Social Assistance Amidst the Covid-19 Epidemic in South Africa:

An Impact Assessment

By Haroon Bhorat, Morné Oosthuizen and Ben Stanwix

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Abstract

In an attempt to minimise the negative economic impacts of Covid-19 on vulnerable households the South African government allocated R50 billion in additional social assistance spending. The cash transfer package included a temporary increase in existing grants and introduced a new 'Covid grant'. We assess the chosen package and compare it with an initial proposal to increase the Child Support Grant (CSG). Coverage, cost and welfare effects are calculated to measure the relative impacts in each case. We find that while a significant increase in the CSG delivers resources most progressively, the addition of the Covid grant may potentially reach a much larger group of otherwise uncovered, vulnerable individuals. Critically, this extended coverage comes at a cost to the poorest households, via additional transfers to upper income deciles. However, we identify several categories of vulnerable household groups which suggests that the workers most negatively affected by the pandemic are not necessarily those in the poorest households. The paper emphasises that social assistance to mitigate the consequences of Covid-19 should not be viewed necessarily as a standard poverty reduction exercise, but rather as an attempt to mitigate Covid-related income shocks for the vulnerable who were most negatively affected by the pandemic.

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Introduction

The national economic impact of Covid-19 in South Africa remains unclear but early evidence suggests that it has been extremely severe (Ranchhod & Daniels, 2020; Spaull et al., 2020). The initial lockdown, introduced on 23 March 2020, was particularly stringent, imposing restrictions on all movement outside the home and limiting economic activity to essential services (Gustafsson, 2020; Republic of South Africa, 2020a). Lasting for over five weeks, these strict lockdown measures only allowed approximately 40 percent of those employed to continue working – an estimate that includes jobs that are possible to do from home (Kerr & Thornton, 2020; Valodia et al., 2020). As these lockdown restrictions have eased, economic activity has gradually begun to resume, but movement and certain kinds of work remain limited (Republic of South Africa, 2020b). As such, very few individuals and businesses have been spared the negative economic effects of the lockdown. And given the high levels of poverty in the country, for many households a loss of income has translated directly into an inability to meet basic food requirements. In a recent national survey of 13,282 youth, the most urgently needed household intervention – according to those surveyed – was for food parcels (De Lannoy & Mudiriza, 2020). While in a separate survey, 47 percent of respondents report that their households ran out of money to buy food in April 2020 (Van der Berg et al., 2020).

A primary concern among policymakers, researchers and civil society organisations, has been how to soften the impact of the lockdown on the working poor who are formally or informally employed, earn low incomes, and are unlikely to have private safety nets available to protect against negative shocks. As Bhorat et al. (2020) show, a significant number of workers in low-wage sectors have not been able to earn an income during the lockdown, including those employed in most service sector jobs, hospitality, construction, food and non-food trade, domestic work, and manufacturing. Many of these workers do not benefit from pre-existing state support, are not registered for unemployment insurance, and are therefore among the most vulnerable and negatively affected individuals in the current crisis (Bassier et al., 2020a).

In an attempt to minimize the detrimental effects of the lockdown, the South African government introduced a variety of economic support measures for businesses and individuals. Most significantly, a R502 billion stimulus package was announced by Cyril Ramaphosa on the 21st of April, of which R50bn was allocated to social assistance in the form of direct financial transfers to support the most economically vulnerable households (National Treasury, 2020). These transfers included a temporary increase in all existing social grants, covering approximately 18 million people, as well as the introduction of a completely new grant – the Covid-19 Social Relief of Distress grant –

aimed at the unemployed who do not receive other forms of government assistance (The Presidency, 2020; SASSA, 2019.

In this paper our central analytical concern is on the coverage, costs, and potential poverty effects of the expansion in grant spending that forms part of Ramaphosa's Covid-19 stimulus plan, in order to assess the implications of the chosen policy package. In Section 1 we provide a basic overview of the stimulus plan and specifically how social assistance spending has been allocated. We also describe our data and analytical approach. Section 2 then looks at the efficacy of using the grant system to provide additional temporary relief to households at different points along the income distribution. We also consider workers of different types whose situations are likely to have been the most negatively affected by the lockdown. Section 3 examines how effective the chosen social assistance package is at reaching vulnerable households and improving welfare. Here we examine three policy scenarios, including two models of the intervention announced by government, and an alternative proposal to increase the Child Support Grant (CSG). This empirical exercise provides an instructive picture of the relative impact in terms of coverage, welfare outcomes and costs, of government's chosen social assistance policy.

Section 1: The Government's Social Assistance Response

The government's most important economic intervention in response to the pandemic was a fiscal stimulus package announced by President Cyril Ramaphosa on April 21. This was approximately a month after declaring a State of National Disaster and the introduction of extremely strict lockdown regulations limiting economic activity and movement. The stimulus package includes substantial additional and reprioritised spending, targeted at both firms and individuals, and amounts to around 6.5 percent of GDP. The scale of this spending is large relative to most other emerging market economies – possibly one of the largest in a sample of middle income countries. However, there remain concerns around how easily relief measures will be implemented and consequently accessed by the various government departments that oversee their delivery (Bhorat et al., 2020).

Table 1 provides a breakdown of the state's Covid-19 Support Package according to each line item announced. Firstly, spending is aimed at the fight against the pandemic by providing R20 billion in additional health support – constituting 4 percent of the total intervention. Secondly, R20 billion is allocated to assist municipalities with the provision of basic services. Thirdly, there are a range of firm and worker support measures that make up the bulk of the spending – constituting some 82 percent of the total Covid-19 relief intervention of the state. Specifically, allocations have been made for those in

low-wage formal sector employment who have lost employment or are furloughed at R40 billion; R100 billion is due to be spent on job creation and protection, including wage subsidies for those in low-wage formal sector firms; R2 billion is made available to SMMEs; there is an estimated R70 billion in corporate tax relief; and a R200 billion loan facility.

Table 1: Covid-19 Support Package, as announced on 21 April 2020

Intervention	R (bn)	% of Total
Additional Health Support	20	3,98
Municipal Assistance (water and sanitation)	20	3,98
Wage Protection (UIF)	40	7,97
Job Protection & Creation	100	19,92
SMME Support	2	0,40
Tax Relief	70	13,94
Credit Guarantee Scheme	200	39,84
Social Assistance (Grants)	50	9,96
Total Allocation	502	100,00

Source: National Treasury (2020).

