

# **Does the Child Support Grant Affect Child Welfare in South Africa?**

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## **INTRODUCTION/BACKGROUND**

The Child Support Grant was introduced in April 1998. The initial value of the grant was R100 p.m.; currently the value of the grant is R240 p.m.

Initially, the age limit for the grant was set at younger than 7 years. This was raised to 9 in 2003 and again to 11 in 2004. In 2005 it was raised yet again to cover under-14s, and presently it is set to cover under-15s (McEwen et al. 2009).

Eligibility is also subject to a means test. Between 1998 and 2005 the values of caregiver income that “passed” the means test were set at

R800 (urban areas) and R1100 (rural areas) per month from 1998 onwards (McEwen et al. 2009)

From October 2008 the means test level is equal to 10 times the grant amount, to account for future inflation (McEwen et al. 2009).

Case et al. (2005), using data from KZN, find that children who received the CSG were significantly more likely to be enrolled in school in the years following grant receipt than are equally poor children of the same age.

They also found that the older siblings of grant recipients, when they themselves were observed at younger ages, were less likely than

other children to be enrolled in school. Thus, the grant seems to help overcome the impact of poverty on school enrolment.

Edmonds (2006) stated that the timing of anticipated changes in income should have no effect on child labour and schooling if households can borrow against their permanent income.

However, he found substantial increases in schooling attendance and declines in total hours worked when black South African families become eligible for the fully anticipatable old-age pension, consistent with liquidity constrained households.

## **AIMS/OBJECTIVES**

Investigate whether the Child Support Grant affects household spending on children's education.

Investigate the Child Support Grant and household spending on children's education affects children's educational outcomes.

Consider whether socioeconomic status/household welfare affects spending on children's education and their educational/schooling outcomes.

## DATA

This study utilises data from the 2008 (first wave) National Income Dynamics Study (NIDS), conducted by SALDRU.

NIDS uses a combination of household and individual level questionnaires.

In the analysis that follows (in line with study definitions), children are defined as being 0-14 years old at the time of the interview.

## **METHOD**

Mechanism through which the child support grant is hypothesised to influence educational outcomes:

Receipt of a child support grant relaxes liquidity constraints that households might experience/face, which makes it possible for households to spend/spend more on children's education.

## **METHOD**

Receipt of a child support grant provides households with a reliable, steady (albeit temporary) source of income, which might affect (lower) the time preference rate of parents/caregivers (Wood, 2003) and/or affect (favourably) parental/caregiver “altruism” toward the child.

## **METHOD**

### *Household welfare/socioeconomic status*

Two measures are used to proxy for household welfare level/socioeconomic status in this study, namely:

Per capita household spending (quintile); Welfare/asset index (quintile).

Through the use of a household welfare/asset index it is recognised that welfare (or poverty) is a multidimensional concept, in which expenditure/income is merely one dimension (often having only instrumental value). This is in line with Sen's (1999) capability approach.

## **METHOD**

### *Construction of the household asset index:*

The construction of the asset/welfare index follows methods employed by Bhorat et al. (2006) and Booysen et al. (2008).

Asset/welfare index consists of: private (durable) household assets and municipal/basic services access and/or utilisation.

Factor analysis was used to obtain the estimated asset index values.

## **METHOD**

### *Construction of the household asset index:*

The set of private durable household assets included were household ownership of a radio, TV, HiFi/Stereo system, private motor vehicle, microwave, stove, cell phone/landline, type of dwelling in which the household resides (formal, informal, traditional), etc., while the municipal/basic services included in constructing the asset index were source of water, source of energy for lighting, cooking and heating and type of toilet facility.

# METHOD

## *Regression analysis*

### Household spending on education (OLS and Tobit):

Spending = f(CSG, Demographics, Household Welfare, Characteristics of household head, Child's relation to household head, Parental residency status, household size, location of household)

Where:

Spending = [School fees, uniform, transport, books/stationery, other, total]

CSG = Child Support grant

Demographics = [Age, Gender, Population group]

Household welfare = [Per capita spending, Asset index]

Head Characteristics = [Gender, Employed]

Child's relation = Child of head OR Grandchild of head OR other

Parental residency = Both reside or not

Household location = Rural informal, tribal authority area, Urban informal, Urban formal.

