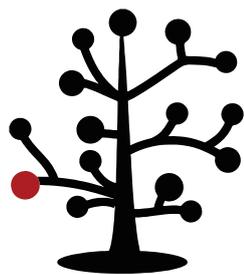


WAVE 5 2008-2019
OVERVIEW
 NATIONAL INCOME DYNAMICS STUDY



N.i.D.S.

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Foreword from the Minister

The National Income Dynamics Study (NIDS) is a premier South African social survey commissioned by the Department of Planning, Monitoring and Evaluation (DPME) as a source of vital data on transitions, dynamics and changes in the population. NIDS provides an overall analysis of the triple challenges of unemployment, poverty and inequality in South Africa.

NIDS collected its first round of data in 2008 from a sample of about 28,000 individuals and 7,300 households, returning to these individuals approximately every two years, with the latest round of data collected in 2017. Wave 5 of NIDS represents ten years of data collection of the longitudinal study since the project was conceptualised in 2006, with 15 papers having been produced using NIDS data. The analytical papers utilised in this brochure focus on important socio-economic issues, including the labour market, education, poverty and inequality.

The NIDS dataset is a unique, high-value evidence resource to inform policy in South Africa. Since NIDS was initiated, the study has provided policy-makers with empirical data that illustrate key changes in people’s lives in relation to pressing social issues that range from unemployment, inequality and chronic poverty to education, health and the distribution of wealth.

From the time that NIDS started, several government departments, including the National

Treasury and the Departments of Health, Science and Technology, and Social Development, have used NIDS to provide sound evidence for policy-making. To date, NIDS has more than 4,877 registered data users, who have downloaded 8,360 unique datasets. There are 472 pieces of literature that make use of the NIDS data or research, including government documents.

To make NIDS data more accessible, a series of short animated videos on policy-relevant topics using the NIDS data has been produced. Videos have been on the following topics: Evidence-based Policy-Making; Child Nutrition and Education; Post-graduate Enrolment; Financial Instability and the Middle Class; NIDS Wave 4 Example Findings; Health; Hopes vs Outcomes; Subjective Wellbeing; Labour Markets; In and Out of Poverty in South Africa; and Education. An introductory video, ‘What is NIDS?’, was also produced. These videos have been uploaded to the NIDS YouTube channel.

As part of capacity-building, a three-day and a five-day training course have been designed for government officials, researchers and students interested in using the NIDS panel data. The panel data and discussion papers produced through the NIDS project not only benefit government departments but also contribute to advancing knowledge in the research community. So far, several postgraduate students have completed their studies using NIDS panel data in their dissertations, including 71 Honours, 27 Masters and 18 doctoral students from UCT alone. NIDS symbolises a successful partnership between government and academia that contributes to improving evidence-based policy-making.

NC Zuma

HON. DR NC DLAMINI-ZUMA, MP
Minister in the Presidency for Planning,
Monitoring and Evaluation

Introduction

A decade ago, the National Income Dynamics Study (NIDS) launched the first wave of a panel study that began to track an ongoing story of a country unraveling the legacy of apartheid and building something new.

Launched in the Presidency, it was intended to record the texture of people's lives on an ongoing basis. A longitudinal study, it can capture, like no other, the key changes in people's lives. It is the only such national panel study in the country and one of only a handful in the world.

Whereas the South African census, critical in its own right, gives us a 'snapshot' of the numbers of people, their employment and educational status, where they live and how they do so, at a particular moment in time, a longitudinal or panel study tracks the same scientifically based sample of people every two years. By doing so, NIDS can tell a story of who is moving into and out of poverty, what levels of education they are attaining, who is getting jobs and why, and where people live and why and where they move.

It has begun to tell a host of more complex stories too: about gender, about crime, about class, and about how knitted we are as a nation.

It began in 2008 with 28,000 panel members across 7,305 households and has returned to the same panel members every two years. These are called Continuing Sample Members (CSMs). If new members enter the households they too are interviewed. They are called Temporary Sample Members (TSMs). If a sample member leaves a household, the interviewer tracks them to where they have moved.

Now in its fifth wave, NIDS interviewed 39,400 individuals across 10,800 households in 2017. NIDS fieldworkers, generally young people, who are employed by Geospace International, a specialist

survey company, are patient and dogged, often returning several times to the same residence to ensure that every panel member is re-interviewed.¹ By 2017, there was some attrition, particularly from high-income panel members. Inclusion of everyone is important to ensure the story of a changing country is told correctly. To manage this, NIDS undertook what is called a sample top-up to ensure that the survey correctly represented all income brackets and population groups.²

After ten years, NIDS is now able to construct a more coherent narrative about the key changes in South African lives. It has consistently tracked poverty transitions, income, wealth, employment, inequality, health, and education through the waves. In addition, in its fifth wave, new questions have been introduced, and together with the ten years of data, these allow us to drill down into more nuanced issues of gender, the long-term effects of social policy such as the social grants, the longer-term intergenerational effects of wealth or poverty, and, importantly, an emerging new social stratification in post-apartheid South Africa.

We can determine, for instance, who exactly comprises the middle class, and why it is a complex concept in South Africa, because a significant proportion of people who may be part of the middle class at any one moment in time are still vulnerable to falling back into poverty.

It allows us to identify the triggers that propel people out of poverty, or plunge them back in, or the forces that keep people at the pinnacle of income distribution.

In addition, in this wave we have explored questions of what constitutes social cohesion and why financial literacy is important, and looked at critical policy issues such as the apparent growth in the illicit tobacco trade and its effects on both

fiscal and physical health.

We have looked at questions that pertain to the well-being of citizens – the psychological effects of poverty and marginalisation and how poor mental health and poverty can reinforce each other.

And because education is such a critical driver of both employment prospects and inequality in the country, we have examined in more detail how the new education policy of 'progression' affects learners and their prospects in both further learning and the labour market, as well as how our youth transition to adulthood and what difference gender plays in this journey.

Critical in all of this is what the findings mean for policy. South Africa, despite significant progress in the democratic era, is still a society burdened by poverty, unemployment, and inequality. If we are to eliminate poverty and reduce inequality by 2030 as the National Development Plan proposes, it is important that we understand the key triggers and drivers of these social afflictions.

What traps people in chronic poverty? What drives inequality? Why does it replicate itself over generations? Once we understand the dynamics, it is easier to develop a body of evidence-based policy to build a more equal and prosperous country.

This report is structured in the following way:

- We examine the findings on poverty, social stratification and employment volatility; this will include an examination of why an emerging middle class struggles to find a stable footing, and why poverty over time is more pervasive than at one particular moment.
- We look at childhood and examine how social grants can work more effectively. Can the effects of childhood stunting be over-

come and what role does financial literacy in caregiver play in the efficacy of social grants?

- We analyse the transitions to adulthood, including our education outcomes and the prospects for youth without matric. What happens to those who are no longer eligible for social grants? Are our investments in them effective in the longer term? Does the new education policy of 'progression' help channel young people into effective post-secondary options, and how do those who have not completed secondary schooling transition into the labour market?
- Finally, we look at what we have termed 'well-being' issues: the psychological effects of poverty, the specific role of gender in both the labour market and in youth policy, how financial literacy may improve economic well-being, the harmful effects of what appears to be a growing market in illicit tobacco trade, and the extent of social cohesion in the country.

Throughout, we will highlight the key policy lessons that emerge from the findings. These findings are made through a rigorous process that starts with comprehensive interviews with the NIDS respondents, and is followed by econometric analysis of the findings that seeks to answer key social and economic policy questions.

In this way, we hope to enable policy-makers, business, civil society and labour to better understand the texture of the country based on evidence and ascertainable measurements. We hope, too, that it will give us better insight into who we are as a nation, where our shortfalls lie, and how to reach our aspirations.

Key Personnel



Ms. Mpumi Mpfu is the Director-General (DG) of the Department of Planning, Monitoring and Evaluation (DPME). She has vast experience of working in the public service, having served as the DG for the departments of Defence, Transport and Housing. She also played leadership roles in state owned enterprises, having served directorships on the National Housing Board, the Gauteng Development Tribunal, the National Housing Finance Corporation and the National Home Builders Registration Council. She has also served as Chairperson on the South African Housing Trust, the Mvelaphanda Group Remuneration Committee and the United Nations International Civil Aviation Organization Group on Climate Change.



Dr Nditsheni David Makhado is currently the Chief Director of Research and Knowledge Management in the Department of Planning, Monitoring and Evaluation (DPME). He manages NIDS on behalf of the DPME. David has undertaken, managed and coordinated several strategic frameworks and research projects, including the development of the Gauteng Skills Master Plan. In addition, he chaired the Deans' Forum, Research Committee, PAIA Committee, Knowledge Management Forum, Best Project Awards Category and National Teaching Awards.



Ms. Mastoera Sadan managed NIDS from its inception in the Presidency in 2006 - 2014 and in the DPME from 2014 until April 2018. As the Project Director of NIDS she worked closely with the team at SALDRU on generating research papers, providing scholarships to students and training government officials, building the quantitative skills capacity in South Africa. Currently she is the Convenor of the Enhancing the Quality of Life Work Stream in the National Planning Commission Secretariat. She was until recently the Programme Manager of the Programme to Support Pro-poor Policy Development (PSPPD II) in the DPME. She managed this research and capacity building Programme from 2007 - 2018.



Professor Murray Leibbrandt is a Professor in the School of Economics at the University of Cape Town (UCT), holding the DST/NRF National Research Chair in Poverty and Inequality Research. He is the Director of ARUA's African Centre of Excellence for Inequality Research, and the Director of the Southern Africa Labour and Development Research Unit (SALDRU). He is a Visiting Professor with the Jackson Institute for Global Affairs at Yale University. His research analyses South African poverty, inequality and labour market dynamics using survey data and, in particular, NIDS panel data. He is one of the Principal Investigators on NIDS.



Professor Ingrid Woolard is a Research Associate in SALDRU at UCT, in addition to a Research Fellow at the Institute for the Study of Labour (IZA), the Commitment to Equity Institute, and UNU-WIDER. She has been one of the Principal Investigators of NIDS since Wave 1. Her research is strongly applied and policy-relevant, with a focus on poverty, inequality, social protection and fiscal policy.



Dr Cecil Mlatsheni is a Senior Lecturer in the School of Economics at UCT and a Research Associate of SALDRU at UCT. He is also a Principal Investigator on NIDS. His research interests lie in labour market analysis and youth unemployment in particular. He is a commissioner with the Department of Labour and sits on the Employment Conditions Commission. He has also been part of the Steering Committee of the Programme to Support Pro-poor Policy Development.



Associate Professor Reza C Daniels is a faculty member of the School of Economics at UCT and a Research Associate of SALDRU at UCT. He is also a Principal Investigator of NIDS Wave 5, having been a Co-Principal Investigator on NIDS Waves 2 and 3.



Dr Nicola Branson is a Senior Researcher at SALDRU at UCT. She was one of the Principal Investigators during Wave 5 of NIDS. Nicola's work primarily involves quantitative research on topics related to data quality, the economics of education and teenage childbearing. Her current project funded by the Kresge foundation, Siyaphambili, aims to build a hub for post-school education research in South Africa.

The core **NIDS team** is based within SALDRU at UCT and is proud to have been the implementing partner of NIDS for the Presidency and the DPME since 2008.



1. Poverty, Social Stratification and the Labour Market

Poverty in South Africa is pervasive. About half the population is trapped in extreme poverty, defined as being below the Food Poverty Line of R515 expenditure per person per month (in March 2017 rands).³ Although substantial progress has been made since 1994 in reducing poverty, mainly through the redistributive agency of social grants, ‘poverty rates remaining exceptionally high for a middle-income country.’⁴

In 2017, Statistics South Africa (Stats SA) reported that in 2015, 55.5% of the South African population could not afford to meet their basic needs – down from 66.6% in 2006, but up from 53.2% in 2011.⁵

But many more South Africans experience poverty as a dynamic phenomenon, not as a static state. They move in and out of poverty, showing there is significant mobility around, at least, the Upper Bound Poverty Line, defined by Stats SA as per capita expenditure of R1,503 a month. The NIDS panel data allows us to track poverty through time: whom it affects, when, and what triggers the changes.

NIDS researchers Zizzamia et al. (2019) have

used the panel study to examine these movements in and out of poverty and into and out of two important classes: the ‘transient poor’ and a ‘vulnerable middle class’.⁶ To track the transitions in and out of poverty, the researchers have tracked individuals who have appeared in at least two waves of NIDS since 2008. To estimate the duration of poverty, they have used all five waves of the survey and included only those adults who were successfully interviewed in all five waves – a balanced panel of 15,673.

This method enables them to tell a different story from a cross-sectional analysis that provides a ‘snapshot’ of the population at a particular point in time.

Their new study estimates that about 52% live in chronic poverty. But another 11.4% can be classified as ‘transient poor’, and about 19% are part of what we can call a ‘vulnerable middle class’. The transient poor, while not observed to be poor, are those who nevertheless remain at high risk of falling into poverty from one wave to the next.

So, poverty does, over time, affect even more than the 55.5% measured by Stats SA in 2017.

The chronically poor – those below the FPL – tend to be rural households, where the head is usually female and a single parent and unemployed. In fact, these households are substantially likely to be poor in four or five waves.

The rural/urban divide is distinct in dynamic poverty patterns. Only 2.5% of rural households remained non-poor throughout 2008 to 2017, while 82.9% were poor in four or five waves. In contrast, 24.7% of urban households remained stably non-poor (34.2 % were non-poor in four

or five periods), and 42.7% were poor in four or five periods. According to Zizzamia et al (2019), ‘While it is clear that persistent poverty is widespread even in urban South Africa, it continues to dominate the poverty landscape in rural areas.’⁸

The Stats SA figure masks the movements into and out of poverty. Zizzamia et al. (2019) estimate that over the five waves, about 85% of the population experienced poverty at least once – either as a short-lived spell, or as a persistent state.

