that poorer children are more likely to have to share this support with the other siblings, as income is often pooled.[140]
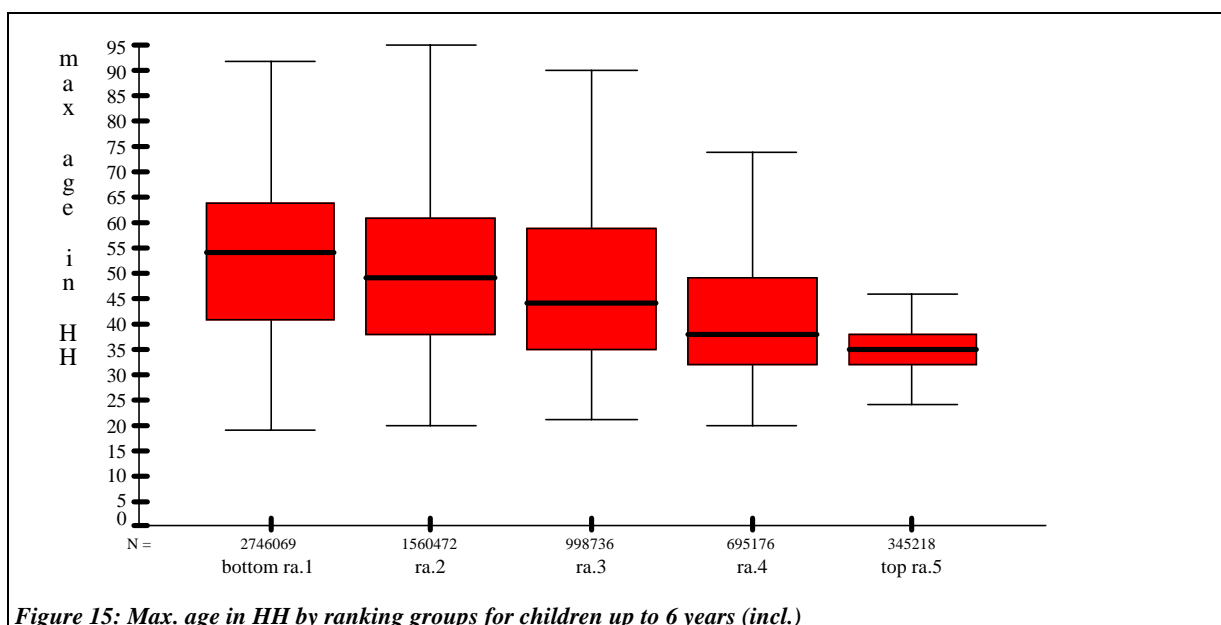
Figure 15: Max. age in HH by ranking groups for children up to 6 years (incl.)

Figure 15 indicates that poorer children are more likely to live in one household with older generations. This is especially interesting as women from the age of 60 and men from 65 qualify for old-age

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140   See '4.1.2.1.2.) Units measured' page 53

pensions. Some research has been suggesting that the old-age pensions thereby can also be seen as a - nearly comprehensive - support for children in poverty.[141]

> *Because of differential life-expectancy and differences in the age qualification, pensions reach almost three times as many women as men, and because of South African living arrangements, pensions are also effective in reaching the households in which children live. Large fractions of the poorest children live in households that receive pension income. (Case and Deaton, 1996:26)*

This seems to be the case for some, but the question is, whether the pensions can be seen as sufficient support for the old age person plus a couple of children. However, over 50% of the children in the bottom two ranking groups live in households where the oldest person is below 60 years and so in any case no one in the household qualifies for an old-age pension!

Summing up, one can say that poorer children are more likely than richer children to:

- live in larger households
- live together with more children in these households
- live with their grandparents in one household

4.4.3.) Intra household structure: the 'nuclear family'

This section examines the family structure in which children under the age of six (incl.) live according to ranking groups:

```
RANKING GROUPS
          Count  |
          Col Pct|
                 |                                                  Row
                 | Ra.1  |  Ra.2  |  Ra.3  |  Ra.4  |  Ra.5  |   Total
        ---------+--------+--------+--------+--------+--------+
                 | 1370301|  771075|  519859|  526423|  325904| 3513562
mother + father  |    45.2|    47.7|    51.3|    75.7|    93.6|    52.4
                 +--------+--------+--------+--------+--------+
                 | 1285197|  635253|  382052|  133320|   20336| 2456158
only mother      |    42.3|    39.3|    37.7|    19.2|     5.8|    36.6
                 +--------+--------+--------+--------+--------+
                 |   79585|   47826|   22907|    3656|    2042|  156016
only father      |     2.6|     3.0|     2.3|      .5|      .6|     2.3
                 +--------+--------+--------+--------+--------+
                 |  299689|  161648|   87859|   31777|        |  580973
none             |     9.9|    10.0|     8.7|     4.6|        |     8.7
                 +--------+--------+--------+--------+--------+
        Column    3034772 1615802 1012677  695176  348282 6706709
         Total       45.2    24.1    15.1    10.4     5.2   100.0
```

Table 2: The DE JURE presence and absence of parents of members of the household up to the age of 6 years by ranking group

---

```
RANKING GROUPS
          Count |
         Col Pct |
                 |                                                         Row
                 |  Ra.1  |  Ra.2  |  Ra.3  |  Ra.4  |  Ra.5  |  Total
         --------+--------+--------+--------+--------+--------+
                 |  890721|  634182|  494890|  523748|  322444| 2865985
mother + father |    29.4|    39.2|    48.9|    75.3|    92.6|    42.7
                 +--------+--------+--------+--------+--------+
                 | 1742923|  760009|  400513|  135995|   22264| 3061704
only mother      |    57.4|    47.0|    39.5|    19.6|     6.4|    45.7
                 +--------+--------+--------+--------+--------+
                 |   86122|   54394|   29415|    3656|    2042|  175629
only father      |     2.8|     3.4|     2.9|      .5|      .6|     2.6
                 +--------+--------+--------+--------+--------+
                 |  315006|  167217|   87859|   31777|    1532|  603391
none             |    10.4|    10.3|     8.7|     4.6|      .4|     9.0
                 +--------+--------+--------+--------+--------+
          Column  3034772 1615802 1012677  695176  348282 6706709
          Total      45.2    24.1    15.1    10.4     5.2   100.0
```

Table 3: The DE FACTO presence and absence of parents of members of the household up to the age of 6 years by ranking group

DE JURE in Table 2 means that all people according to the household definition used by SALDRU are included. *DE FACTO* in Table 3 means that only those household members are included who were present in the household for at least 6 months during the last year.[142] The important difference is that one can assume in those cases where the nuclear family composition changes between Table 2 and Table 3, that this is a sign of migrant labour. This phenomenon is visible in the bottom three ranking groups: The poorer the children are, the more likely one of the parents will work as a migrant worker. At a second glance, it becomes clear that usually the father is working as a migrant worker. Children living only with the father are no more than 0.2% (ranking group 1), whereas 15.1% of the children are being cared for only by the mother.

If one takes the two bottom ranking groups together (70% of all children in this age group!), de facto only 33% of the children live with both their mother and father. Whereas the nuclear family is the norm for the richer children - 93% in the top ranking group live with both their parents - one can say that it is rather the exception in the case of the poorer children! The majority (de facto 54%) in the bottom ranking groups live with only their mother, 3% with only their father, and slightly more than 10% with none of their parents. Through all ranking groups the group of single fathers is negligibly small.

Looking at the number of children under the age of six, Table 4 shows that nearly half of the 'care-givers'[143] (47.2%) have only 1 child up to the age of 6 years (incl.). 2 children below 6 years (incl.) is also quite common with 38%. Slightly over 15% have more than 2 children, while there are less than 0.5% with more than 4 children.

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142   This method is similar to the one used by le Roux in his paper on 'Parental care and family structure; some interesting findings from the SA LIVING STANDARDS SURVEY' (1995). Le Roux uses *"de facto when we only include those who actually have been present for more than half of the past month". (Le Roux, 1995:3)* For this thesis it was felt that the information on the presence and absence during the past year was actually the slightly more reliable information to select the migrant workers, as e.g. they might well be home on holiday during the month of data collection. However, the results prove that the difference is not significant.

143   See footnote 139: It is likely that this is not in all cases the biological parent.

Number of children per care-giver	number of children	percent
1	3163826	47.2
2	2517774	37.5
3	859257	12.8
4	141300	2.1
5	14040	0.2
6	10512	0.2
	6706709	100

Table 4: Number of children up to 6 years (incl.) per care giver

4.5.) Conclusion

This chapter developed a composite index to draw a picture of poverty in South Africa. It has been shown that close to 70% of South African children under the age of seven live below the poverty line as defined. This finding is supported by various other research which indicate that between 60% and 70% of children live in poverty.

The children in the two bottom ranking groups (meaning below the poverty line) have an average expenditure of $1.15 per capita per day. In the bottom ranking group this drops even below ($0.88) the crude poverty line of $1 per capita per day. In the third ranking group, the amount rises only to $2.63, whereas children in the top ranking group have $13.16 per day. Poverty is especially severe in rural areas where 80% of the children in the two bottom ranking groups live. Another striking point is the distribution of poor according to provinces: the children of the bottom ranking group live either in the Eastern Cape, KwaZulu Natal or the Northern Province.

Poverty has also a strong racial component as 99% of the poorest children are 'african'. Except for a very low percentage of 0.2% of 'white' children in the second ranking group, there are no 'white' or 'indian' children in the two bottom ranking groups.

The housing and health situation again is especially bad in the two bottom ranking groups. The standards improve for children in the third ranking group, which is probably due to the fact that these children live in urban areas (townships), where basic facilities are available. However, one has to keep in mind that the children in the third ranking group live only slightly above the poverty line and often do not reach a minimum standard in other areas than housing and health.

The employment and educational situation is bleak, not only for the bottom two, but also up to the fourth group. In the third ranking group still nearly 50% of the households face a situation where only 0-39% of the adults are employed and 23% have less than standard 5 education.

An analysis of the household structure has pointed to the fact that poorer children are more likely to live in larger households, to live together with more children in these households and to live with their grandparents. Furthermore, whereas the nuclear family form is the norm for richer children, it is the exception in the case of poorer children.

This analysis is important for the development of social policies as it indicates where the needs of children are and in which areas support is needed.

Chapter 5: The necessary shift from maintenance grants to a new child support system

The restructuring of the state maintenance grant system to a new child support system constitutes a very important social policy decision in South Africa. The new policy has the potential to function as a powerful poverty alleviation programme for children. The discussion in the previous chapter gave an understanding of the current living conditions of children in South Africa. This chapter now has a close look at the 'old' maintenance grant system as a support system for children and explores the reasons behind the change. It also discusses the relevance of the objectives of a maintenance grant system, which is based on a nuclear family conception, for today's South Africa.

Firstly, this chapter gives a short overview of the maintenance grant system, its history and its present features. Secondly, the financial perspective is elaborated and the potential costs for a deracialisation of the old system are presented. A third section discusses the general objectives of a maintenance grant system and its importance in today's South Africa. The last section summarises the lessons which have to be drawn for the present situation.

5.1.) The maintenance grant system in South Africa

5.1.1.) The maintenance grant system according to the law

The maintenance grant was a social security payment provided by the state. *In principle* every single parent, or parent whose partner was considered unable to provide for the children[144], qualified for this payment - subject to a means-test. The payment of the grant consisted of two components: A parent allowance and a child allowance. A person qualified for the **parent allowance** if she/he was a single parent, had a child under 19 years of age (in case the child was still in secondary education under 22), did not receive private maintenance and if her or his income was under R1118 (R2236 for a combined income). The maximum amount of the parent allowance was R430. Down to a minimum of R90 the means-test started to cut off 50 cent of the allowance for every R1 earned above an amount of R258 per month. The **child allowance** part of the grant was paid out for a maximum of two children. The child allowance consisted of a flat-rate benefit of R135 per child. In a nutshell, the maintenance grant was meant to support minors and their parents in case of a nuclear family break-up.

5.1.2.) The reality of the maintenance grant system

Before looking at the historical context, it seems necessary to highlight that in reality the state maintenance grants were instrumental to the apartheid policy. Until the 1994 elections 'africans' were effectively excluded from any maintenance support. During the transitional phase the racial aspects were formally removed but in practice the regulations had been differently applied and administrative discretion had led to a situation in which the maintenance grants were mainly accessible to 'white', 'indian' and 'coloured' families.

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144   The cases include the situation in which the partner is a recipient of a social grant, imprisoned for longer than six months, or disappeared.

> *(...) African children are almost entirely outside the system. For the few who do receive grants, the average grant size is much smaller than for the other races. (...)*
>
> *Racial differentiation is severe in every field of state expenditure, but it would be hard to find a worse case than this. (Dlamini & Simkins, 1992:70)*

Historically the maintenance grant system originated from the Child Protection Amendment Act of 1921. These regulations introduced the first state support for mainly, but not exclusively 'white' children in South Africa (Kruger, 1995:15). The support was given:

> *"(...) to mothers, stepmothers or grandmothers for the care and maintenance of a child in respect of whom an order committing him to their care has been made under the Act" "(...) <u>and if the woman was a widow</u> or if the father was unable to care for the child for reasons other than unemployment or low wages." (...)*
>
> *"Having regard to the fact that under Native law it is the natural duty of the head of the kraal or guardian-at-law to support any minor belonging to his kraal or under his care, and that the granting of maintenance by the state will probably lead to an evasion of the responsibility ... grants will not be made available in the case of Native children residing in the rural areas." (quoted by Kruger, 1995:16)*
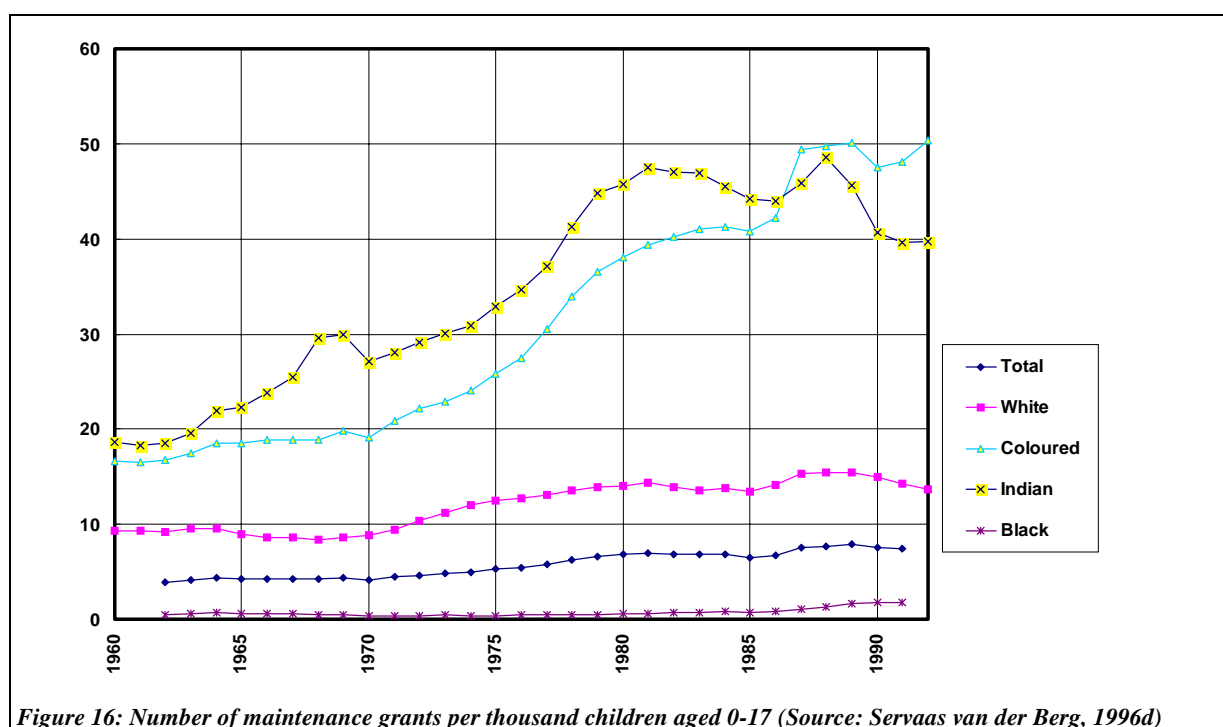
Figure 16: Number of maintenance grants per thousand children aged 0-17 (Source: Servaas van der Berg, 1996d)

Figure 16 clearly shows the racial discrimination in the application of the grant. 'Black' children, although being the poorest group, are outnumbered by all other children. According to the principle of "divide and rule", 'indian' and 'coloured' children received preferential treatment, although to a lesser extent than 'white' children, as well.[145]

> *In line with all other social security benefits, the pattern was that whites received the highest amount, followed by Indian and coloured people at the same level, with Africans receiving the lowest amount.*
>
> *In the former welfare administration serving black people there was little consistency in what happened to the State Maintenance Grant. Some administrations did not award them at all, some had them in the regulations but in fact did not apply them; some awarded only the child part of the grant, and not the parent part. (Lund Committee, 1996a:10)*

This led to a situation where de facto the 'coloured' population in terms of numbers received most of the grants in the early 90s and 'blacks' next to none. In 1993:

> *With regard to parent grants more than 6% of coloured women between 17 and 64 received benefits compared to the 0.58% for whites and 0.33% for Africans. In the case of child grants 13% of coloured*

---

145   Due to the higher poverty levels among "coloured" and "indian" children; they even outnumber the "white" children. However, relatively they were disadvantaged in comparison to "white" children (see the next quotation).

children (0-16) and nearly 2% of white children benefit, with only 0.53% of Africans receiving the bene-
fit. (Kruger, 1995:29)

Unfortunately, no more recent figures are available as to how the take-up rate among the 'black' population developed after the unification of the administration and the new regulations from the beginning of 1995. Due to administrative difficulties the Department is not able to give figures as to how many recipients there are at the moment or how many people have at least applied so far.

5.2.) Financial perspective

The main reason, which led to the establishment of the Lund committee to investigate a change of the maintenance grant system, was a financial one:

> *The Committee of the Minister of Welfare and the Provincial Members of the Executive Council (the Welfare MINMEC) was concerned about the future affordability of the State Maintenance Grant and established the Lund Committee on Child and Family Support to investigate the problem. (Lund Committee, 1996a:executive Summary)*

This section presents the potential costs which would be involved if the maintenance grant system was applied equally. But before doing so, it seems important to give a short overview of the budget structure within the Department of Welfare to put those potential costs in perspective.

5.2.1.) The social welfare budget

In 1995 South Africa had a Social Welfare Budget of R13 billion. In 1993/94 still more than half (52%) of the budget was spent for 29% of the population ('whites', 'coloureds', and 'indians').

Between 1990/1 and 1994/5 the expenditure on social security and welfare services grew by 22,6%. This rapid growth can mainly be explained by the attempt to reduce racial discrimination in social grant pay-outs. (Le Roux, 1995) Of the growth the old age pensions received the biggest share and these are now fully equalised.

Figure 17: Welfare Budget 1995/6 (Source: Department of Welfare)
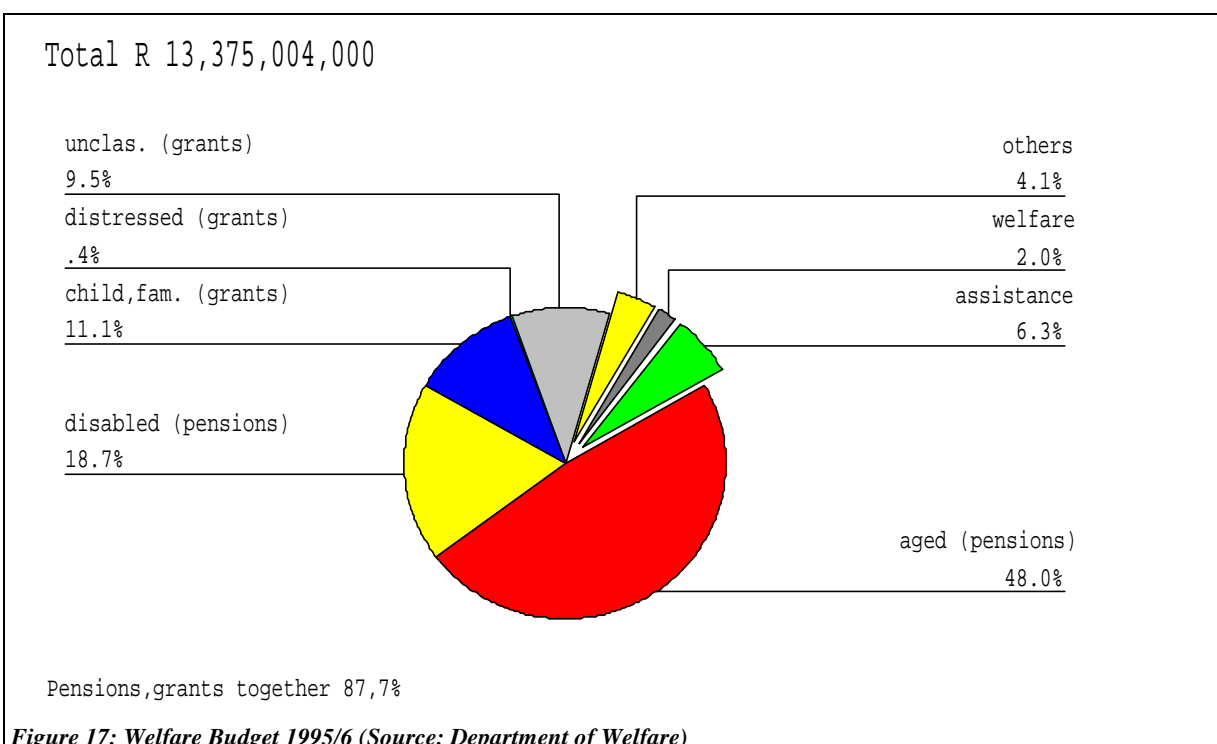
In Figure 17 it becomes obvious that most of the welfare budget is spent on direct transfers, in form of pensions and grants which together equal 87,7% of the whole budget. Only a very small component - 8.3% of the budget - is spent on social services (e.g. street children, rehabilitation.). This trend continues throughout the welfare budgets in the following years: In the 1996/97 budget, 88,2% is spent

on social security and 11,8% on social services. In 1997/98, the corresponding percentages are 88,1% and 11,9%. According to the 1998/99 budget estimates, the percentage spent on social security increases even to 91,1%. (Department of Welfare, 1998b) It becomes clear that for accounting purposes these two types of expenses should be strictly kept separate. Otherwise an increase in the transfer payments, which is required today to counteract the racial inequalities, could lead to a decrease in social services.

Looking at an increase of transfer payments, Dlamini and Simkins (1992:70-71) concluded the following:

> *While massive increases in state transfer payments are out of the question during the 1990s, no matter who is in power, it is not unreasonable to contemplate a higher increase in these (child maintenance grant) payments than in expenditure on social services as a whole. Studies comparing South Africa with other semi-developed countries show that state expenditure on transfers is well below the international average.*

Up to today, there is some uncertainty about how much was actually spent in the budget on child maintenance grants. The Lund report assumed that a budget of R1.2 billion was spent on the parent and the child grant. If one, however, calculates the budget according to the figures in the White Paper, one arrives at a budget of R1.65 billion. The FFC assumed a budget of R1.33 billion.

5.2.2.) Deracialising the SMG system

This section looks at the potential costs involved, if the SMG system and its application was deracialised. The term *potential costs* implies that these are costs which theoretically would occur if the present poverty and population characteristics remained and the system was fully functioning. This section therefore *does not want to answer* the question of how much money would have to be allocated e.g. over the next 5 years in the budget, if the maintenance system was kept as is. For this question also the administrative capacity and the information provided to the communities would be relevant and they are not dealt with in these calculations.[146] Before the basis of the calculations in *Table 5* is further illustrated, the advantages of the method applied will be briefly outlined.

The method chosen should be regarded as the right one for providing a basis on which long term policy planning can rely.[147] Van der Berg (1994a:16) came to a far lower estimate with regard to the potential costs involved. He concluded that approximately R4.3 billion would be needed, basing his projections on the 'coloured' take-up rate of the grant and projecting this on the whole population. This method seems to be not accurate enough for the following reasons[148]:

1. The field research in Ceres indicates that at present it is rather the exception that the grants paid out correspond to those eligible and the level they are entitled to. It is clear that the SMG system as applied is a weak indicator of the real costs, once corruption and fraud are eradicated and the administration works more efficiently.

2. Both family structures and poverty levels of the 'coloured' population in the Western Cape are significantly different from the total population. The analysis in Chapter 4[149] shows that only 3.6% of the 'coloured' children (up to 6 years incl.) belong to the poorest ranking group, whereas 54% of the 'black' children fall into this group.

The results of the author's calculations are summarised in *Table 5*. The assumptions regarding the eligibility and the means-test are explained below. In addition, the table groups the people who are

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146   These factors are taken into account in Chapter 8.

147   According to the calculations of this thesis the potential costs amount to R13.7 billion if a 75% take-up rate is assumed. (see page 87:

Table 5)

148   For a detailed critique of this method see the thesis by Claudia Haarmann.

149   See 'Racial distribution of poverty'

theoretically eligible according to 'race', gender of the single parent and the position of the partner if both parents care for the child. [see below]

The calculations are based on the regulations as valid from March 1, 1996, in terms of the Social Assistance Act, 1992. The amount of the grants is in accordance with the increase as from July 1, 1996.

The assumptions the calculation in Table 5 is based on in detail:

Person eligible for grants:

- the parent has no spouse, the spouse is absent, or the spouse is deceased,

- his or her spouse is in receipt of a social grant (only government disability grant!)

- his or her spouse is for at least 6 months: in prison or in a hospital or clinic.

The grant lapses:

- when the child is over 18 years (the calculation does not pick up the fact that the full calendar year is paid regardless of the child reaching 18 years.)

- when the child is over 21 years (in cases where the child is formally enrolled at a school, here again the calendar year is not taken into account!)

Amount of grant

1. for a single person (all people eligible for a maintenance grant are regarded as single, except those whose partner gets a disability grant!):

   R5160 minus (annual income/2 - R1548)

   for a married person (only if the partner receives a government disability grant!):

   R5160 minus (annual income/4 - R1548)

2. per child (maximum two) R135 x 12 months

Assets

- Assets are not taken into account.

Income and permissible deductions

- The net-pay, which is used for the calculation, excludes taxes, pension payments, unemployment insurance, medical insurance. Maintenance payments of absent fathers/mothers are theoretically included in the income. (According to SALDRU)

On the basis of these regulations, the calculations test four different assumptions:

1. Calculations for the regulations which are applied from July 1st, 1996 (basic amount R430 + R135 per child).

2. The same calculations without taking the maintenance payments of the father/mother into account. This calculation reveals the impact of the private maintenance system on the support of children in single parent households.

3. Like 1, but without deducting tax, medical insurance, pension payments, unemployment insurance from the income for the means-test (gross income).

4. Like 1, but based on the old means-test, which on a R1 to R1 basis deducted every Rand earned over R90 from the grant. This means-test has widely been criticised as it entails a poverty gap. (Van der Berg, 1994:37)

It is to be expected that even if the system was running with full capacity not a 100% take-up rate could be reached. The old-age pension system, which is widely acknowledged for its efficiency,

reaches 75%. A 75% take-up[150] in Table 5[151] should therefore be considered as the absolute maximum one can hope to reach.

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[150] For an explanation of take-up rates see page 101: '7.1.2.) Target rate and take-up rate' and page 135: '8.4.2.4.) Take-up rate'.

[151] See page 87

Table 5: Potential costs of maintaining the SMG system with the regulations valid from 1 July 1996

special assumptions		single mothers	single fathers	partner: disabled, clinic, prison	'african'	'coloured'	'indian'	'white'	100% take-up rate	75% take-up rate
1.) regulations	Amount:	16,660,000,000	1,130,427,396	499,847,424	16,720,000,000	1,163,732,204	112,293,443	293,904,487	18,290,000,000	13,717,500,000
1.7.1996	Number:	2,339,347	165,907	65,868	2,339,783	173,318	15,872	42,149	2,571,122	1,928,342
2.) without maintenance	Amount:	16,760,000,000	1,131,681,233	509,181,862	16,790,000,000	1,185,679,015	113,081,730	312,846,919	18,400,000,000	13,800,000,000
payments from partner	Number:	2,346,842	165,907	66,849	2,343,274	176,261	15,872	44,191	2,579,598	1,934,699
3.) without deductions	Amount:	16,500,000,000	1,136,397,425	494,234,215	16,600,000,000	1,124,302,754	111,850,600	297,815,578	18,130,000,000	13,597,500,000
(pensions, medical, tax ...)	Number:	2,282,268	164,605	64,976	2,294,045	160,408	15,872	41,524	2,511,849	1,883,887
4.) means-tested but lose	Amount:	15,150,000,000	1,011,360,901	217,297,133	15,080,000,000	945,472,133	91,129,678	265,847,893	16,380,000,000	12,285,000,000
R1 for R1 after the first R90	Number:	2,112,076	141,757	48,470	2,113,253	138,249	13,247	37,554	2,302,303	1,726,727

Table 5 shows that if 75% of the people, who are eligible at the moment claimed support, the maintenance grant system would cost up to R13.7 billion.[152]
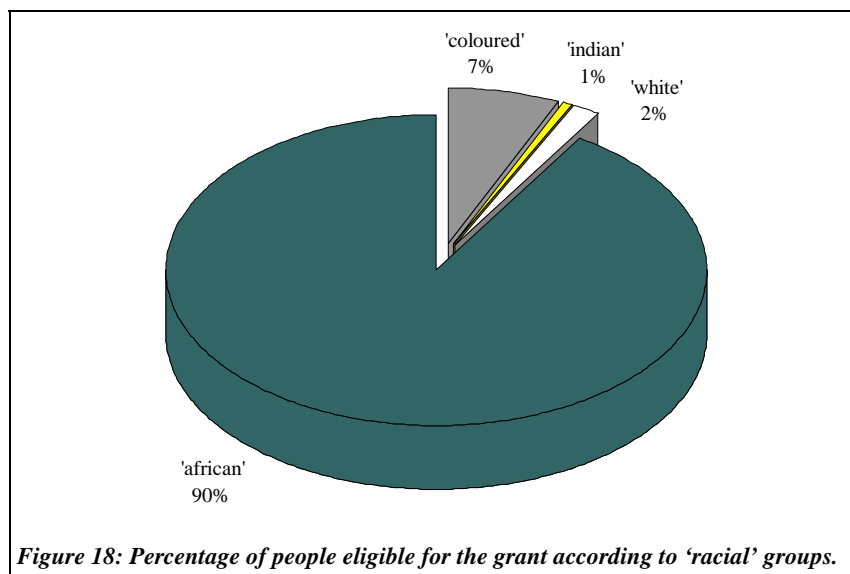
Figure 18: Percentage of people eligible for the grant according to 'racial' groups.

Figure 18 shows the percentage of people eligible for the grant divided into 'africans', 'coloureds', 'indians' and 'whites'. As mentioned above, the grant is, at the time of this research still, paid according to racial lines whereby most 'africans' are excluded. Figure 18, however, indicates that if equity was reached, they would - with 90% of the total number - be the main recipients. In budgetary terms this equals R16.7 billion on a 100% take-up rate, meaning 91% of the total budget share. The difference between the share for the budget and the number of recipients is to be explained through the means-test: In the 'african' context the incomes are generally so low that only little if anything is deducted from the grants.

It becomes evident why the MINMEC was concerned about the future sustainability of this aspect of the social security system. The potential budget required for the maintenance grant system might even exceed the total budget allocation to welfare!

Figure 19 shows the potential increase, or respectively the decrease in these costs of R13.7 billion, if one works with different rules. The total costs would rise by R88 million, if the private maintenance payments were not taken into account. If the means-test was applied on the basis of the gross payment instead of the net payment (as it is at the moment), the amount would decrease by R128 million. The application of the old means-test however would make an even bigger difference: Formerly the recipients

Figure 19: Change in potential costs using different rules in the means-test

of the grant lost R1 for every R1 earned after the first R90. This means-test would save R1.5 billion of the potential costs. But this kind of means-test has to be criticised for taking away the incentive to seek employment. Hence it creates a poverty-trap. Nevertheless, not even the old means test would make the SMG system affordable.

In conclusion, the following assumption must be substantiated:

> *(...) a transition to a non-racial state and equality of treatment requires a change in perspective. What could be achieved for some cannot be achieved for all; one has to optimise, given the economic, social,*

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152   The number of eligible people is slightly lower than the estimates of the White Paper for Social Welfare: *...as many as 2,8 Million women qualify under the present rules of eligibility...* (White Paper, 1997:49)

> *political and administrative constraints characteristic of a semi-developed country rather than those of an advanced industrial society. (Dlamini & Simkins, 1992:65)*

5.3.) Discussing the objectives of the maintenance grant system

5.3.1.) Defending the principle idea of a support system for single parents

Kruger argues that a support which is confined to a certain family structure - the single family - should be continued in the South African context. But he acknowledges that these families do not necessarily have the children most in need (Kruger, 1996:21) and he further accepts that this excludes family structures common in the African context from any support (Kruger, 1996:16).

Despite this he argues:

> *Maintenance grants provide for people in society who, in the market sense of the word, experience an 'unproductive' time in their life because of the responsibility of child rearing and housekeeping. On top of that these people have to deal with the unforeseen or unplanned for contingency of an absent parent. This 'double disaster' cannot in many cases be catered for through private saving and insurance, and thus calls for government intervention in modern economies. This, it is argued, should provide the main motivation for a continuation of the system of maintenance grants in South Africa. (Kruger, 1996:22)*

This approach, actually the motive behind his argument, might be challenged. He argues that the family break up is such a 'disaster' that those families need support more than the poorest children. Although he rejects the approach of giving preference to those who are *poorest*, he essentially uses the same argument, only based on the question of who finds himself or herself in the *worst disaster*. His answer is: those who experience a nuclear family break-up. Looking at the South African situation one might ask whether this scenario is really the worst case scenario and whether research can substantiate that claim. Kruger's argument, which could possibly be constitutionally challenged as it discriminates against certain family forms - e.g. the extended family - remains wholly unsatisfactory:

> *This is a feature which is difficult to incorporate in the current system. (...) On the other hand extended family relationships are not the only form of household organisation in South Africa and can be expected to become less dominant in the future. There may therefore still be a place for the current maintenance grant. (Kruger, 1996:16)*

As this argument is not convincing one has to consider in which circumstances poor children live and given the information provided in Chapter 4 the need to change the concept seems to be compelling.