In terms of direct support to households, R50 billion has been earmarked for direct cash transfers to vulnerable households, by temporarily increasing existing social welfare grants and introducing a grant for the unemployed. The introduction of the R50bn social grants package came in response to vocal calls by researchers, civil society groups, as well as those within government departments and various Presidential advisory councils, to urgently support vulnerable households (Special Covid Grant Working Group, 2020; Bassier et al., 2020b; Philip, 2020; Heywood, 2020). The utilisation of the existing grant architecture was viewed as the most efficient mechanism for providing this income access. Work by Bassier et al. (2020b) showed that a CSG boost would provide much-needed support to the majority of low-income households in South Africa, and the proposal thus emerged as one of the key anti-poverty instruments suggested to government. The initial proposal consisted of a R500 monthly increase in the CSG, which would be paid to all beneficiaries – almost 13 million individuals. Below, we assess this proposal as one possible policy option. However, despite the extensive coverage of the CSG among low-income households, there were concerns that using the CSG alone would mean that some of the most negatively impacted workers who did not co-reside with a CSG recipient would receive no support (*Ibid*; Bhorat et al., 2020). In an apparent attempt to accommodate these concerns, the social assistance package announced by Ramaphosa, and explained by the Department of Social Development, involved a trade off comprising of the following

three interventions. Specifically, government's social grant Covid-19 package was composed of the following:

1. A one-month, R300 increase in the CSG of for all beneficiaries, followed by a R500 per month increase for each caregiver (recipient), for five months.
2. A R250 monthly increase for all other social grants, for six months.
3. The introduction of a special Covid-19 grant of R350 per month, for unemployed individuals not receiving any other form of state assistance, for six months.

Essentially, a lower grant amount would be spread more evenly across all existing grants, and a new Covid grant was introduced to reach other uncovered individuals. Table 2 summarises the amount, time period and approximate coverage of each grant under this social relief package. The initial CSG increase of R300 applies to all 13 million beneficiaries in May, and thereafter it increases to R500 for five months. Importantly, the R500 increase would only accrue on a per recipient (or caregiver) of the grant basis – and hence independent of the number of children under care. All other pre-existing grants were increased by R250 for six months; covering approximately 5 million people. Finally, the new Covid grant of R350 per month would be paid to eligible applicants, and could in theory allow for up to 10 million individuals to claim the grant. This was, however, limited by take-up rates and the administrative capacity to process applications and payments. As of 6 July, the Department of Social Development had received 7.5 million applications for the Covid grant, approved 4.4 million of these, and paid 3 million people (Dept. of Social Development, 2020).

Table 2. Social Relief Package, by Grant Type

Grant Type	Amount	Time Period	Coverage (Type)	Approximate Coverage (Size)	Approximate Cost
CSG	R300	May	Beneficiaries	13 million	R3.9 billion
	R500	June-October	Recipients	8 million	R20 billion
All Other Grants	R250	May-October	Beneficiaries	5 million	R7.5 billion
Covid Grant	R350	May-October	All Eligible Applicants*	Up to 10 million*	Up to R3.5 billion per month at 100% take-up.

Source: NIDS (2017), GHS (2018), Department of Social Development (2020).
*Notes: *We discuss the assumptions around eligibility and take-up for the Covid grant below.*

Taken together, the government's social assistance package does appear to provide relatively widespread relief. As Table 1 suggests, this package could reach a total of about 36 million individuals, accounting for approximately 63 percent of the South African population. However, in terms of spending, even if we assume extremely high take-up rates for the Covid grant, it is unlikely that the total transfer amount will exceed R40bn over the 6 month period. The allocated R50bn will in all likelihood not be spent. In the sections that follow, we analyse the distributional coverage of this new package of grants, how well it reaches a set of pre-defined vulnerable households and workers, as well as its poverty impact. Below, we briefly discuss the data we use to conduct this analysis, and introduce some of the key assumptions we make about the Covid grant's coverage.

1.1 Data and Analytical Assumptions

To conduct our analysis, we rely on the most recent wave of the National Income Dynamics Study (NIDS, 2017). While other household surveys have a larger sample, NIDS contains the most comprehensive information on grant recipients, employment, and household composition, making it the most suitable for our purposes here. NIDS is nationally representative, and the 2017 wave contains data for over 40 000 individuals and 10 000 households. Unlike other household surveys, NIDS interviews each member of the household and records information on the receipt of social grants as well as labour market activity. Information on labour market and household income is collected from adult household members. We deflate all income to April 2020 Rands using the Consumer Price Index published by Statistics South Africa.

In order to assess the coverage and impact of the Covid grant, we make projections according to two potential eligibility criteria – a 'strict' and 'broad' version. As such we have two different versions of the government's policy package. These distinctions are based on the official wording of the grant policy, what we think government can actually detect about applicants, and data limitations (Department of Social Development, 2020). The strict definition is as follows:

- Individuals must be aged 18 years and above; unemployed according to the narrow definition; have no income from any source; not be a grant recipient; not be receiving income from UIF; and not be a student studying for a Certificate without matric to Bachelor's degree, or NCV2-4, N1-N6 qualifications (as a proxy for receiving NSFAS stipend). In total there are approximately 2.4 million individuals in this group.

The broad definition relaxes some of these conditions (differences in bold):

- Individuals must be aged 18 years and above; **not formally employed** (it is unlikely the government can ascertain if a person is narrow unemployed or economically inactive or informally employed); have no income from any

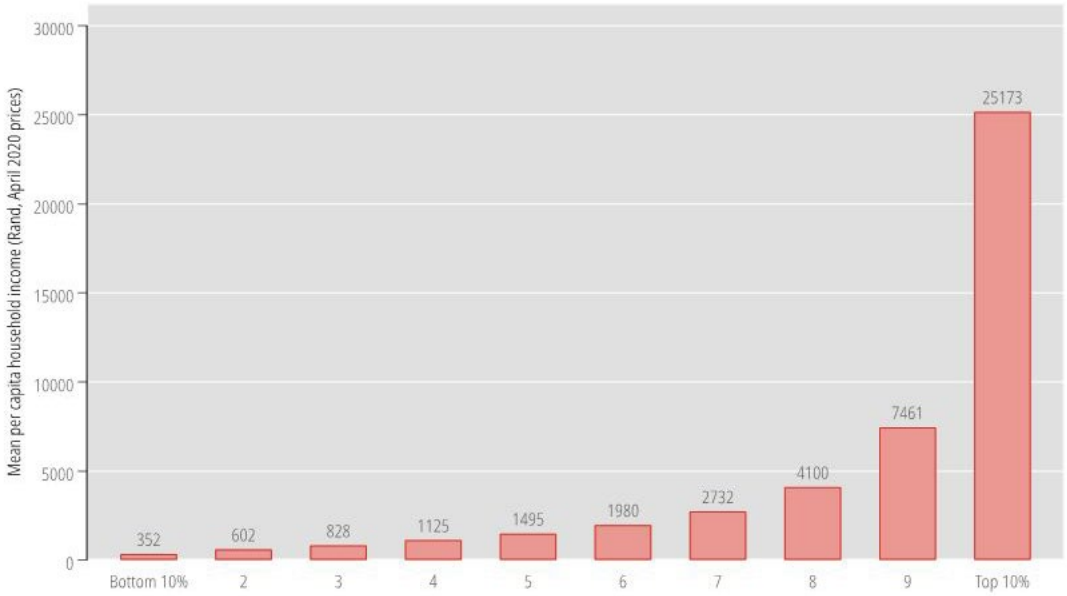
source; **not be a grant beneficiary** (i.e. not receiving OAG, disability grant, or grant-in-aid); and not receive income from UIF. The student criterion is removed as we are unable to accurately identify if people are getting bursaries, so this suggests an upper bound on the number of eligible individuals. In total there are approximately 9.9 million individuals in this group.

