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Research Submission on

Social Security Take-up and the Means Test in South Africa

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EXECUTIVE SUMMARY

One of the major causes of the social security system's inability to secure social protection is the low rate of take-up of existing programmes. Only an estimated 43% of eligible individuals actually succeed in receiving their qualified grants.

The take-up rate is relatively high for the State Old Age Pension—approximately 85%. For the Child Support Grant, however, the take-up rate is very low—approximately 20%—with negative consequences for the effectiveness of the social security system.

The low take-up rate is in part a consequence of system failure. Extremely poor individuals are likely to fail in large numbers to qualify for a grant with a complicated and expensive means test and application process. Social security reform that fails to address the structural problem of low take-up is unlikely to yield substantial social benefits.

Even if it were possible to reach full take-up of the existing social security system, the cost of additional grants would require approximately R8 billion, excluding the administrative costs. Because achieving incremental increases in take-up becomes more expensive as the take-up rate rises, the additional administrative expenses are likely to be high. Reaching out to the very poor with a cumbersome means test is an expensive proposition. Even if full take-up is achieved, the means test system would exclude nearly five million people living in the bottom two quintiles.

The high cost of fully implementing the existing system, with its documented gaps in coverage, provides motivation for exploring alternative options that can more cost effectively deliver comprehensive social security in South Africa.

1. INTRODUCTION

Socio-economic development in South Africa is severely constrained by high rates of poverty and unemployment. The current social security system aims to reduce poverty and unemployment through various grants. The largest social security grants (in terms of number of beneficiaries) are the *State Old Age Pension* (SOAP), the *Disability Grant* (DG), and the *Child Support Grant* (CSG)[1]. Selection of beneficiaries eligible for the grants is based on the means test.

The means test is the central factor distinguishing the *Basic Income Grant* from other forms of social security. The application of the means test and other eligibility criteria influences the rate of take-up of existing programmes. The rate of take-up is a measure of the effectiveness of a social security system.

This paper assesses the current take-up of South Africa's social security programmes using a household-level micro-simulation model[2]. The role of the means test in affecting take-up is explored, with a particular focus on the CSG, because this grant exhibits the lowest take-up rates.

The paper consists of 5 sections, namely the introduction, 3 major sections and a conclusion. The first major section (Section 2) outlines the concept of and options for a means test and describes how the design of a means test determines and influences the target rate and take-up rate. The second major section (Section 3) quantifies take-up rates through the assessment of the potential of full take-up. Section 4 provides an assessment of the means test, with a particular focus on the CSG. The final section (Section 5) provides a conclusion.

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1 For a comprehensive discussion of the current social security system in South Africa, see Samson *et al* (2001).

2 For more details about the technical modelling, see Samson *et al* (2001), Section 3, which outlines the micro-simulation model.

2. THE CONCEPT OF A MEANS TEST

A means test for a poverty reduction programme defines criteria of a target group. Typically the means test selects a group of people who are identified as being in need while excluding those who do not need support. There are different typologies of 'means' that can be tested—the choice to test one specific 'means' or the combination of several depends on the objectives of the programme and the socio-economic conditions of the target group. A means test or targeting mechanism requires certain qualities in order to be effective. An effective means test should be:

- based on easily determinable and observable means;
- simple to administer;
- cost-effective;
- difficult to manipulate;
- devoid of negative incentives.

2.1 OPTIONS FOR A MEANS TEST

There are various options available for means testing, including income testing, nutrition monitoring, proxy-indicator testing, geographic targeting and self-targeting.

2.1.1 Income testing

This is a common targeting mechanism for cash transfers. For instance, the eligibility criteria for the SOAP 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 to be effective, it is important that the income can be easily measured and checked. Problems arise, however, with income earned in the informal sector, because this income is difficult to monitor and often varies from month to month.

2.1.2 Nutrition monitoring

A chief precept of social protection is that the social security should address malnutrition, thus yielding social and economic benefits. This targeting mechanism enjoys public support from those people who regard welfare as a means of last resort to guarantee 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 because:

- First, such targeting might create perverse incentives. For example, 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 malnutrition, but only intends to help once somebody is already malnourished.

2.1.3 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. In 1993, only 53,6% of South African households were connected to electricity, only 52,1% had a flush toilet and only 39,4% had access to piped water.[3] However, using this type of targeting may create negative incentives, since under proxy-indicator testing, specific improvements in socio-economic conditions can lead to the loss of the grant. In addition, the administrative costs for applying this mechanism are potentially high.

