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The Role of Social Grants in Mitigating the Socio-economic Impact of HIV/AIDS: Evidence from the Free State Province

Abstract

This paper investigates the role of social grants in mitigating the socio-economic impact of HIV/AIDS using data from a panel designed to investigate the household impact of the epidemic. The child support, disability and foster care grants play an important role in mitigating the impact of HIV/AIDS, given that eligibility for these grants is driven largely by the increasing burden of chronic illness, the mounting orphan crisis and the impoverishment of households associated with the epidemic. Yet, take-up of these grants remains low and much scope remains to improve take-up rates. Social grants also play an important role in alleviating poverty in affected households, resulting in significant declines in the severity of poverty. Income received from social grants also saw expenditure on food increase in affected households, while old-age pensions saw household expenditure on education increase. Given that many orphaned and other children live in households headed by their grandparents, these transfers targeted at the elderly benefit children indirectly. This raises the question as to whether or not grants aimed at benefiting children should rather be administered via the education system in order to ensure that these transfers benefit children in a more direct way.

Introduction

South Africa faces one of the highest HIV prevalence rates in the world. The estimated adult prevalence of HIV amongst 15-49 year olds in 2001 was 20.1 percent (UNAIDS, 2002), while the ASSA2000 model put adult prevalence amongst 20-65 year olds at 24.1 percent (ASSA, 2003). A recent national household survey in turn has put the 2002 estimate of adult prevalence amongst those older than 25 years at 15.5 percent (HSRC, 2002). The socio-economic impact of HIV/AIDS combines to create a vicious cycle of poverty and disease.

On the one hand, poverty enhances the vulnerability of people to HIV infection. Poverty, apart from being associated with poor nutrition and a breakdown of immune systems, also translates into unsafe sexual practices as a result of lack of knowledge and lack of access to means of protection. This is due to women's inability to negotiate about condom use with sexual partners because of entrenched gender roles and power relations, or in other words the entrenched cultural beliefs and socio-cultural as well as economic constraints of condom use (Whiteside, 2001/02). Desmond (2001) and Whiteside (2002) also emphasise how labour migration induced by rural poverty can contribute to the spread of the disease and how poor, single mothers may be forced to become occasional sex workers in order to survive (Desmond, 2001; Poku, 2001). Gillies *et al.* (1996) and Nyamathi *et al.* (1996) highlight the importance of homelessness, urban/rural migration patterns, migrant labour practices and the breakdown of social support networks in communities with limited access to social services in increasing the vulnerability of poor people to HIV/AIDS.

In turn, HIV/AIDS can also cause households or individuals to move into or deeper into poverty. As adult members of the household become ill and are forced to give up their jobs, household income will fall. To cope with the change in income and the need to spend more on health care, children are often taken from school to assist in caring for the sick or to work so as to contribute to household income. Because expenditure on food comes under pressure malnutrition often results, while access to other basic needs such as health care, housing and sanitation may also come under threat. This acts to further reduce the resistance of infected adults and children to opportunistic infections, given lower levels of immunity and knowledge; this in turn leads to increased mortality (World Bank, 1998; Bonnel, 2000; Wekesa, 2000; Gaffeo, 2003). Therefore, HIV/AIDS and the associated burdens of morbidity and mortality expose already vulnerable households to further shocks (Desmond, 2001; Poku, 2001; Whiteside, 2002), hence locking those poor households, already infected and affected by the epidemic, in a vicious cycle of underdevelopment. Yamano and Jane (2002), Booysen (2003) and Cogneau and Grimm (2003) have reported empirical evidence on this positive link between poverty and HIV/AIDS. What role, then, have social grants to play in alleviating the burden of poverty on HIV/AIDS-affected households?

South Africa has a well-developed system of social security compared to most other developing countries and is on a par with systems in many developed countries (Guthrie, 2002; Seekings, 2002). This system includes a non-contributory pension system, as well as a number of social grants aimed at assisting households in caring for children and for the disabled. The discussion

in this paper distinguishes between five specific social grants (i.e. old-age pensions [R700], the child support grant [R160], disability grant [R700], care dependency grant [R700], and foster care grant [R500]), as well as access to grants in general (defined as access to any one of these five grants). Apart from the role of social grants in general in alleviating poverty, the old-age pension, child support, disability, care dependency, and foster care grants in particular are also likely to play an important part in mitigating the socio-economic impact of the HIV/AIDS epidemic, given the associated increase in morbidity and mortality, the orphan crisis and the resulting impacts on household composition and formation (Guthrie, 2002; Seekings, 2002; Van der Berg & Bredenkamp, 2002). The old-age pension and the disability, care dependency and foster care grants furthermore are all relatively large grants (the current monthly Rand value of each of these grants as reported by the National Treasury (2003) are noted here in parentheses) and are therefore likely to play a particularly important role in supporting poor, affected households.

This paper investigates the role of social grants in mitigating the socio-economic impact of HIV/AIDS with the aid of data from a panel designed to investigate the household impact of the epidemic. Section 1 presents an overview of the data and method.[1] Following an overview of general trends in the number of grant beneficiaries in South Africa and the Free State province (section 2), section 3 reports on the contribution of social grants to total household income. Section 4 describes trends in access to social grants, while section 5 explores the role of social grants in alleviating poverty. Section 6 reports the results of regression analysis employed in exploring the determinants of grant income, the take-up of social grants, as well as the impact of social grants on household expenditure on food and education and on decisions regarding labour force participation. Section 7 concludes.

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[1] The main advantage of panel data is that it allows the researcher to distinguish between households that over time have experienced certain events infrequently, i.e. at certain points in time only, as opposed to households that have not experienced any change in their circumstances, i.e. either never or at all points in time. For example, a panel survey allows one to consider the extent to which households move into and out of poverty over time, or alternatively remain in poverty (May *et al.*, 2000; May & Roberts, 2001). Analysis that employs data from cross-sectional surveys conducted at different points in time to distinguish trends in key outcomes (often the only option in the absence of panel data) cannot explore this dynamic nature of household economics.

1.   Data and Method

The household impact of HIV/AIDS was assessed by means of a cohort study of households affected by the disease. The survey was conducted in two local communities in the Free State province, one urban (Welkom) and one rural (QwaQwa), in which the HIV/AIDS epidemic is particularly rife. Comparisons are drawn between so-called affected households, affected households that have experienced a high burden of morbidity or mortality, and households that have not experienced morbidity or mortality in any period. Affected households were sampled purposively via NGOs and other organisations involved in AIDS counselling and care, and at baseline included at least one person known to be HIV-positive or known to have died from AIDS in the past six months. Informed consent was obtained from the infected individual(s) or their caregivers (in the case of minors). The incidence of morbidity and mortality is considerably high in affected households. The morbidity and mortality experienced by affected households exhibit a classic HIV/AIDS pattern, with large numbers of adults (i.e. those aged 15-49 years) having experienced illness or having died. Between 70 and 80 percent of morbidity and mortality in affected households can be attributed to HIV/AIDS or related infectious diseases and opportunistic infections (Bachmann & Booysen, 2003; Booysen *et al.*, 2003). In order to explore the socio-economic impact on affected households of repeated occurrences of HIV/AIDS-related morbidity or mortality, what Freire (2003: 373) calls the chronic impacts of the epidemic, a distinction is made between affected households in general and affected households that have experienced morbidity or mortality in three of four waves of the panel. Finally, households that have not experienced morbidity or mortality represent households living in close proximity to affected households. These households at baseline did not include persons suffering from tuberculosis or pneumonia and did not experience morbidity or mortality in any of the four waves of the panel (These households are not called 'non-affected households', as is the common practice, given that they may include HIV+ persons). The subsequent analyses, therefore, although based on data from a relatively small, purposive sample, present some indication of the socio-economic impact of HIV/AIDS on households. Yet, the classification of households employed in this analysis, albeit useful for the purposes of our analysis, belies the fact that HIV/AIDS affects entire communities and affects various households directly or indirectly at different stages of the epidemic, rather than affecting select groups only of households that directly experience morbidity and mortality (Freire, 2003).

Households were defined in terms of the standard definition employed by Statistics South Africa in the *October Household Survey* (OHS), i.e. 'a person or a group of persons who live together at least four nights a week at the same address, eat together and share resources'. A survey on the quality of life and

household economics was conducted. Interviews were conducted with one key respondent only, namely the 'person responsible for the daily organisation of the household, including household finances'. The results reported in this paper are based on an analysis of data for the 351 households interviewed in each of the first four waves of the study. The four waves of data collection were respectively completed in May/June and November/December of 2001 and in July/August and November/December of 2002 (Eventually, a total of six waves will be conducted over a three-year period). Due to the sampling design and small sample size, the findings from this household impact study cannot be generalised to households across South Africa, but pertain largely to the experience of poor, African households that utilise public health care services (Booysen *et al.*, 2003). Thus, the research is indicative only (but nevertheless telling) of the socio-economic impact of the HIV/AIDS epidemic, a characteristic shared by most other HIV/AIDS household impact studies (Booysen & Arntz, 2003).

Standards of living are measured here at the household rather than the individual level, given that the focus here is on the household impact of HIV/AIDS. Poverty is here interpreted in terms of the command over commodities that resources afford people via income and consumption (Lipton & Ravallion, 1995). The concern, therefore, is with 'poverty proper' (i.e. resource adequacy) and not with the physiological, sociological or political dimensions of poverty (Kgarimetsa, 1992; Woolard & Leibbrandt, 1999). One should note that the complex nature of the association between poverty and HIV/AIDS also requires that capability, social exclusion and participatory approaches to poverty eradication be focused on in this research topic, as argued by Stewart (2003), approaches that cannot be explored here due to the nature of the survey. During the survey, data were collected from one informant regarding the employment income, non-employment income (which includes social grants) and receipts of remittances for the members of their particular household. An estimate of total monthly household income was derived from these figures by adding up the various component items. Where appropriate, income estimates for the four waves were converted into real values using the most recent CPI estimates (2000=100) published by Statistics South Africa (2003a).

