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POLICY BRIEF

Number 9 2014



Vulnerability, coping and adaptation within the context of climate change and HIV/AIDS in South Africa:

Investigating strategies to strengthen livelihoods and food security and build resilience

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How can social grants be made to work better for households in rural Eastern Cape?

In South Africa, social grants are a central component of government's efforts to alleviate poverty. The number of people receiving social grants has significantly increased in recent years (from about 10.9 million in 2005 to almost 15.7 million in 2013, and an anticipated 16.8 million recipients by 2015). With social grants playing an increasingly important role, a pressing policy issue is whether or not the current social grant schemes are an effective tool for alleviating poverty. Some studies have shown that social grants improve food security (Case and Deaton, 1998; Samson et al., 2008) and in the long run can promote employment through accumulation of human capital and enhancing productivity of poor households (Edmonds et al., 2006; Samson et al., 2008; Surender et al., 2007). However, other studies have reported that social grants have possible disincentive effects on labor market activity, for example, through the relaxing of household budget constraints which may lead to a reduction in labor supply (Bertrand et al., 2003; Ranchohod, 2006; Klasen and Woolard, 2009). Our study provides new insights by highlighting two key household characteristics, gender and education, in catalyzing or diminishing the effects of grants on household livelihood outcomes. Our analysis mainly focuses on impacts of pensions on household food security and labor supply of household members.

Key Findings

- Social grants have a positive impact on food security. Monthly food consumption expenditures increase when households receive grants.
- Social grants have disincentive effects on labor supply. An increase in household pension incomes lead to a reduction in labor supply of household members.
- Gender plays a significant role in households' response to social grants. The reduction in labor supply due to pension income is lower for males compared to females.
- Education strongly complements social grants. Individuals with relatively higher levels of education (at least primary level education) increase their labor supply when household pension income increases.

Implications

- The positive impacts of social grants on food consumption expenditures highlight the important contribution that these programs make in improving household food security.
- The complementarity between education and social grants suggests that promotion of education policy is one strategy that has the potential to reverse negative impacts of social grants.



- The gender differences in social grant impacts may be a consequence of gender norms that commonly limit women's participation in labor markets.
- If social grant programs are accompanied by education programs that augment the accumulation of human capital for women, this can potentially improve women's opportunities in labor markets.

Study site

The study was based at Lukanji and Mbashe, two municipalities in the Eastern Cape Province of South Africa. The Eastern Cape, with a population of approximately seven million, is the poorest province in South Africa. One site was selected in each of the two municipalities. Lesseyton is the site for Lukanji municipality and Gatyana is the site for Mbashe municipality. Two rounds of household survey interviews were carried out in both study sites (i.e. January-February and June-July, 2011) to account for seasonality effects. In the first survey, 340 households were interviewed, but 30 households were not available during the second survey, which left a sample of 310 households for that period.

Supporting evidence

1. Pensions increase food security

Social grants have a positive impact on food security, as seen by the increase in monthly food consumption expenditures amongst social grant recipients. An extra R1140 received by a household in old-age pension increases food consumption expenditures by at least 24%. An extra R1000 in other types of social grants increases food expenditures and home consumption by approx 25%

2. Pensions decrease labour supply

An increase in pensions by R1140 leads to a 35% decrease hours of labor worked per day. Pensions decrease labor supply for all types of work (i.e. off-farm work, on farm work, natural resource based work, and domestic work). The magnitude of decrease in labor supply is the same for all types of work.

3. There are gender difference in impacts

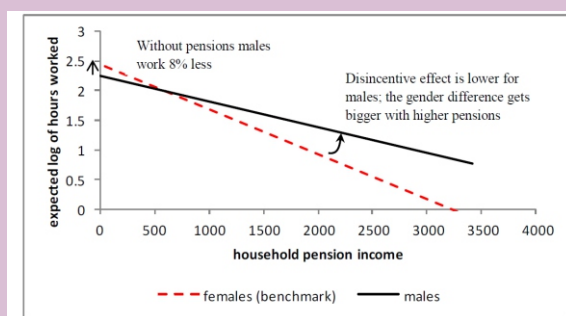


Figure 1. There are gender differences in pension impacts on labour supply

Before receiving pensions, females supply 8% more labor. Most of this labor is in the domestic sector, where females are likely to do more work than men. When household pension income increases, both males and females decrease their labor supply. However, figure 1 shows that the decrease is lower for males compared to females.

4. Education is a strong complement to social grants

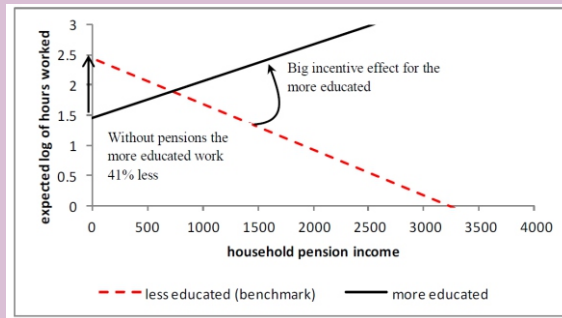


Figure 2. Education complements pension impacts on labor supply

An increase in pensions by R1140 decreases productive hours by 35% for less educated individuals but increases productive hours by 36% for more educated individuals. Figure 2 shows that individuals with relatively higher education levels (at least primary level education) increase their labor supply once household pension income increases. Education overcomes the disincentive effect of pensions on labor supply.

About the project

The findings presented in this policy brief are part of a research partnership between the Department of Environmental Science, Rhodes University and Department of Resource Economics and Environmental Sociology, University of Alberta, Canada. The project is supported by 12 related studies (mainly postgraduate research projects) that have helped to build a very intricate and detailed picture of livelihoods, vulnerability and change in the communal areas of the Eastern Cape, South Africa. The research has been undertaken in two sites in the rural Eastern Cape; Lesseyton outside of Queenstown and Gatyana near Willowvale

Further reading

<http://era.library.ualberta.ca/public/view/item/uuid:4ff2e7ea-0dd3-48e2-a00c-647d4a0666a3>

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Funded by the International Development Research Centre (IDRC) of Canada

