



UNIVERSITY OF THE WESTERN CAPE

DEPARTMENT OF ECONOMICS

**EVALUATING THE IMPACT OF SOCIAL GRANTS AND THE EXPANDED PUBLIC
WORKS PROGRAMME (EPWP) ON POVERTY REDUCTION IN SOUTH AFRICA**

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Economics in the Department of Economics, University of the Western Cape.

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Date: March 2016

DECLARATION

I declare that “*Evaluating the impact of Expanded Public Works Programme and Social Grants on poverty reduction in South Africa*” is my own work, that it has not been submitted for any degree or examination in any university, and that all the sources that I have used or quoted have been indicated and acknowledged by complete references.

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Date: March 2016



ABSTRACT

Given that poverty has remained one of the biggest challenges facing South Africa, an in-depth understanding of the poverty reduction measures implemented by government is necessary. It is important to understand the efficacy of these social protection programmes as huge amounts of government spending is allocated towards it. This paper analyses the impact of the Expanded Public Works Programme (EPWP) and social grants as some of the social protection measures implemented by the South African government. Literature reviewed in this paper reveals that these anti-poverty measures have contributed significantly towards the reduction of poverty levels in South Africa.

The study analyses each social protection measure and uses the Income and Expenditure Survey data (2010/11) and EPWP phase 1 national data to analyse social grants and EPWP respectively. The income decomposition technique is used to analyse household income and the results of the impact of social grants on poverty are presented using the Foster-Greer-Thorbecke indices. However, only the results of the prevalence of poverty (headcount) are explained in this study. The results show that social grants have significantly reduced poverty levels in areas with high poverty rates such as the Eastern Cape and Limpopo provinces, amongst the African population, in female-headed households, and in rural areas.

For EPWP, an estimate of the impact on poverty is done by assessing the number of poor participants who were involved in the programme. Also, the duration of the project is determined and the results indicate that most projects were short lived and did not ensure a consistent provision of income for the participants. Furthermore, the Ordinary Least Squares regression model is used to analyse how expenditure allocation for the programme affects work opportunities produced. Such an investigation is done based on the different sectors in which projects are implemented as well as provincial distributions.

Keywords: Poverty; social protection programmes; EPWP; social grants; South Africa

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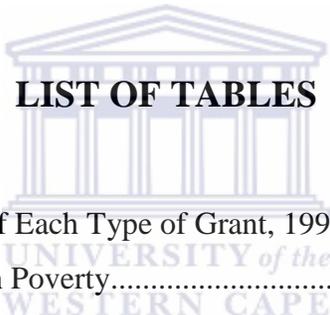
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LIST OF ABBREVIATIONS

CSG	Child Support Grant
EGS	Employment Guarantee Schemes
EPWP	Expanded Public Works Programme
DPW	Department of Public Works
FGT	Foster-Greer-Thorbecke
GDP	Gross Domestic Product
HH	Household
HIV	Human Immune Deficiency Virus
IES	Income and Expenditure Survey
LDC	Less Developed Countries
M&E	Monitoring and Evaluation
SMG	State Maintenance Grant

Stats SA Statistics South Africa

WO Work Opportunities



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CHAPTER ONE

1.1. Introduction and Background

Despite the strides made by developing countries in the last two decades, the persistence of poverty still remains one of their biggest challenges (The World Bank, 2015: 1). In many Less Developed Countries (LDCs), there are records of high levels of malnutrition, poor levels of water and sanitation provision and deteriorating health conditions (Devereux & Cipryk, 2009: 7). Despite the high levels of economic growth which averaged 5.6% in the last 6 years (World Bank, 2015: 1), the Sub-Saharan region is characterised by extreme socio-economic deprivation and harsh living conditions (Niño-Zarazúa, Barrientos, Hickey & Hulme, 2012: 163). According to Niño-Zarazúa *et al.* (2012: 163) the human development index (HDI) scores for many Sub-Saharan African countries have significantly diminished since 1990 with more than half of the population in this region living on less than US\$1 a day. Statistics South Africa (Stats SA) projects that in South Africa, more than 20% of the population lives below the food poverty line with 45.5% living under moderate poverty (Stats SA, 2014: 26). As most individuals and households are poor and vulnerable, the government has to step in and implement social protection measures to protect its citizens against the harsh socio-economic effects of poverty.

1.2. Problem Statement

Social protection has established itself firmly on the policy agenda in most countries (Adato & Haddinott, 2008: 2). Such countries include Brazil, Mexico, Botswana, Namibia and India (van der Berg, Siebrits & Lekezwa, 2010: 27). The new democratic government of South Africa has also engaged in extensive social protection programmes in a bid to reduce poverty and improve the socio-economic welfare of households. Given that vast amounts of money have been allocated year by year in the National Budget to expand some of the social protection measures, with the purpose of lifting the marginalised out of extreme poverty conditions, there is a need to take stock of these social protection initiatives in South Africa in terms of what is being delivered to poor and vulnerable individuals. It is with this in mind that this study provides a poverty impact analysis on two of the state-funded social protection measures, i.e., job creation through EPWP and the implementation of the social grants system in South Africa.

1.3. Objective of the study

The objective of this study is to ascertain the impact of both short-term employment opportunities through EPWP and the implementation of social grants on poverty in South Africa.

1.4. Research question

The main research question of this study is as follows:

- What is the impact of EPWP and the roll-out of social grants on poverty alleviation in South Africa?

Other sub-questions include:

- Are the targeted objectives of these social protection programmes being fully met?
- Are the poorest regions benefiting substantially from these programmes?
- Is there an efficient allocation of the scarce resources in the implementation of these programmes or can these government funds be allocated to better performing programmes?

1.5. Rationale of the study

The fiscal budget of South Africa has been under enormous stress since various government programmes have continued to be implemented as anti-poverty strategies (van der Berg & Siebrits, 2010: 1). Despite expenditure on social protection measures, poverty remains one element of South Africa's triple crisis, the others being inequality and unemployment (Chibba & Luiz, 2011: 308). As government continues to fund these programmes when there is fiscal constraint (Armstrong & Burger, 2009: 1), one poses the question: what is the impact of these programmes on poverty reduction? Are the targeted objectives of the programmes being fully met and is this an efficient allocation of public funds or can the resources be re-allocated to better performing programmes? To answer these questions, it is important to have an understanding of the impact of these anti-poverty strategies, particularly EPWP and social grants, in reducing poverty levels in South Africa. An understanding of the poverty impact of these programmes provides policymakers with empirical evidence as to where to allocate scarce resources.

1.6. Research methodology

The study will use the Income and Expenditure Survey (2010/2011) as well as data from the first phase of the Expanded Public Works Programme (2004 – 2009) to answer the research question. The Foster-Greer-Thorbecke (FGT) poverty measurement technique is used to measure the incidence, depth and severity of poverty (Armstrong & Burger, 2009). The income variable will be used to conduct the analysis. Household income will be decomposed to determine income before and after receiving the grants. An assessment will be conducted to determine the proportion of poor households before and after they receive the grants, thereby determining the change in the proportion of poor households. With regards to the EPWP data, estimates of the impact of EPWP on poverty will be done when determining the trend of projects created over time, duration of the projects, number of participants, and the sector in which the programme ran. Also, the Ordinary Least Squares method will be used to analyse the impact of expenditure on the work opportunities generated.

1.7. Chapter outline

The rest of this study will be structured as follows:

Chapter 2 will provide a review of literature. In this chapter, the definition as well as the measurement of poverty used in this study will be identified. Furthermore, the concept of social protection will also be discussed and the discussion will be narrowed down to social grants and EPWP in South Africa.

The methodology as well as the data used in this study will be explained in Chapter 3. In this Chapter, the methodologies used to analyse the impact of social grants and EPWP on poverty are developed. Additionally, an investigation on Income and Expenditure Survey (2010) data together with EPWP phase 1 data will also be conducted.

Chapter 4 will present the analysis of results produced by the methodology developed in Chapter 3.

Chapter 5 concludes the study.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

The objective of this study is to ascertain the impact of EPWP and social grants on poverty in South Africa. To meet this objective, this chapter provides a review of literature previously conducted in this field of study. The chapter is structured as follows: in Section 2.2, poverty is defined and the various ways of measuring poverty are explained. This section also identifies the definition and measurement of poverty adopted in this study. Section 2.3 gives an overview on social protection programmes in South Africa whilst Section 2.4 provides a review of literature on EPWP. The background, international literature, and an analysis of EPWP in South Africa are explained. Section 2.5 then provides an evaluation of literature on social grants in South Africa. The types as well as the expansion of social grants are explained in this section. Empirical evidence on the impact of EPWP and social grants on poverty is discussed in Section 2.6 whilst Section 2.7 concludes the chapter.

2.2. Definition and measurement of poverty

There are multidimensional theories related to poverty. According to Rawls (1971) poverty in the modern world originated from the designs of social structures and institutions, particularly those structures that have resulted from colonialism which entailed slavery and exploitation of individuals by the rich. On the other hand, Sen (1993) explains that poverty exists amongst some people due to capability deprivation. Nonetheless, poverty, together with inequality and unemployment, has continued to be persistent in many countries. The World Bank (2010: 1) explained that utmost attention should be given to poverty to ensure that many poor and vulnerable individuals have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities. However, poverty has been defined and measured using various approaches. It appears that there is no clear-cut agreement on the precise definition and measurement of poverty.

Ravallion (1992: 4) defines poverty as a state in which one or more individuals in a society fail to get a certain level of material well-being that is deemed minimum by the standards of that community. Similarly, Boltvinik (1998: 2) defines poverty as being a state in which one is

deprived of the necessities of life. From these definitions, it can be derived that poverty is any worse state of living below a predetermined threshold. This minimum standard of living is referred to as the poverty line (Bhorat, Oosthuizen & van der Westhuizen, 2011).

Poverty lines have been set differently across countries taking into account a number of different factors. These factors include purchasing power parity, local levels of development and societal norms and values (Ludi & Bird, 2007: 2). Therefore, if a country is relatively poor, a lower poverty line is set and if a country has higher welfare levels, then a higher poverty line is set.

The most commonly used international poverty line is \$1.25 and \$2.00 per person per day (World Bank, 2005: 1). These poverty lines are in 2005 purchasing power parity adjusted terms. International poverty lines are normally used when making cross country analyses of poverty. Use of the same poverty lines provides for a common base of comparison for diverse countries. Some studies in South Africa have analysed poverty using these World Bank estimates (Bhorat & Kanbur, 2005). However, South Africa does not have a predetermined poverty line; hence it uses a lower and upper bound poverty line (Stats SA 2015: 9). The poverty line used in this study is presented fully in the methodology chapter (Chapter 3).

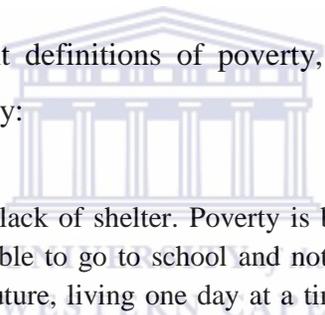
Poverty can be measured in *money metric indices* (Leibbrandt, Woolard & Woolard, 2009: 10; Sahn & Stifel, 2003: 463). Money metric indices measure poverty in terms of income or expenditure variables. Most studies have used these indices. The reasoning in these studies was that income and expenditure variables better capture a household's nourishment, health and social status (Meyer & Sullivan, 2003: 27). Moser and Felton (2007: 1) also argue that money metric indices are better measures of poverty as they provide a qualitative analysis and a straight forward interpretation of poverty measures.

A definition of poverty in line with money metric measures of poverty is poverty in *absolute terms* (Ludi & Bird, 2007: 2). The absolute definition of poverty is based on an individual's income or consumption (expenditure) level when compared to a predetermined minimum level of income or consumption that is deemed necessary to meet basic needs. In line with \$1.25 and \$2.00 mentioned before, poor individuals are regarded as those whose income or consumption levels are below \$1.25 or \$2.00 per day.

In contrast, some studies have considered the measurement of poverty using a *non-money metric index*. A non-money metric index is a proxy indicator of the economic well-being of a household. This proxy indicator captures household assets and some studies have concluded that non-money metric indices are better indicators of economic well-being of households as they capture household nourishment, health status and fertility (Sahn & Stifel, 2003: 466).

In line with the non-money metric measure of poverty is poverty defined in *relative terms*. Poverty in relative terms is a deprived state that individuals feel when comparing themselves to their counterparts (Bhorat & Kanbur, 2005: 4). Relative poverty is a multi-dimensional definition of poverty as it encapsulates not just income or expenditure variables of the households, but also participation in community activities, access to education and living standards of the household, amongst other factors (Ludi & Bird, 2007: 3).

As different authors have different definitions of poverty, the World Bank (2010) gives the following characterisation of poverty:



Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom (World Bank 2010: 1).

This characterisation of poverty by the World Bank (2010) indicates that poverty is a multidimensional concept that affects many aspects of life. The extent of how one is deprived of the aspects of living defines the state of poverty. Although this World Bank characterisation of poverty seems more appropriate for poverty assessments, this study uses the absolute definition of poverty. This definition of poverty is easier to measure and understand.

To eradicate the effects of poverty in South Africa, government has to step in and provide social protection to households which are unable to provide enough by themselves. Numerous social protection programmes have been implemented and the following section provides an overview of the concept of social protection with a focus on EPWP and social grants in South Africa.

2.3. Social Protection Programmes

Rawls (1971) state that justice and fairness should lie at the heart of the laws implemented and institutions put in place in societies. He states that if there is no justice in society, no matter how efficient and well-arranged these laws and institutions are, they must be reformed or abolished (Rawls, 1971: 3). Rawls (1971) focused primarily on the basic structure of society, the way in which the major social institutions distribute fundamental rights and duties and determine the division of advantages from social cooperation. In short, the argument of Rawls is that societies have to return to a status quo where there is fairness and justness amongst all members of society. It is the responsibility of the State to ensure such fairness and hence, should step in and provide appropriate social protection measures within societies.

Social protection programmes are defined as a set of policies (which are either public or private) that are undertaken by societies to offset the absence or substantial reduction of income from work amongst vulnerable households (Mutangadura, n.d: 1). These measures are also implemented to provide health care or housing to vulnerable families with children. It is the responsibility of the State to provide social protection programmes to all citizens especially to those citizens who are socially excluded and therefore more vulnerable to poverty.

Adato and Haddinott (2008: 2) discussed some of the important factors of social protection in Africa. These authors explained that social protection is important as it leads to social and economic development. Furthermore, social protection is critical for fighting against poverty and reducing inequality. Households and individuals who benefit from these programmes receive an increased access to health care, improved nutritional levels and access to education.

Social protection in Africa is significantly important because of the high toll of HIV/AIDS; weather related calamities; volatile food prices; global financial crisis; and the extended family system which has been the main source of social security in traditional systems (Mutangadura, n.d: 1). These unfortunate incidences have left many families impoverished thus, the State has to step in to protect the vulnerable and marginalised.

Social protection can be categorised in terms of social assistance and welfare programmes, social insurance, and labour market programmes. Social assistance and welfare programmes are implemented with the aim of transferring resources to groups deemed eligible due to deprivation.

These programmes may include cash or food transfers, subsidies for the purchase of staple foods or food vouchers. These programmes are non-contributory programmes since they are funded from tax revenues. Thus, these are government funded programmes.

Social insurance includes programmes aimed at reducing individuals' exposure to risk and vulnerabilities. Such risk of loss may be on a person's life or assets and they consist of life, health or asset insurance. Social insurance is a contributory fund programme where employers and/or beneficiaries contribute towards the fund (Leibbrandt, Woolard, Finn & Argent, 2010: 47).

Labour market programmes are programmes aimed at generating an initial platform for vulnerable individuals upon which they can use their labour to work themselves out of poverty. After participants have taken part in these programmes, participants should be equipped with certain skills that they can use to start their own small scale business or enter the labour market in search of employment. These labour market programmes include micro-enterprise development and public works programmes (Mutangadura, n.d: 2).

South Africa has implemented all of these different categories of social protection programmes. There is the Unemployment Insurance Fund (as part of social insurance), the social grants (as non-contributory social assistance programme) and EPWP (as part of the labour market programmes). These programmes are implemented differently and have different targets although they all aim at protecting social welfare amongst vulnerable individuals. This study only looks at two of these programmes, i.e. EPWP and social grants, and their impact on reducing poverty levels in South Africa. These social protection programmes are explained below.

2.4. The Expanded Public Works Programme

2.4.1. Background of the programme

EPWP is one of government's short-to-medium term development programmes aimed at reducing unemployment and thereby alleviating poverty (DPW, 2004: 6). The main aim of this programme is to confront the challenges of poverty and safeguarding a better life for all vulnerable individuals (Kobokana, 2007: 18). To emphasise the significance of this programme,

former South African president, Thabo Mbeki, expressed the following words in his 2003 State of the Nation address:

...the government has decided that we should launch an expanded public works programme. This will ensure that we draw significant numbers of the unemployed into productive work, and that these workers gain skills while they work, and thus take an important step to get out of the pool of those who are marginalised. (Kobokana, 2007: 19)

With this assertion, it can be observed that the programme was designed to make a significant contribution towards reducing unemployment and providing a means of support to disadvantaged individuals in underprivileged communities (DPW, 2012: 4). The Growth and Development Summit in 2003 then proposed to create a programme that would focus on creating jobs that targeted these marginalised individuals. Such employment was also aimed at increasing the skills base of participants. Larsson and Nybom (2006: 9) substantiate this point as they explain that participating in public works programmes increases the employment probability of participants.

In 2004, the EPWP was launched. The aim of the programme was to provide poverty relief through temporary work for the unemployed. This programme also aimed at carrying out socially useful work activities (coupled with training) to targeted poor and marginalised individuals mainly women, youth and people with disabilities (DPW, 2012: 4; Leibbrandt *et al.*, 2010: 49; Dicks, Brockerhoff & Lwanda, 2011: 39). In addition, Kobokane (2007: 19) also explained that this programme was a key element of Government's comprehensive approach to ensure that the poor could participate and benefit from a growing economy.

McCord (2004) made a few references to some quotations that were made from the launch of the programme in 2004 (Larsson & Nybom, 2006: 9). It should be noted that these quotes were taken from various speeches that were made at the launch of EPWP at different parts of the country:

Speech by the Deputy Minister of Public Works, N Kganyago, 31 August 2004:

'The Expanded Public Works Programme [...] would eradicate poverty [and] contribute to the overall realisation of the socio-economic goals of this government.'