2. National and Provincial Trends in Numbers of Grant Beneficiaries

In order to put the findings presented in this paper in a proper context, particularly the discussion on trends in access to grants in the sample population, this section presents a brief overview of trends in number of grant beneficiaries over the past five years.

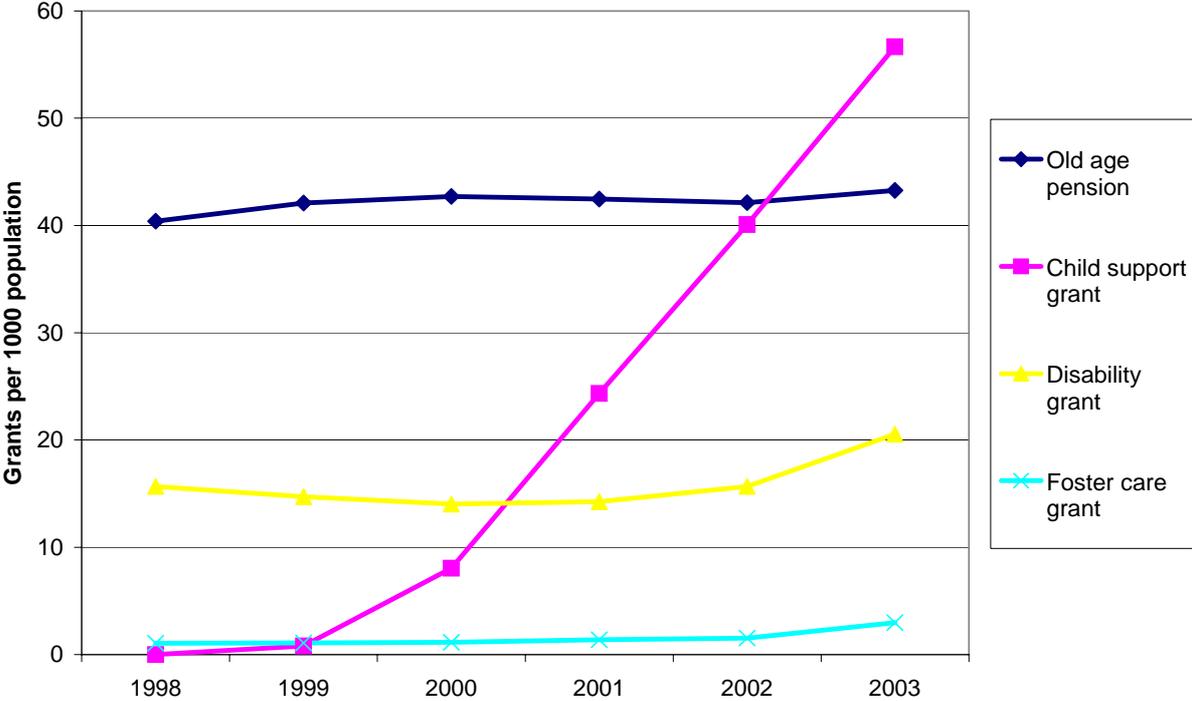*Figure 1: Number of grant beneficiaries in South African and Free State province (1998-2003)*
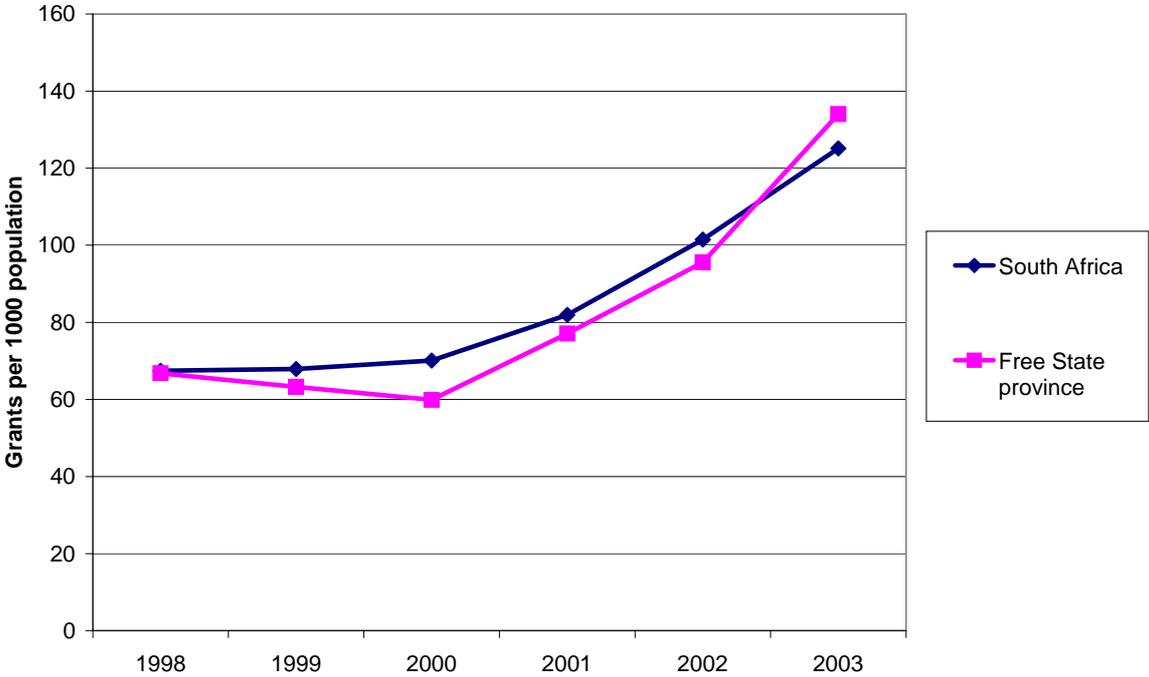
Note: The number of grant beneficiaries per 1000 population was calculated by dividing the annual number of reported beneficiaries in April of each year by the respective midyear population estimate published by Statistics South Africa (2003b). These midyear population estimates include extra deaths due to HIV/AIDS.

The total number of grant beneficiaries in South Africa increased from 2.8 to 5.8 million between 1998 and 2003. In the case of the Free State province, this number increased from 181 to 366 thousand. In terms of grants per 1000 population, national coverage increased from 67 to 125 (Figure 1). The relative increase in coverage was slightly more pronounced in the Free State province, where coverage increased from 66 to 134 grants per 1000 population. The average annual growth in the number of beneficiaries was 15 percent both for South Africa and the Free State province. Hence, the reach of the social grant

safety net has expanded relatively rapidly over this period in terms of the number of grant beneficiaries. However, this has not been the case with all social grants. Consequently, attention is now shifted to trends in coverage by grant type. This discussion is limited to the four social grants with the widest coverage (i.e. largest numbers of beneficiaries), namely the old-age pension and the child support, disability and foster care grants. The care dependency grant, although important in the context of the HIV/AIDS epidemic, was excluded from the discussion in this paper due to the relatively small number of beneficiaries in the Free State province (2 474 by April 2003) as well as the relatively small number of households in the sample population that had access to a care dependency grant (n<10).

Figure 2: Number of grant beneficiaries in South African by grant type (1998-2003)

Note: The number of grant beneficiaries per 1000 population was calculated by dividing the annual number of reported beneficiaries in April of each year by the respective midyear population estimate published by Statistics South Africa (2003b). These midyear population estimates include extra deaths due to HIV/AIDS.

The number of persons receiving old-age pensions has increased from 1.7 to 2 million over the period 1998-2003, which represents an average annual growth in coverage of 3 percent. In terms of grants per 1000 population, coverage increased from 40 to 43 grants (Figure 2). The next highest increase in coverage

has been in the number of persons benefiting from disability grants. The total number of beneficiaries has increased from 660 to 953 thousand over this period, translating into an average annual growth rate of almost 8 percent. In relative terms, coverage increased from 15 to 20 grants per 1000 population. The number of beneficiaries of foster care grants increased at an average annual rate of 26 percent over the five years, rising from 43 to 138 thousand between 1998 and 2003. In relative terms, however, coverage is low compared to the old-age pension and child support grant, with 1 grant awarded per 1000 population in 1998 compared to 3 in 2003. Most marked was the increase in the coverage of the child support grant over this relatively short period, as was highlighted by Guthrie (2002). The number of beneficiaries on average grew at 138 percent per annum, rising from 34 thousand in 1998 to a staggering 2.6 million by April 2003. In 1998, when this grant was launched, only 1 grant was awarded per 1000 population. This figure rose to 56 per 1000 population by 2003.

