1. The relevance of the Social Protection Floor in South Africa

The South African Constitution enshrines the right to social security in Section 27 (1)(c), which stipulates that “everyone has a right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance”. The government identified a three-pillar approach to the provision of social security: the non-contributory (tax-financed), the contributory and the private voluntary pillars. The contributory arrangements are called social insurance, while the non-contributory schemes include social assistance programmes.

There have been many accomplishments in social security since the transition to democracy in 1994. Most notably are: the creation of important safeguards protecting the constitutional right to social security and social assistance for all people in need; the establishment of a dedicated agency, the South African Social Security Agency, to ensure uniform access to social assistance benefits for all qualifying residents; the expansion of benefits to children and elderly people; and the extension of unemployment insurance to domestic workers and seasonal farm workers.

Social assistance benefits played and continue to play a significant role cushioning the effects of harsh living conditions for the most vulnerable households, particularly when there is an insufficient absorptive capacity of the labour market. By implementing the main components of a Social Protection Floor (SPF), South Africa has made notable progress reducing extreme poverty over the last 15 years. Regardless, South Africa’s high overall poverty levels and low human development indexes are still a matter of concern. On average, 17 per cent of the population in South Africa live on less than 1.25 USD per day\(^1\). In 2009, the United Nations Development Programme (UNDP) reported a Human Development Index (HDI) value of 0.594, which ranks the country 113 out of 182 countries\(^2\). South Africa still ranks amongst the highest in the world in terms of income inequality. There is a high percentage of unemployed and working poor with a disproportionate number of black people and women among the disadvantaged.

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In effect, the per capita mean income and expenditure of the poorest decile are only 1.1 and 1.8 per cent of that of the richest decile. The median monthly earning for the informal sector employees was South African Rand (ZAR) 1,600 (approx. USD 232) in 2010. This is 43 per cent of ZAR 3,683 (approx. USD 534), the median monthly earning of workers in the formal economy.\(^3\)

In the South African context, poverty and unemployment remain structurally inter-linked. In 2009, the unemployment rate is as high as 24 per cent, or 40 per cent if discouraged job seekers are included. Due to an increase in the number of unemployed who have been out of work for more than one year. The percentage of long-term unemployed out of the total unemployed population rose from 58.5 per cent in 2008 to 68 per cent in 2009.

Out of a total population of more than 50 million people, around 18 million people (or 35 per cent) are dependent persons below 15 years of age and above 65 years of age. Categorical social grants in South Africa have had a significant role in reducing the poverty headcount, covering almost 15 million people. The most vulnerable in particular benefited from these programs since they derive an important percentage of their income from social grants.

With that said, South Africa still lacks a comprehensive social security system providing adequate and sustainable social protection for the bulk of the working population. In this context, a strategy for a comprehensive and inclusive social security system, including a mandatory national public social insurance pension for formal sector workers is scheduled, is currently being developed and planned to be released for consultation this year.

2. Existing initiatives linked to the SPF

Pursuant to the Constitution, which guarantees both civil and political rights, as well as social, economic and cultural rights, the government adopted a broad social protection framework, guaranteeing various social transfers and basic social services. To this end, a three-pillar social protection framework was created:

**Pillar 1:** Non-contributory schemes: including targeted cash transfers for the vulnerable, and a growing list of social services – including free healthcare, basic education and subsidized housing for the poor. In addition, there is universal provision of some basic services (water, electricity and sanitation);

**Pillar 2:** Mandatory social insurance covering specified contingencies for all income groups above a certain level;

**Pillar 3:** Voluntary private insurance: top-up coverage for pensions, short term benefits and healthcare.

South Africa’s first pillar consists of the following social transfers:

1. **Old age grant** (payable to citizens aged 60 and older)

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4 Ibid
6 Budget Speech, 2011
2. War veterans grant (payable to veterans from World War II or the Korean War)
3. Disability grant (subject to a medical assessment report confirming disability)
4. Care dependency grant (payable to parents or caregivers of children with disabilities between the ages of 1 to 18 – subject to medical assessment report confirming disability)
5. Foster child grant (payable to a person accorded foster parent status by a court of law)
6. Child support grant (payable to poor households with children)

Table 1: Social Grants Benefit Amount 2010/11 and 2011/12 (in ZAR)