2.1.4 Geographic targeting

A precondition for this mechanism is the targeting of small and homogeneous regions. It might be possible to identify areas where such a mechanism could work (for example, rural areas, formerly so-called "independent states"), but at the same time, in urban areas and on farms, the administrative and equity complications might undermine the mechanism's effectiveness. This test could also create an incentive for inefficient migration.

2.1.5 Self-targeting

This mechanism makes support ostensibly available to all, but take-up by non-poor individuals would be discouraged. A low level of support, as often used in public works programmes, would likely have that effect on higher income individuals. It is, however, difficult to fine-tune take-up under self-targeting. 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. Also, self-targeting is often

3 See SALDRU (1994).

associated with a negative attitude towards the social support programme, potentially undermining the self-esteem of recipients.

2.2 TARGET RATE AND TAKE-UP RATE

The design of a means test determines and influences:

- 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.
- 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 recognises the fact that not all the people in the target group will claim the support or in the end will receive it. This can occur 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, for example, pay-out points are too far away and the poor are often not mobile (for instance, people in remote rural areas).
  - The information about the system is not readily available.
  - The cost of successfully applying for the grant is too great (for instance, it requires multiple expensive visits to the application point, or the required documentation is too burdensome to acquire).
  - People feel stigmatised through claiming welfare support from the state and therefore do not apply.

The practical consequence of this for the design of a means test is that t number of people who are legally eligible for the target group is generally higher than the number of people actually expected to qualify as recipients.

3. AN ASSESSMENT OF THE POTENTIAL OF FULL TAKE-UP

In order to quantify take-up rates, it is necessary to estimate the full number of individuals eligible for the existing social security programmes. The scenario discussed in this section is based on micro-simulations run with the assumption that all beneficiaries received the entire set of benefits to which they were entitled, based on detailed household characteristics.

This paper and a previous study with a 1996 baseline[4] provide the only detailed estimates on the cost of fully implementing the existing social security system. The full take-up simulation provides the baseline scenario for the subsequent analysis. The tables presented throughout the paper use the following household types:

1. Only infants, children, and youth (hereafter referred to as “children”).
2. Children and working age adults.
3. Children and adults in pensionable age (skip generation household).
4. Children, working age adults and adults in pensionable age (three-generation household).
5. Only working age adults.
6. Working age adults and adults in pensionable age.
7. Only adults in pensionable age.

4 Haarmann (2000).

Table 1 summarises key social security statistics by household type. Even w… full take-up of all social security programmes, nearly five million people living in the bottom two quintiles live in households that received no benefits at all. Approximately 84% (4.1 million) of these people are children or adults who live with children. The remainder (806 thousand people) consists of adults who live in households with only working age adults. 90% of those poor households (bottom two quintiles) made up only of working age adults would fail to receive social security benefits.

Table 1: Social assistance and poverty – potential of the current system (March 2001)

	only child.	child. + work. age adults	Child. + adults in pen. age	Child. + work. age adults + adults in pen. age	Only work. Age adults	Work. age adults + adults in pen. age	Only adults in pen. Age	Total
Total No. of people living in the bottom two quintiles:	35,696	14,982,029	444,791	7,039,617	894,528	382,381	61,430	**23,840,471**
% of people living in the bottom two quintiles:	0.1%	62.8%	1.9%	29.5%	3.8%	1.6%	0.3%	**100.0%**
Total No. of people living in HH receiving no social assistance (bottom two quintiles):	11,496	4,050,351	1,961	13,268	805,550	0	0	**4,882,627**
% of people living in HH receiving no social assistance (bottom two quintiles):	32.2%	27.0%	0.4%	0.2%	90.1%	0.0%	0.0%	**20.5%**
Average No. of people living in the HH (bottom two quintiles):	4.2	7.4	4.7	9.3	2.7	3.7	1.4	**7.6**
Average No. of people employed in the HH (bottom two quintiles):	0.0	1.0	0.0	0.8	1.0	0.6	0.0	**0.9**
Average No. of people receiving social assistance (bottom two quintiles):	1.1	1.5	2.3	3.1	0.1	1.3	1.4	**1.9**
Average % closed of the poverty gap by social assistance (bottom two quintiles):	23.2%	22.4%	80.3%	60.4%	10.9%	77.7%	100.0%	**36.6%**
Average *per capita* social assistance transfer (bottom two quintiles):	R 26	R 30	R 200	R 113	R 28	R 216	R 568	**R 62**
Average *per capita* social assistance transfer through SOAP (bottom two quintiles):	R 0	R 0	R 180	R 84	R 0	R 209	R 568	**R 33**
Average *per capita* social assistance transfer through CSG (bottom two quintiles):	R 25	R 21	R 20	R 20	R 0	R 0	R 0	**R 19**
Average *per capita* social assistance transfer through DG (bottom two quintiles):	R 0	R 9	R 1	R 9	R 26	R 8	R 0	**R 10**