In order to assess the coverage of the Covid grant we must also make certain assumptions regarding take-up. We assume a relatively high take-up rate of the grant, where 90 percent of the eligible population claim the grant by the 6th month, in both the strict and broad versions of the grant. We assume a linear increase in the take-up rates over time to reach 90 percent in month 6, an even take-up across the income distribution, and we randomly allocate take-up to the eligible population. These take-up rate assumptions are admittedly optimistic – achieving a 90 percent take-up rate within 6 months implies the addition of almost 10 million beneficiaries under the broad eligibility criteria (three-quarters as many as the CSG) to the social assistance system. This requires the Department of Social Development to process an average of 1.7 million successful applications per month. It should thus be seen as a best-case scenario.

Section 2: Social Grants and Economically Vulnerable Groups

The low levels of household income earned by the majority of South Africans underline the necessity of income support for economically vulnerable households that have been negatively impacted by the lockdown and Covid-19 related shocks. Figure 1 shows the South African household income distribution, by decile, using average real per capita household income as the measure of welfare, in 2020 prices. The richest 10 percent of the population reside in households with an average per capita income of R25 412 per month, while the poorest 10 percent reside in households with an average income of only R352 per capita per month. Notably, between 70 and 80 percent of the country's population reside in a household where monthly per capita income is less than the legislated national minimum wage for a single worker, which is R3 500 per month. This requires one to think carefully about social assistance as being required not only by the poorest 3 or 4 deciles, but also to be clear that low earnings – and thus vulnerability – reach as far as into the 7th decile.

Figure 1. Mean Per Capita Household Income, by Decile (April 2020 Rands)



Source: NIDS (2017), own calculations.

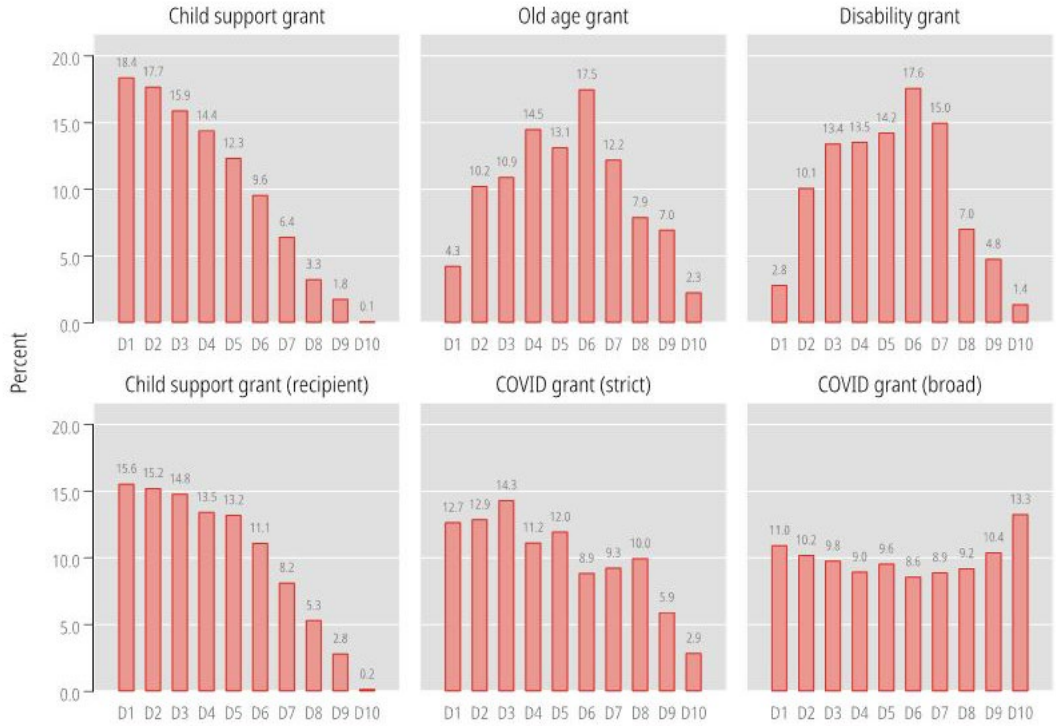
Given these high levels of economic vulnerability at the household level, and in the face of the widespread negative economic impacts of the lockdown, the expansion of social support to those negatively impacted is critical. As noted above, the most direct way to transfer cash to a large proportion of South Africa's vulnerable population is to use the grant system. In Figure 2 we examine grant coverage by plotting the distribution of grant beneficiaries across household income deciles for the CSG, the Old Age Grant (OAG), the Disability Grant, and those eligible for the new Covid grant.[1]

Looking first at the distributional coverage of the CSG – and replicating much of the research in this area (Special Covid Grant Working Group, 2020; Bassier et al., 2020; Bhorat et al., 2020) – it is clear the majority of beneficiaries live in low-income households in the bottom half of the distribution, noting however that even those in the middle of the distribution have low levels of household income in absolute terms. The bottom left plot shows grant distribution by recipients (the adult caregivers who receive the money on behalf of the child), representing fewer individuals, and a similar but slightly less progressive allocation across the income distribution. This is relevant given the structure of the government's selected policy, which allocates the CSG increase to recipients (and not beneficiaries) after the first month. The other conventional grants, which do not cover a large number of individuals compared to the CSG, are received primarily by individuals in households situated around the middle of

[1] For the permanent social grants, the CSG has the broadest coverage by some margin, with 13 million beneficiaries. This is followed by the Old Age Grant (3.3 million beneficiaries), and the Disability Grant (1 million beneficiaries). Together, these three grants account for 98 percent of permanent welfare grants, and as such we do not include the other smaller social grants in our analysis.

the income distribution. This is partly a result of the relatively large value of both the OAG and the disability grant in monetary terms, which pushes beneficiary households rightwards in the post-transfer income distribution.

Figure 2. Distribution of grants across per capita household income deciles



Source: NIDS (2017), own calculations.

The Covid grant does have vast coverage under our assumption of high take-up rates and assuming sufficient departmental capacity to process the payments. But as shown in the figure, the distributional impact of the grant is more progressive under the strict version, where there is limited coverage of those in households with per capita incomes in deciles 9 and 10. Compared to this, the coverage of the broad Covid Grant is fairly even across income deciles, with over 3 million people eligible for the grant in deciles 8, 9 and 10. For example, whilst 3 percent of all CSG recipients are in deciles 9 and 10, the figure for the Covid grant ranges between 9 and 24 percent.

