



## Social Grants An Affordable Way to Combat Poverty

'...everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.'

- Section 27(1)(c) of the South African Bill of Rights

### 1. Introduction

As of February 2011, 15.2 million South Africans were in receipt of a social grant, compared with 2.5 million in 1998. It is estimated that over the next three years government will spend R366 billion to fund social grants.<sup>1</sup> With the financial turmoil raging in Europe and the international financial markets looking shaky, many South Africans may wonder whether we can still afford to provide social grants to approximately 25% of the population.

In trying to provide an answer, this paper will refer largely to the presentations delivered by Professor Stan Du Plessis of Stellenbosch University, and Mr David Neves of the University of the Western Cape, at a recent roundtable discussion hosted by the CPLO.

### 2. Social Grants: Facts and Figures

There are eight different types of grants payable to South African citizens or permanent residents. Each grant has its own set of criteria and means test<sup>2</sup>. These grants are as follows:<sup>3</sup>

1. *Child Support Grant (R260 p/m)*: The child or children must have been born after December 31 1993. Both the child and applicant (who must be the primary caregiver) must reside in South Africa. The applicant cannot apply for more than six non-biological children.
2. *Care Dependency Grant (R1140 p/m)*:

Applicant and child must be resident in South Africa and the child must be under 18 years old. The applicant must submit a medical or assessment report confirming permanent, severe disability. The income of foster parents is not taken into account.

3. *Foster Child Care Grant (R740 p/m)*: A court order indicating foster care status is required. The foster parent must be a South African citizen, permanent resident or refugee. The child must remain in the care of the foster parent.
4. *Disability Grant (R1140 p/m)*: Disabled persons applying for the grant must be 18 to 59 years old, and must submit a medical or assessment report confirming disability.
5. *Old Age Pension (R1140 p/m)*: Older persons applying for the grant must be older than 60 years. Beneficiaries of this grant cannot receive any other State grant.
6. *War Veteran's Grant (R1160 p/m)*: Applicants must be 60 years and older or disabled, and must have fought in WW1 and/or WW2 and/or the Korean War. Combatants that were in other conflicts, including the recent struggle for democracy in South Africa are not eligible for this grant, but are catered for via a special pension.
7. *Grant-in-Aid (R260 p/m)*: This is linked to a main grant. The applicant must be in receipt of a grant for older persons, disability or war veterans, and the applicant must require full-time attendance by another person owing to his or her physical or mental disability.

8. *Social Relief of Distress Grant (R240 – R1140 p/m)*: This is a temporary provision of assistance intended for persons in such dire need that they are unable to meet their family's most basic needs. The grant is paid, amongst others, to those applicants who are awaiting a permanent social grant and households where the breadwinner is deceased and application is made within three months of the date of death.

According to the Treasury's Budget Review document, more than 10 million people received the child support grant in 2011. This makes it the largest grant by number of recipients in 2010/2011, accounting for 69% of total grant recipients. Financially, the old age pension was the biggest single grant in 2010/2011 – it cost the fiscus R33.8 billion. The 2010 social security budget for social grants was R89 billion (the budget for education was R165 billion; health was R104 billion) which increased to R97.56 billion in 2011 (education increased to R189.5 billion; health increased to R112.6 billion)<sup>4</sup>. Social grant expenditure is projected to increase at an average annual rate of 10.6 % over the next four years.

### 3. The Positive Effects of Social Grants

While the affordability and sustainability of social assistance payments is perhaps uppermost in most people's minds, the presentations by Prof Du Plessis and Mr Neves suggest that the positive effects of social grants far outweigh their immediate cost in rand terms.

Most recipients of social grants are in rural areas, which is where most of South Africa's poor reside. According to Prof Du Plessis, this targeted distribution of social grants – paying them where they are most needed – is remarkable, since the trend in other countries often shows a bias towards urban areas.

Studies have also shown that much of the poverty relief measured in South Africa since the mid-1990s can be attributed to the extension of social grants. In addition, there is a correlation between the improved welfare status of grant recipients and their improved nutritional status. It was found that the largest expenditure of the social grant is often on food, followed by schooling-related expenditure (excluding school fees but including travelling costs and school uniforms, etc). It has also been argued that social grants are a contributing factor in South Africa's high school enrolment numbers<sup>5</sup>. In the

long-term this will surely result in a higher levels of literacy and numeracy, higher numbers of matriculants and, eventually, in more skilled workers and graduates.