The existing social security system has the capacity to close 36.6% of the poverty gap if all benefits are distributed to everyone entitled. The closing of the gap, however, is not evenly distributed across household types. Households containing only

working age adults have, on average, only 10.9% of the poverty gap closed, while the entire poverty gap for households containing only adults in pensionable age would be closed. Households containing only children and working age adults have an average of only 22.4% of the poverty gap closed, while "skip generation" households have an average of 80.3% of the poverty gap closed. 60.4% of the poverty gap for three-generation households is closed.

With full take-up, the average *per capita* transfer rises to R62, with most of the increase relative to current take-up associated with the CSG. The average *per capita* transfer distributed through the CSG rises from R4 to R19. The average *per capita* SOAP transfer rises from R28 to R33, and the DG from R9 to R10.[5] As a result, the relative shares of the programmes change. Most of the benefit of the existing social security system with full take-up still comes from the SOAP—but it falls to approximately 60% of the *per capita* social assistance transfer, while the share attributable to the CSG rises to a third (from 10%).

3.1 COSTS AND BENEFITS OF EXISTING SOCIAL SECURITY PROGRAMMES

The model quantifies the number of beneficiaries and the total amount of transfers associated with each of the social security programmes. Table 2 documents the potential number of beneficiaries and the associated amounts of transfers under the assumption of full take-up on the part of all eligible individuals.

5 Micro-simulations of the SOAP and CSG are relatively robust because all of the information required for determining grant eligibility can be captured using household surveys. This is not true, however, for the DG. As a result, somewhat arbitrary assumptions need to be made to model incomplete take-up when eligibility criteria—such as the results of medical tests—are not supported by data in household surveys. This study assumes a conservatively high take-up rate of 90%.

Table 2: Potential number of beneficiaries and amount of transfers

	only child.	child. + work. age adults	child. + adults in pen. age	Child. + work. Age adults + adults in pen. Age	only work. age adults	work. Age adults + adults in pen. age	Only adults in pen. age	Total
Total number of people reached by social assistance programmes:								
SOAP	0	0	195,027	1,468,375	0	322,480	251,315	**2,237,196**
CSG	12,203	3,814,987	104,119	1,529,350	0	0	0	**5,460,659**
DG	0	417,967	2,917	170,825	118,001	8,339	0	**718,050**
Total	**12,203**	**4,232,954**	**302,062**	**3,168,550**	**118,001**	**330,819**	**251,315**	**8,415,905**
Total annual transfers by social assistance programmes (in millions):								
SOAP	R 0	R 0	R 1,310	R 9,800	R 0	R 2,106	R 1,554	**R 14,770**
CSG	R 16	R 5,036	R 137	R 2,019	R 0	R 0	R 0	**R 7,208**
DG	R 0	R 2,603	R 20	R 1,143	R 724	R 57	R 0	**R 4,546**
Total	**R 16**	**R 7,639**	**R 1,467**	**R 12,961**	**R 724**	**R 2,163**	**R 1,554**	**R 26,524**
Total annual transfer to quintiles (in millions):								
Poorest Qu.	2.7	3,036.1	574.8	5,660.0	142.1	478.5	139.6	**10,051.9**
2nd Qu.	8.1	2,343.9	493.8	3,909.6	137.3	516.0	278.6	**7,742.2**
Middle Qu.	4.1	1,562.7	296.4	2,459.3	184.0	430.2	339.8	**5,404.5**
4th Qu.	1.4	605.0	89.5	746.1	189.8	398.2	341.6	**2,381.0**
Wealthiest Qu.	0.0	159.8	6.9	237.4	91.2	342.7	465.9	**1,298.5**
Total annual transfer rural / urban. (in millions):								
Rural	16.4	4,933.9	1,165.8	8,685.1	296.5	1,007.6	631.5	**16,805.8**
Urban	0.0	2,717.6	292.9	4,275.6	445.8	1,149.8	943.8	**9,862.5**
Total annual transfer by race (in millions):								
"african"	16.3	6,921.0	1,379.3	11,843.0	539.9	1,412.2	837.8	**23,328.9**
"coloured"	0.0	614.0	73.9	872.6	124.1	229.5	51.4	**1,984.8**
"indian"	0.0	88.6	6.7	128.9	36.4	146.7	6.7	**396.7**
"white"	0.0	165.5	3.7	170.3	55.2	376.5	667.8	**1,403.4**

More than eight million people are eligible for South Africa's social security programmes, of which over five million are children. With full take-up, South Africa would spend R26.5 billion on the transfer payments--R14.8 billion for the SOAP, R7.2 billion for the CSG, and R4.5 billion for the DG. Approximately 83% of the grants would go to households that include children, and nearly half the transfers would be paid to "three-generation" households.

