Social Welfare in South Africa: Curing or Causing Poverty?

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Abstract

South Africa’s social welfare system affords some form of assistance to over one-quarter of its 50 million citizens. Given the magnitude of this system and enduring tensions between its proponents and adversaries, I question the validity of South Africa’s social assistance system by asking whether it is perpetuating dependency on the state, or if it is accomplishing its primary objectives to close the poverty gap and provide opportunities individuals would otherwise be without. This analysis provides an alternative to the two primary discourses surrounding dependence on the state, which argue that welfare either causes dependency on the state or produces benefits the poor would not otherwise have access to. I argue that dependency on the state is not this straightforward and that dependency varies across grants in South Africa. The purpose of this analysis is to evaluate the development of social welfare in South Africa, explore the two primary dependency discourses, assess the strengths and weakness of the three largest grants in South Africa (the Child Support Grant, the Disability Grant, and the State Old Age Pension), look to the future of social assistance through analysis of the Basic Income Grant, and offer recommendations for improving areas of grant inadequacy.

Introduction

Since the end of apartheid in 1994 and the implementation of extensive social welfare policy in South Africa, there has been an ongoing dialogue and debate surrounding the expansion of social assistance. Social welfare in the past two decades following the end of apartheid has been characterized by divergent themes and direction. In the first decade following the end of apartheid political debate centered around poverty alleviation and redistribution. In the current decade, the

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debates have transitioned to issues of rising expenditure, handouts, and the language of welfare dependency (Surrender 2010). While the South African government has a constitutional commitment to ensure income security for its citizens, there is widespread concern that social assistance has stretched to a point of un-sustainability. Furthermore, there is pervasive concern that the expansion of social assistance has resulted in beneficiaries’ dependence on cash transfers from the state. The ANC, South Africa’s governing party, is amongst the many adversaries of the social welfare system and has expressed concerns with the social welfare system and the threat of state-dependency it poses. A resolution from the 52nd National Conference of the ANC suggested, “Beyond poverty alleviation, interventions must seek to develop exit programs that capacitate households and communities to empower themselves. Grants must not create dependency and thus must be linked to economic activity. Many of the households and communities that remain trapped in poverty...are dependent on the state” (Surrender 2010, 204). While the ANC opposes certain aspects of the social welfare system, the South African government stands firmly by the system and has even proposed an expansion of services to include the provision of the Basic Income Grant (BIG), a universal grant extending assistance to all citizens.

The magnitude of the social welfare system in South Africa is evidenced by the rapid increase in beneficiaries from 2,889,443 in April 1997 to 13,114,033 in April 2009. Additionally, social assistance and redistribution of wealth accounts for 3.5 percent of South African GDP (Seekings 2011). South Africa has the highest expenditure on social assistance in the world, which further emphasizes the massive scale of the country’s social welfare system. With such a significant proportion of the population receiving social assistance, and the grants accounting for such a substantial proportion of expenditures, it is imperative to evaluate the system and ask, “is South Africa’s social assistance system perpetuating dependency on the state or is it accomplishing its primary objectives—to close the poverty gap and provide opportunities individuals would otherwise be without?” I argue that the impact of South Africa’s social welfare system varies across grants. In this paper, I argue that the Child Support Grant (CSG), while inevitably flawed, is ultimately serving its purpose and removing societal barriers for children, such as access to education. Conversely, I argue that the Disability Grant (DG) and State Old Age Pension Grant (SOAP) create a dependency syndrome which disincentives individuals from seeking employment and pursuing their own means of income.

In order to analyze the effect of social assistance on the poor and the capacity of grants to alleviate poverty, I will first discuss the framework and historical context of the social welfare system and the overall objectives of the system. Second, I will discuss dependency syndrome as a concept independent of the South Africa case. Third, I will discuss each of the three major grants independently, analyzing the purpose of each grant, grant coverage, eligibility for the grant, and the impact of
the grant on individuals and households. Fourth, I will discuss the future of the social assistance system in South Africa and introduce and discuss the Basic Income Grant. Fifth, I will offer recommendations and suggestions for improving the South African social assistance system. Lastly, I will draw final conclusions regarding the varied impacts of South Africa’s three primary grants on the poor.

Framework and Historical Context of Social Assistance in South Africa

In 1947 the Afrikaner National Party laws were enacted, which institutionalized racial discrimination, with intent to secure white power over South Africa’s social system. These laws infiltrated all aspects of social life. Blacks were forced out of white residential districts and into townships and independent black states, which successfully excluded the black population from white society. Lack of access to jobs in the urban sector and poverty of black independent-states resulted in few economic opportunities for the black population. As with all aspects of life, education was segregated and deeply unequal. White children received quality education and access to tertiary education, while the black school system was grossly underfunded and poor quality (Thomson Learning 2005).