TABLE 2: NUMBER OF SPELLS POOR BY VARIOUS CHARACTERISTICS

| | ALWAYS POOR | 4 SPELLS | 3 SPELLS | 2 SPELLS | 1 SPELL | NEVER POOR | NO. OF OBS. |
|-----------------------------------|-------------|----------|----------|----------|---------|------------|-------------|
| Total | 36.06% | 21.27% | 13.28% | 7.78% | 6.86% | 14.74% | 16786 |
| RACE | | | | | | | |
| African | 40.08% | 22.84% | 13.80% | 7.88% | 6.57% | 8.83% | 14122 |
| White | 0.00% | 0.00% | 0.05% | 1.94% | 4.46% | 93.55% | 247 |
| EDUCATION (household head) | | | | | | | |
| < Matric* | 41.87% | 23.41% | 13.94% | 7.88% | 5.48% | 7.41% | 13558 |
| Matric* | 11.65% | 13.19% | 12.06% | 7.09% | 12.50% | 43.50% | 1104 |
| Tertiary* | 1.26% | 5.33% | 7.14% | 8.94% | 14.82% | 62.51% | 779 |
| HOUSEHOLD TYPE | | | | | | | |
| Single parent household* | 42.09% | 26.30% | 14.20% | 4.82% | 4.92% | 7.67% | 2773 |
| Two-adult household* | 30.10% | 18.81% | 12.58% | 7.30% | 7.28% | 23.94% | 1294 |
| GENDER (household head) | | | | | | | |
| Female | 50.63% | 21.14% | 10.93% | 4.96% | 4.45% | 7.89% | 4916 |
| Male | 13.14% | 15.94% | 13.14% | 9.90% | 13.00% | 34.88% | 1503 |
| AREA | | | | | | | |
| Rural | 59.61% | 23.25% | 8.71% | 3.68% | 2.23% | 2.53% | 6776 |
| Urban | 23.92% | 18.75% | 13.92% | 9.24% | 9.50% | 24.67% | 6644 |

Notes:

- All cell proportions are weighted using Wave 5 panel weights.
- Age variables are defined as described in Table 3 above.
- Single parent households are defined as households with a single adult and one or more children. Two-adult households are defined as households with at least two prime-aged adults, with or without children.
- * denote those cases in which group variables are defined using Wave 1 values (2008). In these cases, where changes in household composition occur, these variables may not apply across waves for individuals. For example, we distinguish between households on the basis of the education of the household head in 2008. Household members of these households may move to other households where the household head is more (or less) educated, but here they remain classified as belonging to the group classified on the basis of the education of their household head in 2008.

TABLE 1: POVERTY RATES (%) FOR SOUTH AFRICA, 2008–2017

| POVERTY LINE (PL) | NIDS | | | | | STATS SA (2017) | | | | |
|----------------------------|-------|---------|-------|---------|-------|-----------------|------|------|------|------|
| | 2008 | 2010/11 | 2012 | 2014/15 | 2017 | 2006 | 2009 | 2011 | 2015 | 2017 |
| Poor (<UBPL) | 61.96 | 65.69 | 63.82 | 56.88 | 52.23 | 66.6 | 62.1 | 53.2 | 55.5 | .. |
| Food-poor (<FPL) | 36.34 | 42.00 | 37.82 | 30.38 | 24.71 | 28.4 | 33.5 | 21.4 | 25.2 | .. |

Notes: StatsSA (2017) and authors’ calculations using NIDS Waves 1 to 5 (post-stratified weights applied).

Persistent poverty affects between 76% and 85% of those classified as poor. So, poverty affects a much greater proportion of the population when examined over a period of time than at one particular moment.

1.1 Who is the middle class?

Because the NIDS data have allowed us to trace movements into and out of poverty, they have also allowed us to distinguish the strength, status, and durability of a middle class.

Why is a middle class important?

A strong middle class is usually an indicator of social and economic stability, a sign of the capacity of a society to steadily build and retain wealth. The apartheid government not only actively stymied the growth of a black middle class, but deliberately tried to destroy the precarious middle class that existed by taking away property rights, destroying businesses, and closing down the handful of private or mission schools that were a potential ticket out of poverty.

In the democratic era, the signs of a strong black middle class have been eagerly sought, both as a portender of success and stability as well as a concrete milestone in the transition.

The truth is more complex, though. Although the black middle class – and even elite – have grown substantially since the end of apartheid and in particular over the past decade, a significant proportion of those who have moved out of poverty have not moved up into the stable middle class but remain vulnerable to slipping back into poverty.

Through tracking movements into and out of poverty over time, NIDS researchers have been able to identify five distinct social classes: the chronically poor, the ‘transient’ poor, a ‘vulnerable’ middle class, a stable middle class, and an elite. The transient poor and vulnerable middle class

are very close to each other in character.

They are equally mobile, with close to 40% of the transient poor moving out of poverty between survey waves, and 49% of the vulnerable middle class falling back into poverty. In contrast, only about 12% of the stable middle class fell into poverty between the survey waves.

There are other similarities, too, in addition to the extent of mobility. The households in these groups are similarly sized, rely heavily on the labour market for income (nearly three-quarters in each case), are distributed in similar proportions between rural and urban areas, have comparable levels of education, and are predominantly African (with a smaller share of coloured members).

The main difference between the transient poor and the vulnerable middle class is in their expenditure levels. The former have a mean per capita expenditure of R754.13, which is between the FPL and the UBPL, while the vulnerable middle class has one of R2,331.93.

The most stable classes – those with the lowest propensity to move economically – are the chronic poor and the elite.

The elite, which comprises about 4% of the population, is almost three-quarters white, predominantly urban-based, has a monthly expenditure level much higher than the stable middle class (on average R25,659 compared with R4,536 per capita), and also earns much more from the labour market (R38,223 compared with R13,127). They also get a significant amount of their income from capital investments.⁹

Although the African component of the middle class and elite has grown significantly – from 47% in 2008 to 64% in 2017 in the case of the former, and from 14% to 22% in the case of the latter – Africans are still under-represented in the middle class, and whites over-represented, compared to their share in the overall population.

The geographic distribution of all five classes also tells an interesting story of the country’s

past and present. KwaZulu-Natal has the highest incidence of chronic poverty and the second-smallest middle class (after Limpopo). However, KwaZulu-Natal also has the fourth-largest elite (after Gauteng, the Western Cape, and Mpumalanga), indicating substantial inequality in that province.

Chronic poverty is lowest in the two most urbanised provinces of Gauteng and the Western Cape – which are also the two provinces with the largest middle class and elite.

1.2 Trigger events into and out of poverty

The major triggers that propel households into or out of poverty are labour market events, demographic events, and income events

More than one-quarter of all poverty entries are associated with the loss of a job, while gaining a job is associated with one-third of escapes from poverty. Demographic events, such as a death of a member of a household or entry of a new member, is associated with a sizeable share of the movements in and out of poverty, though a caveat regarding measurement is that household expenditure is then divided differently, among fewer or more people.

Race (African), location (rural), and low education are strong predictors of poverty. Tertiary education reduces the risk of falling into poverty by 14.8%.¹⁰

Rural households are more likely to be poor than urban households, although the chances of escaping poverty for poor urban households is not significantly different. Interestingly, access to basic services is associated with a 5% lower vulnerability to poverty.

But the strongest predictor of household poverty is whether a member of the household has a formal-sector job or not.

1.3 Employment volatility

As with the transitions in and out of poverty, South Africa experiences high rates of ‘churn’ in the labour market by international standards.¹²

Just as a stable and sizeable middle class is a key ingredient to democracy, so is stable and predictable employment. The stable middle class is associated closely not only with employment but with the nature of that employment – a stable job, preferably with a contract, is strongly associated with being stably middle class.

In the same way as NIDS data have enabled us to trace transitions in and out of poverty over the past decade, so in this fifth wave we have been able to track transitions in and out of employment.

Limiting the sample to adults who in 2008 were between 25 and 50 years of age – that is, prime working age – NIDS researchers were able to track 3,172 individual workers over the full five waves of NIDS and observe their movements into and out of employment.

Because of the long-term effects of structural unemployment – namely, that a high proportion of jobseekers give up looking for work – researchers do not distinguish between those who are not economically active (NEA) and those who are unemployed. In terms of race, they distinguish between ‘African’ and ‘non-African’, because the sample of the latter is relatively small.

About 30% of the panel were employed in all five waves and a further 16% in four out of the five waves. In contrast, 13.3% have never been employed in the past decade, and about 16% have not been employed in four of the five waves.

Most striking is the extent of volatility in the employment market: 27%, more than one-quarter, transitioned frequently into and out of employment over the period, being employed in two or three waves.

In terms of race, 27.6% of Africans were always

employed, as were about 40% of non-Africans. Close to 17% of Africans and 13.6% of non-Africans were employed in four of the five waves. As many as 13.6% of Africans were never employed over five waves, compared with 9.8% of non-Africans.

In terms of gender, men were more likely to be employed in four or five waves than women, and women were more likely to be employed in only one wave than men. About 18% of women have never been employed, compared with only 5.8% of men.

Men are twice as likely as women to be employed in all five periods and one-third as likely to be unemployed in the same period. Moreover, almost two-thirds of men (63.7%) were employed in four out of five periods compared with about one-third (34.7%) of women.

This shows that men are more likely to experience unemployment as a transient state than women.

The patterns of employment to a large extent mirror the patterns of poverty persistence – those most vulnerable to chronic unemployment or to employment volatility are Africans, women, and those living in rural areas.

Age and level of education are also strongly associated with employment prospects. Only one-fifth of those with less than matric are consistently employed. One-third have either never been employed or are employed in only one wave. But post-secondary school qualifications make an enormous difference to employment prospects: 60.4% of those with these qualifications were employed in all five waves, whereas only 6.7% were not employed in four of the five periods.

Younger people are more vulnerable to chronic unemployment or employment as a transient state. About 21% of those aged between 16–24 years have never been employed and 24% in only one wave.

Although young people are more likely to have more years of education than older people, particularly as basic schooling is compulsory in the democratic era, those with incomplete secondary schooling are disadvantaged by the rapid increase in labour supply into the low or semi-skilled job market. For many youth, chronic unemployment is experienced as a trap: lengthy periods of being outside the labour market send negative signals to employers, as does a transient state of employment.

There is also a marked difference between employment prospects between rural and urban areas.

*'Chronic unemployment is above all a rural phenomenon in South Africa, and this is also the primary determinant of the chronic poverty observed in rural areas.'*¹³ In the latter, 43.3% of adults are unemployed in four or five periods, compared with 20.4% of urban adults. Only about 15% of rural adults are consistently employed in all five waves, compared with nearly 37% of their urban counterparts. Rural people are also more likely to experience volatility in employment – being employed in two or three periods out of the five – although the difference with urban areas is not as marked as it is with chronic unemployment.

Chronic unemployment in rural areas is also linked to persistent poverty there. Being poor compromises the ability to find a job because of the high costs of job search, as well as what has now been established as the severe psychological burdens of poverty.¹⁴ The transition patterns of poverty – and the statistics on chronic poverty – are closely associated with persistent unemployment. The initially non-poor are twice as likely to have remained employed over the full five periods, whereas the initially poor are three times as likely to have remained unemployed over all five waves.

TABLE 3: NUMBER OF PERIODS EMPLOYED

| NUMBER OF PERIODS EMPLOYED | ALWAYS EMPLOYED | 4 PERIODS | 3 PERIODS | 2 PERIODS | 1 PERIOD | NEVER EMPLOYED | NO. OF OBS. |
|----------------------------|-----------------|-----------|-----------|-----------|----------|----------------|-------------|
| Total | 29.74% | 16.02% | 14.42% | 12.62% | 13.91% | 13.29% | 3,595 |
| African | 27.60% | 16.73% | 14.55% | 13.32% | 14.20% | 13.59% | 2,970 |
| Non-African | 40.21% | 12.47% | 14.42% | 10.39% | 12.63% | 9.87% | 594 |
| < Matric | 21.56% | 15.67% | 15.47% | 14.17% | 16.48% | 16.65% | 2,728 |
| Matric | 37.86% | 16.93% | 13.08% | 12.49% | 11.44% | 8.18% | 517 |
| Tertiary | 60.43% | 16.83% | 10.81% | 5.23% | 3.62% | 3.08% | 345 |
| Youth (16-24) | 5.74% | 11.35% | 14.95% | 22.81% | 24.04% | 21.11% | 2,089 |
| Prime (25-50) | 29.74% | 16.02% | 14.42% | 12.62% | 13.91% | 13.29% | 3,591 |
| Older (51-64) | 7.97% | 7.72% | 12.60% | 13.16% | 24.24% | 34.32% | 1,214 |
| Female | 20.76% | 13.97% | 14.71% | 14.41% | 18.22% | 17.93% | 2,428 |
| Male | 44.28% | 19.37% | 13.89% | 9.83% | 6.85% | 5.78% | 1,167 |
| Urban | 36.77% | 16.80% | 15.10% | 10.94% | 10.33% | 10.05% | 1,666 |
| Rural | 15.05% | 13.14% | 11.79% | 16.70% | 22.31% | 21.02% | 1,313 |
| Poor | 17.69% | 16.22% | 16.39% | 16.12% | 16.40% | 17.17% | 2,748 |
| Non-poor | 51.16% | 15.64% | 10.92% | 6.39% | 9.48% | 6.41% | 843 |

Notes:

- All cell proportions are weighted using Wave 5 panel weights.
- Except for results presented for different age categories, all other results apply only to adults aged between 25 and 50 years in 2008.
- 'Non-African' identifies whites and coloureds. The Indian sample is small, and has been omitted.
- 'Poor' and 'Non-poor' categories are defined using the StatsSA Upper Bound Poverty Line (R1,136 in March 2017 rands) and per capita household consumption.
- Unless otherwise stated, all restrictions applied (Column 1) are defined using Wave 1 variables (2008).

SOURCE: ZIZZAMIA, R. AND RANCHHOD, V. MEASURING EMPLOYMENT VOLATILITY IN SOUTH AFRICA USING NIDS: 2008–2017.

1.4 Conclusion and policy implications

What do these findings – about poverty persistence and transience, about the small stable middle class, and about employment volatility – mean for government interventions and policies?

The evidence points to several strategies to promote the growth of a stable middle class and provide avenues out of poverty for disadvantaged South Africans. Better access to high-quality education, proximity to urban centres that provide economic opportunity, and the presence of a formally employed member in the household are all factors that reduce inequality of opportunity and limit the impact of parental socio-economic background in determining vulnerability to poverty.

Government should also investigate improving access to insurance and financial services for the vulnerable middle class and poor, with the aim of closing off pathways into poverty.

Similarly, in the labour market we can identify

three distinct groups: the stably employed, the precariously employed, and the persistently unemployed.

Precarious employment affects different groups unevenly: the worst affected by either chronic or volatile unemployment are young people, particularly those with incomplete secondary education, African women, particularly those who live in rural areas, and those who have not completed secondary school.

In terms of policy, the challenge in the urban areas is to reduce the precariousness of employment, but in rural areas, significant job creation projects are crucial for overcoming both chronic unemployment and poverty.

Post-school training opportunities are essential for beginning to dent youth unemployment. We will expand on the position of youth without completed secondary education below.

In the meantime, though, social grants remain indispensable for the survival of the poorest South Africans.

