Universal Social Protection

Universal pensions in

South Africa

Older Persons Grant

South Africa is ranked as an upper-middle income country but characterized by high poverty incidence and inequality among the population. The GINI coefficient stands at 0.85 without considering the effect of the Older Person's Grant (OPG). Further, inter-racial inequality is signified by a mean per capita income of ZAR934 ($76.9) of the black and ZAR7,641 ($614.3) of the white population in 2008.

South Africa has a long history as a welfare state and since the end of the apartheid era in 1994, the social protection system has played a crucial role in combatting poverty and inequality. It is also the first African country to have introduced a social pension for older persons. The Older Person's Grant (OPG) is provided to all people above 60 years of age and varies between ZAR1,500 ($112) and ZAR1,520 ($114). It is estimated that the OPG along with other social grants bring down the high inequality in society from a GINI coefficient of 0.77 (without grants) to 0.60 (with grants) (OECD, 2015).

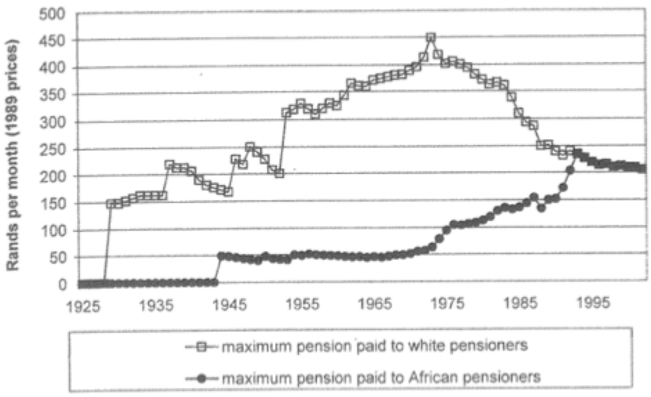
Main lessons learned

- South Africa has demonstrated that extending social protection to older persons is feasible and affordable for middle-income countries.
- It is essential to have political will and commitment, particularly, to increase public social protection expenditures. Today, South Africa redistributes roughly 3.5 per cent of its GDP through social assistance programmes.
- Along with other grants, the Older Person's Grant (OPG) is one of the most important tools for poverty reduction in the country. This is evidenced by the reduction in poverty incidence among older persons from 55.6 per cent in 2006 to 36.2 per cent in 2011.
- OPG also promotes gender equality (eligibility ages for males and females were harmonized in 2011), and addresses inter-racial disparity, through a gradual harmonization of the benefit amounts for different racial groups.
- The creation of a specialized institution, the South African Social Security Agency (SASSA), made delivery of social grants transparent and independent from political considerations.
- South Africa uses an integrated system for grant delivery, monitoring and evaluation (M&E). The integrated M&E system helps to continuously improve delivery. Biometric identification of beneficiaries limits the chances for identity theft.

1. How was the older persons grant developed?

Means-tested social pensions were introduced in 1928. Originally, a social pension existed primarily for white male workers who had no access to occupational pensions and mixed-race women over 60 years of age. With time, trade unions for non-white workers were legalized, which contributed to expand the grant to the non-white population. Further, the amount of the old-age grant was gradually harmonized for different racial groups with a view to achieve parity. During the 1980s, the pension for the black population was increasingly raised while that for the white minority was decreased. By 1992, the means test was equalized for everyone regardless of race, which led to an increase of the income threshold for the black population.

Figure 1. Maximum Older Person's Grant paid to South African black and white pensioners, 1925-2000



Source: Seekings/Nattrass 2005: 131

Older Person's Grant (OPG) is a social grant in South Africa whose design has changed significantly in the last decade. Two of these design changes have significantly contributed to achieving universal social protection. Firstly, when it was introduced in 1928, it entitled all white men older than 65 years and mixed-race women over 60 years of age to an old-age grant. With time, OPG was expanded to the rest of the population – including citizens, permanent residents and refugees with legal status – and the eligibility age for men and women was equalised to 60 years in 2011. Secondly, the grant is delivered based on criteria defined by the Department of Social Development (DSD) and applied by SASSA, to ensure that decisions are transparent and replicable. The DSD is responsible for policy formulation and implementation support, while SASSA is an entity within DSD which administers social grants.

2. What does the OPG look like?

Benefits and coverage: OPG is an income-tested, monthly payment of ZAR1,500 ($112) for persons aged 60-75 years and ZAR1,520 ($114) for those above 75 years. It is paid to around 3 million older persons in South Africa, reaching up to 100 per cent coverage in some jurisdictions. OPG is given to citizens, permanent residents, and refugees with legal status. Applicants have to provide information about their income and financial assets for the means test. If a grant needs to be reviewed, additional documentation is required including greater details on the reported income and a life certificate to prove that the beneficiary is still alive. SASSA conducts the review and must notify beneficiaries three months prior to the review. In cases where payments are made electronically, the review automatically takes place once a year.

