

CORRELATES OF POVERTY AMONGST HOUSEHOLDS RECEIVING GOVERNMENT GRANTS IN A SOUTH AFRICAN TOWNSHIP

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—Abstract —

Government grants have become an important source of income for many households in South Africa. With the need to understand their impact, this study used household level data to analyse determinants of household poverty amongst households receiving government grants in a South Africa Township of Bophelong. A Logistic regression was estimated based on this data with the economic status (that is poor and non-poor) as the dependent variable and a set of demographic variables as the explanatory variables. The results of the study show that household size, gender, age employment status were important predictors of household poverty. The age and the employment status of the head of the household reduce the probability of being poor. The household size is associated with an increased probability of being poor.

Key Words: *Grants, poverty, Bophelong*

JEL Classification: I32, I38

1 INTRODUCTION

According to SPII (2007) the concept of poverty is contested and with a good reason. Arguments over conceptualising, defining and measuring poverty go beyond semantics and academic hair-splitting. The conceptualisation, definition and measurement of poverty in a society is like a mirror-image of the ideals of that society. In conceptualising, defining and measuring what is unacceptable in a society say a lot about how they would like things to be. Therefore, it is important that those concepts, definitions, measurements and theoretical robustness be appropriate in that society in which they are applied.

Poverty is also a political concept because it relates to the allocation or distribution of resources, and reflects the impact of past and present policy choices (Meth, 2006). The ways in which politicians, citizens and experts use the concept of poverty have very divergent and diverse roots in social, political and philosophical discourses. Today's poverty dialogue attracts complex and contradictory underlying assumptions about what people are supposed to need in order to maintain a minimal standard of living (du Toit, 2005).

In order to deal with the root causes of poverty, it is important to understand both its causes and its character. The history of apartheid in South Africa has meant that poverty has affected some people more than others. Black people in general were confined to low income jobs and were most affected by unemployment and landlessness. This was not a historical accident, but the result of deliberate policies that deprived people of their land, kept them out of skilled work and confined them to urban ghettos and bantustans. Within the black community, women, the disabled, the elderly and children were worst affected by poverty. Pensions and grants were virtually inaccessible to black people and those who did receive them, received less than their white counterparts. The legacy of this system is that throughout the country there were millions of people who cannot meet their basic needs for housing, water, sanitation, food, health care and education (ETU, 2013).

Over the past nineteen years, the South African government has implemented a myriad of poverty alleviation measures, with social assistance being the biggest of

them all, aimed at achieving the goal of a better life for all (Department of Social Development, 2006). There are broadly two concepts of social security in South Africa: the insurance concept and the redistribution concept. The insurance concept focuses on insuring workers against the risk of income loss and hence it increases lifetime income smoothening. Most programmes based on this concept are financed out of premiums and contributions and benefits depend on earnings. In South Africa, there exists an Unemployment Insurance Fund serves this function. “Redistribution” programmes, on the other hand, do not focus on workers alone and the key element is poverty relief. The term “social assistance grants” refers to non-contributory and income-tested benefits provided by the state to vulnerable groups unable to provide for their own minimum needs, such as the disabled, the elderly and young children in poor households. Benefits are financed out of general tax revenues and hence there is no link between contributions and benefits. The focus of this study is on social assistance grants as these play a particularly important role in reducing poverty in South Africa.

The major types of grants consist of the State Old Age Pension, the Disability Grant, the Child Support Grant and the Foster Care Grant. South Africa has the most comprehensive social grant system in Southern Africa. The legal impetus for social assistance to poor people living in South Africa by the State is provided by section 27 of the Bill of Rights in the Constitution which provides that everyone shall have the right to social security including, if they are unable to support themselves and their dependents, appropriate social assistance. The legal regulatory framework for social assistance is provided by the Social Assistance Act 13 of 2004 and the accompanying regulations (Department of Social Development, 2006)

According to the 2012 General Household Survey released by Stats SA, in the space of only 10 years the percentage of people dependent on social grants more than doubled, from 13% in 2002 to 30% in 2012. The percentage of households receiving grants has also risen during the period but has stabilised at 43% - 45% over the last five years (Berkowitz, 2013).

The paper is organised in the following manner: Firstly, the methods of the study indicating the participants, measurement of poverty and the regression model are

presented. Secondly, the results are presented and interpreted, followed by the discussion and conclusion and finally the recommendations.