2. Childhood, Growth, and the Role of Social Grants

For many South Africans, life's chances begin in the womb. The importance of the 'first 1,000 days', from conception until the second birthday, 'is a period of rapid growth and neurological development. Nutritional insults over this "window of opportunity" therefore may have long-term consequences for cognitive function and other developmental outcomes.'¹⁵

Early stunting can lead to late enrolment in school, slow progress and poor educational outcomes. Incomplete secondary education is associated with poor employment and income outcomes later in life. Thus, early maternal and child nutrition programmes are essential to help break an intergenerational cycle of poverty.

Child support grants make up about 12 million of the 17 million social support grants currently distributed by the government. The child support grant (CSG) has been one of the most effective tools of redistribution and has had a profound impact on both nutritional and educational outcomes for the children who receive them.¹⁶

The NIDS surveys have tracked both the proportion of children who receive grants and identified them in terms of geographic location, race, and household income. Now after five waves – that is, ten years – of the NIDS surveys, some of the long-term effects of the child support grants can be assessed in more detail.

Child well-being has been measured in terms of early childhood development (ECD) and school enrolment, anthropometric measurements, and caregiver perception of the child's health.¹⁷

NIDS has now tracked the longer-term outcomes of the grants on children who were eligible for them in 2008 at the time of the first wave of

NIDS. It can also assess what happens to young people after they 'graduate' from the grants at age 18.

NIDS follows each member of a household: it asks a caregiver about children in the household, their education, whether they receive a grant, and what their health status is. It also measures and weighs them so that their height-for-age ratios and nutritional status can be assessed.

In Wave 5, NIDS assessed a sample of 3,785 children across 2,973 households.

As in Wave 1, there is a strong relationship between household income and grant receipt, although the indications are that more eligible children have taken up the grants. In 2008, 29% of children in poorer households were not receiving grants (compared with 87% in richer households who were not). In 2017, the proportion of children in poorer households not receiving them had dropped to just 8% (compared with 72% of those in the wealthier households not receiving them).¹⁸

In Wave 1 in 2008, 69% of children in the poorest quintile were receiving grants. This had increased to 87% in 2017. Similarly, 80% of children in quintile 2 received the CSG in 2017, compared with 63% in 2008. **This indicates that grants are targeting the poorest households more effectively.**

Overall, there is a much higher uptake of grants in 2017 than there was in 2008. In 2017, only 22% were not taking up grants, compared with 40% in 2008. The proportion of those who benefit from the foster care grant (FCG) has also increased, from 1% to 4% of children between 2008 and 2017.

Overall, 78% of children were grant beneficiaries in 2017.

TABLE 4: GRANT RECEIPT IN 2008 AND 2017 BY HOUSEHOLD EXPENDITURE PER CAPITA QUINTILE

| QUINTILE | 2008 | | | | 2017 | | | |
|----------|------|-----|-----|-----|------|-----|-----|-----|
| | NONE | CSG | FCG | CDG | NONE | CSG | FCG | CDG |
| 1 | 30% | 69% | 1% | 0% | 8% | 87% | 5% | 1% |
| 2 | 35% | 63% | 1% | 0% | 14% | 80% | 5% | 1% |
| 3 | 48% | 52% | 1% | 0% | 25% | 71% | 3% | 1% |
| 4 | 67% | 33% | 0% | 0% | 51% | 48% | 1% | 0% |
| 5 | 87% | 9% | 4% | 0% | 72% | 22% | 0% | 5% |

Notes: CSG (child support grant); FCG (foster care grant); CDG (care dependency grant)

SOURCE: BUDLENDER, D. FACTORS INFLUENCING GRANT CONTINUITY AND WELL-BEING OUTCOMES FOR CHILD GRANT BENEFICIARIES.

What are some of the longer-term effects of the grant on recipients? Who are they, what kind of households do they live in, and how continuous has receipt been?

The vast majority (89%) of those receiving grants are African. Seven percent are coloured, two percent white, and one percent are Indian.

About half live in urban areas, 44% in the 'traditional' rural areas (old homelands), and about 4-5% in commercial farming areas.

In the nine years between Wave 1 and Wave 5, it appears many children have moved homes. About 13% moved to a different district and about 12% to a different type of area. This can affect conti-

nunity in grant receipt. Although about two-thirds of children received a grant in four or five waves, there was a slightly stronger likelihood for those who did not move to continue receiving the grant than for those who moved.

However, the provincial distribution of grants in 2017 is similar to that in 2008, with highest proportion of recipients in Limpopo in 2008 and the second highest in Mpumalanga. By 2017 the highest proportion receiving the CSG was both KwaZulu-Natal and Limpopo, with a slightly higher proportion in Limpopo receiving the FCG. About two-thirds of the children received a grant in four or five waves, showing marked continuity.

TABLE 5: GRANT RECEIPT IN 2008 AND 2017 BY PROVINCE

| PROVINCE | 2008 | | | 2017 | | |
|---------------|------|-----|-----|------|-----|-----|
| | CSG | FCG | CDG | CSG | FCG | CDG |
| Eastern Cape | 65% | 1% | 0% | 76% | 6% | 1% |
| Free State | 62% | 0% | 1% | 64% | 4% | 0% |
| Gauteng | 43% | 2% | 0% | 65% | 3% | 1% |
| KwaZulu-Natal | 64% | 2% | 0% | 80% | 4% | 1% |
| Limpopo | 74% | 1% | 0% | 80% | 3% | 1% |
| Mpumalanga | 68% | 0% | 0% | 76% | 3% | 1% |
| North West | 63% | 0% | 0% | 72% | 3% | 0% |
| Northern Cape | 62% | 2% | 1% | 76% | 2% | 1% |
| Western Cape | 35% | 0% | 0% | 62% | 1% | 2% |

Notes: CSG (child support grant); FCG (foster care grant); CDG (care dependency grant)

SOURCE: BUDLENDER, D. FACTORS INFLUENCING GRANT CONTINUITY AND WELL-BEING OUTCOMES FOR CHILD GRANT BENEFICIARIES.

TABLE 6: CHILDREN BY NUMBER OF WAVES IN WHICH THEY WERE GRANT BENEFICIARIES

| NUMBER OF WAVES | CSG | % | ANY GRANT | % |
|-----------------|-----------|------|-----------|------|
| 0 | 1 002 051 | 13% | 1 059 147 | 13% |
| 1 | 388 382 | 5% | 520 195 | 7% |
| 2 | 462 922 | 6% | 583 897 | 7% |
| 3 | 872 760 | 11% | 890 880 | 11% |
| 4 | 1 992 964 | 25% | 1 954 720 | 25% |
| 5 | 3 237 650 | 41% | 2 947 890 | 37% |
| Total | 7 956 729 | 100% | 7 956 729 | 100% |

Notes: CSG (child support grant)

SOURCE: BUDLENDER, D. FACTORS INFLUENCING GRANT CONTINUITY AND WELL-BEING OUTCOMES FOR CHILD GRANT BENEFICIARIES.

The NIDS analysis offers revealing insights into the ways that grant-recipients' households are changing.

Between the two waves, there has been a substantial decrease in the number of children who live with both parents.

In 2008, 78% of children lived with both their biological parents. A further 16% had a living mother but were not residing with her. By 2017, 70% of the children were living with their biological mothers, while 18% had a living mother but did not live with her. Only 30% were living with both biological parents. Far fewer children live with their fathers – 32% in 2008 and 29% in 2017.

Just more than half the children had the same caregiver in 2017 as they had in 2008. Those living with their mothers are more likely to benefit from the grant. But the opposite holds true in respect of fathers.

The likelihood of both parents being main caregivers increases with household wealth and income. But for most children, a middle-class nuclear family is not common. Only 14% of the children surveyed are raised either in nuclear families or single-parent families with only other siblings resident in a household.

There are marked differences in the profile of households across quintiles. Just more than half of children in the wealthiest quintile are in nuclear households, with a further 17% in lone-parent households. In the poorest quintile, in contrast, only 7% of the children are in nuclear households and 9% in lone-parent households. *'While these patterns imply that there are likely to be more potential caregivers in the poorest households, there are also generally more children needing care in these households.'*¹⁹

The type of household also correlates strongly with race: 57% of white children live in nuclear households, as do 66% of Indian children. However, only 27% of coloured children and 12% of African children are raised in nuclear households.

Measuring the outcomes of grants – health and education (appropriate age for grade) – shows there is a positive association between these and the number of waves over which grants are received.

However, living with a father, the death of a parent, or changing districts during this period, all decrease the chances of benefiting from grants.

Importantly, though, the range of positive factors associated with grant receipt reflects the situation of children in better-off homes, so it appears that grants 'smooth out' many of the features associated with poverty, particularly when it comes to education.

2.1 Stunting: Its effects and how to counter it

In spite of the generally positive effects of grants, there is evidence that, to become more effective, public health and child support interventions need to target nutritional deficiencies in utero and in early childhood.

Poor nutrition in early childhood is usually manifested in stunting – a compromised height-for-age ratio. South Africa, notwithstanding its relatively middle-level per capita GDP, was found in 2013 to be one of 34 countries responsible for 90% of the world's child malnutrition burden.²⁰

According to one study, the prevalence of stunting in the country is 27%, which makes this an important policy focus.²¹

Moreover, there is evidence that stunting is inter-generational. Mothers who were stunted as children are more likely to have children who are stunted.²²

In Wave 4, NIDS established that stunted children not only started school later but progressed through school at a slower rate. About 30% of those children who were stunted in 2008 failed at least once by 2015, compared with 20% of those not stunted.²³

CAN STUNTED CHILDREN 'CATCH UP'?

Although the CSG has generally had a positive effect on child nutrition and there is evidence of children who were initially stunted having 'caught up', a big question is whether subsequent 'catch-up' growth (at the age of 2–4 years) mitigates the effects of initial stunting.²⁴

In NIDS Wave 5, we can determine that, on average, those children who appear to recover from stunting between 2 and 4 or 5 years old still complete fewer years of schooling than their non-stunted counterparts.

But, interestingly, the results are heterogeneous. There is a small group of children who recover from stunting and who do not appear to be affected by initial stunting in terms of years of schooling completed.

In South Africa, there has been evidence of substantial catch-up, but for most children, it does not substantially improve their chances of completing more years of schooling, or having more successful educational outcomes compared with their non-stunted counterparts.

The NIDS Wave 5 sample was relatively small because it was restricted to a specific age range, and a requirement to assess progress is that the children be surveyed in at least three waves.

The key method was to look at children from age 2 who had previously been two standard deviations below the WHO height-for-age ratio score (HAZ) and then assess their catch-up two years later from ages 4–5.

The key educational outcomes assessed were

- the number of grades a child has passed;
- enrolment in Grade 1 or higher in 2017;
- age at first enrolment;
- outcomes of the previous year; and
- grade for age.

By Wave 5, in 2017, the youngest children should be in Grade 1 and the oldest in Grade 6.

In terms of the sample, just under 62% of children were not stunted in both periods; 12% were stunted in both; 19% had recovered from stunting by the second time, but of this group the majority (68%) did not show complete catch-up. Only 32% had caught up to such a degree that their HAZ scores passed a normal or -1 threshold (one standard deviation below the WHO norm).

The findings were that those who were stunted in both periods had completed significantly fewer years of schooling than those who were not stunted. But even those who caught up tended to start Grade 1 a little later than those who were never stunted. In addition, both those who remained stunted and those who had caught up were more likely to have failed a grade and made slower progress through school.

So, although two-thirds of the children who were initially stunted caught up, they still did worse in school than those who were never stunted. However, those who became stunted a little later in life – from the age of 2 – showed no difference in terms of schooling outcomes.

As mentioned, there appears to be some heterogeneity in the catch-up group: there are those who show a complete catch-up and others whose catch-up is incomplete. The complete group generally did no worse than group who were never stunted. Only those whose HAZ score at the age of 5 crossed the -1 threshold did equally well on cognitive tests

Those who do not catch-up completely show significantly worse outcomes in terms of schooling.

But of those stunted at 2, only 30% reach -1HAZ score at 4 or 5. This means the majority of those who were stunted never reach full cognitive potential.

So, catch-up growth may mitigate harmful effects of stunting only if it is complete or at least substantial.

The fact that the prevalence of stunting is relatively high and that it has such long-term detrimental effects earmark this as an important policy focus. There must be remedial help for those who still suffer the effects of stunting, but, more importantly, a focused intervention in terms of maternal and early childhood nutrition to prevent it.

2.2 The role of financial literacy in caregivers

As much as there is evidence that cash transfers in the form of child support grants help to mitigate malnutrition and improve educational outcomes for children from poorer households, there is increasing evidence that the effects are heterogeneous, and other factors may play a role in their efficacy.²⁵

As seen in the discussion of stunting above, the key question is why children are still suffering from the effects of stunting more than two decades after the CSG was first introduced. The analysis of take-up of the grants (see above), helps to explain some of the uneven effects – that is, although increasing numbers have taken it up over the years of the NIDS survey, it is still not universal.

But another factor identified in the NIDS Wave 5 analysis has been the role that financial literacy plays in the quality of nutrition provided by caregivers to children on CSGs.

In this Wave, four questions were asked for the first time to determine the levels of financial literacy. They were multiple-choice questions, modeled on similar international surveys, testing an understanding of basic numeracy, inflation, compound interest and risk diversification (see Appendix).

Although children who receive a grant have been shown to improve their nutritional status almost immediately (measured by height-for-age), those who have more financially literate caregivers show higher growth trajectories over time.²⁶

The researchers tracked a cohort of children who were aged 0–7 in Wave 4 (2014/2015) and then analysed their progress again in 2017, taking the financial literacy questions into account.

It should be noted that the analysis of financial literacy is essentially a cross-section – it cannot yet be tracked over time as this was the first wave in which the questions were asked.

The key question was whether CSG-eligible children (those whose caregivers in terms of the mean tests have an income less than R3,800 a month) have a height advantage if the caregiver is more financially literate.

Caregivers who receive child support grants are likely to be younger and more educated than those who are eligible for other grants such as the old-age pension. Recipients of child support grants, previous research has shown, are more likely to show more financially responsible behaviour, spending more money, for instance, on food and education for children.

This means the child support grants have an immediate beneficial effect. But combined with financial literacy, the effect is more profound. Financially literate caregivers are more likely to open bank accounts and to get medical aid for children.

It is not clear yet which precise factors account for better nutrition in children whose caregivers are both recipients of the CSG and are financially literate. Certainly, one condition without the other does not seem to make a difference.

However, the evidence shows that children whose caregivers are both financially literate and receive the CSG *are likely to receive a permanent*

advantage. The research is not yet clear on why exactly there is this effect of the combination of financial literacy and better nutrition, but the evidence is clear – improved financial literacy combined with the CSG can alter the growth paths of children.

One theory is that although the proportion of income spent on food may be the same between financially literate and non-financially literate caregivers, the former may channel their resources into more nutritious food.