Figure 3: Number of grant beneficiaries in Free State province by grant type (1998-2003)
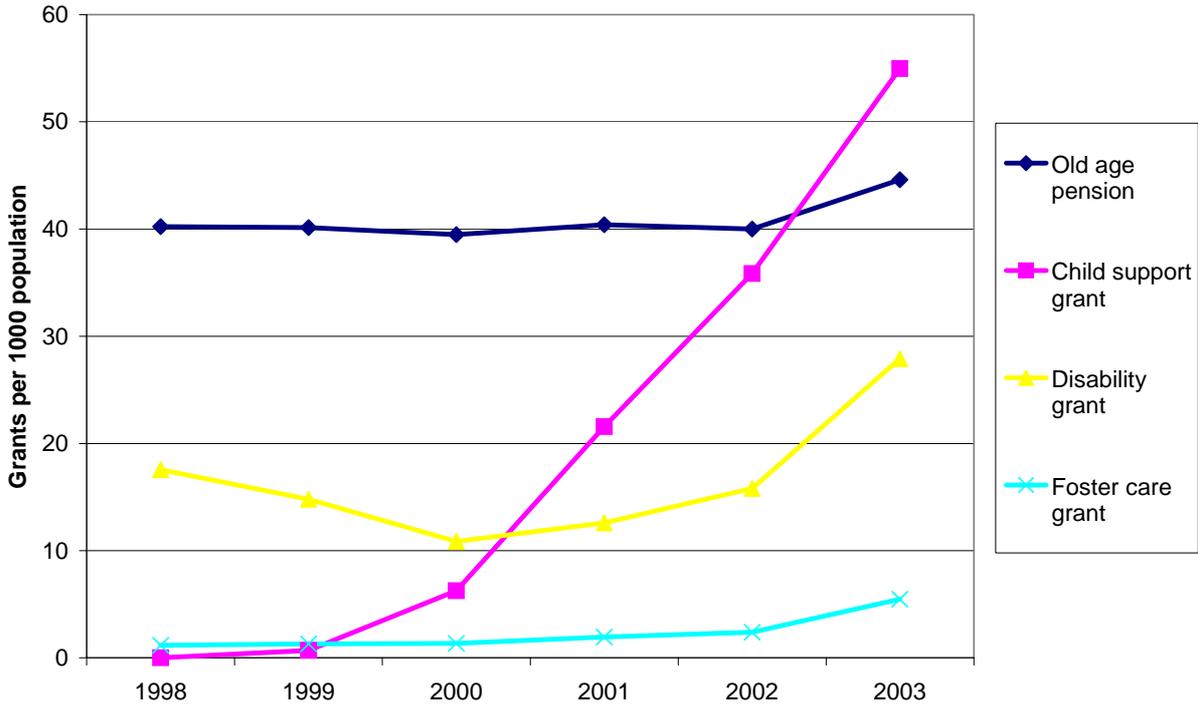

Note: The number of grant beneficiaries per 1000 population was calculated by dividing the annual number of reported beneficiaries in April of each year by the respective midyear population estimate published by Statistics South Africa (2003b). These midyear population estimates include extra deaths due to HIV/AIDS.

Trends in the number of grant beneficiaries in the Free State province for the most part mirrors the national trends. The number of persons receiving old-age pensions increased from 109 to 122 thousand, growing at an average annual rate of 2 percent. In terms of grants per 1000 population, coverage increased from 40 to 44 grants (Figure 3). The total number of persons benefiting from disability grants increased from 47 to 76 thousand over this period, translating into an average annual growth rate of 10 percent. In relative terms, coverage increased from 17 to 28 grants per 1000 population. The number of beneficiaries from foster care grants increased at an average annual rate of 36 percent over this period, rising from 3 to almost 15 thousand. In relative terms, however, coverage is low compared to the old-age pension and child support grant, with 1 grant awarded per 1000 population in 1998 compared to 5 in 2003. As in the case of South Africa as a whole, the most marked increase in coverage occurred in the child support grant. Over this relatively short period, the number of beneficiaries on average grew at 140 percent per annum, rising from almost 2 thousand to just over 150 thousand between 1998 and 2003. In 1998, when this grant was launched, only 1 grant was awarded per 1000 population. This figure rose to 55 per 1000 population by 2003 in the case of the Free State province. The number of disability and foster care grants awarded per 1000 population is slightly higher than was the case for South Africa as a whole. This may reflect the fact that the Free State province, which has a relatively high HIV prevalence rate compared to most other provinces (i.e. 27.6 percent adult prevalence according to ASSA 2003 model versus 14.9 percent adult prevalence according to HSRC, 2002), other things being equal, may have seen the number of beneficiaries increase at a more rapid rate than elsewhere given the greater impact of the epidemic in this particular province.

3.   Contribution of Social Grants to Total Household Income

If social grants are to play an important role in mitigating the socio-economic impacts of the epidemic, one would expect affected households to be more dependent on income from social grants when compared to households that have not experienced morbidity or mortality.

Table 1 reports the composition of total household income. Affected households in general and affected households that have experienced a greater burden of morbidity and mortality in particular were more dependent on social grants compared to households that have never experienced morbidity or mortality (P<0.005). A smaller proportion of the income of affected households that have

experienced morbidity or mortality in three of four periods consisted of employment income compared to households that have never experienced morbidity or mortality (P<0.005). The main explanation for this is the relatively high levels of unemployment and low labour force participation rates in affected households (Booysen *et al.*, 2003), as well as the greater eligibility of affected households for social grants (discussed in section 4). Differences in the contribution to household income of other non-employment income and remittances were not statistically significant. Given the relatively high proportion of the income of affected households made up by social grants, it is likely that social grants play an important role in alleviating poverty in HIV/AIDS-affected households. Before the discussion turns to the impact of social grants on poverty, however, trends in access to social grants are discussed in more detail.

Table 1: Composition of mean household income

	Affected households		Affected households that experienced morbidity or mortality in three or four periods		Households that have not experienced morbidity or morality	
Source of income	*Rand (2000 =100)*	*Percentage*	*Rand (2000 =100)*	*Percentage*	*Rand (2000 =100)*	*Percentage*
Employment income	735	49	502	41	1335	64
Grant income	312	36	344	41	152	18
Other non-employment income	73	6	55	6	109	5
Remittance income	65	10	77	11	104	13
Total	1185	100	978	100	1700	100
Sample (n)		*147*		*109*		*103*

4. Access to Social Grants

This section reports on the percentage of households that have benefited from certain grants. However, this discussion goes further insofar as it considers trends in eligibility for and access to social grants, as well as transitions in access to social grants, trends that are driven by changes in household composition resulting from a combination of migration and mortality, as well as by changes in the socio-economic circumstances of households. The discussion also goes one step further than many other papers on social grants, given that it considers the possible reasons why some poor, eligible households have not received the social grants to which they are entitled.

Given the pro-poor bias in the sampling design, relatively large proportions of households received an income from any one or more of five types of social grants, namely the old-age pension and child support, disability, foster care and care dependency grants (Table 2). The proportion of households that received a social grant was significantly higher in the case of affected households and affected households that have experienced a high burden of morbidity or mortality when compared to households that have not experienced morbidity or mortality (P<0.01). In terms of the general trends in accessing social grants over the four waves, the evidence in Table 2 suggests that coverage in general has increased, both for affected households and for households that have not experienced morbidity or mortality, which mirrors the trends in provincial numbers of beneficiaries (section 2).

Table 2: Percentage of households that received any social grant

	Affected households	*Affected households that experienced morbidity or mortality in three or four periods*	*Households that have not experienced morbidity or morality*
Wave I	45	48	28
Wave II	47	51	28
Wave III	51	56	35
Wave IV	52	57	42
Sample	*170*	*126*	*108*

However, the picture looks quite different when one considers access to social grants, i.e. the percentage of those households that were eligible to receive a grant that actually received such grants, rather than simply coverage, i.e. the

number of households that benefited from a particular grant. This discussion is limited to the four social grants with the widest coverage (i.e. largest numbers of beneficiaries), namely the old-age pension and the child support, disability and foster care grants. The care dependency grant, as explained elsewhere, was excluded from this analysis due to the small number of households that had access to this grant (n<10). *Eligibility* was determined in relatively crude terms, given that the survey instrument was not designed to assess the eligibility of households to qualify for social assistance, but rather to collect information on the socio-economic circumstances of these households. Eligibility was defined as follows for each of the different social grants:

- Old-age pension (OAP): Household included a male aged 65 years or older and/or a female aged 60 years or older.
- Child support grant (CSG): Household included at least one child aged 7 years or under.
- Disability grant (DG): Household included a person that had been ill for 20 or more days in the month preceding the interview and/or an ill person that was not able to perform daily tasks (e.g. work/play, recreation, household tasks, personal hygiene, mobility) by themselves.
- Foster care grant (FCG): Household included at least one child aged fifteen years or under whose mother and father reportedly was not alive (a double orphan).
- Means test: Households that did not currently receive any of these four grants, but qualified for such grants in terms of the above criteria were only considered eligible if average real adult equivalent *per capita* income was less than R250.[2] Although this is not the means test as applied by the Department of Social Development in assessing grant eligibility, the use of this poverty line as a means test does provide some basis for excluding non-poor households. Households that received a particular grant were automatically assumed to be eligible to receive such grant. This may of course not necessarily be true, given the fallibility of the grant application process.[3]

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[2] Households with the same level of income do not necessarily enjoy the same level of welfare. The larger the household, the lower the level of welfare at similar levels of household income. Measures of equivalent income are employed to allow for these differences in standard of living related to household characteristics (Lipton & Ravallion, 1995; Burkhauser *et al.*, 1997). Household income was adjusted for differences in household size by dividing total monthly income by n^{α}, where n represents the number of household members and α an adjustment for household economies of scale (Filmer & Pritchett, 1998). According to Lanjouw and Ravallion (1995), a α coefficient of 0.6 represents an adequately robust and reliable adjustment for household economies of scale.

[3] One cannot assess eligibility perfectly given *one* the lack of detailed information on grant recipients and other household members to apply grant criteria as formulated and *two* that the available information does not reflect the situation in the particular household when they

Access was then calculated around those households that actually received a grant, and was expressed as a percentage of those households that were eligible to receive a grant (based on the above criteria) or who actually received a grant.