<table>
<thead>
<tr>
<th>Grant</th>
<th>2010/11</th>
<th>2011/12</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>State old-age grant</td>
<td>1 080</td>
<td>1 140</td>
<td>60</td>
</tr>
<tr>
<td>State old-age grant, over 75s</td>
<td>1 080</td>
<td>1 160</td>
<td>80</td>
</tr>
<tr>
<td>War veterans grant</td>
<td>1 100</td>
<td>1 160</td>
<td>60</td>
</tr>
<tr>
<td>Disability grant</td>
<td>1 080</td>
<td>1 140</td>
<td>60</td>
</tr>
<tr>
<td>Foster care grant</td>
<td>710</td>
<td>740</td>
<td>30</td>
</tr>
<tr>
<td>Care dependency grant</td>
<td>1 080</td>
<td>1 140</td>
<td>60</td>
</tr>
<tr>
<td>Child support grant</td>
<td>250</td>
<td>270</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: South Africa Treasury, 2011 Budget Review, Chapter 7

In addition, South Africa provides a supplementary cash and in kind transfer, called Social Relief of Distress, payable for a maximum of three months to any person that is not benefiting from another social grant and who is living in the most dire of economic circumstances and a Grant in Aid payable to any person in receipt of an Older Persons Grant, Disability Grant or War Veteran Grant, who is unable to care for themselves.

2.1 Social transfers

2.1.1 Access to healthcare

In 1994, the Government introduced the Free Primary Healthcare programme and has since built more than 700 clinics. The government provides free healthcare to pregnant mothers, people with disabilities, pensioners and the indigent. The impact of HIV/AIDS reversed many of the healthcare achievements, but now South Africa has the world’s biggest antiretroviral programme. There is currently a national discussion ongoing over whether to introduce a comprehensive National Social Health Insurance (see below).

2.1.2 Financial support for children

The Child Support Grant

The Grant for Caring for a Young Child (Child Support Grant, CSG) is a poverty targeted cash transfer programme in South Africa that was implemented in 1998. The programme’s objective is to assist children, while increasing school attendance and decreasing child hunger. The programme currently provides the primary caregiver with cash transfer of ZAR 270 (approx. USD 35) per month for each child (for a maximum of six children under 18 years of age aimed at assisting with providing for the basic needs of children. The grant currently covers about 11 million children aged 0 to 17. The take-
up rate is between 80 per cent and 85 per cent of eligible children. The overall cost represents about 1 per cent of GDP.  

In addition to the grant, the government also provides other developmental measures, such as access to free schooling, free health care and school feeding schemes for poor children. While for many years, children from poor households had to register in order to obtain a fee exemption for schooling, the government has recently introduced a policy of No Fee Schooling, making schooling free for all children in low income areas. To complement this programme, the School Feeding programme, provides benefits to about 8.1 million children. Additionally, the government created an Early Childhood Development subsidy for centres that offer services to 432,727 pre-school children. This new law enacted in 2010 stipulates that the primary caregiver has the responsibility to ensure that the child enrolls and attends school on a regular basis.

Care Dependency Grant

The Care Dependency Grant provides financial support for a child under the age of 18 years with severe disabilities and in need of special care. The grant is for children who have been assessed by a health professional as having a medical condition or an impairment that affects their functioning and age appropriate independence. In 2011/2012, the value of the grant is ZAR 1,140 (approx. USD 140) per month.

Foster Child Grant

The Foster Child Grant is the only transfer that is not means-tested, due to the need to encourage families to foster children who would otherwise be placed in institutional care. It is granted to people who have received a court order giving them foster parent status after meeting all the assessment criteria set out by law. In 2011/2012, the grant value was ZAR 740 (approx. USD 100) per month for children up to age 18.

Table 2: Total Number of Social Grant Beneficiaries 2007/08 – 2013/14 (in thousands)

<table>
<thead>
<tr>
<th>Type of Grant</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>% Growth per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age</td>
<td>2,210</td>
<td>2,310</td>
<td>2,400</td>
<td>2,600</td>
<td>2,700</td>
<td>2,800</td>
<td>2,900</td>
<td>1.2%</td>
</tr>
<tr>
<td>War veterans</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>&lt;1.7%</td>
</tr>
<tr>
<td>Disability</td>
<td>1,472</td>
<td>1,372</td>
<td>1,269</td>
<td>1,253</td>
<td>1,265</td>
<td>1,290</td>
<td>1,315</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Foster care</td>
<td>443</td>
<td>476</td>
<td>488</td>
<td>554</td>
<td>613</td>
<td>709</td>
<td>820</td>
<td>10.8%</td>
</tr>
<tr>
<td>Care dependency</td>
<td>102</td>
<td>137</td>
<td>119</td>
<td>121</td>
<td>123</td>
<td>135</td>
<td>141</td>
<td>5.8%</td>
</tr>
<tr>
<td>Child support</td>
<td>3,996</td>
<td>4,250</td>
<td>4,811</td>
<td>5,336</td>
<td>5,977</td>
<td>6,620</td>
<td>7,468</td>
<td>5.9%</td>
</tr>
<tr>
<td>Total</td>
<td>12,375</td>
<td>13,056</td>
<td>13,779</td>
<td>14,892</td>
<td>15,713</td>
<td>16,223</td>
<td>16,709</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: South Africa Treasury, 2011 Budget Review, Chapter 7