‘Information on household conditions, which help to explain larger impacts of cash transfers, can be a powerful tool in the hands of policy makers, as it highlights potential areas for effective interventions to improve grant efficacy,’ write Von Fintel et al. (2019).

2.3 Conclusion and policy implications

Social grants have been one of South Africa’s more successful policy inter-

ventions to alleviate poverty and ‘smooth out’ the worst effects of poverty.

However, as the state invests substantial resources in these grants, it is important that they yield high returns. The following are some of the key improvements that can be made:

- Ensuring continuity when a child moves from one location to another or gets a different caregiver.
- Attention should be paid to halting stunting by improving maternal nutrition and education programmes, and to special nutritional interventions where necessary for infants until the age of 2. This will improve not only the welfare of children but their education outcomes.
- Attention should be paid to improving the financial literacy of caregivers who receive social grants so that they are more empowered to make better decisions about nutrition, savings and medical care.

3. Youth, Education and the Transition to Adulthood

Although the state invests heavily in children under the age of 18 – not only through social grants but health care, nutritional support at school, and education – many young people face a precarious future when they turn 18.

No longer eligible for the child support grants, many may not have completed secondary school and are particularly vulnerable to unemployment and its associated levels of stress and depression.

Instead of contemplating new training opportunities that could lead to careers, they face an uncertain and impecunious future.

How do those who have been the beneficiaries of child support grants fare once they reach adulthood, and how do we promote the effects of social grants beyond childhood?

These were two key questions NIDS researchers tried to answer with data from the five waves of the survey.

The answers are not encouraging. Children who get the grant do better than those who do not (from eligible poorer-quintile households) in terms of years of education completed and self-reported health status. But they are no more likely to complete matric or find employment, 'so we are not realizing the demographic dividend,' as Graham et al. (2019) note.

The researchers examined a sample compris-

ing about 1,100 young people who were 21 and 22 years old by Wave 5 and who lived in a household with expenditure of less than R1,000 per capita in 2008 (Wave 1). Two-thirds (66%) had received the grant for at least one wave. The four key outcomes that were assessed were health, education, employment status, and income.

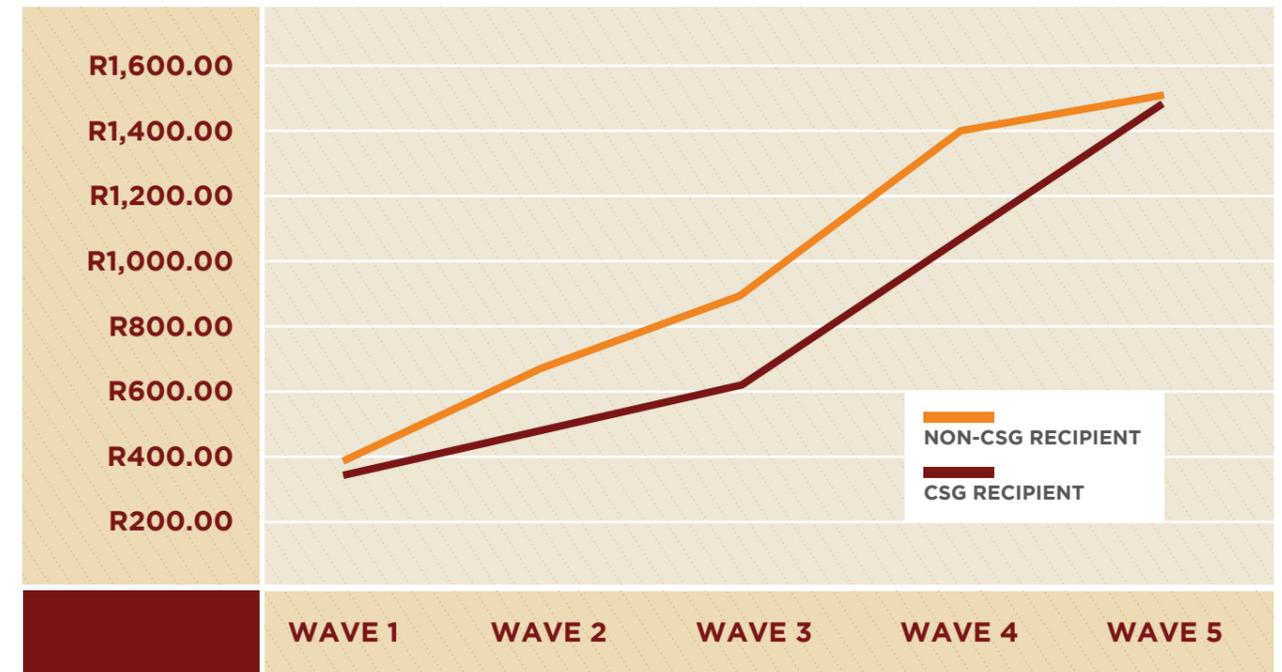
Most of the sample were African (89%) followed by coloured youth (10.4%), and nearly two-thirds (65%) lived in rural areas in Wave 1.

In terms of self-reported health status, the CSG recipients reported better health. Their years of education were slightly more than those who did not receive the grant: 8.87 as opposed to 8.85. But this does not translate into matric attainment. 'Across the sample, matric attainment was low (11%) and there were no significant differences in attainment between those who were or were not CSG beneficiaries.'²⁷

There was no real difference in employment status, either: about 40% of the entire sample was classified as NEETS – that is, Not in Employment, Education or Training.

Non-CSG recipients were slightly more likely to be employed than CSG recipients, though not significantly so, and their household income was somewhat higher than CSG recipients across four of the five waves, but this has narrowed somewhat in the most recent wave.

FIGURE 1: AVERAGE PER CAPITA HOUSEHOLD INCOME OVER TIME BY RECEIPT OF CSG AS A CHILD



SOURCE: GRAHAM, L., GREYLING, T. AND KOPYLOVA, N. REALISING A DEMOGRAPHIC DIVIDEND? A PANEL ANALYSIS TO ASSESS THE OUTCOMES OF POST-CSG BENEFICIARIES.

This is not altogether surprising as those from poorer households are more likely to have applied for the CSG initially.

But it is a matter of concern that those who have received the grants do no better on average in terms of matric attainment, nor in employment prospects than their non-CSG peers. So, it is clear that the CSG alone is not sufficient to shift some of these key outcomes.

Researchers calculated the effects on CSG beneficiaries on health, education, and employment to assess the difference the grant might make on health, education and employment.

HEALTH Health is shaped by demographic factors – coloured youth have slightly better health status than African youth, and men slightly better than women. It is clear, though, that having received a CSG and the length of time one receives it has a positive effect on self-reported health status.

EDUCATION The findings on educational outcomes are more concerning: overall, by Wave 4, CSG beneficiaries are less likely to have matric than non-beneficiaries. As Graham et al. (2019) suggest, this can be explained partly by the fact that a high concentration of CSG beneficiaries are in rural areas, 'where matric completion is substantially lower than for those living in urban areas'.²⁸

Household employment and demographic events also have an effect on educational outcomes: a mother losing her job or the death of a household member has a negative effect.

EMPLOYMENT CSG beneficiaries are no more or less likely to be employed than non-beneficiaries. But demographic factors also play a key role in finding employment. Those who live in, or move to, urban areas are more likely to find employment, males are more likely than females to find

jobs, and if more members of a household are employed, this strongly increases the chances for young people trying to find jobs. This is probably because of the critical role played by strong social networks in employment outcomes, as previous research has shown.²⁹

But the key policy issue is that CSG beneficiaries do no better in the two most critical challenges for youth – matric attainment and employment – than non-beneficiaries.

So, although the state invests considerable resources into the development of children, young people are not necessarily reaping the long-term benefits of this. In fact, the inequalities – between school quality, urban and rural, male and female, and race – are actually replicated in the years straight after childhood.

The high number of NEETS in the sample is a serious concern and highlights the importance of developing sustainable pathways for young people from school to further training and employment.

Moreover, it is a reflection on the poor quality of public education – particularly in the lower quintile schools in rural areas – that children on social grants do not pass matric. There is clear evidence that those who attend quintile 1 schools have income outcomes that are, overall, between 11% and 14% less than those who attend quintile 4 or 5 schools.

Graham et al. (2019) note: *‘While investments in the CSG play a critical role in alleviating the effects of childhood poverty such as poor nutrition, it cannot address challenges in the education system. The failures of the education system seriously undermine the gains of the CSG during childhood.’*³⁰

CONCLUSION AND POLICY IMPLICATIONS

Many of the failures in education and employment are structural and embedded in the deep inequalities in the country. Yet the government needs to make better and more timely interven-

tions to realise better returns on the considerable investments it makes in the CSG. For instance, the researchers suggest, among other things:

- Education officials need to flag those at risk from not completing school, or whose progress is set back by the death of a household member, by offering support to stay in school, counseling and mental health services.
- The government needs to link its data more effectively to ensure that those who reach matric are linked to financial services that can support them in post-secondary education.
- There should be active interventions, as indeed some non-governmental organisations recommend, to link young people to employment opportunities. In the absence of substantial social capital, this is critical, and the evidence is that such interventions can help young people find work.³¹

It is clear that although it has done much to cushion children from the effects of poverty, the CSG alone is not sufficient to chart a pathway out of it.

3.1 Incomplete secondary schooling and the effects of education policy

In a complementary analysis, Branson et al. have used the five waves of NIDS data to examine the longer-term socio-economic effects of incomplete schooling.

It is well established that young people without matric struggle for longer to find work, and even when they find a job it is often unstable.

The high costs for those who drop out of school before completion are well established in the international literature and are becoming apparent in South African studies. They include a perpetuation of poverty, ill health, both physical and mental, and higher incarceration rates.³²

In South African schools, enrolment in the early grades is high, but there is a substantial drop-out rate in the later grades. About 50% of those who start school do not make it to matric, and only about 40% graduate from Grade 12 with a matric certificate.

Previous NIDS research established that at least two-thirds of those without matric suffer long terms of unemployment. Even if they do find work, it is likely to be unstable. Those from poorer households in particular are more likely to remain consistently unemployed.

Education in South Africa is compulsory from Grade R to Grade 9 (or aged 15). After that, learners should enter the last three years of school (the FET stage), or transition onto a path that allows them to access the technical and vocational education and training system (TVETs).

However, relatively few youth access this.

The four main reasons for dropping out, according to national surveys, are lack of finance and – linked to that – looking for a job, pregnancy, and failing a grade.

Research from the first three waves of NIDS found that ‘not keeping pace at school’ was a fundamental reason for dropping out and that, in turn, is correlated with socio-economic status and school quality.³³

Those who leave school before completing matric are the most vulnerable group in the country. Apart from their poor employment prospects, 65% are from households below the poverty line and two-thirds of them are defined as NEET.

This is not only severely debilitating to the young people concerned, but it poses a huge concern for society at large that such a substantial proportion of youth are effectively directionless, jobless, and without key support at a time in their lives when they most need it.

Prolonged bouts of unemployment, and expensive and fruitless job searches, research has shown, leads to depression and despondency, ex-

acting a severe toll not only on the young people concerned, but on their families, communities, and indeed – in terms of increased costs on justice, policing and the effects of substance abuse – on the entire society.

There is a strong relationship between matric and success in the labour market. Even though matriculants often struggle to find work (in comparison with those with tertiary education), they are nonetheless 9% more likely to find it within two years than for those without matric. But although the government has begun to show grave concern about the social challenges posed by NEETS, *‘the policy environment makes little distinction between different types of NEET,’* particularly between those with and without matric.

In Wave 5 of NIDS, researchers have now examined the transitions of the cohorts of youth tracked in all five waves who left school without completing matric.

The longitudinal data is well suited to enable us to compare, over a period, the outcomes of those who left school without a matric with those who left with a matric.

The sample comprises all youth aged 15–35 in Wave 1 and who were interviewed in four subsequent waves. Their trajectories in and out of the labour market could be tracked. The total sample interviewed in all five waves is 4,749.

In Wave 1, a large proportion (understandably) had not completed secondary education, as many were still at school.

By Wave 2, 58% of youth who had not completed school were not enrolled in any kind of education, and by Wave 3, 77% were not enrolled in any kind of education.

In 2008, of those who were not enrolled, 28% of matriculants were employed in a full-time job, while only 17% of non-matriculants were.

The proportion of young people who were unemployed by the strict definition was roughly the same for matriculants and non-matriculants

(28% and 27%, respectively). But more telling is the proportion who are defined as broadly unemployed- in other words, those who have given up looking for work.

According to Branson et al. (2019), *‘[Twelve per cent] of youth without matric (double the share within the matric group) want to work, but have not sought work in the last 4 weeks, suggesting high costs and low rewards to seeking work for this group. A further 23% of youth without matric who are not enrolled are NEA [Not Economically Active], indicating that they are no longer seeking or available to work.’*³⁴

Of this group, the vast majority (81%) were female. More than half indicated that domestic and child responsibilities were the main reasons they were not available to work.

Nearly two-thirds of the youth who were defined as NEET were those without matric. It should be noted, though, that about half of those with matric were also NEET. However, matricu-

lants had a much stronger connection to the labour market, with 41% employed and 28% actively looking for work.

Over five waves, of those who had not completed secondary education by 2008, 12% were not NEET in all five waves, but 19% were – that is, they were jobless and not in education or training in each of the five waves, and therefore for ten consecutive years. Only 3% re-entered the education system in one or two waves across the period.

As is the case with poverty and employment, there is substantial transitioning in and out of NEET states in the five-wave period: 41% who were NEET in Wave 1 had moved out of it by Wave 5, but one-third of those not NEET in Wave 1 became so by Wave 5.

A critical point is that those without matric remained in the NEET state much longer on average than those with matric. In 2008, half the youth who had not completed matric had been NEET for more than five years.

Although there is movement in and out of NEET states across the waves, the panel of non-matriculants tended to remain in their state as either NEET or not NEET across waves. *‘Importantly, the probability of these youth remaining in the NEET state from one wave to the next was much higher (by approximately 40 percentage points) than the probability of moving out of the NEET state and into a non-NEET state.’*³⁵

Because this is largely determined by employment, it suggests that it is easier for the employed to remain employed than for an unemployed person to find a job.

This is critical: the pathways of matriculants throughout the ten-year period are quite distinct from those of non-matriculants. While both comprise relatively large groups of NEETs at any one time, about two-thirds of the matriculants (63%) spend only one or two periods in NEET status, while the majority of non-matriculants (58%) spend three of four waves – between four and eight years – as NEETS.

There are demographic differences, too. Across the five waves, the ‘always NEET’ group – both of matrics and non-matrics – is overwhelmingly female (86% for those without matric and 91% for those with matric). Africans also make up a higher proportion of this group.