Figure 4 reports the percentage of households that were eligible to receive social grants. A higher proportion of affected households were eligible to receive old-age pensions ($P<0.1$ for 3/4 waves) and child support grants ($P<0.05$ for 3/4 waves), given that HIV/AIDS has seen households headed by or including elderly persons increasingly taking care of orphaned children or grandchildren or sick adults' children as the epidemic takes its toll. The relative stability in the percentage of households that qualified for an old-age pension most likely reflects the relative low mobility of the elderly.[4] The fluctuations over time in the percentage of households eligible to receive a child support and foster care grant reflect the relatively high mobility of young children and of orphaned children (Booysen *et al.*, 2003). Given the high burden of morbidity in affected households (Booysen *et al.*, 2003), a considerable proportion of affected households qualified for a disability grant ($P<0.001$). However, the percentage of affected households eligible to receive such a grant declined over time as the burden of morbidity on affected households declined (Bachmann & Booysen, 2003). These fluctuations in eligibility for disability grants may partly reflect the mobility of ill persons, a number of whom have left their respective households over the study period, while it also reflects the fact that some grantees died prior to subsequent periods of the study.[5]

The number of households eligible to receive a foster care grant increased over time as rates of orphanhood increased and as the orphan crisis took its toll (Booysen *et al.*, 2003). As expected, more affected households qualified for a foster care grant compared to households that have not experienced morbidity or mortality ($P<0.05$ for 3/4 waves). For the most part, therefore, a significantly larger proportion of affected households qualified for social assistance compared to households that have not experienced morbidity or mortality.

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actually applied for the grant, but rather current circumstances when the household was already a grant recipient.

[4] Family history studies in general assume the elderly to be immobile, despite little empirical, historical work having specifically investigated the phenomenon of migration of the elderly (Neven, 2003).

[5] These claims cannot be substantiated with the aid of this data, because the source of grant income is only recorded at the household and not at the individual level. Keller (2002) notes that this is a problem common to other household surveys employed by researchers in analysing the relationship between changes in household composition and access to social grants.

Figure 4: Eligibility for social grants (%)
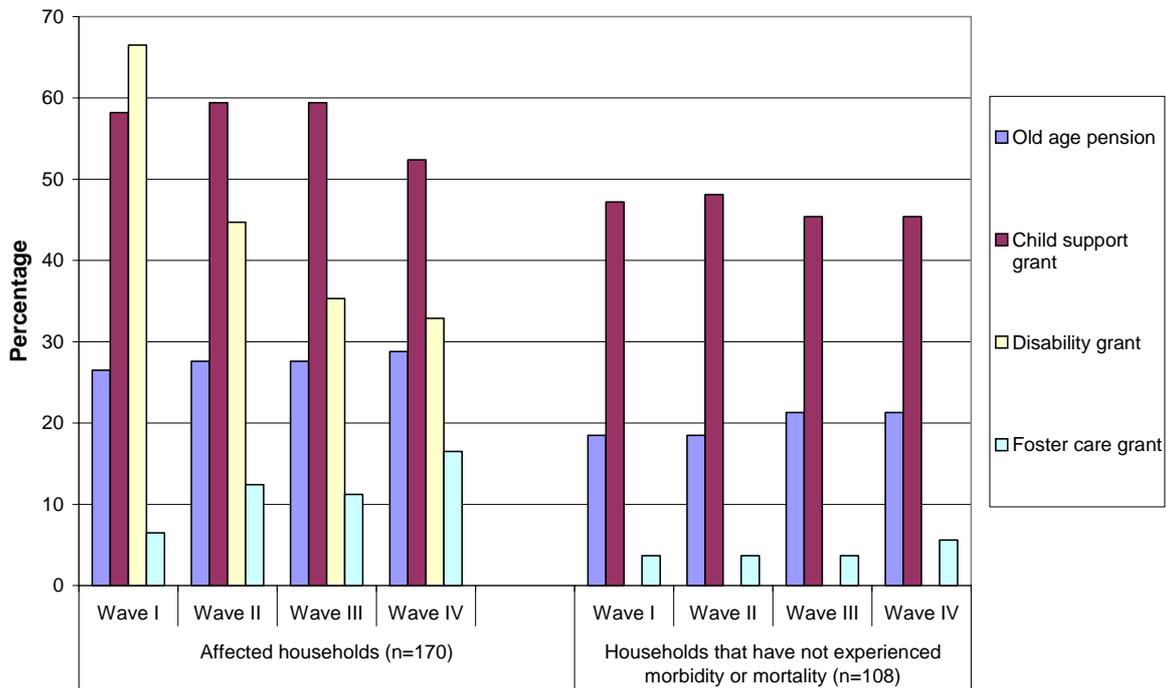
Given that a larger proportion of affected households qualify for social assistance, the focus now falls on access to grants. In other words, did affected households actually benefit from the social assistance for which they qualified? Figure 4 reports the percentage of affected households that accessed social grants. The take-up of the old-age pension was very high, with more than 80 percent of affected households having accessed an old-age pension. Access to the old-age pension remained relatively stable over the period, highlighting the high take-up rate of this grant (Case & Deaton, 1998; Samson *et al*., 2002). Access to the child support grant increased markedly over time, which mirrors the trends in the numbers of provincial grant beneficiaries reported in section 2. The decline in the number of affected households eligible to receive a disability grant translated into a marked increase in access. However, the absolute number of grantees remained relatively constant over time (15~16), thus belying the reported wholesale increase in the number of grant beneficiaries at the provincial level (section 2). There was no clear-cut trend in the percentage of affected households that accessed foster care grants. The absolute number of grantees, however, increased from 3 to 9 over the study period, thus supporting the evidence of a general increase in the number of grant beneficiaries at the provincial level (section 2). The fluctuations in take-up rates for the foster care grant most likely reflect the relatively high mobility of orphaned children (Young & Ansell, 2003; Booysen *et al*., 2003).

14

*Table 3: Gains in access to social grants for affected households (%)*

	Transition probability	*Sample (n)*
Old-age pension	25	12
Child support grant	13	204
Disability grant	14	125
Foster care grant	9	23

Note: Access is defined in terms of the household being eligible to receive a grant (as described elsewhere) and having received an income from this specific source.

Another way in which to analyse trends in access to social grants is to consider transition probabilities. Table 3 reports for each grant the proportion of poor, affected households eligible for a grant that gained access to that grant during a subsequent period. A high transition probability means that coverage increases at a rapid rate (i.e. a large proportion of eligible households receive their grants in the subsequent period), whereas a low probability suggests that coverage expands slowly. The probability of transition is of course the result of many factors, including the extent to which people are familiar with the grant and the complexity and duration of the application process. The results support the arguments about trends in access to social grants reported in Figure 5, with coverage in child support, disability and foster care grants expanding at a relatively low rate compared to the old-age pension.

Given that eligibility for these grants is driven by the burden of chronic illness and the orphan crisis associated with the epidemic, the evidence on eligibility and access presented here emphasises the likely importance of the old-age pension and child support, disability and foster care grants in mitigating the impact of HIV/AIDS because of the impact of the epidemic on household composition, and the role of HIV/AIDS in driving households into or deeper into poverty. Apart from the old-age pension, however, there seem to exist wide disparities between access and eligibility, as is evident from Figure 5. Samson (2002), Samson *et al.* (2002), and Guthrie (2002) emphasise the role of problems with targeting and administration in explaining the low take-up rates for grants such as the child support, foster care and disability grants. As such, much scope remains to improve take-up rates for these social grants.

Figure 5: Access to social grants for affected households (%)
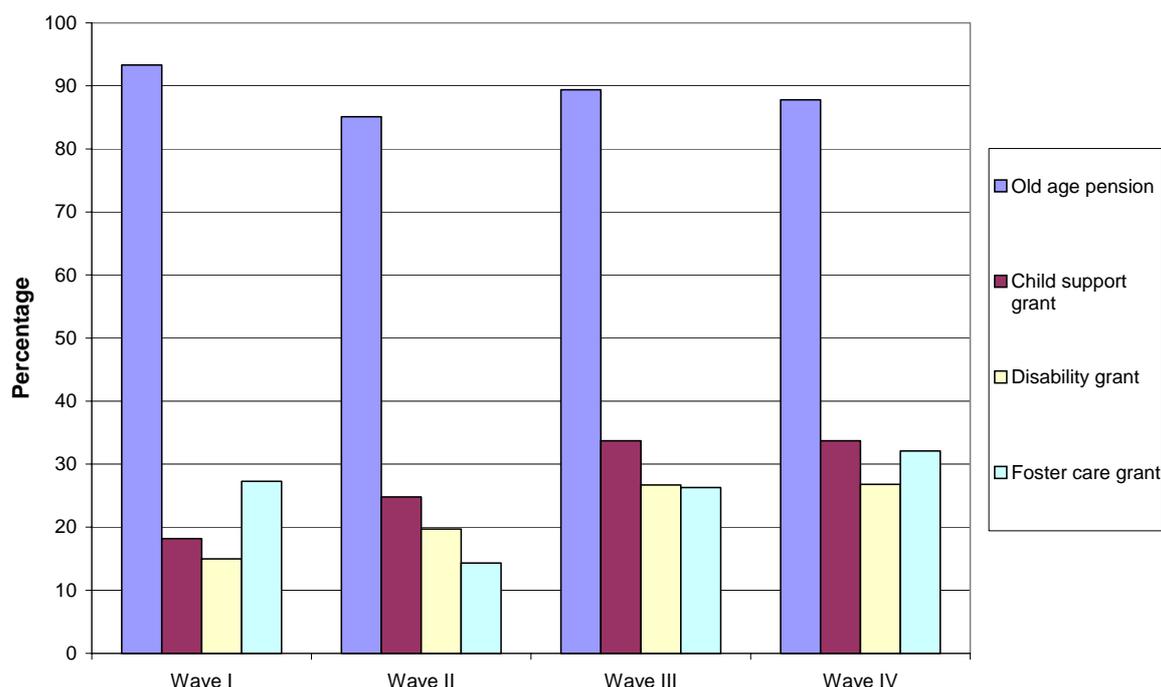
Hence, although the social welfare system in some sense is often seen as the panacea to various socio-economic impacts of the HIV/AIDS epidemic, many poor, affected households remain beyond the grasp of the safety-net provided by social grants. In the following two tables, the characteristics of those poor, affected households that were eligible for social grants but did not receive a grant are explored in more detail so as to enhance understanding of the nature of this exclusion. This can be defined as social exclusion or a lack of participation in social institutions (D'Ambrosio & Chakravarty, 2003). According to Stewart (2003) this 'concept was developed in industrialised countries to describe the processes of marginalisation and deprivation which can arise even within rich countries with comprehensive welfare provisions'. As such, the concept is particularly relevant for this discussion. This is important, given that the literature on social grants does not attempt to answer this important question, but simply notes the fact that a high proportion of the poor remain outside the grasp of the social safety net. A comparison is drawn between poor, affected households that have complete access to social grants (i.e. households that received all those grants for which they were eligible) versus poor, affected households that have never accessed grants (i.e. households that received none of the social grants for which they were eligible).