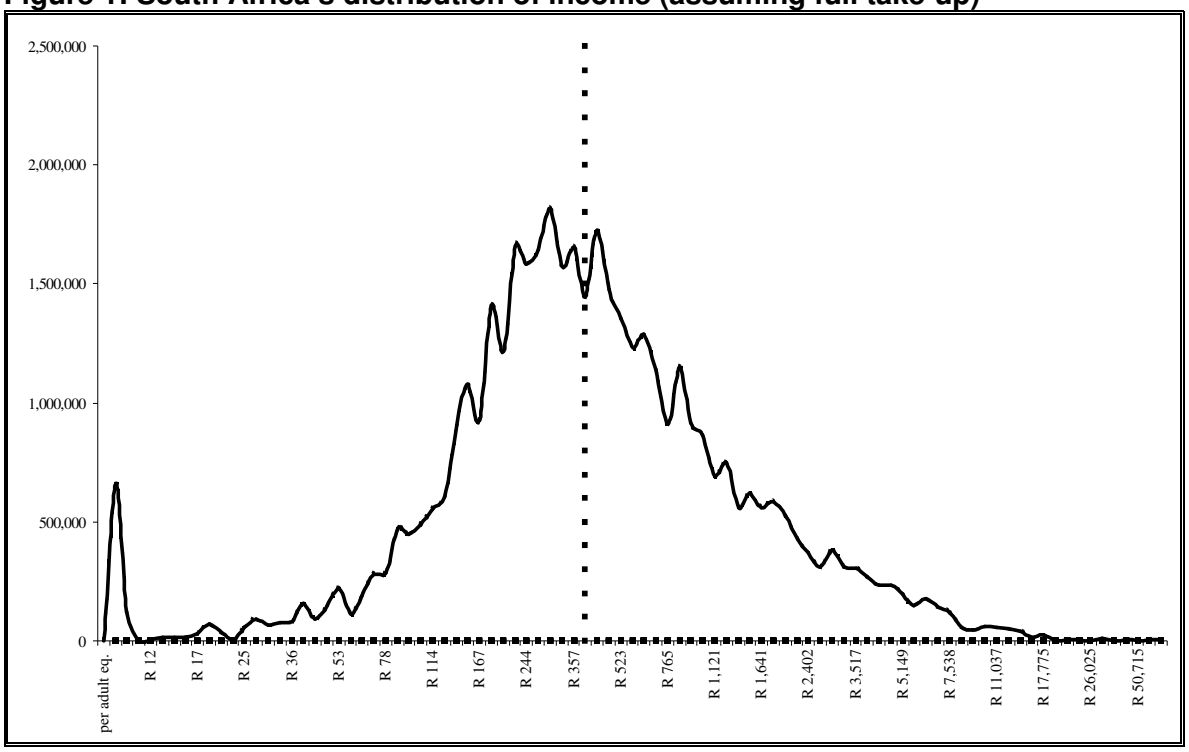
The distribution of the grants is progressive--the potential value of grants to the poorest quintile would be 30% greater than the amount provided to the next poorest quintile, and about eight times the value of transfers to the wealthiest quintile. In the wealthiest quintile, 70% of the transfers would go to households without children,

compared to 8% in the poorest quintile. Nearly two-thirds of the transfers would be pa
to rural households.

3.2 DISTRIBUTION OF INCOME

Figure 1 depicts the impact of the distribution of income if all potential beneficiaries of South Africa's social security programmes received the full grants for which they were eligible. The graph is constructed with population on the vertical axis and relative income categories on the horizontal axis. An increment along the horizontal axis represents a 10% increase in income. The dotted vertical line represents the subsistence line of R401 per adult equivalent.

Figure 1: South Africa's distribution of income (assuming full take-up)



The graph documents that even with full take-up of all grants, over half the population remains below the subsistence line. With full take-up of all social security programmes, 21,955,935 people fall below the poverty line, while 20,768,683 are above.

In particular, a large group of the poor are concentrated in the low tail of the distributio
This group is particularly difficult to target with means tested programmes.