2 METHODS

2.1 Participants

This study is based on a household survey using questionnaires. A random sample of households was interviewed in the township of Bophelong. Maps were obtained for Bophelong and sample stratification was designed on account of the geographical distribution and concentration of people in the areas. A questionnaire was designed for obtaining the desired information. The questionnaire included information on demographics, respondents' income and expenditure patterns and their general view about their socio-economic status. The area was divided into the different extensions and the questionnaires were apportioned evenly among the inhabited sites. Sites at which field workers were supposed to complete questionnaires were identified individually from the map before the field workers went out. However, where people could not be obtained for an interview, or where it was impossible to trace the house, a next pre-selected household was interviewed. Information was obtained from the head of the household or the spouse. Information obtained from the respondents was kept in strict confidence and the participants were not required to write their names on the questionnaire. A total of 300 households were interviewed by two fieldworkers in July 2013. From the 300 households that were interviewed, a sample of 77 households who depend on government grants as the main source of income were analysed. These are households with individuals who are not expected to participate fully in the labour market, and therefore vulnerable to low income, i.e. the elderly, children and those with disabilities.

2.2 Measuring poverty

A survey was undertaken to collect household information from households in Bophelong who rely on government grants as their source of income. Following the guidelines of the World Bank (2001), a poor household is defined as a household whose combined income of all its members is less than the cost of minimum calorie intake and that of other necessities of the household. Using the

2000 Income and Expenditure Survey data, Statistics South Africa estimated a poverty line of R416 (in March 2009 figures) per person per month (Statistics South Africa, 2009). The poverty line was said to include basic food and non-food items for a household to attain a minimal standard of living (regarded as a lower bound poverty line). Once inflation was accounted for, the threshold amounted to R520 per capita per month in 2012 prices.

2.3 Regression model

The study used a logistic regression with two different dependent variables of a dichotomous nature. The households were classified as either poor or non-poor based on their per capita income. The dependent variable takes a value of 1 for a poor household poor or 0 for non-poor household. This binary poverty status is expressed in a linear form by a latent variable y^* as follows. The logit model used in this study to measure the effect of socioeconomic variables on the probability of being poor is as follows:

$$HHPS_i = \beta_0 + \beta_1 HHI_i + \beta_2 HHS_i + \beta_3 ESH_i + \beta_4 AH_i + \beta_5 EH_i + \beta_6 MSH_i + \beta_7 LB_i + \beta_8 MIG + e_i \quad (1)$$

Where: $HHPS_i$ = household's poverty status,

HHS_i = the household size,

ESH_i = the employment status of the household head

AH_i = age of the head of household,

EH_i = education attainment of the household head,

MSH_i = marital status of the household head,

β_0 = the intercept,

β_1 to β_8 = the coefficients and

e_i = the error term.

3 RESULTS

3.1 Demographics and poverty analysis

The headcount index for the sample population is calculated at 0.688. This means that 68.8% of the sampled households' income was found to be below their respective poverty line when using R520 per capita poverty line. There were greater variations in household size (min: 1, max: 11) with the average household size recorded at 4 members. The average age of the household head was 56, with the oldest participant at 88 years old. Total income, which included government grants (average per month: R707) averaged R1 851 per month. The maximum household income was recorded at R8 000 per month. The majority of household heads (85.7%) were female. Table 1 shows the poverty comparison and the demographic variables of the sampled households. Female headed households had a higher poverty rate than their male counterparts. Poverty was seen to be decreasing with an increase in household income in both male and female-headed households. Higher poverty rates were found with increasing household size and lower educational attainment of the household head. The relationship between age and poverty seems to suggest that poverty is high at a young age, decreases over time and then increases again.

Table 1: Poverty and demographic variables

| Variable | N | Poor | | Not poor | |
|----------|----|------|--------|----------|-------|
| | | n | % | n | % |
| Gender | | | | | |
| Female | 66 | 48 | 72.7% | 18 | 27.3% |
| Male | 11 | 5 | 45.5% | 6 | 54.5% |
| Age | | | | | |
| <30 | 3 | 3 | 100.0% | 0 | 0.0% |
| 30-40 | 8 | 6 | 75.0% | 2 | 25.0% |
| 41-50 | 18 | 13 | 72.2% | 5 | 27.8% |
| 51-60 | 10 | 10 | 100.0% | 0 | 0.0% |
| 61-70 | 20 | 9 | 45.0% | 11 | 55.0% |
| 71+ | 20 | 12 | 60.0% | 8 | 40.0% |
| HH Size | | | | | |
| <3 | 8 | 2 | 25.0% | 6 | 75.0% |

| | | | | | |
|-----------------------------|----|----|--------|----|-------|
| 3-6 | 59 | 41 | 69.5% | 18 | 30.5% |
| 7+ | 10 | 10 | 100.0% | 0 | 0.0% |
| Marital Status | | | | | |
| Married | 16 | 9 | 56.3% | 7 | 43.8% |
| Not married | 61 | 44 | 72.1% | 17 | 27.9% |
| Employment Status | | | | | |
| Employed | 10 | 6 | 60.0% | 4 | 40.0% |
| Not employed | 67 | 47 | 70.1% | 20 | 29.9% |
| Total Income/ Grants | | | | | |
| <500 | 6 | 6 | 100.0% | 0 | 0.0% |
| 500-1500 | 34 | 29 | 85.3% | 5 | 14.7% |
| 1500-2500 | 21 | 15 | 71.4% | 6 | 28.6% |
| >2500 | 16 | 3 | 18.8% | 13 | 81.3% |

3.2 Determinants of poverty status

The results of the logistic regression on the determinants of poverty are shown in table 2. The table shows the logistic regression results, Wald test and the odd ratio for each of the explanatory variable. The results of the survey show that household size, gender, age and employment status of the household head were significant predictors of poverty. The sign of the coefficients show that household size and the gender of the household head (female) increase the chances of being in the poor category, while the age of the household head and employment status of the household head reduce the chances of being poor. The gender, marital status and employment status of the household head were not significant in explaining poverty amongst households receiving government grants in Bophelong.