In 1994 the establishment of a democratic government led by Nelson Mandela’s African National Congress marked the end of apartheid. While apartheid was officially over, its legacy was alive and continues today. The South African government was tasked with the overwhelming challenge of integrating the previously oppressed black population into the economy. The South African government implemented programs aimed to improve the standard of living for the majority of the population by providing housing, basic services, education, health care, and employment opportunities (Thomson Learning, 2005). The State’s desire to correct a half century of deliberately discriminatory policies in education, housing, employment, politics, and welfare, has resulted in one of the largest social welfare systems in the world, a population that still struggles to overcome the legacy of apartheid, and a country that struggles to integrate the previously oppressed black population into the economy.

Released in August 1997 and adopted by the first elected Government of South Africa, the White Paper for Social Welfare provides principles, guidelines, recommendations, proposed policies, and programs for developmental social welfare in South Africa. The document recognizes that the primary challenge facing the welfare system is to “devise appropriate and integrated strategies to address the alienation and the economic and social marginalization of vast sectors of the population who are living in poverty, are vulnerable, and have special needs” (Lund Committee 1997). South Africa’s approach to providing access to social welfare is based on an assessment of the most effective international strategies to access, which has found that improving economic and social well-being consists of three elements: labor-absorbing growth; equitable investments in education, health care and social sup-
port; and vulnerable groups. As a result of these findings, South Africa has created a grant system that incorporates these elements into the numerous grants offered.

Social welfare policies and programs in South Africa can be divided into two primary categories. The first category of social assistance provides cash transfers, social relief, and developmental services, to ensure that people have adequate economic and social protection during times of unemployment, ill-health, maternity, child-rearing, widowhood, disability, old age, etc. The second category aims to be an expression of the country’s commitment to human and social rights and affords assistance intended to be protective as well as provides developmental services for people with special needs (Lund Committee 1997). The policies were formulated with the recognition of social and economic development as interdependent and mutually reinforcing processes; economic growth is necessary for social development, and likewise, social development is necessary for economic prosperity. The interconnected relationship of social and economic development therefore implies that not all social welfare policies will stimulate economic prosperity and poverty alleviation, but rather, will result in equitable social development, a prerequisite for economic development.

South Africa’s social assistance system originated as a result of the state’s response to poverty among white citizens in the 1920s and 1930s. The system first launched non-contributory old-age pensions, followed by programs for disabled and poor parents, followed by the introduction of a limited system of contributory unemployment insurance. In part, this system was de-racialized in the 1940s, but it wasn’t until the end of apartheid that the racialization of social assistance was completely abolished with respect to old-age pensions, and access to social assistance as a whole was de-racialized (Seekings 2008).

Today, South Africa’s social assistance system is accessible to more beneficiaries than ever. The government has significantly increased its spending on social grants from R16,027 million (2.05 billion USD) in fiscal year 1998 to R71,161 (9.81 billion USD) in FY 2009 (Van Der Berg & Siebrits 2010). Today one-quarter of the population receives a state grant and this number is continuing to grow. Prior to the late 1990s, the government offered social grants only to children (individuals under 14) and seniors (65 and over); this left an enormous gap in which the majority of the population did not have access to government assistance. This assistance gap closed in the 1990s as a result of a shift in the direction of the ANC social policy, in which an emphasis on reconstruction and redistribution was replaced by a vision of social policy that is responsive to both the constraints of limited resources and the need to achieve higher rates of economic development (Powell & Hendricks 2009). This indicated a major ideological shift in the objective of social welfare in South Africa and opened the system to a large demographic that previously lacked access.

Today, more South African citizens than ever are recipients of social assistance.
The number of grants available and the scope of assistance offered to South Africans have expanded from offering grants to just children and seniors, to introduction of three coverage areas: childhood, working age, and old age. The assistance system is currently comprised of the following grants: Child Support Grant, Care Dependency Grants, Foster Care Grants, Unemployment Insurance Fund, Compensation Fund, State Disability Grant, and the Old Age Pension Grant.

**Dependency on the State**

The issue of dependency on state resources is not unique to South Africa and is explored through two primary discourses. The first discourse argues that welfare causes dependency on the state, which is identified as the “dependency syndrome.” The second discourse argues that welfare produces benefits the poor would not otherwise have access to. The first discourse is explained by Charles Murray, who in the 1980s proposed an ‘underclass thesis.’ The basis of his argument is that among the population, there are significant groups whose socio-economic situations are driven by their own behavioral failings; in particular, that they have little or no attachment to the labor market. He stated that paid work is not valued, and individuals are content to derive their income from state transfers, in which the state redistributes wealth to fund social welfare programs. Furthermore, social security facilitates passivity and dependence among the poor, and thus welfare helps to perpetuate poverty rather than alleviate it (Surrender 2010). Murray sees welfare as a system that disincentives individuals from seeking employment. The people who are benefiting from the welfare system are undeserving and are recipients by choice, not by necessity.

The second discourse suggests the viability of welfare to produce incentives for the poor to seek employment and participate in economic activity. This school of thought suggests that grants enable poor individuals to make high-return investments that cash constraints would otherwise prohibit, such as facilitating job searches, financing migration, managing negative shocks, funding small enterprise creation, and improving productivity through better health, nutrition, and training (Surrender 2010). The primary contradiction between these two discourses is whether unemployment and poverty are a result of structural conditions of the labor market and the economy as a whole, or whether unemployment and poverty are a result of the structure of the welfare system.