3.3 MEASURES OF RATES OF TAKE-UP

Comparing the current take-up scenario with the full take-up scenario provides measures of rates of take-up. Table 3 compares the actual and predicted numbers of beneficiaries with the estimates of eligible beneficiaries based on the full take-up scenario. The actual numbers of beneficiaries are provided by the Department of Social Welfare's SOCPEN system for March and April 2001. The approximate take-up rate is the same using the actual and predicted numbers of beneficiaries.

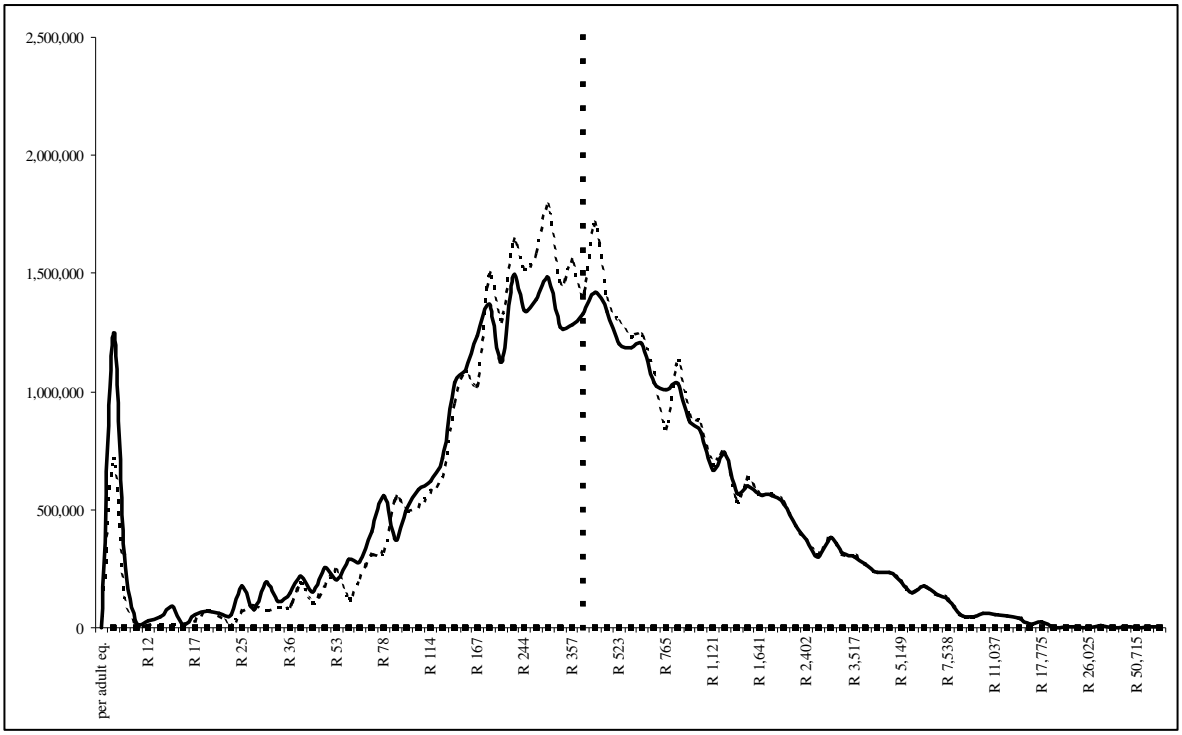
Table 3: Take-up Rates for South Africa's Major Social Security Programmes

Social security programme	Actual no. of beneficiaries	Predicted no. of beneficiaries	Eligible no. of beneficiaries	Take-up rate
State Old Age Pension	1,905,263	1,898,312	2,237,196	85%
Child Support Grant	1,084,659	1,093,759	5,460,659	20%
Disability Grant	643,107	648,172	718,050	90%
Total	**3,633,029**	**3,643,243**	**8,415,905**	**43%**

The estimated take-up rate for the CSG is approximately 20%, while the estimated take-up rate for the SOAP is 85%. Figure 2 depicts the simulated distribution of income under current take-up compared to the distribution with full take-up. The dotted line represents the full take-up distribution from Figure 1, while the solid line represents the distribution of income with March 2001 take-up.

The higher tail depicted by the solid line represents the much greater number of people at the bottom of the income scale with existing social security take-up. The solid line lies above the dotted line at the lower end of the distribution, and the difference represents individuals who would benefit under full take-up of the grant. The solid line falls below the dotted line well before the poverty line cut-off of R401, showing that full take-up improves the lives of many individuals but does not necessarily push them over the poverty line.