5.3.2.) The need to change the concept

Figure 20: Percentage of eligible single parents according to gender
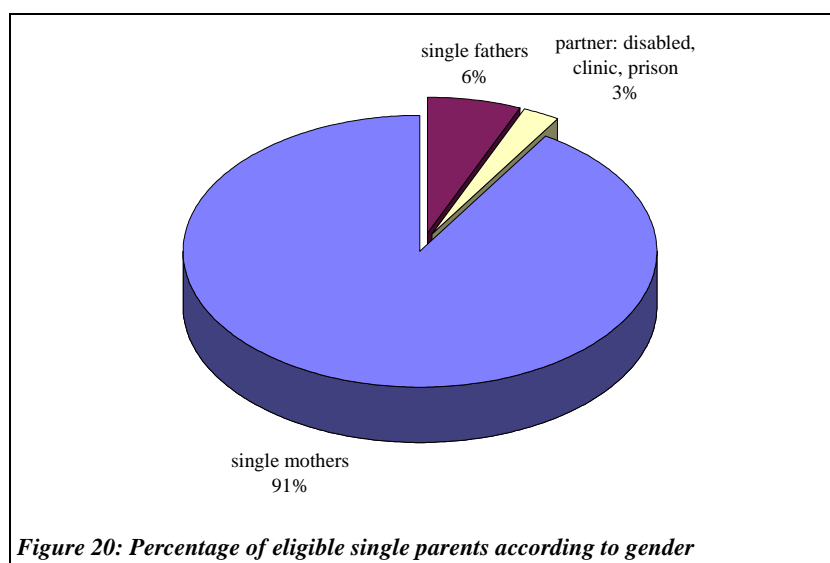
Figure 3 demonstrates the share of single mothers and single fathers who would be eligible for the grant. It becomes once again evident that women take the main responsibilities in child caring. It is obvious that especially the parent grant would effectively direct money towards women.

However, the basis of the old concept is fundamentally routed in the assumption that the nuclear family is the one which is the norm. Hence, the break up of this norm - single parenthood - is the 'worst case scenario' which needs support. The problem is that this concept is not applicable to the majority of

children in the South African context: Chapter 4 shows that the nuclear family is rather the exception. Although 54% in the bottom two ranking groups (up to 6 years (incl.)) live *de facto* with only their mother and thus might qualify under the maintenance grant system[153] [154], still 46% of the poorest children would be excluded from any support whatsoever, just because of the family structure they live in!

It further can be argued that the maintenance grants in their present form have not been able to empower the current recipients with more self-reliance. For a discussion of this problem see the thesis by Claudia Haarmann.

5.4.) Conclusion

One has to conclude that although it cannot be disputed that the maintenance grants paid out are often crucial for the survival of its recipients[155], a continuation of the payment and a de facto extension to all eligible children is, due to financial constraints, out of the question. If a 75% take-up rate is assumed as reasonable, the budget for the parent allowance plus the grant for the children might reach R13.7 billion. It has further been shown that the concept of a 'nuclear family' as the norm and 'single parenthood' as the exception is not applicable to the majority of the South African children. Therefore, a support system which restricts its support to children of 'single parents' exclusively does discriminate against virtually about half of the poorest children.

It has to be stressed that the changes recommended by the Lund report which will be discussed in the next chapter and in Chapter 8 are going to cause severe hardship for the SMG recipients. Especially among the 'coloured' communities in the Western Cape and Northern Cape a massive downwards trend on the poverty scale among children and even starvation are to be expected, if no measures are taken to support these communities in other ways than by maintenance grants.

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[153] See page 79: Table 3

[154] This is assuming that in the case of a migrant worker family the mother would declare the partner as not traceable, otherwise she as well would not qualify.

[155] For a detailed analysis of the importance of the maintenance grants for the current recipients see the thesis by Claudia Haarmann.

Chapter 6: The Lund report

At the end of 1995 the Welfare MINMEC established the 'Lund Committee on Child and Family Support' to investigate the future affordability of the state maintenance grant system and to explore alternative policy options. The work of the Committee included many different issues like an investigation into the private maintenance system. This chapter will only focus on the recommendations for the restructuring of the state maintenance grant system as developed by the Committee.

This chapter was written in September and October 1996, shortly after the report had been released.[156] The author felt compelled to leave the content[157] as it was at that time in order to be fair in his criticism. Due to the fact that the new policy is mainly based on the Lund Committee's recommendations, the points of criticism raised here can also be applied to the new Child Support Grant system.[158]

The chapter is structured in a way that first, the outcome of the Itala think-tank (Itala is a nature reserve where the think tank of the Lund committee convened in May 1996) is presented, secondly, the main recommendations of the report are summed up. The third section highlights the positive aspect of the Lund committee's recommendations, namely the shift to supporting the child rather than a specific family form. Finally, a critique of the report is presented.

6.1.) The Itala Proposal

This proposal was developed at a conference held in the Itala Game reserve in May 1996. The conference was organised by the Lund Committee and was intended to function as a think-tank to gather ideas for the restructuring of the system. The committee members, researchers and international experts took part in it.

The Itala proposal was the outcome of a discussion of the situation of families and children in South Africa and of the question how the state maintenance grant system had to be revised in order to reach the poorest children and to give as much support as possible.

For the purpose of this research the basic agreement reached at Itala can be summarised as follows:

- A young child's benefit in form of a cash transfer would be paid to **all children** of a defined age. It was strongly argued that the age group of 0-9 years should be targeted. Age restriction could be used as a mechanism for cost containment.

- For various reasons no means-test would be applied.

- The primary care-giver would receive the benefit.

- The benefit should be delivered in association with some form of health activity (e.g. regular contact to the nearest clinic). Clinic attendance is a positive good and could function as an exclusion mechanism for the rich, but would not exclude the poor. Furthermore synergy with other sectors would be further explored, especially: education, housing and public works with a view of promoting developmental social welfare.

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[156] See Haarmann & Haarmann January 1997a
[157] The calculations - like the calculations in the rest of this thesis - have been adjusted to 1997 standards.
[158] For a more detailed critique on the new policy see the Claudia Haarmann's thesis.

- The overhaul of the private maintenance system would be vigorously pursued and there would be a campaign to promote parental responsibility.

- Provision for a voluntary option to contribute to a community fund would be made. The Department would undertake to make the possibilities known.

- The social services programme should not be negatively affected. An annual growth rate had to be attached.

- The committee would clearly articulate the concern about the welfare budget absorbing HIV/AIDS-related costs of care.

The Itala proposal was explicitly declared as a minimum consensus reached on the conference. The final report of the committee was made public by the end of August 1996. By taking a closer look at the final recommendations in the next section, it becomes quite obvious that they fall short of the minimum consensus reached.

6.2.) The recommendations of the report of the Lund Committee on Child and Family Support

The final recommendations of the committee consist of the following elements (Lund Committee, 1996a:86):

> *A flat-rate child support benefit should be introduced:*

- *It should be paid to the primary care-giver of a child according to a simple means test.*

- *It should be paid from birth for a limited numbers of years, with the number of years used as a cost containment mechanism.*

- *The level of grant should be derived from the Household Subsistence Level for food and clothing for children.*

- *A condition of receiving the benefit should be the proper registration of the birth of the child, as well as certain positive health-related activities.*

- *The money should be transferred on a quarterly basis into a bank or post office account; it can then be drawn in any amount at any time by the primary care-giver.*

- *The benefit should be financed by the phasing out over a five year period of the existing parent allowance part of the State Maintenance Grant, and by not accepting new applicants for the child allowance part of the State Maintenance Grant.*

- *Welfare staff should attempt to divert women who will be affected by the phasing out of the Parent Allowance to training opportunities; other departments should be asked to give such people special consideration when offering training and employment.*

The report gives three different age cohorts as options for a new system: Either **0-4** years, **0-6** years or **0-9** years (inclusive).

In addition, two levels of benefit were considered:

- **R70** monthly. This amount is apparently based on the Household Subsistence Level for children.

- **R125** monthly. This amount is said to present the current level of the child allowance within the state maintenance grant.[159]

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159   See page 96

The report calculated the percentage of children who could be supported under the above recommendations and by assuming a budget of between R1,2 billion and R2 billion. These budgets were set between the assumed present level of spending on the grants (R1,2 billion[160]) and the preferred budget (R2 billion).[161] The following calculations were based on the data of the Demographic Information Bureau (DIB)[162]:

	1,2 budget	1,5 budget	2,0 budget
0-4, R70	**24%**	29%	**39%**
0-6, R70	17%	22%	29%
0-9, R70	13%	16%	21%
0-4, R125	13%	16%	22%
0-6, R125	10%	12%	16%
0-9, R125	**7%**	9%	**12%**

Table 6: Percentage of all children who get support (Lund Committee 1996: 96)

The favoured option of the committee was to support children from 0-9 years with an amount of R125,- per month. According to the figures provided by the report that means that only between 7% and 12% of the children would be supported. Even if one takes the minimalist approach that children from 0-4 years will receive an amount of R70,- per month only between 24% and 39% of the children were expected to get any support.

6.3.) The new aspect: A child benefit rather than a family grant

The recommendations are based on the approach that the same benefit is paid to each child, regardless of the household structure the child lives in. The outstanding advantage is that in contrast to a blanket family-unit allowance this does not discriminate against families with more children in the specific age group. Hence there are no incentives to break up households, which could be the case with the maintenance grant system. The primary care-giver gets the money, so that also e.g. grandparents could take care of the children and would be supported. In summary it would not discriminate against any household structure and seemed therefore to be the fairest system given the diversity of South Africa's society. If one should have a blanket family allowance, there would be discrimination against some households, as is shown below.

The appendix includes detailed tables showing the financial implications of different systems using different age cohorts.[163] This is to give a range of options, their strong points and shortcomings. The following figures present an overview of the implications if one compares three different suggestions (III., IV. and V.) All of them assume that a means-test can exclude the children living with a care-giver who earns more than R800,- in case of a single and R1600,- in case of a couple.[164] The different options are:

Suggestion III: The benefit follows the child - as in the report: An amount of R135 is paid to every child eligible in the defined age group.

Suggestion IV: The benefit is related to the number of children eligible per care-giver in the defined age group: An amount of R135 is paid for up to two children, an amount of R270 is paid for up to four children etc.

Suggestion V: The benefit is a blanket family allowance: Regardless of the number of children eligible in the defined age group, the family receives R135.

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160   See '6.4.6.) The assumed budget' page 97
161   See Lund Committee, 1996:86-95.
162   See Lund Committee, 1996:96
163   See page 154 - 157: Table 12 - Table 15
164   See page 154 - 157: Table 12 - Table 15 and for more details on the means-test see Chapter 7.

Figure 21: The percentage increase in costs of suggestions IV and V relative to suggestion III
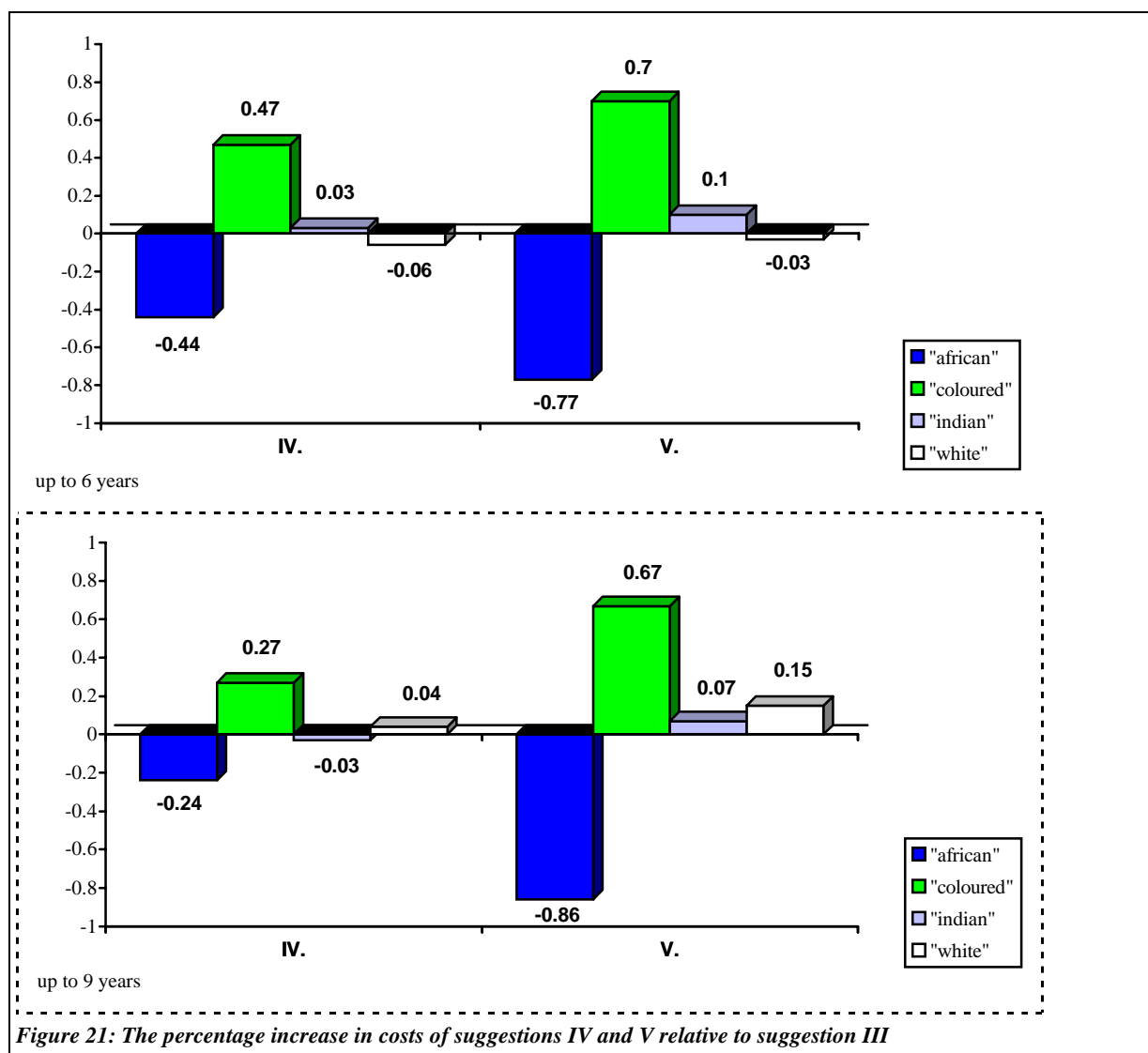
Figure 21 shows that especially a blanket family-unit allowance (suggestion V.) would discriminate against the 'african' community. If the age limit is set to children of 6 years this effect is not yet so visible, as most family-units just have one or two children falling into this category. If the age-limit is set higher, suggestion V discriminates against larger families and extended family care.

It can be shown that suggestion IV would not distribute the money as fairly as when paying it out to every child (suggestion III), but it would make provision for larger and extended families and thereby would not create the negative incentive which a blanket family-unit allowance might have (suggestion V) - especially if an extension of the age-limit is intended.

The matter discussed above is also reflected in its financial implications:
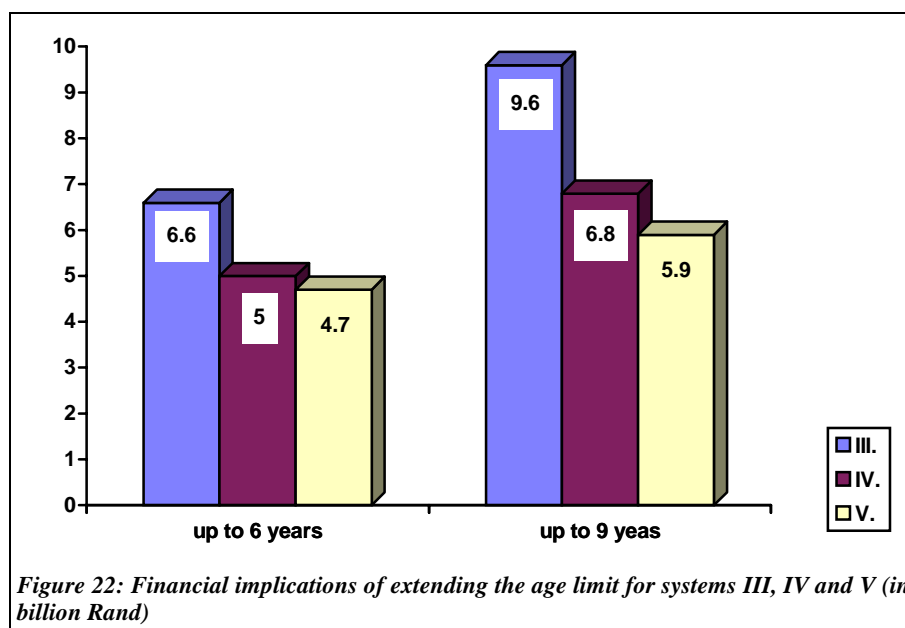
As the systems IV and V would pay out disproportionately less money to family-units with more than one child, it would be financially easier to set a higher age limit and to keep people on the system for a longer time. System option IV would be a kind of compromise. However, it has to be taken into account that the administrative costs would be lower if the benefit was directly bound to the child (system III), as the family

Figure 22: Financial implications of extending the age limit for systems III, IV and V (in billion Rand)

structure would not have to be evaluated.

Some economists might still argue that a direct pay-out per child can potentially increase fertility and they would therefore support systems IV and V. The Lund report (1996:31-32) discussed this opinion and concludes that there is no hard evidence of an existence of such a correlation between birth-rate and the pay-out of child-benefits. It seems that the assumption of a direct correlation of child support and fertility is oversimplified as a variety of factors like education, culture, status of women play a more decisive role.[165]

Looking especially at the context where this system would be introduced, the level of benefit will be so low in comparison to the real costs of child-raising that even if one assumes that financial support has some influence on child birth, it should not have any in this case.

From the above discussion it becomes clear that a benefit directly connected to each child seems to be the best system for a cash pay-out, if this is not possible - especially due to financial constraints - system IV could be an option.

6.4.) A critique of the Lund Committee recommendations and further considerations

6.4.1.) A minimalist approach

The recommendations altogether accept a **minimalist approach**. Whereas the Itala proposal speaks about 'a benefit to **all** children of a defined age' group, the final recommendations assume that only a very limited number of children will obtain support: In the worst case only 7% of the children are reached, in the best case still only 39%.[166] In the South African context as many as 68% of the children live with a care-giver who earns less than R250.[167] The recommendations consequently exclude many very poor children from any support at all:

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[165]   See also Kruger, 1996:10
[166]   See '6.2.) The recommendations of the report of the Lund Committee on Child and Family Support'
[167]   See also Chapter 4 and page 114: Figure 25

Figure 23 was calculated on the basis of the SALDRU data. It shows the percentage of children in the age group 0-9 years living with a care-giver who earns less than R250 per month who would (19.9%) and who would not receive support (48.4%), and those who would not qualify for support (31.8%), if a budget of R2 billion and a monthly benefit of R125 was assumed.
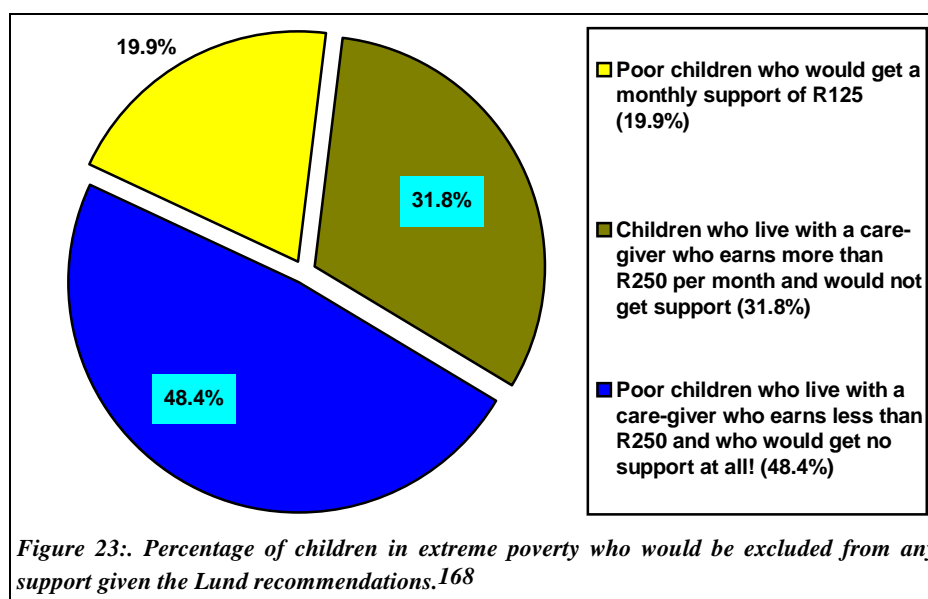
19.9%

- ☐ **Poor children who would get a monthly support of R125 (19.9%)**

31.8%

- ☐ **Children who live with a care-giver who earns more than R250 per month and would not get support (31.8%)**

48.4%

- ☐ **Poor children who live with a care-giver who earns less than R250 and who would get no support at all! (48.4%)**

Figure 23:. Percentage of children in extreme poverty who would be excluded from any support given the Lund recommendations.[168]

Even with a perfect targeting mechanism in theory, in practise hardly 19.9% of the poorest children will be reached. The percentage of those who are actually poorest and will be reached will be much lower as one has always leakage in such a system.

6.4.2.) Age-cohort and level of benefit

The report considers to pay out only to children up to 4 years (Lund Committee 1996:94 - 95). The report tries to justify this by arguing:

> *Here some would argue that the first four years of a child's life are critically important in terms of consistent nurturing, attention to health problems and adequate nutrition. (Lund Committee, 1996a:94)*

While this argument is right in terms of nutrition, it is important that children receive support continuously. Therefore, the absolute minimum which this thesis considers to be adequate is the age cohort from 0-6 years as children from 7 years onwards are monitored in school and hence support can be given on a continuos basis without a two year gap in between.

The proposed amount of money can at best be regarded, if at all, as poverty relief, but not as a social security system for families in need. The amount is even lower than the current child allowance which is R135 per child (and not R125 as the report suggests).

6.4.3.) Means-test

As summed up earlier the Itala proposal argues not to bind the benefit to a means-test. There are various reasons for this: There are high administrative costs involved and it seems very difficult when moving away from a single-parent grant to find a general solution for the question of whose income should be tested.

The advantage of taking the means test away is that definitely all poor are reached. Gaps in the system are avoided. In addition a poverty trap and the creation of a stigma are also avoided. Due to the relatively small amount of money one can assume that mainly the poor will apply (self-targeting) and that one could get back some of the money paid out to richer families through the tax system.

Despite these arguments, which the Itala proposal brought forward, the Lund Committee did recommend the introduction of a simple means-test to identify the children who qualify for the support. However, the Lund report does not elaborated on how that 'simple' means-test should select the peo-

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168   Assumption: Calculated on the basis of the gross income collected by SALDRU. In the case of a couple half of the income is taken into account. 68% of the children from 0-9 live with a care-giver who earns less then R250. It is assumed that those who would get support are part of that group (perfect targeting).

ple eligible. Looking at the poverty situation of children, Chapter 4 and 7 show that 68% of the children from 0-6 live with a care-giver who earns less than R250,- per month. The new means-test would have to distinguish people below this 'income'. First of all, that means one has to make a distinction between people who are extremely poor and people who are very poor. Secondly, it is clear that most of the people in this 'income' group work in the informal sector, where income testing is extremely difficult. The report does not give a practical solution how to go about that.[169]

6.4.4.) Quarterly payment into a bank or post - office account

The recommended idea of paying the benefit only **quarterly** does not take account of the realities in extremely poor households. It must be understood that the cash benefit to poor households will be spent in most cases even before it is paid out, e.g. for debts to the local store. Households in poverty can quite certainly not budget for three months in advance. The idea of paying out quarterly again mainly reflects the idea of cost containment: It is clear that the administrative costs of a cash-transfer on that low level are over-proportionally high. Nonetheless that cannot serve as an excuse for neglecting the given social context of the people. The notion of paying the money into a bank account also raises points of criticism. People in the rural areas might have to travel quite a distance to reach the next bank or post office and the banks do often not treat poor people with respect and do not aim to empower them. A monthly instead of a quarterly pay-out to a bank or post office account could however serve as a compromise.

6.4.5.) Database

The statistical approach of the report is questionable. The Lund report uses two different databases: On the one hand, the SALDRU - data is applied for an outline of a poverty profile as the basis of the report. On the other hand, the calculations for the financial projections of the recommendations are based on the Demographic Information Bureau data. The Central Statistical Service declared the latter to be the most reliable data available. (Lund Committee, 1996a:95) It is, however, not explained why the first part of the research is then entirely grounded on another data base. E.g. no estimate of the costs of equity for the old maintenance grant system is made on the higher DIB data.

As outlined in chapter 3, there is no commonly accepted data set in South Africa at the moment and hence such a research should use the various data bases critically.[170] A more thorough discussion in the Lund report of the differences in the data sets would have been needed to analyse the strengths and meaningfulness of the different sources.

The financial projections were only done with the most conservative estimates and others were only mentioned in passing. Since the data sources do differ essentially in the assumed number of children living in South Africa, the calculated costs for a child support system differ as well.[171] There is no point in giving only the highest costs involved with such a system and not a range of different projections.[172]

6.4.6.) The assumed budget

As mentioned earlier the report works on three different budgetary amounts: R1,2 billion, R1,5 billion and R2 billion. The first amount is said to be the

> '...amount presently spent on the State Maintenance Grant' (Lund Committee, 1996a:95)

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[169]   For more information on the means-test see Chapter 7.
[170]   See Chapter 3
[171]   For more information on the difference in the data sets and the population figures, see Chapter 3.
[172]   See Chapter 8 page 134: '8.4.2.1.) Data base'

The 'Discussion Document' for the White Paper for Social Welfare in 1995, however, outlines that the budget spending for maintenance grants equals 14% of the social security part of the welfare budget.[173] Having a social security budget of R11,8 billion, the maintenance grant component comes to R1,65 billion. That indicates that even the second budgetary amount -which was set at R1,5 billion and meant as 'mid - point for comparative purpose' lies still under the present spending and the maximum amount of R2 billion implies an increase of 'only' 24.2%.

First of all, it becomes clear that the report works with wrong figures at a very crucial point and therefore gives wrong indications. Secondly, one can see that the logic behind the approach is again a minimalist one: It only gives an option to reconstruct and reform a racially divided and unjust system with the present or only slightly increased budget. Although one has to work within realistic parameters, it is clear that a budget is not static but reflects choices and priorities. It is by no means understandable why the costs of equity only have to be carried by the poor. It is true that some redistribution of the resources spent for the poor seems to be inevitable. But this should imply that society at large takes responsibility in the form of a bigger budget allocation to specific programmes. Accepting this and basing the only scenarios on the assumption that the bulk of costs has to come from within the group of the poor leaves the injustice created by the apartheid regime unchallenged.

Even if one only argues solely from an economic point of view there are many reasons for supporting the children of today as they are the future of the country.

6.4.7.) Phasing - out of the old system

The report does not provide any answers how to phase-out the old system, except for the proposal to do it over a five year period[174] and not to take any person onto the system who does not qualify for the new system. There is no discussion of whether the existing amount should be reduced gradually or cut back to a certain level immediately. No calculations are done how different approaches would affect the budget. Besides these administrative and financial considerations, it is not taken into account that the people presently on the system will not qualify for support under the new system. The maintenance grant is an essential source of income for many poor single parent households. This income will fall away and there is no backup system to help the people to fill this gap.

6.4.8.) Community Fund

The idea of a voluntary community fund as it was discussed in Itala can be criticised. It would be very difficult for people with such a low amount of cash to provide a substantial share of it for a community fund. Hence a voluntary share in any kind of community project on a larger scale seems to be unrealistic. Nevertheless a community fund was included in the minimum consensus of the Itala proposal as its possible positive aspects were highlighted. In the Lund recommendations even the voluntary option is not mentioned at all.[175]

6.4.9.) Developmental social welfare

The proposed system does not take account of the new approach in the Department of Welfare towards developmental social welfare. This approach is the basis of the new social welfare policy which is embodied in the White Paper of Social Welfare. The Lund committee by recommending only cash-transfers does not go beyond an individualistic approach to social welfare and hence ignores the shift in the policy. Although a cash-benefit is very important and part of developmental social welfare, its

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173   Department of Welfare, 1995a:38

174   In the new policy, this was reduced to 3 years; see also Chapter 6

175   For a further discussion especially of the suggestion made by Claudia Haarmann and the author see the thesis of Claudia Haarmann.

developmental impact without other supporting measures is questionable. This can be seen with the old maintenance grant payment which exceeds the value of the present planned benefit by far.[176]

6.5.) Conclusion

The points of criticism raised clearly indicate major shortcomings in the Lund Committee's recommendations. These shortcomings can also be levelled against the subsequent policy proposals which were made by the Department and also against the new policy as approved of by Cabinet as they are based on these recommendations and entail only minor changes.[177] Cabinet made two important decisions on the Lund recommendations and the Department's proposals which are shortly summarised in the following paragraph as they provide the basis for the following two chapters. Chapter 7 then discusses the proposals and final decision regarding the means-test and Chapter 8 evaluates the overall policy proposals which were made during the course of 1997.

In March 1997, Cabinet approved that a new CSG was to be introduced in August 1997. The grant was to be paid to children from 0-6 (inclusive) years. The amount was set at R75 per month and according to the Department 3 million children in South Africa should receive the grant. It was said that this equalled 30% of the children. The current SMG was to be phased out over a period of five years. In July 1997, Cabinet increased the amount to R100 per month. Due to the release of the preliminary results of the Census 1996 which indicated that there are less children than previously assumed, Cabinet eventually assumed that now the 3 million children equalled 48% of the children under seven years. The phasing-out period of the present SMG system was shortened to three years and the introduction of the grant aimed at early 1998. (Department of Welfare, 24.7.1997:2)

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[176] For a more detailed discussion about developmental social welfare, see thesis of Claudia Haarmann as well as the submissions to Parliament on the White Paper on Welfare by various organisations of civil society.

[177] For subsequent points of criticism see also the submission to Parliament on the Lund report as well as the relevant articles in various newspapers and journals.

Chapter 7: The means-test

This chapter focuses on the role of a means-test within a poverty alleviation policy. The discussion of the means-test for the new Child Support Grant serves as a practical example.

The chapter starts with an overview of various options for means-tests in general. Further this section introduces basic concepts and terminology like the difference between the target-rate and the take-up rate. Secondly, the options which dominated the discussion on the new CSG are outlined, critically evaluated, and alternatives are introduced. Finally the issues which are relevant for the discussion of the microsimulation model in Chapter 8 are highlighted.

7.1.) The concept of a means-test

A means-test for a poverty alleviation programme defines criteria of a *target group*. Ideal-typically the means-test selects a group of people, who are identified as being in need and - in order to be cost efficient - the means-test is supposed to exclude those who do not need support. As shown below, different 'means' can be tested and thus form criteria of eligibility. The choice to test one specific 'means' or the combination of several depends on factors like the kind of programme intended[178], and the circumstances people live in.

Such a means-test or targeting-mechanism must have certain qualities in order to be effective:

- The means have to be: easily determinable,

- and easily observable.

- The test must be administratively simple and workable,

- cost-effective,

- difficult to manipulate,

- and must not create negative incentives.

The next paragraph provides an overview of the most common targeting-mechanisms with their strengths and weaknesses.

7.1.1.) Options for a means-test

In general one can look at the following options of targeting to identify people eligible for support:

1. **Income testing:** This is used quite often as a targeting mechanism for cash, e.g. in South Africa the eligibility criteria for the State Old Age Pension are built on an income test. The underlying logic is that it defines people earning below a certain amount as eligible for support and excludes the others. For this mechanism it is important that the income can be easily measured and checked. Problems arise, for example, with income earned in the informal sector: The income is difficult to check and it often varies from month to month, hence a regular income level cannot easily be determined.

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178   See nutritional targeting

2. **Nutrition monitoring:** The logic behind this mechanism is that it is obvious that the malnourished need support. Therefore this targeting mechanism enjoys public support from those people who regard welfare as a means of last resort to guarantee only sheer survival. Though it might be argued that this type of targeting has a place in nutrition programmes which are designed to provide food for children, the usefulness for other programmes, like cash transfers, remains questionable: First, such targeting might create perverse incentives. E.g. a person will get support, if his/her child is malnourished, and if the condition of the child improves, the support will be cancelled; if the condition however does not improve, the payment of the benefit will continue. The incentive surely must be the improvement of the condition of the child, not the opposite. Second, the underlying concept has to be challenged as it does not help to prevent malnourishment, but only intends to help once somebody is already malnourished.

3. **Proxy-indicator testing:** The idea is that certain proxies are identifiers, which indicate wealth or poverty. Examples of such a mechanism might be targeting either households without electricity, or making the payment dependent on the amount of electricity used. Targeting households without running water or a flush toilet might be another option. Households without such facilities or a limited access to them, are poor and hence need support. Proxies - if carefully chosen - are valuable alternatives to income testing, especially in developing countries. They are often more easily accessible than information about income. Looking at the South African situation we find that only 53,6% of the households are connected to electricity, only 52,1% have a flush toilet and only 39,4% have access to piped water.[179] But again one has to consider incentives which are undesirable. In addition, the administrative costs for applying this mechanism might be high.

4. **Geographic targeting** (e.g. rural areas)**:** A precondition for this mechanism are small and homogeneous regions. In the South African circumstances, it might be possible to identify areas where such a mechanism could work (e.g. rural areas, formerly so-called "independent states"), but at the same time, in urban areas and on farms it could become very complicated and unjust. It could also create the incentive of migrating to another area.

5. **Self-targeting:** This mechanism implies that support would be ostensibly available to all, but the non-poor should be discouraged to take it. A low level of support, as often used in public works programmes, could probably have that effect on 'richer' people. It is, however, difficult to determine exactly how many people would take up such a support. Self-targeting has advantages in terms of reducing administrative corruption and manipulation (and thereby also saving valuable resources), however, politically it might be difficult to justify.

This overview served as a short introduction into different targeting mechanisms, their consequences, possible incentives and problems. The implications of the different mechanisms will be discussed in more detail for the new CSG policy later.