Speech by the Deputy Minister of Public Works, 31 August 2004:

“The EPWP [along with other policy measures] represents a product of ten years of organic thinking, [...] to eradicate poverty, improve the standard of life, reverse the effects of apartheid social planning and overturn apartheid economic policies.”

Speech by the Minister of Public Works, S. Sigcau, 3 September 2004:

“The EPWP is an initiative to [...] take the marginalised poor people out of the spiral of poverty.” (McCord 2004: 14).

Thus, it is of utmost importance to evaluate the impact of EPWP on poverty, which is one of the main objectives of this study.

2.4.2. International experiences of public works programmes

Public works programmes have been implemented in other developed and developing countries. Some of these countries include India, Argentina, Bangladesh, Ethiopia, Kenya, Zimbabwe, Tanzania, and Ghana (Larsson & Nybom, 2006: 11-12). Some of the reasons for the implementation of such programmes include covariate shocks (which may include natural disasters, macro crises, or seasonal labour demand shortfalls), protection of households from temporary job losses and poverty alleviation to part-time employment creation (Bokolo, 2013: 2). The objectives of most of these programmes include the promotion of infrastructural development, raising the income levels of the poor or unemployed, and reducing poverty and the poverty gap ratio amongst poor and marginalised groups.

The duration of the public works programmes differ from country to country. Some programmes are for the medium to long-run periods whilst others are short-lived. Long-running programmes are mostly anti-poverty programmes which are normally aimed at reducing the poverty impact by providing a wage income to poor participants over time (Bokolo, 2013: 2). In such cases, the programme would run for a period of 12 months or more, with a limit of available resources. Examples of countries that have implemented long-run programmes (more than a year) include Argentina and Bangladesh. On the other hand, countries like India and South Africa have implemented short-lived programmes, with some programmes running for only 15-30 days (Subbarao, 2003: 12).

There are however, some important features that require utmost attention when designing public works programmes in order to increase efficacy amongst vulnerable individuals. First, Subbarao (2003: 6) argues that the determination of the wage rate is most important. The author explains that for more efficiency and effectiveness, the wage rate should be set below the market wage. If the wage rate is set anywhere above the market equilibrium wage, non-poor but lowly paid individuals are more likely to be attracted to the programme and crowd out the targeted poorest individuals. Larsson and Nybom (2006: 12) observed such behaviour in Kenya (under the Cash for Work programme) when the wage rate was set above the market wage. The resulting effect was poor efficacy of the programme as the poor and marginalised individuals could not fully partake in the programme due to competition from the non-poor. Setting the wage rate below the market-clearing wage ensures self-targeting of the programme where only the poor are lured to the programme (Moeti, 2013: 25).

The other important feature of the programme is the extent to which the programme is labour intensive (Larsson & Nybom, 2006: 12; Dicks *et al.*, 2011: 18). The labour intensity of the programme should be as high as possible. If the programme is more labour intensive, there is an improvement on the targeting of poor and unemployed individuals as they possess an abundance of labour. The non-poor, on the other hand, are thus less attracted to the programme as they possess an abundance of human capital (Larsson & Nybom, 2006: 12). The degree of labour intensity differs between programmes as well as from one country to another. Subbarao (2003: 13) explained that more labour intensive programmes were implemented in the construction sector than in other sectors such as reforestation projects.

The other feature to consider about the public works programmes is that they have to mainly target the poorest households. For more effectiveness, such programmes should be implemented in the poorest areas close to the poorest individuals so that they have more access to the programme. According to Subbarao (2003: 18), in Bolivia, the implemented programme proved to be more effective as 77% of the participants in a programme came from the poorest 40% of the population. Also, the public works programme implemented in Argentina revealed that 80% of the participants came from the poorest 20% whereas in another programme, 60% of the participants came from the poorest 10% (Larsson & Nybom, 2006: 12). Subbarao (2003: 21) also noted that amongst the participants in the Employment Guarantee Schemes (MEGS) in India, 60

– 70% of those participants belonged to poor households, an indication that the programme was well-targeted amongst the poorest households.

2.4.3. EPWP in South Africa

As mentioned above, EPWP in South Africa was implemented in 2004. The programme was applied in four sectors namely the infrastructure, the environmental, the social and the economic sector (DPW, 2012: 4; Heradien, 2013: 13; Larsson & Nybom, 2006: 4). These sectors are explained below.

2.4.3.1. Infrastructure sector

EPWP in the infrastructure sector is led by the DPW. Employment opportunities in this sector are mostly labour intensive (Larsson & Nybom, 2006: 9; DPW, 2009: 22). A possible reason why such opportunities are labour intensive is for the programme to self-select participants from the vulnerable groups of households, i.e. participants who are poor because they possess a few or no skills at all to enter into the labour market (Moeti, 2013: 25). Most of these employment opportunities were created in road construction and maintenance.

EPWP in the infrastructure sector also provided training and skills development to the participants of the programme. Applicants were then paid according to their performance. If it was the construction of road networks, participants were paid for every meter of road built in that particular road project (Larsson & Nybom, 2006: 9-10; Meth, 2011: 9). The average duration of employment opportunities in the infrastructure sector is less than six months due to the nature of the job (labour intensive).

2.4.3.2. Environmental sector

The lead department for the environmental sector is the Department of Environmental Affairs and Tourism (Kobokana, 2007: 22). Other subsidiary departments include the Department of Agriculture's Land Care programme; the Department of Environmental Affairs and Tourism's People and Parks, Coastal Care, Sustainable Land-based Livelihoods, Cleaning Up SA, Growing a Tourism Economy programmes; and the Department of Water Affairs and Forestry's Working for Water, Wetlands, and Fire programmes (Meth, 2011: 9). Many jobs have been created in this sector. One of the major programmes is the Working for Water programme. This programme has

focused on the eradication of invasive alien vegetation which consumes enormous amounts of water, leading to damages to the indigenous ecosystems. Some of the job opportunities created in this sector involve, for example, cutting down trees in a labour intensive way. (Larsson & Nybom 2006: 10). EPWP has reported that the average duration of employment in the environmental sector was six months (DPW, 2005: 5).

2.4.3.3. Social sector

The Department of Social Development, assisted by the Department of Basic Education and the Department of Health, are the coordinators of EPWP in the social sector (DPW, 2009: 22). In this sector, work opportunities are created for unskilled and unemployed individuals through the delivery of social development and community protection services. Some of the service areas where additional employment is created include Early Childhood Development, Home Community Based Care, School Nutrition Programme, Community Crime Prevention, and School Mass Participation (Meth, 2011: 9; Larsson & Nybom, 2006: 10). Applicants who are enrolled in the social sector undertake mandatory training and skills development courses before they are allocated to different care facilities. The duration of opportunities in the social sector ranges between six and twelve months. These opportunities have a prolonged duration as a significant investment would have to be made when training the participants.

2.4.3.4. Economic sector

In the economic sector, the Department of Trade and Industry is the main facilitator and coordinator of EPWP (Heradien, 2013: 50). In this sector, government aims at creating job opportunities mainly by creating small to medium sized businesses and promoting entrepreneurship, as well as community based projects for new business owners amongst poor individuals (Larsson & Nybom, 2006: 10; Heradien, 2013: 50). The main idea of EPWP in this sector is creating more businesses and entrepreneurship for large numbers of poor individuals through their participation in social constructive activities in their local communities.

An example of EPWP in the economic sector is the New Venture Creation Learnership Programme (Meth, 2011: 9). In this programme, the participants were trained and given funding so that they would be able to create their own businesses (Larsson & Nybom, 2006: 10). After the participants had completed the training, they were supposed to possess the skills and ability

to launch and manage their own businesses (Heradien, 2013: 50). Such businesses should then be an instrument which they use to lift them out of poverty and generate more work opportunities for other poor and marginalised individuals.

The following section considers empirical evidence on how EPWP has contributed to reducing poverty levels in South Africa.

2.4.4. Impact of EPWP on poverty reduction

The assessment of the impact of EPWP on poverty has been done using different approaches. Most of the results presented on the impact of EPWP on poverty are more qualitative than quantitative where assessment of impact was made on changes to quality of life, improvements on housing facilities, and increased children's school attendance. Furthermore, the analysis of poverty impact was mostly done at a micro level, where a sample of participants from a project was interviewed on how the income from EPWP impacted their lives (Larsson & Nybom 2006: 4; Chakwizira, 2010: 244). Hence, the results attained differed from project to project.

Chakwizira (2010: 244) explained that the impact of EPWP on poverty depended on the size of the programme implemented. The author observed that larger projects produced significant impact on poverty as more participants took part in the programme. On the contrary, smaller projects only created few employment opportunities for poor participants. Hence, the impact on poverty for such projects was minimal.

Considering the participants of the programme, an analysis conducted by Chakwizira (2010: 246) on the Gundo Lashu project in Limpopo revealed that human and social capital benefits for women participants were more than the benefits received by male and youth participants. Empirical evidence from this project in Limpopo revealed that families with women who participated in the project reported significant improvements in their quality of life when compared to benefits reported from households with male and youth participants.

Furthermore, a study conducted in Mpumalanga province on the Bushbuckridge municipality's EPWP indicated that participants in the programme received both economic and social impact from the programme. Participants explained that income received from the days of employment enabled them to fulfil some basic needs which include an increase in food supply within the

household, the construction of better housing facilities, and increased school fees for children (Mothapo, 2011: 53).

Additionally, the Siyatentela programme was implemented in poor rural areas of Mpumalanga. Under this programme, it was observed that not only did the recipients spend the public wage transfers on food and acquisition of household appliances, but also financed their children's tuition fees and formulated their own women's savings club (Chakwizira 2010: 247). Furthermore, other recipients of the programme (mostly women) used their public wage transfers to construct their own proper housing facilities (brick houses) together with investments into gardens and poultry farming as mechanisms of lifting themselves out of poverty (Chakwizira 2010: 247).

Moeti (2013) also analysed the impact of EPWP on poverty in KwaZulu-Natal and Limpopo provinces. These projects were the Zibambele project in KwaZulu-Natal and Gundo Lashu programme in Limpopo. The assessment made on the livelihood of the participants revealed that 67% of participants in the Zibambele programme and 27% of participants in Gundo Lashu programme indicated an increase in material assets, which included clothing material, furniture and cooking utensils, acquired using the income received from the programme (Moeti 2013: 27). Furthermore, participants indicated an improvement in household nutritional value as they could afford improved quality food stuffs from the income received. Participants in KwaZulu-Natal also indicated that the frequency at which they used to reduce the size of children's meals due to lack of money fell from 53% to 1% and in Limpopo, from 14% and 7% (ibid).

Additionally, other evidence showed an increase in school attendance as well as student participation from households that had members who participated in EPWP. In KwaZulu-Natal, there was a 20% increase in student participation and it was noted that such poor participation was caused by hunger as their families could not adequately provide for them. In the same vein, in Limpopo, student participation as well as student school attendance also increased by 9% as families who participated in EPWP were able to better provide for their children from the income received from EPWP (Moeti 2013: 27). Although the impact of Zibambele was significantly more than the impact of Gundo Lashu, there is evidence that EPWP contributed in reducing poverty amongst members of vulnerable and marginalised groups.

The results from the various projects indicate that EPWP has contributed significantly in mitigating the impact of poverty. The following section considers the implementation and impact of social grants in South Africa.

2.5. Social grants in South Africa

2.5.1. Introduction

Social grants are defined as income that is received by members of vulnerable groups from funds which they did not contribute towards (Leibbrandt *et al.*, 2010: 46). Such vulnerable groups are unable to provide minimum basic needs by themselves. Therefore, the grants are provided by government to them. Such groups include young children who live in poor households, the elderly and those who are disabled (van der Berg, Siebrits & Lekezwa, 2010: 9). These grants are mainly focused on cushioning the impact of poverty on the poor and vulnerable households in South Africa (van der Berg, Louw & du Toit, 2007: 12).

The grants have become one of the main sources of income for most poor households. As a main source of income for the poor, it is evident that social grants have significantly cushioned the poor from the impact of poverty. The following section provides a brief overview of the types of social grants in South Africa.

2.5.2. Types of social assistance grants

The types of social grants in South Africa discussed in this paper include the child support grant, the disability grant, care dependency grant, foster care grant and the old-age pension. Leibbrandt *et al.* (2010: 53) explained that the fundamental types of grants are the child support grant, the disability grant and old-age pension as they target the most vulnerable groups of individuals. This study also considers the care dependency grant but does not, however, include the war veterans' grant as this grant covers only a very small portion of the South African population. The various types of assistance grants are categorised as childhood, (ii) working age and (iii) old-age grants (van der Berg *et al.*, 2010: 9).

2.5.2.1. Childhood Grants

I. Child Support Grant (CSG)

The CSG was introduced in April 1998. Prior to this grant, the State Maintenance Grant (SMG) was available (Kruger, 1998: 3). This grant was a means of mitigating the vulnerability of poor children against the impact of poverty (Goodur, 2008: 27). To qualify for the grant, both the parent and the child had to satisfy the eligibility criteria. Variables in this criterion included the child being less than 18 years of age, or one parent deceased, unmarried or separated, or in some cases, maintenance partitioned by court (McEwen, Kannemeyer & Woolard, 2009: 2). Due to more stringent conditions to qualify beneficiaries, only a few children and their caregivers became recipients of this grant. Most vulnerable children remained in poverty. Hence, there was a change of the grant from the SMG to the CSG and a change in the eligibility criteria as well.

In April 1998, the CSG was implemented. The rationale for the implementation of this grant was to cover more of the poor and vulnerable population in need (McEwen *et al.*, 2009: 2). Although the monetary value of this grant was reduced, the coverage of the vulnerable children increased mostly amongst the rural areas (Leibbrandt *et al.*, 2010: 54). According to Triegaardt (2005: 252), “the objectives of the CSG are to support households in meeting the cost of raising children, redistribute income, influence birth rates, and relieve child poverty.” Triegaardt (2005: 252) also mentioned that CSG is there to allow for child development regardless of the economic situation. The increased coverage of the CSG contributed significantly to the reduction of poverty.

The grant has been improved over the years. On introduction, the CSG paid R100 per month for each eligible child. Each child had to be below 7 years. The eligibility criterion was based on a means test which also considered household income. The caregiver had to provide certain documentation and had to demonstrate efforts of securing funds from other sources (Leibbrandt *et al.*, 2010: 54). The selection criteria still proved to be more stringent as it excluded some eligible children and caregivers from the programme.

In June 1999, the selection criterion was changed. One of the changes to the eligibility criteria was a shift from considering household income to only considering personal income of the caregiver. With this change, more caregivers became eligible.

Furthermore, the age limit of the CSG was increased as it did not extend support to other vulnerable children who were below the age of 18. The age limit increased gradually over the

years until it covered all children under the age of 18 (Coetzee, 2014: 2). The grant value has also increased from R100 in 1998 to R330 in October 2015 (National Treasury, 2016: 65). The National Treasury (2016: 64) indicated that an estimated number of 12,052,000 children were receiving the CSG for the period 2015/06. This total number of CSG beneficiaries was 71% of all grant holders in South Africa.

II. Foster Care Grant

The foster child grant is paid to families who care for a child who is below the age of 18 and does not receive enough care from his/her biological parent/s (Vorster, 2000: 8). Such a child may have been abused by his/her biological parents or the parents may be offenders of the law (Leibbrandt *et al.*, 2010: 59). In other instances, the biological parents may be too poor or require additional income to provide care for their child. Hence, the child is allocated to another family from which appropriate parental and family care is to be provided. The foster parents follow legal procedures to be registered as foster parents. A social worker is appointed to monitor the care of the child at the foster parents.

The main aim of foster care grant is to reimburse the foster parents for the cost of taking care of a child who is not their own (van der Berg *et al.*, 2010: 9). However the grant is cancelled if the foster parents decide to officially adopt the child. In 2015, the grant was increased to R860 (National Treasury 2015: 11). The foster care grant is not specifically aimed at poverty reduction; therefore it is not means tested (Leibbrandt *et al.*, 2010: 55; van der Berg *et al.*, 2010: 10).

For the 2015/16 period, a total of 456,000 beneficiaries received the grant and they were receiving R860 per month (National Treasury, 2016: 64 – 65). The number of foster care grant holders is quite small when compared to the recipients of the CSG (12,052,000). In terms of all receivers of social grants in South Africa, only 2.69% were beneficiaries of the foster care grant in 2015/16 (National Treasury, 2016: 65).

III. Care Dependency Grant

The care dependency grant is provided to caregivers of children who are severely disabled to the extent that they need full-time care (Vorster, 2000: 8). The rationale of the provision of this grant

is for parents and caregivers to provide full-time care to their disabled child at their own home rather than care institutions where it is considerably more expensive (van der Berg *et al.*, 2010: 9). The eligible children benefiting from the care dependency grant should be between the ages of 1 and 18 (those that are above 18 years are covered under state disability grant). Furthermore, these children should not be attending any school.

The caregivers of the applicants should provide a medical assessment report that proves that the child is permanently or severely disabled and requires full-time attention. The grant can also be given to caregivers of children who have the Human Immune Deficiency Virus (HIV) (Leibbrandt *et al.*, 2010: 55). The care dependency grant is means tested and the applicant as well as the caregivers must meet all requirements of the means test. Currently, the recipients of the grant are receiving R1,415 per month (National Treasury, 2016: 65).

A total of 142,000 individuals were reported to have been receiving the care dependency grant (National Treasury, 2016: 65). Recipients of the care dependency grant constituted only 0.84% of the total beneficiaries of social grants in 2015/16 (National Treasury, 2016: 64).

2.5.2.2. Grants for the working population

I. Disability Grant

This grant is paid to individuals between the ages of 18 and 59 who are not beneficiaries of any other type of social grants or are under the care of state institutions (van der Berg *et al.*, 2010: 10). Under this grant, eligibility is determined mainly on medical criteria; candidates must submit a medical assessment report that confirms disability. The medical assessment report must not be more than 3 months old at the date of application.

Eligible candidates are those who have a permanent disability that restricts them from entering the labour market (van der Berg & Siebrits, 2010: 5). Therefore, the main aim of the disability grant is to compensate recipients for their loss of potential labour income. The disability grant is also means tested and both the applicant and their spouse must meet the requirements of the means test. Further, these individuals must not be receiving any other type of grant.