Using the income distribution as a guide to reach vulnerable households, as in Figure 2, is useful as a guide but potentially inexact if we are specifically interested in those individuals who are most negatively affected by the lockdown. For example, grant recipients continue to receive payments regardless of the lockdown, as such, while they are certainly poor, their individual positions have not changed significantly. However, for many informal workers, who may not reside in lower decile households, a loss of income places them in an extremely vulnerable position, with no recourse to state safety nets. We are therefore interested then in identifying those workers who may

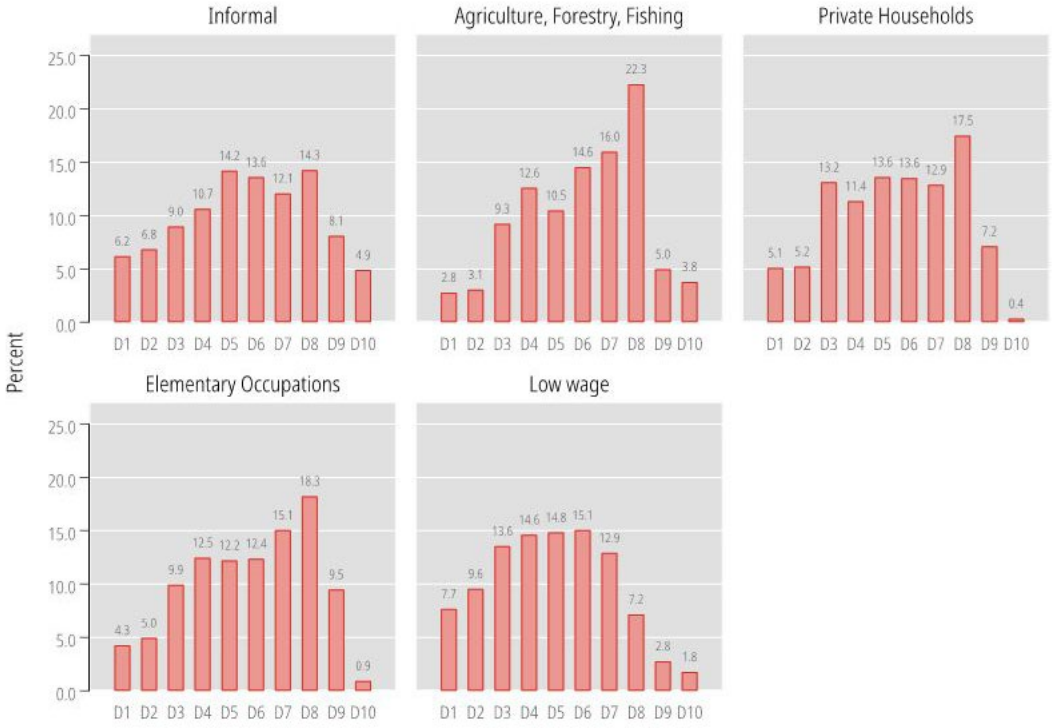
have been most negatively affected by the national lockdown. There are a number of worker categories that one might be concerned about in the context of the Covid-19 pandemic, where earnings are under pressure and access to formal support channels may be limited, and differ by job type. Below we identify five categories of vulnerable households that are of interest. These categories are based on the type of workers present in the household, and as such households are classified into a specific category if they have at least one member who is a worker of the specified type. All workers are identified based on their reported main job.

The five categories we identify are as follows:

1. Informal workers: At least one worker that is informally employed, where an informally employed person has no written contract, deductions from salary for medical aid, or deductions from salary for pension/provident fund. The definition also includes those who are self-employed in businesses that are not registered for tax, those who are casual workers, those helping others, and subsistence farmers.
2. Agriculture, Forestry and Fishing: At least one worker employed in these sectors according to the standard industry classifications.
3. Private Households: At least one worker employed in a private household – primarily domestic workers.
4. Elementary Occupations: At least one worker employed in an elementary occupation, where this is identified according to the standard occupational classifications.
5. Low Wage: At least one worker earning less than 60 percent of the median monthly wage.

This allows us to ask, for example, if the CSG reaches a larger share of informal worker households relative to the broad Covid grant. And related to this, we can identify where informal workers and the other vulnerable household categories are located along the household income distribution. In Figure 3, we begin by examining the distribution of workers for each of these groups, across per capita household income deciles.

Figure 3. Distribution of vulnerable workers, by household income



Source: NIDS (2017), own calculations.

In most cases we observe that workers in all five categories are clustered around the middle of the income distribution, in households with per capita incomes that are low, but not heavily weighted toward the left of the distribution. For example, 55 percent of informal workers are in households situated between decile 5 and decile 8. In agriculture, private households and those in elementary occupations, we see that the majority of workers are in households with per capita income that puts them above decile 5. This is largely because households in the bottom deciles of the distribution are primarily made up of individuals who are either not in the labour force, or are unemployed. For workers in private households and those in agriculture, it is plausible that the minimum wage in both sectors places worker households in higher income deciles.

Section 3: Assessing the Covid-19 Social Assistance Policy Options

In this section we examine the government's selected social assistance policy, in which all social grants have been increased and the Covid grant has been introduced, and weigh this policy package against several alternative scenarios. The four scenarios we analyse are as follows:

I. Scenario 1 (CSG Boost): A R500 per month CSG boost, per beneficiary, for six months. This models the proposal made in a public letter to Cyril Ramaphosa on the 3rd of April in which academics and civil society organisations called for an urgent increase in the value of the CSG. As noted in the letter, "the CSG is the simplest, quickest and most effective way to get cash into millions of poor households" (Heywood, 2020).
II. Scenario 2 (Grant Plus, Strict): The policy package announced by government – a R300 increase in the CSG *per beneficiary* in month 1 and a R500 increase *per recipient* in months 2-6; plus a R250 per month increase for all other grants for six months; plus a Covid grant of R350 per beneficiary per month for six months under strict eligibility criteria, for six months, with a linear increase in uptake to 90 percent by month 6.
III. Scenario 3 (Grants Plus, Broad): As in scenario 2, but using the broad Covid grant criteria.

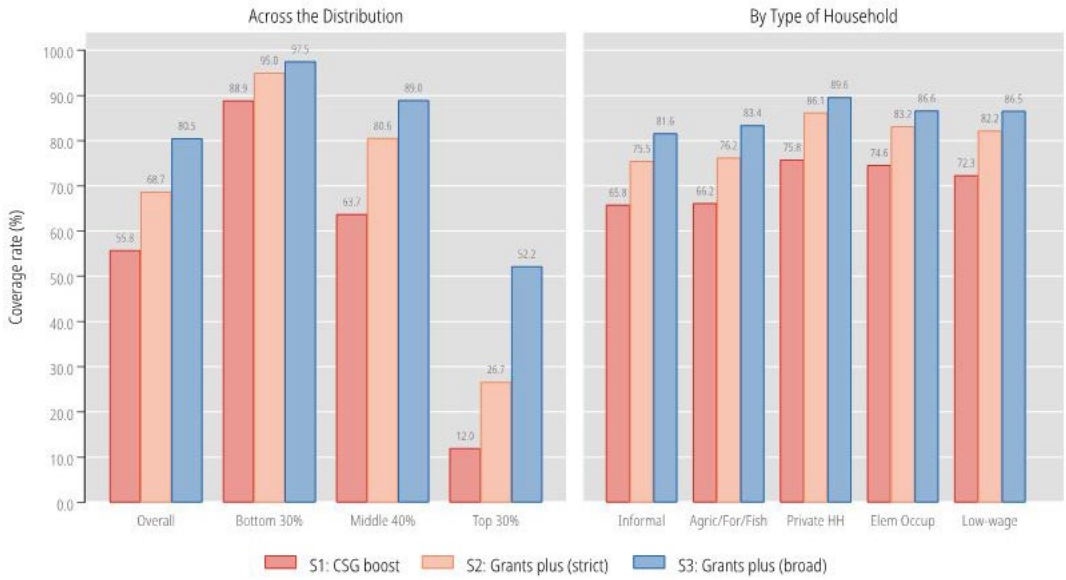
For each scenario we analyse the following aspects of the social assistance package: coverage rates for the five economically vulnerable household categories identified in Section 1; the total amount that would be transferred to these households in each scenario; the total amount spent on income transfers by decile in each scenario; the poverty impact of each scenario; and the benefit-cost ratio of each scenario. This allows us to provide a relatively comprehensive assessment of the comparative merits of the chosen policy package.