Figure 2: South Africa's distribution of income comparison (March 2001 versus full take-up)



The poverty headcount measures will not reflect this social benefit, but the poverty gap measure will. Full take-up of existing social security benefits moves an estimated 843,164 people out of poverty, and increases the average poverty gap reduction from 22.9% to 36.6%. However, these benefits are unlikely to be realised with the current structure of the social security system. Means tests, rigid eligibility criteria, and the high relative cost of applying for social security all contribute to low take-up rates.

4. AN ASSESSMENT OF THE MEANS TEST

In 1993, the SOAP system had a take-up rate of about 75%[6] which is, by international standards, considered a high rate of coverage[7] (currently, as shown in the previous

6 The 75% take up rate is calculated on the basis of the SALDRU data, for more information see Haarmann (2000).
7 Ardington and Lund (1995).

section, the SOAP take-up rate is approximately 85%). However, the take-up rate of the CSG is much lower (approximately 20%). The discrepancy in take-up rates occurs for several reasons, including:

- The SOAPs provide a five times higher benefit, thus the incentive to take it up is greater. The CSG provides a relatively small amount and a recent survey finds this to be a major impediment to households allocating the necessary resources to qualify for the grant.[8]
- The SOAPs have a long-standing history in South Africa. In the absence of an extensive mass education campaign, information about a new grant can be expected to take years to reach all areas in South Africa.
- The procedures for qualifying for the grant are fairly complex and compliance is relatively expensive for very poor households.
- The SOAPs are socially more accepted as a 'well-deserved' benefit for the old and are less stigmatised than state support for child-raising.

This section probes the issue of low take-up rates further, by focusing on the CSG. In particular, the role of the means test in hampering CSG take-up rates is examined.

4.1 THE MEANS TEST AND THE CSG: BACKGROUND

In 1998, the Department of Social Development developed the first means test for the selection of children eligible for the CSG. According to this means test, a child who lived in a household with a total income of less than R800 in urban areas and R1100 in rural areas or in an informal dwelling was eligible. Furthermore, the caregiver had to comply with certain conditions, including providing proof of effort to find

employment or proof of effort to join a developmental programme, proof of immunisation of the child, and proof of efforts to obtain maintenance from the parent.[9] The caregiver also had to ensure that the child had accommodation and was properly fed and clothed. The Department's declared goal for the first year was to put 390 000 children on the system.[10] However, according to a press statement of the Minister in February 1999, only 23 823 children were on the system at that time.[11]

With effect from 25 June 1999, the Minister changed the means test based on the household income to only testing the income of the primary caregiver and where applicable of his or her spouse.[12] However, in the case of a couple, the combined income is tested and not as in the case of all other grants half the combined income. At the same time, the Department embarked on an information campaign to inform the public about the accessibility of the CSG. By April 2001, the take-up rate had risen to approximately 20%.

The Lund report briefly addresses the issue of the means test, suggesting 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.[13] The report states that the means test "...must not in any way depend on a definition of a family. The concept 'follow the child' via the primary caregiver solves the administrative problem of family definition. It would undermine the entire proposal to re-introduce the problem via the means test." [14]

The Department of Welfare produced two different means test proposals during its formulation of the policy between April 1997 and the final regulations in March 1998.

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8 Kola *et al*. (2000).
9 Department of Welfare (1998)
10 Fraser-Moleketi (1998)
11 Fraser-Moleketi (1999). See also Kola *et al* (2000), which reports approximately 45,000 beneficiaries in March 1999.
12 Department of Welfare (1999).
13 Lund Committee (1996). See also Haarmann (2000), Chapter 6.

The basis for both of these proposals was the declared goal to support 3 million children. This goal was endorsed by two Cabinet decisions.[15] In March 1997, the Department said that these 3 million corresponded to 30% of the children under the age of seven in South Africa. 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.[16] Three million children, according to the Department, equalled approximately 48% of the children in the respective age group. In light of this and with feedback from civil society, the Department moved away from nutritional targeting mechanisms.

The Department's second proposal centred on testing household income. In addition, the area (rural or urban) and the kind of houses the children inhabited were added to the test. In addition, certain conditions were attached to the grant, including showing proof that the primary caregiver made an effort to obtain private maintenance and that the child was immunised. This second proposal was adopted and formulated into the regulations, which were made public in March 1998, the introduction date of the CSG.

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 (inclusive) could be supported.[17] However, at the time, the 69% of children identified as living in the first two ranking groups had an average expenditure of $1.15 *per capita* per day.[18] The Department of Welfare (now Department of Social Development) held a workshop in 1997 that examined the following three different targeting mechanisms:

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14 Lund Committee (1996).
15 Haarmann (2000).
16 Haarmann (2000).
17 Lund Committee (1996).
18 Haarmann (1998).