The total number of beneficiaries of state disability grant was 1,096,000 in the 2015/16 period (National Treasury, 2016: 64). These recipients are receiving R1,415 per month and these beneficiaries constituted 6.47% of all receivers of social grants.

2.5.2.3. Grants for the Elderly

I. Old Age Pension

The old-age pension was implemented to provide financial security to elderly people who are usually vulnerable in their old age (Goodur, 2008: 38). The grant was originally introduced in South Africa in 1928 with the sole purpose of addressing poverty amongst elderly white people. Over time, the grant slowly extended to the other racial groups (Vorster, 2000: 6). Prior to 1928, it was argued that Africans and Indians could rely on subsistence farming and make provision for their elderly (Pauw & Mncube, 2007: 12). As a result, this old age grant was later changed because it was discriminatory in nature. In 1992, the Social Assistance Act abolished the discriminatory provisions and the grant was extended to Africans as well (Leibbrandt *et al.*, 2010: 59).

The state old-age pension is determined according to both the means test and the age of the candidates (Samson, Lee, Ndlebe, Mac Quene, van Niekerk, Gandhi, Harigaya & Abrahams, 2004: 26). Applicants must be at least 60 years and above for both genders. The applicant and their spouse must both comply with the means test and the recipient should not be under the care of a state institution (van der Berg *et al.*, 2010: 11). Furthermore, recipients of the old-age pension should not be a recipient of any other type of social grant. The old-age pension is slightly different from the CSG. The CSG is a fixed amount whilst the state old-age pension has a sliding scale; the amount of the grant progressively declines for each additional rand of income that will be earned by the beneficiaries of the grant (Leibbrandt *et al.*, 2010: 59).

During 2015/16 period, a total of 3,182,000 individuals were reported to have been receiving the old-age pension. The old-age pension is the second most dominant grant in terms of numbers of recipients (dominated by CSG). Although dominated in terms of numbers by the CSG, the monetary value of old-age pension outweighs all other grants. These beneficiaries were receiving R1,415 and a total of 18.80% constitutes the proportion of people who receive state old-age

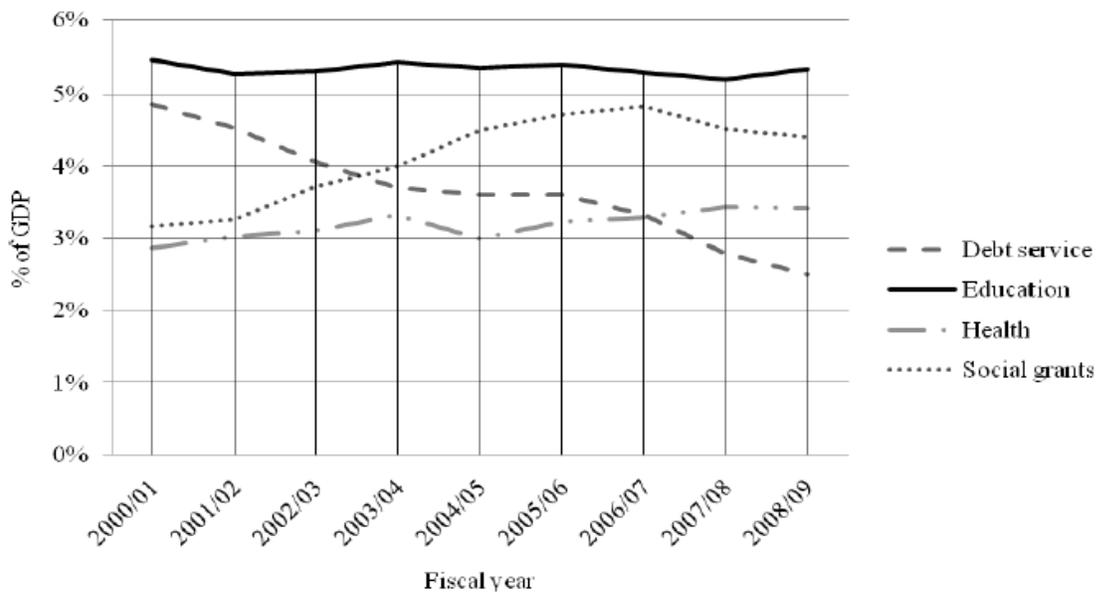
pensions amongst the entire reported beneficiaries of social grants in South Africa (National Treasury, 2016: 64).

2.5.3. Expansion of the social grants system

Prior to 1994, the system was only limited to a few white minorities. There was a limited scope for expansion. At the time of transition, South Africa’s social security system was expanded. The programme has continued to expand overwhelmingly since then. Reports from the National Treasury (2014: 89) estimate that 3.4% of GDP is allocated towards the expenditure on social assistance grants. The expansion of social grants implied greater coverage of poor individuals in South Africa, thus a larger impact on reducing poverty levels.

A number of studies (including Armstrong & Burger, 2009; Leibbrandt *et al.*, 2010) have analysed the expansion of the social grants system in South Africa since its transition to democracy. Leibbrandt *et al.* (2010: 52) analysed the expenditure on the social grants between 2000/01 and 2008/09 and identified that expenditure towards social grants increased overwhelmingly during this period. Figure 1 below provides an overview of the expansion in expenditure towards social grants together with a few selected services as a percentage of GDP.

Figure 1: Expenditure Variables as Percentage of GDP, 2000/01 – 2008/09



Source: Leibbrandt *et al.* (2010: 53).

Figure 1 shows that the expansion of expenditure towards social grants in South Africa occurred mainly between 2000 and 2006. The reason for such expansion was the transformation of the CSG where the age limit was increased over the years as well as the change in the means test which initially restricted other eligible beneficiaries. In addition, the monetary value of each grant also increased over the years (National Treasury, 2015: 11). Nonetheless, the expansion of expenditure towards social grants was also government's long-term expansion path for the programme to ensure poverty relief and social security for all beneficiaries (Van der Berg & Siebrits, 2010: 7).

Table 1 shows how the numbers of recipients of the different types of grants change between 1997 and 2015/16.

Table 1: Number of Beneficiaries of Each Type of Grant, 1997 - 2016

Grant	Number of beneficiaries			
	1997	2003	2009	2015/16
Old age pension	1,737,682	2,022,206	2,414,183	3,182,000 ¹
War veterans' grant	12,047	4,594	1,649	-
Disability grant	732,322	953,965	1,281,556	1,096,000
Foster care grant	41,865	138,763	483,687	456,000
Care dependency grant	2,895	58,140	107,134	142,000
Child support grant	362,631	2,630,826	8,825,824	12,052,000
Total	2,889,442	5,808,494	13,114,033	16,928,000

Source: Van der Berg & Siebrits (2010: 6) for 1997-2009 figures and National Treasury (2016: 64) for 2015/16 figures.

As seen in Table 1, all the other social grants, with the exception of the war veterans' grant and the disability grant, increased between 1997 and 2015/16. The CSG showed an overwhelming increase from 362,631 in 1997 to 12,052,000 in 2015/16. The most likely reason for this rapid expansion is the increase in the age limit, from only considering children under the age of 7 in 1997 to covering all children below the age of 18 in 2015. The disability grant slightly declined

¹ Include war veterans

and during 2015/16 the veterans were considered as old-age pensioners as their numbers were small (National Treasury, 2016: 64). The care dependency grant and the CSG increased significantly between 1997 and 2016 whilst disability grant and old-age pensions were the least to increase over the years when compared to the other types of grants. The war veterans' grant is now considered under the old-age pension.

The following section discusses literature that provides empirical analyses of how social grants have contributed in mitigating the impact of poverty in South Africa.

2.5.4. The impact of the social grants on poverty

The main role of the social assistance grants in South Africa is to mitigate poverty and promote social-economic development in the country. The grants are well targeted (as they are means tested) and have significantly reduced poverty levels amongst the poor and vulnerable individuals (Leibbrandt *et al.*, 2010: 66).

A large number of poor individuals have reported a significant welfare improvement as a result of social grants. Leibbrandt *et al.* (2010: 60-61) analysed the impact of CSG on poverty reduction using R515 per capita as a poverty line. The results from this study indicated that the total number of households belonging in poorest quintiles (quintile 1 and 2) who received the CSG increased from 16% to 69% between 1997 and 2006. During this period, 53% of households were lifted out of poverty, which is a significant decrease on poverty (Leibbrandt *et al.*, 2010: 60-61).

Van der Berg *et al.* (2010: 31) also analysed the impact of grants on poverty reduction. This study used R3,000 annual income as the poverty threshold. Their results showed that social grants decreased the poverty rate amongst individual households from 55.4% to 47.1% in 2008. Furthermore, caregivers of poor children who reported not having enough food for their children dropped from 31% to 17% between 2002 and 2008 (van der Berg *et al.*, 2010: 31). The decrease in the poverty rates are evidence that the social grants have contributed significantly towards reducing poverty levels in South Africa.

Moreover, some households that had access to social grants indicated an increase in the level of school attendance for children belonging to these households. These reports were mostly received from households receiving the old-age grant. Samson *et al.* (2004: 69) and Goodur

(2008: 38) explained that it is not only children who benefited from old-age grant but all other members within the households would receive a positive impact particularly when the recipient of the grant is female. These are significant and positive contributions of social grants in South Africa.

Armstrong and Burger (2009: 12) also investigated the impact of grants on poverty using different poverty lines. Table 2 below presents the results they obtained in their findings.

Table 2: Effects of Social Grants on Poverty

Headcount Related Measures	Poverty rate (at annual poverty lines)		
	R2 532	R3 864	R7 116
Headcount ratio excluding grant income	45.5%	55.0%	67.6%
Headcount ratio inclusive of grant income	31.6%	47.4%	65.3%
Absolute change	13.9%	7.7%	2.3%
Relative change	30.5%	14.0%	3.4%

Source: Armstrong & Burger (2009: 14).

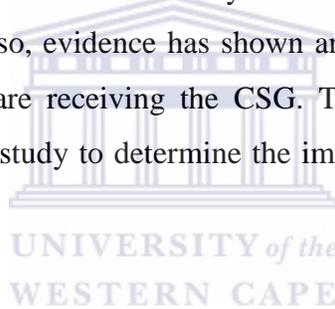
Table 2 shows the effect of social grants on poverty under three different poverty lines. From Table 2, it is clear that there is a decrease of 13.9% in poverty levels after social grants have been implemented (when using R2 532 as the poverty line). This decline in poverty indicates that social grants are more significant when households are in extreme poverty as they consider social grants as a main source of income. On the other hand, the impact of social grants may be minimal for households who are considered poor using a higher poverty line (poverty levels decrease by 2.3% when using R7 116 poverty line). These households may possess multiple sources of income. Hence, income from grants may not be considered as a main source of income.

2.6. Conclusion

This chapter has analysed various definitions and measurements of poverty. Although the multidimensional definition of poverty by the World Bank is the most considerable definition of poverty, this study considers the absolute definition of poverty. Literature on EPWP in South Africa and other countries revealed a change in socio-economic status of participants who took

part in the programme. Participants reported an increase in quality of living, an improvement in housing structures, and an increase in child attendance and participation in schools. Although the impact of EPWP on poverty was significant for female-headed households as well as rural areas, poverty levels amongst all participants indicated a declining trend. However, concern was raised on the duration of the programme – which was that most projects were short-lived and participants did not receive a sustainable source of income as well as sufficient training. For many participants, poverty levels only declined during the period of employment and once the programme ended, the participants were in poverty again. Also, with inadequate training, participants were not competitive in the labour market.

On the other hand, the literature shows that social grants have contributed significantly towards the reduction of poverty levels amongst vulnerable individuals. Beneficiaries have also indicated an increase in their socio-economic status mainly for female-headed households who are recipients of the old-age grant. Also, evidence has shown an increase in school attendance and participation from children who are receiving the CSG. The following chapter provides the methodology implemented in this study to determine the impact of EPWP and social grants on poverty in South Africa.



CHAPTER 3: METHODOLOGY

3.1.Introduction

This chapter provides the methodology implemented as well as the description of data used in this study. The chapter is structured as follows: Section 3.2 explains the methodology used in the study whilst Section 3.3 examines the data used for analysis. Section 3.4 concludes the chapter.

3.2.Methodology

An investigation of past studies has shown that the assessment of the impact of EPWP and the analysis of the impact of social grants on poverty has been done using different methodologies. Most studies conducted on the impact of EPWP on poverty were primarily based on qualitative assessments at a local level where primary data was used to analyse changes in participants' standard of living. Such studies include Larsson and Nybom (2006) who conducted a micro-level early analysis of the impact of EPWP on poor participants in Pretoria. The study was for the period 2005 – 2006. Interviews were conducted as researchers sought to observe whether there was a significant change in participants' standard of living after participating in EPWP. Although quantitative data was used from Stats SA, the research was qualitative in nature. Mothapo (2011) did a case study of the impact of EPWP in rural areas of Mpumalanga. The methodology implemented was both qualitative and quantitative in nature. A qualitative research design was implemented in order to acquire a closer perspective on socio-economic impact of EPWP in poor rural communities of Mpumalanga. Other studies include Chakwizira (2010) and Moeti (2013).

In contrast, studies that have analysed the impact of social grants on poverty have provided a multidimensional approach at evaluating the impact of grants on poverty with most studies using quantitative assessments. Such studies include Goodur (2008) who used the 2006 General Household Survey to analyse the differences in welfare patterns for households in different provinces. This author used a quantitative approach to analyse the impact of grants on poverty. Also, Armstrong and Burger (2009) used the Income and Expenditure Survey (2005) to observe the impact of social grants on poverty and inequality in South Africa. Their approach was also quantitative in nature. Other studies include Leibbrandt *et al.* (2010) and van der Berg *et al.*

(2010). Thus, it can be observed that these two social protection measures are different in nature and the approach to measuring their impact on poverty should be different.

Furthermore, the social grants system is a system of continued income injection to poor and marginalised individuals which means that the grant income is a consistent amount which poor individuals will continue to receive as long as they satisfy the means test. In other words, social grants can be considered as a long term poverty reduction mechanism. On the contrary, EPWP is a short-term poverty reduction mechanism. The duration of each project ranges from 4 to 6 months (projects within the infrastructure sector) to a maximum of 2 years (projects within the social sector). One cannot be guaranteed a continued and sustained income injection when participating in EPWP projects as such projects are short term. Additionally, each project has its own income which may not be constant from one period to another. Thus, the approach of determining the impact on poverty should be different.

Additionally, due to the unavailability of data that contains all variables required for the assessment of social grants and EPWP on poverty, two separate data sets (to be explained in Section 3.3) are used for the analysis of these social protection measures on poverty. As such, two types of methodologies are implemented in this study; a methodology for the assessment of EPWP on poverty and for social grants on poverty. These methodologies are explained in subsection 3.2.1 and 3.2.2 below.

3.2.1. Methodology for evaluating the impact of social grants on poverty

This study uses the income decomposition technique to evaluate the impact of social grants on poverty. This technique was also used by Armstrong and Burger (2009) in analysing the impact of social grants on poverty reduction. The income decomposition technique is used together with the FGT measures of poverty where the impact of social grants will be presented in terms of headcount, poverty gap, and poverty gap squared indices. The study will only provide a headcount poverty analysis.

The income decomposition technique breaks down household income according to its respective sources. The different sources of income include income from work, income from grants and any other financial source of income. Income from work is considered as earnings received from any type of employment which households undertook. Income from other sources may be

categorised as income from subsistence farming, royalties, regular allowance received from non-household members, just to mention a few. As such, income from work and income from other sources are considered as the primary income within a household whereas income from social grants is considered as secondary income.

Based on this technique, the absolute measurement of poverty is used in this study. Using the lower-bound poverty line provided by Stats SA (2014)², households whose income from work and from other sources falls below the determined poverty line are considered poor. This scenario can be expressed as follows:

$$z \leq Yw_i + Yo_i$$

In the above expression, z represents the poverty line, Yw_i income from work for household i and Yo_i income from other sources within household i . As mentioned before, households whose income from work combined with income from other sources falls below the set poverty line are considered poor *before* any income from grant/s has been received.

After receiving the income from grant, aggregate income is determined which is the sum of income from work, from other sources and income from grant/s. Again, using the lower-bound poverty line, households whose aggregated income falls below the determined poverty line are considered poor. The following equation presents this case:

$$z \leq Yw_i + Yo_i + \sum Yg_i$$

In the expression above, z represents the poverty line, Yw_i is regarded as income from work for household i , Yo_i income from other sources within household i , and Yg_i is income from grant received by household i . Income from grant in a household can be summed as a household might receive more than one grant. After receiving income from grant/s, households whose aggregate income falls below the determined poverty line are considered poor *after* receiving the grant/s.

To evaluate the impact of social grants on poverty, the change in the proportion of poor households *before* and *after* social grants have been received is considered as the impact of

² South Africa uses the lower-bound and the upper-bound poverty line. Stats SA (2014) provided R443 and R620 as the official poverty lines for the period 2010-2011 during which the Income and Expenditure Survey 2010/11 was conducted. The study only uses the lower-bound poverty line as this provides the worst poverty conditions.

social grants on poverty. The higher the difference between percentage of poor households before and after grants, the more significant the programme is at reducing poverty levels.

As explained before, the analysis of poverty is presented based on the FGT measures of poverty. These measures of poverty provide a clear picture of how social grants impact the prevalence, depth and severity of poverty amongst households (Foster, Greer & Thorbecke, 2010). The FGT measure of poverty can be expressed as follows:

$$P_{\alpha} = \frac{1}{n} \sum_{i=1}^q \left[\left(\frac{z - y_i}{z} \right) \right]^{\alpha}$$

Where $\alpha = 0$: $\rightarrow P_0 = \frac{1}{n} \sum_{i=1}^q \left[\left(\frac{z - y_i}{z} \right) \right]^0 = \frac{q}{n}$ represents poverty headcount

$\alpha = 1$: $\rightarrow P_1 = \frac{1}{n} \sum_{i=1}^q \left[\left(\frac{z - y_i}{z} \right) \right]^1 = \frac{1}{n} \sum_{i=1}^q \left(\frac{z - y_i}{z} \right)$ represents poverty gap

$\alpha = 2$: $\rightarrow P_2 = \frac{1}{n} \sum_{i=1}^q \left[\left(\frac{z - y_i}{z} \right) \right]^2$ represents squared poverty gap

In the formulas above, q = number of people in the economy; z = poverty line; y_i = income of the i^{th} household; and n = population size.