7.1.2.) Target rate and take-up rate

The design of a means-test determines and influences both:

- The **target rate,** which refers to the percentage of people who fall under the group which is selected by the means-test. For example, all the people who have no running water in their houses. The target rate should be decided upon with regard to a needs assessment, which itself depends on the kind of support the benefit can provide.

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179   See SALDRU 1994

- The **take-up rate,** which refers to the percentage of people within the target group who actually take-up the support provided. The take-up rate hence takes account of the fact that not all the people in the target group will claim the support or in the end will get it. This can be for various reasons:

  - People might have other income sources, which the data does not pick up and they do not apply for the support.

  - The system is not accessible to all, e.g. pay-out points are too far away and the poor are often not mobile (e.g. people living on farms).

  - The information about the system is not readily available.

  - People feel stigmatised through claiming welfare support from the state and therefore do not take it.

Looking at the South African situation, the State Old Age Pensions have a take-up rate of about 75%[180] which is, by international standards, considered a high and extremely good coverage (Ardington and Lund, 1995:28). A comparison of the State Old Age Pension (SOAP) and the CSG shows that there are several reasons to believe that this take-up rate will not be reached in the case of this programme:

  - The SOAPs provide a five times higher benefit (R490 as compared to R100) so that the incentive to take it up is greater.

  - The SOAPs have a long-standing history in South Africa, information about a new grant can be expected to take years to reach all areas in South Africa.

  - SOAPs are socially more accepted as a 'well-deserved' benefit for the old and are less stigmatised than state support for child raising.

The practical consequence of this for the design of a means-test is that the number of people who come under the target group as legally eligible has necessarily to be higher than the number of people actually intended as recipients.

Consequently, the financial calculations in the microsimulation model have to take account of this fact that the actual number of people who finally receive support will inevitably be lower than the number of people within the target group [see Chapter 8] and that the take-up rate develops over a period of several years.

The next section summarises and evaluates the proposals of means-tests made for the CSG policy.

7.2.) Evaluation of the means-test options for the CSG policy

It is noteworthy that the Lund report only touches on the issue of the means-test (Lund Committee, 1996a:92).[181] However, the report suggests that the test should be simple and that the income of the caregiver/s or alternatively the nutritional status of the child should be tested. The report states clearly that the means-test

> *...must not in any way depend on a definition of a family. The concept 'follow the child' via the primary care-giver solves the administrative problem of family definition. It would undermine the entire proposal to re-introduce the problem via the means-test. (Lund Committee, 1996a:92)*

The Department of Welfare produced two quite different means-test proposals during its formulation of the policy between April 1997 and the final regulations in March 1998. The basis for both of these

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180 The 75% take up rate is calculated on the basis of the SALDRU data, for more information see the thesis of Claudia Haarmann.
181 See also Chapter 6

proposals was the declared goal to support 3 million children [see chapter 6]. This goal was endorsed by two Cabinet decisions.

In March 1997, the Department said that these 3 million corresponded to 30% of the children under the age of seven in South Africa. A subsequent workshop convened by the Department in April 1997 discussed various options for a means-test to reach these 3 million children. The workshop looked at nutritional targeting, geographical targeting and income/proxy income testing.

The preliminary results of the 1996 Census, which were made public in June 1997, indicated a much lower population of South Africa than previously believed [see chapter 3]. 3 million children according to the Department equals now 48% of the children in the respective age group. After intense public pressure, the Department moved away from nutritional targeting mechanisms.

The Department with its second proposal came up with the idea of testing the household income. In addition, the area (rural/urban) and the kind of houses the children are living in were added to the test. On top of that, certain conditions were attached to the grant like the proof that the primary care-giver tried to get private maintenance, that the child was immunised. This second proposal was finally adopted and formulated into the regulations which were made public in March 1998, the introduction date of the new Child Support Grant.

In opposition to the proposals made by the Department, one suggestion for a simple income means-test has crystallised out from the work done by various researchers[182] and was supported by the Portfolio Committee on Welfare and several organisations of civil society.

The basic idea of this proposal is to introduce a low level administered means-test which gets rid of difficult formulas and which has only one cut-off point. The care-giver would simply under oath (in form of an affidavit) be asked if she/he earned more than a certain amount. (In the case where the child is in care of both, the father and the mother, the combined income divided by two is taken into account.) If the earning is less than the specified amount, the child is eligible for the grant. Random check-ups and high penalties for defaulters would serve as a mechanism against misuse.

The next section reviews the different proposals and on this basis discusses the implications of the various targeting mechanisms in practice. In addition, the importance of the kind of means-test chosen for the microsimulation model is outlined.

7.2.1.) The Department's proposals

When looking at the Department's proposals, one has to be aware that the Department does not differentiate between the target-rate and the take-up rate. Both proposals are constructed in a way that 3 million children are selected i.e. targeted. The difference in the percentage (from 30% to 48%) is due to more recent population figures. The Department always assumes a 100% take-up rate.

7.2.1.1.) The target of 30% and the Department's first proposal

First, the logic and consequence of the first target set at 30% will be discussed. Secondly, the proposals of how to select the 30% are elaborated on.

The target of 30%

The question to be asked is, what was the underlying logic of targeting 30% of South Africa's children? The figure was derived from the calculations in the Lund report, by looking at how much money should be allocated in the budget for this system, and calculating from there what percentage of South Africa's children could be reached, given a R75 benefit. The FFC in its calculations for the Lund report, calculated that with a budget of R2 billion 28.6% of the children up to 6 years (incl.) could be supported. (Lund Committee, 1996a:139) This means that this figure was based on a financial assessment and was not derived from the question of who needs support (needs assessment).[183] It

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182   Barr, Le Roux, the author, Claudia Haarmann
183   compare Chapter 4 page 61: '4.2.1.2.) Absolute poverty measure'

was meant to guarantee the financial sustainability of the new system. In Chapter 8 it will be shown that these calculations oversimplify the issue and are in fact based on unrealistic assumptions. Regarding the means-test the crucial point here is, that the target of 30% was not derived from the supposed aim of the programme, namely combating child poverty. If this target had been accepted it could well have jeopardised the objective, as the poverty level among children in South Africa is far higher than 30%. Chapter 4 has revealed that according to any commonly used poverty definition between 60% to 70% of the children in South Africa live below the poverty line. The 69% of children identified as living in the first two ranking groups have an average expenditure of $1.15 per capita per day. If a means-test tries to reach only a certain percentage of the poor, and in effect thereby divides them into a few who qualify for support and others who do not, one can think of two possible scenarios:

1. The Department succeeded in effectively excluding a group of the poor people from the system and reaches only 30%. Any means-test that is based on poverty indicators must fail to do so, as the group of the poor is larger than this target - unless it uses administrative processes or lack of information about the programme as means of exclusion. Both proceedings are most undesirable: Chapter 4 has shown that over 90% of the poorest children live in rural areas[184] and close to 60% with a de facto single mother.[185] Due to the social structures and infrastructures these are the people who are most disadvantaged also regarding access to information and administration. Although these recipients should be given preference, they actually would be the most likely ones to be excluded. International experience has proven that grants and pensions in any case have a tendency not to reach the extremely poor. This would have been in particular the case with such an exclusive target.

   Furthermore, any welfare official would in fact jeopardise the policy target by reaching out to the needy communities, as this would result in the target being exceeded.

2. The Department achieved its target of reaching only 30%, but in the end more people get onto the system. At first glance one might think that this would have done away with the adverse effects described above, namely to exclude many poor people. On second thoughts this again seems unlikely: There would still be a means-test trying to define a narrow group among the poor as eligible. The only difference to the first scenario is that in that case some people have found ways of getting around the test. Not only would this leave room for corruption, but again it is likely that the most disadvantaged will be the last ones to access information and resources, or will not find the time to access such ways.

The proposal of how to select 30%

The Department's ideas regarding the means-test are outlined in the minutes of a workshop on targeting the CSG. (Department of Welfare, 1997e)

It needs to be mentioned that the minutes in parts are very unclear and sometimes even contradictory, which makes a discussion at least difficult. Furthermore they often only touch on the various targeting mechanisms and collected questions, rather than giving practical ideas of what a means-test should look like. The fact that the workshop could not find or agree on a practical solution seems to prove that the fundamental problem was the restrictive target rate of 30% which, as discussed above, is not based on a needs assessment and the poverty levels in South Africa. Inevitably, any attempt to select a group or poor children within the poor, faces the problem of not including too many, but still selecting some. Another indicator of the problematic target rate is the fact that any suggestion made in the minutes requires quite a lot more administration than the means-test for the SMG at the moment. This again entails the danger of delaying people's take-up and disadvantaging rural areas. Furthermore it is costly and leaves the door open to corruption.

The workshop looked at three different target mechanisms:

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184   See '4.3.2.2.) Ruralness of poverty'
185   See '4.4.3.) Intra household structure: the 'nuclear family''

1. Nutritional or health indicator targeting:

- A low weight at birth is said to be the best early indicator. If a child is underweight at birth this is seen as an indicator to qualify for the CSG.

- Furthermore, the child could get scores according to the degree of e.g. stunting, growth faltering, weight related to age, age of the mother, birth spacing, birth order. The 'Road to Health card' would include respective questions, asked by the nurses at the clinics. If the child reached a certain score (which would be taken as evidence of malnourishment) the child would be allowed onto the system.

- Entry and exit criteria were considered, like if a child stayed malnourished after e.g. a year, it would further qualify to stay on the programme and otherwise it would be taken off.

2. Income or proxy income testing:

- Income and asset testing is regarded as very difficult, for a lot of people are very poor and only a few are well-off. It is hard to differentiate between the households in poverty according to income.

- Because of this it is suggested to look at indicators which have a maximum correlation with child welfare. The employment status and the educational level are suggested to be extremely good proxy indicators. Several others are mentioned, but are not further explored.

- A reassessment of these indicators is believed to be necessary on a yearly basis.

- It remains unclear how the primary care-giver is to be defined and whether she/he is to be tested or whether it is the household in general.

3. Geographically focused targeting

- Geographical targeting combined with a simple process is said to be better than no targeting at all, but it is rather seen as a mechanism to identify the system's priorities, than as a mechanism of selection.

On the basis of this, the workshop contrasted fundamentally two different approaches of targeting

CHILD SUPPORT BENEFIT:

TARGET MECHANISM
MEASURES:

A — whether the child is nutritionally deprived

B — poverty level in the household

THE UNDERLYING AIM OF THE CSB IS:

- to decrease malnutrition

- additional income source for household
(The option the Lund committee supported initially)
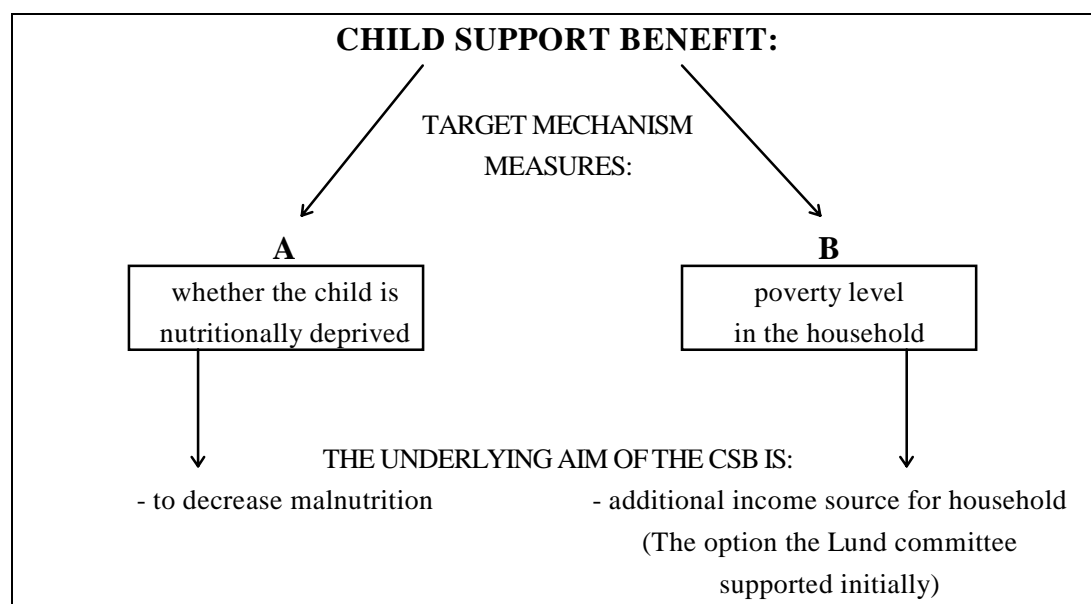
The minutes did not take an articulate stand on which approach the CSG system should follow. Nevertheless it is said: "The malnourished children are the ones we wish to reach." [see A]. The problem is, however, that a selection through health indicators would - according to the minutes - bring only

15% of the children onto the system. If on the other hand poverty indicators [see B] are taken as the target mechanism this would exceed the target.

On the basis of this analysis, the minutes made the following suggestion (consensus areas of the workshop):

- To apply a series of screens. This means that one does not qualify through one indicator, but through a combination of health and proxy poverty indicators, e.g.:

  - low birth weight plus simple employment and education data

  - or nutritional status, with a review every year

  - or employment and education of the caregiver and the head of household

- 10 questions should be asked to evaluate if a child qualifies or not (e.g. birth weight + do you share food and cooking arrangements in the household?).

- The questions should be asked by the clinic nurses and be included in the 'Road to Health card'.

Critique of the Department's first suggestion

There are several points of criticism and concern about this discussion:

- It becomes clear that the fundamental problem is the target of 30%, which is not based on a needs assessment and hence cannot correlate with simple indicators.

- The results of the workshop show that a complicated screening system is inevitable if the selection of 30% is to be achieved. Although the need for a simple system is again and again reiterated, the suggestions are all far more complicated than any existing means-test at the moment.

- It is assumed that the health services can be the gate keepers for the programme. At the moment the health sector is already overburdened, it is absolutely not clear how they could cope with this massive new job.

- Any health indicator targeting (especially with a reassessment within a year) will create perverse incentives for the care-giver not to change the situation of the child. Even if only a relatively small number is believed to react in that way, the negative consequences are so overwhelming that this targeting mechanism must be judged as unacceptable.[186]

- Health indicator targeting in essence stands in contrast to a benefit which is meant as an entitlement. It has been shown that poor households 'pool' the cash available to them. Especially a small amount like the CSG is not likely to have a 'direct' impact on the nutritional status of the child.[187]

- Health indicator targeting does not prevent malnourishment but only brings children onto the system when it has already occurred.[188]

- Weight at birth is not a good indicator for poverty as there can be many other reasons for it, like smoking during pregnancy, premature birth.

- A benefit linked to nutrition cannot stop by simply monitoring nutrition, but needs further measures like nutrition education, diet information, household behaviour studies. The question arises, if the new system was meant and designed to do such things?

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[186] See '7.1.1.) Options for a means-test
[187] See '7.1.1.) Options for a means-test
[188] See '7.1.1.) Options for a means-test

- The constitution entails the right to administrative treatment "*that is lawful, reasonable and procedurally fair*". This right entitles everyone to be given written reasons when the rights have been adversely affected by administrative action [section 33(1) and (2)]. It is questionable how this right can be guaranteed in the context of a primary health care facility which is meant to treat people and not to test people's eligibility. (Liebenberg, 1997b:3)

Summing up this analysis, it becomes obvious that in the South African context the target rate of 30% would have created huge problems and a means-test at that level would have inevitably led to not only complicated but quite unjust administrative procedures and in the end would have jeopardised the objectives of the CSG.

7.2.1.2.) The target rate of 48% and the final regulations

Severe public pressure and the release of the preliminary results of the 1996 Census[189] prompted the Department to increase the target rate from 30% to 48% on the basis that there are fewer children than formerly believed. The point of criticism that the target does not correspond to present poverty levels and that it is not based on a needs assessment remains. However, the plans discussed at the first targeting workshop to use health clinics and nutritional mechanisms were replaced by the idea of testing the household income in combination with geographical targeting and proxy indicator testing.

Different aspects of this proposal went through several stages, but for the sake of this analysis, only the means-test according to the regulations from March 1998 will be examined.

According to the regulations [section 16 (2)], a person qualifies for the CSG if the *household income* is either less than R9,600 per annum (R800 per month) or R13,200 per annum (R1,100 per month) if the household lives in a rural area or the dwelling is informal. The means-test, hence, favours households living either in rural areas or in informal housing. The Department declared that the logic behind this means-test was the targeting of disadvantaged areas and disadvantaged groups.

A 'household' is defined as

> *(...) any group of people, whether related or not, who normally contribute to the cost of providing for their food and other household necessaries and to the cost of their accommodation and who live together in one dwelling. (Department of Welfare, 1998a:5)*

'Household income is defined as:

> *(...) any contribution in the form of money, food or other household necessaries to the household and any contribution to the cost of accommodation of the household. (Department of Welfare, 1998a:5)*

The applicant is required to provide proof of the household income [section 9 (3)(a)]

'Informal dwelling' is defined as:

> *(...) a house which is, whether partly or wholly, without brick, concrete or asbestos walls.(Department of Welfare, 1998a:5)*

In addition to the means-test, the regulations have put certain conditions on the primary care-giver. The primary care-giver must provide:

- proof of immunisation where such services are available;

- proof of efforts to obtain maintenance from the parent;

- proof of efforts to secure employment or to join a development programme where such services are available [Section 9 (3) (c)-(e)]

Moreover, the primary care-giver has to comply to the following conditions:

- he/she shall continue to be the primary care-giver;

- the child shall have accommodation, be properly fed and clothed;

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189   These results were made public in June 1997.

- he/she shall allow the DG reasonable access to the child and to the dwelling;

- he/she shall ensure that the child receives immunisation and other health services where such services are available without charge;

- he/she shall carry out any instructions regarding the use of the grant [Section 20 (a)-(e)]

Critique of the means-test embedded in the new policy

The analysis is structured in a way that, firstly, the implications of testing the household income as opposed to the care-giver's income are looked at and, secondly, the implications of the conditions are analysed.

The social implications of a means-test which is based on the household income can be shown by paying attention to the concept of the 'household' and with the help of calculations based on the SALDRU data and the ranking groups as discussed in Chapter 4.

Chapter 4 has pointed to the fact that there is a strong correlation between the poverty situation of a household and the average household size: Whereas the median for the children in ranking group 2 is still at 7 persons, the richest group has only a median of 4.[190] Furthermore, children in poorer households tend to live with 3 to 6 children in a household, whereas the 'richest' children generally live with one other child in the household.

Given this situation it is a flaw of a means-test testing the household income, if it does not take account of the number of people living in it and the number of children who are cared for. Such a test will in its tendency discriminate against certain family structures - namely larger families. Already the Lund report had made it clear that the means-test must not be linked to any specific form of family structure. This stands in stark contrast to the objective of supporting the care-giver rather than e.g. single mothers.[191] The care-giver concept, due to the multiple household and family structures in South Africa, exactly tries to get away from discrimination against certain structures. Whereas this is now formally achieved with the more open concept of the care-giver, in reality the means-test in its tendency has the contrary effect. A household of 6 to 11 people is more likely to have a combined income of more than the cut-off point than a single parent household with 2 people. Even if only one person was employed in such a household they might be excluded, despite them having to share the income among so many persons.

Furthermore, one also has to take account of the distribution of resources within households. While there is evidence that some kind of pooling exists in the household, it is clear that there is no equal access to the pool. Budlender rightly pointed to that fact in a conference paper on household food security (1993):

> *One problem with the concept of household food security is that distribution problems within the individual household or family i.e. intra-household inequalities, can be ignored. If the household is the smallest category of analysis and regarded as indivisible, we might not see that certain people within the household, just as in the community, have greater control of access to resources, including food. In many international studies just such inequalities have been found. In general women have lesser access than men. (Budlender, 1993)*

If the household means are the determining factor for eligibility, this sends out a strong signal, that the benefit is meant as a support for the household. However, the intention of the CSG was always that the money should be at the disposal of the care-giver (most likely women), who then would be empowered to look after the needs of the child in the best way. Especially from a gender sensitive point of view such a signal has to be avoided:

> *Women generally put higher priority on the basic needs of family - including nutritional - than men rather than concentrating only on their own needs. We can argue that giving benefits to women is thus both more efficient and more equitable for the society as a whole. (Budlender, 1993)*

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190   See page 76: '4.4.2.) The household'
191   See page 102

The same point is made by Case and Deaton (1996: 23-24)

> *Female-headed households behave differently from male-headed households. They spend a great deal less on alcohol and tobacco and on transportation; (...)*

The permanent change in household composition poses another problem on the testing of household income. One of the major findings of the Lund report, which motivated the introduction of the concept of the primary care giver, was that:

> **Household boundaries are fluid,** *as kin come and go to seek work or care for children. Children are moved about too, because a school is nearer, or in response to a crisis in the household. (Lund Committee, 1996a:18)*

This again stands in stark contrast to the adopted means-test: How can an applicant provide proof that the household falls above or below a certain income group, if it is true that

> (...) [applicants] *have little idea of total household income (...) (Berg, Amde, Budlender, 1997:4)*

and that household boundaries are fluid and thereby the household income as well? Will people be penalised for declaring the wrong income, if one has to assume that they cannot know it anyway? Furthermore will applicants be obliged to report to the welfare office every time when the household income changes? The regulations are also not clear in what way food and other household 'necessaries' are to be counted into the household income. These issues make it very clear that a just and equitable administration of the grant will be extremely difficult as a lot depends on the discretion of the official. This in turn leaves the door open for corruption.

Furthermore, while it is true that the majority of poor children live in rural areas, one cannot say that the reversal is necessarily true: Not all urban children are well off. Neither is it true that an urban household with children needs less income than a rural one. The discrimination of the urban children, by introducing a lower cut-off point in the means-test does not seem to be fair.

The following figure quantifies the exclusion of children even in the bottom two ranking groups. The graph provides information on the number of children, according to ranking groups, who would be eligible assuming firstly, that there is no means-test (i.e. all children in the age group qualify), alternatively, the proposal by the author and Claudia Haarmann (R800 per month per care-giver, see 7.2.2.) and thirdly, the means-test according to the regulations.[192]

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192   The calculations are based on the SALDRU definition (see chapter 4) of the household which entails the same persons and income as the definition in the regulations.

Figure 24: Number of children eligible according to ranking groups
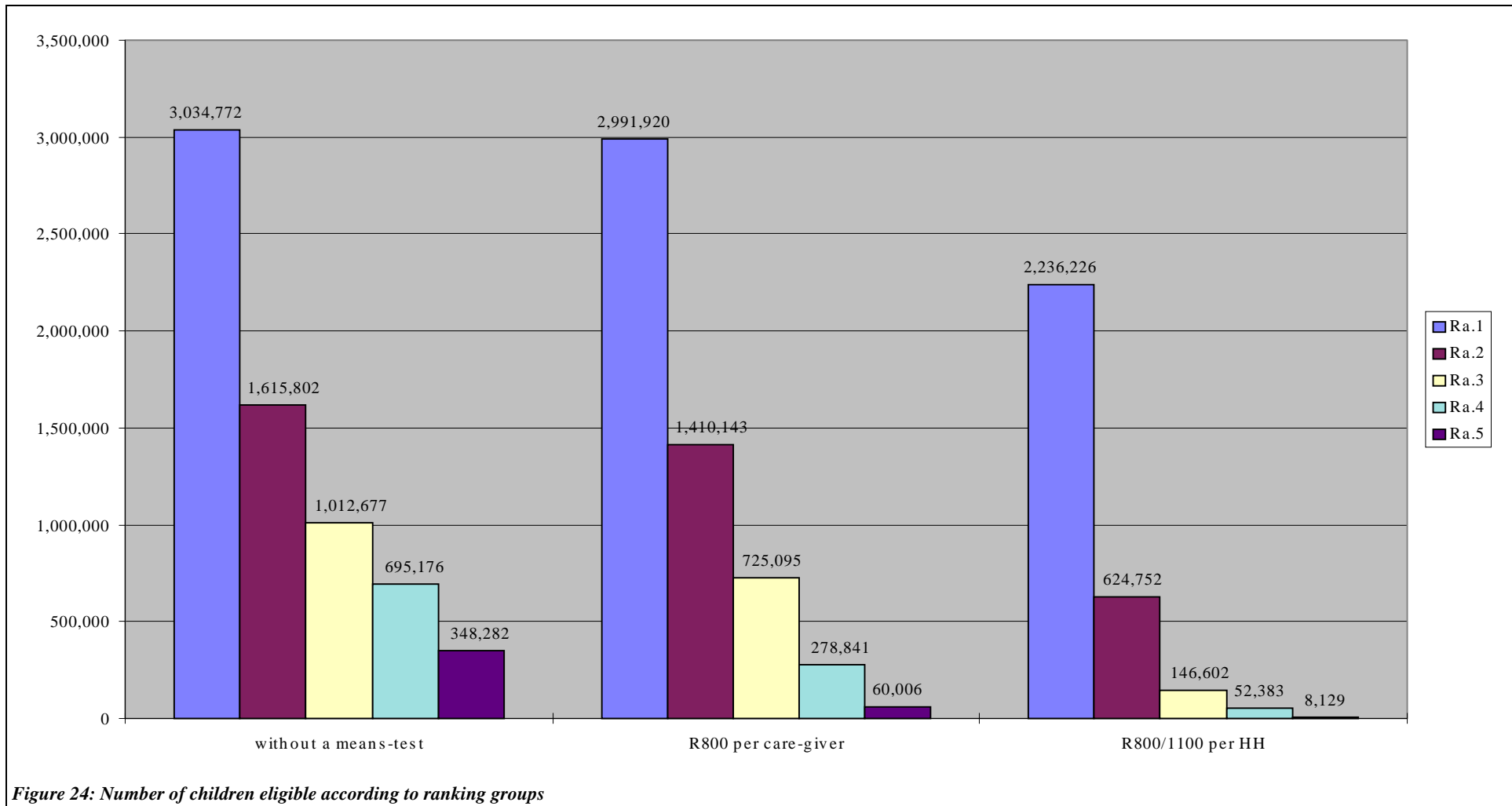
Comparing the two proposals, it becomes clear that the means-test based on household income disproportionally excludes children from the two bottom ranking groups: A means-test of R800 *per care-giver* would ensure that 99% of the children in the first ranking group and 87% in the second are eligible. The means-test according to the regulations defines only 62% of the children in the first two ranking groups as eligible.

Moreover, the test only targets 46% of the children in the age-group in comparison to 75%[193] when the R800 per care-giver test is applied. As mentioned earlier, the Department calculated with an unrealistic take-up rate of 100%. Considering an optimistically high take-up rate of 75%, only 34% (= 2.3 mill.) of the children in the age-group will receive the grant. This falls far short of the promised 3 million intended recipients.

The conditions[194] which are attached to the payment of the grant are problematic as well. While in general certain conditions are surely necessary in order to avoid fraudulent claims and to ensure that the support reaches the intended recipients, the nature and number of conditions attached to the CSG are difficult to justify.[195]

Proof of effort to obtain private maintenance

The applicant has to provide 'proof of efforts' to obtain private maintenance from the parent. First of all, the term 'proof of efforts' does not clearly define what is required from the primary care-giver: Does it have to be a court order or is an application to the court sufficient? A letter or a phone-call to the parent can also be interpreted as an effort.

In addition, the concept of the primary care-giver to 'follow the child' regardless of the family form it is living in, as opposed to a policy, which is built on a nuclear family concept, is undermined: While the PSG concept was intended to avoid the private maintenance system and the maintenance courts, as often of doing no justice to different child care forms in South Africa, the regulations kept this link. Thereby the legacy of the SMG system which assumes that the nuclear family is the 'norm', is reinforced.

Proof of immunisation

The applicant has to provide proof of immunisation *'where such services are available'*. Again, the term '*available'* is not clearly defined. How close is 'available'? What happens if no transport is available or the transport is too expensive? The lack of a clear definition creates a lot of space for discretion of the official.

But besides the problem of a clear definition, it is questionable why the child should be punished because of the behaviour of the primary care-giver. The grant could be used to give incentives to 'positive health behaviour'. However, lack of awareness should not be the basis for denying access to the grant.

Proof of efforts to secure employment or to join a development programme

Also this condition suffers from the same shortcoming like the two previous ones: the terms 'efforts', 'employment' (formal or informal), 'development programme' and 'available' are not clearly defined. This absence of guidelines leaves the granting of the support entirely to the subjective interpretation of the officials. By doing so, power can easily be abused.

In addition, development programmes are just starting to be implemented in South Africa at the moment and are hence not widely accessible.[196] In terms of seeking employment and in the absence of any employment agency, the question arises who would provide somebody with a proof of effort. The

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[193]   See page 116
[194]   See page 107
[195]   The following section draws on unpublished research by Sandy Liebenberg.
[196]   In the case of the Department of Welfare, for example, the Flagship programmes as one of the first developmental programmes reaches only ca. 1000 women nation wide. (Department of Finance, 1998:6.61)

provision of 'proof of efforts' in both cases therefore puts a great burden on the applicant and any positive incentive of such a condition becomes highly questionable in such circumstances.

This condition is also questionable in connection with the concept of the primary care-giver. One of the reasons for the introduction of the concept was the fact that often the grandparents take care of the children. There is no exception in the regulations from this rule in the case of pensioners applying for the grant as care-givers of children: Are they also required to provide proof of efforts to secure employment? If not, which would of course be reasonable, the official has no basis for not asking for the proof.

The additional conditions put on the primary care-giver while receiving the grant[197] are in parts an excessive intrusion into people's lives and can as such not be justified.

Looking at the condition that the primary care-giver has to continue to be the primary care-giver during the payment of the grant undermines the important principle of the policy that the grant should 'follow the child'. In a case where the grandmother returns the child into the care of the mother, why does the payment have to stop immediately? Obviously, the new circumstances have to be proven, but it would be more in line with the policy and administratively easier if a transitional period was allowed for. The new primary care-giver can take over and register with the Welfare Department while the payment continues and the child is not disadvantaged during this period.

The conditions that the DG has 'reasonable access' to the child and that the grant has to be used according to instructions are excessive intrusions into the private lives of welfare beneficiaries and constitute a form of surveillance. The decision in favour of a cash benefit in contrast to an in-kind benefit indicates trust in the care-giver, and the assumption that they will spend the money in the interest of the child. This is in line with an empowerment and people-centred approach, however, the last two conditions undermine this. Moreover, the reasons for the intrusion are not spelt out. In the case of child abuse or need for special care, for example, other mechanisms, like the Child Care Act, are in place to deal with these situations. In addition, it is highly unlikely that the current capacity of the Welfare Department should be able to fulfill any of these 'policing' functions.

Lastly, the regulations require the primary care-giver to provide 'adequate' accommodation, food and clothing for the child as well as the receiving of health services where 'available'. Again, the standard of this condition is not defined at all and left to the subjective discretion of the officials. The conditions also discriminate against poorer families who are unable to afford 'proper' food and clothing, which is most probably exactly the reason for an application for the grant. However, the level of the grant which is said to be a *contribution* to the costs of living does not cover these expenses.

In conclusion, one can say that the nature and kind of the conditions constitute an excessive conditionality of the grant which put an enormous and unfounded burden on poor people's lives. They also allow for an intrusion into people's lives which is not reasonable. The regulations fail to clearly define standards which leaves the application to the subjective interpretation of the officials. In this situation, the conditions and criteria are likely not to be uniformly applied and power can easily be abused. The conditions also put a heavy workload on the anyway already over-stretched administration. These circumstances will result in a slow administration of the grant, a smaller dissemination and a lower take-up rate. These factors in combination with the restrictive means-test as described above are responsible for the fact that the Department will, in all likelihood, not be able to reach even 3 million of the neediest children.

7.2.2.) Alternative suggestion: Needs assessment and simplicity

The following paragraph outlines the proposal for a simple income means-test which was developed during the policy formulation process by various researchers.[198] The means-test is based on simplicity and a needs assessment, it tries to avoid the shortcomings of the proposals by the Department as described above.

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197   See page 107 and Section 20 (a)-(e)
198   See page 103

The point of departure of this proposal is the South African situation with its huge differences between the rich and the poor. It takes also account of the financial and administrative constraints on Government. Having defined this basis, it seems to be a good and in the end cheaper option (due to greater administrative simplicity) to use a means-test in order to exclude the *rich* people from the grant proposed but not to create a division within the poor people. By doing so, the grant would reach the children who are in need. Given the low level of the grant, even a leakage to the non-poor seems to be more tolerable than an exclusion of poor people in need.

As outlined earlier, the basic idea is to introduce a low level administered means-test which gets rid of difficult formulas and which has only one cut-off point. It considers the income of the care-giver in contrast to the household income. The care-giver would simply under oath be asked if she/he earned more than a certain amount. (In the case where the child is in care of both, the father and the mother, the combined income divided by two is taken into account.) If the earning is less than the specified amount, the child is eligible for the grant.

This idea of a low level administered means-test would not only be transparent for people who apply for the benefit, but also easy for the staff in the welfare offices; it would save time and energy. This is in particular important given the fact that Government aims to reach the 3 million children in five years time. One should be aware of the fact that there are presently approximately 3 million beneficiaries of **all** existing state welfare programmes (SOAP, SMG, Disability Grant (DG), etc.). The new programme therefore has to double the total capacity.

The testing of the individual income in contrast to the household income does not discriminate against any family form (e.g. larger families). Case and Deaton (1996:7) while examining the effectiveness of cash transfers to the elderly in South Africa, also refer positively to the fact that the SOAPs take individual or combined income rather than household income:

> *The means test does not take account of other family members, so that, for example, there is no incentive for family dissolution or migration.*

The proposal has various advantages: The simplicity would ensure that the procedure is transparent for the people applying. It would also reduce administrative costs as not every applicant will have to be tested and checked-up by an official.[199] The applicants have only to come once or at most twice to the officials and they do not need to produce many different documents or certificates.

The assumption is that in most cases the people are honest. So the moment they declare that they earn less than the specified amount they would automatically receive the grant, no matter whether the welfare officials believe that this is true or not. This is to ensure that the decision does not lie with the welfare official and thereby the danger of subjective interpretation and corruption is reduced. Nevertheless to safeguard the programme, random check-ups and specific check-ups of suspicious cases should be done and people who cheat the system should have to pay high penalties. This is believed to act as a deterrent to people who earn considerably more than the fixed amount, as they are unlikely to take a high risk for a low level benefit.