Table 4 reports on the extent of the social and economic exclusion of poor, affected households. On the one hand, households with no access to social grants were significantly more likely to never have accessed social support compared to households with complete access to social grants, thus supporting

the social exclusion hypothesis. On the other hand, households with complete access to social grants were significantly more likely to never have received assistance or remittance income from family or friends compared to households with no access to social grants. This may reflect the extent to which public transfers crowd out private transfers and assistance from the extended family. Jensen (2002), for example, explored the extent to which old-age pensions crowd out private transfers. He found that each Rand of public pension crowds out 25 to 30 cents of private transfers from children outside of the household, thus suggesting that the distributional effects of the old-age pension may be overstated. Maitra (1999) in turn found evidence of crowding out of private transfers for old-age pensions as well as for other government transfers. This in fact implies that households without access to social grants are more reliant on help from family or friends and in actual fact is less excluded socially than households with access to social grants (obviously, this may be because those households that received grants do not have to ask family and friends for assistance insofar as they benefit from social grants, unlike those households with no access to grants). None of the parameters of economic exclusion differed significantly statistically between households excluded from social grants and households with complete access to grants.

A more significant distinction between excluded and non-excluded households appears to be a lack of access to public services (Table 4). Although all the households had access to sanitation, a significantly larger percentage of excluded households did not have access to electricity or to water supply in their dwelling. Excluded households were also significantly more likely to have no access to a public refuse removal service. Households without access to grants were also significantly more likely to have no access to a telephone compared to households with complete access to social grants. The above evidence suggests that it may be those people without access to public services that are also not aware of the existence of social grants and/or the procedures to be followed to apply for such grants. Social and economic exclusion in turn do not appear to be that important in explaining lack of access to social grants, although these crude measures of social and economic exclusion may not be ideal. The role of lack of public service in explaining lack of access to grants makes sense insofar as information about grants is often disseminated by the same local government structures that provide these services. As such, there may be a need to use public communications media such as radio and television to more widely spread information about social grants.

Table 4: Social and economic exclusion of poor, eligible affected households (%)

Indicator	Poor, eligible affected households with complete access to grants	Poor, eligible affected households with no access to grants	P
Access to social support networks:			
No access to a social support network	32	63	0.008
Never asked and received help from family or friends	52	18	0.002
Never received remittance income	88	47	<0.001
Access to economic support networks:			
Never included an employed person	16	8	0.232
Never included a person in formal employment	20	27	0.333
Never owned dwelling	0	2	0.713
Access to public services:			
No access to electricity	0	24	0.004
No access to water in dwelling	0	27	0.001
No access to waterborne sanitation	100	100	-
No access to refuse removal by local authority	4	21	0.044
No access to telephone	12	45	0.003
Sample (n)	*25*	*62*	

Note: 'Never' = not in any period. Access to social support networks refers to whether any member of the household had benefited from a savings club/stokvel (although the benefits are monetary, these are social institutions), a women's group, church-based support, NAPWA, Hospice, ATTIC, a support group, or from family or friends.

Table 5 reports on the demographic characteristics and household composition of these 'socially excluded' households. Currently, social grants target mainly those poor families that include children and elderly persons. This is evident from the results presented in Table 5. Households excluded from social grants had a significantly lower dependency ratio and included a significantly smaller percentage of children aged under seven and of elderly people compared to households with complete access to social grants. There was no statistically significant difference between excluded and non-excluded households in terms

of the total years of schooling of the members of the household. Excluded households were also likely to be significantly smaller than households with complete access to social grants, and were significantly more likely to be headed by females. Persons heading excluded households were significantly younger than persons heading non-excluded households. In addition, excluded households were significantly more likely to include a smaller proportion of persons from the extended family (other relations of the head of the household) and a higher proportion of persons belonging to the nuclear family (sons and daughters of the head of the household). Hence, in terms of household composition and characteristics, certain poor, affected households remain outside of the grasp of the social safety-net provided by social grants.

Table 5: Demographic characteristics and composition of poor, eligible affected households with no access to social grants (%)

Indicator	Poor, eligible households that received a government grant	Poor, eligible households that did not receive a government grant	P
Dependency ratio	38	30	0.093
Household size	5	4	0.091
Total years of schooling	30	29	0.724
Female household head	12	44	0.004
Average age of household head (years)	49	41	0.048
Household composition:			
Percentage children aged 0-6 years	23	14	0.013
Percentage children aged 7-14 years	12	16	0.299
Percentage adults	62	70	0.117
Percentage elderly	2	0	0.005
Total	*100*	*100*	
Percentage persons belonging to nuclear family	72	81	0.081
Percentage persons belonging to extended family	28	18	0.065
Percentage persons not related to household head	0	1	0.353
Total	*100*	*100*	
Sample (n)	*25*	*62*	

5. The Role of Social Grants in Poverty Alleviation

There is a body of evidence that has highlighted the role of social assistance in reducing the incidence and depth of poverty in South Africa (Lund, 1999; Samson, 2002; Samson *et al.*, 2002; Seekings, 2002; Woolard, 2003). Much of the earlier work on the impact of social grants (or social assistance or targeted transfers) on poverty focused on the success of the old-age pension (Case and Deaton, 1998; Jensen, 2002) and the importance of this source of income for household security and household food security (Lund, 1999). Ravallion (2003) emphasises the important role of targeted transfers in alleviating poverty, based on growing evidence of some successes that contradict the often held belief that the benefits of targeted transfers are captured by others or that coverage of such transfers is too low to make any real difference. Devereux (2002: 657) in turn argues that social safety-nets can help mitigate chronic poverty insofar as part of welfare transfers is invested in 'income-generating activities, education, social network, and the acquisition of productive assets'. Yet, research on social grants also shows that a large proportion of the South African population (as much as half of the population according to one report) would remain in poverty even if take-up rates of current grants were 100 percent (Samson, 2002; Samson *et al.*, 2002; Seekings, 2002; Woolard, 2003).

HIV/AIDS-affected households are at a disadvantage compared to households that have not experienced morbidity or mortality, both socially and economically. Affected households, and in particular affected households that have experienced a high burden of morbidity or mortality, were relatively worse off than households that have not experienced morbidity or mortality. This was the case regardless of whether income, expenditure or food expenditure was employed as a measure of household welfare. The incidence, depth and severity of poverty was worse amongst affected households compared to households that have not experienced morbidity or mortality, especially in the case of affected households that had experienced morbidity or mortality in each wave. This was the case regardless of the choice of poverty line or poverty measure. Affected households were also more likely than households that have not experienced morbidity or mortality to have slipped into poverty, while a relatively larger proportion of affected households, and in particular affected households that faced a greater burden of illness or death, were classified as chronically poor (Booysen *et al.*, 2003). Social grants, therefore, are likely to play a particularly important role in keeping affected households from slipping deeper into poverty, while in some cases ensuring that household do not slip into poverty.

Figure 6: Absolute income mobility by changes in access to social grants: A conceptual framework

	Wave I	*Wave II*	*Wave III*	*Wave IV*
Got ahead	Average real income increased by 10% or more from baseline			
No change in income	Average real income changed by less than 10% from baseline			
Fell behind	Average real income declined by 10% or more from baseline			
Access to social grant discontinued	O	✕	✕	✕
	O	O	✕	✕
	O	O	O	✕
Gained access to social grant	✕	O	O	O
	✕	✕	O	O
	✕	✕	✕	O

In order to explore the relative importance of specific events associated with changes in household welfare, we follow an approach similar to that employed by Leibbrandt and Woolard (2001).[6] Figure 6 presents these events in schematic fashion. For the sake of simplicity, the focus here is only on those cases where access to a social grant was discontinued in any subsequent period and where the household did not receive a grant for the remainder of the period. Likewise, the emphasis is only on those cases where a household that did not receive a social grant at baseline gained access to a grant in any subsequent period, and where the household received such grant in each of the remaining periods. (There obviously exists more permutations, but the link between these transitions in access to grants and changes in income can only be analysed with more advanced statistical techniques). Households were considered to have

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[6] Woolard and Leibbrandt (2001) also determined the nature of the main income events associated with changes in poverty status. An analysis of this nature applied to the data exhibited no statistically significant differences between affected households and households that have experienced no morbidity or mortality in terms of changes in specific types of income. This most probably is the result of the relatively small number of households that have not experienced morbidity or mortality that moved into (n=25) and out of (n=26) poverty, with less than 20 households experiencing any one type of main income event between any two consecutive waves of the panel. It is hoped that data from the complete panel will enable the author to perform such analysis with a larger number of observations.

'gotten ahead' ('fallen behind') if the average adult equivalent household income calculated across waves II to IV had increased (decreased) by at least 10 percent since baseline, an approach that according to Leibbrandt and Woolard (2001: 683) reduces errors resulting from errors in the measurement of income. No distinction is made between affected households and households that have not experienced morbidity or mortality, given that the numbers of households that gained access to social grants (n=38) or that lost access to social grants (n=18) were too small too allow a meaningful analysis at the disaggregrate level. The results of these analyses are presented in Tables 6 and 7.