The headcount poverty ratio reveals the proportion of population that lie below the set poverty line (Lekezwa, 2011: 47). Headcount poverty ratio is the most frequently used index in assessing poverty as it is easier to understand when compared to the other FGT indices. Some of the drawbacks of the headcount index are that it does not consider the depth as well as the severity of poverty. Also, the headcount index fails to analyse the distribution of income amongst poor individuals: for instance, a person whose income is R50 below the poverty line per month and another whose income is R200 below the poverty line are both considered poor although the severity of poverty differs between them. Additionally, the poverty headcount measure does not consider a transfer of income from one household to another who both fall below the poverty line. Although there is a change in the severity of poverty, the poverty headcount measure does not change.

The other index of FGT is the poverty gap index. This index measures the depth of poor household's income from the set poverty line (Foster *et al.*, 2010: 8). In other words, the poverty gap index assesses how deep an individual lays poverty. The poverty gap index also reveals the amount of income that is required to lift a poor household out of poverty (Lekezwa, 2011: 47).

The last index of the FGT indices of poverty is the squared poverty gap index. This index shows the distribution of poverty below the poverty line. The index explores the severity of poverty amongst the poor households (Foster *et al.*, 2010: 8). Unlike the headcount index that only shows the prevalence of poverty and the poverty gap that reveals the distance from the poverty line, the squared poverty gap index emphasises more on individuals whose incomes are further below the poverty line (Lekezwa, 2011: 48).

The impact of social grants on poverty is analysed using the following explanatory variables:

$$poor = (province, race, gender, area type)$$

Armstrong, Lekezwa and Siebrits (2008) explain these variables as key poverty markers. *Province* distinguishes where the household reside (amongst the nine provinces of South Africa). This distinction is vital as the standards of living in each province are significantly different. Some provinces are richer, for instance Western Cape and Gauteng province, whilst others are considerably poorer (Eastern Cape and Limpopo). Therefore, province is a key poverty indicator as one would expect a significant difference in the impact of any social protection measure.

Also, *race* is another important variable for poverty analysis. This variable represents racial group of the household head (whether African Black, Coloured, Asian or White). Although many authors have argued an increase in intra racial discrimination and inequality (van der Berg *et al.*, 2005: 8; Leibbrandt *et al.*, 2010), poverty levels amongst the racial groups are still fundamentally different. Africans and Coloureds still appear to be poorer than White and Asians in South Africa. Thus, this study observes the impact of social protection measures based on racial composition.

Gender is another important explanatory variable. The variable denotes whether the head of the household is male or female. There appears to be an increase in the proportion of female-headed households and evidence has shown that these households appear to be much poorer than male-

headed households (Rajaram, 2009: 10). However, this study was based in rural areas of India. Hence, as the social protection measures are implemented in South Africa, this study analyses how the social grants affect households based on gender of the household head, whether female-headed households are receiving more benefits from the grants or not.

The last variable is *area type* which indicates whether households reside either in an urban or rural area. Poverty profiles for households in urban and rural areas are different. Therefore, social protection measures should have different impacts and it is of interest to analyse the extent of impact in each area.

The following section looks at the methodology used to evaluate the impact of EPWP on poverty.

3.2.2. Methodology for evaluating the impact of EPWP on poverty

The income decomposition technique cannot be used to analyse the impact of EPWP on poverty reduction. The technique cannot be used due to data limitations. The available data does not provide adequate information on households' income. The data only provides for the wage rates for the different projects and calculated wages to participants for each project³. Thus, a different approach is developed.

The methodology implemented in this study to evaluate the impact of EPWP on poverty differs from previous studies, i.e. Larsson & Nybom (2006), Chakwizira (2010), Mothapo (2011) and Moeti (2013). These studies used primary qualitative data where households were interviewed to determine changes in their socio-economic status after they had participated in EPWP. However, the data (to be explained in following section) used in this study was secondary data and it did not contain such information hence, a different approach is adopted.

This study estimates the impact of EPWP on poverty by evaluating the duration of EPWP projects. It is expected that the longer the duration of engagement in EPWP projects, the more sustainable income received by the participants. Thus, projects with more days of work should have a greater impact on poverty levels.

³ More on the EPWP data is explained in Section 3.3 below

However, considering only the duration of the projects to impact poverty is inadequate. Another fundamental variable to reflect on is the wages received by the participants. The study determines the average proportion of calculated wages from total expenditure per project. A higher proportion of calculated wages implies that more income is distributed amongst the poor participants of the programme, which is expected to lead to a significant decline in poverty levels.

Regression models are also run to consider the relationship between expenditure on work opportunities. These regressions are used to determine the estimated overall impact of increasing expenditure towards projects and determine the change in work opportunities. The analysis is conducted considering the different sectors and provinces in which EPWP was implemented. The models are presented below.

$$\log y = \alpha_1 + \alpha_2 \log X_1 + \alpha_3 X_2 + \alpha_4 X_3 + \alpha_5 X_4 \quad (1)$$

$$\log y = \beta_1 + \beta_2 \log X_1 + \beta_3 X_2 + \dots + \beta_{10} X_9 \quad (2)$$

In equation 1 above, $\log y$ represents work opportunities whilst $\log X_1$ is the change in overall expenditure on projects. The other X variables are dummy variables different sectors in which the projects are implemented. For equation 2, $\log X_1$ is the change in overall expenditure on projects. However, the other X variables are provincial dummy variables. The analysis of the impact of EPWP on poverty is done based on the following variables:

$$WO = f(\text{sector}; \text{province})$$

This study is interested to observe how the change in EPWP expenditure towards projects would affect the number of work opportunities generated. The analysis is conducted on the different EPWP *sectors* and the different *provinces*. *Sector* represents any of the four sectors in which the programme is implemented (infrastructure, economic, social, and environmental and culture sector). As EPWP expenditure is increased, the likelihood of generating more work opportunities in different sectors will be analysed with respect to the set reference sector. This scenario is represented by equation 1. In addition, *province* represents the nine provinces in South Africa. A reference province will be set and as EPWP expenditure increases, the likelihood of creating

more work opportunities in different provinces will be analysed with respect to the reference province. This case is represented by equation 2.

3.3.Data

The methodologies used for the evaluation of social grants and EPWP on poverty have been explained. This section now provides an explanation of the data on which the above mentioned methodologies are to be applied. The Income and Expenditure Survey is used to determine the impact of social grants on poverty whilst EPWP phase 1⁴ data is explored to evaluate the impact of EPWP on poverty. These data sources are explained in detail in the sub-sections below.

3.3.1. The Income and Expenditure Survey 2010/11

Analysis is made on the 2010/11 Income and Expenditure Survey data (IES2010/11). This data is the latest data set for the Income and Expenditure Survey (IES) available. The survey was conducted by Stats SA. The main aim of the IES data is to compile the Consumer Price Index by analysing the income and expenditure patterns of households. Nonetheless, various authors including Yu (2008), van der Berg *et al.* (2005), and van der Berg *et al.* (2010) have explained that such data can be used to analyse poverty and inequality trends in South Africa.

The IES2010/11 is slightly different from its predecessors (IES1995, IES2000 and IES2005). The IES1999 and IES2000 have certain similarities. These datasets were gathered using the recall method (Yu, 2008: 3). Under this method, a household had to recall and fill in their income and expenditure variables on a questionnaire provided by Stats SA. The income and expenditure records required were for 11 of the 12 months to give an annualised 12 months figure (Lekezwa, 2011: 49). The concerning issue with this method was that households had a higher probability of over or underestimating their true consumption and income values as they could not accurately recall values for the past 12 months. This issue questioned the validity and reliability of the data provided.

After the IES2000, the method of capturing the income and expenditure variables changed from recall method to diary method. This method was used for both IES2005 and IES2010/11. Under this new method, respondents no longer had to recall their previous income and expenditure

⁴ Data for EPWP phase 2, which was more recent (2009 – 2014), was requested but was not available from the Department of Public Works as it was in the process of being verified and quality checked.

records into one questionnaire for the past 12 months; they now had to fill the main questionnaire as well as 4 other weekly diaries (Yu, 2008: 9; Lekezwa, 2011: 48). The diary method was mainly used to record non-durable goods such as food items (Lekezwa, 2011: 49). Some of the advantages of using the diary method were that households could answer the questions when it most suited them. Also, the diary method significantly reduced over-reporting of consumption or expenditure variables. Thus, the reported variables were less biased (Yu, 2008: 9). There were however, some demerits associated with the diary method. Some of these disadvantages include; possibility of under-reporting of some consumption or expenditure variables; a costly approach in both the volume of data that needs to be collected and analysed, and time to train the diary keepers to maintain their support (Yu, 2008: 9). Nonetheless, there has been an overall improvement on the quality of data for the analysis of economic variables which includes poverty.

3.3.2. EPWP data

Phase 1 of EPWP data is used in this study covering the period 2004 – 2009. It was the intention of the researcher to use Phase 2 EPWP data (2009 – 2014). However, the data was not available due to data processing, i.e. collection from different municipal and provincial projects, cleaning and merging to produce the national dataset.

Phase 1 data was collected from different municipalities and compiled by the DPW. Data was collected at different sites where EPWP projects were implemented. This data was then aggregated to produce national data. To ensure that programme duplication was minimised, provincial and municipal data were reported and consolidated by a provincial programme manager whereas national data was submitted to sector coordinators. All data was submitted to EPWP Monitoring and Evaluation (M&E) where data merging and basic validation were performed using a structured reporting framework. A telephonic interview with a representative from the National Department indicated that great caution is required for such integration in order to prevent duplication and data corruption. The representative also indicated that such reporting frameworks should ensure the production of quality EPWP national data.

The EPWP M&E unit is the main division of EPWP that monitors programme implementation and evaluation. A data integration framework was created by M&E which defined reporting and evaluation protocols. An excel data collection template was used to gather project information

from different sites based strictly on the reporting framework. The reporting framework conducted a data validation exercise to improve the quality of the reported information. To validate the information provided, the reporting framework flagged out any project that had missing information, projects that were duplicated in the aggregate pool of projects, and any other projects that seemed to have suspicious information. All projects which did not pass the reporting framework phase were not included in the amalgamated national data. Those projects that had reporting errors were sent back to the reporting bodies for corrections. Once corrections had been made by the different bodies, the data was sent back to M&E for further validation. Projects that did not pass the validation were excluded. Most of data validation was done by the Department of Public Work's national office.

However, although the reporting framework performed basic data validation, the final data was of low quality. Some of the reported projects had missing figures even though it was stated that data validation processes were followed. One would seriously question the data validation procedure as the final project data had some gaps and inaccuracies. An extract of the data presented in Table 3 presents some of the projects that had missing information.

Table 3 shows examples of projects that had missing budget and expenditure figures, work opportunities created by some projects, the amount of wages paid to the participants and the number participants who took part in some projects. This lack of accurate and adequate information is a major setback for many researchers who would like to conduct independent analysis on EPWP. The DPW should implement a more reliable data validation technique or employ an independent third party that would validate the reported information from different projects.

Table 3: Examples of Projects with Missing Figures*

Financial Year	Sector	Project Name	Province	Budget	Expenditure	PDW	WO	Wage	Youth	Women	Disability	PDT	FTE	Calculated Wages
2004-05	Environmental & Culture	Ugie Fire Base	EC			131	22	35	20	3	0	0	1	4,585
2004-05	Environmental & Culture	Elangeni Fire Base	EC			100	20	35	19	2	0	0	0	3,500
2004-05	Environmental & Culture	Butterworth Fire Base	EC			315	21	39	16	0	0	0	1	12,128
2004-05	Environmental & Culture	Stutterheim Fire Base	EC			374	22	39	20	0	0	0	2	14,399
2004-05	Environmental & Culture	EC expenditure	EC		R 3,253,950.00	0						0	0	0
2004-05	Environmental & Culture	Isofu Beekeeping	EC	R 38,750.00	R 35,000.00	0		40				0	0	0
2004-05	Environmental & Culture	Lusikisiki Hombe A	EC	R 38,750.00	R 35,000.00	0		40				0	0	0
2004-05	Infrastructure	Construction of 132kv Supply Line	FS	R 17,872,591.00	R 9,593,000.00	0	10					0	0	0
2004-05	Environmental & Culture	GP expenditure	GP		R 4,399,457.00	0						0	0	0
2004-05	Environmental & Culture	Soweto Support Foundation	GP	R 200,000.00	R 80,000.00	150	15		0	14	0	90	1	0
2004-05	Infrastructure	Kwazenzele	GP	R 2,530,000.00	R 800,000.00	0						0	0	0
2004-05	Environmental & Culture	KZN Sappi - Zul_North	KN			4,481	169					0	19	0
2004-05	Infrastructure	Greater Nyanga	WC	R 8,301,800.00	R 3,153,000.00	0						0	0	0
2004-05	Infrastructure	Cloetesville: The Steps/Orlean Lounge	WC	R 691,300.00	R 2,130,000.00	0						0	0	0
2004-05	Infrastructure	Klipkop (Noodkamp) and Branjesnes	WC	R 2,790,000.00	R 559,000.00	0	2					0	0	0
2004-05	Infrastructure	Fill in erven	WC	R 1,292,700.00	R 609,000.00	0	10					0	0	0
2004-05	Infrastructure	Nxarhuni Outdoor sports	EC	R 1,500,000.00		0						0	0	0
2004-05	Infrastructure	Programme Number: V 2079 (not to be Counted)	EC			0						68,332	297	0

*[missing values are represented by the shaded blocks]

Source: Extracted from EPWP phase 1 data.

3.4. Conclusion

This chapter has provided information on the method as well as the data used in this study. Chapter 4 presents the results obtained from the analysis of IES2010/11 and EPWP phase 1 data. These results present the efficacy of each social protection measure and how it has contributed towards poverty reduction. The results will be assessed to determine if they align with theory and in comparison to previous studies.



CHAPTER 4: INTERPRETATION OF RESULTS

4.1. Introduction

This section presents the results obtained from using the IES2010/11 as well as the EPWP Phase 1 data to determine the impact of social grants and EPWP on poverty reduction in South Africa. The results are derived using the methodology developed in Chapter 3. This chapter is structured as follows: Section 4.2 provides the results on the impact of social grants on poverty whilst Section 4.3 follows with results on the impact of EPWP on poverty. Section 4.4 considers the impact of both measures on poverty reduction and Section 4.5 concludes the chapter.

4.2. Impact of social grants on poverty

Social protection expenditure on social grants has increased significantly over the years. The 2015/16 expenditure on social grants was estimated at R154 billion (National Treasury, 2016: 64), a significant increase from R89 billion during the 2010/11 financial year when the IES 2010 was conducted (National Treasury, 2010: 105). The 2010/11 expenditure value was approximately 3.5% of GDP which is a substantial amount considering that South Africa is under fiscal distress. With such expenditure in mind, this section presents empirical evidence on the impact of the programme on poverty reduction in South Africa. The results presented in this section are for households benefiting from the main types of grants, i.e. old-age pension, CSG, and the disability grant and households receiving more than one type of grant. Unless stated otherwise, these results are presented using the lower-bound poverty line. This approach was also followed by Armstrong *et al.* (2008: 9).

The income variable is used to construct the tables presented in this section. Household income is decomposed to determine income from work, income from social grants and income from other source. As explained in Chapter 3, income from work and income from other sources are considered the primary sources of income whilst income from grant, the secondary source of income. Using the lower-bound poverty line (R5,316⁵), households receiving less than the threshold are considered poor. The proportion of poor households using this classification falls under the “*Before Grant*” in the tables that follow (with income from work and income from

⁵ Stats SA (2014) presented R443 as the monthly official lower-bound poverty line for 2010/11 period. Thus, per annum its $R443 \times 12 = R5,316$

other sources as their only available income). After receiving income from the grant/s, the proportion of poor households whose aggregate income falls below the threshold falls under the “*After Grant*” section in the tables. The difference between the proportion of poor households after they have received the grant, and before the grant, is considered the impact of the grant/s on poverty.

Although the tables are presented in terms of the FGT indices (headcount, poverty gap and severity of poverty), results analysed in this study are only for headcount poverty. The impact on poverty is assessed in terms of demographic, race, gender and area type of the household.

4.2.1. Impact of social grants on poverty for a household receiving more than one type of grant

Table 4 presents how poverty levels are reduced when a household is receiving more than one type of grant. Literature has shown that most female-headed households are more likely to receive the old-age grant (if the recipient is out of the working-age population) as well as the child-support grant as they are more likely to provide care to children who have been left by young adults who migrate to urban areas in search of work or the parent/s were a victim of HIV/AIDS (Schatz, Madhavan & Williams, 2011: 599). As such, this household would be receiving more than one grant: the child-support grant as well as the old-age grant.

As shown in Table 4, across all poverty indices, it can be observed that significant poverty reduction was noticed in Eastern Cape and Limpopo provinces. In these provinces, social grants reduced poverty levels by 21% and 17% respectively. Some of the reasons for such a significant impact are that Eastern Cape and Limpopo are regarded as the poorest provinces and they lack adequate employment opportunities. Such a factor renders the income from the grant the main source of income in the household resulting in a substantial decrease in poverty levels. A clear picture of the provincial impact of grants is presented in Figure 2.