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10 Ibid, Social Security and Health Financing.
Table 3: Social Grant Expenditure by Type, 2007/08–2013/14 (in millions of ZAR)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-age</td>
<td>22,801</td>
<td>25,934</td>
<td>29,828</td>
<td>33,787</td>
<td>36,571</td>
<td>39,913</td>
<td>42,975</td>
<td>11.1%</td>
</tr>
<tr>
<td>War veterans</td>
<td>22</td>
<td>20</td>
<td>17</td>
<td>17</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>-12.3%</td>
</tr>
<tr>
<td>Disability</td>
<td>15,280</td>
<td>16,474</td>
<td>16,567</td>
<td>17,060</td>
<td>17,813</td>
<td>19,439</td>
<td>20,626</td>
<td>5.1%</td>
</tr>
<tr>
<td>Child support</td>
<td>3,414</td>
<td>3,834</td>
<td>4,434</td>
<td>4,888</td>
<td>5,536</td>
<td>5,833</td>
<td>6,281</td>
<td>10.7%</td>
</tr>
<tr>
<td>Care dependency</td>
<td>1,132</td>
<td>1,292</td>
<td>1,434</td>
<td>1,562</td>
<td>1,727</td>
<td>1,885</td>
<td>2,129</td>
<td>11.1%</td>
</tr>
<tr>
<td>Grant-in-aid</td>
<td>87</td>
<td>90</td>
<td>146</td>
<td>160</td>
<td>177</td>
<td>190</td>
<td>205</td>
<td>15.4%</td>
</tr>
<tr>
<td>Social relief of distress</td>
<td>105</td>
<td>623</td>
<td>165</td>
<td>143</td>
<td>160</td>
<td>175</td>
<td>190</td>
<td>10.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,467</strong></td>
<td><strong>70,715</strong></td>
<td><strong>79,260</strong></td>
<td><strong>88,268</strong></td>
<td><strong>97,560</strong></td>
<td><strong>106,256</strong></td>
<td><strong>114,409</strong></td>
<td><strong>10.6%</strong></td>
</tr>
</tbody>
</table>

Source: South Africa Treasury, 2011 Budget Review, Chapter 7

2.1.3 Financial Support in Old Age

Older Persons Grant

The Older Persons Grant targets elderly women and men 60 years of age and older with the aim of relieving poverty in old age. This programme provides beneficiaries with an annual grant of ZAR 1,140 (ZAR 1,160 for the over 75) which generous compared to the amount provided under the Child Support Grant; it is over four times larger than the CSG. The considerable size of the grant makes it the biggest driver of cash transfer expenditure. The age of retirement was equalized for men and women to 60 years of age in 2008. This reform is to be progressively phased in, so that by 2010/11 everyone aged 60 or older who satisfies income criteria for the social pension will have equal access. The social pension is means-tested and tax financed; the annual cost equates to about 1.4 per cent of GDP and makes up over 38 per cent of the Department of Social Development’s total cash transfer expenditure.\(^\text{11}\)

Disability Grant

The Disability Grant (DG) aims to assist people between the ages of 18 and 59 whose livelihood is severely limited due to ill health or disability. The value of the grant is ZAR 1,140 (approx. USD 140) per month in 2011/2012.

War Veteran’s Grant

The War Veteran’s Grant targets individuals who fought in the Second World War or the Korean War, who are 60 years or older and/or have a disability. It is similar in value to the Older Persons Grant, although an additional nominal amount is paid in recognition for their participation in the war.

Grant-in-Aid

The Grant-in-aid is an additional grant awarded to persons who are in receipt of the Older Persons Grant, Disability, or War Veteran’s Grants, and who are unable to care for themselves. The amount

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of ZAR 250 (approx. USD35) per month is paid to enable them to obtain some assistance with their daily activities.

2.1.4 Protection for the working age population

Social Relief of Distress Fund – Food security in emergency

This is short term relief provided by the government, mainly in the event of extreme circumstances such as fire, floods and other natural disasters. This support is based mainly on need but it is also means tested. The relief can either be in kind or in cash, and the value of the support is based mostly on need.

The Social Relief of Distress Fund (SRD), established prior to the 2008 food crisis, is a temporary provision of monthly assistance for a maximum of three months\(^\text{12}\) for persons who are unable to meet the most basic needs of their families or themselves. While some provinces in South Africa give the grant in the form of cash, it may also be distributed as a food parcel or voucher. In response to the recession, the money allocated to the SRD increased from ZAR 13.6 million (approx. USD2 million) in November 2008 to a peak of ZAR 57.2 million (approx. USD8.5 million) in January 2009. In addition to the SRD, the government, with the help from the private sector, NGOs and community-based organizations, issued agricultural starter packs to particularly vulnerable communities. By the end of 2009, ZAR76 million (approx. USD11.43 million) has been spent distributing the agricultural starter packs in various provinces.