Geographic variation in coverage is mostly due to income differences between regions. The highest effective coverage rates are found in the metropolitan region of Johannesburg and Pretoria.

Operational arrangements: With the establishment of SASSA in 2006, delivery of the OPG has improved significantly as the scheme is now underpinned by coherent and transparent guidelines. Biometric identification is used at pay points to mitigate risks such as theft of the Personal Identification Number (PIN) and identity theft. At the time of enrolment, beneficiaries provide their photograph, fingerprints and voice recordings in English or seven vernacular languages. This information is saved in the database of the payment operator and a SASSA-branded MasterCard given to each beneficiary, which serves as the identity and payment card. Voice verification is offered as an alternative to certify beneficiaries who use PIN code identification and at points where no fingerprint scanners are available.

SASSA contracts Cash Payment Services (CPS) to disburse the social grants nationwide. CPS works in partnership with Grindrod Bank, which issues bank cards to beneficiaries. The account is free of monthly charges and allows full access to traditional banking services including ATMs, electronic fund transfers and point of sale transactions. SASSA cardholders can also transact offline where there is no formal banking infrastructure. Every channel requires beneficiaries to be identified through their SASSA card, which can only be done through successful biometric identification. Beneficiaries who use a PIN are identified through the PIN code and voice recordings. In this way, the payment remains secure and beneficiaries' identities can be verified even when there are no fingerprint scanners.

SASSA delivers benefits through fully equipped and well-staffed mobile units as part of its Integrated Community Registration Outreach Programme (ICROP). The ICROP facilitates beneficiary enrolment and registration, issues smart cards, maintains an online database, raises awareness, provides access to pay points, and conducts home visits by medical staff and social workers to ensure that individuals unable to go to the hospital or leave their homes—due to disability or sickness—have access to services and benefits.

Mobile payment unit *SASSA-branded MasterCard*

Payment channels: Three different payment channels exist, all of which use the SASSA card. The first channel is SASSA pay point areas, where the payment provider CPS sets up mobile ATMs. The second channel is payment into Grindrod bank accounts. The third channel is payment at institutions such as old persons' homes on a fixed date, where beneficiaries must authenticate their identity with their SASSA card. Payment dates vary and are released a little in advance to prevent robberies of the trucks carrying cash. Armed security guards are present at pay point areas.

3. What are the main impacts on people's lives?

Recipients of the Older Person's Grant (OPG) share their pensions within the households. Estimates indicate that one grant reaches up to six persons in a recipient's household. Family structures in South Africa are fluid and often multi-generational rather than nuclear, which is largely due to segregation policies of the apartheid era and high HIV/AIDS prevalence. An HIV/AIDS prevalence rate of 18 per cent among the working age population leads to many people having chronic illnesses and disabilities. Older persons often raise their grandchildren because the parents may have passed away due to HIV/AIDS related illnesses. In such circumstances, the grants serve as a reliable source of income and are shared within large households. Compared to non-recipient households, households in receipt of public old-age grants have higher shares of expenditure on food and education.

Research has shown that there is a positive correlation between living in a household with an OPG recipient and finding employment. Women in the 20-30 age group in recipient households are up to 15 per cent more likely to be employed and 9 per cent more likely to participate in the labour force than those in non-recipient households. Recipient households are more likely to experience positive health outcomes for children, especially girls, e.g. better height-for-age and weight-for-height.

4. What's next?

South Africa has come a long way since the end of the apartheid era in 1994. Today, its social protection system is one of the most comprehensive in the region. While OPG is currently a means-tested benefit, DSD plans to universalize the grant. Different models have been financially assessed since 2013 and tripartite consultations with stakeholders and representative bodies carried out to choose the most suitable policy option. Universalization of OPG is a priority in South Africa because it is more accepted politically than universalization of other grants. Older persons still suffer from the long-term effects of apartheid and are often perceived as being needier than other groups.

South Africa is considering introducing a mandatory contributory social insurance scheme that provides pension, death and disability benefits. This will help to provide adequate and affordable benefits, pool risks across the labour force and achieve social solidarity, complementing both non-contributory social assistance and private insurance.

Another gap in South Africa's existing social protection system is the lack of income support for unemployed persons of working age, i.e. between 19 and 59 years. This may result in the redistribution of OPG and other grants to unemployed members of beneficiary households, thereby lessening the impact on the intended beneficiaries and creating implicit subsidies for unemployed persons without a defined strategy or scheme to provide protection.

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