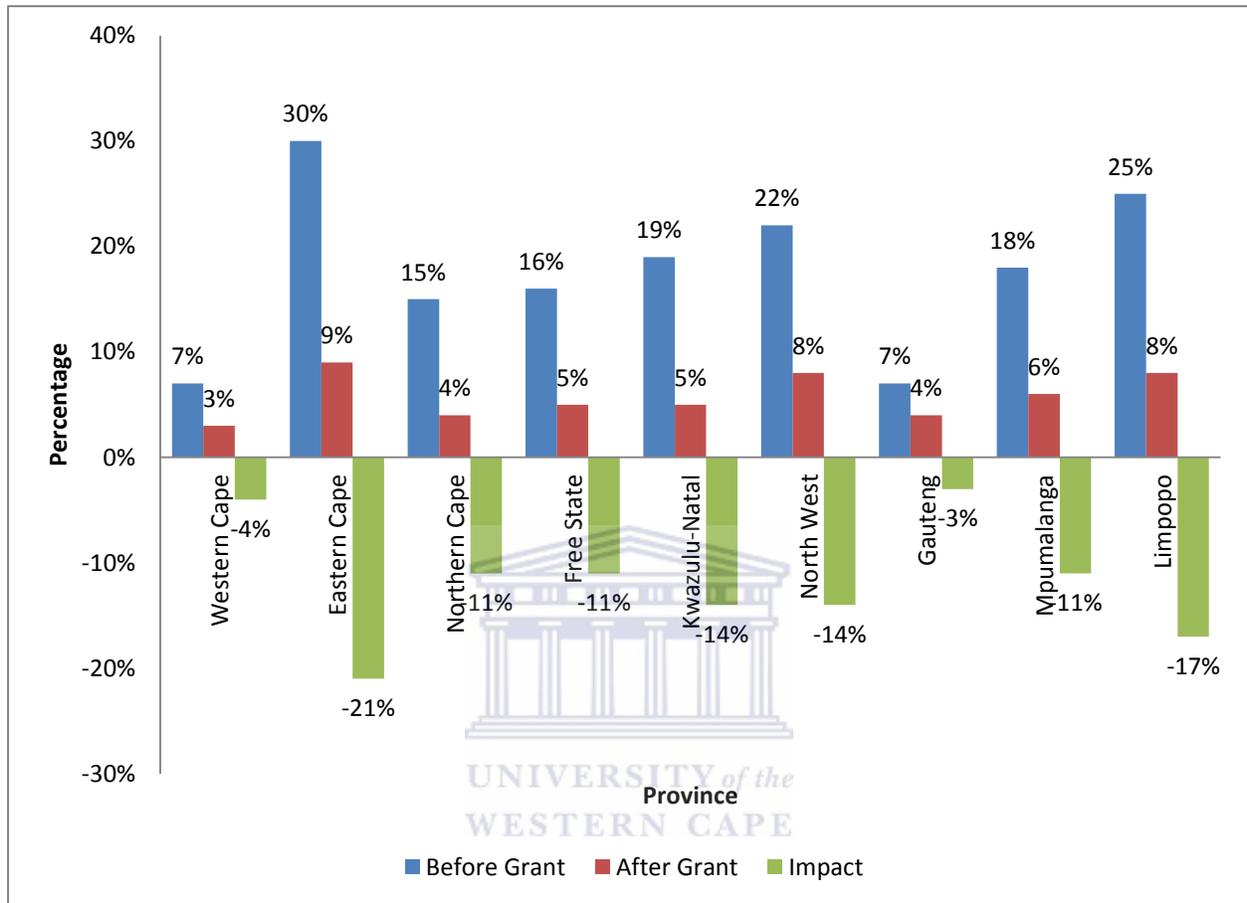
Table 4: Impact of Social Grants on Poverty Should a Household Receive More Than One Type of Grant

Province	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Western Cape	7%	3%	-4%	5%	1%	-3%	4%	1%	-3%
Eastern Cape	30%	9%	-21%	18%	4%	-14%	13%	3%	-10%
Northern Cape	15%	4%	-11%	9%	2%	-7%	6%	1%	-5%
Free State	16%	5%	-11%	9%	2%	-7%	6%	1%	-5%
KwaZulu-Natal	19%	5%	-14%	12%	3%	-9%	8%	2%	-7%
North West	22%	8%	-14%	13%	4%	-9%	9%	3%	-6%
Gauteng	7%	4%	-3%	4%	3%	-2%	3%	2%	-1%
Mpumalanga	18%	6%	-11%	10%	3%	-7%	7%	2%	-5%
Limpopo	25%	8%	-17%	14%	3%	-11%	9%	2%	-7%
Race of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
African Black	20%	7%	-13%	12%	3%	-8%	8%	2%	-6%
Coloured	9%	2%	-7%	6%	1%	-5%	5%	1%	-4%
Indian/Asian	3%	1%	-2%	3%	1%	-2%	3%	1%	-2%
White	3%	1%	-1%	2%	1%	-1%	2%	1%	-1%
Gender of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Male	12%	5%	-7%	7%	3%	-4%	5%	2%	-3%
Female	23%	6%	-17%	14%	3%	-11%	10%	2%	-8%
Area type of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Urban	10%	4%	-6%	6%	2%	-4%	5%	2%	-3%
Rural	29%	8%	-21%	17%	4%	-13%	12%	3%	-9%

Source: Own calculation using the IES2010/11 data.

On the other hand, Figure 2 shows that Western Cape and Gauteng provinces had the least decrease in poverty levels (a decrease of 3 – 4%) as they are urban and wealthier provinces when compared to other provinces. Most of the households in these provinces possess other significant sources of income to compliment the income from work. Hence, these provinces already have lower levels on poverty and social grants reduce poverty marginally when compared to the poorest provinces.

Figure 2: Provincial Impact of Grants for Households Receiving More Than One Type of Grant



Source: Own calculation using the IES2010/11.

In terms of racial decomposition, Table 4 shows that the African population is the poorest racial group. African-headed households are situated in poor areas and possess lower levels of education. Therefore, although there are many employment opportunities, households from this racial group are unable to work and lift themselves out of poverty. Furthermore, African households are mostly overcrowded and most household heads are unable to sufficiently provide for all needs in the household. Social grants have therefore significantly reduced poverty levels amongst the African group compared to other racial groups. Poverty levels declined by 13% after African-headed households received grants.

Table 4 presents evidence that most female-headed households receive less household income than male-headed households. Before receiving the income grant, 23% of female-headed households were poor i.e., twice the rate of male-headed households (12%). After receiving the income grant, there is a significantly larger decrease in poverty levels for female-headed households than male-headed households, i.e. 17% and 7% respectively.

The impact on poverty in rural areas has shown to be considerably more than the impact in urban areas. Poverty levels decline by 21% in rural areas and 6% in urban areas. As mentioned before, income from social grants is considered the main source of income amongst the poor vulnerable households in most rural areas. Evidently, grants significantly reduce poverty levels in rural areas of South Africa.

The following sub-sections consider the impact on poverty using individual grants namely the old-age pension, the child-support grant and the disability grant.

4.2.2. Impact of old-age pension on poverty

Table 5 below shows poverty levels before and after the old-age pension has been implemented. The assessment is also done on provincial distribution, race, gender and area type of household head.

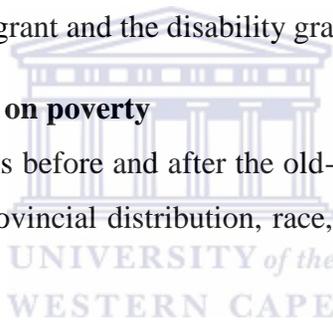


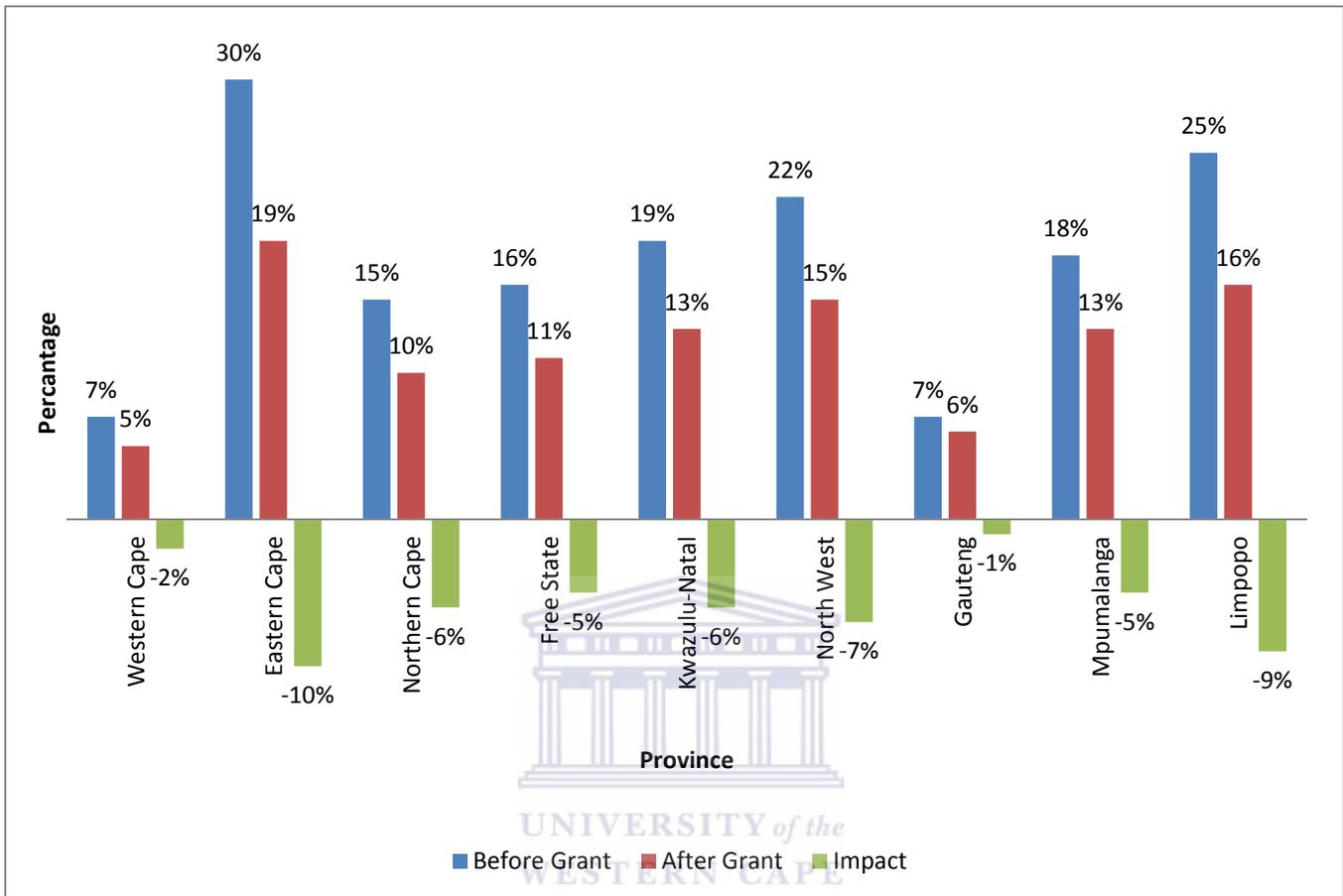
Table 5: Impact of Old-Age Pension on Poverty Reduction

Province	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Western Cape	7%	5%	-2%	5%	3%	-2%	4%	3%	-1%
Eastern Cape	30%	19%	-10%	18%	12%	-7%	13%	8%	-5%
Northern Cape	15%	10%	-6%	9%	5%	-3%	6%	4%	-3%
Free State	16%	11%	-5%	9%	6%	-3%	6%	4%	-2%
KwaZulu-Natal	19%	13%	-6%	12%	8%	-4%	8%	6%	-3%
North West	22%	15%	-7%	13%	9%	-4%	9%	6%	-3%
Gauteng	7%	6%	-1%	4%	4%	-1%	3%	3%	-1%
Mpumalanga	18%	13%	-5%	10%	7%	-3%	7%	5%	-2%
Limpopo	25%	16%	-9%	14%	9%	-5%	9%	6%	-3%
Race of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
African Black	20%	14%	-6%	12%	8%	-4%	8%	6%	-3%
Coloured	9%	6%	-3%	6%	4%	-2%	5%	3%	-2%
Indian/Asian	3%	2%	-1%	3%	1%	-1%	3%	1%	-1%
White	3%	2%	-1%	2%	1%	-1%	2%	1%	-1%
Gender of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Male	12%	8%	-4%	7%	5%	-2%	5%	3%	-2%
Female	23%	16%	-7%	14%	10%	-5%	10%	7%	-3%
Area type of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Urban	10%	8%	-2%	6%	5%	-2%	5%	4%	-1%
Rural	29%	19%	-11%	17%	11%	-7%	12%	7%	-4%

Source: Own calculation using IES2010/11.

Using the headcount poverty rates, Figure 3 presents the provincial impact of old-age pension. Figure 3 uses only the headcount poverty index. It reveals that households in Eastern Cape and Limpopo province are the most poorest with more than 50% of the households in these provinces being poor. Northern Cape, Free State, KwaZulu-Natal, North West and Mpumalanga provinces have between 30 and 40% poor households that fall below the R5,316 poverty threshold. Only Western Cape and Gauteng provinces have the least poor households (less than 20% of the entire households in those provinces).

Figure 3: Provincial Impact of Old-Age Pension (Headcount)



Source: Own calculation using the IES2010/11.

After the roll-out of the old-age pension, Figure 3 indicates that a significant impact was observed mainly in Eastern Cape Province (where poverty levels declined by 10%) followed by Limpopo provinces where the proportion of poor households was decreased by 9%. In richer provinces (Western Cape and Gauteng), the impact of old-age pension on poverty reduction was minimal with 1% and 2% decline for Gauteng and Western Cape province respectively. For other provinces, the impact of grants on poverty ranged from 5 to 7%.

For race, gender, and area type of household, the impact of grants on poverty seem to follow the same pattern as households receiving more than one type of grant, i.e. African population are major beneficiaries of grants (a decline of 6%), female-headed households have a 7% decrease in poverty levels and poverty in rural areas is reduced by 11%.

4.2.3. Impact of child-support grant on poverty

As explained in Chapter 2, child-support grant is provided to poor children below the age of 18. A review of the child-support grant in Table 6 indicates that the Eastern Cape and Limpopo provinces recorded a larger impact on poverty (11% and 10% respectively) whilst the impact in Western Cape and Gauteng is quite low (2% and 1%).

Table 6: Impact of CSG on Poverty Using the Lower-Bound Poverty Line

Province	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Western Cape	7%	5%	-2%	5%	3%	-1%	4%	3%	-1%
Eastern Cape	30%	19%	-11%	18%	10%	-8%	13%	7%	-5%
Northern Cape	15%	10%	-5%	9%	6%	-3%	6%	4%	-2%
Free State	16%	10%	-6%	9%	5%	-4%	6%	3%	-3%
KwaZulu-Natal	19%	11%	-8%	12%	6%	-5%	8%	4%	-4%
North West	22%	15%	-7%	13%	8%	-5%	9%	6%	-4%
Gauteng	7%	6%	-1%	4%	4%	-1%	3%	3%	-1%
Mpumalanga	18%	12%	-6%	10%	5%	-4%	7%	4%	-3%
Limpopo	25%	15%	-10%	14%	7%	-6%	9%	5%	-4%
Race of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
African Black	20%	13%	-7%	12%	7%	-5%	8%	5%	-4%
Coloured	9%	6%	-2%	6%	4%	-2%	5%	3%	-1%
Indian/Asian	3%	3%	0%	3%	3%	0%	3%	2%	0%
White	3%	3%	0%	2%	2%	0%	2%	2%	0%
Gender of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Male	12%	9%	-3%	7%	5%	-2%	5%	4%	-1%
Female	23%	13%	-10%	14%	7%	-7%	10%	5%	-5%
Area type of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Urban	10%	7%	-3%	6%	4%	-2%	5%	3%	-1%
Rural	29%	18%	-12%	17%	9%	-8%	12%	6%	-6%

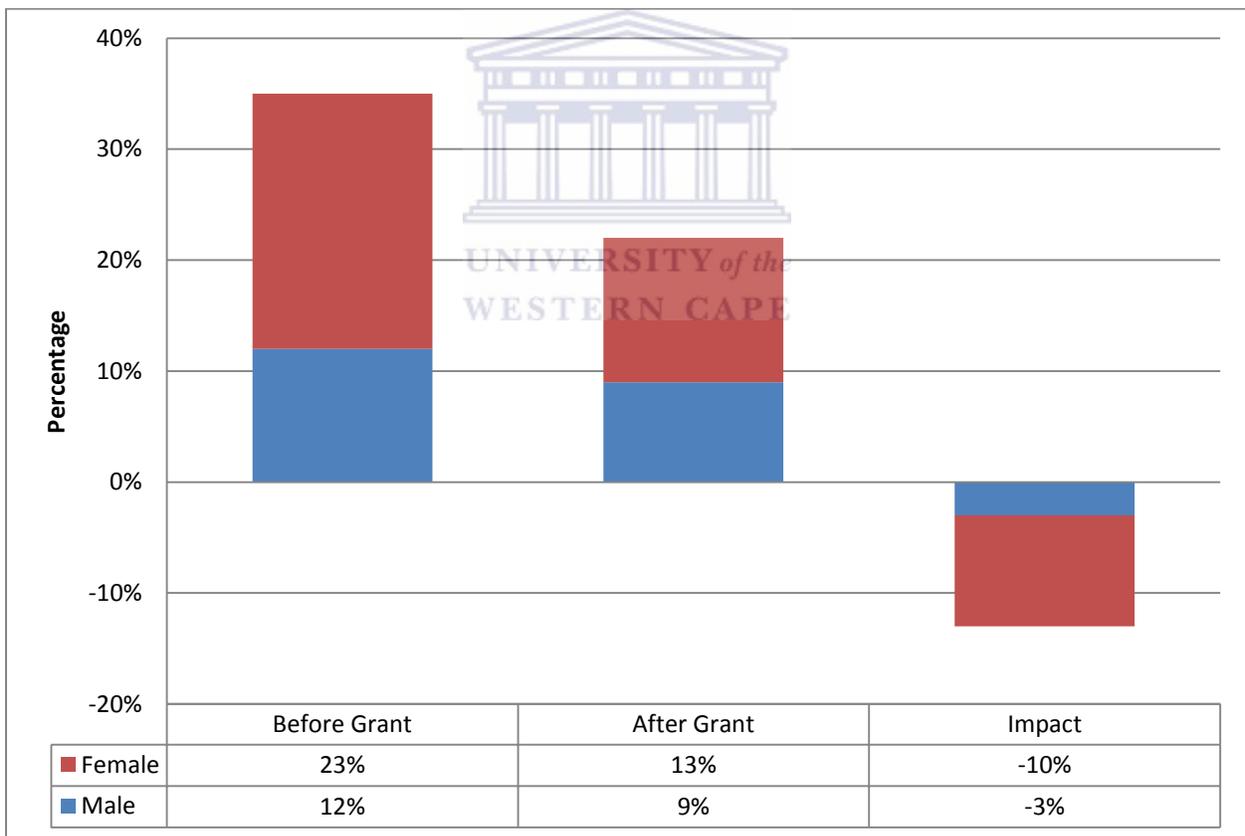
Source: Own calculation using the IES2010/11.

Although the monetary value of the CSG is lower than the old-age pension, its impact on poverty in the poorest provinces seems to outweigh the impact of old-age pension (11% outweighs 10% in Eastern Cape whilst 10% outweighs 9% in Limpopo province).