The author and Claudia Haarmann tried to determine a reasonable cut-off point: Doing so, one has to look at the income distribution and find a point where one could say that the 'poor' are within the margin and the 'rich' are excluded. This cut-off point is not meant as a poverty line. Klasen (1996:37) rightly pointed out that

> *"The income poverty measure seems to miss groups of people who have slightly higher incomes but are deprived in multiple other ways." (Klasen, 1996:37)*

This shows that if an income means-test is chosen one has to make the income high enough to get such people in. An income-means test does not offer a way to select the poorest people from the poor. In other words, **an income means-test cannot be used as a mechanism of financial fine tuning**, if the objective is to select people in a fair and equitable way.

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[199]   No individual assessment and low administration. (See submission to the parliamentary portfolio committee of Welfare by Pieter le Roux)

It has become clear that an appropriate cut-off point has to meet two objectives:

1. In order for the simple means-test to work, the cut-off has to be applied at a point where there are as few border cases as possible. This is important for administrative simplicity, e.g. check ups are relatively easy as people can be expected to be either clearly above or below.[200]

2. Secondly, the cut-off has to include all the poor, to be fair to the objective of a poverty alleviation programme.[201]

-   number of children in the first bar (0-250 Rand): 4,576,373

-   maximum earning: R 16,700

Figure 25: The number of children (vertical line) from 0-6 years who live with a care-giver of a certain income group (horizontal line). The income is grouped into R0-R250; R250 - R500; R500 - R750 etc. per month.
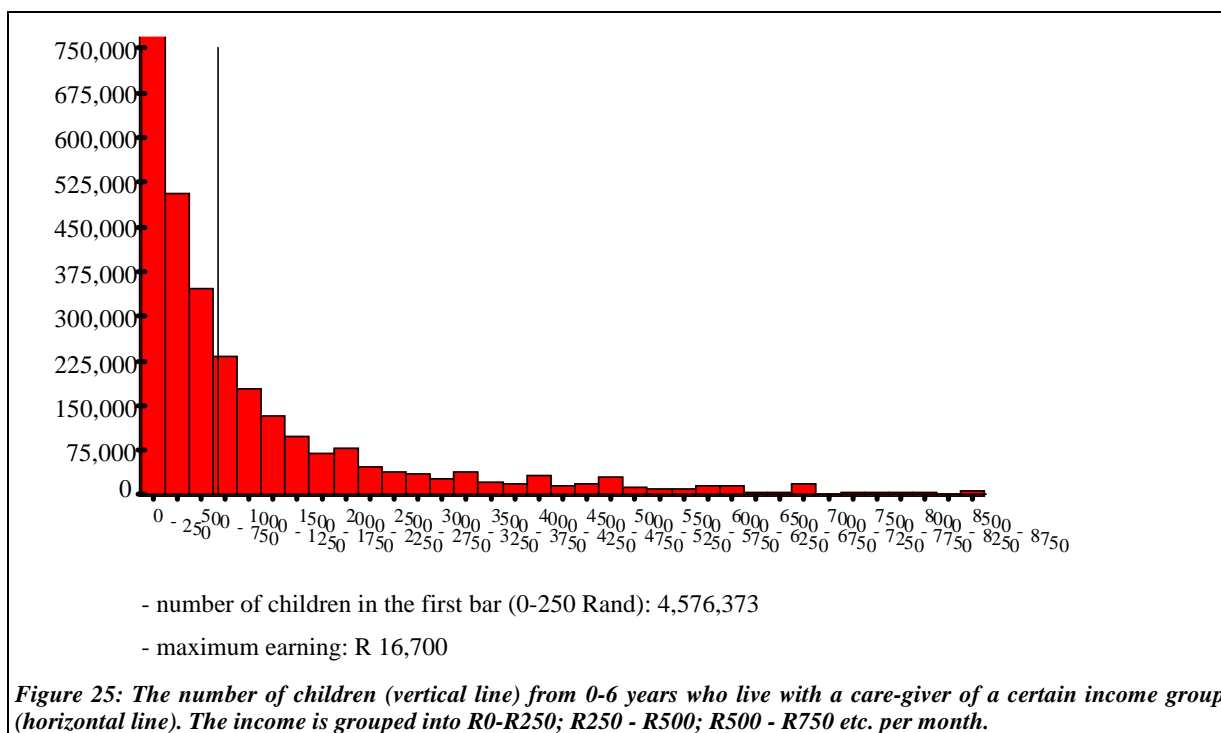
Figure 25 shows the number of children (vertical line) from 0-6 years who live with a care-giver of a certain income group (horizontal line). The income is grouped into steps from R0-R250; R250 - R500; R500 - R750 etc. It shows that a cut-off point around R800 is in the upper 'bend' of the income distribution.

Figure 26 now compares the number/percentage of children in the different ranking groups depending on the income cut-off point.

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[200]   See Figure 25
[201]   See Figure 26

Number of children

Percentage of children

means-test at:	R 250	R 500	R 800	R 1,000	all
target:	68.2%	75.5%	81.5%	84.4%	100%

Figure 26: The number and percentage of eligible children according to ranking if a means-tests is set at R250, R500, R800, R1000 per care-giver
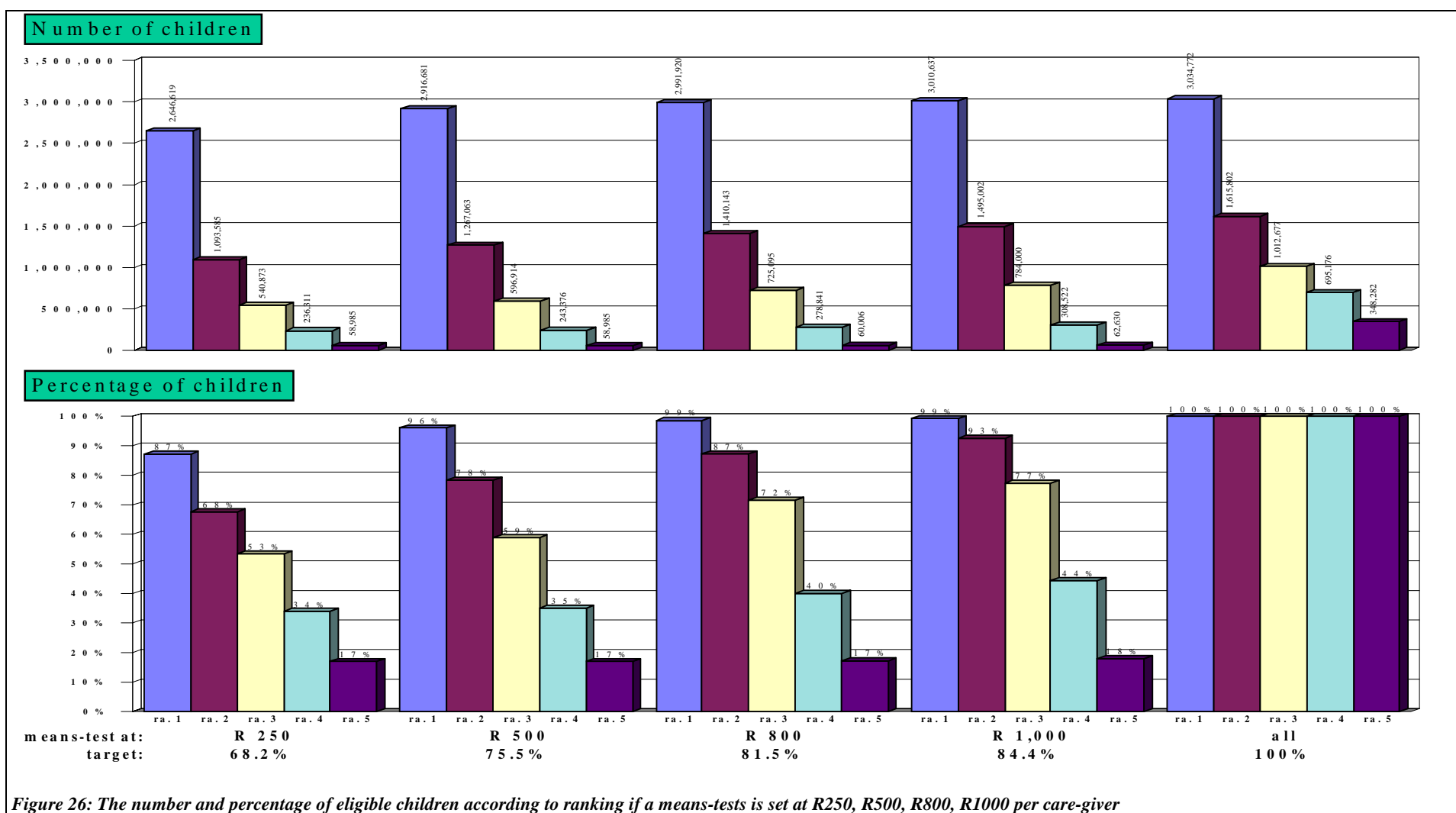
Also Figure 26 suggests that a reasonable cut-off point could be found around a monthly income of R800 per person. This cut-off point would include 99% of the children in the first, 87% in the second, and 73% in the third ranking group. So the poorest children would be well targeted. If one assumes that although children in the two top ranking groups are still eligible[202] but would not necessarily apply, this means-test defines 75% (target rate) of South Africa's children as eligible for the new Child Support Grant. Taking a conservative 75% take-up rate into account (which the SOAP reaches at the moment), finally 3,8 million children would be supported.[203] Although this number is higher than the Department agreed on, there are strong arguments for it, as nearly all the children in need would be covered and the administrative costs which are high at present would be considerably lower. This is in particular important given the low level of the grant and the large number of beneficiaries.

7.3.) Conclusion

The discussion showed that the first proposal of the Department with its 30% target rate and the usage of health indicators would have been an unjust and with its social consequences irresponsible means-test. While the current means-test has increased the target-rate and has done away with testing health indicators, it has still serious shortcomings which might jeopardise the effectiveness of the CSG system to alleviate poverty. The objective to reach 3 million poor children within the next 5 years has been based, as shown, on unrealistic assumptions. The decision to test the household income discriminates against larger and therefore poorer families. The bias against urban areas and formal housing is likely to discriminate against the urban poor e.g. people living in so-called townships. In addition, the Department has created an excessive conditionality of the grant which is an unreasonable intrusion into people's private lives and puts an enormous burden on the poor making it more difficult to apply for the grant. The lack of clear guidelines and definition leaves a large space for the subjective discretion of the officials and by doing so impedes the uniform application of the conditions and criteria. The regulations require a high administrative capacity which still has to be developed in many areas in the Welfare administration. The combination of the means-test which - according to the SALDRU data - only targets 46% of the children and the restrictive consequences of the imposed conditions in terms of the take-up rates are likely to make the goal of reaching 3 million children unobtainable for a considerable period of time.

This thesis argues that there is a viable and financially possible alternative: A simple means-test with a cut-off point at around R800 per month per care-giver would be possible and realistic. The administrative simplicity of the proposal would ensure a fair and effective management of the CSG. It would comply with the goal of the Child Support Grant to support needy children and would remain within reasonable fiscal constraints [see Chapter 8].

The administrative and financial consequences of different means-tests are of importance to the microsimulation model. When looking at different scenarios during the modelling process one has to take account of factors like the target rate and the development of the take-up rate over time, as well as of the requirements for and their consequences on the administration. The application of these factors to the model will be shown in detail in Chapter 8.

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[202]   It is likely that some who in the calculations are regarded as eligible are so probably due to wrong information in the data set.

[203]   This is on the basis of the SALDRU data, the new CSS release even suggests a lower number. For details see page 134: '8.4.2.1.) Data base'.

Chapter 8: Possible options for a new child system

This chapter evaluates the different policy proposals [see Chapter 2 page 29]. Both, the present legislation as well as alternatives will be evaluated according to their financial consequences and with reference to their social impact.[204]

Firstly, the methodology of the model used is explained. The second section shows how this methodology relates to the field of microsimulation. The model allows for an evaluation of five relevant policy proposals in the third section of this chapter. While this section restricts itself to the five policy proposals which were made by different sides during the course of the debate on the Child Support Grant, the fourth section provides a detailed analysis of the various factors and their impact on the financial and social success of the policies. This fourth section is divided into two subsections. On the one hand those factors which are determined by the policy itself, and on the other hand those which are dependent on future developments like the administration and other variables (e.g. population development). Finally, the conclusion sums up the findings and highlights the chances and limitations of such a cash transfer system for alleviating child poverty in South Africa.

8.1.) The model used

This chapter is going to look systematically at the different policy proposals. The model is built on the various components of the proposed system, assumptions regarding the development of the population and inflation as well as the administrative capacity of the welfare offices. The model shows the effect of the CSG dependent on the various factors over a period of 9 years.

As financial implications have overridden social considerations in the process of formulating the new policy, it was felt that a detailed knowledge of the short- as well as the long-term financial implications was needed. So far the calculations produced in the Lund report (done by the FFC), the FFC's calculations for the public hearings in April 1997, and the Department's calculations for the Cabinet decisions only considered the level of the grant, the level of the age cohort, the target rate and (in parts) the process of the phasing-in. Later, it will become obvious that other factors, like the administrative capacity, are important to enable informed political decisions, and that neglecting them in the calculations must create a distorted picture of the implications of the policy.[205] Furthermore, some of the calculations were based on unrealistic assumptions or even on bad arithmetic.[206]

As outlined, the model is based on two sets of factors. The first being the ones determined and hence fixed by the policy itself, the second set being assumptions on future developments and on the administrative capacity.

Factors determined by the suggested programme

1. **Proposed benefit**: This figure determines the level of the grant which is specified in Rand per month per child.

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[204]   See also Chapter 7

[205]   See '8.4.) Impact of the different factors' page 129

[206]   See '8.4.1.1.) Level of benefit' page 129; '8.4.1.4.) Phasing out' page 132; '8.4.1.5.) Phasing in' page 133; '8.4.2.1.) Data base' page 134; page 135; '8.4.2.6.) Monthly maximum take-up' page 137

2. **Proposed maximum age**: Specifies the cut-off age (incl.) up to which children are to receive support. E.g. '6' means children up to their seventh birthday will receive support.

3. **Maximum of children per family unit:** This factor explores the assumption that only a certain number of children per family unit can qualify for support. So in the tables below the number '2' means that only two children per family unit can receive a grant, '0' means that there is no limitation on the number of children.

4. **Target-rate:** This specifies the percentage of children who are targeted for support. As explained in detail in Chapter 7, this factor has to be seen in connection with the assumed take-up rate.

5. **Phasing out:** This means the period of time in years during which the old State Maintenance Grant system will be phased out.

6. **Phasing-in:** This factor refers to the option that only children born after the day of implementation would qualify for the grant. '1' means there is phasing in as described. '0' means there is no phasing in and all children in the respective age-group qualify directly.

7. **Date of introduction**: Specifies the date when the intended programme is supposed to start.

Assumptions and administrative capacity

1. **Data base:** This specifies the database which is used for the calculations. There are three options: the SALDRU - data, the data which is used by the FFC and the preliminary results of the 1996 Census. For a detailed analysis of the different data sets see Chapter 3.

2. **Assumed present budget:** This indicates the level of present spending on the SMG. The model also calculates the de- or increase of the new budget in relation to the present spending. Up to today no precise information on the present spending is available! Therefore the budgetary amount with which the FFC calculates is used for these calculations.

3. **Population growth:** This, on the basis of Sadie's model, specifies the population growth in percent over the next 9 years. As outlined in Chapter 3, this is still a conservative estimate and therefore likely to overestimate the number of children.

4. **Inflation rate:** The rate is assumed with 9% each year.

5. **Inflation link:** The link indicates whether the level of the grant is linked to the inflation, meaning that, if it is, the real value of the grant is not eroded. An inflation link is always assumed, although the Department has itself not yet committed to it.

6. **Take-up rate:** This factor refers to the percentage of children eligible who actually receive the grant.[207] It also indicates that the introduction of a new policy will take time to get off the ground.

7. **Monthly maximum new take-up (administrative capacity):** This factor was incorporated to take account of the limitations of the administration. Processing applications takes time, and the situation is further aggravated by the fact that the amalgamation of the 14 different welfare offices throughout the country has just now been completed and backlogs which exist in different provinces have to be worked on as well. Therefore it cannot rightly be assumed that every applicant will be able to directly get

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[207] The take-up rate of the old-age pension system, a system with a much higher benefit and a long standing history in South Africa reaches an internationally praised take-up rate of about 75%. This should be seen as the maximum the CSG system can achieve. For more detail see page 101: '7.1.2.) Target rate and take-up rate'.

onto the system. Moreover, the kind of means-test which will be used, will affect the time and costs of processing the applications.[208]

8.2.) Placing the model used in microsimulation methodology

Chapter 2 introduced the methodology of microsimulation as an effective tool for social policy evaluation.[209] This section now clarifies where the methodology used for this thesis follows standard practises of microsimulation. This section intends to serve two purposes: First, it bases the research on a methodological foundation, which has come of age as a standard method in the evaluation of social policy in industrialised countries. Thereby it helps to clarify and to inform the model built for this thesis. Second, this research in turn is a step into the introduction of this extremely useful technique to policy building processes in developing countries.

The model built here can be classified as a *static microsimulation model*[210] built on the SALDRU household survey: Demographic changes are accounted for[211], however, the microdata file is only adjusted by using weights and not by moving each micro unit forward in time, like in a dynamic model.[212] Besides time and hardware limitations, which would have made the application of a dynamic model unfeasible, static models seem to be a better starting point for the application of microsimulation in developing countries. In situations - like presently in South Africa - where there is a lack of confidence in even basic demographic data [see Chapter 3], the construction of probabilities to predict future developments (like fertility, marriage, labour force) for each individual household situation seems highly risky. Furthermore the child support grant policy needs a model for the next 5-10 years. This is a time period where static models, which are not believed to cause major behavioural change (like e.g. introduction of tax policies) have been proven to be adequate.

The 4 steps identified by Harding as typical of a static microsimulation can be found in the presented model for the child support grant policy (compare '2.3.1.1.) Static microsimulation models' page 32):

1. *Reweighting:* Chapter 3 concluded that the SALDRU data, due to the initial weighting within the original SALDRU data file, can be seen as the most accurate reflection of the current demographic situation available.[213] In order to account for future demographic changes the model allows for the population growth rate to be changed over the next 9 years.[214]

2. *Uprating*: To account for the change in monetary values since the data collection in 1993, all prices, income and expenditure data was adjusted according to the rise in the consumer price index, which has risen by 27.4% since 1993.

3. *Applying eligibility or liability criteria*: The rules of eligibility and liability are applied to the data file: Chapter 7 evaluated the different means-tests by applying the eligibility criteria to the household survey data in detail. The various eligibility options can be entered into the model by changing the 'Proposed benefit', 'Proposed max. age', 'Max. number per family unit', and the 'Target-rate'. The gains and losses of the various options are discussed later in this chapter.[215]

4. *Applying take-up rates*: As especially the introductory phase of the child support grant policy is of interest, different take-up rates can be entered to simulate different phases

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208   For more information see also Chapter 7.
209   See page 31 - 36
210   See page 32 and page 32
211   See '8.4.2.2.) Population growth'
212   See page 32 and page 33
213   See especially '3.4.) Conclusions'
214   See '8.4.2.2.) Population growth'
215   See '8.4.) Impact of the different factors'

of introduction.[216] To further expand the scope of the model, administrative con-straints for each year after introduction can be applied in addition. These modules are integrated in the application of the take-up rate on a monthly basis.[217]

While often various levels of aggregates and their distributional effects of the different policy scenar-ios are discussed at length, it was decided here to concentrate on the national level.[218] Especially the evaluation of the policy change and the impact for example on single parent families can unfortu-nately not be simulated on the micro level. This is so due to the fact that there is no data set which allows for a reliable identification of SMGs recipients at present.

As discussed in Chapter 2 it is important to spell out the assumptions clearly and to indicate levels of uncertainty of the model. Therefore the model is designed in a way that the data base and its underly-ing population figures can be changed.[219]

8.3.) Five relevant policy options

Although this model allows one to look at many different combinations of factors and to create multi-ple suggestions, it was felt that for the sake of clarity in this section only 5 relevant suggestions made during the course of the debate around the new policy should be investigated and described. The next section highlights the various factors in greater detail and indicates how the change of one particular factor (also beyond these options explored here) would impact on a specific policy scenario.

8.3.1.) The content of the five policy proposals

The policies presented here are:

1. The preferred option of the Lund Committee

2. The first Cabinet decision

3. The second Cabinet decision - the new policy

4. The suggestion by the author and Claudia Haarmann

5. The suggestion by the Portfolio Committee on Welfare

The preferred option of the Lund Committee [see page 123: Figure 27]

The preferred option of the Lund report was to support children with R125 per month (paid out quar-terly), up to 9 years of age. Based on their maximum budget. The report concludes that only 12% of the children can be supported. The report also in-cludes calculations to only support children up to 4 or 6 years, whereby on the whole a higher percent-age of children could be supported. The report, though it recommends a means-test, does not make any concrete suggestion.

Proposed benefit:	125	R per month
Proposed max. age:	9	years (incl.)
Max. n. per fam. unit:	0	(0=off)
Target rate:	12	%
Phasing out over:	5	years
Phasing in:	0	(0=off, 1=with)
Date of introduction:	1.8.97	

> *The committee took the decision not to spend further time and money on the technical issues of implementation until there was certainty that the proposed policy had broad acceptance. (Lund in The Mail & Guardian, 21.2.1997)*

For the purpose of these calculations it is therefore assumed that 12% is the actual percentage of chil-dren being reached and not the level at which a means-test selects.[220]

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216 See '8.4.2.4.) Take-up rate'
217 See '8.4.2.5.) Expected monthly backlog' and '8.4.2.6.) Monthly maximum take-up'
218 Note that Chapter 7 already discussed the distributional impacts of various policy scenarios according to poverty ranking groups.
219 See Chapter 2 page 35 and page 134: '8.4.2.1.) Data base'
220 To take account of this assumption the final take-up rate in Figure 27 is set at 100%.

The report remained undecided regarding the question whether the grant should be phased in or whether all children should be allowed on the system from its introduction. The calculations here assume the latter.

Concerning the date of introduction the report states:

> *A date of establishment of the benefit would have to be decided on. There would be merit in choosing a date with high symbolic value, such as when the new Constitution takes effect in January 1997 (Lund Committee, 1996a:87).*

However, by the time the report was released, January 1997 was not possible any more from an administrative point of view, so that these calculations assume an introduction on the 1.8.1997, as it was suggested by the Department in the beginning.

The first Cabinet decision [see page 124: Figure 28]

In March 1997 Cabinet decided on a new policy on the basis of the Lund Committee's recommendations. This policy intended to pay a benefit of R75 per month to children in the age-group 0-6 years and it aimed to support 3 million children which, according to the Cabinet decision, equals a target of 30% of the children. The Department argued that the level of the grant was chosen

Proposed benefit:	*75*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*30*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*1*	**(0=off, 1=with)**
Date of introduction:	*1.8.97*	

> *...as it* [the amount] *is slightly above the household subsistence level for food and clothing for a child under six years. (Department of Welfare, 1997a:1)*[221]

The SMG was to be phased-out over a period of five years and there was to be a phasing-in of the new grant. August 1997 was set as the date of introduction. (Department of Welfare, 1997a)

The second Cabinet decision - the new policy [see page 125: Figure 29]

In July 1997, Cabinet again decided on the new Child Support Grant. This decision entailed an increase of the level of the grant from R75 to R100 per month. The age-cohort remained 0-6 years. Due to the preliminary results of the 1996 Census, which indicated that there are less children than previously assumed, it was said that now 48% of the children in the respective age-group were targeted. Cabinet further reduced the phasing-out period to 3 years and agreed that there was no phasing-in. The date of introduction was postponed to January 1998.[222] (Department of Welfare, 24.7.1997:1-2)

Proposed benefit:	*100*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*48*	**%**
Phasing out over:	*3*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

Suggestion by Haarmann & Haarmann [see page 126: Figure 30]

In the research paper of the author and Claudia Haarmann published by E̲cumenical F̲oundation of S̲outhern A̲frica (EFSA) in January 1997, as well as in the submission to the Portfolio Committee, we suggested the following programme: The level of benefit should be R135, which corresponds to the present level of the child allowance of the SMG, and the age-group 0-6 years. We further argued that the target should be set at 75% of the children[223], that there should be no phasing-in and that the introduction date should be January 1998 in order to

Proposed benefit:	*135*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*75*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

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221 For more information regarding this point, see Claudia Haarmann's thesis chapter three.

222 Note that the time of introduction was again postponed to 1 April 1998 and payment of the grants should commence on the 1 June 1998. However, in July 1998 no beneficiaries were registered nor paid out, yet. For comparative reasons (see the following suggestions) it was decided to calculate as if the grant had been introduced on 1 January 1998.

223 For more details see Chapter 5.

have time to inform the beneficiaries and to put the necessary administrative mechanisms into place. (Haarmann & Haarmann, 1997c: 28 and 1997c:10)

Suggestion by the Portfolio Committee on Welfare [see page 127: Figure 31]

The Portfolio Committee issued a suggestion after it had held public hearings on the issue.[224] They recommended to the Department that the level of the grant should remain at the level of the present child allowance which is R135. Furthermore the age-cohort should be 0-9 years and there should be a limitation of two children per family unit who can receive support. The target was set at 75% of the children and January 1998 was suggested as the date of introduction.

Proposed benefit:	*135*	**R per month**
Proposed max. age:	*9*	**years (incl.)**
Max. n. per fam. unit:	*2*	**(0=off)**
Target rate:	*75*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

8.3.2.) The implications of the different policy proposals

The next section analyses the implications of the different policy proposals described above with the help of the model. Figure 27 to Figure 31 summarise the findings and provide an overview of the implications.

The tables within the figures are structured so that on the top of the page the factors determined by the suggested programme are given. (These are the same factors which are shown in the small tables included in the description of the 5 policies above.)

Secondly, under the heading 'assumptions', information regarding the database used, the present budget, the population growth and the inflation are given. These factors remain unchanged throughout the different scenarios.

Thirdly, the section 'administration' shows the different take-up rates assumed, the monthly maximum take-up rate and the improvement of the administration from the previous years in percentage points. These factors vary in the different scenarios. The type of means-test is seen as the decisive factor for the administration.[225]

These three sets of factors form the basis for the calculation of the financial projections for the next 9 years. The results are summarised in table form and in two graphs:

The tables give the budgets required for the different programmes, the exact numbers of costs/cuts as compared to present expenditure and the number of children supported/not supported. The first two rows show the developments of the budget of the SMG and the CSG respectively. The third line sums up the two budgets and hence makes up the total budget required. The next two rows relate the total budget to the present expenditure [see under assumptions] and calculate the cumulated costs/cuts over the next 5 years. The last two rows give the number of children in the eligible age-cohort who are supported/not supported by the new CSG.

The first graph illustrates the development of and the relationship between the budget for the SMG (o), the budget for the CSG (Δ) and the total budget (×) required (first three rows in the table).

The second graph illustrates the development of the costs/cuts as compared to present expenditure. The zero-line represents the present spending on SMGs. If the graph is below this line, it means that there are actual cuts to the present spending. If the graph is above, it means Government spends more money than for the SMGs (extra costs). One has to bear in mind that Cabinet decided to spend R1.2 billion more on the new CSG over the next five years.

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[224]   The author was asked to do the financial calculations for the Portfolio Committee.
[225]   See page 128

Suggested programme

Proposed benefit:	125	R per month
Proposed max. age:	9	years (incl.)
Max. n. per fam. unit:	0	(0=off)
Target rate:	12	%
Phasing out over:	5	years
Phasing in:	0	(0=off, 1=with)
Date of introduction:	1.8.97	

Assumptions

Data base:	1	(SALDRU (1); FFC (2); CSS 1996 (3))
Assumed present budget:	1,327	in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	33%	53%	67%	80%	93%	100%	100%	100%	100%
M. max. new take-up:	12,000	24,000	36,000	43,200	51,840	62,208	74,650	89,580	107,495
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	20%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,150	751	495	282	71	0	0	0	0	0
Budget for CSBs:	53	297	721	1,273	1,607	1,807	1,863	1,874	1,885	1,759
TOTAL BUDGET:	1,203	1,049	1,216	1,555	1,677	1,807	1,863	1,874	1,885	1,759
Cuts / costs to present expenditure:	-124	-278	-111	228	351	480	536	547	559	433
cum cuts / costs:	-124	-402	-513	-284	66					
Number of children supported:	35	198	481	848	1,071	1,204	1,242	1,249	1,257	1,173
Number of children not supported:	9,738	9,683	9,509	9,250	9,139	9,067	9,091	9,146	9,202	8,601
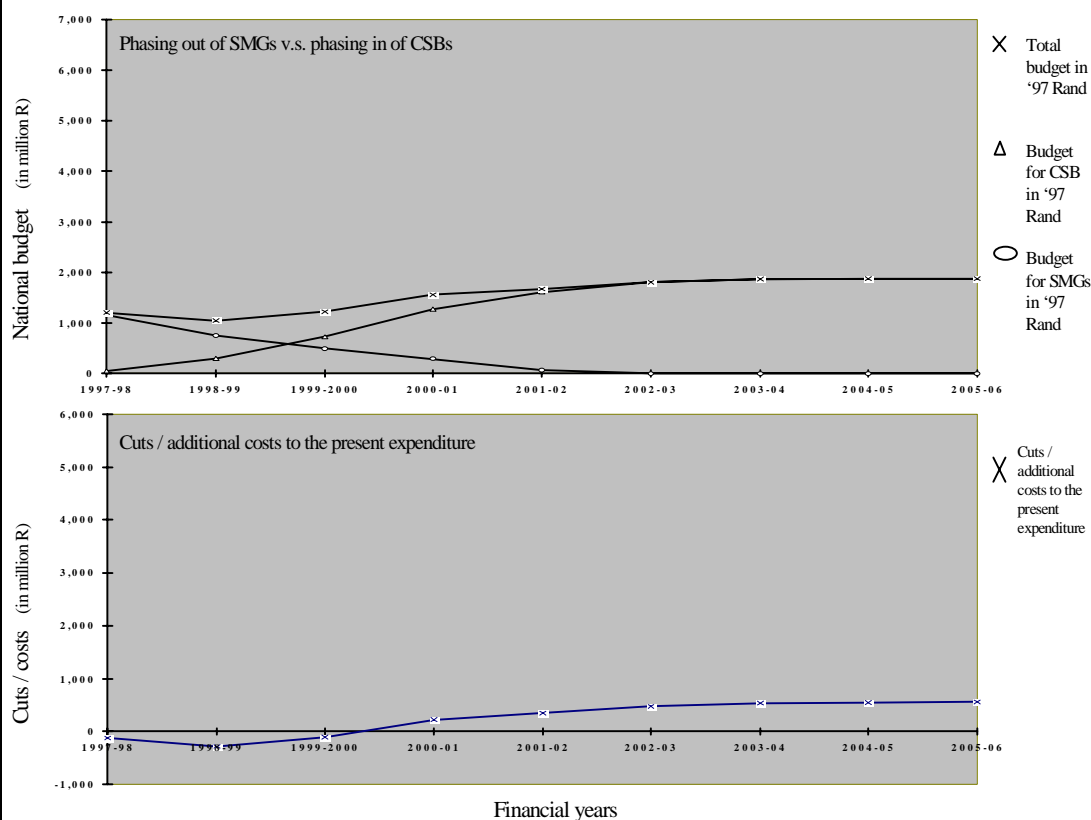
Figure 27: Preferred option of the Lund committee

Suggested programme

Proposed benefit:	*75*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*30*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*1*	**(0=off, 1=with)**
Date of introduction:	*1.8.97*	

Assumptions

Data base: *1* **(SALDRU (1); FFC (2); CSS 1996 (3))**

Assumed present budget: *1,327* **in million Rand**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	12,000	24,000	36,000	43,200	51,840	62,208	74,650	89,580	107,495
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	20%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,150	751	495	282	71	0	0	0	0	0
Budget for CSBs:	17	124	299	533	835	1,141	1,377	1,593	1,619	1,510
TOTAL BUDGET:	1,167	875	794	816	906	1,141	1,377	1,593	1,619	1,510
Cuts / costs to present expenditure:	-160	-451	-533	-511	-421	-186	50	267	292	184
cum cuts / costs:	-160	-611	-1,144	-1,655	-2,076					
Number of children supported:	19	138	332	593	928	1,268	1,530	1,771	1,798	1,678
Number of children not supported:	7,439	7,402	7,290	7,113	6,863	6,570	6,354	6,162	6,182	5,780
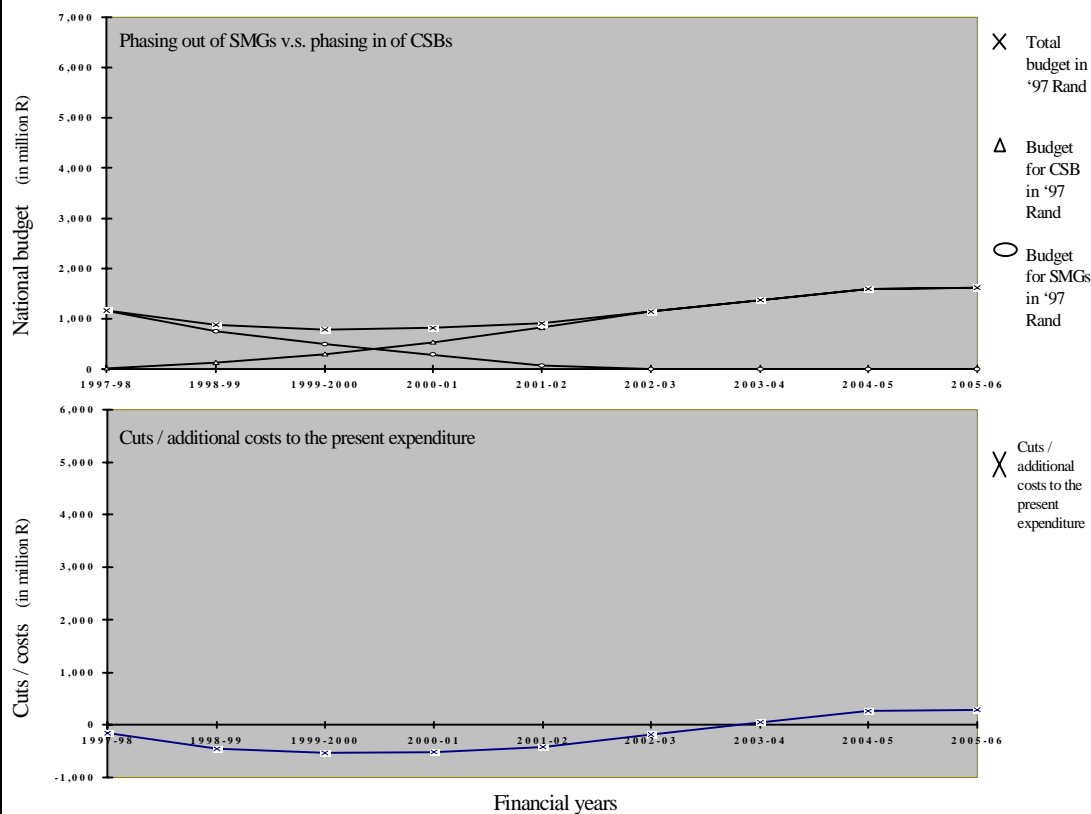
Figure 28: First Cabinet decision