The issue of dependency in South Africa cannot be as clearly separated as the aforementioned discourses suggest. While certain aspects of South Africa’s welfare system encourage perverse incentives, namely the Disability Grant and the State Old Age Pension Grant, the Child Support Grant serves a vital purpose and its benefits outweigh any dependency it may foster. These assertions will be evidenced through an overview and discussion of each categorical grant and its impact on the poor.
Child Support Grant

The Child Support Grant (CSG) is one of the greatest points of contention within the South African social assistance-dependency debate. The Child Support Grant was introduced in April 1998 to replace the Child Maintenance Grant, which provided racially motivated assistance during apartheid. The transition to the CSG resulted in an outlay of a higher number of smaller grants. Accessibility to the grant has increased significantly since its introduction because the age of eligibility of reception has expanded. When the grant was first introduced, it was limited to children up to the age of 6; as of April 2005, children up to 14 years of age are eligible. This grant accounts for 31 percent of social assistance expenditures and therefore is the second largest grant in the country (Seekings 2008). The CSG is a non-conditional means-tested cash transfer and provides R250 (31.93 USD) per month per child to the head of the household and is eligible to single caregivers with a monthly income threshold of up to R2500 (319.26 USD) and up to R5000 (638.50 USD) for married caregivers. As of February 2010 the number of beneficiaries for the Child Support Grant reached 9,474,281 (Van Der Berg & Siebrits 2010). The massive expansion of this grant has caused concern amongst skeptics of the social welfare system who fear that widening the eligibility demographic of the CSG will heighten the risk of dependency and increase the opportunity for mismanagement within households.

A survey conducted by the African Centre in 2002 of approximately 11,178 African households in the Umkhanyukude District of KwaZulu-Natal, a poor and mostly rural area, explores the impact of the CSG on poverty and provides counter evidence to the theory of dependency syndrome. 3,615 of the households reported collectively receiving a total of 6,039 grants, 94 percent of which were receiving a CSG (Case, Hosegood & Lund 2005). The survey found that one-third of all age-eligible children received the grant, and based on the household assets reported, these recipients were from the poorest households. Recipients of the grant were found to be significantly more likely to be enrolled in school in the years following receipt of the grant, as compared to equally poor children of the same age not receiving the CSG (Case et al. 2005). These preliminary findings point to a positive correlation between grant reception and school enrollment. It also suggests that the grant is being appropriately targeted to the poorest households. Both of these findings are further explored and evidenced in the survey.

One of the prominent theories that suggests that reception of the CSG results in dependency on the state is based on the idea that women become intentionally pregnant to receive a grant. Jacob Zuma's political campaign has raised this alleged issue of young women abusing the social grant system, by either intentionally becoming pregnant, or by leaving their children with grandmothers or other family members, while they take the CSG and utilize it for alcohol, gambling, shopping, etc. However, two comprehensive surveys offer evidence counter to this claim.
This ongoing debate was thought to have been put to rest in 2007, when the Department of Social Development released the findings of a Human Sciences Research Council (HSRC) study analyzing the relationship between teenage pregnancies and uptake of the CSG. Recently, this debate has resurfaced. The HSRC concluded that there was no association between teenage fertility and receiving the CSG. This conclusion was based on three primary findings: 1. While teenage pregnancy rose rapidly in the 1980s, it had stabilized and started to decline by the time the CSG was introduced in 1998, 2. Only 20 percent of teens that bear children are beneficiaries of the CSG, which is disproportionately low compared to their contribution to fertility, and 3. Observed increases in youthful fertility occurred across all social sectors, including amongst young people who would not qualify for the CSG on the means-test (Richter 2009).

Overall, these findings indicate that allegations of mothers’ foul-play are rooted in assumption rather than factual evidence. While it is indubitable that a percentage of mothers partake in misbehavior and a certain degree of corruption and mismanagement exists within the distribution of the CSG and all social assistance for that matter, the percentage of individuals partaking in such behavior is proven insubstantial and has a negligent effect on the effectiveness of the CSG.

The findings from the HSRC were reconfirmed in the survey conducted by the African Centre. This survey found that mothers and fathers receiving the CSG are on average one year older than the mothers and fathers of non-grant recipient children. Furthermore, only 3.7 percent of children receiving the grant have teenage mothers, as compared to 8.7 percent of children not receiving the CSG who have teenage mothers (Case et al. 2005). This indicates a five percent differential in the number of children who were born to teenage mothers in CSG receiving households versus non-CSG receiving households. This finding opposes the theory that teenage women become pregnant with intent to receive a grant. If this idea were correct, it would be reasonable to expect that the percentage of teenage mothers receiving the CSG would be greater than the percentage of non-teenage mothers receiving the CSG. Overall, this evidence weakens the validity of CSG receipt as a motivator to becoming pregnant.