In terms of race, there is evidence that the African population realises the highest impact on poverty. The CSG reduces poverty levels by 7% which is significantly more than the other racial groups.

Figure 4 presents the impact of CSG for households with male and female heads. From Figure 4, it is evident that female-headed households are poorer than male-headed households, with poverty levels of 23% and 12% respectively.

Figure 4: Impact of CSG for Male and Female-Headed Households



Source: Own calculation using the IES2010/11.

Figure 4 indicates a considerably larger impact on female-headed households as the income grants may be considered as a main source of income. The poverty rate decreases by 10% which is more than three times the impact in male-headed households.

4.2.4. Impact of disability grant on poverty

The following table indicates how the disability grant has contributed towards reducing poverty levels.

Table 7: Impact of Disability Grant on Poverty

Province	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Western Cape	7%	6%	-1%	5%	4%	-1%	4%	3%	-1%
Eastern Cape	30%	25%	-5%	18%	15%	-3%	13%	10%	-2%
Northern Cape	15%	11%	-4%	9%	7%	-2%	6%	5%	-2%
Free State	16%	13%	-3%	9%	7%	-2%	6%	5%	-1%
KwaZulu-Natal	19%	15%	-4%	12%	9%	-3%	8%	7%	-2%
North West	22%	18%	-3%	13%	11%	-2%	9%	8%	-1%
Gauteng	7%	6%	-1%	4%	4%	0%	3%	3%	0%
Mpumalanga	18%	15%	-2%	10%	8%	-2%	7%	5%	-1%
Limpopo	25%	22%	-3%	14%	12%	-2%	9%	8%	-1%
Race of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
African Black	20%	17%	-3%	12%	10%	-2%	8%	7%	-1%
Coloured	9%	6%	-3%	6%	4%	-2%	5%	3%	-2%
Indian/Asian	3%	3%	0%	3%	2%	0%	3%	2%	0%
White	3%	2%	0%	2%	2%	0%	2%	2%	0%
Gender of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Male	12%	10%	-2%	7%	6%	-1%	5%	4%	-1%
Female	23%	20%	-3%	14%	12%	-2%	10%	9%	-2%
Area type of hh-head	a=0			a=1			a=2		
	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact	Before Grant	After Grant	Impact
Urban	10%	8%	-2%	6%	5%	-1%	5%	4%	-1%
Rural	29%	25%	-5%	17%	14%	-3%	12%	10%	-2%

Source: Own calculation using the IES2010/11.

In Table 7, it appears as if the impact of the disability grant on poverty according to provincial distribution is outweighed by the impact of other grants (child-support and old-age grant). The impact of the disability grant on poverty for all provinces is 5% or less. The impact on poverty reduction is quite high in Eastern Cape, Northern Cape and KwaZulu-Natal when compared to the other provinces. However, it should be noted that disabled individuals constitute a small portion of the population.

Nonetheless, Table 7 also shows that Africans and Coloureds are the racial groups that record a noticeable impact on poverty from the disability grant (3% for each racial group). The impact for other racial groups is quite small. Furthermore, the disability grant reduces poverty levels by 3% amongst female-headed households and poverty in the rural areas declined by 5% after households received the disability grant.

In general, the Eastern Cape and Limpopo provinces, African-headed households, female-headed households and residents in the rural areas are receiving the highest impact on poverty after the implementation of social grants. These results are similar to other precedent studies conducted on the impact of social grants on poverty using similar approaches to analysing the impact of social grants on poverty. Furthermore, the findings provides empirical evidence to theories (such as the Theory of Justice by Rawls (1971)) that government has taken measures to reduce the adverse effects of poverty towards the disadvantaged individuals in the poorest communities.

The following section now assesses the impact of EPWP on poverty using the EPWP data for phase 1.

4.3. Impact of EPWP on poverty

As explained in Chapter 2, EPWP was implemented in 2004. Since the launch of the programme, billions of Rands have been allocated to facilitate the operation of the programme and expenditure has continued to increase significantly over the years. Table 8 shows yearly nominal and real expenditure values towards EPWP.

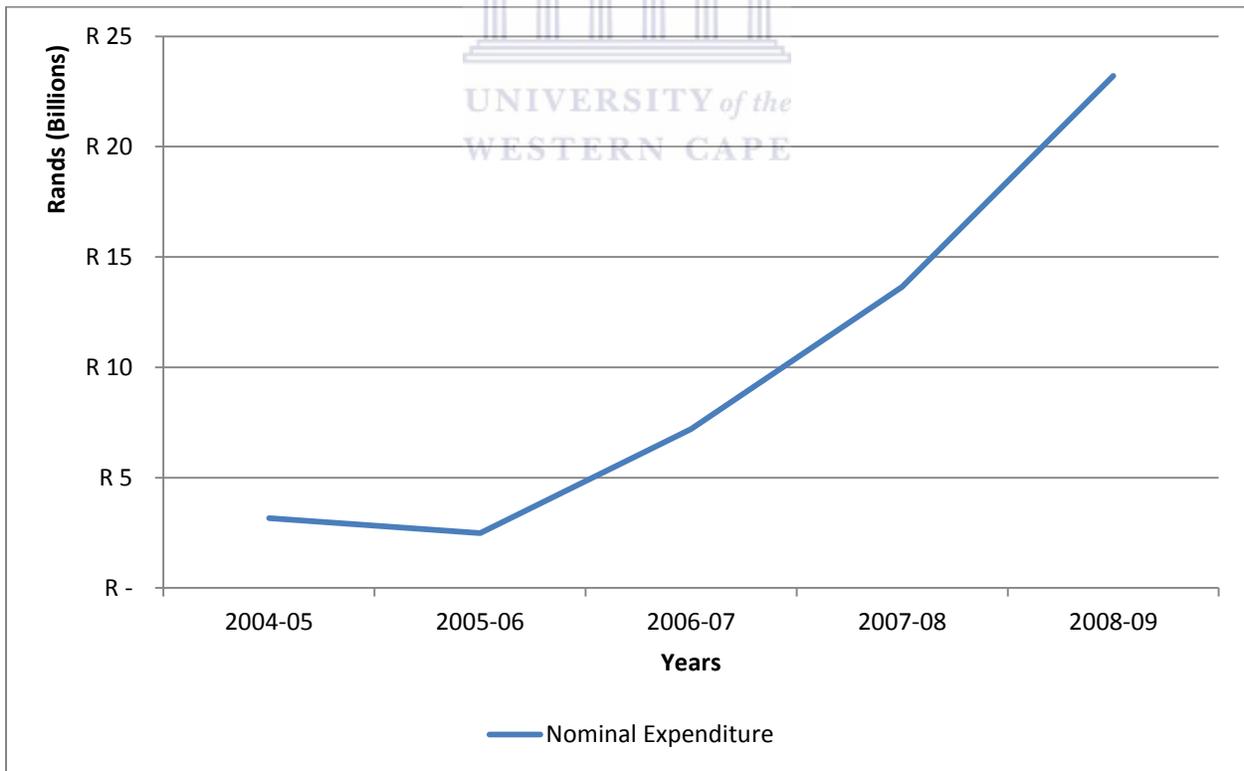
Table 8: Total EPWP Nominal Expenditure Values, 2004 – 2009

Year	Nominal Expenditure
2004-05	R3 billion
2005-06	R2 billion
2006-07	R7 billion
2007-08	R13 billion
2008-09	R23 billion

Source: Own calculation using EPWP 2004-2009 data.

Although there was a slight decrease in expenditure between 2004-05 and 2005-06, expenditure towards EPWP showed an overall increasing trend, an increase from R3 billion when the programme was launched to R23 billion in 2008-09 (in nominal figures). Figure 5 presents a clearer view of the expenditure values over the period, 2004 – 2009.

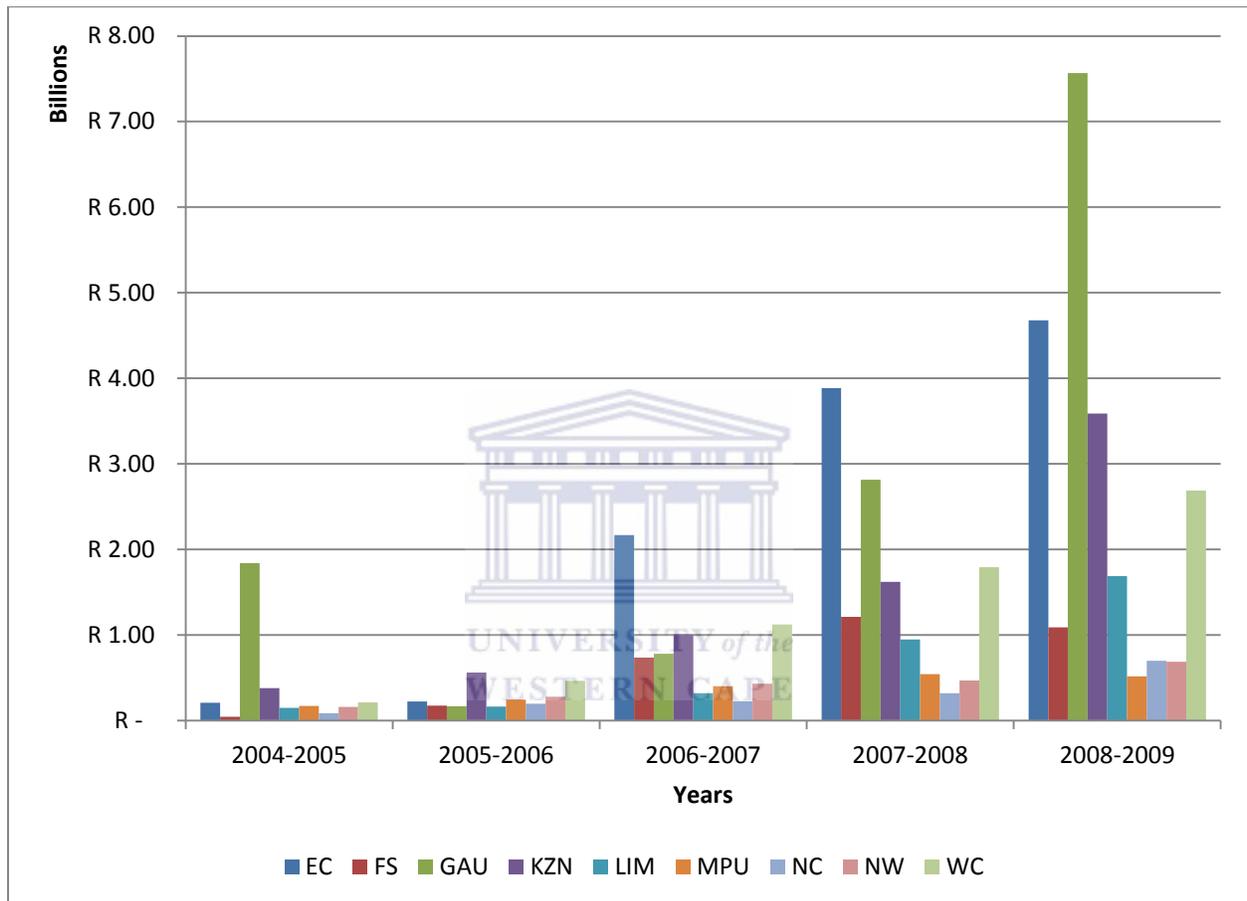
Figure 5: Total EPWP Expenditure Values in Nominal Values, 2004 – 2009



Source: Own calculation using EPWP 2004-2009 data.

The expenditure values were decomposed according to provinces in order to analyse provincial expenditure of EPWP. Figure 6 indicates the expenditure made in each province over the duration of phase 1 of EPWP.

Figure 6: Total EPWP Nominal Expenditure per Province per Year, 2004 – 2009



Source: Own calculation using EPWP 2004-2009 data.

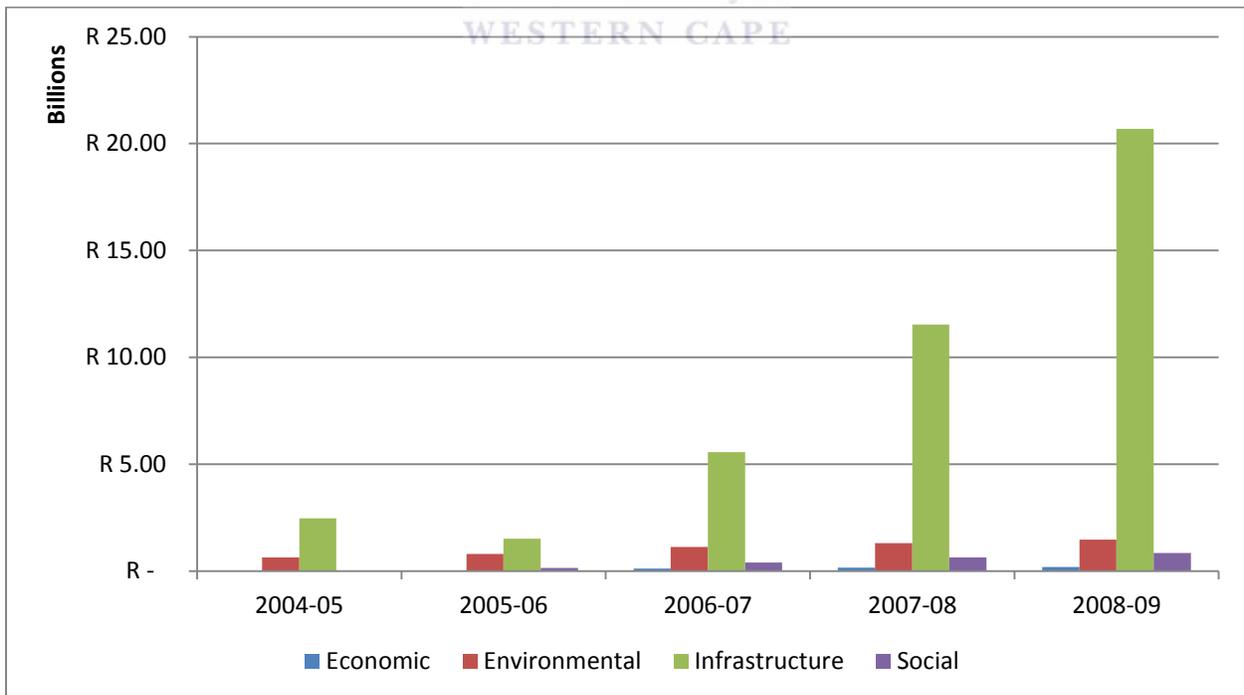
Figure 6 show that overall there has been an increase in expenditure towards EPWP projects in all provinces over the years. Expenditure in Gauteng province in 2004-05 dominates expenditure but drops in 2005-06 before increasing gradually over the years. A possible reason for the decrease in expenditure in 2005-06 may be due to the discontinuation of the Zivuseni project in Gauteng province, which was a significantly large project (DPW, 2009: 80). However, from 2006-07 onwards, there was a gradual increase in expenditure in other provinces as well. There was an up-scaling of projects in the infrastructure sector as it employed most of the poor

individuals (DPW, 2009: 88). Most of these projects were road construction and road maintenance. Hence, the Department of Provincial Roads and Transport received R3 billion as additional funding and expenditure in all provinces increased.

In addition, expenditure in provinces such as the Eastern Cape and KwaZulu-Natal also increased. The DPW (2009: 86) explained that these provinces adopted the methodology implemented in other provinces that had successful projects. These projects were then replicated within other provinces and overall EPWP expenditure within provinces increased.

In terms of expenditure per sector, most of the expenditure was allocated towards the infrastructure sector increasing from R2 billion in the year 2004/05 to more than R20 billion for the period 2008/09. It can also be observed that expenditure figures declined during the 2005/06 period but increased continuously in the following years in terms of nominal values. Expenditure towards the social sector gradually increased over the years but only minimally. For the environmental sector, expenditure was fairly constant and the economic sector had the least increase in expenditure. The sectorial trends are presented in Figure 7.

Figure 7: Total EPWP Expenditure per Sector per Year 2004 – 2009 in Nominal Figures



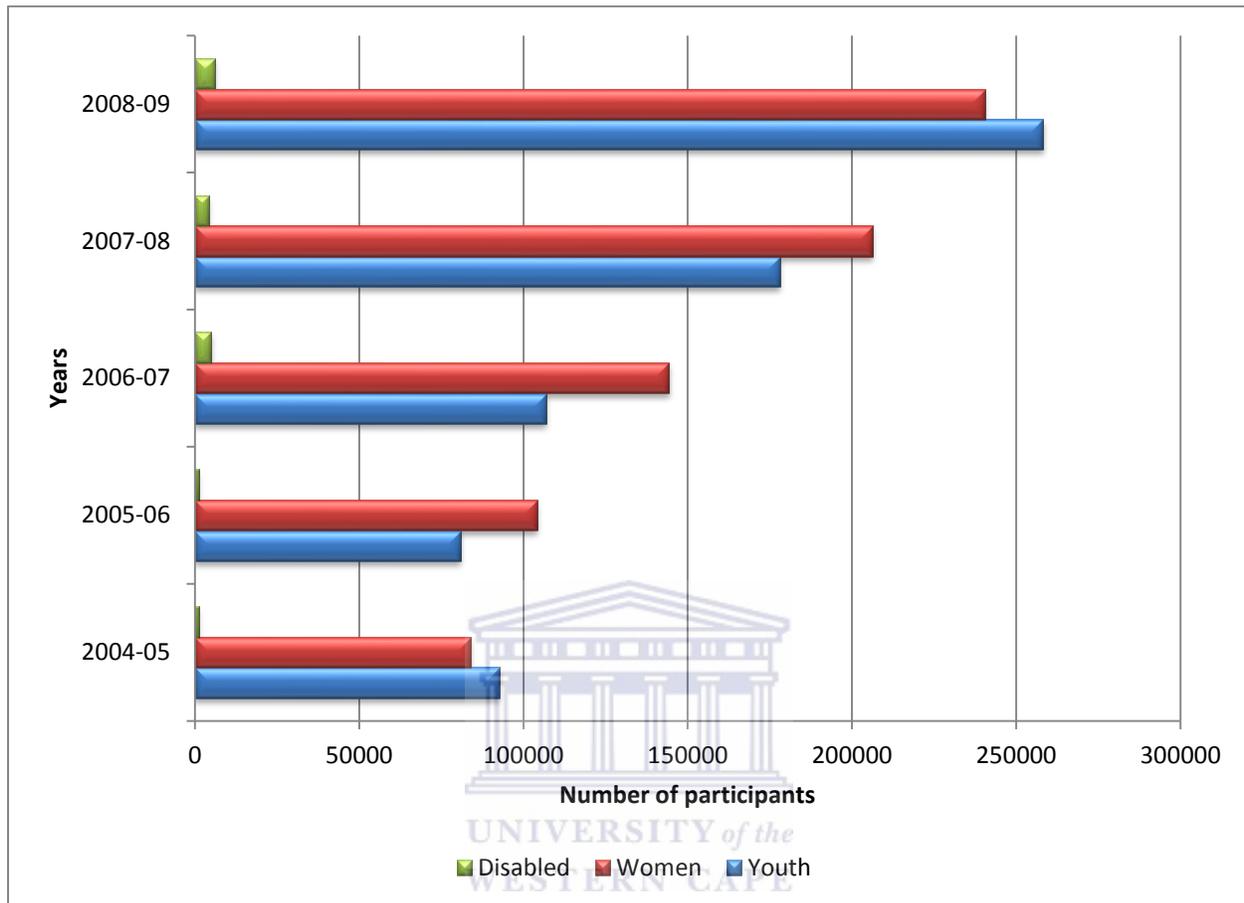
Source: Own calculation using EPWP 2004-2009 data.