Suggested programme

Proposed benefit:	*100*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*48*	**%**
Phasing out over:	*3*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

Assumptions

Data base: *1* **(SALDRU (1); FFC (2); CSS 1996 (3))**

Assumed present budget: *1,327* **in million Rand**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*12,000*	*24,000*	*36,000*	*43,200*	*51,840*	*62,208*	*74,650*	*89,580*	*107,495*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,216	657	265	0	0	0	0	0	0	0
Budget for CSBs:	4	119	376	753	1,187	1,664	2,200	2,810	3,105	2,897
TOTAL BUDGET:	1,220	776	641	753	1,187	1,664	2,200	2,810	3,105	2,897
Cuts / costs to present expenditure:	-107	-551	-685	-574	-140	337	873	1,483	1,779	1,571
cum cuts / costs:	-107	-657	-1,343	-1,917	-2,056					
Number of children supported:	3	99	314	627	989	1,387	1,833	2,341	2,588	2,414
Number of children not supported:	6,704	6,682	6,541	6,303	6,017	5,661	5,257	4,792	4,589	4,292
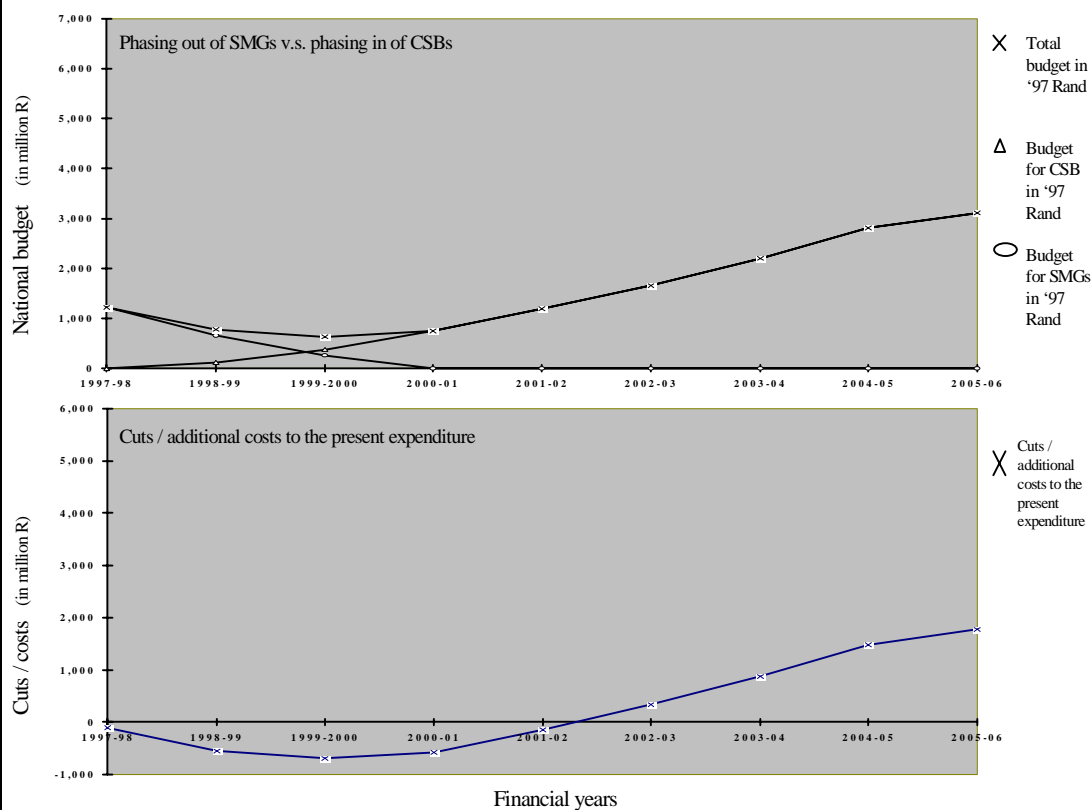
Figure 29: Second Cabinet decision

Suggested programme

Proposed benefit:	*135*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*75*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

Assumptions

Data base: *1* (SALDRU (1); FFC (2); CSS 1996 (3))

Assumed present budget: *1,327* in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*24,000*	*48,000*	*72,000*	*86,400*	*103,680*	*124,416*	*149,299*	*179,159*	*214,991*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	10	321	1,016	2,032	3,205	4,493	5,926	6,510	6,550	6,111
TOTAL BUDGET:	1,270	1,166	1,599	2,403	3,363	4,493	5,926	6,510	6,550	6,111
Cuts / costs to present expenditure:	-57	-161	272	1,077	2,037	3,166	4,599	5,184	5,223	4,785
cum cuts / costs:	-57	-218	55	1,131	3,168					
Number of children supported:	6	198	627	1,255	1,978	2,773	3,658	4,019	4,043	3,773
Number of children not supported:	6,701	6,583	6,228	5,675	5,028	4,275	3,432	3,115	3,134	2,934
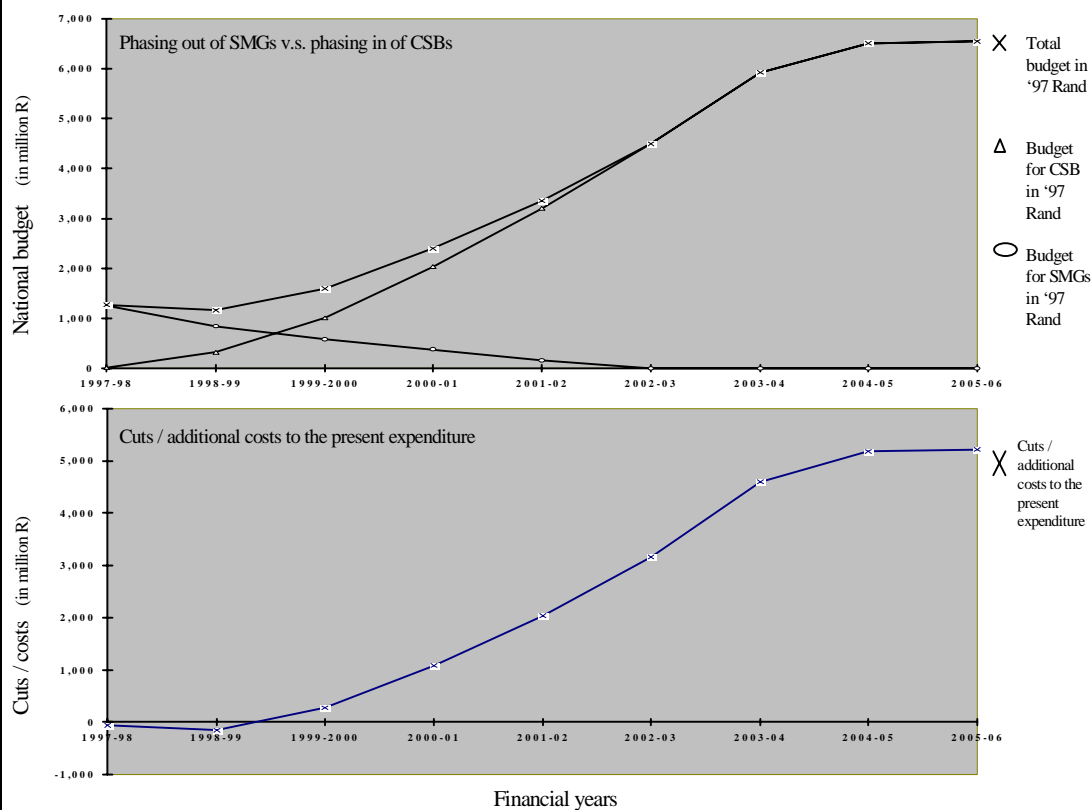
Figure 30: Suggestion Haarmann & Haarmann

Suggested programme

Proposed benefit: *135*   **R per month**
Proposed max. age: *9*   **years (incl.)**
Max. n. per fam. unit: *2*   **(0=off)**
Target rate: *75*   **%**
Phasing out over: *5*   **years**
Phasing in: *0*   **(0=off, 1=with)**
Date of introduction: *1.1.98*

Assumptions

Data base: *1*   **(SALDRU (1); FFC (2); CSS 1996 (3))**

Assumed present budget: *1,327*   **in million Rand**

	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	**2.y**	**3.y**	**4.y**	**5.y**	**6.y**	**7.y**	**8.y**	**9.y**
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*24,000*	*48,000*	*72,000*	*86,400*	*103,680*	*124,416*	*149,299*	*179,159*	*214,991*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	**97-98**	**98-99**	**99-00**	**00-01**	**01-02**	**02-03**	**03-04**	**04-05**	**05-06**	**max in '97 standards**
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	10	327	1,054	2,144	3,440	4,904	6,579	8,179	8,400	7,838
TOTAL BUDGET:	1,270	1,172	1,637	2,515	3,599	4,904	6,579	8,179	8,400	7,838
Cuts / costs to present expenditure:	-57	-155	310	1,188	2,273	3,578	5,252	6,852	7,074	6,511
cum cuts / costs:	-57	-211	99	1,288	3,560					
Number of children supported:	6	202	651	1,324	2,124	3,027	4,061	5,049	5,185	4,838
Number of children not supported:	8,595	8,494	8,141	7,564	6,862	6,012	5,032	4,100	4,019	3,763
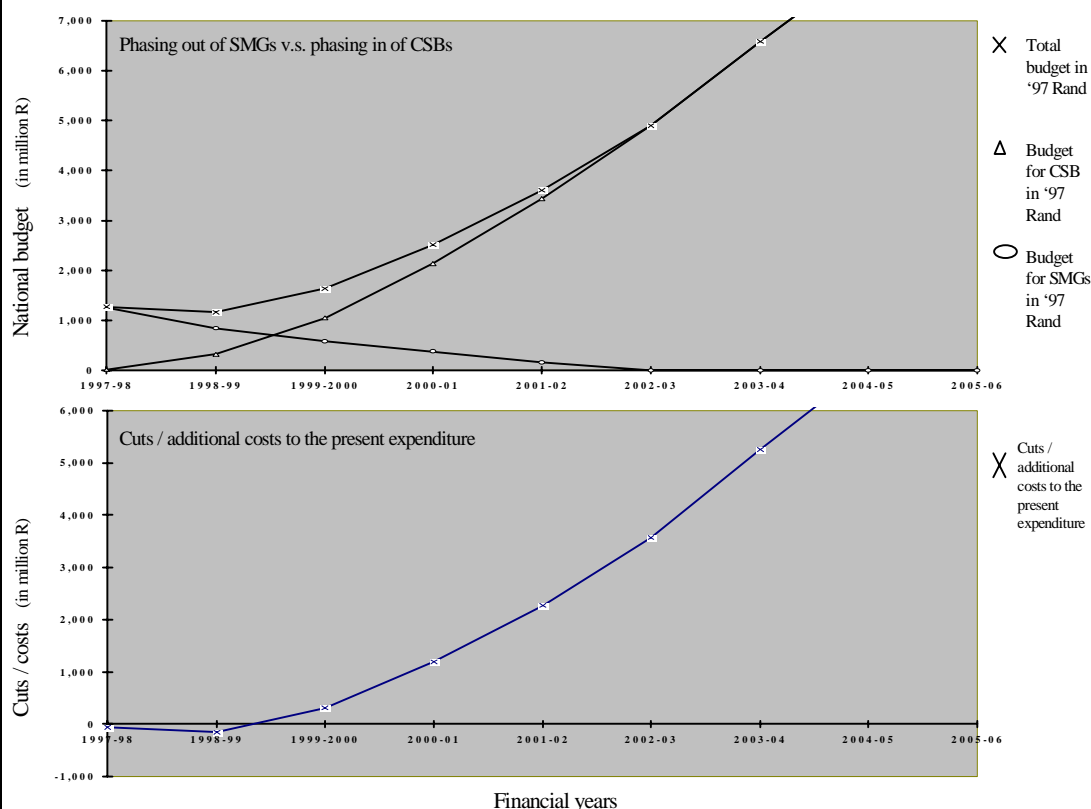
Figure 31: Suggestion Portfolio Committee

Comparing the five proposals, it becomes obvious that at least in the first year of implementation cuts to present spending seem unavoidable. This is due to the fact that the level of the grant is drastically

lower than the existing one. However, while the first three proposals would continue spending less on the new programme over the following years, the suggestion of the author and Claudia Haarmann, as well as the one of the Portfolio Committee start spending more after the first year of implementation. This fact is due to three factors: Firstly, the lower level of the grant, secondly, the low target rate and connected to this, thirdly, the administrative capacity. As discussed in Chapter 7, the administrative capacity is inevitably dependent on the target rate. The lower the target rate, the more complicated the means-test has to be, hence more administrative capacity is needed. This is the reason why a monthly maximum take-up rate of 12,000 in the first three proposals is assumed in the calculations, whereas it is believed that the simple means-test suggested by various researchers and supported by the Portfolio Committee[226] will get many more children onto the system and hence the number was doubled to 24,000.

These described cuts to the present spending amount to over R2 billion in the first five years in both proposals decided upon by Cabinet! The alarming aspect of this is that these R2 billion would be lost for Welfare and drawn back to the overall budget. This would have the effect that instead of at least coming up to the present spending, less money would be spent on poor children and the most vulnerable groups would suffer again and become deprived of this money.

The last two proposals would, in contrast, result in additional spending of over R3 billion. They insure that, while the fiscal constraints are kept in mind, more money would be spent to redress the past imbalances.

The maximum spending - meaning the overall budget when the programme will have reached maturity - by 1997 standards is also an important aspect. The Lund Committee's option[227] as well as the first decision of Cabinet would, even at that stage not spend considerably more than currently. The second Cabinet decision would finally require a budget of R2,9 billion, whereas the suggestion of the author and Claudia Haarmann would double that amount to R6,1 billion. The Portfolio Committee's option however would result in a budget of nearly R8 billion.[228] It has to be noted that all these calculations are based on the assumption that the level of the grant would be inflation-linked. But the final policy does not include a commitment to the effect that the grant will be linked to the inflation. In fact the amount of R100, which was said to be in 1997 Rands, was not increased according to inflation in the 1998/99 budget. Without that link the real value decreases over time while the nominal value remains the same. Just as the possible cuts to the present spending this point potentially has tremendous social consequences for the beneficiaries.

In both decisions, Cabinet agreed to support 3 million children. However, the calculations show that with the approved target rate of 48% this goal will not be reached as a realistic take-up rate has to be taken into consideration.[229] Looking at the second Cabinet decision and assuming a realistic 75% take-up rate, only 2,414 million children will finally be supported instead of the agreed 3 million. This is an important argument for a higher target rate and a differently designed means-test which does not only define 48% of the children as eligible but includes more children. In that way, it could be hoped to reach the goal of supporting 3 million children. The suggestion of the author and Claudia Haarmann shows that the simple means-test would finally get 3,773 million children onto the system and it has to be noted that this is most likely an overestimate as both, the number of children and the population growth, will probably be lower than assumed.[230] In '8.4.2.1.) Data base' it will be argued that given the new CSS release actually a target-rate of 75% would only require a slight increase to the money which has already been approved by Cabinet.

In conclusion, it can be said that the three proposals by the Lund Committee and Cabinet have serious flaws, and although the second decision of Cabinet to increase the amount has to be welcomed, the

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[226]   See Chapter 7; page 116
[227]   For a detailed critique of the Lund reports option see also Chapter 6.
[228]   Please note that in this calculation the number of children not supported refers to a total of up to two children per family unit and not to the total number of children in the age-group.
[229]   See also Chapter 7
[230]   See Chapter 3

question of the means-test, which is linked to the administrative possibilities of the offices, has to be addressed. Moreover, the negative implications of the cuts to the present spending as well as the linking of the level of the grant to inflation have to be borne in mind and decisions will have to be made in order to avoid them.

8.4.) Impact of the different factors

In the following the impact of each factor is evaluated. For the sake of greater clarity the 'compromise suggestion' on page 139 is taken (if not indicated otherwise) as the basic scenario against which the influence of each factor is evaluated. This compromise suggestion should be regarded as the absolute minimum, at which this research assumes that the CSG could be effectively introduced as a system which is fair in its application and which can have a tangible effect on poverty reduction for children in South Africa.

Proposed benefit:	*100*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*75*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

8.4.1.) Suggested programme

8.4.1.1.) Level of benefit

In the end it is the level of benefit which determines how effective this programme will be in terms of its poverty alleviation capacity for each recipient. The objective of the CSG system is to provide cash for children living in poverty. One of the arguments justifying the R75 was that this is 'better than nothing'. Although this is obviously true, it is questionable whether it helps to justify or determine an appropriate level. The same could e.g. also be said about R5. The report by the Portfolio Committee on Welfare on the public hearings rightly points out that

> *The HSL calculations used by the Department was conducted by the Institute for Development Planning and Research of the University of Port Elizabeth.*
>
> *In contrast to the Department's claim that the R75 is slightly above the HSL for a child aged 0-6 years of age, the (...) statistics, also from the Institute at UPE paint a different picture. (Portfolio Committee, 1997:7)*

So far not enough research has been done to really point out an appropriate figure concerning the cost of raising a child in South Africa.

However, this thesis would like to argue that a benefit of R135 per child[231] - and even R100 - can possibly have a substantial effect on poverty alleviation among children. R135 nearly equals $1 per day.[232] Chapter 4 has shown that over 45% of South Africa's children live with an average per capita expenditure of $0.88 per day. If the grant - like case studies on the maintenance grants in Ceres have shown[233] - is mainly spent on the child and not elsewhere in the household, this indeed means a considerable increase.

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[231]   R135 per child also enjoyed the most support at the public hearings. (Portfolio Committee, 1997:8)
[232]   Calculated with an exchange rate of $1 = R4.57 and 30 days per month, R135 equal $0.98. R100 equal $0.73.
[233]   See Claudia Haarmann's thesis

Figure 32: Costs in billion (vertical line) dependent on level of benefit per month (horizontal line)
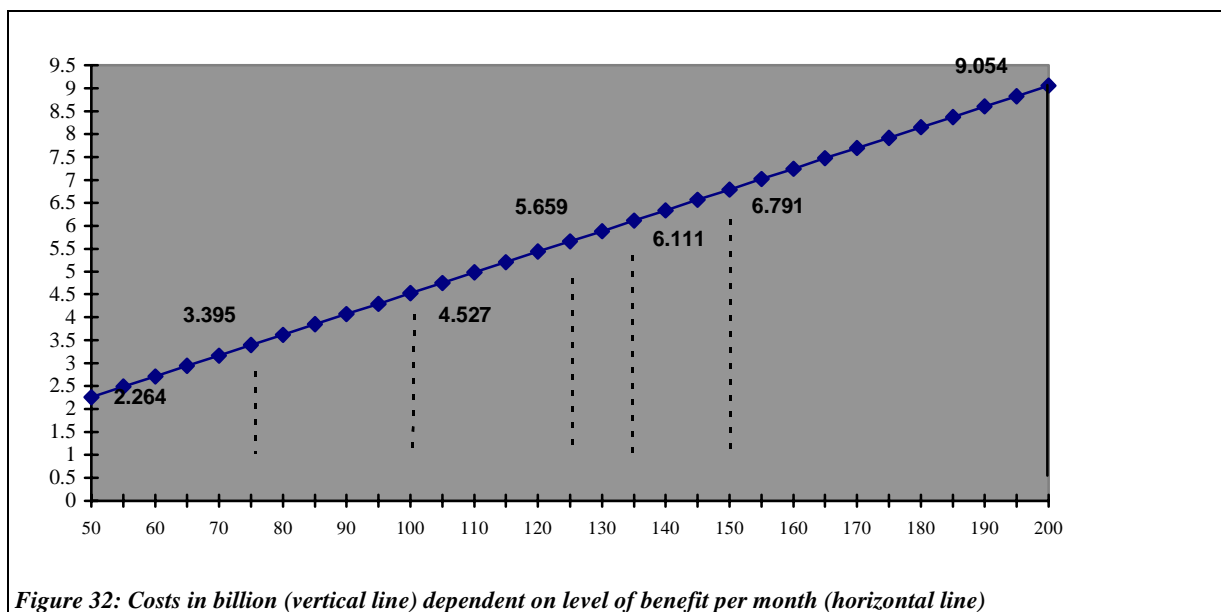
Figure 32 shows the linear dependency of the final costs of the CSG system on the level of grant chosen. If the level of grant was for example increased from R100 to R200, the total costs which the grant system requires would have to be doubled. Interestingly enough, this correlation does not seem to have influenced the Department's decision to change the benefit from R75 to R100. The Department calculated that a grant of R75 for 3,000,000 children would cost R2.7 billion ($\rightarrow$ R75 x 3,000,000 x 12months). However, when the grant was increased to R100, the Department still announced that its allocated budget would be sufficient:

> *The Minister will recommend that the initial level of R75 be increased to R100 per month to supplement child care costs in poor families. (...)*
>
> *The present funding estimate of R2.7 billion (in 1996 Rand) will reach approximately 3 million children. (Department of Welfare, 24.7.1997)*

Whereas the costs for the system increase linearly, the administrative costs remain the same. Therefore, the lower the amount is, the higher are the administrative costs in relation to the level of the grant. With estimates of costs per pay-out of about R15 to R30, R100 should be seen as the absolute minimum, also from an administrative point of view.

8.4.1.2.) Maximum age

Figure 33: Final costs in million and number of children supported dependent on age-cohort
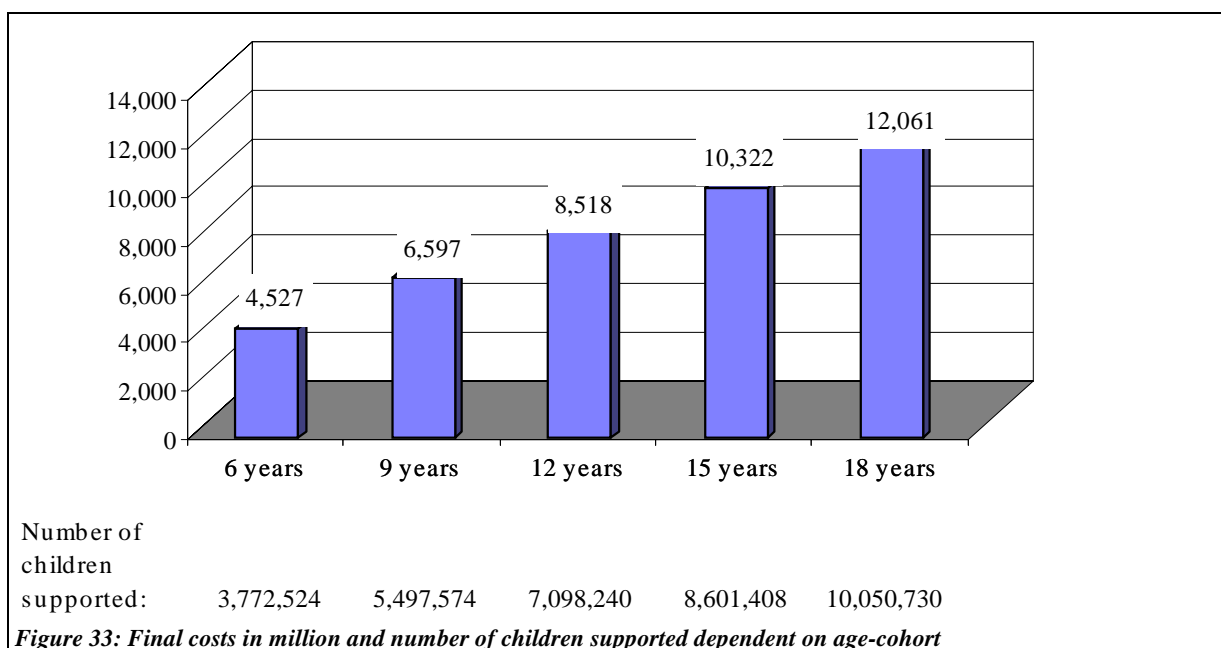
> *There are two ways of approaching the years of eligibility for a benefit: one is to concentrate on the objectives of a benefit in terms of what years in the life cycle a child will be most vulnerable, or conversely, at what ages intervention will be most effective. Second, the age can be used as a cost containment measure. (Lund Committee, 1996a:94)*

The Lund report concludes:

> *The 0-4 age range is the absolute minimum which should be considered; it should be loudly declared as the minimum, and the age increased as fiscal circumstances permit. (Lund, 1996:94-95)*

This thesis has been arguing that actually 0-6 is the minimum, as then children have at least reached schooling age, where school feeding schemes and other programmes might work. Several submissions at the public hearings argued to the contrary that

> *Some children only started primary school at 7 or 8 years of age. Children who would be on the proposed new system would suddenly find themselves without any financial support, before they even entered their first school year. The first and subsequent years which are arguable, the most draining on the families' financial resources. (Portfolio Committee, 1997:9)*

The New Women's Movement and the Women on Farms Project argued that it was easier for women to cater for the support of their children on their own during pre school age and that they would rather have the support later. (Cape Times, 17.6.1997) These concerns should be taken seriously. However, this thesis still tends to believe that to support the children in their first years seems to be the better approach. Chapter 4 has shown that 98% of the children in the first and 70% in the second ranking group live in households showing a household consumption of below the subsistence level. Combined with the disproportionally high spending on sugar and grain it had to be concluded that it was very likely that a lot of children in the age group from 0-6 suffer from malnutrition and vitamin deficiencies.[234] As malnourishment has the most severe consequences for children at a young age, it is felt that the younger ones should have priority in the CSG system.

It is remarkable to see (Figure 35 page 158) that allowing for a larger age cohort does not seem to pose a short term financial problem. Even if the age level included all children up to 18 years, it is likely that less than the present budget of the SMGs would be spent up to the financial year 1999/2000! This can be explained through the limited administrative capacity, which will prevent people - even in an optimistic scenario - from coming onto the system.[235] However, this would at the same time most likely lead to a break-down of the system itself, as many people would apply but their applications could not be processed.

Maximum number of children per family unit

The Portfolio Committee in its alternative suggestion to the Department has proposed the idea of containing the costs by restricting the number of children per family unit to 2 children, and then to pay the support for up to 9 years. This reduces the number of children in the respective age group from 9,773,464 to 8,601,442.[236]

The Child Support Grant Task Team (CSGTT) confused this suggestion to restrict the number of children supported per family unit with the suggestion only to pay for up to two children per household. The household can obviously consist of more than one family unit. With a subsequent study they attacked the Portfolio Committee that this would grossly discriminate against the poorest children as they tend to live in larger households. (CSGTT, 1997:Appendix B) Although the attack is unfair, as such a restriction to the household instead to the family unit was never intended, the argument that this would tend to take money from poorer families is correct.[237]

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234   See page 72: '4.3.2.4.) Financial means of the poor'
235   See also 8.4.2.6.) Monthly maximum take-up
236   See page 159: 'Table 16: Restricting the maximum number of children per family unit to 2 children'
237   See page 76: '4.4.2.) The household'

8.4.1.3.) Target-rate

The Department so far has tried to use the target-rate as the main mechanism for cost containment. Chapter 7 argued that this has far-reaching social consequences and in the end might even jeopardise the whole programme. This thesis therefore argues that the target-rate should not try to divide the poor into extremely poor and very poor or the like. The arguments for a target-rate of 75%, which is based on a needs assessment, have been established and this rate should not be further cut.

If, however, a means-test should be introduced to select only a certain proportion of the poor children, this test - as shown in Chapter 7 - will be administratively extremely complex. Besides the equality argument, this seems to be the major argument against an attempt of containing the costs in this way as the required administration would increase costs disproportionally.[238]

8.4.1.4.) Phasing out

The phasing out period determines the time, for how long the families presently receiving a SMG will still receive the SMG, but with a yearly reduction. This time is meant as an adjustment period.[239]

The Lund report had suggested to phase the SMGs out over a period of 5 years. However, it had warned:

> *The proposal carries a high social and economic cost for those on the current system. The Committee wishes to record that the proposal will have negative consequences for many. Women presently receiving the State Maintenance Grant, especially those in their 40s and 50s, who will have difficulty in finding alternative sources of income, will be desperately affected. More young people will have to work for the upkeep of their families, and this will affect their schooling and influence their future ability to be independently productive. The present pressure on grandmothers to care for grandchildren will increase. (Lund Committee, 1996a:96)*

This bleak picture of their future was supported by *'moving testimony'* of women presently receiving the grant at the public hearings in Cape Town in April 1997 (Portfolio Committee, 1997:11) All the more was it remarkable that by far the majority accepted that the phasing out of the SMGs was necessary. The principle that money has to be taken away from poor people to reach those who have never received support, was accepted.

The motive behind the ANC National Executive Council's (NEC) decision to shorten the period of the phasing out from 5 years (in the first Cabinet decision) to 3 years (in the second) must be viewed in a serious light (Department of Welfare, 24.7.1997) Figure 36[240] shows that this decision will most likely result in higher cuts to the present welfare budget for poor children. Calculated on the basis of the second cabinet decision this change in policy is likely to increase the cuts by R1.08 billion over the next 5 years. And so this decision is more than likely to violate the principle - as accepted - of taking the money from some poor children for the benefit of all South African children. The money which is taken away from the poor is highly unlikely to be spent for poor children. The Department has reiterated that there will be no roll-overs, meaning that the money will be lost for Welfare.

The calculations of the implications of the phasing out have often distorted the picture of the real costs involved. There are two prominent examples:

The first one are the FFC calculations for the public hearings. (FFC, 1997a and 1997b)[241] The calculations are based on an annual reduction of only 14.3%. This is, however, not in accordance with the first Cabinet decision as a reduction of 20% (= 5 years) was decided upon. Furthermore, the costs for the system are overestimated, as it is not taken into account that:

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238   For an analysis of the effect of a more complicated administration see page 137: '8.4.2.6.) Monthly maximum take-up'

239   This will be the case if their children are no longer under 7 years old or if they do not come under the group of eligible people (depending on the means-test). Otherwise they might qualify for the much lower benefit of the CSG.

240   See page 160

241   See Claudia Haarmann's thesis for a full critique on the FFC submission.

- Children are naturally leaving the system when they reach the regular cut-off age of the SMG.

- The number of recipients will be drastically reduced through the eradication of fraudulent recipients. Sources within the Western Cape Welfare Department estimate that within the next year this could equal 25% to 50% of all recipients.[242]

- The Department so far has indicated that the SMGs would not be linked to inflation, so that in real terms even more than the 20% will be cut.

The second example is the 'fact sheet', based on which Cabinet took its first decision and which the Department handed out at the public hearings. Besides the fact that it even includes mathematical mistakes as documented in Table 17[243], the arguments applied to the FFC submission apply here as well.

8.4.1.5.) Phasing in

Starting from the idea that the implementation of the programme would be the most expensive phase because of the coexistence of the two systems, the SMG and the CSG, some of the members of the Lund committee suggested to phase in the new system by not allowing all children directly onto the system but only those who were born after the date of introduction.

> *Some argued that if it were phased in as children were born, the costs would be felt incrementally as the State Maintenance Grant was being phased out, and it would be administratively far easier to implement. Others found this quite unacceptable, argued strongly for all of the specified age group to be immediately covered from the date of establishment of the benefit, and proposed that bridging finance should be found to cover the hump. (Lund Committee, 1996a:87)*

Cabinet in its first decision followed those who argued in favour of a phasing in. Before criticising the assumptions underlying this argument, it is important to highlight the social consequences such a decision would imply: With a moratorium set on the SMGs, any child born already would have fallen into a gap of having no access to government support at all. The children who during the apartheid years were deprived of any government support and happened to be born just after a certain date, would have got no support from the new government either. Chapter 4 has shown how severe poverty among children of especially formerly marginalized groups is. Not to start changing this situation with the children already alive, but to postpone the support to a future generation seems to be more than questionable both, from a social as well as an economic point of view.

The argumentation in favour of the phasing in can be challenged in both its assumptions:

- That the first years of introduction are likely to run into a financing problem due to the costs of the SMG still being phased out.

- That a phasing in would be administratively easier.

Figure 37[244] is based on the first Cabinet decision assuming a progressively increasing take-up rate but no phasing in. It shows that even working on the assumption that the administration will work 100% effectively (which in fact is already unrealistic), it can be shown that the concern about a short term financial crisis through the coexistence of the SMG and the CSG in the first five years is unfounded. The misconception of an expensive short-term development can be explained by the fact that no realistic take-up rate had been included in the financial projections done for the Lund report and the Department.

In fact rather the exact opposite of a financial crisis should cause worries: Even with the 'compromise suggestion' (the author and Claudia Haarmann's and the Portfolio's suggestion) it seems likely that cuts to the present budget are unavoidable. Given the reassurance of the Department that this money

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[242]   To remain conservative in the calculations, the author's model assumes that in the first year 15% and from the second year 20% of the recipients could have been excluded through the eradication of fraud.

[243]   See page 159

[244]   See page 161

cannot be rolled over and if no interim solution is found this money will be lost for the support of children.

The argument that the phasing-in would limit the number of applications and hence enhance the administrative efficiency seems to be unrealistic. Even a mother with a now 2-year-old child would most likely still try to get the benefit (as it was publicly stated that this was to be a benefit for children up to 6 years) and hence take administrative capacity away, although her application would be turned down in the end. Given the present problems of getting a meaningful number of children onto the system - unlike the assumption made by the Lund report - it seems to be favourable not to phase in. Families with more than one child would hand in one application for all the children. Table 16[245] shows that on average 1.41 children live with each care-giver of that age-group. This means that with no phasing in, given the same administrative capacity, 41% more children could come onto the system at the same time.

For these reasons it is to be welcomed that the second Cabinet decision reviewed its first decision and decided against a phasing in of the CSG system.