It is also questioned whether mothers apply for the CSG, receive the grant, and then abandon their child and utilize the assistance to sustain their own livelihood rather than their child’s. The findings of this survey find inconsistencies with this notion. The data collected from the African Centre shows that children not cohabitating with their mothers were more at risk of not being CSG beneficiaries. 41 percent of children with resident mothers reported receiving a CSG, as compared to 29 percent of recipients with non-resident mothers, 23 percent with deceased mothers, and 19 percent with mothers with unknown status (Case et al. 2005). Furthermore, holding fathers’ status constant, children with resident mothers were significantly
more likely to be recipients of the CSG in 11 of 12 comparisons with children whose mothers were non-residents. These findings are significant because they highlight a correlation between participation in the CSG system and mothers cohabitating with their children, indicating that more children were beneficiaries of the CSG if a mother was present. This directly opposes the notion that women apply for the grant and then abandon their children. Additionally, this shows that children are more at risk if a mother is absent. The majority of children surveyed benefit as a result of their mother’s obtainment of the CSG and as result, are more inclined to enroll in school. It must be noted that while this evidence helps to disprove this theory, this information does not take into account whether or not resident-mothers are using the cash from the CSG for the intended purposes. A higher receipt of the CSG in households with resident mothers versus non-resident mothers simply indicates that women are primarily responsible for acquiring assistance, but it does not indicate that these individuals are using this assistance appropriately.

There is pervasive concern that the system of CSG disbursement results in haphazard payouts that do not necessarily target the poorest households, but rather, benefit families who are using the grant out of dependency rather than necessity. The African Centre survey found that on average, children with a CSG live in households that own significantly fewer assets (determined by an evaluation of households’ ownership of necessities and luxuries) (Case et al. 2005). Controlling for a child’s age, sex, household size and composition, and parents’ marital status, the survey found that several luxuries (i.e. VCRs, computers, cars, etc.) are negatively associated with receipt of a CSG (Case et al. 2005). Moreover, significant associations were found between the receipt of a CSG and mothers’ employment status and level of education. In comparing mothers that have completed standard 10 (equivalent to grade 12 in the US) and mothers with inferior education, mothers with less education were six to 10 percent more likely to receive a grant (Case et al. 2005). Similarly, children whose mothers are not employed (which is true of approximately 40 percent of those surveyed) are 14 percent more likely to be recipients of a CSG. Mothers working full-time are generally ineligible due to an income level above the allowable threshold (Case et al. 2005).

These results were mirrored in terms of the fathers of children receiving grants. Children with fathers who had less than a standard seven (equivalent to grade nine in the US) education, as compared to fathers with at least a standard 10 education, were 15 percent more likely to receive a grant (all other things being equal) (Case et al. 2005). In regards to employment, children with unemployed fathers were significantly more likely to be grant recipients. These findings imply that CSG’s are reaching the poorest households and, therefore, are reaching their target demographic. It is important to recognize that, while the CSG may be reaching the poorest households, this information does not indicate whether these households are poor
as a result of unemployment, which may be a direct result of perverse incentives to seek employment, and thus, a dependency on the income provided by the grant.

As previously discussed, South Africa’s social assistance system serves dual purposes. The Child Support Grant is intended as a developmental supplement to aid poor caregivers by providing them with the financial capacity to send their children to school so they can acquire an education and, eventually, join the work force. The African Centre survey did not monitor individuals surveyed for a sufficient period of time following participation in the CSG program; consequently this survey could not supply evidence to determine if CSG recipients are significantly more likely to find employment post school-age. The survey did, however, evaluate the impact of CSG receipt on school enrollment, which is a clear precursor to the future obtainment of employment. The African Centre survey found that CSG receipt in 2002 was associated with an 8.1 percent increase in school enrolment among six year-olds and a 1.8 percent increase among seven year-olds (at the time of the survey seven years old was the maximum age eligible for grant receipt) (Case et al. 2005). This is a notable finding because as previously mentioned, households with mothers and/or fathers with lower education are significantly more likely to receive a CSG, and thus, households with caregivers with the lowest levels of education are raising children with the highest enrollment rates. These households are potentially breaking a cycle that produces uneducated and unemployed adults.

Overall, it is evident that the CSG is positively impacting poor children. The HRSC and the African Centre survey clearly show the correlation between CSG receipt and school enrollment, which is the greatest indicator of appropriate grant use. These surveys also highlight the accuracy and success of the CSG in targeting the poorest households. As mentioned, there are questions that the surveys leaves unanswered. First, from the information provided it cannot be determined what percentage of CSG funds are truly utilized for their intended purpose. Second, the information does not provide sufficient evidence to prove that CSG recipients are poor due to external factors, such as the economy, rather than poor by choice due to a dependency on cash-transfers. Despite these unanswered questions, the two surveys offer adequate information to conclude that the CSG is in fact fulfilling its purpose, and while there is not complete adherence to the conditions of the CSG, the positive impacts of the grant are outweighing areas of deficiency.