Table 2 : Determinants of poverty

| | Coef. | Std. Err. | z | Sig |
|-------|--------|-----------|-------|-------|
| GH | 1.879 | .9702762 | 1.94 | 0.053 |
| HHS | .9631 | .2647765 | 3.64 | 0.000 |
| AH | -.064 | .0207484 | -3.10 | 0.002 |
| MSH | -.912 | .8546716 | -1.07 | 0.286 |
| EH | -.0622 | .0570855 | -1.09 | 0.276 |
| ESH | -1.846 | 1.091501 | -1.69 | 0.091 |
| _cons | 1.984 | 2.329 | 0.85 | 0.394 |

For selecting a good model, a number of tools for model adequacy can be employed. The model containing all explanatory variables was significant χ^2 (5 N= 77) = 68.8 P < 0.001, indicating that the model was able to distinguish between the non-poor and poor. The model as a whole explained 49.3% (Cox and Snell R Squared) and 69.3% (Nagelkerke R Square) of the variance in the poverty status, and correctly classified 85.7% of all cases.

4 DISCUSSION AND CONCLUSION

The aim of the study reported here was to analyse the determinants of poverty amongst households receiving government grants in a South African Township. A sample of 77 households who depend on government grants as the main source of income was analysed, with the poverty status (0=non-poor and 1=poor) as the dependent variable and a number of socio-economic characteristics as explanatory variables. Sixty eight percent (n=53) of the households were found to be poor.

The results of the study show that household size, gender, age employment status were important predictors of household poverty. Household size was positively associated with the chances of being in the poor category. Other studies (Geda et al., 2005; Sekhampu, 2013) also found a positive relationship between household size and poverty. The increasing family size implies a larger number of dependents on fewer earners and this might lead to fewer earning and lesser per capita consumption. Age of the household head was negatively associated with the probability of being poor. The result is consistent with that of Malik (1996) but does not coincide with the findings of Baulch and McCulloch (1998) who report that no significant effect on the poverty status is made by the age of the head of the household. Sikander and Ahmed (2008) found that the age of the head of the household is important for reducing the probability of remaining a poor household. The coefficient for age (AH: -.106) of the head of the household was significant at the 10% level. The effect of age on household poverty might be explained by the understanding that people who are 60 years and older are eligible for government grants.

The gender of the household head was negatively associated with poverty. The coefficient for gender (GH: 1.879) was positive and significant at the 1% level. Geda et al., (2005) found that households headed by males have a lower probability of being poor. Another important explanatory variable for poverty in the area was the employment status. The coefficient for the variable indicates that the employment status of the household head lowers the chances of a household

falling in the poor category. This coincides with a study by Ramon et al. (2004) in the Phillipines, who concluded that the employment status of the head of household is important as it determines household income. With every addition of a household member in the employment line, per capita income (as a ratio of the poverty line) was found to increase. Marital status and educational attainment were no significant in predicting the variations in poverty status of the households. This is contrary to a well held view that education can help in improving the socio-economic status of a household. The high unemployment rate (87%) among the participants, results in lower returns for education in the market. In conclusion, only three independent variables made a statistically significant contribution to the model (household size, age and total income (grants)).

The analysis presented above enables the policy makers and decision makers to clearly see the effect of various household and head of the household characteristics on poverty amongst household receiving government grants in South Africa. Moreover, the study provides the factors which are strongly related to the poverty status of a household. Strategies aimed at reducing poverty can be directed at these factors. Future research can focus on the impact of various forms of grants on poverty.

5 RECOMMENDATIONS

The analyses presented in this study suggest that policy interventions are necessary to further reduce poverty in those household that depend on social grants as the main source of income and those that don't receive grants. It was expected that the higher the family size, the higher would be the probability of the household to be poor. Due to this fact, with the increase in family size, higher amount of money would be required to meet the basic needs of all the members of the household. So there is a need to invest in family planning in the area, improve the knowledge about family planning and to include sex education at school level. Literacy and schooling are important indicators of the quality of life, as well as being key determinants of poor people's ability to take advantage of income earning opportunities. Consequently, more education of the head of the household would lead the household out of vicious circle of poverty. More education simply leads to higher earning potential and better management of the household resources.

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