8.4.2.) Assumptions and administration

8.4.2.1.) Data base

As shown in Chapter 3 there so far exits no comprehensive data set on income and demographic issues which is widely accepted in South Africa.[246] However, the data base is crucial for the financial calculations.

Data base	Assumed total number of children 0-6	Estimated total budget by 1997 standards
1. SALDRU[247]	6,707,000	R4,527,000,000
2. Data used by the FFC[248]	8,322,000	R5,617,000,000
3. Preliminary 1996 census results[249]	5,947,000	R4,014,000,000

Table 7: Implications of the different data bases on the financial projections

Table 7 shows the substantial influence the chosen data base has on the projected final costs of the CSG system. It is noteworthy that this difference in the financial projections will affect the scenarios only from the financial year 2003/04 onwards. Until then, due to the limitations caused by the administration all three scenarios come to the same results.[250]

Assuming that the preliminary results of the 1996 Census will be supported by the final results, Figure 39[251] shows that based on the 'compromise suggestion'

1. a benefit of R100,

2. to children up to 6 years (incl.),

3. with a means-test at R800 per care giver

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[245]   See page 159

[246]   See Chapter 3: 3.1.) Problem statement

[247]   See Figure 34 page 139

[248]   See Figure 38 page 162

[249]   See Figure 39 page 163

[250]   Chapter 6 has highlighted the problem that the Lund report, knowing about the differences in the data sets, did not give a range in its cost calculations. Even at that point in time there was reason to believe that the data base used by the FFC was overestimating the number of children. see also page 97 '6.4.5.) Database' and page 44 '3.4.) Conclusions'

[251]   See page 163

would stay within reach (R1.46 billion) of the budget the first Cabinet decision already decided upon to spend on the CSG system over the next five years! In the decision on 5 March 1997 Cabinet decided to spend an additional R1.2 billion over the next 5 years. (Fraser-Moleketi, 1997)

8.4.2.2.) Population growth

The calculations in the model assume a population growth rate according to the projections of Sadies. Chapter 3 explained that given the preliminary results of the 1996 census, Sadies' growth rate is most likely an overestimate. Nevertheless it was felt that until the theory about a declining fertility rate has been substantiated, it is better to continue working with conservative assumptions, knowing that the results are most likely too high.

As pointed out in '3.3.1.) Population growth rates' the FFC calculated with a much higher population growth rate (on average +2.52%, assuming a population explosion) as compared to Sadies' figures which are now being criticised as too high already. This again contributes to the fact that the financial projections done for the Lund report and the Department were by far too high.

8.4.2.3.) Inflation rate and link

In the calculations for all five policy proposals it was assumed that the benefit would be inflation-linked. This intention has so far not yet been confirmed by the Department.[252] The following example shows how important such a link will be in order to secure the ongoing social impact this programme might have.

	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
Nominal value	R 100	R 100	R 100	R 100	R 100	R 100	R 100	R 100	R 100
Required nominal value	R 100	R 109	R 119	R 130	R 141	R 154	R 168	R 183	R 199
Real value (1997 standard)	R 100	R 91	R 83	R 75	R 69	R 62	R 57	R 52	R 47

Table 8: Effect of inflation (9%) on the real value of the benefit with and without inflation link

The required nominal value indicates how much in nominal terms would have to be paid in order to keep the value of the grant the same for the recipients (inflation link).[253] [254] If, however, no inflation link should be included in the programme, the increase from R75 in the first Cabinet decision to R100 in the second would be used up within four years![255] The danger being that if no inflation link was laid down in the policy now, financial pressure on the Government could always lead to a situation where the nominal value might be increased over the years, but by less than the actual inflation rate. While a nominal increase in disregard of the inflation rate is often understood by the public as a real increase, in fact the value of the benefit would be eroded by and by.

8.4.2.4.) Take-up rate

With regard to the take-up rate two issues are of importance:

    I.   Regardless of administrative ceilings the implementation of a new programme of that nature takes time.

    II. It is impossible to reach a 100% take-up rate of those who by the means-test are identified as eligible.

There are several reasons for both these factors.

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[252]   See also page 128

[253]   Conrad Baberton from IDASA and the author compiled this table for the public hearings.

[254]   If an inflation rate of 6% is assumed the increase from R75 to R100 would be worthless within 5 years instead of 4 years.

[255]   In the end this would even mean that in the long run less money would be spent on the CSG system than presently for the SMGs. see Figure 40: Basic scenario but without an inflation link

I. Naturally, the implementation of a system takes time. Besides the limitation by the administrative factors there are several reasons for this:

- Information takes time to reach all the people concerned. It should be noted that the Department so far has not embarked on an information campaign on the introduction of the CSG system, which would have good coverage of the former disadvantaged families with children. But this will be crucial for the effect this programme possibly has during the first years.

- You must allow time for people to gather the necessary formal prerequisites.[256]

- The families concerned need to be convinced that this programme really works and will help (e.g. a neighbour already gets the grant).

- Social acceptance for the programme has to be established (vs. stigma of being dependent on welfare)

II. Final take-up rate

In '8.4.1.5.) Phasing in' it has already been shown how crucial the assumption of a take-up rate is for the short-term financial projections. The calculations of the FFC for the submission (FFC, 1997b:6) and the 'fact sheet' of the Department[257] calculate with a 100% take-up rate. While at that point in time it was still intended to phase in the CSG system, it was assumed that the target rate of 30% would directly reach a take-up rate of 100%.

Despite the fact that not all the people who will ever come onto the system can be on it from the first day of introduction, this also draws attention to the general fact that a 100% take-up rate is simply impossible. Chapter 7 ('7.1.2.) Target rate and take-up rate') has already explained why this is the case and that a 75% take-up rate can be seen as the maximum the system can hope to reach.

The disregard for this fact has distorted the financial calculations of the FFC and of the Department.[258] In the end this overestimate leads to a situation where the costs of the whole system are overestimated and where the Department sought a solution by containing the hypothetical costs through a tighter means test. Figure 41[259] shows that calculated on the basis of the 'compromise suggestion' additional costs of R1.5 billion are to be expected if a 100% take-up rate is assumed. However, in reality it cannot be expected that these costs will ever occur.

8.4.2.5.) Expected monthly backlog

The calculations assume that the system would process the grants with no backlog. Given the welfare crisis especially in the poorer provinces (Northern Province, Mpumalanga, North West, KwaZulu Natal, Eastern Cape) this seems to be unlikely at the moment. Problematic is that the majority of the intended recipients live exactly in those provinces where huge backlogs of up to over 1 year in the processing of grants have been the rule rather than the exception. If one builds a national average backlog of 6 months into the model, about R422 million less would be spent during the first 5 years (basic scenario see Figure 42 page 166).

Ironically, the poorer the administration is, the more Government will save, as the recipients simply cannot get onto the system and hence cannot receive their money.[260]

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[256] For a detailed discussion see Chapter 7 page107 ff. and 111 ff.
[257] See Table 17
[258] See Lund report, 1996:138-139
[259] See page 165
[260] This is of course only true if the poor administration does not open the door for corruption - which is often the case. Then the costs might as well be high, whereas the money would not reach the intended recipients.

8.4.2.6.) Monthly maximum take-up

As mentioned earlier, welfare in South Africa is facing a huge problem regarding administration. The following paragraph is going to show that this is most likely the limiting factor at the moment, which will decide whether even a well targeted CSG system can have the intended impact for the children concerned. Steele[261] estimates that in 1997 about 39,000 applications are processed per month on a national basis for all grants and pensions (SOAP, SMG, DG etc.). He estimated that currently between 7,000 and 12,000 additional applications for the CSG could theoretically be processed.

For Figure 27, Figure 28 and Figure 29 a maximum monthly new take-up rate of 12,000 was assumed as a starting point. This is the figure which Steele estimated, but seeing the extremely complicated means-test these policy suggestions require, it seems to be a very optimistic scenario. In Figure 30, Figure 31 and Figure 34 it is assumed that - due to a much more simplified means test [see Chapter 7] - a new take-up rate of 24,000 could be achieved from the start. This equals an increase of more than 60% of the total number of grants and pensions being processed on a national level with the introduction of the programme! All calculations assume that due to computerisation the administration can improve dramatically: in the second year by 100%, in the third by 50% and in every subsequent year by 20%. Underlying these calculations is the assumption that the Department will work ambitiously on its administration, which it inherited from the past regime. This is a precondition for this programme, as it covers a relatively small age-group and a huge number of intended recipients which leads to a very high turn-over. Children are leaving the programme relatively soon again and new applications will have to be processed. Furthermore, children who live with different care-givers during the time they are on the programme will most probably require a new registration and therefore administrative capacity.[262]

The basic scenario and two possible variations can show the importance of the administrative factor for the programme:

	Administrative assumption	Expected number of children on the programme after 5 years	Cum cuts or costs as compared to the present budget
I. [see Figure 43]	12,000 per month in the first year, with no improvement of the administration	400,000	cuts of R2,181,000,000
II. [see Figure 34]	24;000 per month with an increase of 100% first year, 50% second year, and 20% in every subsequent year	1,978,000	additional costs of R1,461,000,000
III. [see Figure 44]	36,000 per month with an increase of 100% in the first year, 50% in the second year, and 20% in every subsequent year	2,956,000	additional costs of R3,886,0000,000

   I.   Figure 43 shows that if the administration is not improved drastically the whole programme will not get off the ground. This in fact is the worst case scenario, as not only the intended recipients would not be adequately reached, but there is also the danger of this programme blocking all other welfare services, and so the whole system would be in danger of collapsing.

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261   Tim Steele has been working as a consultant to the Western Cape Welfare Department and is currently working for the national Welfare Department in Pretoria on the reorganisation of the national social security system.

262   The re-registration is not taken account of in the calculations, as no finality on these administrative proceedings has been reached so far.

II. Figure 34 is already based on a very ambitious improvement of the administration, and if this was achieved it would guarantee that a well targeted programme could relatively quickly have an impact on child poverty in South Africa.

III. Figure 44 shows that even if the administrative capacity could be improved to numbers unheard of, the programme would not run into a sustainability problem. With likely savings in the first two years and a total budget requirement of R3.7 for the financial year 2001/02, (still only half the budget the Government pays towards old age pensions at the moment), this scenario proves that from a financial point of view there is absolutely no danger in improving the welfare administration 'too much'.

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base: *1* (SALDRU (1); FFC (2); CSS 1996 (3))

Assumed present budget: *1,327* in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	24,000	48,000	72,000	86,400	103,680	124,416	149,299	179,159	214,991
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	20%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	7	237	753	1,506	2,374	3,328	4,389	4,822	4,852	4,527
TOTAL BUDGET:	1,267	1,083	1,335	1,876	2,533	3,328	4,389	4,822	4,852	4,527
Cuts / costs to present expenditure:	-59	-244	9	550	1,206	2,001	3,063	3,496	3,525	3,200
cum cuts / costs:	-59	-303	-294	255	1,461					
Number of children supported:	6	198	627	1,255	1,978	2,773	3,658	4,019	4,043	3,773
Number of children not supported:	6,701	6,583	6,228	5,675	5,028	4,275	3,432	3,115	3,134	2,934
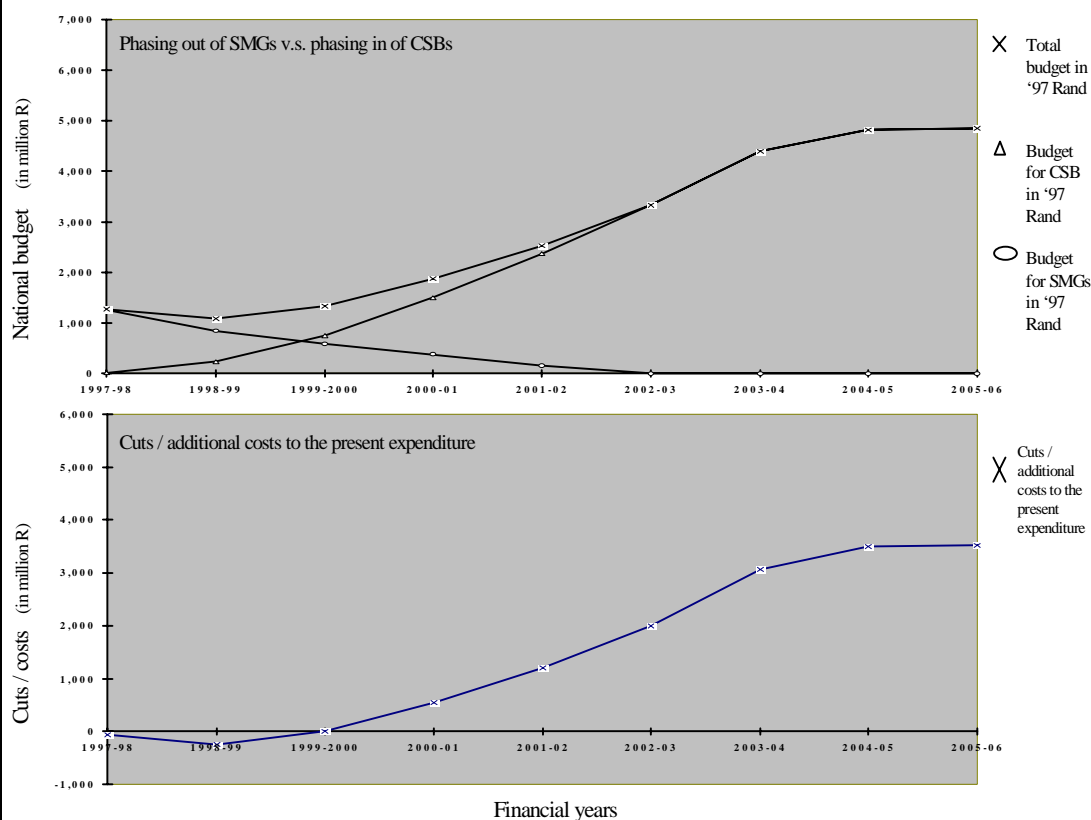
Figure 34: Compromise suggestion

8.5.) Conclusion

Given the present economic situation in South Africa it has become clear that there is always a dilemma in the policy choices: Either a higher benefit is paid to fewer children (means-test and age-cohort) or a lower benefit to more children. It should not be forgotten that there is a minimum of all three variables, which in fact would have to be agreed on with the people concerned! This thesis argues that reducing the means-test to below R800 per care-giver is not a viable option in the South African situation at the moment and would endanger the programme's ability to function as a poverty alleviation programme.[263] If a compromise has to be found between the financial means the Government wants to allocate to this programme and the social consequences involved, an age limit of up to 6 years (incl.)[264] and a benefit of R100[265] seem to be the best minimal solution. Although the programme would be limited due to the limitations in the age cohort and the level of benefit, there is good reason to believe that such a programme can still have a substantial influence in child poverty reduction in the present South African context.[266] [267]

Especially given the preliminary results of the 1996 census, a compromise suggestion as shown in Figure 34 seems to be within current fiscal constraints.[268] The various scenarios have shown that a dramatic improvement in the administration of welfare[269] and an inflation link[270] of the CSG are critical for the effectiveness of the programme. It must be warned that if one of these two is neglected, the whole success of the programme might be endangered.

It further has become clear that the financial costs are not - as often assumed - a matter of a problem of sustainability within the next 5 years.[271] The question should not be, how children can be prevented from getting onto the system in order for the programme to be sustainable over the next five years. In the light of the administrative problems and due to the expected cuts to present expenditure in the first years of introduction the question must be how as many needy children as possible can get support as soon as possible!

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[263]   See Chapter 7 and '8.4.1.3.) Target-rate

[264]   See '8.4.1.2.) Maximum age'

[265]   See '8.4.1.1.) Level of benefit

[266]   See Chapter 4 and '8.4.1.1.) Level of benefit

[267]   See also the Conclusion and the thesis by Claudia Haarmann. Together with Claudia Haarmann the author suggests to extend this cash benefit programme by the introduction of a 'Community Fund' which - by joining the forces between Government and civil society - could assist further in the fight against child poverty in South Africa.

[268]   See '8.4.2.1.) Data base'

[269]   See '8.4.2.5.) Expected monthly backlog' and '8.4.2.6.) Monthly maximum take-up'

[270]   See '8.4.2.3.) Inflation rate and link

[271]   See '8.3.2.) The implications of the different policy proposals' and '8.4.2.4.) Take-up rate'

Chapter 9: Conclusion

Living conditions of South Africa's children

After years of apartheid policy, the majority of South African children live in poverty. Chapter 4 showed that according to any commonly used definition 60-70% of all children up to the age of 6 years (incl.) live below the poverty line. Until 1994, when the first democratically elected government came into power, Government did neither have a vision nor a coherent policy to address this problem - let alone coherent data to plan adequately. Such was the challenge the ANC government had to face when it started to restructure the child welfare policy at the end of 1995. In order to clarify important issues for this policy process, this thesis made a situation analysis of the living conditions of children up to the age of 6 years (incl.).

The SALDRU household survey, which was collected at the end of 1993, was shown to be still the most reliable data source for such a research. This was supported by a match of the SALDRU data and the preliminary results of the 1996 Census which produced a high resemblance in the distribution of the population over the provinces. Based on the SALDRU data, this thesis developed a composite index which takes account of the financial situation, housing, health, and employment opportunities of the households the children are living in. This composite index is used to group the children into 5 ranking groups according to absolute poverty criteria. The result showed the children in the bottom two ranking groups as living below the poverty line.

This analysis revealed that nearly 70% of South Africa's children up to the age of 6 years (incl.) live below the poverty line as defined. These children live in households with an average expenditure of $1.15 per capita per day. For over 45% of South Africa's children this average drops even as low as $0.88, which is below the crude international poverty line of $1 per capita per day. By contrast, only 5% of the children live in the wealthiest grouping, and the households they are living in spend an average of $13.16 per capita per day.

On average nearly half (49%) of the total food expenditure in the households of the poorest two ranking groups is spent on sugar and grain. One has to conclude that these children are extremely likely to suffer from malnutrition and vitamin deficiencies.

Poverty is especially severe in rural areas where 80% of the children classified as below the poverty line live. By far the majority of the children in the bottom ranking group live either in the Eastern Cape, KwaZulu Natal or the Northern Province.

Poverty has a strong racial component, as 99% of the poorest children are 'african'. Nearly none of the 'indian' and 'white' children fall below the poverty line.

The housing and health situation showed the most important differences between those below the poverty line and those slightly above it. 41% of the children in the poorest grouping live in houses of less than a minimum standard (shacks, hostels, traditional dwellings etc.). Nearly two thirds (64%) do not have proper water facilities and two fifth (42%) have either no toilet facilities at all or only a bucket toilet. The standards improve for children in the ranking group slightly above the poverty line. This was accounted for by the fact that these children live in urban areas (townships), where at least such basic facilities are available. However, one has to keep in mind that the children in this ranking group live only slightly above the poverty line and often do not reach a minimum standard in other areas than housing and health.

The employment and educational situation is bleak, not only for the bottom two, but also up to the fourth group. Even in the ranking group slightly above the poverty line nearly 50% of the households face a situation where only 0% - 39% of the adults are employed and 23% have less than a standard 5 education.

The analysis of the household structures indicated a strong correlation between the poverty situation and the household size: Poorer children are more likely to live in larger households. The majority of children in the poorest ranking group live in households of between 6 to 11 persons. The same tendency can be shown for the total number of children in the households.

The research revealed that over 50% of the children below the poverty line live in households where the oldest person is under 60 years of age. The widely spread claim that the support offered through the state old age pensions already and comprehensively covers the children in poverty, is refuted, as in these cases no one in the household qualifies for an old age pension.

Concerning the family structure it was shown that out of the nearly 70% of children living below the poverty line, de facto only 33% live with both, their mother and father. Whereas the nuclear family is the norm for the richer children - 93% in the top ranking group live with both their parents - one can say that this is rather the exception in the case of the poorer children. The majority (de facto 54%) in the bottom ranking groups live with only their mother, 3% with only their father, and slightly more than 10% with none of their parents. Throughout all the ranking groups the group of single fathers is negligibly small.

From state maintenance grants to a new child support system

At the time this research started in 1995, state maintenance grants were a social security payment provided by the state. *In principle* every single parent of a child below the age of 18 (in special cases up to 21 years) qualified for this payment - subject to a means-test. 'Single parent' under these regulations was defined as a person whose spouse was deceased, in prison, disabled or untraceable. The payment of the grant consisted of two components: A parent allowance (in 1997 max. R430 per month) and a child allowance (R135 per month for a maximum of two children).

However, the reality was such that apartheid's divide and rule policy had led to a situation where the maintenance grants were mainly accessible to 'white', 'indian', and 'coloured' families. As poverty among these three groups was especially severe in the 'coloured' communities, de facto the 'coloured' population in terms of numbers received most of the grants in the early 90s. 'Africans' were mostly excluded due to the apartheid policy. Even after the system had been legally extended to 'african' children, the situation described above was consolidated through administrative discretion from the side of welfare officials.

At the end of 1995, the concern about the financial implications of extending the system de facto to all 'race' groups, prompted the Welfare MINMEC to establish the 'Lund Committee on Child and Family Support'. The brief of the committee was to investigate the future affordability of the state maintenance grant system and to explore alternative policy options.

Being involved in research for the Lund committee at the time, this thesis showed that the maintenance grant system would cost up to R13.7 billion if in fact 75% of the people who were eligible at that point in time claimed support. This has to be compared to the R1.3bn spent on SMGs in 1997.

Adding to the problem of these potentially excessive costs to the state, this thesis argued that the SMG system does not suit as a poverty alleviation programme in the current South African situation. The system was designed as a back-up system for 'white' families with children in a crisis which could cause poverty. This crisis was defined as a nuclear family break-up. It has been shown that the concept of a 'nuclear family' as the norm and 'single parenthood' as the exception is not applicable to the majority of South Africa's children. Therefore, a support system which restricts its support to children of 'single parents' exclusively, does discriminate against virtually about half of the poorest children.

This is not negating the fact that a family break-up often constitutes a cause of crisis, vulnerability, and poverty - however, it is not the most prominent one.

Following the main recommendations of the Lund committee in September 1996, Government introduced a new child support grant on 1 March 1998. This grant replaces the SMG system. Payments to current recipients are being phased-out over a period of three years. The main conceptual difference between the new child support grant and the maintenance grant lies in the payment to the 'primary care-giver', instead of a payment to a single parent only. The underlying idea is that the person who actually takes care of the child (in South Africa often a person other than the biological mother e.g. the grandmother or aunt) can claim the grant on the child's behalf. The term 'primary care-giver' indicates that the benefit does not depend on the family structure. The Department's declared intention is to shift the focus from support in situations of family break-up to poverty alleviation.

The Department promises to reach far more children with the new programme (3 million within the next 5 years) than the SMG system did. However, the new system drastically cut the level of support: The grant is only payable to children from 0-6 years (inclusive). The amount was set at R100 per month. The payment is subject to a newly devised means-test based on the combined total income of the household members the child is living with, instead of previously the single parent income. The Department set two different maximum levels of income: R800 per month for households in urban areas, and R1,100 per month for households in rural areas or those who live in informal housing. The successful applicant has further to comply with a list of conditions be it the proof of immunisation of the child, the proof of efforts of obtaining private maintenance, and the proof of efforts of the primary care-giver to secure employment or to join a developmental programme etc. Furthermore, the recipient amongst other things has to guarantee proper accommodation, food and clothing for the child.

The shift away from the state maintenance grants can be regarded as a test case for future social policy building in South Africa: By the end of 1995, when this research started, the SMG system was the biggest social security system which was still in place more or less untouched. From early on it was obvious that the SMG system in its original form was unsustainable. It is noteworthy that nearly all NGOs that engaged in the policy discussion understood and validated this financial concern. In combination with the commitment of the ANC government towards alleviating child poverty repeated in various policy papers this constellation opened an unprecedented opportunity: A completely new system could have been created by Government in co-operation with civil society. Especially, as South Africa has already gained internationally acclaimed success with another redistributive social security programme: The state old age pension system, which the government describes as its biggest and most successful poverty alleviation programme. This set the scene for public support for social transfers as a means of poverty alleviation and redistribution.

However, this thesis argued that the challenge was not adequately met: There is reason for concern that the policy in its current form will not be able to significantly alleviate child poverty. In addition, a detailed analysis of the various components of the programme and the earlier policy proposals revealed that these problems would have been aggravated if no major alterations had been made to the initial suggestions. The changes made have to be attributed to the public pressure exercised by civil society and the Portfolio Committee for Welfare.

The policy process, it is argued, was one of the first which pointed to the place where future struggles in social policy are likely to take place. The thesis analysed that Government currently is shifting away from a 'Radical Social Democratic and Democratic Socialist' approach towards a more 'New Right' or neo-liberal approach. The 'Radical Social Democratic and Democratic Socialist' approach, adopted in the RDP, advocates an active role of the state. This role includes strong interventions in the economy, a permanent striving towards democratisation of the state and other institutions as well as the redistribution of wealth. To the contrary, the 'New Right' approach believes in the self-regulative capacity of the market as the main source for development. Hence, the state should only regulate and control the economy on a very limited basis. The 'New Right' applies the same principles to social policy. The market should deliver social services and state social assistance should only be available to the very poor and destitute. While the former approach is in favour of new and improved social programmes, the latter demands a cutting back of social spending.

The thesis pointed to a notable difference of the effect of the 'New Right' approach in the industrialised and the developing countries with regard to social policy: In both cases the 'New Right' advocates a cutting back in social spending in favour of global competitiveness. The effect in industrialised countries, however, is that the welfare states are restructured, but a dismantling has not occurred and the changes have only halted the further expansion of welfare. The projection of the 'New Right' on developing countries to the contrary have repeatedly led to a real cut in social spending. With anyway much lower levels of state support for the poor such strategies have inevitably caused severe negative social consequences on the African continent. In the South African context, while Government - and most prominently at the top level- is promoting 'New Right' remedies, they do not admit to the negative impact of these policies as regards the ideals of the liberation movement articulated in the RDP. Quite to the contrary, Government argues for neo-liberal remedies for the economy in an idealistic liberation movement rhetoric. With regard to the CSG this had visible consequences: Despite public commitments of Government to make the alleviation of child poverty its top priority, adequate resources for the programme were denied, in overzealous attempts to meet macro-economic targets. The promise in GEAR that redistribution was to take place was not realised within this new social policy. This situation poses a new challenge to the formulation of social policy which wants to be in accordance with the goals set out in the RDP in general and in the White Paper for Welfare in particular. The proponents of these goals will have to look beyond the rhetoric of Government by analysing the governmental strategies carefully and by clearly spelling out the consequences of the 'New Right' approach for social policy.

The lesson from this policy process is that it can no longer be taken for granted that the fight against poverty is the prime objective of Government. However, this change is not unchallenged. In fact, the development of the CSG was the first issue after the democratic elections, where a broad coalition of organisations of civil society - NGOs, churches, unions, and parliamentarians - within the former liberation movement stood up, and openly opposed Government for not being poverty oriented. The analysis of the process[272] has proved the case that for progressive forces to be effective, a close co-operation between civil society and research capacities is essential. This is the area where this thesis intended to make its contribution. Against this background the thesis tried to develop a systematic approach to inform social policy debate in general and this debate on the CSG in particular. A microsimulation model was built in order to be able to spell out and to evaluate the economic and social impact of the various policy suggestions and thereby to reveal the underlying motivations. The practical existence of the 'New Right' approach requires that social policy be based on sound information to be able to challenge the validity of government's 'objective' economic arguments against redistributive spending and in favour of free-market approach.

With regard to the practical example of the child support policy this research was instrumental in revealing the following points:

Type of programme suggested: The approach in which the benefit is not linked to a specific household structure is the main novelty of the Lund report recommendations. A comparative analysis with possible other options showed that this is in fact the most sensible solution, given the diversity of South Africa's child care arrangements: While for example a blanket-family allowance might potentially be cheaper, it would discriminate against families with more than one child. The analysis of the situation of South Africa's children revealed that especially poorer children live in larger households.

Level of benefit: The first Cabinet decision set the level of benefit at R75 per child per month. The Department argued on the basis of the Lund report that this was slightly above the household subsistence level determined by the University of Port Elizabeth. The idea of the Lund report was to tie the benefit to a research-based subsistence level in order to safeguard it against inflation.

At the public hearings on the child support grant in March 1997, this research was instrumental in revealing that if this proposal had been implemented, it would have resulted in overall cuts to the present spending on the SMG budget of about R2 billion within the next five years. The public hearings further revealed that the research from UPE had been wrongly interpreted and that R75 cannot be

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272   See also Claudia Haarmann's thesis

regarded as an adequate subsistence level. The Department finally increased the level of benefit to R100 in late 1997.

Moreover, this research illustrated that given the present economic situation in South Africa, the system can either pay a higher benefit to fewer children or a lower benefit to more children. However, it is argued that R100 as a starting level is the absolute minimum and the research developed a case for R135: In the end, it is the level of benefit which determines how effective this programme will be in terms of its poverty alleviation capacity for each recipient. The objective of the CSG system is to provide cash for children living in poverty. Whereas the total costs of the system with a higher benefit increase linearly, the administrative costs remain the same. Therefore, the lower the amount, the higher are the administrative costs in relation to the level of the grant. With estimates of costs per payout of about R15 to R30, a level of benefit of R100 should be seen as the absolute minimum, also from an administrative point of view.

The model developed in this thesis showed that there is reason for concern regarding the erosion of the benefit through inflation: While the Department increased the benefit from R75 to R100, it also dismissed the idea that the grant should be linked to an objective subsistence level. It now argues that the grant only constitutes a 'contribution' to the costs of child raising. The amount of R100 was set to be in 1997 Rands, however, it was not increased according to inflation at its introduction in 1998. This thesis showed that if the nominal amount of the grant is not increased according to inflation, the increase from R75 to R100 will be worthless within four to five years (depending on the actual inflation rate).

Maximum age: The Lund report argued that the age-cohort from 0-4 years constitutes the minimum. This thesis argued that the cohort from 0-6 years should be regarded as the minimum: Children then have at least reached schooling age, where school feeding schemes and other programmes might work. Several submissions at the public hearings argued in favour of 9 years.

The New Women's Movement and the Women on Farms Project are favouring a completely different approach: They argue that it is easier for women to cater for the support of their children on their own during pre-school age and that they would rather have the support later.

While these concerns should be taken seriously, this thesis tends to believe that supporting the children in their first years seems to be the better approach: In the chapter on the living conditions of South Africa's children it has become evident that very likely a lot of children in the age group from 0-6 suffer from malnutrition and vitamin deficiencies. As malnourishment has the most severe consequences for children at a young age, it is felt that the younger ones should have priority in the CSG system.

The financial analysis interestingly pointed to the fact that allowing for a larger age-cohort does not seem to pose a short term financial problem. Administrative constraints put a limit to the potential take-up in the first years after the introduction. Hence, the short term costs do not constitute the main constraint. However, in the long run the programme would run into financial problems, if the age was not restricted or if no major additional funds were allocated to the system. If the programme e.g. was to be extended to 18 years, the final costs might reach about R12 billion (1997 standards).

Means-test: A means-test defines a target group by choosing eligibility criteria. It thereby selects a group of people, who are identified as being in need. At the same time, it serves as a cost saving mechanism as it is supposed to exclude those who do not need support. However, due to the fact that not all eligible people take-up the support, the number of people who come under the target group as legally eligible has necessarily to be higher than the number of people actually intended as recipients.

The Lund report did not come up with a practical solution for the means-test. However, it included calculations of how many children could be supported by taking the available budget and calculating the possible coverage from there. The Lund report's preferred option was that 7%-12% of the children (0-9 years) coould be supported.

This thesis showed that the shortcomings of the Department's first suggestion (means-test to choose 30% of the children 0-6 years) and the final policy (48% of the children) are derived from the prob-

lems inherent in the Lund report's approach: First, the percentages are not derived from a needs as-sessment, and hence there is no correlation to the existing poverty levels amongst children in South Africa. This thesis revealed that according to any commonly used poverty definition between 60% to 70% of the children in the respective age group in South Africa live below the poverty line. It has to be concluded that the sole objective of the design of a restricted means-tests was to meet macro-economic targets, despite its adverse social consequences. Secondly, the financial simulations pre-sented by the Department were wrong and built on the unrealistic assumption that all children which the means-test defines as eligible will also receive the grant.

With regard to the first proposal of choosing 30%, the detailed critique in this thesis contributed to the public debate which led to the rejection of this suggestion and its method of using health indicator targeting: It could be shown that the method would have been unjust and with its social consequences irresponsible.

The final regulations, in turn, use the testing of the household income: A person qualifies for the CSG if the total *household income* is either less than R800 per month or R1,100 per month if the household lives in a rural area or in an informal dwelling. This thesis argued that the decision to test the house-hold income discriminates against larger and therefore poorer families. Nearly 40% of the children living below the poverty line are excluded from the support. The bias against urban areas and formal housing is likely to discriminate against the urban poor e.g. people living in so-called townships. In addition, the Department has created an excessive conditionality of the grant which is an unreasonable intrusion into people's private lives and puts an enormous burden on the poor making it more difficult to apply for the grant. The lack of clear guidelines and definitions leaves a large space for the subjec-tive discretion of the officials, as well as for fraud and corruption. The regulations require high administrative capacities which still have to be developed in many areas in the Welfare administration. Furthermore, the tendency of cash transfers not to reach the extreme poor will be reinforced. Finally, this thesis revealed that the combination of the means-test and the high conditionality of the grant is likely to put the goal of reaching 3 million children out of reach for a considerable period of time.

The thesis was instrumental in developing an alternative means-test: A simple means-test, based on the affidavit of the applicant, with a cut-off point at around R800 per month per care-giver was proven to be possible and realistic. The administrative simplicity of the proposal would ensure a fair and ef-fective management of the CSG. It would comply with the goal of the Child Support Grant to support needy children and would remain within reasonable fiscal constraints.

Administrative requirements: One of the most dramatic revelations of the various scenarios run on the model was that if the administration is not improved drastically, the whole programme will not get off the ground. In fact, if there is no improvement, adverse effects on other social security pro-grammes are likely, due to a partial collapse of the social security system.

It was shown that the programme requires a relatively high administrative capacity as it covers a rela-tively small age-group and a huge number of intended recipients. Consequently, this leads to a very high turn-over. Children are leaving the programme relatively soon again and new applications will have to be processed. Furthermore, children who live with different care-givers require - according to the current regulations - new registration and therefore administrative capacity. This problem is ag-gravated by the extremely complicated means-test, which is likely to result in administrative ineffi-ciency.