The average years of parental schooling is very low for the group without matric – around three years, an average brought down by the large proportion of parents who have no schooling at all: 45% of mothers and 65% of fathers. The parents of those with matric on the other hand – even for those in the ‘sometimes’ or ‘never’ NEET group – are about twice this at six years.

It is a clear indication of the intergenerational transfer of education outcomes, which to a large extent determines employment and income opportunities.

NIDS also asks a question about mental health (depression) and whether respondents are more or less happy than ten years ago. The results

are not conclusive, but the ‘always NEET’ group reported they were less happy in Wave 1, whereas the ‘sometimes NEET’ group indicated in Wave 5 they were less happy than ten years ago. The ‘sometime NEET’ group also had the highest incidence of depression.

This ‘captures a group of young people who aspire to, and therefore continue to search for, entry into the labour market or (re)connection to the education system. Repeated failure to fulfil the desire to access better or long-term employment options may be at the basis of the higher levels of depression.’³⁷

Qualitative studies confirm this phenomenon.³⁸

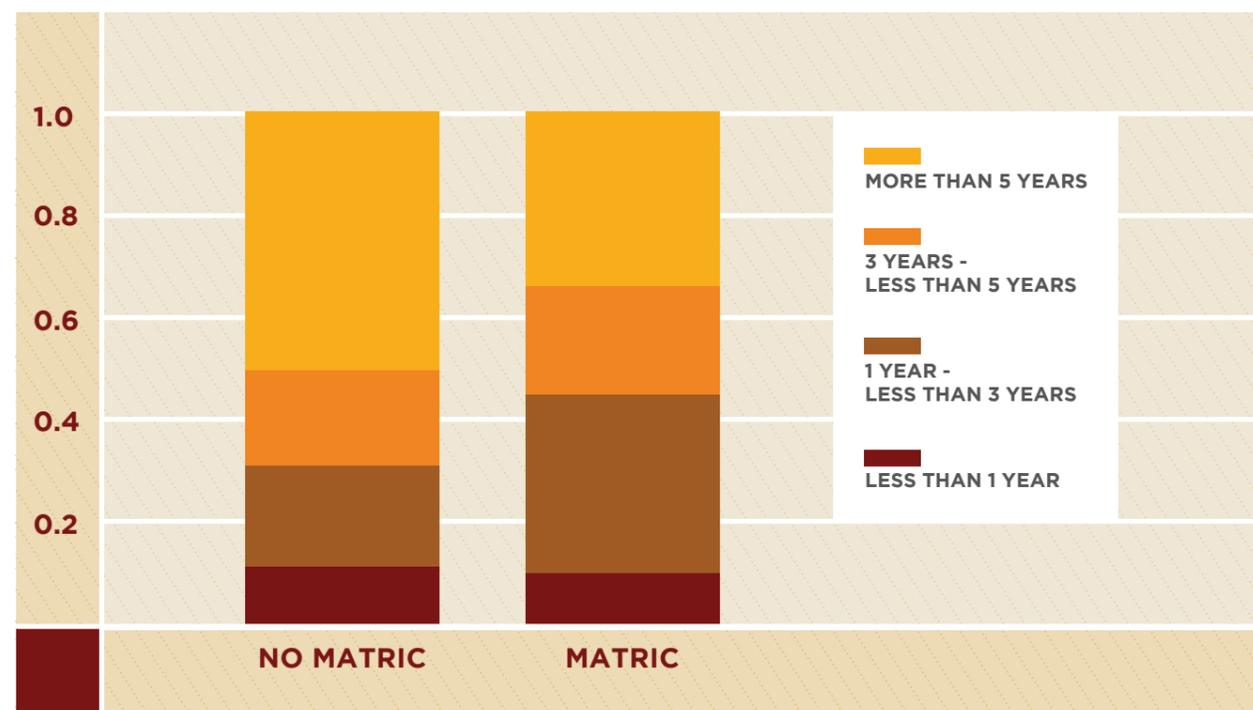
CONCLUSION AND POLICY IMPLICATIONS

Those who have not completed matric are the most vulnerable group in the country. They are likely to remain in a NEET state for longer, generally come from poorer households, and have parents with lower average years of education. In addition, those with matric who spend periods of time in and out of NEET states are highly vulnerable to stress and depression, a finding that speaks to the cost of trying and failing to find or keep a job. Young women without matric are perhaps the most affected by marginalisation.

Several policy measures should be considered:

- Specific measures tailored to young people who do not complete matric.
- These can include skills development and relevant vocational training.
- Attention needs to be paid to the basic education system, especially in rural areas, where some of the worst outcomes occur. If the poorer quintile schools do not improve outcomes, the intergenerational transfer of low educational attainment will continue.
- Special attention needs to be given to making the education system more effective in preparing young people for adulthood and the labour market.

FIGURE 2: NUMBER OF YEARS NEET IN WAVE 1 BY MATRIC ATTAINMENT



SOURCE: BRANSON, N., DE LANNOY, A. AND KAHN, A. EXPLORING THE TRANSITIONS AND WELL-BEING OF YOUNG PEOPLE WHO LEAVE SCHOOL BEFORE COMPLETING SECONDARY EDUCATION IN SOUTH AFRICA.

3.2 Grade repetition and the effects of the progression policy

In 2018, according to Stats SA, almost one-third of 15–24-year-olds (32%) were classified as NEET.

This is an alarmingly high proportion, particularly as the age bracket is relatively young. It is an indication that many simply give up on schooling after repeated failures and leave in the hope of finding a job.

Yet the evidence also shows that many do not give up easily. Grade repetition is high and has been particularly so in the last phase (the FET phase) of schooling, from Grades 10–12. In 2017, the repetition rate in Grade 10 was 22%.³⁹

In 2013, the Department of Basic Education enforced a policy in the FET phase of schooling restricting multiple repetitions by stipulating that a learner could repeat only one grade per phase of schooling. It had been applied to earlier phases of basic education – the Foundational Phase (Grade R–3), the Intermediate Phase (Grade 4–6), and the Senior Phase (Grade 6–9). It was first applied to the FET phase (Grade 10–12) in 2013.

The FET phase is critical for both educational and labour market outcomes. It is the phase that leads to matric, which is the most important marker in our basic education system because it is currently an entry-point into either employment or tertiary education.

Theoretically, the TVET system, which should offer a viable alternative pathway,⁴⁰ has not been a great success and the throughput has generally been low.⁴¹

Grade repetition has long posed a challenge to schools. It is seen *'both as an outcome of previous failure and a predictor of subsequent failure'*. Grade retention – keeping a learner down until he or she has mastered the necessary skills – is also

controversial, with some educationists arguing it is remedial and others saying it is detrimental and can result in low self-esteem and higher drop-out rates, which in turn affect employment outcomes.⁴²

The policy implemented in the FET phase in 2013 stipulates that no learner can repeat more than once in a single phase of schooling. This is intended to prevent multiple repetitions and has led to the policy of 'progression' – pushing a learner through the system.

NIDS Wave 5 has allowed researchers to see the effects of this new policy both on grade repetitions and on schooling outcomes. In this case, the researchers, Kika and Kotze, are from the Department of Basic Education, a sign of the usefulness of NIDS for policy-makers and implementers.

Two broad trends have emerged: grade repetition overall has increased in the wake of the new policy as applied to the FET phase, but multiple repetitions have decreased, a sign that the new policy is doing what it intended.

The progression policy, which has been as controversial as allowing learners to repeat grades more than once, is expected to be accompanied by necessary support in the next grade.

The NIDS Wave 5 data have allowed the researchers to look at repetition patterns in the FET phase before and after the new policy was implemented. They specified two groups: Group 1 was in the FET phase between 2009 and 2013, and Group 2 completed school between 2013 and 2017, the year of the Wave 5 survey. They also tracked the post-school outcomes for each of these groups.

The policy challenge in both groups was this: learners were being 'progressed' through the lower phases of school because of the policy that did not allow more than one grade repetition in the lower phases of schooling. But once in the FET phase, until 2013, many learners became

stuck. This is borne out in the results: the proportion of learners repeating more than once in the FET phase increased year by year until 2013.

However, since 2013 the proportion of those repeating more than once in the FET phase has declined; it peaked for those who completed their highest grade in 2013 at 12%.

Group 1 consisted of 4,015 respondents and Group 2, 3,780. The proportion of those who completed at least once in the schooling system was high for both groups: 68% for Group 1 and 63% for Group 2. This relatively high proportion in both groups *'is indicative of the fact that secondary schools, even with high levels of repetition in the Senior Phase (Phase 3), do not consider whether or not learners are coping with the curriculum in preparation for the final three years of school.'*⁴³

In the FET phase, the proportion of repeats becomes significantly different for the two groups: 46% for Group 1 and 23% for Group 2, who repeated at least once.

And, more importantly, the proportion of respondents in Group 2 (post the policy) repeating more than once in the FET phase is significantly lower than for Group 1 – just 2%, compared with 14% for Group 1.

According to the researchers, this shows that the new policy is effective.

Before the new policy was introduced, the proportion of those repeating increased as learners progressed through school. But for Group 2, the proportion who repeated more than once is low and consistent across all four phases of schooling, in line with the policy.

What happens, though, to the learners in the second group whom the new policy prevents from repeating a grade more than once?

Interestingly, the proportion of learners who did not complete matric but enrolled in post-school

training options seems to be slightly higher after the new policy than before. In 2008, 2.9% of those in Grade 11 enrolled for post-school options that do not require matric, along with 5.8% of those in Grade 12 (who did not get matric).

But in 2014, after the policy was implemented, the proportion is a little higher: 4.7% of Grade 11s and 10.6% of those in Grade 12.

Moreover, the proportion of those completing matric and enrolling in post-school qualifications was higher for those learners who were in the FET phase after the new policy was introduced than those who were there before the policy.

CONCLUSION AND POLICY IMPLICATIONS

The policy has had mixed effects: repeating grades more than once in the post-policy phase has dropped significantly, but repetitions at least once have increased since the policy was introduced. However, the highest grade completed for the cohort who were affected immediately after the new policy was introduced is lower than in the pre-policy period

This could be because they are prevented from continuing further, or because there are better options open to them in the form of post-school training than there were for the earlier cohort, or for a combination of these reasons.

The evidence on employment opportunities for each group is mixed. However, there are indications that post-school training for those who do not write matric may lead to more sustainable employment opportunities.

Policy considerations include:

- prioritising alternative training opportunities in the FET phase for those who do not continue to matric; and
- improving enrolment and throughput at TVETs to accommodate those who do not pass through the FET phase at schools.

4. Well-Being

Well-being is often difficult to measure. It relates to the mental and physical health of individuals, as well as the general well-being of the nation.

Wave 5 of NIDS has allowed researchers to examine trends often overlooked in strictly economic analysis. These include the effect that poverty and income have on psychological health; the role gender plays in development and how it is often overlooked in policy terms; how financial literacy can help people better navigate their economic welfare; the effects of particular economic crimes; and, lastly, the well-being, or extent of social cohesion, of the nation as whole.

Thanks to the wealth of data gathered over five waves, it is now possible to develop and measure these indices more effectively.

4.1 The psychological costs of poverty

Uniquely for a developing country, NIDS now includes measures of psychological well-being and life satisfaction – a kind of ‘happiness index’.

The questions relating to psychological well-being have been developed using the Epidemiological Studies Depression Scale (CES-D), a study designed to measure depressive symptoms on the basis of answers to various questions about feelings of loneliness, despair, fear, hopelessness, and so on.⁴⁴ The life satisfaction index is based on the question: Are you more or less happy than you were ten years ago?

International studies have linked happiness and psychological well-being to income. Many have established that poverty is closely associated with mental health disorders. It is more difficult to pinpoint precise causation, but certainly mental health can affect poverty entries or exit.

Growing field evidence shows that *‘increases in poverty are causally associated with lowered psychological well-being and stress, while the op-*

*posite is true for reductions in poverty. Moreover, stress and poor psychological well-being have been associated with short-sighted and risk-averse decision-making. These relationships may thus constitute a negative feedback loop, where poverty is perpetuated by inducing psychological states that lead to poor choices, such as lowering long-term investments in education and health.’*⁴⁵

Several international studies have now called attention to the heavy psychological burdens of poverty and the need for interventions that seek both to alleviate poverty and address its associated mental health toll.

In some countries, deliberate models of ‘hope’ or of positive role models have been found to make a difference. In Mexico, for instance, there is a ‘hope curriculum’ in schools. In Uganda, field-workers have found that children who see the film *Queen of Katwe* (about a young international chess star who comes from a slum in Kampala) are less likely to fail Maths, while in Columbia, groups that are asked to participate in setting goals show improved business prospects.⁴⁶

In the NIDS Wave 5 survey, a series of questions assess individual happiness as well as the extent of social cohesion in communities and in the country.

The balanced panel – that is, respondents interviewed over all five waves – for the CES-D questions was 6,100; for life satisfaction, it was 5,690.

Not surprisingly, life satisfaction and CES-D scores are negatively correlated. About 16% of the sample showed themselves to be at risk for depression in Wave 1 (in 2008); this dropped to 13% in Wave 2, and then climbed to about 15% in Wave 3, where it remained.