Nutritional or health indicator targeting

- A low weight at birth is a potential indicator for eligibility for the CSG.
- Additional factors to consider include stunting, growth faltering, weight related to age, age of the mother, birth spacing and birth order. The 'Road to Health card' could track key indicators of malnutrition.
- Entry and exit criteria depend on the state of malnutrition.

Income or proxy income testing

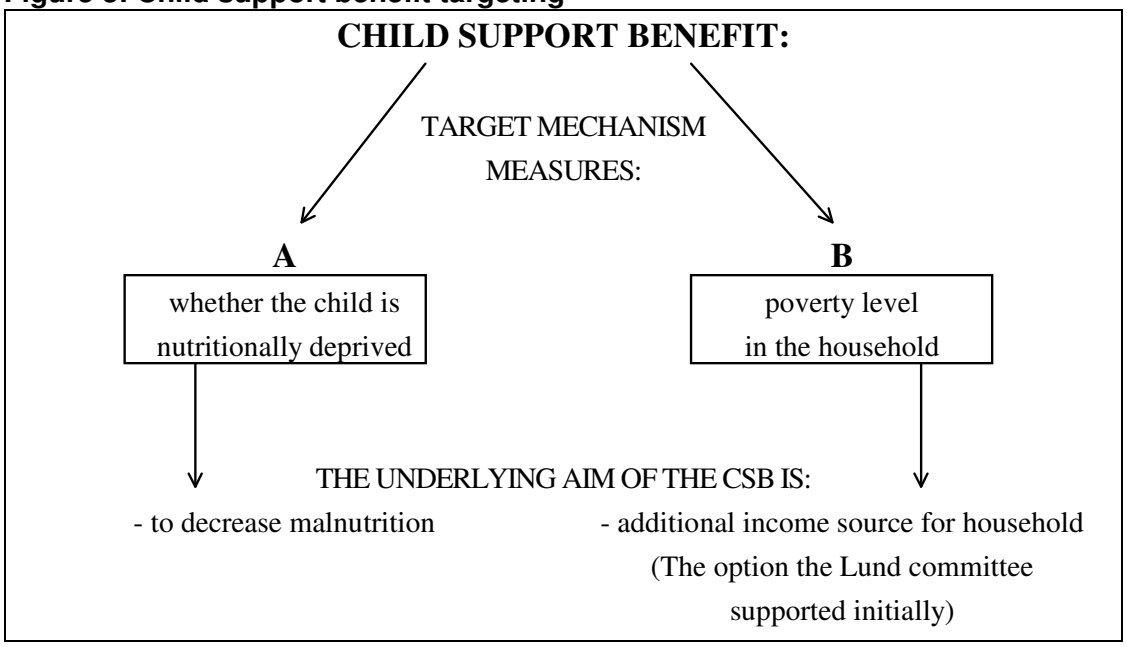
- Income and asset testing is difficult to administer in practice.
- One alternative to direct income or asset testing is proxy income testing, which involves evaluating indicators that have a high degree of correlation with child welfare. The employment status and the educational level of caregivers are potential proxy indicators.
- A reassessment of these indicators is necessary on an annual basis.
- One important issue is the question of defining and testing the primary caregiver, and whether to test the entire household.

Geographically focused targeting

- Geographical targeting combined with a simple means test is a third alternative—more appropriate for prioritisation than selection.

On the basis of these targeting mechanisms, the workshop contrasted two fundamentally different approaches to targeting, as shown in Figure 3.

Figure 3: Child support benefit targeting



Engagement with civil society and the release of the preliminary results of the 1996 Census[19] prompted the Department to increase the target rate from 30% to 48% on the basis that there were fewer children than formerly believed. However, the plans discussed at the first targeting workshop to use health clinics and nutritional mechanisms were replaced by the plans of testing the household income in combination with geographically focused targeting and proxy indicator testing. Criticisms against the use of nutrition monitoring for the CSG include the following (see also Section 2.1.2):

- It is based on the assumption that the health services sector can be the gate-keepers for the programme. However, the health sector is already overburdened, so it is not clear how they could cope effectively with this new responsibility while delivering high quality health care.
- Weight at birth is not a good indicator of poverty. There are many other causes, such as smoking during pregnancy and premature birth.

