

Increasing the amount of the Child Support Grant

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From the start, the Child Support Grant (CSG) was explicitly conceived as a poverty grant. Its aim was, and is still, to assist families – and more specifically the primary caregivers of children living in poverty – to contribute to meeting the basic needs of the children in their care.

When the Lund Committee first developed the proposal for the CSG in 1996, they proposed that the grant amount be empirically based on the most basic costs of raising a child – a proposal that at that time came to about R70 per month. The amount was very low both in absolute terms and when compared with the March 1996 values of the Foster Child Grant (R288) and the Old Age Grant and Disability Grant (R410). The low amount was motivated in large part by the fact that the total budget for the State Maintenance Grant (SMG), which the CSG was to replace, was R1.2 billion per year.¹ The Committee was committed to keeping the total cost of its proposal to approximately this amount out of concern that if a more expensive option was proposed, then government would abolish the SMG and there would be no poverty grant for children. To keep within the budget ballpark, the Committee therefore proposed restricting the grant amount and limiting the coverage to pre-school children.

The proposal of R70 was based on the amount that the University of Port Elizabeth, in constructing the Household Subsistence Level (HSL), had calculated was needed to cover the basic food and clothing² costs of a young child. The reason for covering only the food and clothing costs was again motivated on the basis of cost containment, with food and clothing seen as the most basic necessities. While caregivers of very young children would not face some of the costs faced for older children such as school-related expenses, there is a range of other costs involved in raising even young children, as well as the household-level costs related to necessities such as housing, water and energy.

The Lund Committee provided evidence that even the full HSL for children aged 0 – 10 years, calculated at R90 per month, was lower than a range of other costs associated with children. For example, the child allowance portion of the SMG was R125, the allowance for children in places of safety was equivalent to R180 per month, residential care was subsidised at around R850 per month, and keeping a child in prison cost approximately R2,040 per month.³

When Cabinet approved the introduction of the CSG in 1997, it agreed on an amount of R75 per child per month, slightly higher than the Lund Committee's proposal. The then Minister of Welfare, Geraldine Fraser-Moleketi, acknowledged the paucity of the grant. She argued that the CSG must be seen as part of a package of services that government would put in place to meet the basic needs of children.

The small amount, alongside other features, provoked a civil society campaign which argued, among others, for a value of R135 per child per month, equivalent to the then child portion of the SMG. In July 1997 the National Executive Council of the African National Congress formally decided that the amount should be R100 per month, and it was this amount that was gazetted for the 1998 introduction of the grant.⁴

The increase in the amount was a clear victory for civil society, and of obvious benefit to poor children and their caregivers. The down-side was that the new amount was not empirically based. In particular, it was not based on a measure for which regularly updated values were available. The grant amount then remained at the R100 for several years, and was increased (to R110) only in July 2001. October of the following year saw a somewhat bigger increase to R140. Since then the CSG increases have more or less kept pace with inflation.

Proposal for reform

In 2016 we still do not have any reliable estimates of the cost of raising a child. In the absence of such estimates, the next best option if we want “objective” estimates would seem to be poverty lines. Unfortunately, this is not that straightforward as South Africa has three different poverty lines. The food poverty line is the minimum that must be spent to meet a basic energy intake (if all the available money for a person is spent on food), while the upper bound poverty line is the minimum required for people to afford both basic food and non-food items.

In addition to the existence of three different lines, the monetary values of the lines have been contested. The essay on p. 33 presents the 2015 values of the poverty lines as estimated by Statistics South Africa. A 2015 review of South African poverty lines by the Southern Africa Labour and Development Research Unit (SALDRU) at the University of Cape Town came up with different values after correcting for what seemed to be weaknesses in Statistics South Africa's estimates.⁵ The two estimates for the food poverty line are very similar but the difference between the SALDRU and Statistics South Africa estimates increases for the lower bound and, in particular, the upper bound line.

The proposal presented here, as a first step towards progressive realisation of an adequate CSG, is that the CSG increases to SALDRU's per capita food poverty line. In 2016, this amount is estimated to be R442 if we adjust for inflation.¹

The food poverty line is a conservative estimate of essential food costs. The essay on p. 33 explains why the upper bound poverty line is, in fact, the lowest level at which we can be relatively sure that all the food requirements of a child will be met. Nutrition is even more essential during childhood than in adulthood as malnutrition

¹ We adjusted the SALDRU estimates (in 2011 Rands) for inflation using the headline consumer price index for 2011, 2015 and a 6% increase for 2016. Use of the food inflation index would almost certainly have yielded a higher amount for 2016.

in the early years can cause life-long deficits in development. The food poverty line amount is nevertheless proposed because the gap between the grant amount of R350ⁱⁱ and the SALDRU upper bound estimate of R1,368 in 2016 is unlikely to be seen as feasible in the current situation of austerity. Indeed, setting the CSG at the upper bound level would mean that the CSG's value was greater than the value of the Foster Child Grant (FCG).