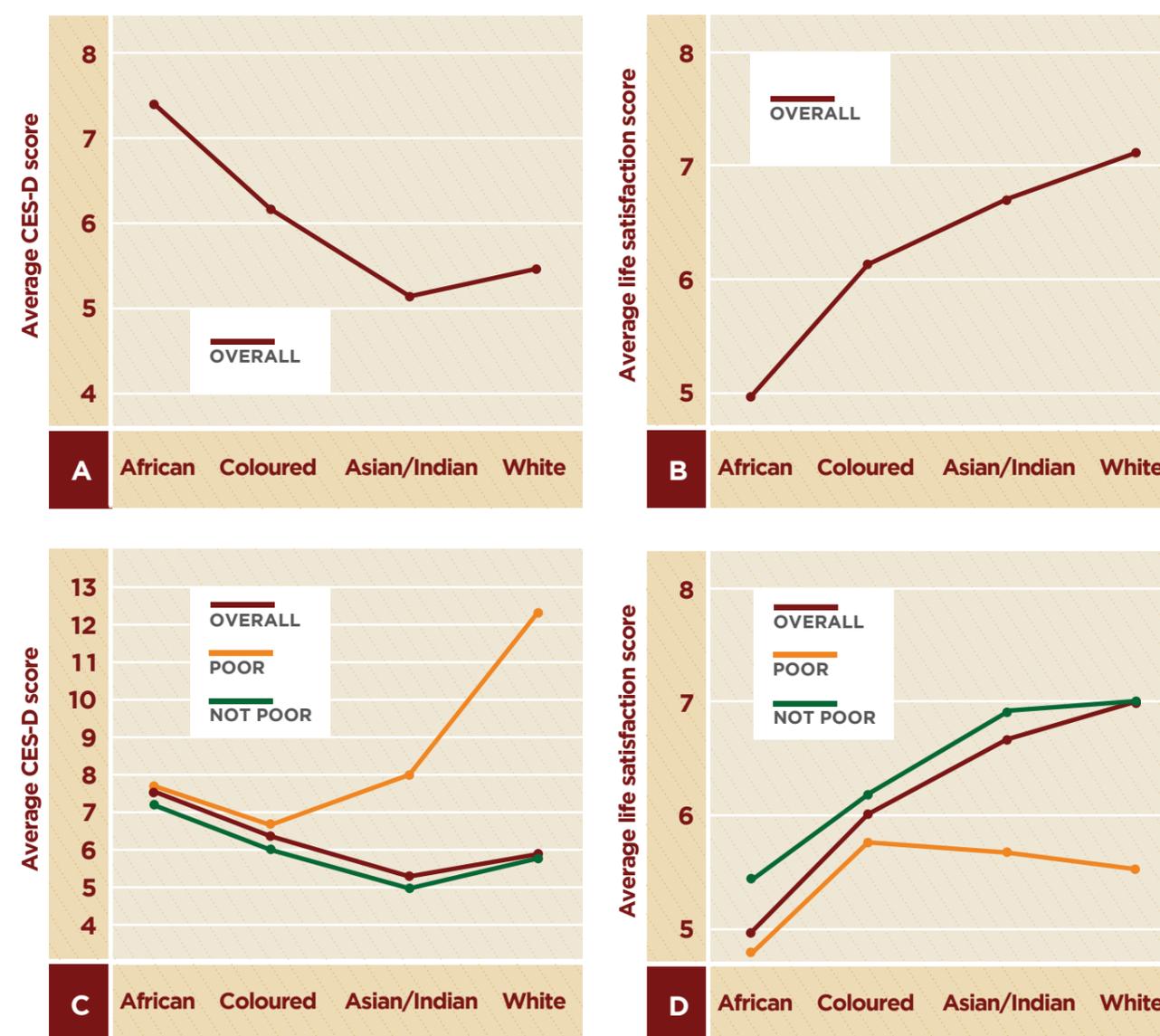
In terms of the life satisfaction assessment, respondents were asked to rate their overall satisfaction with life on a scale of 1–10, with 1 being ‘very dissatisfied’. In Wave 1, life satisfaction averaged at 5.4, with 35% scoring less than 5. Waves 4 and 5 were comparable to Wave 1, and Waves 2

and 3 were the lowest, averaging at 4.9, with 45% scoring below 5.

Psychological well-being correlated strongly with income levels: those in lower expenditure deciles have a score of 8 for CES-D and 4.3 for life satisfaction, compared with 6 and 6.3 in higher expenditure deciles, respectively.

Even when controlling for a number of other factors, a ten-unit decrease on the CES-D score (an improvement in mental health) is associated with an increase in per capita expenditure of about 4%, while a one-unit increase on the life satisfaction score is associated with an average 3% increase in expenditure.

FIGURE 3: PSYCHOLOGICAL WELL-BEING BY POPULATION GROUP AND POVERTY STATUS



Notes: Post-stratified weights were applied

SOURCE: STOOP, N., LEIBBRANDT, M. AND ZIZZAMIA, R. EXPLORING PSYCHOLOGICAL WELL-BEING AND POVERTY DYNAMICS IN SOUTH AFRICA: EVIDENCE FROM NIDS WAVES 1-5.

For the question 'Are you more or less happy now than you were ten years ago?', there was also a notable difference between lower and higher expenditure deciles. The authors caution that the evidence speaks to correlation, not causation, but the relationships are nonetheless strong.

In terms of race, the highest CES-D and lowest life satisfaction scores are found amongst Africans, then coloureds, Indians, and whites. However, if the calculations are reconfigured to account for poverty status, poor people in the Indian and white groups have the highest CES-D and lowest life satisfaction scores.

NIDS allows us to trace poverty dynamics and to look at the demographic factors that determine poverty persistence, entries or exit. Poverty persistence is strongly associated with being poor initially. Younger and better educated people have a greater chance of exiting poverty or remaining non-poor, as do white people and those households whose head has a formal employment contract.

NIDS can track the CES-D scores of individuals in relation to their poverty status. Those with an elevated risk of depression were 3% more likely to fall back into poverty (if they had moved out of it), while those less happy with their lives than 10 years ago were at a 2.9% risk.

So, the risk of poverty increases as psychological well-being deteriorates.

*'The existing evidence suggests that psychological well-being and internal constraints matter for economic development, and may partly explain poverty persistence.'*⁴⁷

The evidence suggests it is important to factor in mental health – and happiness – in explaining transitions in and out of poverty. **Depression can act as an internal constraint in escaping poverty.**

CONCLUSION AND POLICY IMPLICATIONS

Even if the relationship between poverty and mental well-being is not strictly causal, they are so closely associated with each other that there

is a 'negative feedback loop' between them. The following are some of the policy implications:

- Social welfare interventions need to take into consideration psychological support for those suffering the effects of poverty.
- As in the case of youth who are suddenly without child support grants at the age of 18, counseling and support is necessary to help them find pathways out of poverty
- Internal constraints may worsen the trap of poverty, so creative interventions – such as role models or a 'hope curriculum' – need to work alongside material interventions.

4.2 Financial literacy and well-being

We have outlined the beneficial effects on children of caregivers who have better financial literacy and who receive support grants.

We are able to tell more about the effects of financial literacy after this wave of NIDS because, for the first time, it put a series of five questions to respondents to test their levels of financial literacy (see Appendix). The questions deal with numeracy, inflation, compound interest and risk diversification. Respondents were deemed financially literate if they got three out of the five correct.

Financial literacy surveys have been conducted across several countries by international organisations. Two major ones that included South Africa were carried out by the OECD, across 30 countries, and by S&P Global, across 140 countries. In the former, South Africa came last; in the latter, it did a bit better, with 42% of people answering five out of seven questions correctly, compared with 35% in Brazil, 24% in India, 28% in China, and 38% in Russia.⁴⁸

Globally, the richer countries tend to have

higher levels of financial literacy, and in most of them the less educated, those from lower income deciles, and women, are the least financially literate. Interestingly, in the S&P survey, there was no gender gap in South Africa or China, and in the OECD survey it was absent in Russia.

Financial literacy became an issue of interest for NIDS partly because South Africa has a sophisticated financial sector: its JSE is the sixteenth-largest stock exchange in the world, it has an array of financial instruments, and an advanced and well-regulated banking system.

But it is also a country of high inequalities, with a large proportion of the population living in persistent poverty, as we have seen in the first section.

The legacy of apartheid is also important: before 1994, financial services were used by 15% of the population,⁴⁹ and although informal savings clubs, known as stokvels, filled some of the gap, they could not replace such instruments as housing loans or mutual funds.

The post-1994 government has made a concerted effort to extend financial instruments to a wider population. The number of bank accounts has increased from 49% in 2003 to 77% in 2017, tax deductions are offered on pensions, and public sector employees get 'defined benefit' pensions.⁵⁰

Even social grants are now dispensed electronically through bank accounts, and credit is widely available. However, most South Africans cannot access low-interest long-term loans but are eligible only for relatively costly store cards and micro-loans.

Policy-makers have expressed concern that South Africans hold too much debt, and some have looked to better financial literacy as a remedy.

NIDS found that financial literacy increases sharply with the level of household income, wealth, and education: 63.3% of respondents

who live in households with an income of more than R30,000 a month are financially literate, compared with 34.1% of those in households with incomes of less than R5,000 a month. Similarly, in terms of wealth, 59.5% in the top household-wealth decile are financially literate compared with 37.6% in bottom 90%.

This is unsurprising. What is surprising is that those with technical qualifications yet without matric show the same levels of financial literacy as those with matric, possibly because they take subjects like Accounting.

The inequality in financial literacy can exacerbate historical inequalities: those with wealth can make investment decisions that yield higher returns than decisions taken by those who are not financially literate.

As in the international surveys, there was no gender gap evident in South Africa.

The generally low levels of income, the relatively high proportion of female-headed households, and the historic exclusion of the majority from the financial sector may explain this.

CONCLUSION AND POLICY IMPLICATIONS

Financial literacy is strongly related to financial well-being. This could be because it enables people to save more wisely or avoid credit traps. To improve financial literacy, the education department could consider introducing basic financial literacy in school curricula.

4.3 The role of gender

Two key studies on gender have emanated from the recent NIDS Wave 5 results.

One is on whether women with children are paid less than their (female) counterparts without children, and the other deals with the disproportionate responsibility women bear for the provision of care within their families. Both cases raise key

policy questions that relate to the constitutional principles of gender equity.

NIDS is the first nationally representative survey in the country to include a comprehensive child-birth history.⁵¹

Do working mothers earn less than non-mothers? The answer, in most cases, is yes.⁵² However, the details are slightly more complex.

The authors find there is a 'motherhood penalty' in the lower-wage quintiles but not in the upper quintiles, where mothers in fact earn more than non-mothers, especially if they are married.

Women currently comprise about 45% of the employed population, according to Stats SA. From 2001 to 2014, the number of employed women increased by 826,000.

But there is still marked gender discrimination in the labour market. The gender wage gap, which already exists, is widened by a 'motherhood penalty'.

Worldwide, this results in women forgoing having children to pursue careers, but in South Africa the world of work and motherhood is particularly nuanced by the fact that, given the high migration rates across provinces, many African women who have children leave them in the care of relatives. They are *'mothering from a distance'*.

In an international study, the United Nations found that women with children tend to spend about three hours more a day on child care than men and often earn lower wages than non-mothers. This is so for a range of reasons, which can include working shorter hours or choosing more 'child-friendly' jobs that allow them to be more flexible.

The wage penalty for mothers is higher when children are younger, according to a study on the effects on women from 21 developing countries.

Although there are widespread studies on mothers and pay in the developed world that show how subjective biases translate into objective wage gaps and hiring practices, there is scant

literature on the situation of mothers in the workplace in sub-Saharan Africa.

NIDS has already established that young women are more prejudiced by unemployment, while new research shows that those who are mothers and aged 15–34 are worse affected.⁵³

The authors examined samples in three waves of NIDs – 2008, 2014 and 2017 – that included African women aged 20–49 who were not studying. In 2008, just more than half (about 54%) had biological children who lived with them, while about 28% had both co-resident children and those who did not live with them. In 2017, 63.8% had children who lived with them, and a further 20.8% had children who lived with them as well as those who did not.

In all three waves considered, the vast majority – about 82% – of African women of working age are mothers. More mothers than non-mothers are NEET, and non-mothers tend to have higher educational qualifications. More mothers than non-mothers are married.

Other key features of the labour-market status of mothers are that although they tend to have higher hourly mean wages than non-mothers, they work fewer hours a week. At home, on average, women do seven to eight times more work than men, depending on whether they are employed or not.

The picture that emerges of working black mothers is that they are without a strong voice in the labour market: they tend to work more part-time than non-mothers; union membership of employed mothers has dropped between 2008 and 2017; and most work in the service industry or in private households.

The findings are that there is a 'motherhood penalty' for working mothers but only in the lower quintiles. In 2008, mothers began to earn more than non-mothers from the 60th quintile up, and in 2017, the wage difference reversed around the

40th percentile.

So, although there is a distinction between mothers' earnings in lower and higher income groups, low-income women still pay a 'motherhood penalty' in South Africa.

Labour market policy needs to accommodate women with children more equitably, particularly if they are the main breadwinners, and educational and skills development opportunities for women are critical.

In another study focusing on gender inequalities, Budlender (2019a) uses NIDS Wave 5 findings to examine the role that the 'care burden' of unpaid household work plays in the transition to adulthood of young women.

The NIDS questionnaires contain specific questions that allow us to explore changes in the 'care burden' of young men and women between the point at which they were aged 15–19 in 2008 to 2017 at which they were aged 24–28. The survey asks who the main caregiver for each child is, allowing us to track changes over time and construct a 'care-burden' index for each year.

Most measures of GDP do not account for unpaid housework or care work involving children or the elderly. In South Africa, youth policy also often tends to overlook the heavier burdens young women carry in this respect. *'The blindness to the importance of care is also often evident in discussions and interventions related to the transition of youth into adulthood. This blindness is likely to result in interventions that are less effective for young women than for young men.'*⁵⁴

In 2010, Stats SA produced a national survey that divided activity into three broad categories: SNA (System of National Accounts) activity, non-SNA activity (not accounted for in the calculation of GDP), and unproductive activity. Across all age groups, the survey showed that men are more likely to engage in SNA activity than women, and that women are more likely to engage in non-

SNA activity. The gender disparity is greatest for non-SNA activity, meaning women tend to spend more hours at this sort of work than men.

While there is a great disparity in the time spent on housework between men and women (95 minutes as opposed to 199 minutes a day), there is an even greater disparity in 'care' work: women tend to spend six times longer than men caring for others in the household, mainly children.

Stats SA's General Household Survey in 2015 also showed the strongly 'gendered' nature of care work, especially as only 3% of children live with their fathers (35% lived with both parents and 45% lived with their mother). Even though this pattern mirrors global patterns, South Africa is an 'outlier' in the gender differentiation in care work.

In the NIDS survey, there were 1,963 individuals across 1,702 households who fell within the relevant age category in each wave.

The young people were evenly distributed across both genders, about 24% had matric (with women more likely to have completed matric), and over the years there was a noticeable movement from traditional rural to urban areas.

There was also a marked upward movement in terms of quintiles: the bottom quintile dropped from 38% to 25%, while the top increased from 7% to 16%. Even at the start of the period, however, men were more likely to be in higher quintiles than women, a gender difference which became more apparent by the end of the period. In 2017, 20% of young men were in the bottom and top quintiles, while only 11% of young women were in the top quintile and 30% in the bottom.

Young men increased their income by 65% over this period, compared with women, who increased theirs by only 25%.

In terms of the care burden, in 2008 almost none of the young men looked after a small child while about 12% of young women did (in some cases it was their own child). By 2017, 8% of

young men lived in a household with a child and 2% were primary caregivers. But for women, 42% lived in a household with their young biological children and 37% were primary caregivers.

Certain factors lighten the care burden, most of them associated with higher incomes. A key one is the employment of a domestic worker, but this was not common. In 2017, 4% of young women and 5% of young men reported some expenditure on a domestic worker.

Factors that contribute to the care burden are living in a household with at least one child, particularly a child under the age of 6; not employing a domestic worker; and not having a child either in an ECD programme or at school.

The care-burden index weighted each factor to add up to a total score of six. In 2008, although women had a higher score than men, it was less than one in both groups. By 2017, it had increased six-fold for both young women and men, but the absolute score for women was much higher – 3.33 as opposed to 1.37.