Figure 7 shows the amount of expenditure per sector between 2004/05 and 2008/09 in nominal values. It can be observed that expenditure in the infrastructure sector considerably outweighed expenditure in other sectors. Although there was a slight decrease in expenditure between 2004/05 and 2005/06 in the infrastructure sector, there was an overall increase in expenditure in this sector. As mentioned previously, there was an increase in funding towards road construction in all provinces mostly from 2006-07 onwards (DPW, 2009: 88). Expenditure in the social sector as well as the environmental and culture sector increased gradually over the years whilst the increase in expenditure in the economic sector was the least.

Leibbrandt, Woolard, McEwen and Koep (2009: 37) explained that caution should be taken when evaluating expenditure on programmes. The authors' argument was that not all expenditure for EPWP projects is allocated to the wages of participants. Most expenditure goes to non-wage expenses which mainly include the purchase of building materials. Thus, expenditure per province cannot be directly inferred to lead to a decrease in poverty levels.

Turning to the participants of the programme, an evaluation of the participants of phase 1 indicated that fewer participants were enrolled in the initial years of the programme and that their number increased gradually over the years. The DPW (2009: 76) indicated that overall compliance was generally low in the first years of the programme with some provinces finalising implementation plans with target objectives and job creation. Leibbrandt *et al.* (2010: 50) also explained that most participants were unaware of the programme in its early stages of implementation. The overall numbers of participants that were involved in each year of EPWP phase 1 are presented in Figure 8.

Figure 8: Number of Participants in the Programme over the Years, 2004 – 2009



Source: Own calculation using EPWP 2004-2009 data.

The target of EPWP phase 1 was to create at least 40% employment opportunities for women, 30% for youth and at least 2% for the disabled (DPW, 2005: 4). Over the years, Figure 8 indicates that there was an increasing trend in the overall number of participants. In 2004/05, the number of youth participants was more than female participants but during the period 2005/06 and 2007/08, the number of women participants outweighed youth participants. A possible decline in participants during 2005/06 in youth may be due to the discontinuation of a major project in Gauteng province, Zivuseni project, which led to significant decrease in work opportunities (DPW, 2009: 80). For the other years that followed, there was an overall increase in the number of participants across all categories.

Table 9: Number of Participants from each Province over Time, 2004 – 2009

Province	Participants	2004-05	2005-06	2006-07	2007-08	2008-09	Total participants per each category	Total participants from each province
Eastern Cape	Youth	4,037	5,284	17,226	31,827	35,986	94,360	211,026
	Women	4,934	7,830	23,298	37,353	41,511	114,926	
	Disabled	59	114	385	550	632	1,740	
Free State	Youth	1,840	11,750	5,673	13,152	10,838	43,253	78,298
	Women	1,429	7,632	5,616	9,959	9,896	34,532	
	Disabled	26	61	96	121	209	513	
Gauteng	Youth	50,113	3,666	11,044	29,273	63,836	157,932	247,031
	Women	23,494	3,204	10,022	18,565	30,627	85,912	
	Disabled	548	51	165	261	2,162	3,187	
KwaZulu-Natal	Youth	14,343	27,819	28,373	35,337	61,489	167,361	451,502
	Women	32,005	47,746	59,112	66,672	75,592	281,127	
	Disabled	94	337	610	731	1,242	3,014	
Limpopo	Youth	3,679	4,255	7,400	14,355	17,691	47,380	106,259
	Women	3,640	4,233	10,631	19,202	20,025	57,731	
	Disabled	50	66	255	331	446	1,148	
Mpumalanga	Youth	6,468	8,674	7,546	10,697	12,268	45,653	103,014
	Women	7,265	9,557	7,878	14,343	16,832	55,875	
	Disabled	222	210	631	211	212	1,486	
North West	Youth	2,386	4,852	5,635	7,185	9,615	29,673	64,176
	Women	3,120	6,163	5,175	8,703	10,247	33,408	
	Disabled	54	80	75	433	453	1,095	
Northern Cape	Youth	1,953	4,983	4,126	10,175	10,410	31,647	66,882
	Women	2,007	6,851	4,868	9,795	11,272	34,793	
	Disabled	52	31	80	90	189	442	
Western Cape	Youth	7,832	9,403	19,815	26,081	36,094	99,225	184,625
	Women	5,976	10,809	17,693	21,621	24,374	80,473	
	Disabled	122	129	2,589	1,495	592	4,927	

Source: Own calculation using EPWP 2004-2009 data.

Although Figure 8 indicates the overall number of participants who took part in the programmes, Table 9 above further divides the number of participants according to the province from which they came from.

In terms of youth participants, Table 9 reveals that most participants in EPWP phase 1 came from KwaZulu-Natal, followed by youth participants from Gauteng and then Western Cape (167,361, 157,932 and 94,360 respectively). KwaZulu-Natal had one of the most key projects, Zibambale project, which provided many work opportunities for youth participants.

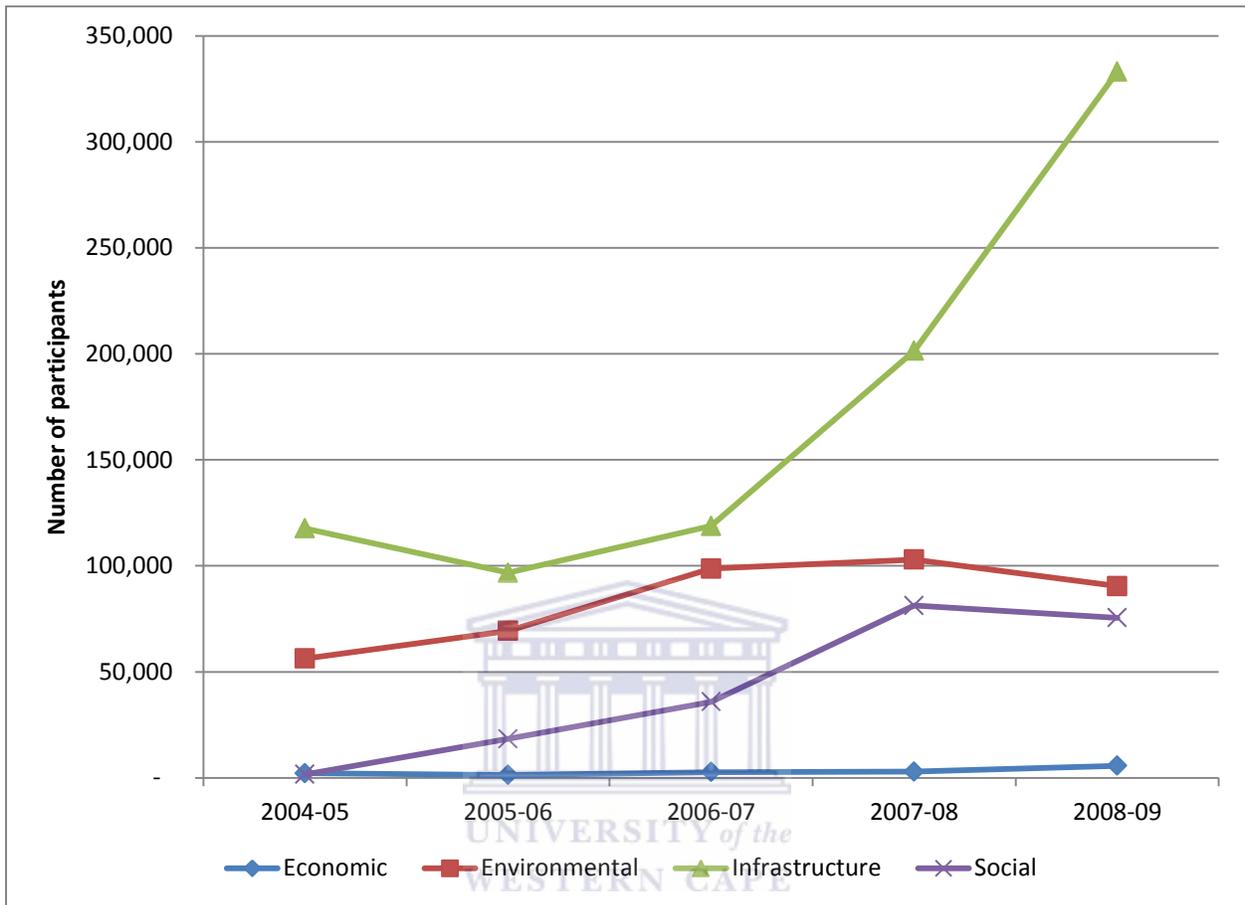
Gauteng province had well established projects that increased labour-intensive projects for all participants. Furthermore, the Integrated Sustainable Rural Development Programme as well as the Urban Renewal Programme in Gauteng province created more development within the province (DPW, 2009: 76, 89). Such developments ensured that more participants were engaged in EPWP within Gauteng province. However, North West and Northern Cape provinces had the least number of youth participants taking part in phase 1 of EPWP, with a total of 29,673 and 31,647 youth participants respectively.

KwaZulu-Natal had the highest number of participants (women) who took part in phase 1 of EPWP (281,127) with more women participants being engaged in the Zibambale project. This project absorbed more than 95% of poor women during 2005/06 in the province (DPW, 2009:80). The other provinces that had more poor women participants were Eastern Cape and Gauteng province with 114,926 and 85,912 women participants respectively. These provinces (Eastern Cape and Gauteng) were some of the provinces in which majority of the large infrastructure projects were implemented hence, more participants were absorbed into the programme. However, North West and Free State were the provinces that had the least number of women participants during phase 1 of EPWP. For North West province, no large infrastructure projects were implemented (DPW, 2009: 97).

With regards to disabled participants, the province that had the highest number of disabled participants was Western Cape (4,927) followed by Gauteng (3,187) and KwaZulu-Natal (3,014) province.

Figure 9 the number of participants that took part in the different sectors of EPWP for the period 2004 – 2009.

Figure 9: Changes in the Number of Participants per Sector



Source: Own calculation using EPWP 2004-2009 data.

Figure 9 show that the infrastructure sector had the most participants during all years of phase 1. A possible reason why most participants were employed in the infrastructure sector may be attributed to the preparation of infrastructure before the hosting of the football World Cup in 2010. These tasks included mainly road maintenance and repairs. In addition, participating in the infrastructure sector does not require many days of training for the recruits hence, the cost of training the participants was low and the projects would benefit many poor individuals. In contrast, the least participants were in the economic sector. Not many participants took part in this sector as opportunities in this sector require not only physical strength but also participants with a certain skill set. Table 10 identifies the number of participants for each sector by category of participants.

Table 10: Number of Participants per Sector, 2004 – 2009

Sector	Participants	2004-05	2005-06	2006-07	2007-08	2008-09
Economic	Youth	1,169	948	1,502	1,496	2,237
	Women	959	417	1,169	1,369	3,395
	Disabled	36	-	14	27	59
Environmental	Youth	29,646	31,270	45,629	49,855	44,608
	Women	26,041	37,212	51,202	51,193	44,187
	Disabled	622	846	1,854	1,933	1,648
Infrastructure	Youth	61,247	41,599	48,061	98,103	184,903
	Women	55,810	54,905	67,809	101,199	143,896
	Disabled	564	195	2,924	2,064	4,295
Social	Youth	590	6,869	11,646	28,628	26,479
	Women	1,059	11,491	24,113	52,452	48,898
	Disabled	5	38	94	200	135
Total		177,748	185,790	256,017	388,519	504,740

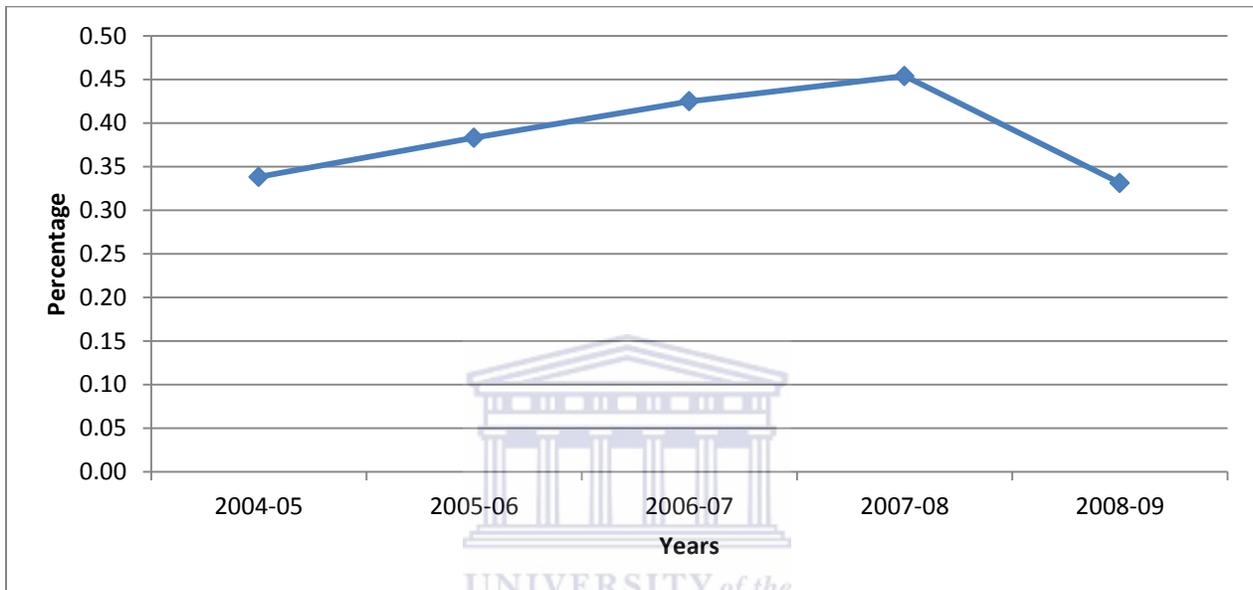
Source: Own calculation using EPWP 2004-2009 data.

As shown in Table 10, although the total number of participants increased over the years in all sectors, most participants from all categories were engaged in the infrastructure sector. In comparison to the other sectors, the infrastructure sector required less human skills and less training days. Hence, most participants took part in this sector. The least participants were found in the economic sector.

To analyse the impact of poverty on households, it is paramount to analyse wages received by participants. In each project, expenditure was allocated for wages of participants, the purchase of materials & equipment and administration costs. One would expect a large portion of expenditure to be allocated towards wages as more income will be distributed to the poor participants. However, the distribution of income is highly dependent on the number and

duration of work opportunities created by programme. Although a project might possess a large proportion of expenditure allocated towards wages, if the project has only a few work opportunities of a short duration, its impact on poverty is likely to be minimal. Figure 10 presents the average portion of total expenditure that was allocated towards the wages of participants.

Figure 10: Proportion of Total Expenditure Allocated as Participants' Wages, 2004 - 2009⁶



Source: Own calculation using EPWP phase 1 data, 2004-2009

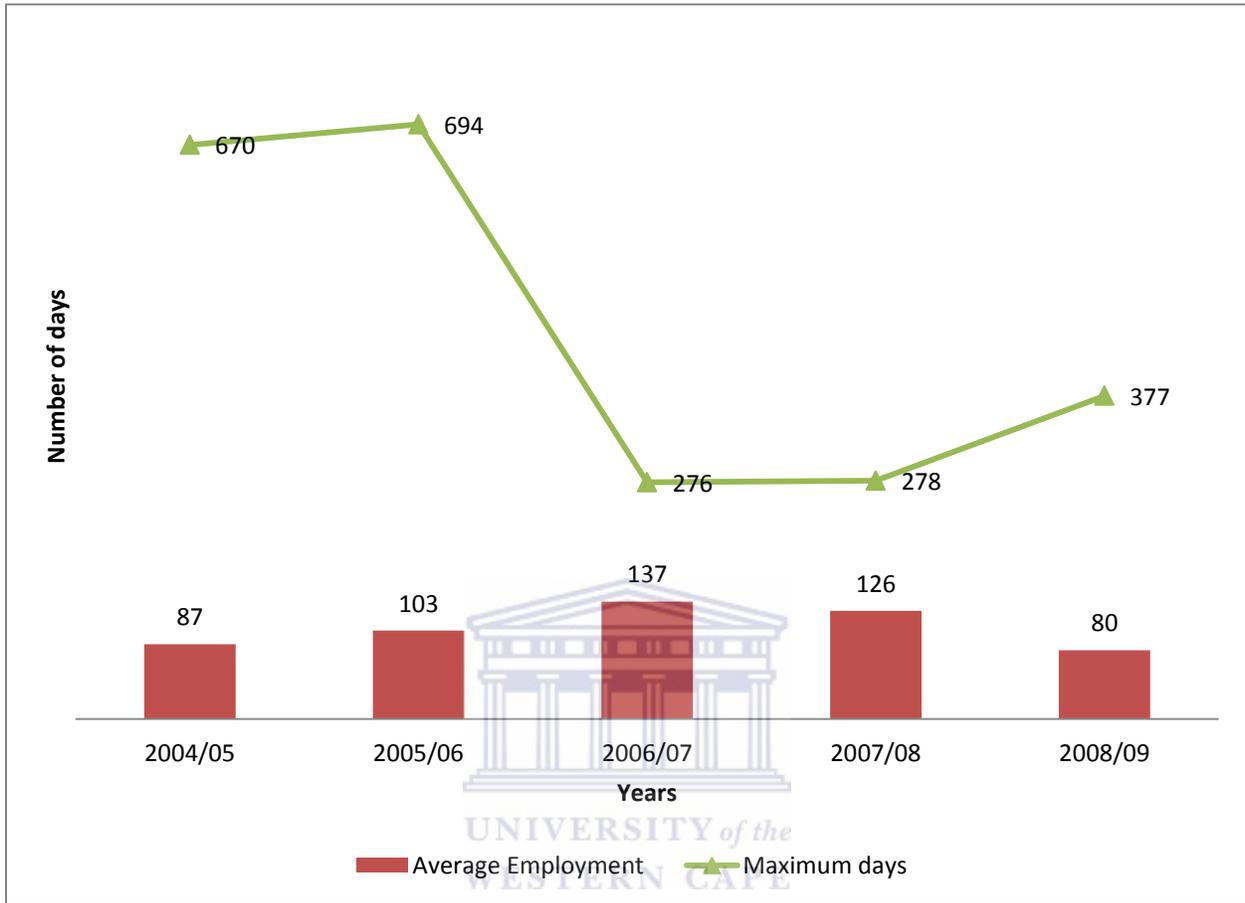
Figure 10 shows the proportion of total expenditure that was allocated as wages of participants during each period. The purpose of Figure 10 is to show that despite the huge amount of expenditure allocated towards EPWP, the portion of expenditure that was actually allocated towards the wages of participants decreased after 2008. Some projects had large amounts of expenditure when, in fact, most of the funds in that project were allocated towards the purchase of materials and other administrative costs. Thus, such projects would not impact significantly on poverty. One would expect to see an increasing trend over the duration of the programme to indicate an increasing distribution of income towards poor participants (assuming that the project has more work opportunities with prolonged duration).