Table 6: Absolute change in adult equivalent income between waves I and IV for households that GAINED access to social grants (%)

	Old-age pension [R700/ month]	*Child support grant [R160/ month]*	*Disability grant [R700/ month]*	*Foster care grant [R500/ month]*	*Any social grant*
Got ahead	72	41	65	43	55
No change	27	19	17	28	5
Fell behind	0	39	17	28	40
Total	*100*	*100*	*100*	*100*	*100*
Sample (n)	*11*	*41*	*23*	*7*	*38*

As expected, households that had gained access to social grants, especially the relatively larger grants, were more likely to have gotten ahead (Table 6). In general, more than half of households that gained access to social grants got ahead. Almost three quarters of those households that gained access to an old-age pension got ahead, while almost three quarters of households that gained access to the disability grant got ahead. Just more than 40 percent of households that gained access to the foster care and child support grants got ahead. Not surprisingly, the child support grant, the smallest of these grants, did not consistently aid households in escaping poverty. Almost 40 percent of households that gained access to a child support grant over the study period still ended up falling behind. However, even in the case of the foster care grant, 28 percent of households that gained access to the child support grant over the study period actually fell behind, compared to 17 percent of those that gained access to the disability grant and none of those that gained access to the other social grants. This highlights the complexity of poverty transitions and the need to employ panel regression techniques to identify the most important

determinants of changes in poverty status, including changes in household composition, which are closely linked to access to social grants.

In terms of social grants in general, more than half of households that lost access to a social grant fell behind (Table 7), thus highlighting the relative importance of grant income in explaining changes in household welfare. The results were not that clear-cut in terms of the association between changes in poverty status and a discontinuation in access to specific social grants. Only in the case of the foster care grant and old-age pension did a relatively large proportion of households that lost access to such grant fall behind. Yet, a discontinuation in access to grants at least ensured that households maintained their absolute standard of living, with less than 20 percent of households that lost access to an old pension or a child support or disability grant falling behind. Yet, more than half of households that in subsequent periods lost access to a foster care grant had actually gotten ahead. Although these results need to be interpreted with caution due to the small sample size (n<5), this may hint at the success of targeting social grants at the poor, i.e. households that got ahead not qualifying for a grant anymore (the same argument applies to the findings that show that a relatively large proportion of households that gained access to a grant have fallen behind in certain cases). As argued elsewhere, this highlights the complexity of poverty transitions and the need to employ panel regression techniques to identify the most important determinants of changes in poverty status, including changes in household composition, which are closely linked to access to social grants.

Table 7: Absolute change in adult equivalent income between waves I and IV for households that LOST access to social grants (%)

	Old-age pension [R700/ month]	*Child support grant [R160/ month]*	*Disability grant [R700/ month]*	*Foster care grant [R500/ month]*	*Any social grant*
Got ahead	19	18	10	50	17
No change	31	55	60	0	22
Fell behind	50	27	30	50	6
Total	*100*	*100*	*100*	*100*	*100*
Sample (n)	*16*	*11*	*10*	*2*	*18*

Another, perhaps more common way of exploring the poverty impacts of social grants is to calculate the standard poverty measures for income inclusive and exclusive of grants (Samson *et al.*, 2002; Bhorat, 2003; Woolard, 2003). This allows one to assess the impact of social grants on the incidence, depth and severity of poverty.[7] These results are reported in Table 8, with a distinction being made between affected households, affected households that have experienced a high burden of morbidity and mortality, and households that have not experienced morbidity or mortality. These poverty measures were simply calculated based on total household income exclusive of grants. No adjustments were made for a so-called 'tax credit', given that households in the absence of social grants will pay less taxes insofar as government will not have to raise taxes to pay for public expenditure on social grants. Therefore, the results presented in Table 8 present a crude estimate only of the impact of social grants on the incidence, depth and severity of poverty. In addition, it would be worthwhile to perform this analysis by type of grant to assess the impact of different types of grants on poverty. For example, one would expect the disability and foster care grants to contribute significantly towards poverty alleviation in affected households. For the sake of simplicity, and due to constraints of space, however, this paper focuses only on the impact on poverty of social grants in general.

Social grants play an important role in alleviating poverty, not only in affected households, but also in households that have not experienced morbidity or mortality (Table 8). In percentage terms, the incidence, depth and severity of poverty dropped considerably over the period. The reduction in the incidence, depth and severity of poverty since baseline (i.e. the percentage change in the poverty measure calculated at baseline exclusive of social grants and the poverty measure calculated at wave IV inclusive of social grants) was more pronounced in affected households compared to households that have not experienced morbidity or mortality. The incidence of poverty declined by 36 and 30 percent since baseline in affected households and households that have not experienced morbidity or mortality respectively. The depth of poverty declined by 71 percent since baseline in affected households, compared to 55 percent for households that have not experienced morbidity of mortality. The severity of poverty declined by 83 and 67 percent since baseline in affected households and

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[7] The headcount, poverty gap and squared poverty gap indices are special cases of the Foster-Greer-Thorbecke (FGT) class of poverty measures. $P_\alpha = 1/n\Sigma[z-y_i/z]^\alpha$, where z represents the poverty line and y_i the actual income or consumption level of each person or household. The three FGT measures each focus on a different conventional poverty measure. P_0, P_1 and P_2 respectively are derivatives of the headcount (H), poverty gap (PG) and squared poverty gap (SPG) indices (Greer & Thorbecke, 1986). These poverty measures become more sensitive to the well-being of the poorest person as the value of α increases (Woolard & Leibbrandt, 1999: 28).

households that have not experienced morbidity or mortality respectively. Importantly, though, the rate of poverty reduction continued to increase over time in affected households, but remained relative stable in the case of households that have not experienced morbidity or mortality. This saw the gap in the incidence, depth and severity of poverty between affected households and households that have not experienced morbidity decline.

Table 8: Poverty measures inclusive and exclusive of government grants (%)

	Affected households (n=147)			*Households that have not experienced morbidity or mortality (n=103)*		
	Income excluding govern-ment grants	*Income including govern-ment grants*	*Reduction in poverty measure (%)*	*Income excluding govern-ment grants*	*Income including govern-ment grants*	*Reduction in poverty measure (%)*
Incidence of poverty (P_0):						
Wave I	58.5	42.2	28	38.8	26.2	33
Wave II	55.1	35.4	36	38.8	25.2	35
Wave III	57.1	37.4	35	39.8	23.3	42
Wave IV	63.3	37.4	41	43.7	27.2	38
Depth of poverty (P_1):						
Wave I	40.1	17.1	57	23.7	11.0	54
Wave II	42.4	15.2	64	23.1	11.3	51
Wave III	40.5	14.7	64	26.1	10.6	59
Wave IV	42.4	11.7	72	28.0	10.6	62
Severity of poverty (P_2):						
Wave I	33.0	10.0	70	18.3	6.2	66
Wave II	36.0	9.7	73	17.7	6.6	63
Wave III	35.3	8.5	76	20.8	7.1	66
Wave IV	35.4	5.6	84	22.8	6.0	74

The depth and severity of poverty in affected households by wave IV were more or less on a par with households that have not experienced morbidity or mortality. The incidence of poverty was still somewhat higher in affected households compared to households that have not experienced morbidity or mortality. Most importantly, the reductions in the severity of poverty since baseline were statistically significant in the case of affected households ($P<0.05$). Hence, social grants have resulted in a significant reduction in the severity of poverty in affected households. This suggests that social grants play an important role in alleviating poverty (bringing people closer to the poverty line), more so than eradicating poverty (lifting people out of poverty).[8]

6. Regression Results

This section of the paper explores a number of other aspects related to social grants, and draws primarily on the literature on social grants with a distinct South African focus. Regressions were run for affected households only. All the regression results reported in these pages are for pooled OLS or probit estimations (More extensive literature on social transfers also employs instrumental variable techniques. Further work in this regard will also attempt to apply these techniques, as well standard panel regression techniques). Sections 6.1 and 6.2 focus on the determinants of grant income and take-up rates of grants respectively, while section 6.3 explores the impact of social grants on household expenditure on food and expenditure. Finally, section 6.4 investigates the impact of social grants on decisions regarding labour market participation.

6.1 Determinants of Grant Income

In order to determine who benefits from social grants, it is necessary to assess the determinants of grant income. Table 9 reports the pooled OLS estimates of the effects of the amount of household grant receipts, of household income exclusive of social grants, demographic composition, and place of residence. In addition, include is a number of variables indicative of eligibility for specific social grants, notably the number of persons of pension age (OAP), the number of children aged seven years or under (CSG), the number of chronically ill persons (DG), and the number of orphaned children (FCG). A similar approach

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[8] The trends over time in the incidence, depth and severity of poverty in affected households that experienced a high burden of morbidity and mortality; not reported here due to constraints of space, were similar to the trends for affected households in general, although these reductions were achieved off a higher base.

was followed by Case and Deaton (1998) in exploring the role of old-age pensions in South Africa.

Table 9: Determinants of grant income in affected households (%)

Independent variables	OAP	CSG	DG	FCG
Income excluding grant	0.029**	0.066**	0.160**	0.129**
Household size	-1.801	-0.095	14.578**	-14.734**
Number of children aged 0-5 years	-10.422	11.138**	-1.822	49.831**
Number of children aged 6-15 years	-1.987	2.779	-2.248	31.097**
Number of members aged 16-24 years	14.274**	2.769	-0.561	11.348*
Rural place of residence	4.511	13.382**	28.210**	-37.768**
Number of male pensioners	392.728**			
Number of female pensioners	473.363**			
Number of male children 7 years or under		-4.275		
Number of female children 7 years or under		11.066**		
Number of chronically ill persons			11.332	
Number of orphaned children				-5.903
Constant	7.564	-23.866**	-57.948**	72.836**
Number of observations (n)	*768*	*768*	*768*	*753*
F statistic (P)	*355.6 (P<0.001)*	*64.8 (P<0.001)*	*40.2 (P<0.001)*	*45.0 (P<0.001)*
R^2	*0.789*	*0.405*	*0.270*	*0.792*
Adjusted R^2	*0.787*	*0.399*	*0.263*	*0.794*

Note: Results are for pooled OLS regressions. Dependent variables are monthly household grant incomes by type of social grant. All values are expressed in nominal terms. Coefficients with two asterisks are statistically significant at the 95% level and coefficients with one asterisk are statistically significant at the 90% level.