In the lower three quintiles the differences are even starker: for women the score was close to 4, compared with less than 2 for men.

CONCLUSION AND POLICY IMPLICATIONS

Young women carry a much heavier care burden than men. This increases with age and over time.

The author argues that the National Youth Policy vision, which aims to help young people become responsible adults who care for family and community, barely mentions the gender differences in the care burden.

The Constitution, she points out, proposes that characteristics associated with gender be taken into account in policy-making. If this is the case, she writes, 'the silence on the care burden in current policy is, arguably, unconstitutional'.

More equitable policies should include

- a youth policy that takes account of the different care burdens of young women and men; and
- training and educational opportunities specifically for women.

4.4 Well-being and the illicit tobacco trade

Wave 5 of NIDS included questions about smoking and the price and packaging of cigarettes smokers purchase.

The question is pertinent not only to physical health of people but the fiscal health of the country. In a paper that throws extraordinary new light on the size of the illicit tobacco market in South Africa, Van der Zee et al. have calculated that nearly one-third (30%) of all cigarettes in South Africa are bought for less than R20 a pack. But the taxes on a pack of 20 cigarettes (excise and VAT) amount to R16.30, which means that most of those sales are probably tax-free.⁵⁵

Although the tobacco industry itself has expressed concern about the flood of cheap cigarettes into the market, NIDS is the first national independent survey to investigate the market for low-priced cigarettes in detail.

Taxes on tobacco are a critical part of the policy agenda, not only to raise revenue for the fiscus but also as a health intervention to discourage people from smoking. A large – and steady – increase in tax on cigarettes reduced consumption dramatically between 1990 and 2004. But revenue increased and then stabilised between 2004 and 2015, apart from a dip that coincided with the recession of 2008–2009.

From 2015, however, there was a sharp decrease in tax-paid consumption of cigarettes. Yet various surveys do not indicate a significant drop in consumption and indeed show an increased availability of cheap cigarettes in various areas.⁵⁶

This also coincided with the now well-documented undermining of the revenue service under Tom Moyane. Several of those who became victims of SARS's 'restructuring' have attested to the role of alleged illicit tobacco traders in this process.⁵⁷

Wave 5 of the NIDS survey asked those who identified themselves as smokers about the price they paid for (an equivalent) pack of 20 cigarettes (even though not all were bought in this form). Of the almost 24,000 adults interviewed in Wave 5, 4,224 indicated they smoked cigarettes. This

represents about 6.7 million South Africans and indicates a smoking prevalence of about 19.3%.

After correcting for some obvious reporting errors on pricing, the researchers were able to capture realistic results for 84% of this sample.

The taxes on a pack of 20 cigarettes amount to R16.30, which means it is unlikely for a pack to sell below R20. The researchers thus established four price thresholds: R16.30 or less (the tax equivalent); less than R20; R20; and less than R23.

If smokers bought 'single' cigarettes or cigarettes in other packaging, the price was converted to an equivalence of a pack of 20. The researchers found that 19.6% of all cigarettes were bought for less than the R16.30 threshold. If the definition of 'cheap cigarettes' is increased to R20, then 30% are sold below that price, which suggests that taxes are being evaded.

In terms of location, cheap cigarettes are more likely to be sold in urban than in rural areas. Provin-

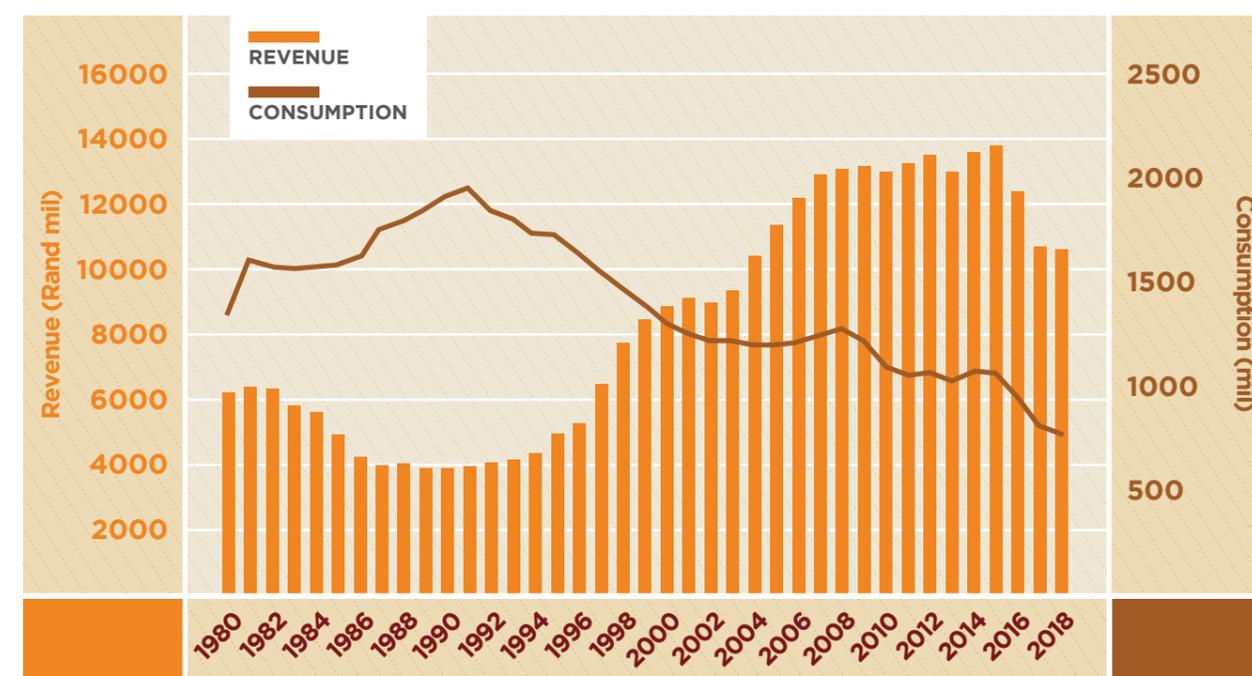
cially, North West, Mpumalanga and Gauteng have the highest proportion of cheap cigarette sales.

The researchers also looked at the demographic characteristics of the smokers of cheap cigarettes. They cross all demographic groups but are slightly more likely to be female, white or coloured, urban dwellers, and unemployed. The probability of smoking cheap cigarettes increases as household income and educational levels decrease.

The research findings are critical for policy. The tobacco industry has argued that the widespread sale of illicit cigarettes is growing and will continue to do so if the excise tax is raised. The narrative was initially countered by researchers who said there was no evidence of this. But since 2015, the authors argue, the situation has taken a turn for the worse.

The National Treasury estimates that between 2015 and 2018, the volume of tax-paid cigarettes decreased by 23%. Although there has been an economic decline, this can explain only part of the decrease.

FIGURE 4: REAL EXCISE REVENUE AND CIGARETTE CONSUMPTION IN SOUTH AFRICA, 1980–2018



Notes: Derived from various issues of the National Treasury Budget Review (1980–2018). Author's own calculations. Real excise revenue is displayed in millions of Rands, with 2016 as the base year. Consumption is in millions of 20-packs.

SOURCE: VAN DER ZEE, K., MAGADLA, S. AND VAN WALBEEK, C. AN ANALYSIS OF CHEAP CIGARETTES IN SOUTH AFRICA.

CONCLUSION AND POLICY IMPLICATIONS

The NIDS Wave 5 results have established the 'ubiquity' of cheap cigarettes in the country.

'These results are deeply disturbing. The illicit cigarette market undermines both the fiscal and health agendas of tobacco taxation policy.' It is also a reflection of the marked decline in the capacity of SARS under the presidency of Jacob Zuma. The Tobacco Industry of SA (TISA) estimates that the fiscus loses about R7 billion each year to illicit cigarette sales.

The authors argue that while there is clear evidence that smaller players are involved, there are also indications that 'larger' players may be involved.

In terms of policy, it is essential that

- SARS be re-capacitated to take on the illegal cigarette trade;
- policing becomes more efficient; and
- there be an effective 'track and trace' system for all cigarette sales in the country.

4.5 Well-being and social cohesion

There is broad agreement that building a better, more equitable country for all depends on social cohesion. Social cohesion speaks to a sense of belonging and nationhood, as well as trust in and respect for fellow citizens.

At times, given the noise on social and mainstream media about an apparent deepening schism in race relations, it seems that the country is less cohesive today than it was 20 years ago. But for the past five waves NIDS researchers have asked questions of respondents to arrive at a more scientific measure of the degree of social cohesion.

The research uses information collected across all five waves of NIDS to develop a Social Cohesion Index (SCI) based on three pillars: perceptions of equality, trust, and identity.⁵⁸ The index has crept up over the five waves but only slightly, driven by improvements in perceived trust and reduced inequality. However, the sense of belonging has eroded.

The panel data 'allows a deeper understanding of the change in social attitudes and values over time (of the same individuals), as well as the ability to explore the kinds of factors that induce such changes.'

The authors define social cohesion as 'the extent to which people are co-operative, within and across group boundaries, without coercion or purely self-interested motivation.'

There are certain key factors that improve social cohesion. The authors examine individual and household characteristics that may increase each pillar of the index.

Employment, and a consequent increase in household income, is a key driver of all three pillars. **Better access to services** – in particular, better street lights, refuse collection and electrification – is also positively correlated with an increase in social cohesion.

Interestingly, **public holidays**, usually chosen to commemorate events of national importance, can also have an effect on social cohesion, particularly if the interviews were conducted around the time of the holidays. For instance, those interviewed soon after Freedom Day report lower levels of trust but higher levels of perceived equality. Those interviewed soon after Heritage Day report higher levels of trust.

The index of the three pillars is constructed around key questions asked in the NIDS survey. The 'perceived equality' pillar is derived from a question about people's perceptions about where on a six-rung 'ladder' they stand (or stood) in the past, present and future. The question also mea-

sures optimism in that they are asked to imagine where they will be on the ladder in the next five years.

Individuals were also asked to estimate their income in relation to that of their neighbours or area.

On 'identity', the results were constructed from a question on 'belonging'. Respondents were asked how much they would like to continue living in their current neighbourhood. This was combined with the question on life satisfaction, referred in the section above. On the 'trust' pillar, respondents were asked to rate their trust in both community members and strangers to return a lost wallet.

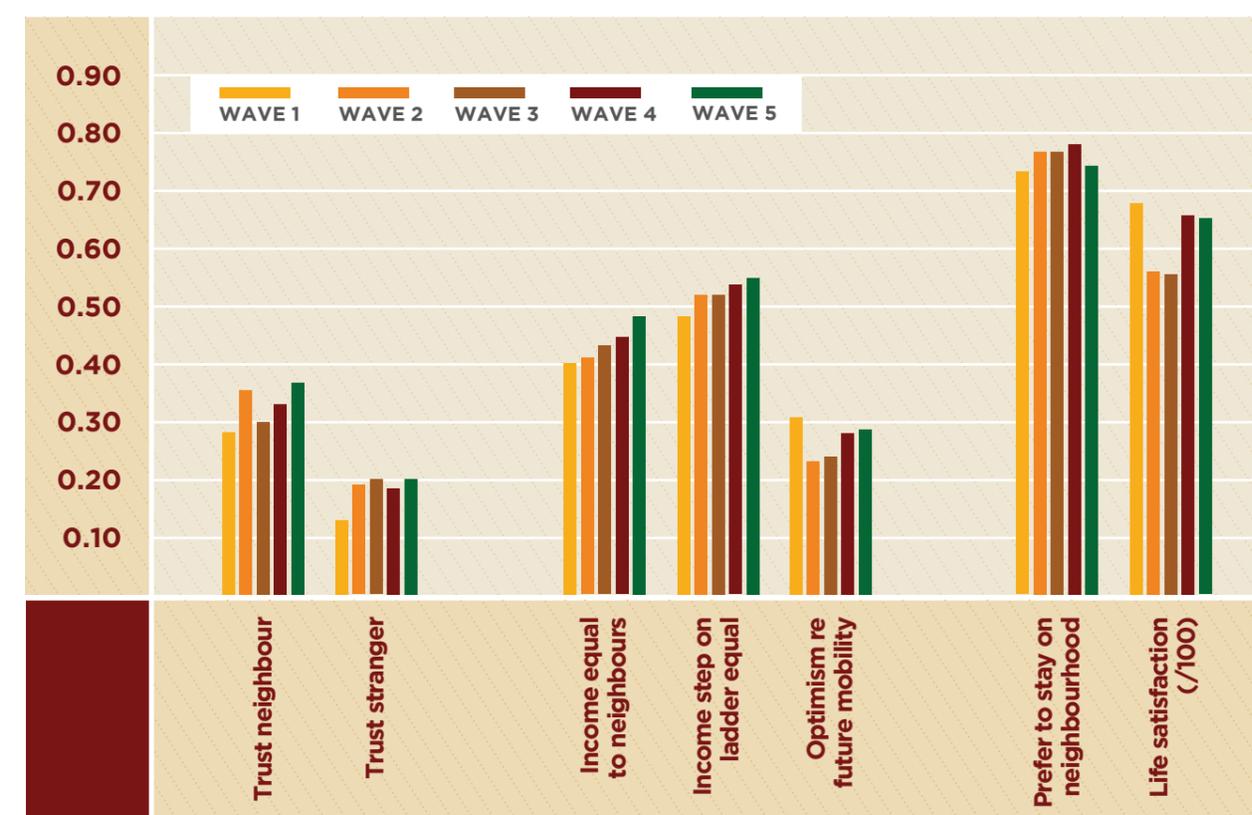
The authors found that trust levels are low on average. Only one-third believed a lost wallet

would be returned by a member of their community, and only one in five believed a stranger would return it.

Two-thirds of respondents reported above-average life satisfaction in Wave 1, 4 and 5, but this declined in Waves 2 and 3.

In terms of perceived equality, just more than half the respondents (52%) classified themselves as being on rung 3 or 4 of the ladder at the time of the interview. This ranged from 48% in Wave 1 to 55% in Wave 5. Only a handful (4%) reported themselves as being on rung 5 or 6, compared with 45% who thought they were relatively disadvantaged. However, most expected to advance up the income ladder within five years, thereby showing optimism about the future.