In Figure 4 we begin by comparing the national coverage rates of each scenario for the five economically vulnerable household groups, as well as for low, middle and upper income households. Put differently, this shows the share of households receiving a grant in each case, as a share of total number of households in the economy. In terms of overall coverage, the CSG boost (scenario 1) reaches 55.8 percent of all households, in scenario 2 the social assistance package covers 68.7 percent of households, and in scenario 3 coverage increases to reach 80.5 percent of households. Looking specifically at coverage for poorer households, the figure shows that scenarios 2 and 3 reach more than 90 percent of the poorest 30 percent of the households, with the CSG boost reaching 88.9 percent. However, it is important to note that the high coverage rates in scenarios 2 and 3 depend significantly on the relatively high take-up rates of the Covid grant that we assume. Whilst not shown here, estimates suggest that should the take-up rate of the Covid grant fall below 55 percent, then the CSG has greater coverage of households in the bottom 30 percent.

For the middle 40 percent of the households, the addition of the Covid grant makes a more significant positive difference to coverage rates; especially in scenario 3. This is then even more pronounced for the richest 30 percent of households, where the

coverage rates of the 'Grants Plus' scenarios are between 14.7 percentage points to 50.2 percentage points higher than the CSG boost option. Essentially, what Figure 4 reveals is the basic trade off involved in moving from the CSG boost to a broader set of grant increases: namely that whilst coverage increases through the broader package of support, leakage to households at the upper end of the income distribution will also rise. Scenarios 2 and 3, for example, offer substantial expansion in coverage for households in the middle 40 percent of the distribution, which is where many vulnerable workers are located – but this is combined with much greater leakage to upper income households.

Figure 4. Coverage Rates of Each Scenario Across Household Types



Source: NIDS (2017), own calculations.

For the five vulnerable household categories, the basic trend in coverage rates follow those described above, where coverage is highest in scenario 3 followed by the scenario 2 and the CSG boost. Again, however, the substantial coverage of the Grants plus scenarios relies on the assumption of high take-up rates for the Covid grant. Assuming that this is possible, the grants package in scenario 3 would be able to reach over 80 percent of all the economically vulnerable household groups identified here.

Given that one of the original policy imperatives for a Covid-19 social assistance scheme was to use the grant system to target workers most vulnerable to the negative effects of the lockdown, it is key to unpack in more detail, the efficacy of targeting. In Table 1 we disaggregate coverage across the deciles for each of the five household categories, and also estimate the share of benefits that accrue to each household category in each decile. In this case we look specifically at the difference in coverage rates between the CSG and the new Covid grant (both strict and broad), and assess how the benefits of the grants are distributed.

Coverage rates in Table 3 can be understood as the proportion of the population residing in households with a given type of worker, who are also co-resident with a beneficiary of a given grant. Put differently, we show where workers from each vulnerable household category overlap with grant recipients at the household level in each decile, taking into account how many people live in each household. For example, 79.5 percent of the population in informal worker households in decile 1 are covered by the CSG. Similarly, in total 63.5 percent of the population who live in an agricultural worker household are covered by the CSG. The 'share of benefits' calculations report the proportion of grant payments accruing to the different household categories in each decile. For example, in decile 1, only 19.8 percent of CSG spending goes to informal worker households. This is because informal worker households do not make up a large proportion of households in that decile. The benefit share thus shows how much of the spending on each grant reaches the household type in question, in a given decile.

Co-residence levels between those in the five vulnerable household groups and CSG recipients are high – nationally, 63.7 percent of informal workers are co-resident with a child receiving the CSG, and co-residence rates in the bottom five deciles range between 73 and 95 percent for informal workers. For workers in private households, those in elementary occupations, and low-wage workers, co-residency rates for the CSG are above 70 percent. In other words, for all five categories of economically vulnerable workers, nearly two-thirds of any additional spending on the CSG is expected to accrue to households in which they co-reside. The overall percentage of those in all economically vulnerable households that are co-resident with a CSG recipient is thus between 63 and 77 percent. CSG coverage is also extremely progressive, reaching more people in the poorest households, and achieving coverage rates of above 60 percent up to decile 6, after which coverage rates begin to decline.

For both the strict and the broad Covid grant the picture in terms of coverage is less favourable than in the case of the CSG, with relatively low levels of co-residence between economically vulnerable workers and (potential) recipients of these grants. Coverage is also less progressive. In the case of the strict Covid grant, between 15.6 and 23.2 percent of workers across the five household groups are co-resident with a grant recipient. While for the broad Covid grant, coverage is greater across household groups at between 43.9 and 51.8 percent.

If one assumes that grant income, like other income, is shared amongst household members, we can estimate how grant benefits reach vulnerable households. Looking at the overall share of benefits that accrue to the different household groups, the table shows that informal and low wage worker households receive the largest share of benefits. This is due to the fact that these two groups account for the largest household

populations. Still, it is estimated that only around 35 percent of an increase in the CSG would reach informal and low-wage worker households. This falls to 22 percent for those in households of workers in elementary occupations, and to below 8 percent for those in the households of workers in private households and agriculture.

In the case of the Covid grants, the share of benefits that reach workers in the five vulnerable household groups is in most cases slightly lower than for the CSG. Notably, the overall share of benefits accruing to vulnerable households is larger for the strict Covid grant than for the broad Covid grant. For those in low-wage and informal worker households, between 20 and 25 percent of the additional spending on the Covid grant would accrue to individuals in these groups. Those living with private household and agricultural workers receive the smallest share of benefits for all three grants, and again this is due to the relatively smaller number of individuals in these two household groups.