As expected, the main determinants of income from old-age pensions and child support grants are the number of age-eligible persons in the household (Table 9). Interestingly, however, the number of male children aged seven years or under did not successfully predict income from child support grants, which suggests that these households are more likely to apply for this grant for female children (More research is required to determine why male children in affected households may not be benefiting from this social grant). The fact that the number of chronically ill persons and orphaned children did not feature as significant determinants of income from disability and foster care grants respectively most likely is the result of the low take-up of these grants (section 4). Contrary to expectations, grant income increased as income exclusive of social grants increased. Case and Deaton (1998) found grant income to increase as income exclusive of grants fell, which is what one would expect insofar as grants target poorer households. (More work is required to verify this result, given that instrumental variable approaches may be necessary to adjust for the possible measure error in income estimates and reported pension income). Given that poverty is more pronounced in rural areas, households resident in rural areas received more income from child support and disability grants compared to urban households. The one exception, though, was foster care grants, where urban households received more income in the form of foster care grants compared to rural households. This most likely reflects the fact that application costs may be higher in rural than in urban places of residence. Application for a foster care grant requires a person to be assigned as legal guardian of the orphaned child by the court, which is often a lengthy process. Rural areas are more remote and offices of the Department of Home Affairs and courts are less accessible due to distance, associated transport and other costs. This raises particular questions as to how access to foster care grants can be improved in remote, rural areas. None of the other independent variables featured consistently as significant determinants of grant income across different types of social grants.

6.2 Determinant of Take-up of Social Grants

Riphahn (2001) presents a good overview of international literature on the economic modelling of take-up rates. The subsequent discussion employs regression analysis in exploring the determinants of take-up rates for individual social grants, given that uptake of social grants amongst affected households has been shown to be relatively low in the case of the child support, disability and foster care grants (section 4). We follow an approach similar to that of Riphahn (2001), who estimated the effects of the benefit amount and of variables that approximate benefit duration, application costs and stigma on grant take-up or

so-called 'hidden poverty' (people who are eligible for social assistance 'hide' their poverty by opting not to take up such transfers). The benefit effect is measured by the poverty degree, i.e. the poverty gap expressed as a percentage of the poverty line of R250 real adult equivalent income. Benefit duration is approximated by whether the head of the household is a pensioner, the years of education of the household head, and whether the household own their home.

The argument here is that the need for public support will be relatively permanent for households headed by pensioners (if existing retirement benefits are insufficient), for households headed by persons with little education (reflecting a low earnings potential), or for households that do not own their homes (also reflecting a low earnings potential). Riphahn (2001) also distinguished between single parent status and single parent with young children status as benefit duration indicators, indicators that were excluded from the analysis presented in these pages. Application cost and stigma effects are approximated by whether the household is headed by a female, the age of the household head, place of residence, and the number of children aged seven years or under. The argument here is that social norms may imply that not being able to provide for one's family and being reliant on social assistance is a more stigmatising event for men than for women. Similarly, being reliant on social assistance may be a more stigmatising event for younger heads of household than for older persons. Application costs may be higher in rural than in urban places of residence, given that rural areas are more remote and offices of the Department of Home Affairs and Social Development, which are situated mainly in urban areas, are less accessible due to distance, associated transport and other costs. Finally, the presence of young children may motivate the head of household to ensure that a means of subsistence is accessible via social assistance.

Based on the above, one may argue that the take-up of disability and foster care grants may remain low due to the associated stigma and the relatively high application cost of these grants. Access to a disability grant may label a household as HIV/AIDS-affected. (Others, however, based mainly on anecdotal evidence, have argued that access to the disability grant presents a perverse incentive for opting to forego medical treatment where access to the grant in fact means that the persons will be in a better situation than without the grant, but not receiving treatment). As mentioned, application for a foster care grant requires a person to be assigned as legal guardian of the orphaned child by the court, which is often a lengthy process. The take-up of child support grants in turn may remain low due to their relatively small value (or benefit effect) compared to other social grants, as highlighted in the low, although increasing, uptake of these grants in this sample of households, as well as in South Africa as a whole (Samson *et al*., 2002).

Table 10: Determinants of hidden poverty in affected households

Independent variables	OAP	CSG	DG	FCG
Benefit effect:				
Poverty degree	-0.025**	0.004	-0.011**	-0.022
Duration effect:				
Household headed by pensioner	-0.483	-0.121	-0.677**	0.567
Education of household head (years)	-0.158**	-0.044**	-0.030	0.044
Owns dwelling	-0.582	-0.222	0.109	-1.014*
Application cost and stigma effect:				
Female household head	0.365	0.226	-0.119	-0.027
Age of household head	0.014	-0.009	0.016*	-0.007
Rural place of residence	0.362	0.652**	-0.031	
Number of children aged 7 years or under	-0.156		0.243	-0.703
Constant	1.724	-0.796	-1.365*	1.066
Number of observations (n)	*204*	*410*	*325*	*51*
LR Chi^2 statistic (P)	*38.0 (P<0.001)*	*43.4 (P<0.001)*	*21.5 (0.005)*	*10.7 (0.150)*
Pseudo R^2	*0.281*	*0.090*	*0.067*	*0.157*

Notes: Results are for pooled probit regressions. A dependent variable is 'hidden poverty', where a value of 1 represents a household that was eligible for a specific grant but did not have access to the grant, whereas a value of zero represents a household that had access to the specific grant at the time. The 'poverty degree' was calculated as the poverty gap as percentage of the poverty line. The results of the regression analysis that included the poverty gap rather than the poverty degree as independent variable yielded similar results. The number of children aged < 7 years were dropped from the CSG regressions due to multicollinearity. In the FCG regression, no eligible households that took up the grant at the time of the interview resided in rural areas. Subsequently, place of residence was dropped from the regression. Coefficients with two asterisks are statistically significant at the 95% level and coefficients with one asterisk are statistically significant at the 90% level.

The probability of non-uptake declined for the old-age pension and the disability grant as entitlement to benefit increased, i.e. as the degree of poverty increased, exemplifying the so-called benefit effect. There is also evidence of duration effects. The probability of non-uptake of old-age pensions and child support grants declined as the number of years of education of the household increased, which supports the argument that uptake increases as earnings potential

increases. Only in the case of the disability grant, however, did the probability of non-uptake increase if the household head was a pensioner. Ownership of dwelling was negatively associated with non-uptake of the foster care grant. However, one would have expected non-uptake to increase if households did not own their residence, the latter being a proxy of a lower earnings potential. Finally, there is little evidence of application cost and stigma effects. The only result that confirms the stated hypothesis is the strong positive association between place of residence and non-uptake of child support grants. Non-uptake of child support grants was much more likely in rural areas compared to urban areas. As argued above, application costs may be higher in rural than in urban places of residence, given that rural areas are more remote. In the case of the other variables approximating stigma effects, the results, where they were statistically significant, did not confirm with the stated hypotheses. The probability of non-uptake of disability grants increased with age (the effect was not that pronounced, though, and the coefficient is relatively small), whereas it was expected that younger household heads are more likely to not take up social assistance insofar as it is expected of them to be able to provide for their families. None of the other independent variables featured as statistically significant determinants of non-uptake of social grants in affected households.

6.3 Impact of Social Grants on Household Expenditure on Food and Education

Booysen *et al*. (2003) have shown that affected households are more likely to spend less on food and education compared to households that have not experienced morbidity or mortality, probably due to expenditure on health care and funeral crowding out these expenditures. In addition, there is strong evidence that HIV/AIDS may cause children to be taken from school so as to help the household cope with the burden of illness and/or death, often due to the inability of the household to afford to pay school fees (Booysen *et al*., 2003). An important question, therefore, is whether additional income from social grants shows up in increases in expenditure on food or education. To this end, we follow the approach of Case and Deaton (1998) by regressing household expenditure on food and education on income exclusive of social grants and income from each of the individual social grants, controlling for a number of characteristics of the household and head of household (Table 11). If the coefficients on grant income are larger than the coefficient on income excluding grants, recipients prefer to employ these additional resources to pay for food or education. If in turn the coefficients are smaller, grant income is being spent in some other way. If income from social grants is spent on food and on education,

it would mean that social grants do play an important role in mitigating some of the socio-economic impacts of HIV/AIDS.

According to the results presented in Table 11, increases in income exclusive of social grants saw household expenditure on food increase. However, income received from a number of social grants saw household expenditure on food increase at a greater rate compared to income exclusive of social grants, which means that recipients prefer to employ these additional resources to pay for food. Increases in income received from disability and foster care grants saw household expenditure on food increase. In addition, income received by affected households in the form of old-age pensions and care dependency grants saw expenditure on food increase. Receipts from foster care grants resulted in the greatest increase in household expenditure on food. As expected, households headed by persons with higher levels of education spent more on food (higher levels of education translates into higher levels of income and higher levels of expenditure), as did larger households. Households headed by older persons and by females spent less on food compared to households headed by males, while rural households spent less on food than urban households (levels of income are relatively lower in rural than in urban areas).

Households do not appear to employ income receipts in the form of social grants to pay for education. As in the case of food expenditure, increases in income exclusive of social grants saw household expenditure on education increase. However, only in one case did increased grant receipts result in increases in household expenditure on education larger than the increases in expenditure on education resulting from increases in income exclusive of grants. Income received by affected households in the form of old-age pensions saw household expenditure on education increase. This is an important result, given that many orphaned and other children live in households headed by their grandparents (Booysen *et al.*, 2003). Transfers targeted at the elderly may therefore benefit these children indirectly.