The proposal to set the CSG at the food poverty line would not require any changes in the current administration of the grant. The main implication would be an increase in the budgetary allocation. The projected allocation for the CSG for 2016/17 is R52 billion.⁶ If this is adjusted to allow for a monthly grant of R442 per child rather than R350, then the allocation for the CSG would increase to R65.7 billion (a difference of R13.7 billion). This would amount to a 10% increase in the current combined allocation for all grants of R140.5 billion for 2016/17.

If the SALDRU lower bound estimate of R701 was chosen instead of the food poverty line, then the allocation for the CSG would need to increase to R104.1 billion (which is double the current CSG allocation of R52.1 billion). This equates to a 37% increase in the total budget allocation for social grants. It is therefore unlikely that a proposal to use the lower bound poverty line would be seriously considered as a first step.

Even if the target is only the food poverty line, it may not be possible to have an increase of this size in a single year. Instead, as with the extension of the cut-off age for the CSG from 15 to 18 years, the increase could be phased in over the three-year medium-term expenditure framework period. If – as discussed further below – this phasing in happened at the same time as the reform to target the FCG at only those children in need of care and protection, then the savings on the latter could help finance the increase in the CSG.

One important advantage of using the food poverty line as the basis of the grant amount is that there would then, once again, be an empirical basis for the grant amount. However, this estimate is based only on essential food costs and excludes the costs of meeting children's other basic needs. We therefore argue that an amount linked to the lower bound estimate (R701 per month in 2016 Rands) should be targeted in the near future, and ultimately, an amount equivalent to the upper bound estimate of R1,368 in 2016 Rands.

References

- 1 Lund F (2008) *Changing Social Policy: The Child Support Grant in South Africa*. Pretoria: Human Sciences Research Council. PP. 30, 90-97.
- 2 For a discussion of the miserliness of the clothing provisions in the Household Subsistence Level and related poverty measures, see: Budlender D (1985) *A Critique of Poverty Datum Lines*. SALDRU Working Paper 63. Cape Town: Southern Africa Labour and Development Research Unit, UCT.
- 3 Department of Welfare and Population Development (1996) *Report of the Lund Committee on Child and Family Support. August 1996*. Pretoria: DWPD. P. 83.
- 4 For a fuller history of the grant see: Budlender D, Proudlock P & Jamieson L (2008) *Developing Social Policy for Children in the Context of HIV/AIDS: A South African case study*. Children's Institute Case Study Number 3. Cape Town: Children's Institute, University of Cape Town, and Community Agency for Social Enquiry.
- 5 Budlender J, Leibbrandt M & Woolard I (2015) *South African Poverty Lines: A Review and Two New Money-Metric Thresholds*. SALDRU Working Paper 151. Cape Town: Southern Africa Labour and Development Research Unit, UCT. P. 30.
- 6 National Treasury (2016) *2016 Budget: Estimates of National Expenditure*. Pretoria: National Treasury. P. 299.
- 7 For a more detailed discussion and costing of different scenarios in respect of the Foster Child, Kinship Care and Child Support Grant, see: Community Agency for Social Enquiry and Children's Institute (2012) *Comprehensive Review of the Provision of Social Assistance to Children in Family Care*. Cape Town: CASE & CI, UCT.
- 8 Posel D & Casale D (2006) Internal labour migration and household poverty in post-apartheid South Africa. In: Bhorat H & Kanbur R (eds) *Poverty and Policy in Post-Apartheid South Africa*. Pretoria: HSRC Press. PP. 351-356.

ii This essay and calculations were completed before the increase in the CSG amount to R360 on 1 October 2016.

Possible counter-arguments

The main concern centres on the cost involved. The first counter to this lies in the literature. Assessments of the positive impact of the CSG often comment on the extent to which even a small amount has achieved improved outcomes for children. The corollary is that a larger impact can be expected if the amount is increased.

The second counter to concerns about cost is the one alluded to above, namely that at least part of the cost of increasing the CSG would be offset by targeting the FCG to children in need of care and protection rather than children in poverty living apart from their parents. In 2016 approximately 500,000 children were beneficiaries of the FCG (which stood at R890). If we assume that 50,000 of these children are in need of care and protection and should remain on the FCG, and the remaining 450,000 receive the new CSG amount of R442, then this change would give a "saving" of R2.5 billion. In addition one would need to factor in savings in the costs of staff time associated with processing foster child placements in both the Department of Social Development and Department of Justice.⁷

A second counter-argument could focus on the use of the per capita food poverty line, and argue that the amount should be adjusted downwards on the basis that a child's needs cost less than that of an adult. The assumption that a child's needs cost less underlies the use of adult equivalent scales in poverty estimates in some other countries. Yet this proposal uses the food poverty line, rather than the upper bound or even the lower bound poverty line which significantly pushes down the cost of the proposal. Pushing it any lower would put children's rights and well-being at greater risk.

A further counter-argument might be that a higher amount could result in a perverse incentive, where the caregiver felt no need to look for work. Yet the proposed increase is not even enough to ensure food security for the child, so the caregiver would still feel a strong need to work to cover her own needs and that of other family members. Further, analysis of household survey data suggests that receipt of the even higher Old Age Grant in a household tends to facilitate young women – the likely caregivers of children – to seek work rather than discourage it.⁸ It is therefore unlikely that the smaller CSG would discourage work-seeking behaviour.