It is often argued that social grants discourage employment seeking by many young people. While there is some evidence to support this argument – young men living in a household that has access to an old age pension are less likely to look for employment – other studies have found the opposite. For example, the child support grant significantly encourages women of working age to enter the labour market, especially rural women. Social grants often facilitate migration to areas where work is available, and make it possible to use local transport to look for work. They also improve health through better nutrition and more regular meals, which in turn encourages recipients, or other household members where a grant is the main means of income, to seek employment.

Both presenters went to some lengths to put to rest an urban legend that is often mentioned when social grants are debated – that teenagers and young women fall pregnant in order to gain access to the child support grant. While this may happen in a few cases, studies have shown that the teen fertility rates measured in 1980 have not increased significantly since the introduction of the child support grant in 1998. In a press release in February 2011, the South African Institute of Race Relations stated that '*the number of child-support beneficiaries has increased substantially over the years. However, the overall decrease in births per 1000 teenagers and pupils who fell pregnant shows that there is no direct correlation between the number of teenagers who fell pregnant and the number of grant beneficiaries*'.<sup>6</sup>

### 4. Can We Still Afford It?

According to Prof Du Plessis, South Africa can still afford the current level of social assistance as long as other fiscal adjustments are made. For example, the administration cost, which amounts to more than R9 billion per annum<sup>7</sup>, will have to be improved considerably. Prof Du Plessis noted that the oft-quoted lament that the tax base of approximately five million people is too small to sustain the expanding social grant budget is not an entirely accurate gauge to use. A crude head count does not provide an accurate basis for policy – one cannot simply compare five million taxpayers to 15 million grant recipients. What should be considered is that the five million pay enough tax, and that tax

collection by SARS is highly efficient.

The biggest factor, however, that will impact on the long term affordability of social grants is the impending implementation of the National Health Insurance scheme. The NHI will take a considerable chunk of government's overall social expenditure, which will certainly impact negatively on social grant spending.

## 5. Conclusion

The debate over whether we can still afford social grants is often dominated by those who form part of the five million who pay taxes, and not those who benefit from the 'sacrifices' of their fellow citizens.

Archbishop Oscar Romero was once asked to explain the Catholic Social Teaching phrase 'option

for the poor' and he replied: *'I offer you this by way of example. A building is on fire and you're watching it burn, standing and wondering if everyone is safe. Then someone tells you that your mother and sister are inside that building. Your attitude changes completely. You're frantic; your mother and sister are burning and you'd do anything to rescue them even at the cost of getting charred. That's what is meant by being truly committed. If we look at poverty from the outside, as if we are looking at a fire, that's not to opt for the poor, no matter how concerned we may be. We should get inside as if our own mother and sister were burning. Indeed it is Christ's who is there, hungry and suffering.'*

---

**Kenny Pasensie**  
**Researcher**

---

<sup>1</sup> Neesa Moodley-Isaacs (2011): *Millions more will get social grants*. IOL online, 27 February 2011.

<sup>2</sup> While the means test is very complicated and adds to the administrative costs of social grants, it does ensure that support is provided to beneficiaries who need it, and that social assistance is both fair and financially sustainable.

<sup>3</sup> South African Social Security Agency: *You and Your Grants 2011/12*.

<sup>4</sup> SAHRC & Studies in Poverty and Inequality Institute (2011): *Analysis of the 2011 Budget*

<sup>5</sup> Katharine Hall: *The Child Support Grant: Are conditions appropriate?* Children's Institute, University of Cape Town.

<sup>6</sup> The press release was based on research conducted by the Institute and figures were published in its annual *South Africa Survey*.

<sup>7</sup> National Treasury (2011): *Budget Review 2011*

An annual subscription to CPLO Briefing Papers and other publications is available at R250 for individuals and R750 for institutions.

This Briefing Paper, or parts thereof, may be reproduced with acknowledgement.

For further information, please contact the CPLO Office Administrator.