Table 11: Social grants and household expenditure on food and education

Independent variables	Average monthly food expenditure	Average monthly education expenditure
Old-age pension	0.229**	0.105*
Child support grant	0.012	-0.632*
Disability grant	0.139**	0.021
Care dependency grant	0.277**	-0.043
Foster care grant	0.350**	-0.024
Income excluding grants	0.108**	0.030**
Household size	8.647**	-6.741
Children aged 0-5 years	-16.131**	15.035
Children aged 6-15 years	15.538**	33.042*
Children aged 16-18 years	6.030	44.607**
Children aged 19-21 years	11.881	-12.998
Children aged 22-24 years	-20.543**	73.099**
Age of household head	-11.351**	-38.194**
Squared age of household head	132.404**	510.667**
Education of household head (years)	5.408**	8.576**
Female household head	-21.961**	9.584
Rural place of residence	-41.145**	-64.836**
Constant	-226.256	-1629.401**
Number of observations (n)	*2334*	*140*
F statistic (P)	*177.9 (P<0.001)*	*3.45 (P<0.001)*
R^2	*0.566*	*0.324*
Adjusted R^2	*0.563*	*0.230*

Note: Results are for pooled OLS regressions. Dependent variables are monthly household expenditure on food and expenditure expressed in nominal terms. Coefficients with two asterisks are statistically significant at the 95% level and coefficients with one asterisk are statistically significant at the 90% level.

Duflo (2000) likewise found transfers in the form of old-age pensions to benefit children in terms of nutritional status only where the recipient was male, particularly in the case of female children. (Contrary to expectations, increased receipts in the form of child support grants actually saw household expenditure

on education decline, which may be the result of these grants primarily targeting pre-school children aged seven years or under). Thus, many transfers targeted at children (i.e. child support, care dependency and foster care grants) do not necessarily benefit these child beneficiaries in terms of paying for their schooling, given that it is in most cases the caregiver rather than the child that has control over these resources and that these resources are often employed to the benefit of the entire household rather than the intended beneficiaries. This raises the question as to whether such grants should rather be administered via the education system in order to ensure that these transfers benefit children in a more direct way, e.g. by paying for school fees or funding a nutrition programme at schools.

6.4 Impact of Social Grants on Decisions on Labour Force Participation

Access to social grants stands to influence a number of individual decisions made by those household members that are likely to benefit directly or indirectly from such grants, including decisions about saving, labour market participation, retirement, education, migration and fertility (Marchand & Pestieau, 1991). According to Bertrand *et al*. 'targeted public transfers to specific demographic groups within extended households could have important behavioural effects on some non-targeted groups if redistribution is large' (2000: 2). Their argument is that younger relatives living with older persons in three-generation households may lower their labour supply as result of large cash transfers to the household in the form of social grants, assuming of course that households pool these resources and that household members other than the recipient actually benefit from the transfer. Case (2001) reports that this is indeed the case when is comes to old-age pensions in South Africa. Jensen (2002), however, reports no evidence of any significant effect of old-age pension transfers on migration, labour supply and household composition. To investigate the impact of social grants on decisions regarding labour market participation, we regressed four labour market outcomes onto grant receipts, individual demographic characteristics such as gender, age and education, as well as various household characteristics, which include household size, household composition and place of residence. The sample population is individuals aged 15 to 50 years that reside in so-called three-generation households, i.e. households that include a household head, children and grandchildren or a household head, children and parents. The four labour market outcomes (or dummies) were the following:

- Employment status: Person during the past 7 days did work for pay, profit or family gain, either on a full-time, part-time or casual basis, or actually had a

full-time, part-time or casual job during the past 7 days but was absent from work due to illness.

- Unemployed status: Person was not working, but looking for work.
- Labour force participation status: Person was employed or was not working, but looking for work.
- Discouraged worker status: Person was not working, not looking for work, but available for work.

The emphasis in this discussion is primarily on the impact of receipts from social grants on labour force participation and the discouraged worker effect, rather than the results for the employment and unemployment outcomes, given that on an *a priori* basis one may argue that increases in social assistance will discourage people to participate in the labour force or to actively seek work. Increased receipts by affected households in the form of disability grants saw the likelihood of labour force participation decline. There are a number of likely explanations for this effect. On the one hand, it may be the illness experienced by adults that causes the same persons to be less likely to participate in the labour market. On the other hand, illness may cause other adults in the household not to participate in the labour market, given that they may have to care for the ill or because they benefit from this grant. Increased receipts from child support grants actually saw the likelihood of labour force participation by adult members of affected households increase. This may the result of the relatively small size of this grant compared to the other grants (R170 per month). Such small transfer, therefore, does not create a significant disincentive effect in the presence of no changes in receipts from other social grants.

In the case of discouraged worker effects, increased disability grant receipts saw the likelihood of discouragement decline. However, one would have expected discouragement to increase as receipts from social grants increase. None of the other social grants affected the likelihood of non-participation or discouragement significantly. Thus, there is little evidence of social grants impacting negatively on labour force participation in affected households.

Table 12: Impact of social grants on decisions on labour force participation

Independent variables	Employed	Unemployed	Labour force participant	Discouraged worker
Old-age pension*1000	-0.510**	0.022	-0.200	-0.171
Child support grant*1000	-0.367	1.495**	1.604**	-0.760
Disability grant*1000	-1.245**	-0.364**	-0.742**	-1.571**
Foster care grant*1000	0.158	-0.102	-0.036	0.032
Gender	0.086	-0.061	-0.028	0.090
Age	0.028**	-0.003	0.012**	0.000
Education (years)	0.025	0.016	0.022	0.027
Rural place of residence	-0.084	0.140	-0.009	0.486**
Household size	-0.063	0.092**	0.025	0.145**
Children aged 0-5 years	0.097	-0.085	0.034	-0.248*
Children aged 6-15 years	0.093	-0.190**	-0.107**	-0.188*
Children aged 16-18 years	-0.062	-0.234**	-0.271**	0.093
Children aged 19-21 years	-0.095	-0.086	-0.085	-0.089
Children aged 22-24 years	0.173*	-0.174**	-0.067	0.020
Constant	-1.783**	-0.253	-0.009	-3.398
Number of observations (n)	*1076*	*1076*	*1076*	*1076*
LR Chi^2 statistic (P)	*121.27 (P<0.001)*	*48.57 (P<0.001)*	*104.48 (P<0.001)*	*29.60 (P<0.001)*
Pseudo R^2	*0.132*	*0.032*	*0.070*	*0.098*

Notes: Results are for pooled probit regressions. Dependent variables are 0/1 dummies for each of the different labour market outcomes. The results of the regression analysis that employed grant recipient status rather than grant income as independent variables yielded similar results to those presented here. Coefficients with two asterisks are statistically significant at the 95% level and coefficients with one asterisk are statistically significant at the 90% level.

7. Conclusion

This paper emphasises the important role of social grants in mitigating the socio-economic impact of the HIV/AIDS epidemic. Affected households in general and those affected households that have experienced a greater burden of morbidity and mortality in particular were more dependent on social grants compared to households that have not experienced morbidity or mortality. Given the pro-poor bias in the sampling design, relatively large proportions of households had access social grants. The evidence on access to social grants presented here emphasises the likely importance of the child support, disability and foster care grants in mitigating the impact of HIV/AIDS, given that increased eligibility for these grants is driven largely by the increasing burden of chronic illness, the mounting orphan crisis and the impoverishment of households associated with the epidemic. Yet, take-up rates for child support, disability and foster care grants remain relatively low. Although the social welfare system in some sense is often seen as the panacea to various socio-economic impacts of the HIV/AIDS epidemic, many poor households remain beyond the grasp of the social safety-net. Hence, much scope remains to improve take-up rates for social grants.

As expected, the probability of non-uptake of social grants amongst affected households in most cases declined as entitlement to benefit increased, i.e. as the degree of poverty increased, especially in the case of the larger social grants. There is also evidence of duration effects. The probability of non-uptake declined as the number of years of education of the household increased, which supports the argument that uptake increases as earnings potential increases. There is some evidence of application cost effects. Non-uptake of child support grants was much more likely in rural areas compared to urban areas. In addition, urban, affected households received more income in the form of foster care grants compared to rural, affected households. As argued above, application costs may be higher in rural than in urban places of residence, given that rural areas are more remote and offices of the Department of Home Affairs and Social Development, which are situated mainly in urban areas, are less accessible due to distance and associated transport and other costs. This raises particular questions as to how access to foster care grants can be improved in remote, rural areas. There is little evidence of social grants creating disincentives for people to participate in the labour market, except that is for disability grants, which saw the probability of labour force participation decline.

Social grants play an important role in alleviating poverty. As expected, households that had gained access to social grants, especially the relatively

larger grants, were more likely to have gotten ahead. Not surprisingly, the child support grant, the smallest of these grants, did not consistently aid households in escaping poverty. Reductions in the incidence, depth and severity of poverty since baseline were considerable, both in affected households and in households that have not experienced morbidity or mortality. Importantly, though, the rate of poverty reduction continued to increase over time in affected households. This saw the gap in the incidence, depth and severity of poverty between affected households and households that have not experienced morbidity or mortality decline over time. Most importantly, the reductions in the severity of poverty since baseline were statistically significant in the case of affected households. Therefore, social grants play an important role in alleviating poverty (bringing very poor people closer to the poverty line), more so than eradicating poverty (lifting people out of poverty). In addition, income received from a number of social grants saw expenditure on food increase in affected households. However, affected households do not appear to employ income receipts in the form of social grants to pay for education, apart that is from old-age pensions. Given that many orphaned and other children live in households headed by their grandparents, these transfers targeted at the elderly may benefit children indirectly. This raises the question as to whether grants aimed at benefiting children should rather be administered via the education system in order to ensure that these transfers benefit children in a more direct way, e.g. by paying for school fees or funding a nutrition programme at schools.

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