# METHOD

## *Regression analysis*

Educational outcome of child (probit):

$P(\text{Outcome}|\text{X}) = Z(\text{CSG, Spending, Demographics, Household welfare, Parental Characteristics, household size, household location})$

Where:

Outcome = [Currently enrolled, ever repeated a grade]

Parental Characteristics = [Parental residency, Mother's years of education, Father's years of education]

## **RESULTS**

### **SUMMARY/DESCRIPTIVE STATISTICS**

About 56.2% of children between the ages of 0-14 years received a Child Support Grant.

Of these, 82% resided in households in the bottom two per capita household spending quintiles (61% for those residing in households in the bottom two asset index quintiles), suggesting that the grant is well targeted (from a vertical equity viewpoint)

About 98.5% of children between the ages of 0-14 years were enrolled in school when the interview was conducted.

About 21.6% of children have reportedly repeated at least one grade once.

Across welfare spending quintiles (per capita household spending or asset index) household spending on a child's education was less for those that received a Child Support Grant than for those that did not receive the grant.

Across population groups and household location, household spending on a child's education/schooling (school fees, uniforms, transport, books/stationery, other and total) in each welfare quintile (be it per capita household spending or the asset index value) is lower for those

that receive a child support grant than for those that do not receive a child support grant.

A relatively high correlation was observed between the two measures of household welfare (Spearman's rank correlation coefficient = 0.6044 (with a p-value < 0.0001) (40.1% of households were in the same asset index and per capita spending quintiles).

## RESULTS:SPENDING

Tobit estimates: Spending = f(X)

Variable	School fees, HH spending	School fees, asset index	Total Spending, HH spending	Total Spending, asset index
CSG	-135.2205***	-193.193***	-186.8604**	-373.6999***
African	-1246.415***	-1589.238***	-2009.502***	-2930.148***
Coloured	-1176.959***	-1618.858***	-2262.944***	-3353.953***
Asian/Indian	-1480.728***	-1670.554***	-1932.464*	-2855.796***
Female Head	142.6176**	154.6705**	203.1904*	242.8416**
Employed Head	11.67204	25.527	162.3752*	265.0424***
Child of Head	93.79835	157.2354**	310.0042*	340.8297*
Grandchild of head	119.9644*	122.2894**	322.9218**	305.1888**
Both Parents Reside	211.7455***	171.4958**	178.6751	130.3737
Girl	4.063685	-14.88418	33.69102	3.551472
Age	4.174792	0.491	40.53146	26.53037
Quintile 1	-1729.774***	-1146.966***	-3450.882***	-2217.111***
Quintile 2	-1649.862***	-1094.702***	-3319.263***	-2072.246***
Quintile 3	-1623.374***	-1073.969***	-2718.321***	-2258.1***
Quintile 4	-1088.455***	-936.4197***	-2072.485***	-1564.78***
Rural formal	-506.4487***	-526.1686***	-550.2459***	-730.5439***
Tribal authority	-285.6029***	-226.7197***	-429.4285***	-362.6026**
Urban informal	-79.51281	-48.0158	-155.8212	-153.2942
Household size	-4.702784	-16.58129***	1.795805	-22.82048**
Constant	2713.913***	2557.454***	4975.565***	5055.032***
n	3890	3711	2580	2464
F	15.45***	13.76***	12.10***	10.25***
Pseudo R2	0.0425	0.0384	0.0211	0.0188

## **RESULTS: SPENDING**

Household spending on the schooling of children that receive CSG consistently lower (total & school fees).

Considerably more is spend on the schooling of White children.

Female-headed households spend more on schooling than male-headed households.

Being a child or grandchild of the head is positively associated with schooling expenditures.

Households in which both parents reside spend more on the schooling of children than households in which both parents are not resident.

Households in lower quintiles spend significantly less on the schooling of children than those in 5<sup>th</sup> quintiles.

Rural households as well as households in tribal authority areas spend significantly less on schooling than those in urban formal areas, but there is no significant difference between urban informal and urban formal households.