FIGURE 5: TRENDS IN PERCEIVED TRUST, EQUALITY AND BELONGING OVER 5 WAVES OF NIDS

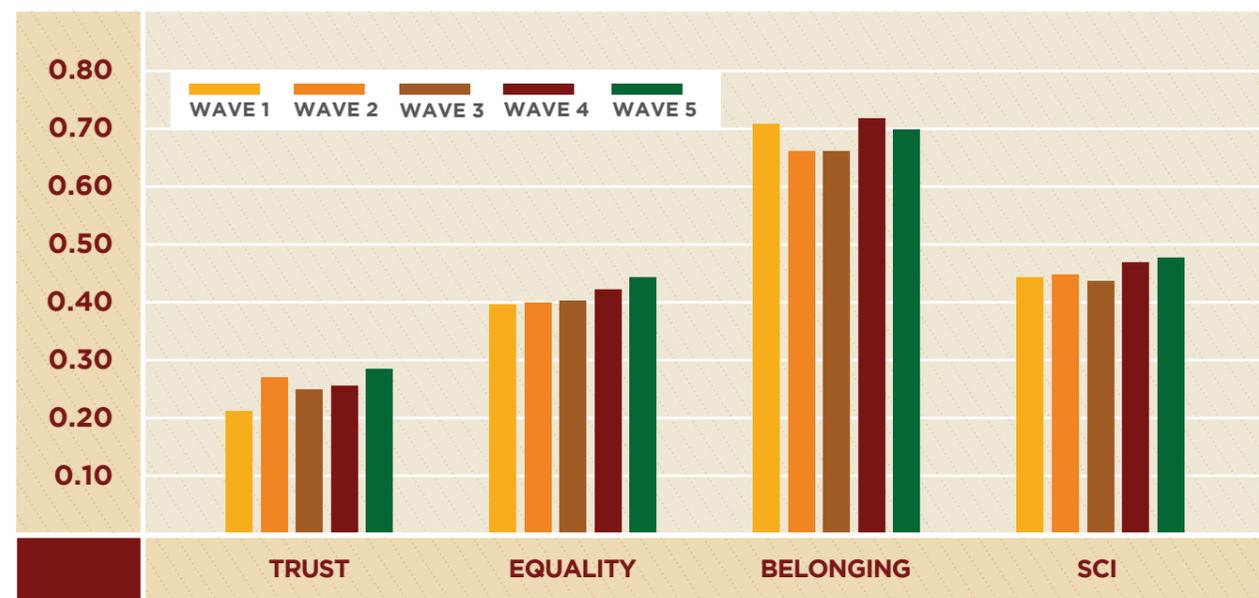


SOURCE: NJOZELA, L. AND BURNS, J. BUILDING SOCIAL COHESION IN SOUTH AFRICA.

The results show the following: since 2012 (Wave 3) there has been a slight increase in all

three dimensions of the index, 'but the magnitude of the changes has been relatively small.'

FIGURE 6: VARIATIONS IN PERCEIVED TRUST, EQUALITY AND BELONGING BY WAVE

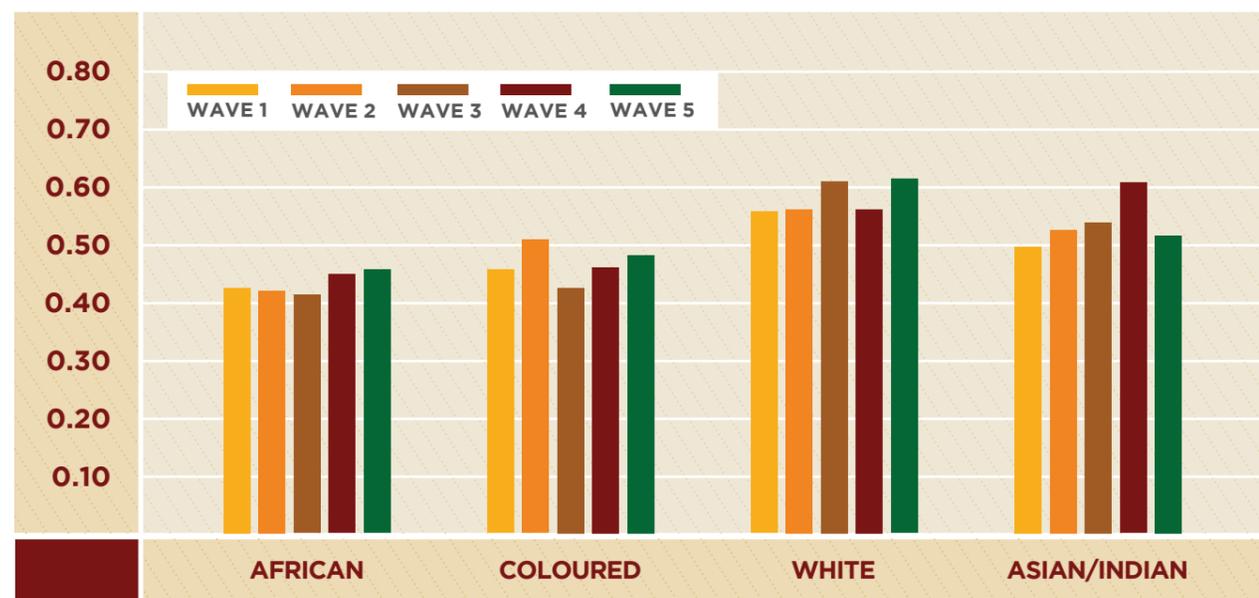


SOURCE: NJOZELA, L. AND BURNS, J. BUILDING SOCIAL COHESION IN SOUTH AFRICA.

There is also a marked difference in the scores of each pillar by race group. Whites score highest in all waves, possibly reflecting their

more secure income and employment positions, whereas Africans score the lowest.

FIGURE 7: SOCIAL COHESION INDEX BY RACE SUBGROUP



SOURCE: NJOZELA, L. AND BURNS, J. BUILDING SOCIAL COHESION IN SOUTH AFRICA.

Tracking social cohesion in conjunction with policy changes that reduce poverty and inequality is an important exercise because it helps determine the effects of those changes, argue the authors.

Some of the key findings are the following:

- Older respondents are less trusting.
- Households with higher income report lower perceived inequality and a greater sense of belonging.
- Conversely, those on social grants, even if their income goes up, show lower levels of trust.
- There is a strong correlation between perceived equality and access to services such as piped water, refuse collection, and electricity. These services also induce a greater sense of belonging
- Individuals with offsite flush toilets report significantly lower levels of trust.

- Public holidays and national symbols can be used to promote a shared identity. They have mixed effects: those interviewed soon after Freedom Day report lower levels of trust but higher levels of perceived equality. Those interviewed soon after Heritage Day report higher levels of trust. However, different racial groups had slightly different responses.

CONCLUSION AND POLICY IMPLICATIONS

Although the SCI has increased slightly over time, the gains have been small. The following are some of the key policy lessons from the research:

- Better public services and improved employment and income opportunities can improve social cohesion.
- Public holidays as symbols of unity and nation building are important. but the 'symbolism is not uniform for all citizens'. Government could leverage these occasions to build better social cohesion.

Conclusion

NIDS is unique as a survey: it is the only nationally representative survey that tracks the same sample of respondents over time. Now in its tenth year, it has begun to tell a story about the complexity of South Africa that is detailed and nuanced, on the one hand, but also gives us an intimate picture of the texture of people's lives, on the other.

Its findings are a key guide to policy-makers, which was the original intention. We know who poverty affects the most, we know where and whom our education system rewards and whom it fails, we know the vulnerability of our nascent middle classes, and we now can paint a more detailed picture about how issues such as gender

and financial literacy affect development.

In this wave, we have also used the results to track pressing fiscal and health issues such as the striking size of the illicit cigarette market. We have begun as well to measure our well-being as a nation: How socially cohesive are we, and what do we need to do to strengthen the pillars of trust, belonging and equality?

NIDS research keeps policy-makers foremost in mind when analysing the results. The research must be useful, it must be relevant, and it must be timely.

Above all, it must be accurate to reflect a picture of a country that we otherwise would not manage to see through other prisms.

Public Access to Data

The NIDS dataset is available free of charge. Information and resources related to NIDS are available at www.nids.uct.ac.za.

► Preserving anonymity in the data

It is the responsibility of the NIDS team to ensure that respondents' identities are protected. During the interviews, information was collected that will enable tracking and re-contact of respondents for subsequent waves of data collection. However, this information is excluded from the public-release dataset to preserve the anonymity of the respondents.

► Data structure

NIDS uses a combination of household- and individual-level questionnaires. The data from the different questionnaires are recorded in separate files. These are flat files with one row per record (individual or household). The data can be exported into formats suitable for most standard statistical packages. A set of files is released for each wave, but they can be combined across waves using the unique identifier for the individual, variable name 'pid'.

► Downloading the data

NIDS data can be downloaded from the DataFirst website. The available items can be viewed by searching for 'NIDS' in the Online Open Data Portal: <https://www.datafirst.uct.ac.za/dataportal/index.php/catalog/central/about>

The steps to follow to gain access to the data are:

- **Step 1:** Register as a user on the DataFirst website. Once you have registered on the DataFirst website, the registration details can be used to access datasets from the site.
- **Step 2:** Complete a short online Application for Access to a Public Use Dataset for the NIDS datasets. On the form, please provide a short description of your intended use of the data. This information helps us to understand

how the NIDS data are being used by the research community. The form also asks you to agree to terms and conditions related to the use of the NIDS dataset.

- **Step 3:** Select the dataset from the catalogue above.
- **Step 4:** Click on 'Request microdata' to download the data.

► Secure Data Service

In addition to the public release dataset, SALDRU also prepares an internal dataset that includes full geo-coding, employment coding and PSU information. The Secure Datasets include text variables as they are captured in the questionnaire. These Secure Datasets give users the opportunity to compare the NIDS data with administrative or other external data sources in an environment where the confidentiality of respondent information can be respected while allowing important data linkages to be made.

Access to the Secure Datasets is granted only at the DataFirst's Secure Research Data Centre in the School of Economics Building, Middle Campus, University of Cape Town, Cape Town.

Secure data may not leave the premises.

Enquires about the Secure Datasets may be addressed to support@data1st.org.

► NIDS and GIS

NIDS can be linked to GIS (Geographic Information Systems) data, and we encourage users to do so where it is relevant in nationally salient research topics. Interested parties would have to use the Secure Datasets (see above) for this purpose since the geographic coordinates of households in the survey are confidential. (Note that the NIDS sample size is too small to allow for accurate inferences at provincial and district levels.)

NIDS Papers

This booklet is based on the following papers which were specially researched and written from the NIDS study up to and including Wave 5:

Nicola Branson, Ariane De Lannoy and Amy Kahn:

Exploring the transitions and well-being of young people who leave school before completing secondary education in South Africa, 2019.

Debbie Budlender: Changes in the care burden over the transition to adulthood, 2019a.

Debbie Budlender: Factors influencing grant continuity and well-being outcomes for child grant beneficiaries, 2019b.

Daniela Casale: Recovery from stunting in early childhood and subsequent schooling outcomes: Evidence from NIDS Waves 1–5, 2019.

Reza C Daniels and Safia Khan: The distribution of household wealth in South Africa using the National Income Dynamics Study: Wave 5, 2019.

Lauren Graham, Talita Greyling and Natalia Kopylova:

Realising a demographic dividend? A panel analysis to assess the outcomes of post-CSG beneficiaries, 2019.

Jesal Kika and Janeli Kotze: Unpacking grade repetition patterns in light of the progression policy in the Further Education and Training phase, 2019.

Sibahle Siphokazi Magadla, Murray Leibbrandt and Cecil Mlatsheni:

Does a motherhood penalty exist in the post-apartheid South African labour market? 2019

Lwanga Elizabeth Nanziri and Matthew Olckers:

Financial literacy in South Africa, 2019.

Lindokuhle Njozela and Justine Burns:

Building social cohesion in South Africa, 2019.

Nik Stoop, Murray Leibbrandt, Rocco Zizzamia:

Exploring psychological well-being and poverty dynamics in South-Africa: Evidence from NIDS Waves 1–5, 2019.

Kirsten van der Zee, Sibahle Magadla, Corné van Walbeek:

An analysis of cheap cigarettes in South Africa, 2019.

Dieter von Fintel, Marisa von Fintel, and Thabani Buthelezi:

The complementarity between cash transfers and financial literacy for child growth, 2019.

Rocco Zizzamia and Vimal Ranchhod: Measuring employment volatility in South Africa using NIDS: 2008–2017, 2019.

Rocco Zizzamia, Simone Schotte and Murray Leibbrandt:

Snakes and ladders and loaded dice: Poverty dynamics and inequality in South Africa between 2008–2017, 2019.

Endnotes

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Appendix

NIDS Financial Literacy Questions

CORRECT ANSWERS ARE IN BOLD:

1. **NUMERACY:** Suppose you need to borrow R100. Which is the lower amount to pay back: R105 or R100 plus three percent?

- R105
- **R100 plus 3%**
- Don't know
- Refused

2. **INFLATION:** Suppose over the next 10 years the prices of the things you buy double. If your income also doubles, will you be able to buy less than you can buy today, the same as you can buy today, or more than you can buy today?

- Less
- **The same**
- More
- Don't know
- Refused

3. **COMPOUNDING 1:** Suppose you put money in the bank for two years and the bank agrees to add 15 percent per year to your account. Will the bank add more money to your account the sec-

ond year than it did the first year, or will it add the same amount of money both years?

- **More**
- The same
- Don't know
- Refused

4. **COMPOUNDING 2:** Suppose you had R100 in a savings account and the bank adds 10 percent per year to the account. After five years, if you did not remove any money from the account, would you have...

- **More than R150**
- Exactly R150
- Less than R150
- Don't know
- Refused

5. **RISK DIVERSIFICATION:** Suppose you have some money. Is it safer to put your money into one business or investment, or to put your money into multiple businesses or investments?

- One business or investment
- **Multiple businesses or investments**
- Don't know
- Refused

**The National Income Dynamics Study (NIDS)
is the first national panel study of individuals of
all ages in South Africa. Its main objective
is to measure and understand who is getting
ahead and who is falling behind in South Africa,
as well as why some people are making
progress and others are not.**



Wave 1 of the NIDS survey took place in 2008, Wave 2 in 2010/11, Wave 3 in 2012 and Wave 4 in 2014/5. The most recent wave, Wave 5, took place from February to December 2017. A total of 39,434 individuals were successfully interviewed, of whom 2,016 were from a new top-up sample and 20,113 were part of the original Wave 1 study and have been tracked every two years since 2008.

The data gathered over the five waves of NIDS allow us to tell a story of the key changes in South Africans' lives. It thus provides a critical information base for evidence-based policy making.

To illustrate the policy value of the richness of the NIDS dataset, a number of researchers were asked to analyse the panel findings from the five waves. The research revealed patterns of employment, inequality, education, health, wealth, social cohesion, financial literacy, trade of cheap cigarettes, transitions of young people into adulthood, as well as the effects of social spending such as grants. This document summarises some of the findings.

It is hoped that these illustrative findings stimulate public debate and inspire further investigation by researchers.