19 These results were made public in June 1997.

- The constitution guarantees 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 that is meant to treat people and not to test people's eligibility.[20]

4.2 THE FIRST CSG MEANS TEST

According to the initial CSG regulations [section 16(2)], a person qualified for the CSG if the household income was either less than R9,600 per annum (R800 per month) or R13,200 per annum (R1,100 per month) and if the household lived in a rural area or the dwelling was informal. The means test, hence, favoured 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."[21] '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."[22] 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."[23] In addition to the

20 Liebenberg (1997).
21 Department of Welfare (1998).
22 Department of Welfare (1998).
23 Department of Welfare (1998).

means test, the regulations have put certain conditions on the primary caregiver. T primary caregiver 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 caregiver has to comply with the following conditions:

- he/she shall continue to be the primary caregiver;
- the child shall have accommodation, be properly fed and clothed;
- he/she shall allow the Director General 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)]

4.2.1 Critique of the first CSG means test

The introduction of the first CSG means test has been the subject of much debate and criticism. The CSG means test has been criticised for the following reasons:

4.2.1.1 Discrimination against large households

There is a strong correlation between the poverty situation of a household and the average household size: the median for the children in the poorest two quintiles is 7 persons, while the richest group has a median of 4. 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, testing the household income without taking into accou household size or number of children creates distortions. Such a test has a tendency to discriminate against larger families. The Lund report 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 caregiver rather than single mothers, for example. The caregiver concept, due to the multiple household and family structures in South Africa, avoids discrimination against specific family types. A household of 6 to 11 people is more likely to have a combined income exceeding the cut-off point than is a single parent household with 2 people.

4.2.1.2 Ignoring intra-household inequalities

The distribution of resources within households needs to be accounted for. 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:

> *One problem with the concept of household food security is that distribution problems within the individual household or family, that is, 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 less access than men do.*[24]

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 caregiver (most likely women), who then would be empowered to look after the needs of the child in the best way: “Women generally put higher priority on the basic needs of

24 Budlender (1993).

family - including nutritional - than men rather than concentrating only on their ov needs. We can argue that giving benefits to women is thus both more efficient and more equitable for the society as a whole."[25] Case and Deaton make a similar point: "Female-headed households behave differently from male-headed households. They spend a great deal less on alcohol and tobacco and on transportation…."[26]

4.2.1.3 Ignoring changes in household composition

The permanent state of 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."[27]

4.2.1.4 Stringent conditions

Household income tests are further undermined by the condition that "[applicants] have little idea of total household income."[28] Since household boundaries are fluid, the household income is amorphous as well. In addition, the applicant has to provide 'proof of efforts' to obtain private maintenance from the parent, as well as provide proof of immunisation 'where such services are available'.

4.2.1.5 Absence of guidelines

The terms 'efforts', 'employment' (formal or informal), 'development programme' and 'available' are not clearly defined. This absence of guidelines leaves the granting of

25 Budlender (1993).
26 Case and Deaton (1996).
27 Lund Committee (1996).
28 Berg, Amde, Budlender (1997).

the support entirely to the subjective interpretation of the officials. By doing so, pow 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.[29] In terms of seeking employment and in the absence of any employment agency, the question of who would provide somebody with a proof of effort arises. The 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.

The testing of the individual income in contrast to the household income does not discriminate against any family form (for example, larger families). Case and Deaton, 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.”[30] This cut-off point is not meant as a poverty line. Klasen points out that "The income poverty measure seems to miss groups of people who have slightly higher incomes but are deprived in multiple other ways."[31]

29 In the case of the Department of Welfare, for example, the Flagship programmes as one of the first developmental programmes reaches only approximately 1000 women nation wide. (Department of Finance, 1998).

30 Case and Deaton (1996).

31 Klasen (1996).

5. CONCLUSIONS

One of the major causes of the social security system's inability to secure social protection is the low rate of take-up of existing programmes. Only an estimated 43% of eligible individuals actually succeed in receiving their qualified grants.

The take-up rate is relatively high for the SOAPs—approximately 85%. For the CSG, however, the take-up rate is very low—approximately 20%—with negative consequences for the effectiveness of the social security system.

The low take-up rate is in part a consequence of system failure. Extremely poor individuals are likely to fail in large numbers to qualify for a grant with a complicated and expensive means test and application process. Social security reform that fails to address the structural problem of low take-up is unlikely to yield substantial social benefits.

Even if it were possible to reach full take-up of the existing social security system, the cost of additional grants would require approximately R8 billion, excluding the administrative costs. Because achieving incremental increases in take-up becomes more expensive as the take-up rate rises, the additional administrative expenses are likely to be high. Reaching out to the very poor with a cumbersome means test is an expensive proposition. Even if full take-up is achieved, the means test system would exclude nearly five million people living in the bottom two quintiles.

The high cost of fully implementing the existing system, with its documented gaps in coverage, provides motivation for exploring alternative options that can more cost effectively deliver comprehensive social security in South Africa.

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