⁶ Figure 10 was created after removing other outliers; were the proportion of calculated wages was more than the actual expenditure towards the total project. It may be possible that some of the figures reported might be incorrect or some information was not captured. Only proportions that were less than 1 were included in the compilation of the figure. Also, due to some missing figures, other projects were dropped out mainly during 2004-05.

Figure 11 shows that during the first year of the programme, average proportion of calculated wages to expenditure was 33.81%. This average proportion of calculated wages gradually increased over the years to 38.30%, 42.48% and 45.37% for 2005-06, 2006-07 and 2007-08 respectively. Although the number of participants in the programme increased over the years, the data shows an increase in the proportion of wages allocated towards wages of participants. Thus, one may argue that, in terms of household income for members that participated in the programme, the programme contributed significantly towards the reduction of poverty during this period. The average proportion of calculated wages however dropped during the period 2008-09, from 45.37% to 33.12% of total expenditure due to liquidity shortage and economic hardships as a result of the financial crisis.

Another vital variable that may be used in estimating the impact of EPWP is the duration of a project. Figure 11 shows a decomposition of the duration of phase 1 projects over time. It should be noted that the projects in the infrastructure sector had stipulated duration of 4 months whereas projects in the environmental and cultural sector could extend up to 6 months (DPW, 2004: 4). For the social sector, duration could extend up to a maximum of 2 years. The duration of each project was determined by the nature and intensity of the type of work done in these sectors. Opportunities that required a certain degree of human capital and/or more training for the participants appeared to have longer employment durations as the programme implementers would want to benefit more from the investment they would have made in participants. On the other hand, opportunities that only required human labour and physical strength as the inputs had fewer days of employment due to the nature of the employment opportunities.

Figure 11: Maximum and Average Number of Days of Employment, 2004 - 2009



Source: Own calculation using EPWP 2004-2009 data.

Figure 11 shows that the duration of some projects ranged from 276 to 694 days of employment, with the first 2 years of the programme having the highest maximum days of employment (670 and 694 respectively). An example of such a project was the Piet Retief Hospital project that was implemented in Mpumalanga province. This project was implemented in the social sector during 2004/05 and participants were involved in the project for a duration of 670 employment days. The Mashishing project was also one of the projects with the most number of employment days. This project was issued in Mpumalanga also under the social sector. However, for the years 2006/07 and 2007/08, the maximum duration of employment was only 276 and 278 respectively. One of these projects was implemented in KwaZulu-Natal in the environmental sector (the Kokstad Clearing Projects in 2006/07) whilst the other project was in Mpumalanga under the social sector (the Good Shepard project during the period 2007/08).

On average, project duration ranged between 80 and 137 days of employment with 2008/09 having the least average number of days of employment. The average duration of employment was less than 6 months with most work opportunities created in the infrastructure sector as well as the environmental and culture sector.

Given that such a programme provides wages that are less than the market clearing wages, the duration of each project was vital for the reduction of poverty levels. The duration of such programmes should have been prolonged to ensure the continued injection of income to the poor and vulnerable participants especially during this phase which coincided with the financial crisis. Such consistent injection of income would have had a significant impact on reducing poverty levels. However, it would seem as if projects were short-lived and thus provided a minimum impact on poverty levels.

McCord (2012: 16) also explains that the duration of the programme was short term such that participants could not acquire adequate skills to make them compatible in the labour market. Furthermore, unlike the results observed by Chakwizira (2010: 247) where most participants used the income received from public works to construct proper housing facilities (brick houses) and investments into gardens and poultry farming, most of the income received by participants was used for current consumption. Hence, most participants could not adequately work themselves out of chronic poverty.

The other variable of analysis is EPWP expenditure on projects and its impact on work opportunities created. Table 12 presents the results of a regression which analyses the effect of EPWP expenditure and work opportunities created by sector. Table 12 is based on equation 1 developed in Chapter 3.

Table 11: Impact of Expenditure on Work Opportunities when Considering Sectorial Distribution

Linear regression				Number of obs = 40,267 F(4, 40262) =18722.81 Prob > F = 0.0000 R-squared = 0.6781 Root MSE = .92919		
	Robust					
logWO	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
logEXP	0.4988	0.0027	188.15	0.000	0.4936	0.5040
Environ & Culture	0.6016	0.0319	18.83	0.000	0.5389	0.6642
Infrastructure	0.2567	0.0295	8.71	0.000	0.1989	0.3144
Social	-0.5846	0.0302	-19.34	0.000	-0.6439	-0.5254
_cons	-0.0297	0.0327	-0.91	0.364	-0.0939	0.0345

Source: Own calculation using EPWP 2004-2009 data.

The results presented in Table 11 shows the relationship between expenditure and work opportunities. The coefficient of the expenditure variable is 0.4988 which implies a positive relationship between expenditure and work opportunities created. The relationships between expenditure and work opportunities can be interpreted as a 1% increase in expenditure leading to a 0.50% increase in overall work opportunities provided, holding all other things constant.

Considering the sectorial distribution of the projects, Table 11 indicates that an increase in overall expenditure is 60% more likely to lead to the creation of more work opportunities in the Environmental and Culture sector and 26% in the Infrastructure sector when compared to the Economic sector (the reference group). It may be possible that most opportunities in the Environmental and Culture sector are less skill intensive and these opportunities require less training days and skill development for the participants. However, more work opportunities (26%) are likely to be generated in the Infrastructure sector as this sector is labour intensive in nature. However, the Social sector is 58% less likely to create work opportunities when compared to the reference group. It may be because participation in this sector requires more training days and skills development for participants.

Table 12 presents the relationship between EPWP expenditure and work opportunities by province.

Table 12: Impact of Expenditure on Work Opportunities by Province

Linear regression					Number of obs = 40,267	
					F(4, 40262) =7066.33	
					Prob > F = 0.0000	
					R-squared = 0.6717	
					Root MSE = 0.96658	
logWO	Robust					
	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
logEXP	0.5787	0.0026	219.53	0.0000	0.5735	0.5839
Eastern Cape	-0.4782	0.0192	-24.93	0.0000	-0.5158	-0.4406
Free State	-0.3683	0.0204	-18.03	0.0000	-0.4084	-0.3283
KwaZulu-Natal	0.4568	0.0201	22.74	0.0000	0.4174	0.4962
Limpopo	-0.3018	0.0200	-15.07	0.0000	-0.3411	-0.2626
Mpumalanga	-0.1062	0.0208	-5.11	0.0000	-0.1470	-0.0655
Northern Cape	0.3656	0.0264	13.86	0.0000	0.3139	0.4173
North West	-0.2058	0.0227	-9.07	0.0000	-0.2503	-0.1613
Western Cape	0.2648	0.0219	12.10	0.0000	0.2219	0.3077
_cons	-0.3827	0.0215	-17.83	0.0000	-0.4248	-0.3406

Source: Own calculation using EPWP 2004-2009 data.

Table 12 shows an expenditure coefficient of 0.5787 which implies that a 1% increase in EPWP expenditure would result in a 0.58% increase in overall work opportunities produced, holding other things constant. However, it is more likely that an increase in EPWP expenditure would increase the generation of more work opportunities in KwaZulu-Natal, Northern Cape and Western Cape. These provinces are 46%, 37% and 26% more likely to created work opportunities than the reference group (Gauteng province). However, it is less likely that an increase in EPWP expenditure would create more work opportunities in the other provinces of Eastern Cape (-48%), Free State (-39%), Limpopo (-30%), Mpumalanga (-11%) and North West (-21%) province when compared to the reference province. An assessment of the comparative work opportunities generated by the provinces when compared to Gauteng is presented in Table 13.

**Table 13: Comparison of the Generation of Work Opportunities in Different Provinces
Compared to the Reference Group (Gauteng)**

Province	Poverty rate	WO comparative rates
Eastern Cape	30%	LESS WO
Limpopo	25%	LESS WO
North West	22%	LESS WO
KwaZulu-Natal	19%	MORE WO
Mpumalanga	18%	LESS WO
Free State	16%	LESS WO
Northern Cape	15%	MORE WO
Western Cape	7%	MORE WO
Gauteng	7%	REFERENCE GROUP

Source: Own calculation using EPWP 2004-2009 data.

Table 13 indicates that although some provinces are poorer than Gauteng (the reference group), work opportunities created in these provinces are less than the opportunities created in the reference group. Examples of these provinces are the Eastern Cape, Limpopo and North West provinces. These results are not the desired outcome as we would expect more opportunities in these poorer provinces. Therefore, there is room for the creation of more work opportunities in these poorer provinces in order to inject more income and increase skills development amongst the poor participants. This increase in income and skills development amongst poor individuals will lead to the reduction of poverty.

4.4. Comparison between the impact of social grants and EPWP on poverty reduction

It should be noted that the two social protection programmes under review are complimentary to each other. A household may benefit from both social grants and EPWP. However, these anti-poverty measures are different in nature. With social grants, there is consistent provision of income to beneficiaries and such benefit can continue for more than a year. However, income received by EPWP participants is consistent only for the duration of employment. Figure 11 clearly reveals that most of the projects are short-lived especially in the Infrastructure sector. Thus, significantly more poverty impact is observed in households who benefit from social grants than those participating in EPWP. Table 14 shows annual expenditure made towards each programme and the average combined annual per capita expenditure on each poor individual within the respective province.

Table 14: Annual Provincial Total Expenditure on Social Protection

Province	Poverty rate	EPWP expenditure on wages	Social grants expenditure
Eastern Cape	30%	R 2,775,339	R15,455,000,000
Limpopo	25%	R 1,229,949	R12,070,000,000
North West	22%	R 715,688	R6,899,000,000
KwaZulu-Natal	19%	R 5,782,226	R21,536,000,000
Mpumalanga	18%	R 978,579	R6,080,000,000
Free State	16%	R 918,437	R5,576,000,000
Northern Cape	15%	R 642,698	R2,500,000,000
Western Cape	7%	R 2,373,287	R7,523,000,000
Gauteng	7%	R 4,124,855	R10,629,000,000

Source: Source: Own calculation using EPWP 2004-2009 data and National Treasury (2011: 103) for social grants values.

Table 14 indicates that, although the Eastern Cape, Limpopo and North West are the poorest provinces (with poverty rates of 30%, 25% and 22% respectively), their EPWP expenditure on wages was less than the expenditure in KwaZulu-Natal and Gauteng provinces. In KwaZulu-Natal, more than R5 million was spent on wages whilst R4 million was spent in Gauteng. It is possible that expenditure in these provinces was more than wage expenditure in other provinces as they had most of the major projects. Also, these provinces had the most work opportunities hence, more expenditure towards wages of participants. However, provinces with the least expenditures on wages were North West and Northern Cape where R 715,688 and R642,697 were spent on wages respectively. Table 10 indicates that these provinces had the least number of total participants thus, less was spent on wages.

On the other hand, Table 14 also indicates that KwaZulu-Natal was the province that had the highest annual expenditure on social grants. In this province, a total of R21,5 billion was spent on social grants. It is possible that most of the social grants beneficiaries in this province are elderly and their grant value is higher when compared to the other types of grants. Therefore, the

total expenditure for grants was higher. Other provinces that have high expenditures on social grants were Eastern Cape and Limpopo. The province with the least expenditure was Northern Cape which recorded R2,5 billion on social grants.

4.5. Conclusion

This chapter has provided results on the impact of social grants and the rollout of EPWP on poverty reduction using IES2010/11 and EPWP phase 1 data respectively. With regards to the impact of grants on poverty, evaluations were made on households that may receive multiple grants and those that benefit from either the old-age grant, child-support grant or the disability grant. These assessments were conducted based on provincial distribution of the household, race of the household head, gender and the area type in which the household resides. The pattern that was observed from the results was that households in mainly Eastern Cape and Limpopo province, African population, female-headed households, and residents in the rural areas are the ones who receive a major impact on poverty due to the various types of grants they receive when compared to the others. These results indicate the well targeting and distribution of the grants in South Africa as they target the poorest and the most vulnerable individuals (in the poorest provinces of Eastern Cape and Limpopo, the poorest racial group being Africans, most vulnerable female-headed households, and residents in the rural areas).

Looking at the evaluation of the impact of EPWP on poverty, estimated results were obtained from the available EPWP data (phase 1). Examinations were made on the provincial distribution of the projects, the trend of participants over the years amongst the poor vulnerable individuals, sector in which the projects were implemented, the average duration of the programmes, and average wage received by the participants. Evidence has shown that most projects were created in Gauteng, Eastern Cape and KwaZulu-Natal provinces. Possibly, these provinces had well established programmes in their provinces hence expansion of the programme was not a major challenge. Also, the programme was now well known by poor vulnerable individuals and they were easily involved in the projects. Furthermore, most projects were implemented in the Infrastructure sector which mainly included road construction and maintenance. With regards to the duration of projects, it was noted that most projects were short-lived which did not provide enough financial support or training for poor individuals to lift themselves out of poverty. Also, although an increase in expenditure to expand projects may lead to more work opportunities, it is

more costly to generate a full-time equivalence. The difference in the creation of more work opportunities is based on the nature of labour intensity in each sector.



CHAPTER 5: CONCLUSION

5.1. Introduction

This study has provided a poverty impact analysis of two social protection programmes, i.e. social grants and EPWP in South Africa. The objective of this study was to ascertain the impact of both short-term employment opportunities through EPWP and the implementation of social grants on poverty. In order to meet this objective of the study, the study used the income decomposition technique to decompose household income using the IES2010 data. Using the absolute definition of poverty, households whose income was less than the determined poverty threshold were considered poor. The decrease in the number of households whose income was less than the poverty line was considered the impact of the social grants on poverty.

In terms of EPWP, phase 1 of EPWP national data was used in this study. With this data, the expenditure towards the programme as well as the number of participants and the sector in which they participated was investigated. An analysis was also conducted on the wages of participants together with the duration of the projects created by EPWP. In addition, an OLS regression analysis was conducted in order to evaluate the impact of an increase in expenditure on work opportunities generated.

5.2. Review of findings

An analysis of the impact of social grants on poverty indicated that households residing in the poorest regions of the country, for example, Eastern Cape and Limpopo provinces, received a substantial impact from the grants unlike households in the rich provinces (Western Cape and Gauteng). Literature showed that households in these poor regions consider income from grants their main source of income, and they rely on this income to provide for their household necessities. As such, poverty levels amongst these vulnerable households were significantly reduced. However, most of the beneficiaries in the richer provinces of Western Cape and Gauteng possess multiple sources of income and they do not regard the income grant as a main source of income. Hence, the impact of social grants in these provinces was minimal.

Furthermore, the results also showed that social grants have significantly mitigated the impact of poverty amongst the African population more than the other racial groups. Most of the

households in the African population are still located in the poor provinces of Eastern Cape and Limpopo and as such, they have benefited significantly from social grants. In addition, empirical findings from this study indicated that female-headed households were the major beneficiaries of grants when compared to male-headed households. Also, there was evidence of higher poverty reduction in rural areas than in urban areas.

The results for EPWP indicated that most of the projects that were created by EPWP were short-lived. The nature of the project, its intensity of the labour input required, determined the duration of the projects. Labour intensive projects such as projects in the Infrastructure sector were mostly short-lived with an average duration period of 3 to 6 months. Also, the amount of training given to participants was another factor that determined the duration of the project. Projects from sectors in which less human capital was required were mainly short-lived. These sectors included the Infrastructure sector as well as the Environmental and Culture sector. The Social and the Economic sectors were the sectors in which medium-term projects were implemented. These projects would last for 6 to 12 months. In addition, an increase in EPWP expenditure showed an increase in work opportunities in KwaZulu-Natal, Northern Cape and Western Cape leaving room for the expansion of EPWP in the other poorer provinces.

5.3. Conclusion

The study has met its objectives and the research questions have been answered. Government has significantly mitigated the impact of poverty through these social protection measures. However, the impact of EPWP is short-lived. It may be efficient to increase the duration of employment for participants under the EPWP. An increase in employment days would lead to a consistent injection of income to poor households as well as the development of more human capital skills. Such labour market skills would improve the chances of finding other work opportunities amongst the programme's participants in both the public and private sector. In addition, although EPWP is labour intensive, the programme should not exploit human labour. Although the programme provides wages that are less than the market wages, the programme should ensure that the total income received from the programme lifts participants out of poverty. If a higher wage rate cannot be provided, then the duration of the programme should be prolonged in order to provide a consistent injection of income to poor participants. Also, EPWP should be promoted in the Economic sector, where participants are more likely to be self-employed and they can

create work opportunities for other participants. Nonetheless, the results show that EPWP is a great platform for sustainable poverty reduction.



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