**Disability Grant**

In addition to the CSG, the Disability Grant (DG) is largely criticized and questioned for the dependency culture it is blamed for propagating. The DG is non-contributory and means-tested and is available to people disabled in circumstances other than road and work-related accidents, and this is the only social grant program for the working age population. The purpose of this grant is to compensate individuals for loss of income. DG benefits are provided on both a temporary and permanent
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basis; the permanent assistance is intended to carry recipients into eligibility age for the State Old Age Pension program, while temporary assistance is designed for individuals that have a disability that prevents them from working from six months to a year. As of April 1, 2010 the grants amounted to R1080 (137.92 USD) per month, which is noteworthy due to the fact that this grant provides an income approximately twice the per capita income for black South Africans (Mitra 2010). The number of DG beneficiaries reached 1,310,761 by the end of February 2010 (Van Der Berg & Siebrits 2010). The last requirement for eligibility of the DG is based on private incomes of up to R2426 (309.80 USD) and R4852 (619.60 USD) for married couples.

The first point of contention within the DG-dependency debate focuses on the grant’s effectiveness in targeting poverty. Disbursement of the DG is determined based on a number of factors: applicants must meet age eligibility guidelines (18-59 for females, 18-64 for males); they must be within the threshold of the means income and asset tests; and they must provide proof of assets, financial statements, proof of marriage, and proof of unemployment (Van Der Berg & Siebrits 2010). Furthermore, the National Minister of Social Development specifies that an individual is only eligible for application if the severity of their disability results in their inability to enter the labor market. While DG applicants must fulfill many requirements to be considered for eligibility the program has become more accessible within the last decade throughout South Africa as a result of policy changes. This relaxing of policies is viewed as a heightened opportunity for people to take advantage of the system by feigning disability and has been met by increased questioning of the impact of the grant.

The General Household Survey (GHS) is an annual nationally representative survey utilized since 2002 that identifies household level data on socio-economic indicators and individual level data on social grant receipt and disability status was utilized to determine the profile of DG recipients and their households. The 2008 GHS found that 81 percent of beneficiaries are African (black), 13 percent Colored (of mixed decent), and six percent whites and Asians. DG recipients are significantly older than non-recipients, with mean ages of 48.5 and 42 respectively. Furthermore, while the majority of beneficiaries are over 40 years of age, one-third of the recipients are under 40 (Mitra 2010). This brings attention to the fact that in developed countries, the majority of disability-recipients are close to retirement age. This information indicates that individuals in South Africa begin receiving disability at a much younger age, and therefore have a greater opportunity to benefit and depend on the grant for long term income rather than joining the labor market, where their income will most likely be less than what the recipients receive
DG recipients were found to be more likely to have prior work experience than non-recipients, while also being less inclined to have worked in the past three years. Amongst DG recipients, only 6.6 percent reported a willingness to accept a job if offered one. Due to the previously mentioned fact that one-third of recipients are only temporary receivers of the DG, and the end of their grant reception is finite, it seems to follow logically that more individuals would be willing to accept a job. This may indicate that temporary grant recipients have intentions to feign disability for the purpose of continuing receipt of the grant. Lastly, DG recipients are three times more likely than non-recipients to be illiterate and reported having significantly less education; this suggests that DG recipients are facing major barriers to employment, which may discourage them from seeking a job and thus, result in their dependence on the DG for permanent income and sustenance (Mitra 2010).

The GHS also examined the profile of DG recipient households. The survey found that DG recipient households have a higher average number of children than non-recipient households, with 1.99 and 1.4 children respectively. DG households are also more inclined to be multi-generational, meaning children, parents, and grandparents cohabitate, or skip-generation households, in which children live just with their grandparents. Of the economic indicators assessed, DG recipients as compared to non-recipients showed to be worse off on all accounts. Specifically, the mean and median per capita household expenditures (in terms of expenditures on food, clothing, electricity, water, fuel, housing, transport, services, savings, taxes, etc.) for DG recipients were much lower than non-recipients, with medians of R212 (27.07 USD) and R345 (44.06 USD) respectively. The employment rate for DG recipient households was 17.3 percent compared to 51.4 percent for non-recipients (Mitra 2010). DG recipients were also found to be concentrated in rural areas with less access to social services. They are recipients of other social assistance, and their living conditions are inferior to non-recipients in terms of access to piped water, flush toilets, and electricity. Overall, these indicators show that disability grants are reaching their targeted demographic, the poorest households. These indicators, however, do not show that these individuals are necessarily the most deserving of benefits; their inferior economic and social position to DG non-recipients may be strategic. Recipients may intentionally avoid employment and other opportunities with the intent to remain beneficiaries of the grant, which provides a higher income than they will most likely receive through employment.

Overall, evidence from the GHS supports the notion that the DG leads to dependency. No supportive evidence was found showing a link between DG receipt and increased access to opportunities that individuals do not have access to in the absence of the grant. The DG profile-type found by the GHS shows that recipients are uneducated, illiterate, and unwilling to work. These individuals intentionally
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avoid joining the labor market in an effort to continue receipt of the DG grant, which provides an income superior to that achievable by individuals lacking skills necessary for obtaining decent-paying jobs. The DG is exacerbating poverty by providing individuals with a hand-out rather than a hand-up and offering perverse incentives that encourage DG recipients to undeservingly benefit from the system.