Due to the apartheid legacy the crisis which exists in welfare is especially severe in the poorer prov-inces. By the nature of the system, this is where the majority of intended recipients is located. In this context, it should be noted that in these provinces a backlog of 1 year in the payment of other social security grants is rather the norm than the exception.

It is ironical that the worse the administration is, the more Government is going to save with the CSG system in comparison to the spending on the SMGs. However, it was shown that even if one assumes an unrealistically high improvement of the administration, the programme would not run into sustain-ability problems.

Phasing-out of the SMG system: The phasing-out period determines for how long the families presently receiving a SMG will still receive the SMG, but with a yearly reduction. This period is meant as an adjustment time. The Lund report, the first Cabinet decision, and this thesis as well argued in favour of a 5 year period. However, according to the current regulations, the SMGs will be phased out over 3 years. Two issues are important in this respect:

First, this research showed that in any event it is likely that cuts to the overall present spending of the total budget spent on children in poverty are likely to occur during the first two years after the introduction of the CSG. This is so due to slower take-ups of the relatively low level of benefit of the CSG in comparison to the phasing-out of the more expensive SMGs.

Second, it has become obvious that the phasing-out of the SMGs is causing severe hardship for the present recipients and especially among the 'coloured' communities in the Western and Northern Cape. A massive downwards trend on the poverty scale among children, and even starvation are to be expected, if no measures are taken to support these communities in other ways than by maintenance grants. Knowing this, it was remarkable that the majority of the NGOs involved in the debate accepted that the phasing-out of the SMGs was necessary. The principle that money has to be taken away from poor people to reach those who have never received support, was regarded as overriding.

On the basis of these two findings the thesis challenged the decision to shorten the period of the phasing out from 5 years to 3 years. It was shown that this decision would most likely result in higher cuts to the present welfare budget for poor children. Calculated on the basis of the second cabinet decision, this change in policy is likely to increase the cuts in the access of R1 billion over the next 5 years. Hence, this decision does most probably not even follow the principle - as accepted - of taking the money from some poor children for the benefit of all South African children. But the money which is taken away from the poor is highly unlikely to be spent for poor children. The Department has reiterated that there will be no roll-overs, meaning that the money will be lost for Welfare.

This research revealed that the financial costs are not - as assumed by the Lund committee - a matter of sustainability within the next 5 years. The question should not be, how to prevent children from getting onto the system in order for the programme to be sustainable over the next five years. In the light of the administrative problems and due to the expected cuts to present expenditure in the first years of introduction, the aim must be to support the maximum number of needy children as soon as possible.

In conclusion, it can be said that the new policy is to be recommended in carrying out the shift from the SMG system towards a child support policy based on the principal of supporting the primary caregiver.

However, it became clear that the policy in its current form - despite several adjustments - still has serious flaws, which potentially can jeopardise its effectiveness in alleviating child poverty: Mainly due to serious problems in the means-test and its overzealous approach in meeting macro-economic targets, it seems highly unlikely that the promised 3 million children will receive support within the next five years. Especially the fact that the means-test excludes nearly 40% of the children living below the poverty line gives reasons for concern. Furthermore, the administration was shown to need urgent attention. If these two factors are not addressed it was illustrated that in the next 5 years up to R2 billion less would be spent on poor children with the most vulnerable groups suffering the blow of this.

It has to be pointed out that Cabinet approved additional funds to the current spending for this programme. However, the 1998 budget and the Medium Term Expenditure framework for the next three years paint a different picture: The estimated expenditure for Welfare in the next three years increases from R18.4bn in 1998/99 to R20.7bn. in 2000/01. (Department of Welfare, 1998b). Nearly 90% of this budget will be spent on existing social security programmes, i.e. social grants. The increase only keeps pace with the predicted inflation rates. Given this situation, there are serious trade-offs between the recipients of the current grants and any new programmes or grants to be expected: Either the current grants will be eroded by inflation in order to have money for other programmes, or the grants will keep pace with inflation so that the level of support can be maintained. In the latter scenario virtually

no money will be left for the new CSG programme. It becomes clear that GEAR does follow a neo-liberal approach instead of keeping its promise to redistribute more: GEAR is used to cut current expenditure on children and to place the burden of redistribution towards children in poverty on other social security spending.

This research pointed to an alternative, which is redistributive but remains fiscally responsible. It was argued that a grant of R135 (inflation linked) should be payable to children from 0-6 years. The means-test should be set at R800 per care-giver, and should only require an affidavit of the applicant. This suggestion was shown to require extra expenditure of about R2 billion within the next 5 years. However, seeing that Cabinet agreed to allocate an additional R1.2 billion to the programme, it was argued that from there this is a 'modest' increase compared to the social spin-off it could potentially create. This alternative would ensure that nearly all poor children in the age group qualify for support. While the phasing-out of the SMGs was suggested to be 5 years, this thesis argued that the money cut in overall spending on children, which is likely to occur in the first years, should be ring-fenced and allocated to a community fund for children. Thereby the money would at least not be lost for poverty alleviation of children.

Lessons for formulating a poverty alleviation policy

Politicians, activists, and researchers who approach social policy with the objective to alleviate poverty need detailed and concrete information. As was explained earlier, the practical existence of the 'New Right' approach requires that social policy formulation is based on sound information to be able to challenge the validity of government's economic arguments, which are often used like 'objective' facts against redistributive spending and in favour of a free-market approach. This poses a challenge to progressive research to gain sound information: The thesis identified two areas in policy planning where information is required, namely problem analysis, and the evaluation of policy scenarios. For both areas, household surveys provide a useful basis.

To analyse the situation of children in South Africa in detail, this research developed a composite index. This method uses absolute poverty measures rather than relative. It is argued that this is the superior method to relative measures, which predetermine the poverty line by a given percentage.

Furthermore, this thesis discussed that the strong point of the composite index lies in its multiple characteristics which allow for a more balanced picture than one indicator on its own can yield.

With regard to the second area, the evaluation of policy scenarios, the concept of microsimulation was introduced. This thesis pointed out that microsimulation, although it has not yet found any major application in developing countries, could potentially enhance policy building processes substantially.

Microsimulation uses data from household surveys or administrative records to model the effects of social policy changes on the micro level - usually households. These effects are aggregated and if necessary weighted to predict the costs, administrative requirements, and social effects of the relevant policies for the whole population.

The rules of eligibility or liability can be changed and the gains and losses of different policy scenarios can be shown. Aggregates on different levels allow to investigate distributional changes for both, small sub groups (e.g. particular region, race, single parents etc.) and for the entire population.

The policy process of the CSG and the extensive use of the model built for this thesis in the debate, showed that microsimulation has the potential to enhance poverty alleviation policy:

Microsimulation forms a good basis for scenario planning because of its ability to assess different realistic scenarios, their costs, administrative requirements, and social advantages in relatively short periods of time. With its capacity of testing different policy scenarios, aims and goals can be spelt out more clearly. It has become evident that the planning becomes more realistic and often does not get 'ideologically' blocked. It can be argued that in this case the level of public debate increased in two ways: Involved organisations and individuals could develop an understanding for the economic constraints and in fact the majority of demands from civil society were not financially irresponsible. At

the same time, they were able to lobby more convincingly and effectively for their interests, uncovering flaws in the Department's way of argumentation. In this way, microsimulation can help to increase transparency. Such a more transparent policy process would go a long way towards improving the conditions for a true participatory democracy.

Abstract

The thesis investigates the restructuring of the state maintenance grant system into the child support grant system.

State social security transfers for families existed in South Africa only in the form of state maintenance grants, which paid up to R700 to single parents. The system was not appropriate in the South African context, being racially biased and financially unsustainable. The Department of Welfare - following in principle the recommendations of the "Lund report" - introduced with effect from 1 April 1998 a child support grant which is payable to the primary care-givers of children, regardless of their family status. The level of benefit was set at R100 per month per child for children up to the age of six (incl.). The Department declared that 48% or 3 million children should be targeted. At the same time, the SMGs are to be phased out over a three year period.

This research was conducted between November 1995 and March 1998. The analysis of the different suggestions during the policy process and the final policy is based on two pillars:

- A situation analysis of the living conditions of South Africa's children on the basis of a composite index.

- An evaluation of policy scenarios on the basis of a microsimulation model.

The index tries to give a complex picture of the living conditions of children by looking at the financial situation, housing, health, and employment opportunities of the households the children are living in. The analysis reveals that nearly 70% of South Africa's children up to the age of six (incl.) live below the poverty line as defined. A further analysis of the household structure indicates that poorer children are likely to live in larger households.

The overall policy shift from a support of single parent families to children in poverty regardless of their family status is espoused. However, the microsimulation model which analyses the impact of different factors like the 'level of benefit', the 'age-cohort', the 'means-test', and the 'administrative requirements', reveals that there are still serious flaws in the current policy. Due to the fact that the means-test is based on the total household income, nearly 40% of the children living below the poverty line are excluded. In addition, the administration needs urgent attention as its capacity is the decisive factor in the success of the programme. The thesis calculates that in the next five years up to R2 billion less will be spent on poor children and the goal of reaching 3 million children will not be achieved, if the problems identified are not addressed. The thesis develops an alternative suggestion to the current policy.

While microsimulation has become quite a standard procedure in the analysis of social policies in industrialised countries, there is so far no application in developing countries. It is hoped that by taking this policy analysis as a case-study, this thesis is a step towards the introduction of this method here. Microsimulation models provide important information to enhance the transparency and accountability of policy processes. In this case, civil society was able to challenge Government's decision on a very informed basis, to put pressure on decision makers successfully, and to make workable alternative suggestions. Furthermore, the analysis reveals that against Government's promise redistribution does not take place. Instead a shift towards a more neo-liberal approach in social policy is observed.

Appendix

* = Number in thousands		DIB data		Preliminary estimates Census 1996						Saldru only residents, weighted by enumeration					
		Actual numbers	Over- and undercount compared to Census 1996			Actual numbers					Actual numbers		Over- and undercount compared to Census 1996		
		Total	Total	male	female	Total	5% lower	5% higher	male	female	Total	male	female	Total
KwaZulu Natal	Num:*	9,453	1,781	3,583	4,089	7,672	7,295	8,083	3,594	4,238	7,832	11	149	160
	% :	20.6%	23.2%	46.7%	53.3%	20.3%			45.9%	54.1%	20.5%	0.3%	3.6%	2.1%
Gauteng	Num:*	8,580	1,409	3,651	3,520	7,171	6,855	7,439	3,177	3,253	6,431	-474	-267	-740
	% :	18.7%	19.6%	50.9%	49.1%	18.9%			49.4%	50.6%	16.9%	-13.0%	-7.6%	-10.3%
Eastern Cape	Num:*	7,454	1,589	2,703	3,162	5,865	5,657	6,208	2,796	3,308	6,104	93	146	239
	% :	16.2%	27.1%	46.1%	53.9%	15.5%			45.8%	54.2%	16.0%	3.4%	4.6%	4.1%
Northern Province	Num:*	5,652	1,524	1,878	2,250	4,128	3,961	4,257	2,108	2,562	4,672	230	312	544
	% :	12.3%	36.9%	45.5%	54.5%	10.9%			45.1%	54.8%	12.3%	12.2%	13.9%	13.2%
Western Cape	Num:*	3,987	-131	1,982	2,135	4,118	3,882	4,378	1,686	1,806	3,491	-296	-329	-627
	% :	8.7%	-3.2%	48.1%	51.8%	10.9%			48.3%	51.7%	9.2%	-14.9%	-15.4%	-15.2%
North West	Num:*	3,907	864	1,493	1,550	3,043	2,856	3,201	1,542	1,573	3,116	49	23	73
	% :	8.5%	28.4%	49.1%	50.9%	8.0%			49.5%	50.5%	8.2%	3.3%	1.5%	2.4%
Mpumalanga	Num:*	3,019	373	1,288	1,357	2,646	2,516	2,779	1,631	1,701	3,333	343	344	687
	% :	6.6%	14.1%	48.7%	51.3%	7.0%			48.9%	51.0%	8.7%	26.6%	25.3%	26.0%
Free State	Num:*	3,098	628	1,219	1,251	2,470	2,310	2,601	1,250	1,373	2,624	31	122	154
	% :	6.7%	25.4%	49.4%	50.6%	6.5%			47.6%	52.3%	6.9%	2.6%	9.7%	6.2%
Northern Cape	Num:*	807	61	366	380	746	677	825	254	261	515	-112	-119	-231
	% :	1.8%	8.2%	49.1%	50.9%	2.0%			49.3%	50.7%	1.4%	-30.6%	-31.3%	-31.0%
Total	Num:*	45,957	8,100	18,167	19,698	37,860	36,009	39,771	18,042	20,078	38,120	-125	380	260
	% :	100.0%	21.4%			100.0%					100.1%	-0.7%	1.9%	0.7%

Table 9: Comparison of the preliminary estimates of the Census 1996 and the SALDRU data 1993 according provinces and gender taking account of all respondents and only those who are resident in a household weighted by enumeration

	Quintile 1 (poorest)	Qu. 2	Qu. 3	Qu. 4	Quintile 5 (richest)	TOTAL
Average	1.89	2.37	3.14	3.95	4.67	2.63
Ranking group 1 (poorest)	82.4%	47.3%	6%	0.3%	0%	45.2%
Ra 2.	16.8%	38.3%	34.8%	8.8%	0.6%	24.1%
Ra 3.	0.9%	14.2%	45.2%	22.9%	1.3%	15.1%
Ra 4.	0%	0.3%	14%	62.3%	24.5%	10.4%
Ranking group 5 (richest)	0%	0%	0%	7.7%	73.6%	5.2%
TOTAL	37.9%	27.3%	19%	9.9%	6%	

Table 10: Comparing the ranking of children up to 6 years incl. according to quintiles with the ranking groups

```
          Row Pct |african  coloured indian   white
          Col Pct |                                          Row
                  |       1|       2|       3|       4|    Total
RA_QUINT  --------+--------+--------+--------+--------+
             1.00 | 3016290|   18482|        |        | 3034772
                  |    99.4|      .6|        |        |    45.2
                  |    54.3|     3.6|        |        |
                  +--------+--------+--------+--------+
             2.00 | 1512074|  100664|        |    3064| 1615802
                  |    93.6|     6.2|        |      .2|    24.1
                  |    27.2|    19.8|        |      .6|
                  +--------+--------+--------+--------+
             3.00 |  763679|  190919|   35875|   22204| 1012677
                  |    75.4|    18.9|     3.5|     2.2|    15.1
                  |    13.7|    37.5|    27.8|     4.3|
                  +--------+--------+--------+--------+
             4.00 |  239293|  185279|   76918|  193686|  695176
                  |    34.4|    26.7|    11.1|    27.9|    10.4
                  |     4.3|    36.4|    59.7|    37.9|
                  +--------+--------+--------+--------+
             5.00 |   26109|   14187|   16071|  291915|  348282
                  |     7.5|     4.1|     4.6|    83.8|     5.2
                  |      .5|     2.8|    12.5|    57.1|
                  +--------+--------+--------+--------+
           Column  5557445   509531   128864   510869  6706709
            Total     82.9      7.6      1.9      7.6    100.0
```
Table 11: Racial distribution of children up to 6 years (incl.) over the ranking groups

6.2.) The different systems examined

The following tables are based on calculations of the potential costs of 7 different ways of child and family support.

Table 12 - Table 15:

Tables 2-5 differ as to the age limit of payments. Table 12 starts with an age limit of 6 years (meaning children of 6 years included) and it goes up to 9 years in Table 15.

Suggestions I-VII:

> **Suggestion I:** An amount of R135 per child per month is paid to every child up to the age limit

Suggestion II: An amount of R135 per child per month is paid to every child up to the age limit, if the income of the care-taker/s does not exceed R1200 per month in case of a single care-taker and R2400 per month in case of a couple.

Suggestion III: An amount of R135 per child per month is paid to every child up to the age limit, if the income of the care-taker/s does not exceed R800 per month in the case of a single care-taker and R1600 per month in the case of a couple.

Suggestion IV: An amount of R135 per month is paid for up to two children up to the age limit, an amount of R270 per month is paid for up to four children up to the age limit, an amount of R405 per month is paid for up to six children up to the age limit and so on, if the income of the care-taker/s does not exceed R800 per month in the case of a single care-taker and R1600 per month in the case of a couple.

Suggestion V: R135 per month is paid as a blanket family-unit allowance regardless of the number of children up to the age limit, if the income of the care-taker/s does not exceed R800 per month in case of a single care-taker and R1600 in case of a couple

Suggestion VI: Like suggestion IV, but it is budgeted for an additional R5 per R135 pay-out for a community fund.

Suggestion VII: Like suggestion V, but it is budgeted for an additional R5 per R135 pay-out for a community fund.

Number of pay-outs:

The number of cheques which has to be issued. (Only one cheque is needed for one family with more than one child) The number is important for calculating the administrative costs.

Income:

The calculations for the means-test are based on the gross income. The income used for the calculations excludes e.g. subsistence farming. It is also to be expected that not all sources of informal income are picked up. On the one hand one could hence argue that less children are in need of support, on the other hand informal income is usually a rather insecure, relatively small and often changing source of income. Furthermore, a means-test is unable to pick it up and to ex- or include people on this basis.

	Different Family Support Systems (per month)	(Amounts per year)		"african"	"coloured"	"indian"	"white"	100% Take-up rate	75% Take-up rate
I.	R135 per child	Amount:		9,003,060,900	825,440,220	208,759,680	827,607,780	10,860,000,000	**8,145,000,000**
	not means-tested	Number of children:		5,557,445	509,531	128,864	510,869	6,706,709	**5,030,032**
		Number of pay-outs:		3,895,511	391,210	97,181	365,115	4,749,017	**3,561,763**
II.	R135 per child	Amount:		8,439,786,900	604,666,620	111,849,660	246,398,760	9,402,701,940	**7,052,026,455**
	means-test cut after:	Number of children:		5,209,745	373,251	69,043	152,098	5,804,137	**4,353,103**
	R1,200 (single) / 2,400 (couple)	Number of pay-outs:		3,641,763	291,605	54,046	105,522	4,092,936	**3,069,702**
III.	R135 per child	Amount:		7,990,108,920	535,392,180	90,587,160	238,839,840	8,854,928,100	**6,641,196,075**
	means-test cut after:	Number of children:		4,932,166	330,489	55,918	147,432	5,466,005	**4,099,504**
	R800 (single) / 1,600 (couple)	Number of pay-outs:		3,458,517	260,615	43,546	103,189	3,865,867	**2,899,400**
IV.	R135 child 1-2; R270 child 3-4...	Amount:		6,036,291,720	437,942,700	70,544,520	177,561,720	6,722,340,660	**5,041,755,495**
	means-test cut after:								
	R800 (single) / 1,600 (couple)	Number of pay-outs:		3,458,517	260,615	43,546	103,189	3,865,867	**2,899,400**
V.	R135 as family unit allowance	Amount:		5,602,797,540	422,196,300	70,544,520	167,166,180	6,262,704,540	**4,697,028,405**
	means-test cut after:								
	R800 (single) / 1,600 (couple)	Number of pay-outs:		3,458,517	260,615	43,546	103,189	3,865,867	**2,899,400**
VI.	R135 child 1-2; R270 child 3-4...		Cash:	6,036,291,720	437,942,700	70,544,520	177,561,720	6,722,340,660	**5,041,755,495**
	+R5 community fund	Amount:	Fund:	223,566,360	16,220,100	2,612,760	6,576,360	248,975,580	**186,731,685**
	means-test cut after:		Total:	6,259,858,080	454,162,800	73,157,280	184,138,080	6,971,316,240	**5,228,487,180**
	R800 (single) / 1,600 (couple)	Number:		3,458,517	260,615	43,546	103,189	3,865,867	**2,899,400**
VII.	R135 per child		Cash:	7,990,108,920	535,392,180	90,587,160	238,839,840	8,854,928,100	**6,641,196,075**
	+R5 community fund	Amount:	Fund:	295,929,960	19,829,340	3,355,080	8,845,920	327,960,300	**245,970,225**
	means-test cut after:		Total:	8,286,038,880	555,221,520	93,942,240	247,685,760	9,182,888,400	**6,887,166,300**
	R800 (single) / 1,600 (couple)	Number:		3,458,517	260,615	43,546	103,189	3,865,867	**2,899,400**

Table 12: Potential costs of different child and family support systems if <u>children from 0 to 6 years (incl.)</u> are supported

	Different Family Support Systems (per month)	(Amounts per year)	"african"	"coloured"	"indian"	"white"	100% Take-up rate	75% Take-up rate
I.	R135 per child not means-tested	Amount:	10,520,000,000	940,264,200	248,746,140	961,531,560	12,680,000,000	**9,510,000,000**
		Number of children:	939,390	70,879	24,683	82,669	1,117,621	**838,216**
		Number of pay-outs:	4,305,033	426,592	105,931	408,305	5,245,861	**3,934,396**
II.	R135 per child means-test cut after: R1,200 (single) / 2,400 (couple)	Amount:	9,833,097,060	687,667,320	140,496,120	287,856,180	10,950,000,000	**8,212,500,000**
		Number of children:	6,069,813	424,486	86,726	177,689	6,759,259	**5,069,444**
		Number of pay-outs:	4,009,431	319,518	60,171	121,527	4,510,647	**3,382,985**
III.	R135 per child means-test cut after: R800 (single) / 1,600 (couple)	Amount:	9,307,390,860	601,203,060	114,981,120	280,297,260	10,300,000,000	**7,725,000,000**
		Number of children:	5,745,303	371,113	70,976	173,023	6,358,025	**4,768,519**
		Number of pay-outs:	3,802,076	281,751	48,796	119,194	4,251,817	**3,188,863**
IV.	R135 child 1-2; R270 child 3-4... means-test cut after: R800 (single) / 1,600 (couple)	Amount:	6,838,308,360	475,361,460	79,049,520	209,279,700	7,601,999,040	**5,701,499,280**
		Number of pay-outs:	3,802,076	281,751	48,796	119,194	4,251,817	**3,188,863**
V.	R135 as family unit allowance means-test cut after: R800 (single) / 1,600 (couple)	Amount:	6,159,363,120	456,436,620	79,049,520	193,094,280	6,887,943,540	**5,165,957,655**
		Number of pay-outs:	3,802,076	281,751	48,796	119,194	4,251,817	**3,188,863**
VI.	R135 child 1-2; R270 child 3-4... +R5 community fund means-test cut after: R800 (single) / 1,600 (couple)	Cash:	6,838,308,360	475,361,460	79,049,520	209,279,700	7,601,999,040	**5,701,499,280**
		Amount: Fund:	253,270,680	17,605,980	2,927,760	7,751,100	281,555,520	**211,166,640**
		Total:	7,091,579,040	492,967,440	81,977,280	217,030,800	7,883,554,560	**5,912,665,920**
		Number:	3,802,076	281,751	48,796	119,194	4,251,817	**3,188,863**
VII.	R135 per child +R5 community fund means-test cut after: R800 (single) / 1,600 (couple)	Cash:	9,307,390,860	601,203,060	114,981,120	280,297,260	10,300,000,000	**7,725,000,000**
		Amount: Fund:	344,718,180	22,266,780	4,258,560	10,381,380	381,481,481	**286,111,111**
		Total:	9,652,109,040	623,469,840	119,239,680	290,678,640	10,681,481,481	**8,011,111,111**
		Number:	3,802,076	281,751	48,796	119,194	4,251,817	**3,188,863**

Table 13: Potential costs of different child and family support systems if <u>children from 0 to 7 years (incl.)</u> are supported

	Different Family Support Systems (per month)	(Amounts per year)		"african"	"coloured"	"indian"	"white"	100% Take-up rate	75% Take-up rate
I.	R135 per child	Amount:		11,810,000,000	1,063,220,580	274,359,960	1,087,497,900	14,240,000,000	**10,680,000,000**
	not means-tested	Number of children:		793,948	75,899	15,811	77,757	963,415	**722,561**
		Number of pay-outs:		4,602,828	458,165	112,931	440,604	5,614,528	**4,210,896**
II.	R135 per child	Amount:		11,040,000,000	776,956,860	154,769,940	322,237,440	12,290,000,000	**9,217,500,000**
	means-test cut after:	Number of children:		6,814,815	479,603	95,537	198,912	7,586,420	**5,689,815**
	R1,200 (single) / 2,400 (couple)	Number of pay-outs:		4,289,040	340,679	65,421	128,164	4,823,304	**3,617,478**
III.	R135 per child	Amount:		10,460,000,000	678,178,980	127,837,440	312,553,080	11,580,000,000	**8,685,000,000**
	means-test cut after:	Number of children:		6,456,790	418,629	78,912	192,934	7,148,148	**5,361,111**
	R800 (single) / 1,600 (couple)	Number of pay-outs:		4,066,225	300,126	54,046	125,831	4,546,228	**3,409,671**
IV.	R135 child 1-2; R270 child 3-4...	Amount:		7,527,423,960	514,664,280	90,389,520	224,993,700	8,357,471,460	**6,268,103,595**
	means-test cut after:								
	R800 (single) / 1,600 (couple)	Number of pay-outs:		4,066,225	300,126	54,046	125,831	4,546,228	**3,409,671**
V.	R135 as family unit allowance	Amount:		6,587,284,500	486,204,120	87,554,520	203,846,220	7,364,889,360	**5,523,667,020**
	means-test cut after:								
	R800 (single) / 1,600 (couple)	Number of pay-outs:		4,066,225	300,126	54,046	125,831	4,546,228	**3,409,671**
VI.	R135 child 1-2; R270 child 3-4...		Cash:	7,527,423,960	514,664,280	90,389,520	224,993,700	8,357,471,460	**6,268,103,595**
	+R5 community fund	Amount:	Fund:	278,793,480	19,061,640	3,347,760	8,333,100	309,535,980	**232,151,985**
	means-test cut after:		Total:	7,806,217,440	533,725,920	93,737,280	233,326,800	8,667,007,440	**6,500,255,580**
	R800 (single) / 1,600 (couple)	Number:		4,066,225	300,126	54,046	125,831	4,546,228	**3,409,671**
VII.	R135 per child		Cash:	10,460,000,000	678,178,980	127,837,440	312,553,080	11,580,000,000	**8,685,000,000**
	+R5 community fund	Amount:	Fund:	387,407,407	25,117,740	4,734,720	11,576,040	428,888,889	**321,666,667**
	means-test cut after:		Total:	10,847,407,407	703,296,720	132,572,160	324,129,120	12,008,888,889	**9,006,666,667**
	R800 (single) / 1,600 (couple)	Number:		4,066,225	300,126	54,046	125,831	4,546,228	**3,409,671**

Table 14: Potential costs of different child and family support systems if <u>children from 0 to 8 years (incl.)</u> are supported

	Different Family Support Systems (per month)	(Amounts per year)		"african"	"coloured"	"indian"	"white"	100% Take-up rate	75% Take-up rate
I.	R135 per child	Amount:		13,090,000,000	1,202,294,340	308,379,960	1,231,890,120	15,830,000,000	**11,872,500,000**
	not means-tested	Number of children:		789,740	85,848	21,000	89,131	985,719	**739,289**
		Number of pay-outs:		4,873,102	490,181	119,931	477,313	5,960,527	**4,470,395**
II.	R135 per child	Amount:		12,210,000,000	881,738,460	176,032,440	365,065,380	13,630,000,000	**10,222,500,000**
	means-test cut after:	Number of children:		7,537,037	544,283	108,662	225,349	8,413,580	**6,310,185**
	R1,200 (single) / 2,400 (couple)	Number of pay-outs:		4,533,072	364,469	71,546	142,857	5,111,944	**3,833,958**
III.	R135 per child	Amount:		11,560,000,000	773,716,860	146,264,940	355,381,020	12,840,000,000	**9,630,000,000**
	means-test cut after:	Number of children:		7,135,802	477,603	90,287	219,371	7,925,926	**5,944,444**
	R800 (single) / 1,600 (couple)	Number of pay-outs:		4,298,583	322,935	58,421	140,524	4,820,463	**3,615,347**
IV.	R135 child 1-2; R270 child 3-4...	Amount:		8,139,576,600	570,685,500	100,312,020	254,586,240	9,065,160,360	**6,798,870,270**
	means-test cut after:								
	R800 (single) / 1,600 (couple)	Number of pay-outs:		4,298,583	322,935	58,421	140,524	4,820,463	**3,615,347**
V.	R135 as family unit allowance	Amount:		6,963,704,460	523,154,700	94,642,020	227,648,880	7,809,150,060	**5,856,862,545**
	means-test cut after:								
	R800 (single) / 1,600 (couple)	Number of pay-outs:		4,298,583	322,935	58,421	140,524	4,820,463	**3,615,347**
VI.	R135 child 1-2; R270 child 3-4...		Cash:	8,139,576,600	570,685,500	100,312,020	254,586,240	9,065,160,360	**6,798,870,270**
	+R5 community fund	Amount:	Fund:	301,465,800	21,136,500	3,715,260	9,429,120	335,746,680	**251,810,010**
	means-test cut after:		Total:	8,441,042,400	591,822,000	104,027,280	264,015,360	9,400,907,040	**7,050,680,280**
	R800 (single) / 1,600 (couple)	Number:		4,298,583	322,935	58,421	140,524	4,820,463	**3,615,347**
VII.	R135 per child		Cash:	11,560,000,000	773,716,860	146,264,940	355,381,020	12,840,000,000	**9,630,000,000**
	+R5 community fund	Amount:	Fund:	428,148,148	28,656,180	5,417,220	13,162,260	475,555,556	**356,666,667**
	means-test cut after:		Total:	11,988,148,148	802,373,040	151,682,160	368,543,280	13,315,555,556	**9,986,666,667**
	R800 (single) / 1,600 (couple)	Number:		4,298,583	322,935	58,421	140,524	4,820,463	**3,615,347**

Table 15: Potential costs of different child and family support systems if <u>children from 0 to 9 years (incl.)</u> are supported

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*18*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base:	*1*	(SALDRU (1); FFC (2); CSS 1996 (3))
Assumed present budget:	*1,327*	in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*24,000*	*48,000*	*72,000*	*86,400*	*103,680*	*124,416*	*149,299*	*179,159*	*214,991*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	7	247	811	1,678	2,743	3,981	5,430	7,133	9,143	12,061
TOTAL BUDGET:	1,267	1,092	1,394	2,049	2,902	3,981	5,430	7,133	9,143	12,061
Cuts / costs to present expenditure:	-59	-234	67	722	1,575	2,655	4,104	5,807	7,817	10,734
cum cuts / costs:	-59	-294	-226	496	2,071					
Number of children supported:	6	206	676	1,398	2,286	3,318	4,525	5,944	7,620	10,051
Number of children not supported:	17,862	17,859	17,587	17,065	16,381	15,460	14,365	13,060	11,501	7,817
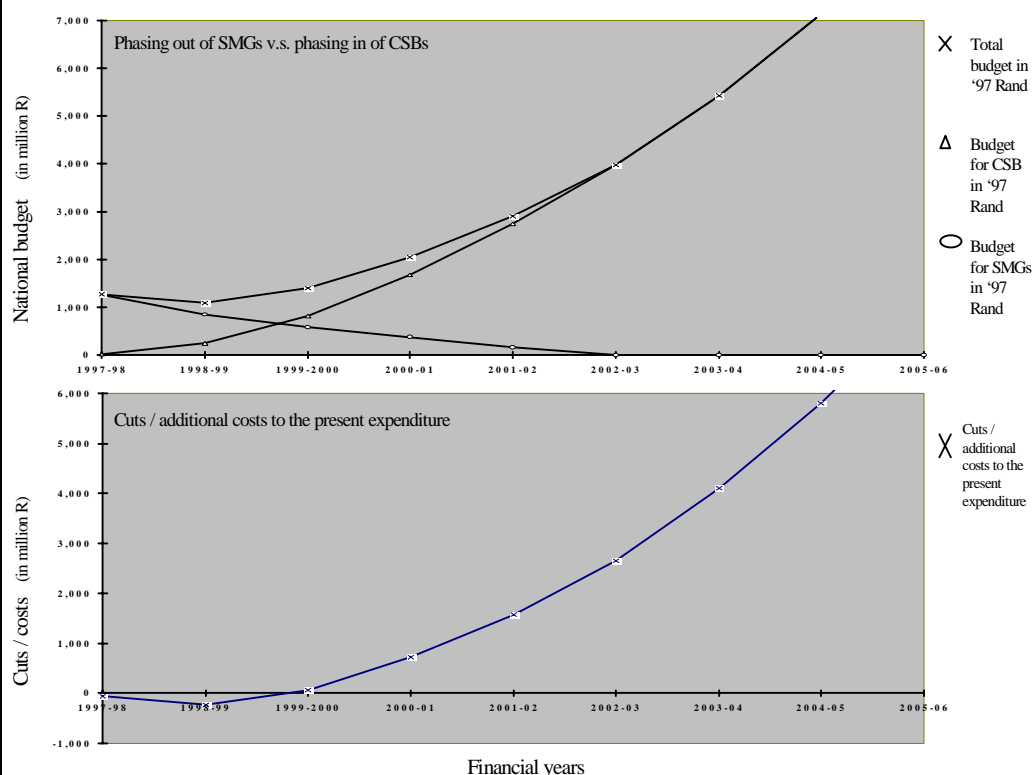
Figure 35: Basic scenario but until 18 years

	6 year (incl.)				9 year (incl.)		
number of children per care-giver	total number of children in these family units	restricted to two children per care-giver	total number of children in these family units supported	number of children per care-giver	total number of children in these family units	restricted to two children per care-giver	total number of children in these family units supported
1	3,163,826	1	3,163,826	1	3,319,612	1	3,319,612
2	2,517,774	2	3,170,382	2	3,532,390	2	5,281,830
3	859,257			3	1,905,975		
4	141,300			4	764,684		
5	14,040			5	210,225		
6	10,512			6	21,306		
				7	12,264		
				8	7,008		
Total	6,706,709	Total	6,334,208	Total	9,773,464	Total	8,601,442

Table 16: Restricting the maximum number of children per family unit to 2 children

Year	phase out of SMG	phase in new benefit	TOTAL
1997	1,326,572	0	1,326,572
1998	1,061,257	365,281	1,426,539
1999	795,943	735,645	1,531,588
2000	758,041	1,110,672	1,641,300
2001	530,629	1,490,811	1,756,125
2002	265,314	1,877,474	1,877,474
2003	0	2,265,543	2,265,543
2004	0	2,656,296	2,656,269
2005	0	2,707,264	2,707,264