The eligibility criteria for the Covid grant mean that coverage rates are in general less progressive: they are high, but lower than those for the CSG in the bottom three or four deciles. It is, however, clear that the Covid grant brings a large number of previously unreached households into the system, as illustrated by the large increase in coverage rates in the middle deciles in particular, across almost all groups. For example, the Covid grant raises coverage of social assistance for informal worker households in decile 6 from 68.9 percent to around 90 percent. Similarly, large increases in coverage occur across all the household groups. Thus, while the Covid grant is less progressive, it provides support to substantial numbers of vulnerable workers who are otherwise not covered by the social assistance system, and may be among the most negatively affected by the lockdown.

Table 3. Benefit Coverage and Distribution at the Household Level for CSG and Covid Grants, by Decile

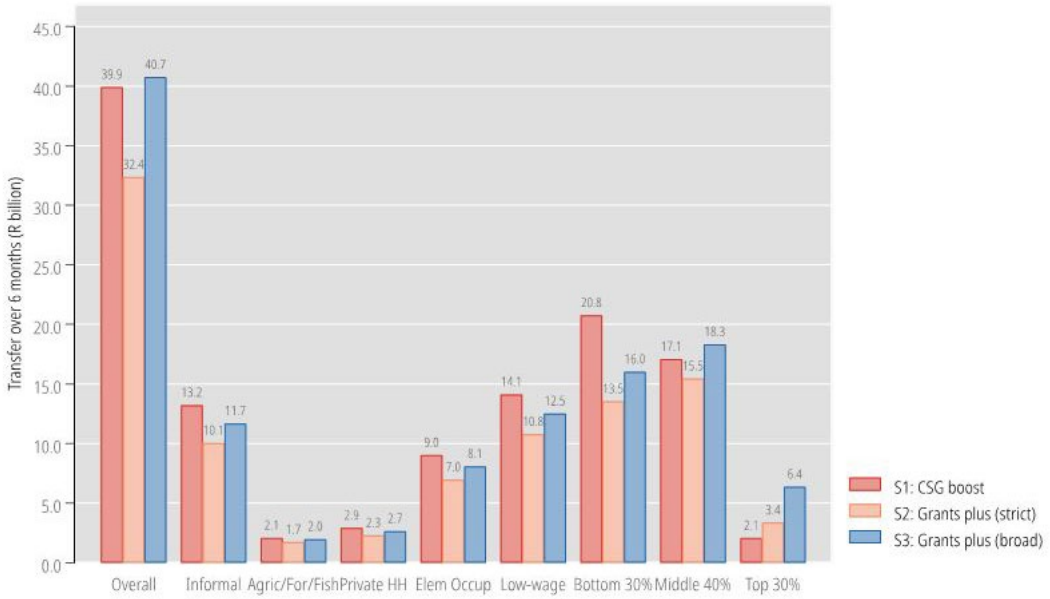
DECILE		D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	TOTAL
Households of informal workers												
	Child support	79.5	85.5	84.2	75.4	78.4	65.8	43.1	23.9	25.1	1.8	63.7
Coverage (%)	Covid (strict)	17.6	26.1	25.3	18.5	15.9	8.2	15.4	7.8	2.4	3.0	15.6
	Covid (broad)	64.9	58.4	57.0	51.4	45.1	36.8	33.3	20.0	25.1	24.8	43.9
	Child support	19.8	29.3	36.2	35.9	47.4	43.0	28.4	30.5	28.6	39.9	33.1
Share of benefits (%)	Covid (strict)	18.1	31.1	46.6	29.8	38.8	25.9	20.3	7.9	3.0	7.9	26.3
	Covid (broad)	22.7	26.1	35.7	30.7	34.6	26.6	17.6	9.9	6.3	5.2	20.9
Households of workers in agriculture												
	Child support	95.9	83.0	83.5	74.5	73.2	66.7	40.1	16.3	21.3	0.0	63.5
Coverage (%)	Covid (strict)	19.5	21.6	50.3	29.2	20.6	22.1	6.0	6.5	5.5	0.0	23.2
	Covid (broad)	45.3	72.5	68.5	61.5	52.7	46.1	18.9	26.8	30.4	32.3	49.5
	Child support	2.9	3.2	6.6	7.7	5.9	8.3	4.9	2.0	2.6	3.1	5.2
Share of benefits (%)	Covid (strict)	1.4	3.2	25.7	8.7	5.6	8.9	2.8	2.0	1.2	0.0	7.2
	Covid (broad)	1.5	3.7	12.4	8.0	4.6	5.9	2.8	2.8	0.9	0.8	4.1
Households of workers in private households												
	Child support	90.5	94.3	87.2	90.5	73.8	79.9	63.7	30.1	68.3	80.4	77.1
Coverage (%)	Covid (strict)	10.7	14.2	44.5	13.6	14.4	16.3	6.2	26.8	0.0	68.0	20.0
	Covid (broad)	72.0	69.8	72.4	47.0	60.2	52.8	12.4	32.0	0.0	68.0	51.8
	Child support	4.6	4.5	10.3	9.8	7.9	10.1	7.6	5.2	1.6	5.1	7.3
Share of benefits (%)	Covid (strict)	2.1	3.0	28.9	3.3	5.7	11.3	1.3	6.0	0.0	1.3	7.6
	Covid (broad)	4.0	4.8	16.0	4.4	8.8	7.4	1.3	2.0	0.0	0.1	4.7
Households of workers in elementary occupations												
	Child support	93.6	91.0	79.2	86.0	80.2	76.2	58.5	29.4	26.0	18.1	72.3
Coverage (%)	Covid (strict)	14.4	24.2	32.9	18.0	22.1	17.0	16.9	9.8	2.4	16.3	19.2
	Covid (broad)	72.4	74.1	64.0	58.7	51.8	52.7	29.9	18.8	11.5	28.7	50.5
	Child support	13.0	14.4	23.5	33.5	30.1	28.8	27.9	17.6	14.4	20.8	22.7
Share of benefits (%)	Covid (strict)	5.6	14.5	40.7	19.3	29.7	27.6	14.7	7.6	1.8	3.4	18.9
	Covid (broad)	11.9	19.6	30.7	26.6	24.3	20.0	12.1	5.3	0.9	0.4	14.5
Households of low-wage workers												
	Child support	82.3	87.3	83.2	79.4	74.4	63.4	43.0	40.0	39.5	6.4	71.2
Coverage (%)	Covid (strict)	24.6	21.2	23.4	16.9	12.6	7.2	12.3	5.0	0.1	9.0	15.9
	Covid (broad)	71.2	61.9	57.0	48.0	42.7	38.0	27.1	14.5	27.3	21.1	47.2
	Child support	25.2	36.5	47.1	43.4	38.7	34.5	22.2	25.0	7.3	55.5	35.4
Share of benefits (%)	Covid (strict)	24.8	29.5	58.0	33.5	23.4	20.4	17.4	4.1	0.0	9.6	25.9
	Covid (broad)	29.7	33.9	45.8	34.5	28.2	22.0	14.4	4.0	3.2	1.7	21.1

Source: NIDS (2017), own calculations.