State Old Age Pension Grant

The State Old Age Pension grant accounts for 37 percent of social assistance expenditures, which costs approximately 1.4 percent of GDP, and therefore comprises the largest proportion of social assistance outlays. Recipients of the SOAP are eligible for R1010 (128.98 USD) per month. This grant is non-contributory and becomes available at the age of 60 for women and 65 for men (Lombard & Kruger 2009). Benefits disbursements are means-tested on the income of the individual beneficiary, and his/her partner if married, but it does not factor in the income of other household members (Kalula 2009). This grant claims to reduce the scale of older people’s poverty, while also reducing a household’s probability of living in poverty.

Due to mass unemployment in South Africa (estimated to be between 25 and 40 percent depending on who constitutes as unemployed), pension recipients are often the only contributors to income in households and thus, support the entire family on their SOAP grant. Because of this, the state pension is assumed to close the gap between poor households with access to wage income and those without. Contrary to this assertion, the SOAP creates a network of dependency in which entire households are dependent on the pension income of one individual and use this assistance for sustenance rather than seeking employment and self-sufficiency. Statistics show that for every grandmother receiving a pension, 20 people are being supported by this one grant (Lombard and Kruger 2009). The implications of this statistic are two-fold. This could indicate that the SOAP is consolidating families, preventing fragmentation, and reinforcing a support system amongst family members. Conversely, this could indicate that family members have a dependency on the income of pension-earners and are undeserving of the benefits of the grant.

The issue of inaccurate dispensation of SOAP benefits is the greatest concern amongst critics of the grant. The use of means-testing to determine the eligibility of recipients, which only takes into account the beneficiary of the grant, rather than the entire household, is a major problem. Using this method to determine eligibility is claimed to perpetuate a poverty trap caused by perverse incentives, which materializes because recipients have the opportunity to lie about their private income (Bhorat 2001). Because entire households are benefiting from receipt of the SOAP, the entire household needs to be factored into the means-testing, rather than the beneficiary alone. While the grant is intended for the recipient, the recipient has the right to determine whether or not to share this income with the members of their household. The recipient’s decision to share or not share the benefits of
this grant with household members is not a direct concern of the government; however, a recipient’s decision to share these funds has implications that impede the actualization of the benefits of this grant, which should be the government’s concern. The potentially large beneficial effects associated with the sizeable-nature of this grant are diluted when, as previously mentioned, 20 individuals are being supported by one grant.

Overall, the SOAP creates dependency amongst households on the recipient of the grant. The poor system of disbursement results in the allocation of grants to ineligible individuals that capitalize on benefits intended for the poor. While the elderly are a vulnerable population in need of assistance, the SOAP exacerbates the problems of the elderly rather than providing supplementary income that can increase their well being.

The Future of Social Assistance in South Africa: The Basic Income Grant

In 2002 the Taylor Committee, an investigative committee created by the South African government to investigate the establishment of an integrated and comprehensive social security system, released a report, entitled ‘Inquiry into a Comprehensive Social Security System for South Africa;’ this report suggested the phasing-in of the Basic Income Grant (BIG) from 2004 to 2015. The proposed implementation of the Basic Income Grant was motivated by an observed gap in assistance for working-age individuals and recognition that not only children, the disabled, and retirees need social protection, but also working-age individuals who are vulnerable to unemployment, which results in impoverishment. The overarching aim of the BIG system is to reduce poverty and raise living standards. The projected impact of the grant is an immediate reduction in the poverty gap; the poverty gap is estimated to close by 56.7 percent, which is a dramatic increase compared to the 7.6 percent closing caused by the current system (Taylor Committee 2008). Despite the Taylor Committee’s fervent support of the grant and expectations of widespread benefits, hostility has spawned between the government and the ANC. Deputy President Kgalema Motlanthe has recognized that social assistance alone is not a panacea for poverty reduction stating, “We cannot pull back from our social security regime even though in themselves such interventions are not sufficient to migrate families out of poverty. Therefore investment in improving the quality of education and job creation is vital” (Bridge 2011). Disagreements between the government and the ANC have slowed progress in the BIG debate; however, its feasibility, sustainability, and financing continue to be discussed for future implementation.