Table 17: Corrected version of the fact sheet based on which Cabinet took its first policy decision

Suggested programme

Proposed benefit:	*100*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*48*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

Assumptions

Data base: *1*   **(SALDRU (1); FFC (2); CSS 1996 (3))**

Assumed present budget: *1,327*   **in million Rand**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*12,000*	*24,000*	*36,000*	*43,200*	*51,840*	*62,208*	*74,650*	*89,580*	*107,495*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	4	119	376	753	1,187	1,664	2,200	2,810	3,105	2,897
TOTAL BUDGET:	1,264	964	959	1,123	1,346	1,664	2,200	2,810	3,105	2,897
Cuts / costs to present expenditure:	-63	-363	-367	-203	19	337	873	1,483	1,779	1,571
cum cuts / costs:	-63	-425	-793	-996	-977					
Number of children supported:	3	99	314	627	989	1,387	1,833	2,341	2,588	2,414
Number of children not supported:	6,704	6,682	6,541	6,303	6,017	5,661	5,257	4,792	4,589	4,292

Phasing out of SMGs v.s. phasing in of CSBs

X Total budget in '97 Rand

Δ Budget for CSB in '97 Rand

O Budget for SMGs in '97 Rand

Cuts / additional costs to the present expenditure

X Cuts / additional costs to the present expenditure

Financial years
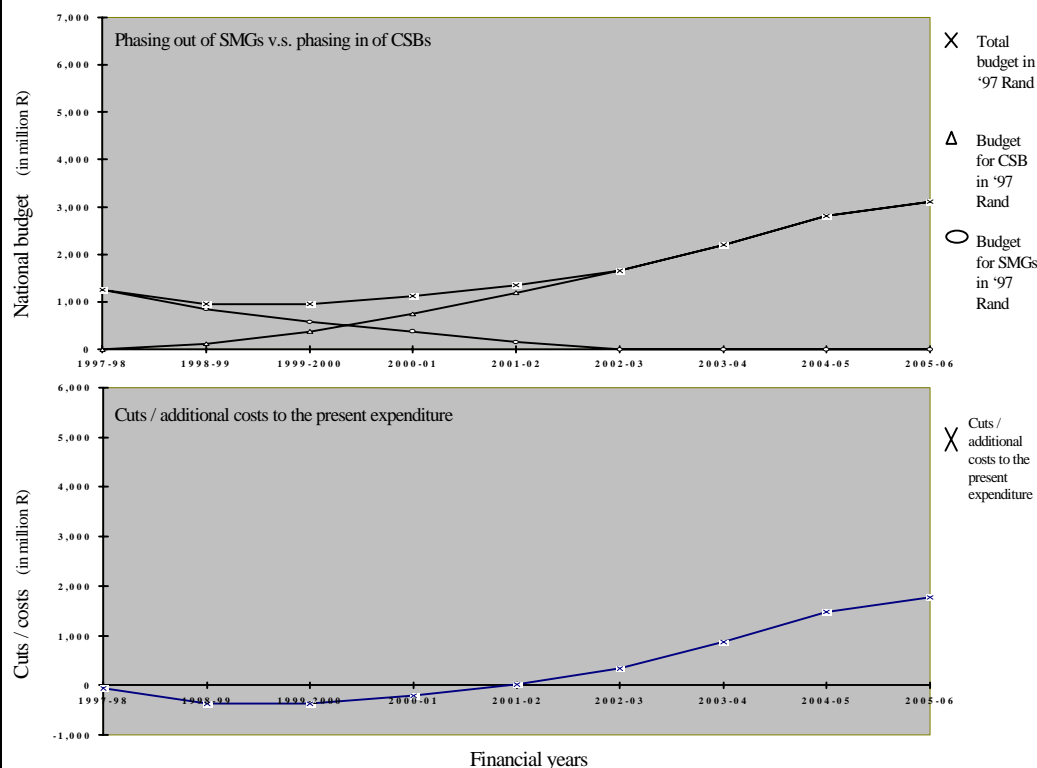
Figure 36: Second cabinet decision but with 5 years phasing out

Suggested programme

Proposed benefit:	**75**	R per month
Proposed max. age:	**6**	years (incl.)
Max. n. per fam. unit:	**0**	(0=off)
Target rate:	**30**	%
Phasing out over:	**5**	years
Phasing in:	**0**	(0=off, 1=with)
Date of introduction:	**1.8.97**	

Assumptions

Data base: *1* (SALDRU (1); FFC (2); CSS 1996 (3))

Assumed present budget: *1,327* in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,150	751	495	282	71	0	0	0	0	0
Budget for CSBs:	303	643	866	1,063	1,263	1,398	1,438	1,447	1,456	1,358
TOTAL BUDGET:	1,453	1,394	1,361	1,346	1,334	1,398	1,438	1,447	1,456	1,358
Cuts / costs to present expenditure:	126	67	34	19	7	71	111	120	129	32
cum cuts / costs:	126	194	228	247	254					
Number of children supported:	337	714	963	1,182	1,403	1,553	1,598	1,607	1,617	1,509
Number of children not supported:	6,370	6,066	5,892	5,748	5,603	5,495	5,493	5,526	5,560	5,198
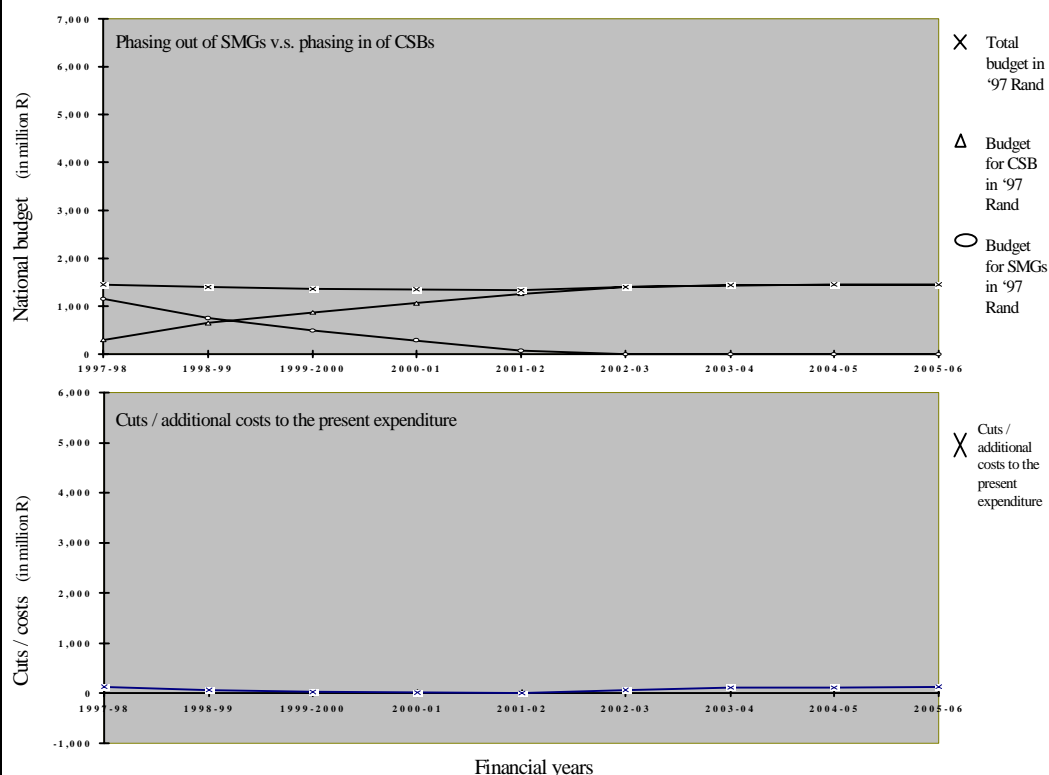
Figure 37: First Cabinet decision but assuming no administrative limitations and no phasing in

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base: *2* (SALDRU (1); FFC (2); CSS 1996 (3))

Assumed present budget: *1,327* in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	24,000	48,000	72,000	86,400	103,680	124,416	149,299	179,159	214,991
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	20%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	7	237	753	1,506	2,374	3,328	4,399	5,596	6,020	5,617
TOTAL BUDGET:	1,267	1,083	1,335	1,876	2,533	3,328	4,399	5,596	6,020	5,617
Cuts / costs to present expenditure:	-59	-244	9	550	1,206	2,001	3,072	4,269	4,694	4,291
cum cuts / costs:	-59	-303	-294	255	1,461					
Number of children supported:	6	198	627	1,255	1,978	2,773	3,666	4,663	5,017	4,681
Number of children not supported:	8,316	8,215	7,878	7,344	6,715	5,972	5,132	4,188	3,888	3,641

Figure 38: Basic scenario but based on the data base used by the FFC

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base: *3* (SALDRU (1); FFC (2); CSS 1996 (3))

Assumed present budget: *1,327* in million Rand

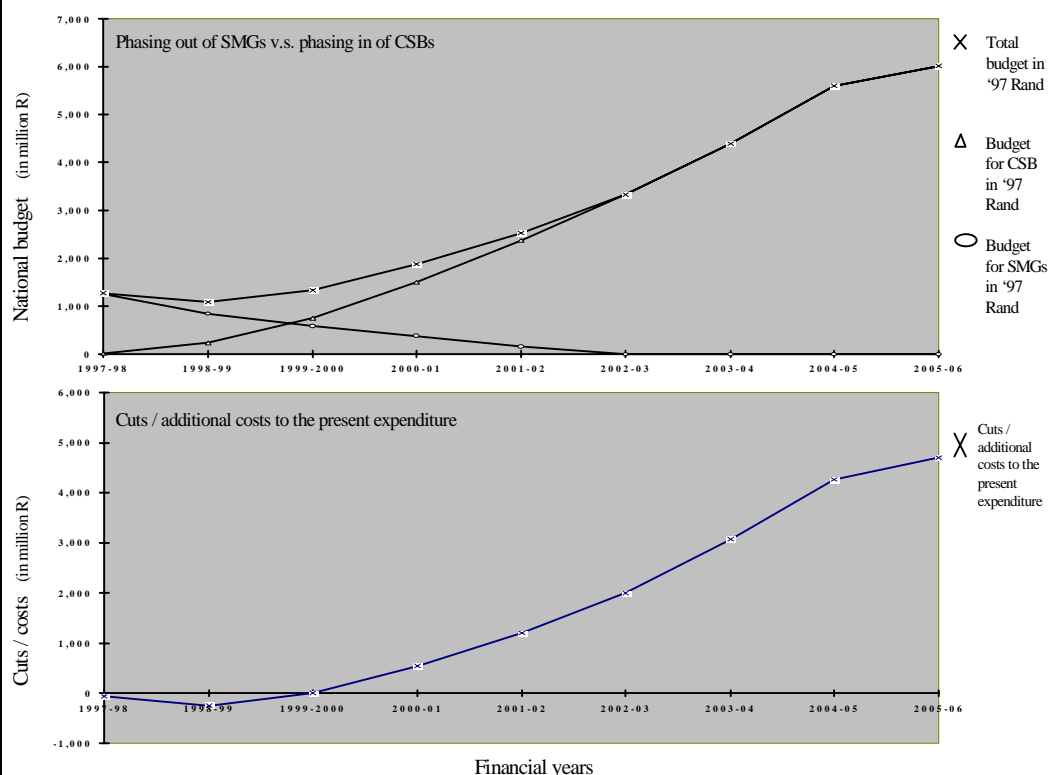|	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	24,000	48,000	72,000	86,400	103,680	124,416	149,299	179,159	214,991
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	20%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	7	237	753	1,506	2,374	3,328	4,180	4,276	4,302	4,014
TOTAL BUDGET:	1,267	1,083	1,335	1,876	2,533	3,328	4,180	4,276	4,302	4,014
Cuts / costs to present expenditure:	-59	-244	9	550	1,206	2,001	2,853	2,950	2,976	2,688
cum cuts / costs:	-59	-303	-294	255	1,461					
Number of children supported:	6	198	627	1,255	1,978	2,773	3,483	3,564	3,585	3,345
Number of children not supported:	5,941	5,815	5,452	4,891	4,235	3,477	2,804	2,762	2,779	2,602
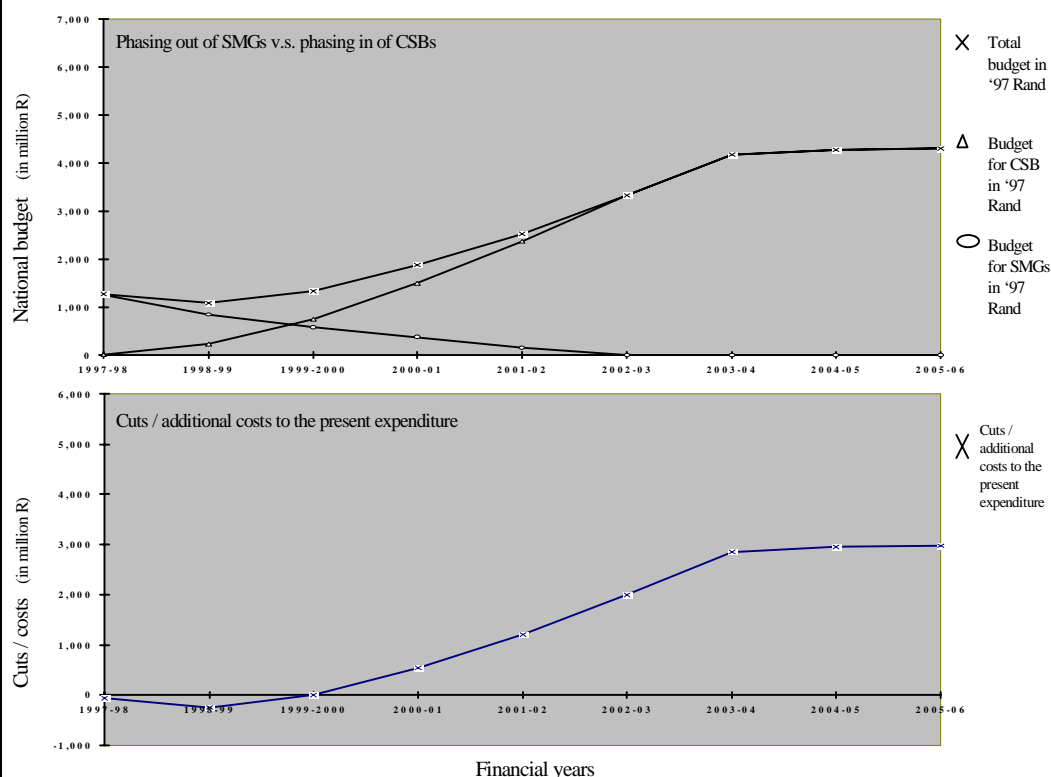
Figure 39: Basic scenario but based on the preliminary results of the 1996 census

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base:	*1*	(SALDRU (1); FFC (2); CSS 1996 (3))
Assumed present budget:	*1,327*	in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	24,000	48,000	72,000	86,400	103,680	124,416	149,299	179,159	214,991
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	20%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	7	216	611	1,061	1,397	1,535	1,417	829	36	4,527
TOTAL BUDGET:	1,267	1,061	1,194	1,432	1,556	1,535	1,417	829	36	4,527
Cuts / costs to present expenditure:	-59	-265	-133	105	229	209	91	-497	-1,290	3,200
cum cuts / costs:	-59	-325	-457	-352	-123					
Number of children supported:	6	198	627	1,255	1,978	2,773	3,658	4,019	4,043	3,773
Number of children not supported:	6,701	6,583	6,228	5,675	5,028	4,275	3,432	3,115	3,134	2,934

Figure 40: Basic scenario but without an inflation link

Suggested programme

Proposed benefit:	*100*	**R per month**
Proposed max. age:	*6*	**years (incl.)**
Max. n. per fam. unit:	*0*	**(0=off)**
Target rate:	*75*	**%**
Phasing out over:	*5*	**years**
Phasing in:	*0*	**(0=off, 1=with)**
Date of introduction:	*1.1.98*	

Assumptions

Data base: *1* (SALDRU (1); FFC (2); CSS 1996 (3))
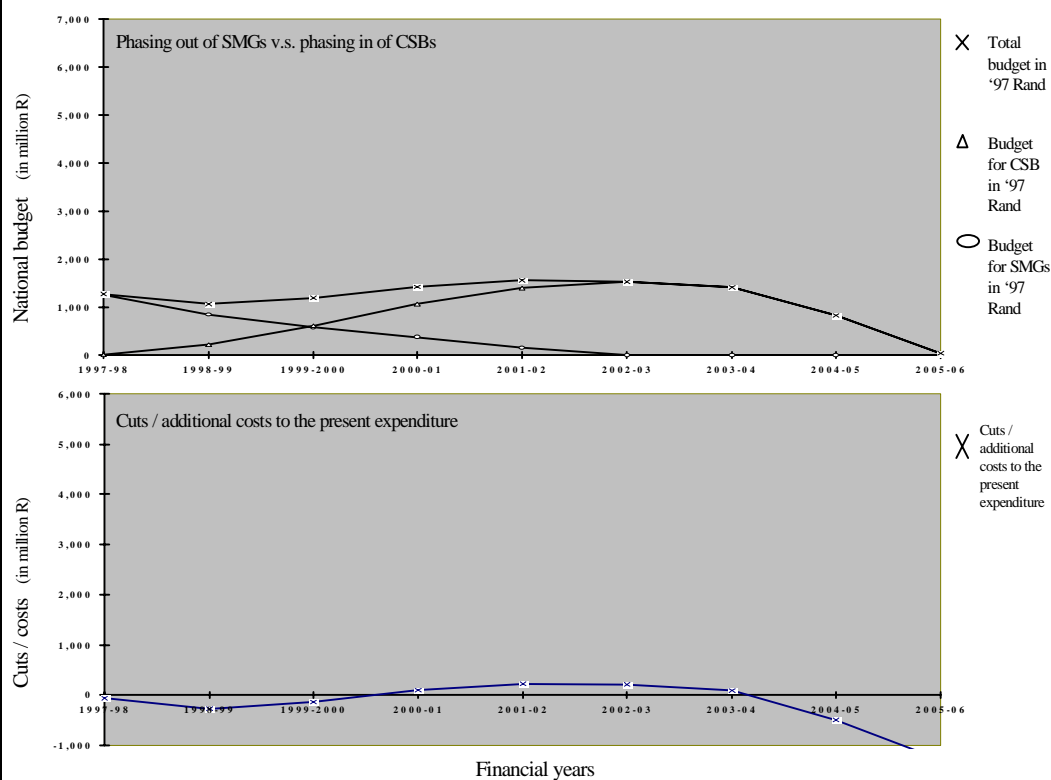
Assumed present budget: *1,327* in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*33%*	*53%*	*67%*	*80%*	*93%*	*100%*	*100%*	*100%*	*100%*
M. max. new take-up:	*24,000*	*48,000*	*72,000*	*86,400*	*103,680*	*124,416*	*149,299*	*179,159*	*214,991*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	7	237	753	1,506	2,374	3,328	4,399	5,622	6,461	6,036
TOTAL BUDGET:	1,267	1,083	1,335	1,876	2,533	3,328	4,399	5,622	6,461	6,036
Cuts / costs to present expenditure:	-59	-244	9	550	1,206	2,001	3,072	4,295	5,134	4,709
cum cuts / costs:	-59	-303	-294	255	1,461					
Number of children supported:	6	198	627	1,255	1,978	2,773	3,666	4,685	5,384	5,030
Number of children not supported:	6,701	6,583	6,228	5,675	5,028	4,275	3,424	2,449	1,793	1,677
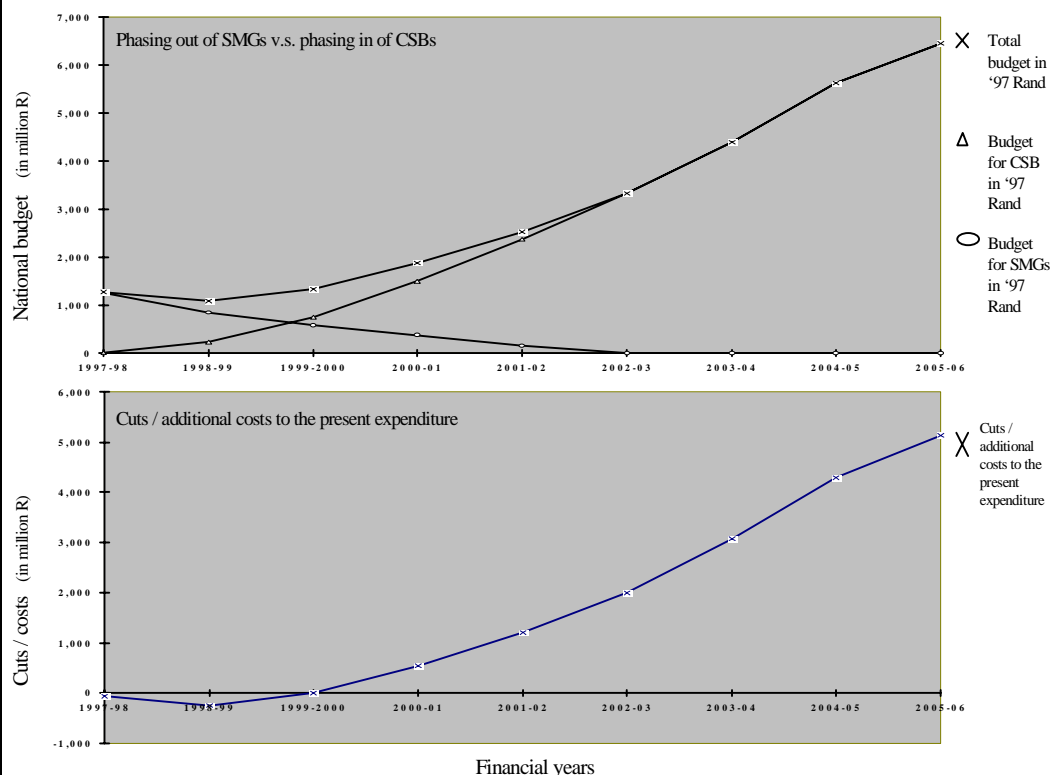
Figure 41: Basic scenario but assuming a final 100% take-up rate

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base:	*1*	(SALDRU (1); FFC (2); CSS 1996 (3))
Assumed present budget:	*1,327*	in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	*0.0%*	*1.1%*	*2.2%*	*3.3%*	*4.5%*	*5.1%*	*5.7%*	*6.4%*	*7.0%*	*7.7%*
Inflation rate:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*
Inflation link:	*0.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	*25%*	*40%*	*50%*	*60%*	*70%*	*75%*	*75%*	*75%*	*75%*
M. max. new take-up:	*24,000*	*48,000*	*72,000*	*86,400*	*103,680*	*124,416*	*149,299*	*179,159*	*214,991*
Inc. % from pre. year:		*100%*	*50%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	0	111	640	1,410	2,293	3,260	4,336	4,822	4,852	4,527
TOTAL BUDGET:	1,260	956	1,223	1,781	2,452	3,260	4,336	4,822	4,852	4,527
Cuts / costs to present expenditure:	-66	-370	-104	454	1,125	1,933	3,010	3,496	3,525	3,200
cum cuts / costs:	-66	-437	-541	-86	1,039					
Number of children supported:	0	93	533	1,175	1,911	2,716	3,614	4,019	4,043	3,773
Number of children not supported:	6,707	6,688	6,322	5,755	5,096	4,332	3,477	3,115	3,134	2,934

Phasing out of SMGs v.s. phasing in of CSBs

- X Total budget in '97 Rand
- Δ Budget for CSB in '97 Rand
- O Budget for SMGs in '97 Rand

Cuts / additional costs to the present expenditure

- X Cuts / additional costs to the present expenditure

Financial years
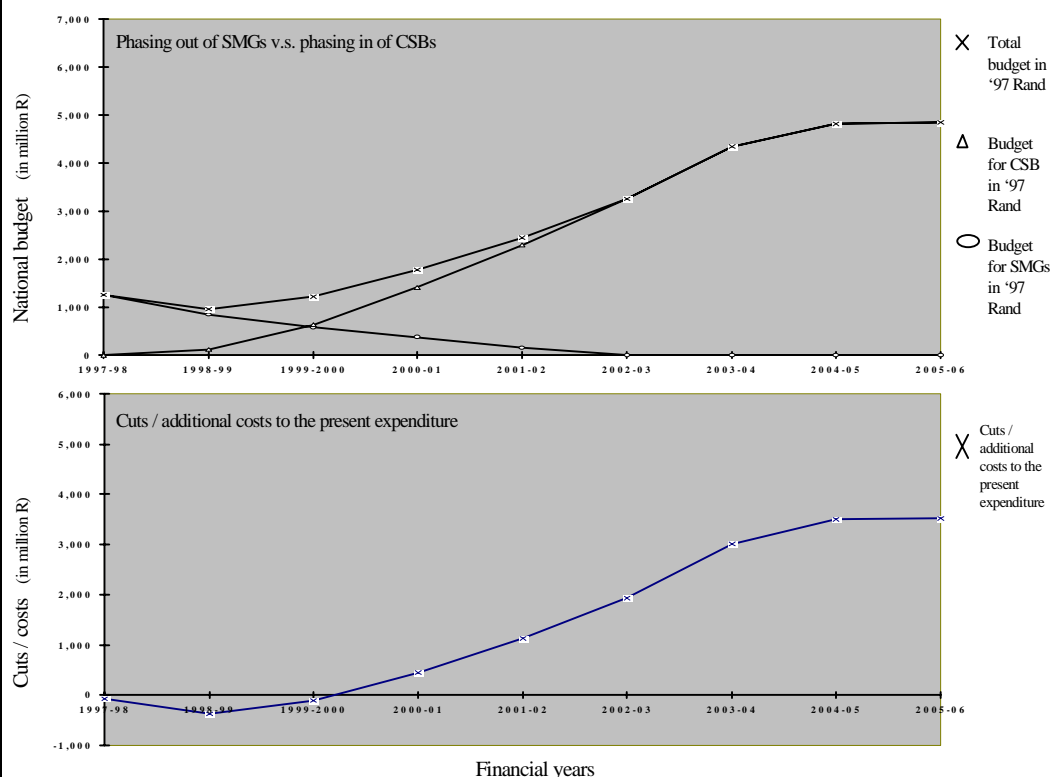
Figure 42: Basic scenario but assuming a national average backlog of 6 months

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base: *1* (SALDRU (1); FFC (2); CSS 1996 (3))

Assumed present budget: *1,327* in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Inc. % from pre. year:		0%	0%	0%	0%	0%	0%	0%	0%

Financial projections

(in million Rands, numbers in thousands)	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	4	115	258	378	480	566	639	700	752	4,527
TOTAL BUDGET:	1,264	960	840	749	638	566	639	700	752	4,527
Cuts / costs to present expenditure:	-63	-366	-486	-578	-688	-761	-688	-626	-574	3,200
cum cuts / costs:	-63	-429	-915	-1,493	-2,181					
Number of children supported:	3	96	215	315	400	472	532	583	627	3,773
Number of children not supported:	6,704	6,685	6,640	6,615	6,607	6,577	6,558	6,550	6,550	2,934
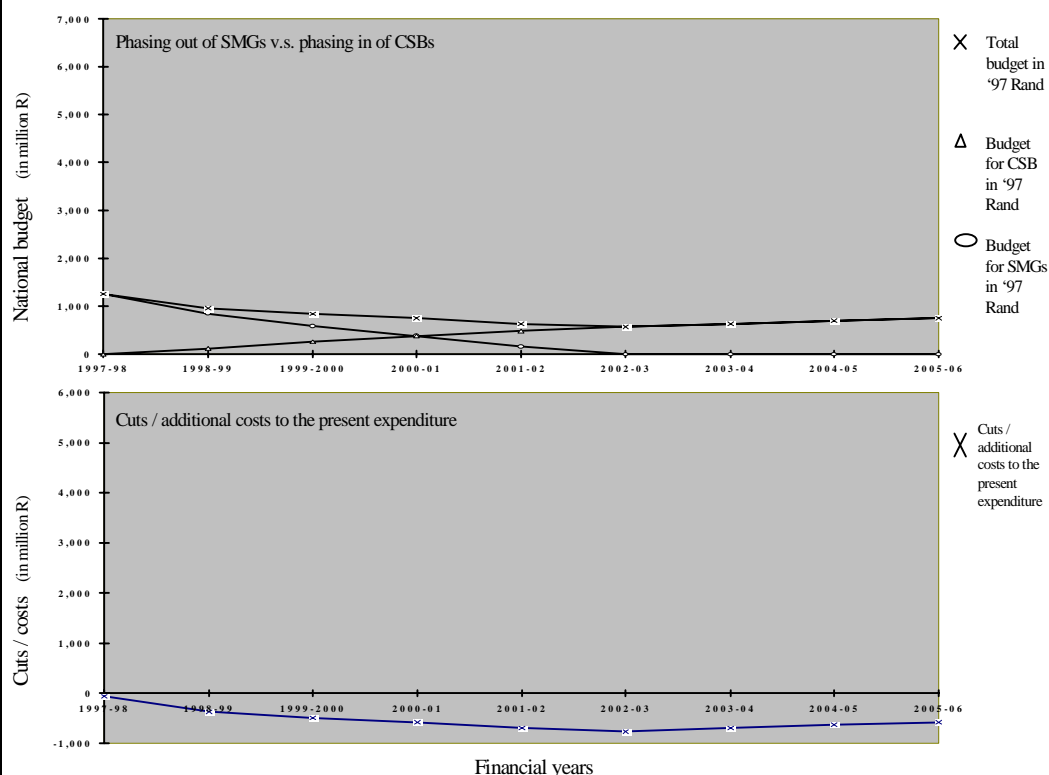
Figure 43: Basic scenario but a new maximum monthly take-up of 12,000 (no improvement)

Suggested programme

Proposed benefit:	*100*	R per month
Proposed max. age:	*6*	years (incl.)
Max. n. per fam. unit:	*0*	(0=off)
Target rate:	*75*	%
Phasing out over:	*5*	years
Phasing in:	*0*	(0=off, 1=with)
Date of introduction:	*1.1.98*	

Assumptions

Data base:	*1*	(SALDRU (1); FFC (2); CSS 1996 (3))
Assumed present budget:	*1,327*	in million Rand

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Pop. growth % to 1997:	0.0%	1.1%	2.2%	3.3%	4.5%	5.1%	5.7%	6.4%	7.0%	7.7%
Inflation rate:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Inflation link:	0.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Administration

	1.y	2.y	3.y	4.y	5.y	6.y	7.y	8.y	9.y
Take-up rate	25%	40%	50%	60%	70%	75%	75%	75%	75%
M. max. new take-up:	36,000	72,000	108,000	129,600	155,520	186,624	223,949	268,739	268,739
Inc. % from pre. year:		100%	50%	20%	20%	20%	20%	20%	0%

Financial projections

| *(in million Rands, numbers in thousands)*	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	max in '97 standards
Budget for SMGs:	1,260	845	583	371	159	0	0	0	0	0
Budget for CSBs:	11	356	1,129	2,258	3,547	4,487	4,793	4,822	4,852	4,527
TOTAL BUDGET:	1,271	1,201	1,712	2,629	3,706	4,487	4,793	4,822	4,852	4,527
Cuts / costs to present expenditure:		-56	-125	385	1,302	2,380	3,160	3,467	3,496	3,525	3,200
cum cuts / costs:		-56	-181	204	1,507	3,886					
Number of children supported:	9	297	941	1,882	2,956	3,739	3,994	4,019	4,043	3,773
Number of children not supported:	6,698	6,484	5,914	5,048	4,050	3,309	3,096	3,115	3,134	2,934

Financial years
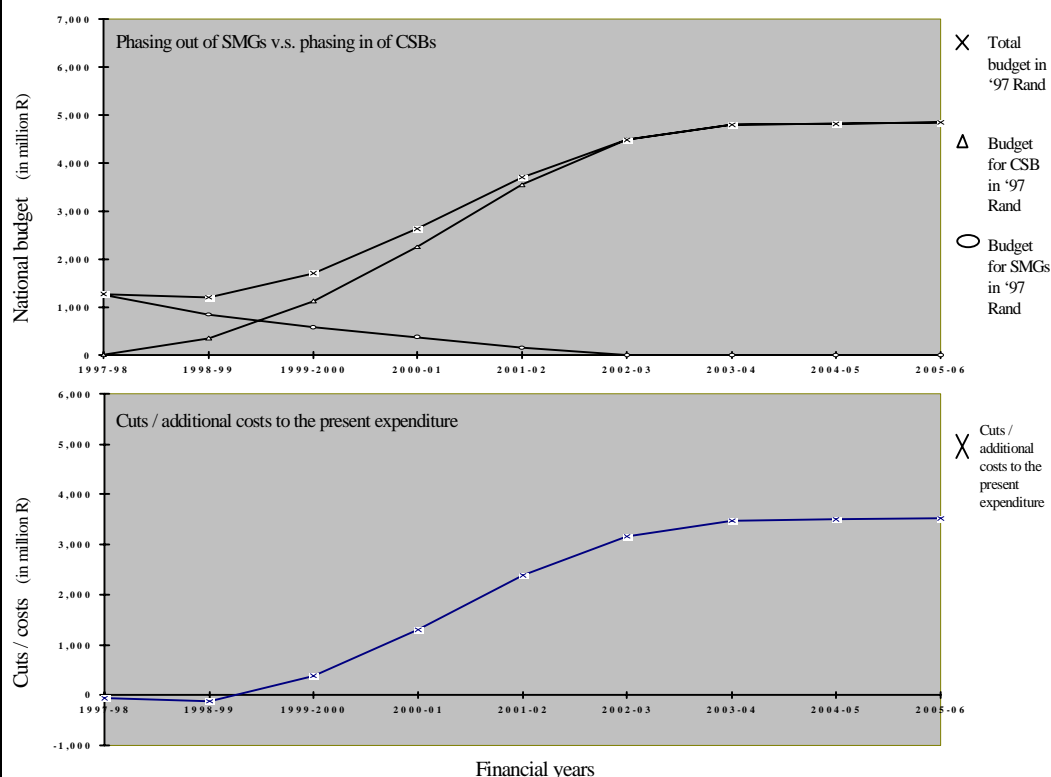
Figure 44: Basic scenario but a new maximum monthly take-up of 36,000 (with improvement)

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