How then does coverage translate into the quantum of cash transferred to households in each of the five vulnerable groups? In Figure 5 we calculate the Rand amount that reaches each household type under the three policy scenarios, after 6 months. Looking first at the total amounts, and comparing the three scenarios, it is clear that the CSG boost and the broad Covid grant package involve the largest total transfer of cash, amounting to approximately R40bn in both cases. However, if we assume strict eligibility for the Covid grant, even with high take-up rates, the total cash transfer amount reduces significantly, to R32.4bn.

If we look at how spending is distributed across the household income distribution, the CSG boost is the most progressive option, with R20.8bn (57 percent of total spending) going to the bottom 30 percent of households. In scenarios two (strict) and three (broad), total spending is R40.9bn, and R32.5bn, respectively, and the majority of this would accrue to the middle 40 percent and the bottom 30 percent of households. The CSG boost also leads to a larger amount of money being transferred to those in all five of our pre-identified vulnerable household groups. The CSG boost thus sees the distribution of transfers strongly skewed towards the bottom 30 percent of the population, while in scenarios 2 and 3 nearly half of the resources are transferred to the middle 40 percent of the population. The government's choice to opt for a smaller increase in the CSG in combination with the Covid grant is thus a shift in total transfers from the bottom 30 percent of the population, to the middle 40 percent and top 30 percent.

Figure 5. Total Transfers over Six Months by Household Type under each Scenario (Rbillion)

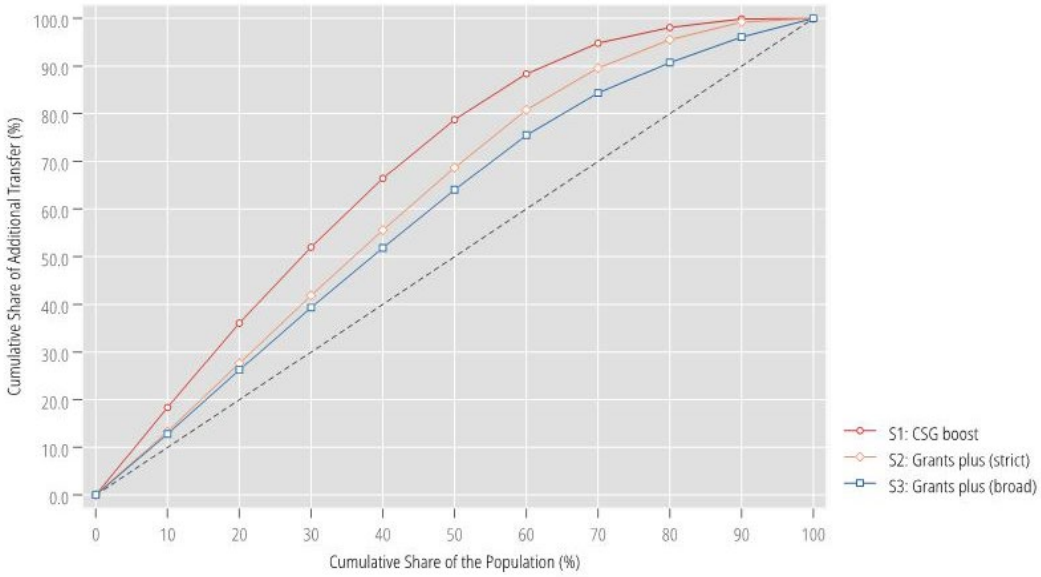


Source: NIDS (2017), own calculations.

Assuming a broad interpretation of eligibility for the Covid grant we have a scenario in which transfers are much more strongly distributed towards the top 30 percent of the population. If one takes the view that resources transferred through these social assistance policies to the top 30 percent of the population are leakages, roughly 16 percent of the spending in the broad Covid grant scenario is leakages, and this reduces to 10.5 percent if eligibility is strict.

In Figure 6 we use concentration curves to compare the CSG boost and the Grants plus policies by looking at the total amount of spending that accrues to different income deciles in each case. In scenario 1, the CSG boost policy, it is clear that the majority of the R39.9bn transferred would go to households in the poorest deciles, with over 50 percent of this accruing to households in deciles 1 to 3. In scenario 2 we model the Grants plus (strict) policy, and in this case the distributional impacts are clearly less progressive, with just over 40 percent of spending going to the first 3 deciles, and overall spending is lower. However, the total number of households reached is higher than in scenario 1. In scenario 3, the Grants plus (broad) policy, spending is also less progressive than in scenario 1 and it involves the largest transfer to households in the upper deciles – 15 percent of total spending goes to household between deciles 7 and 10.

Figure 6. Concentration Curves of Total Spending in Each Scenario for 6 Months, by Decile



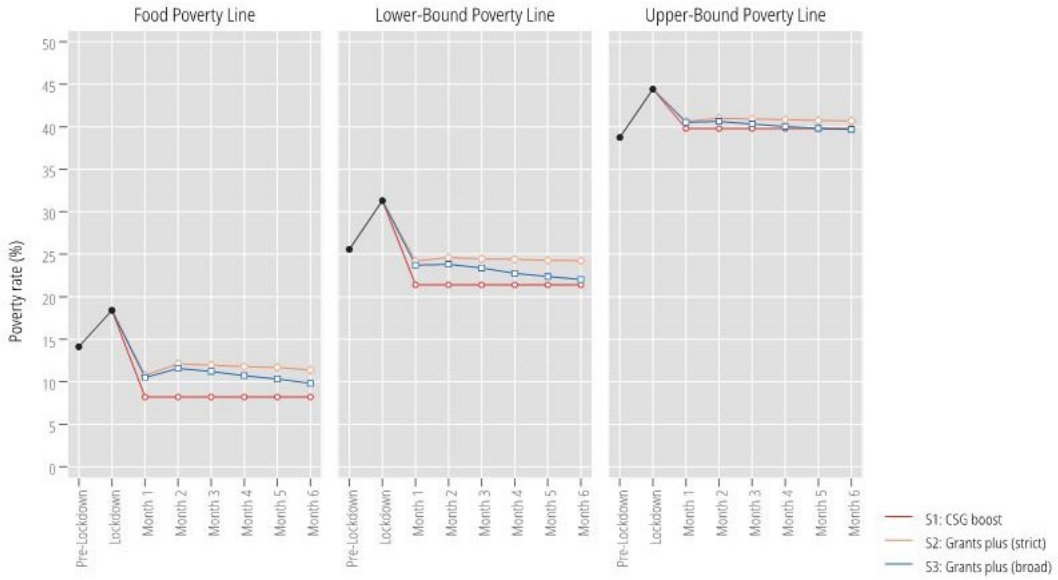
Source: NIDS (2017), own calculations.