The BIG will be provided as an entitlement without a means-test. According to the Taylor Committee, as this grant will be distributed to everyone regardless of their means, this will have an effect of, “removing the stigma that labels the recipient as ‘poor’, and bolstering economic support without draining psychological resources” (Taylor Committee 2008). Individuals will receive R100 (12.77 USD) per month
given to the primary caregiver of the household. While the reasoning behind the BIG is clear, it seems that in practice, the grant will not serve the purpose the Taylor Committee has envisioned. The BIG system of delivery is fundamentally flawed. Too much trust is put in the hands of the primary caregiver to disburse funds correctly amongst members. This gives care givers an opportunity to take the funds and use them at their own disposal. Furthermore, individuals have complete control over the use of the grant. The non-descript purpose of the grants gives recipients too much freedom in determining how to use the supplemental income, which they may use for illegal activity or other misbehaviors. Also, the grant is not sizeable enough to have a significant effect on the ability of individuals to enter the labor market and move out of poverty. While the grant will most likely have a negligible effect on individuals and households, it will have a significant impact on the purse of South Africa, with expected expenditures of R44 billion (5.62 billion USD) per year.

The concern for dependency expressed in regards to the CSG, the DG, and the State Old Age Pension extends to the BIG. Because the BIG has no means-test, the Taylor Committee claims that this grant avoids many of the disincentives to work that are inherent in other social assistance systems (Taylor Committee 2008). The grant will be evenly distributed throughout the population, when in order to elicit potential positive effects, it needs to be distributed to the poorest individuals. Additionally, the Basic Income Grant Coalition acknowledges that poverty in and of itself causes dependency. The Basic Income Grant Coalition rationalizes the dependency they acknowledge the BIG will cause by explaining that the very poor are typically forced to depend on relatives, friends, or social assistance for survival; whether or not the very poor are dependent on social grants, they will have a dependency of some form (Basic Income Grant Coalition 2011). The Basic Income Grant Coalition is justifying the dependency caused by the BIG by stating that poor are already inherently dependent. Rather than further entrenching the poor in dependency and poverty, opportunities for empowerment and employment need to be created for the poor.

The Taylor Committee has an unrealistic conception of the capacity of the BIG to achieve its primary objectives. One of the main objectives of the BIG is to close, or at least significantly lessen, the poverty gap. The Taylor Committee estimates that the BIG will close the poverty gap by two-thirds for households with children but no pensioners; for households with children and pensioners, the gap is expected to close even more significantly, however the degree to which is not given (Basic Income Grant Coalition 2011). For skip-generation households, 95 percent of the gap is anticipated to close, and for three-generation households 85 percent of the gap. Another major goal of the BIG is to increase per capita transfers, ultimately redistributing greater wealth, and engendering economic and social equality. The disparity in average per capita social security transfers across household types is
expected. Without the BIG, poor households with just children and working age adults receive per capita transfers averaging R14 (1.79 USD), while poor pensioner households receive an average of R523 (66.79 USD); this is a ratio of 37 to one (Taylor Committee 2008). Under the BIG system, poor households with just children and working age adults will receive per capita transfers averaging R109 (13.92 USD), while poor pensioner households will receive an average of R56 (7.15 USD); this is a ratio of five to one (Taylor Committee 2008). These projections indicate a substantial decrease in the divergence between pension recipients and non-recipients.

In total, the number of people covered by the social security system is planned to increase more than five-fold, and the total rand value of transfers should rise to R70 billion (8.94 billion USD). Of the R70 billion, the BIG will account for R44 billion and will incur an additional tax burden between R13.5 billion (1.72 billion USD) and R24 billion (3.06 billion USD), depending on if it is financed out of income tax increases or value added tax. The end result of the BIG system, according to the Taylor Committee, is the nearly complete elimination of extreme poverty, a closing of the poverty gap by 74 percent; 6.3 million individuals moving out of poverty, and a decrease in the number of destitute individuals (measured using half of the poverty line) by 10.2 million (Taylor Committee 2008).

The Taylor Committee poses the BIG as a cure-all for poverty. The Committee identifies all of the possible benefits of the grant, without assessing areas of deficiency and potential failure. This grant, like all social assistance, will inevitably have unanticipated consequences. Due to the magnitude of the grant, it is imperative that the anticipated benefits are weighed against the projected expenditure incurred by the grant, which will put increased pressure on taxpayers, which are already contributing massively to redistribution of wealth.

**Recommendations**

The Child Support Grant, the Disability Grant, the State Old Age Pension, and the Basic Income Grant each possess unique opportunities and challenges. The social assistance system in South Africa is well intentioned, but falls short in its execution. There are no quick fixes to address the problems plaguing each of these grants, but there are recommendations for consideration.

**Child Support Grant**

The CSG should transition to a shared system of in-kind transfer, in the form of food stamps, and cash-transfer, which affords the recipient discretion to use the funds for the intended purpose, but with the addition of conditionality. This transition to a shared system of in-kind and cash-transfer will improve the government’s ability to direct the use of grants, increase transparency, and decrease misuse of funds. Additionally, disbursement of the CSG should be targeted to strengthen the positive correlation between household’s receiving CSG benefits and enrolment in
school. Initial eligibility for CSG should continue to be means-tested, but continued reception of the grant should be regulated through the introduction of conditions. Currently, primary care-givers are responsible for ensuring that the child is fed, clothed, immunized, and given access to health care; these requirements are not monitored (Labour Research Service 2012). While each of these requirements cannot be feasibly monitored, CSG recipients should be responsible for verifying their child’s acquisition of medical care, and additionally, their enrollment and attendance in school. The child’s healthcare provider should submit proof of visits and immunizations on an annual basis that occurred during the past year to the Department of Social Development, under which the CSG is administered. The child’s school should similarly provide, on an annual basis, the Department of Social Development with a report verifying the child’s regular attendance in school. Both of these conditions should be met in order for the CSG recipient to be considered for CSG renewal beyond the first year of reception.