Larger households tend to spend less than smaller households (for asset index equations).

Spending on schooling is higher if head is employed (total school spending).

No difference between spending levels between girls and boys.

## RESULTS: EVER REPEATED A GRADE

Probit, reporting marginal effects: P(Ever Grade Repeat|X)

Variable	HH Spending, school fees	Asset index, school fees	HH Spending, total school spending	Asset index, total school spending
Age	.0247319***	.0268591***	.0268412***	.0300598***
Girl	-.1353764***	-.1324794***	-.1381205***	-.1569207***
African	.165246**	.1635971***	.1411054**	.1496166**
Coloured	.0526283	.0423155	-.0035248	.0163993
Both parents reside	-.0788622**	-.0710025**	-.1218754***	-.1280481***
Mother's years of education	-.001601	-.0033495	-.0048298	-.0038463
Father's years of education	-.0054392	-.0030447	-.003516	-.0015538
Rural formal	.1191252**	.0878579	.0743683	.0839893
Tribal authority	.0151865	-.0251668	-.0229708	-.0506812
Urban informal	-.030995	-.095264**	-.1447952***	-.145212***
Quintile 1	.1289962*	.1098983*	.1519282	.0809211
Quintile 2	.1364418*	.1566393**	.1510042	.102738
Quintile 3	.188602**	.0503921	.2009053*	.0424428
Quintile 4	.0567966	.0549606	.152732	.0045774
Household size	.003963	.0027205	.0042973	.004153
Spending	5.21e-06	-6.14e-06	-6.04e-06	-.0000144
CSG	.0126935	.0083226	.0171015	.0241506
n	1413	1331	937	883
Wald chi2	161.01***	175.52***	113.92***	121.63***
pseudo R2	0.1739	0.1830	0.2060	0.2131

## **RESULTS: EVER REPEATED GRADE**

The older the child, the higher is the probability that he/she has repeated a grade.

Girls are less likely to have repeated a grade than boys.

African children are more likely to have repeated a grade than Asians/Indians or Whites.

In households where both parents reside, it is less probable that the child has repeated a grade

Receiving a Child Support Grant and spending on schooling have no influence on the probability that a child has repeated a grade.

There is scant evidence that household welfare affects the probability that a child has ever repeated a grade.

Children living in households situated in urban informal areas are less likely to have repeated a grade than those that live in urban formal areas.

## **WAY FORWARD/LIMITATIONS**

Consider the role of the old-age pension (and other grants that the household members might receive) as well.

Consider possible interactions between grants and effect on educational spending/outcomes.

Delve much deeper into intra-household resource distribution:

Are child support grants (or other grants/household resources) being used to influence/improve child welfare along other dimensions, such as health (through e.g. spending on health care and health care utilisation) and nutrition?

Are household resources (including grants) being pooled and then distributed to household members?

According to which distribution rules?

Bear in mind that the Child Support Grant is a non-conditional cash transfer, i.e. its receipt is not contingent on actions taken by caregivers/households to improve the child's welfare.

Consider whether the duration of grant receipt (and possibly time left to grant discontinuation), as well as the characteristics of the person receiving the grant play any role in determining how the grant is being utilised.

Cross-sectional analysis: endogeneity might be a concern.

Model outcome and spending simultaneously?

Household composition, not merely size, should also be taken into account.

Consider using multiple correspondence analysis (MCA) in addition to / in stead of factor analysis to obtain estimates of asset index.

Construction of index: should other variables/dimensions of welfare also be included?

Allow for possible interactions between grants and socioeconomic status.

Compare the spending on schooling and educational outcomes (enrolment, grade repetition, standardized numeracy/literacy scores) of siblings that receive a CSG (“treatment group”) with (older) siblings that do not receive the CSG (“control group”).

If, as Edmonds (2006) found, the fully anticipated receipt of old-age pension income yields substantial increases in enrolment, does the opposite hold for children that become too old to receive the CSG (i.e. does the CSG alleviate liquidity constraints that poor households face, and does the removal of the grant tighten the constraint once again?)