In essence, the chosen social assistance policy of a Grants plus approach appears to be less progressive than the original CSG boost proposal, for roughly the same cost, if the Covid grant eligibility criteria are broadly interpreted. And if we assume even uptake rates for the Covid grant across deciles there are also substantial 'losses' for the lower

deciles under the scenarios 2 and 3, relative to the CSG boost. This is largely driven by the difference in the distribution of CSG beneficiaries (the children) and CSG recipients (their caregivers) across deciles, due to differences in family and household sizes. The benefit of the Grants plus scenarios, however, are that in both cases they reach additional households that do not have a CSG recipient. They are thus taking an approach which attempts to target all households, without conditioning on the household or individual being the recipient of a single grant only. Given that this approach explicitly widens the opportunity to reach vulnerable workers and households across the income distribution who are not necessarily CSG-eligible – most notably those who are unemployed and those in the informal economy with no access to unemployment insurance – there is an important redistributive, poverty-reducing and targeting component of this expenditure which should not be overlooked.

In Figure 7 we use the results from the scenarios above to examine the differential impacts of each scenario on poverty over the 6-month relief period. To do this we measure the impact of the additional grant income in each of the three scenarios after an assumed decrease in informal income of 75 percent. We use three different official StatsSA poverty lines, deflated to March 2020 prices, to measure the impact in each scenario: the food poverty line (R581), the lower-bound poverty line (R838), and the upper-bound poverty line (R1 270). For each poverty line we look at the impact on the national poverty rate from month 1 to month 6.

Figure 7. Estimated Poverty Impacts of Each Scenario



Source: NIDS (2017), own calculations.

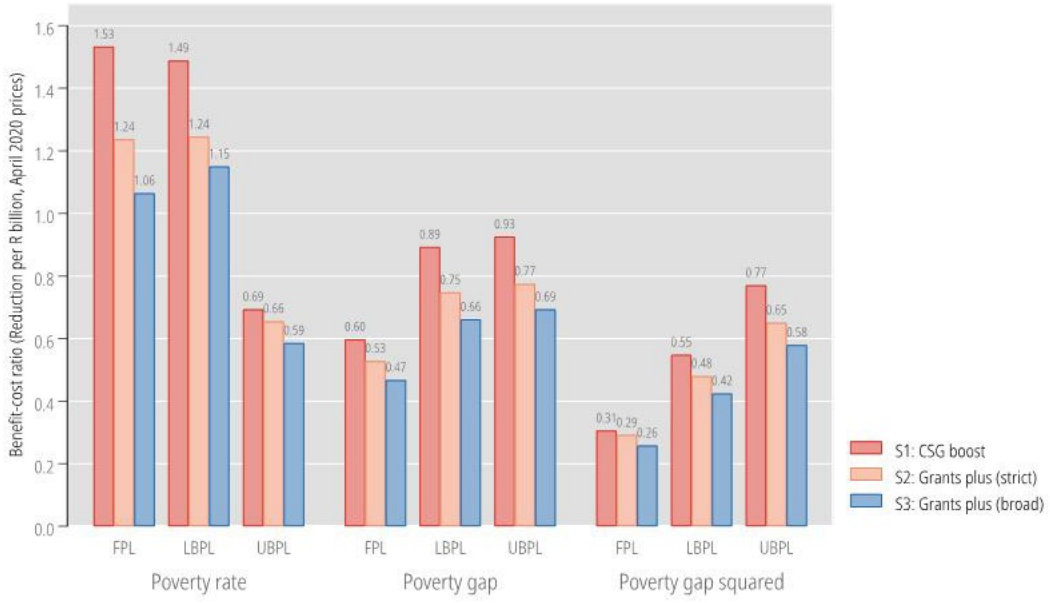
The results can be summarised as follows: poverty impacts are generally weaker in scenarios 2 and 3 relative to scenario 1. Put differently, the direct impact on poverty of scenario 1 (the CSG boost policy) has a larger poverty-reducing impact at all three

poverty lines. However, as the take-up levels of the Covid grant increase, it begins to have a stronger poverty reducing impact, especially at the upper-bound poverty line. That is, as take-up of the Covid grant approaches 90 percent, scenario 3 (the selected policy package with broad eligibility) leads to a reduction in poverty that is similar to that of the CSG boost.

The variation in the poverty impacts can be combined with the costs of the different policy options to produce a comparative benefit-cost ratio for each scenario. This is shown in Figure 8 where the benefit-cost ratio is simply the reduction in the poverty measure per billion Rand spent – where a higher ratio is better. The benefit-cost ratios in each of the three policy scenarios are estimated below for the three poverty lines introduced above. In addition, we show the ratio for three common poverty measures – the poverty headcount, the poverty gap, and the poverty gap squared.

Looking simply at the headcount poverty rate, the benefit-cost shows a similar pattern at the food poverty, lower-bound poverty, and upper-bound poverty lines. The CSG boost has the highest benefit-cost ratio by a considerable margin, reducing poverty at the food and lower-bound poverty lines by 1.5 percent for every billion Rand spent. This is compared to a poverty decrease of around 1.2 percent in the Grants plus (strict), and 1.06 percent in the Grants plus (broad) scenario, on the same poverty measures. Poverty reduction at the upper-bound line is much lower under all scenarios, at between 0.6-0.7 percent. The benefit-cost ratios for the poverty gap, and poverty gap squared measures, show a similar pattern to the headcount poverty rate across the four scenarios.

Figure 8. Benefit-Cost Ratio of Each Scenario



Source: NIDS (2017), own calculations.

Overall then, the highest benefit cost ratios at all poverty lines are seen for the CSG boost, followed by the Grants plus (strict) and Grants plus (broad) policy. Thus, the scenarios that most closely model the package chosen by the government have the lowest benefit-cost ratios.

Conclusion

The descriptive results in this paper clearly indicate that, while the CSG boost policy delivers resources progressively with a strong focus on the poorest deciles, the addition of the Covid grant has the potential to bring a large group of otherwise uncovered households into the system, assuming eligibility is broadly interpreted. Thus, the Grants plus (broad) policy delivers large increases in coverage rates in the middle of the distribution, as well as large increases in resource allocations to deciles 6 through 10. Moreover, the Covid grant is able to reach additional households who would not be reached through the existing grant system. Critically, though, this comes at a cost to households at the bottom of the income distribution: the poorest 30 percent of the population see a R3 billion decline in total resources allocated to them over the six-month period when comparing the CSG boost to the Grants plus (broad) policy. In contrast, the top deciles see increased support.

Effectively this implies a redistribution of the benefits of the CSG boost policy amongst the population within deciles 1 through 5, and a gain for each of the top five deciles. On the other hand, even households in decile 7 should not be considered well-off, and therefore, at least part of this redistribution is to households that would be vulnerable to poverty; many of which fall outside of the reach of the pre-Covid suite of social grants. More directly, we show that many of the workers whose incomes would have fallen to zero during the lockdown are located in deciles 4-7, where CSG coverage is more limited. The point here is to note that the social assistance package in this case is not a standard poverty reduction exercise, but rather is attempting to mitigate Covid-related income shocks and target the most negatively affected workers.

The above point is critical in the context of the way in which social assistance can re-order the income distribution. Thus, while a strictly progressive intervention may ensure that all resources flow to the poorest households, in the context of the lockdown this may simply result in households in the middle deciles drifting down the income distribution to be replaced by otherwise poorer households that have been able to access government support.

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