Disability Grant

Annual renewal should be required for extension of permanent DG and bi-annual renewal for temporary DG. Currently, the system puts too much trust in grant recipients and allows for too much abuse. Also, to reduce the increasing demand for DG benefits, a HIV and AIDS education programs should be prioritized. The AIDS epidemic has been identified as a major contributor to the increased demand for DG grants over the last several years, which has resulted in large numbers of very ill people who are unable to work (Goldblatt 2009). To take a preventative strike against the continuation of this trend and the need for increased outlays of DG benefits, HIV and AIDS education programs should be mandatory in public elementary and secondary schools.

State Old Age Pension

The SOAP should take into account the entire households’ income when determining the eligibility of the grant. The current system motivates disbursement to undeserving household members that are dependent on the grant. Additionally, to lessen dependence on the SOAP, the South African government should require compulsory retirement savings for individuals earning an income above a determined threshold, throughout their adulthood, so that individuals are better positioned when they reach old age, and thus, less dependent on the income from their SOAP.

The Basic Income Grant

The BIG should be implemented to a test population; projections of the impacts of the BIG need to be based on both qualitative and quantitative analysis to determine the validity of the grant and its true impact on the poor prior to its implementation nationwide. Supposing that the reception of this grant has a negligent effect on beneficiaries, which is probable when considering the small-size of the grant, the
objectives of the BIG should be redirected towards the conceptualization and implementation of a program that will result in fewer South African citizens receiving state assistance rather than a greater number. To achieve this, the projected outlays for the BIG should be used towards subsidizing education and vocational training for adults. South Africa’s high unemployment rate of 25 percent to 40 percent, with half of 18 to 25-year-olds unemployed, is not simply a result of a shortage of jobs, but due largely to a shortage of educated individuals (Price 2012). From 1970-2005 the sectoral composition of employment in South Africa changed dramatically. Agriculture went from 33 percent of total employment to only 11 percent, while wholesale and retail sales increased from 9 to 25 percent, and employment in the financial sector increased from 3 to 11 percent (Banerjee, Galiani, Levinsohn, McLaren & Woolard 2008). The changing composition of employment indicates a shift towards an economy that favors high-level skilled workers with formal education, rather than unskilled laborers. There is an ongoing mismatch between the type of work demanded by firms and those supplied by the labor market; South Africa has a demand for high-skilled and educated workers, but does not have the appropriately skilled and educated labor force to fill the country’s needs, which indicates a need for tertiary education and technical training (Vaal University of Technology 2008). While outlays for the subsidization of tertiary education and vocational training will stretch the country’s budget in the same way as the Basic Income Grant is projected to, the long term implications of subsidized education and vocational training are justifiable in comparison to the negligible implications of the BIG. Subsidized education and vocational training is an investment in the future economic and social health of the country, rather than an unsustainable handout that will have insignificant effects on recipients in comparison to the significant monetary burden on the South African government. Subsidized education and vocational training are investments in South African citizens that will result in economic growth, decreased unemployment, and a diminishing need for social assistance; the great returns associated with this investment validate the sizeable initial outlays required by the government.

Conclusion

South Africa’s social assistance system is built on a solid framework and noble principles that aim to stop the social and economic marginalization of the poor. The system attempts to achieve this through a series of primarily non-contributory, means-tested grants that intend to provide the poor with opportunities they would not have access to in the absence of social assistance. These grants offer cash-transfers that are envisioned to remove barriers preventing the poor from accessing education, healthcare, and employment, with the ultimate goal of significantly decreasing the number of citizens living in poverty.

While not all of the grants are failing to achieve their objectives, the majority
of them are. Both the Disability Grant and the State Old Age Pension grants are providing perverse incentives that are leading to dependency on state aid. These grants are falling into the hands of undeserving individuals and incentivizing recipients and recipient households to depend on the income from the grant, rather than to seek employment. While the Child Support Grant faces many challenges, namely the appropriate use of the grant, overall, this grant is accomplishing its goals, as evidenced by the strong and positive correlation between grant receipt and enrollment in school amongst the poorest families. The Basic Income Grant will inevitably confront the same obstacles faced by the DG, CSG, and the SOAP, however, due to the massive scope of this grant, there is potential for wider dependency, corruption, and misuse of assistance.

The South African social welfare system on its own is inadequate in reaching the goals it has set forth to accomplish. Changes within the assistance system need to be made to enhance efficiency, accuracy and effectiveness of the disbursement of grants. This system must be coupled with aggressive work programs and job stimulation policies that truly empower the poor and provide them with the resources to rise out of poverty, and into stability and employment.

References