Apart from the short term measures taken by the relief programme distributing agricultural starter packs and money, the SRD hopes to make basic food items more accessible and affordable assisting, in particular, those who are struggling to manage their living costs due to this recession. To this end, the Competition Commission and Tribunal are currently investigating the concentration and mark-up levels in the food supply chain – with a view to assessing behaviour that is harmful to consumers.

Unemployment Insurance Fund – protecting retrenched workers, including those in the informal economy, during times of crisis

The Unemployment Insurance Fund (UIF) is a social insurance fund, established according to the Unemployment Insurance Act (No.30, 1996) to protect employees in the event of unemployment. The UIF covers employees in the formal economy (eg. workers in micro and small enterprises), domestic workers and farmers. In 2010, 642 007 domestic employees were registered, compared to 7 109 462 commercial employees in the formal sector. In 2010 UIF had 7.8 million declared and effectively registered participants. However, an estimated more than 4 million people were still left uncovered. Therefore consideration is being given to the extension of the UIF to the self employed and atypical workers.

The contribution rate is 2 per cent of the employee’s salary (1 per cent by the employer and 1 per cent by the employee) paid monthly through the payroll tax collected by the South African Revenue Services or paid directly to the UIF by those in informal or irregular employment. Five categories of benefits are covered under the UIF Act – namely unemployment, maternity, illness, and adoption and survivor benefits in the event of the contributor’s death. While the primary benefit is for

\(^{12}\) Extension of the period by a further 3 months may be granted in exceptional cases.
unemployment, contributors may also claim benefits during short periods of illness or absence from work due to maternity or adoption. The unemployment benefit ranges from 38 per cent of income for high income earners to a ceiling of 60 per cent of income for the lowest income earners, paid for a maximum period of 238 days.

There is still a large gap between the number of unemployed and the number of people with claims on the Fund. In 2010, 628 595 people received unemployment subsidies. This amounts to only 15 per cent of the 4.1 million unemployed (24 per cent of the active population). Part of the reason for the inefficient coverage is that more than 50 per cent of the unemployed report that they had never worked and thus they have never contributed to the UIF, making them ineligible. Of those that had worked before, almost 68 per cent had been unemployed for more than a year and would have exhausted their benefits if they had ever been eligible for them (238 days, roughly 8 months). Over the last two years there has been an increase in uptake of beneficiaries due to the economic crisis. In order to improve its coverage, the UIF is studying the extending unemployment benefits and introducing a social continuation benefit for the long term unemployed.

Figure 3: UIF payments and beneficiaries 2009-2010

Source: South Africa Treasury, 2011 Budget Review, Chapter 7

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Table 4: UIF Benefits and Recipient Numbers, 2007/08 – 2010/11

<table>
<thead>
<tr>
<th></th>
<th>2007/08 Outcome</th>
<th>2008/09 Outcome</th>
<th>2009/10 Outcome</th>
<th>2010/11 Revised estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits (R million)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>2,031</td>
<td>2,394</td>
<td>3,942</td>
<td>4,280</td>
</tr>
<tr>
<td>Illness</td>
<td>187</td>
<td>212</td>
<td>365</td>
<td>387</td>
</tr>
<tr>
<td>Maternity/adoption benefits</td>
<td>460</td>
<td>538</td>
<td>832</td>
<td>901</td>
</tr>
<tr>
<td>Dependent benefits</td>
<td>243</td>
<td>264</td>
<td>491</td>
<td>532</td>
</tr>
<tr>
<td><strong>Total benefits paid</strong></td>
<td>2,921</td>
<td>3,848</td>
<td>5,620</td>
<td>6,160</td>
</tr>
<tr>
<td><strong>Beneficiaries (thousand)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment</td>
<td>397</td>
<td>475</td>
<td>529</td>
<td>582</td>
</tr>
<tr>
<td>Illness</td>
<td>28</td>
<td>26</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>Maternity/adoption benefits</td>
<td>90</td>
<td>91</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>Dependent</td>
<td>16</td>
<td>16</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total beneficiaries</strong></td>
<td>527</td>
<td>611</td>
<td>671</td>
<td>739</td>
</tr>
</tbody>
</table>

Source: South Africa Treasury, 2011 Budget Review, Chapter 7

2.1.5 Employment intensive programmes

The Expanded Public Work Program

Designed to alleviate the negative effects of unemployment, particularly among workers with little or not expertise, the Expanded Public Work Program (EPWP) has become the cornerstone policy of the labour intensive programmes in South Africa. In Phase 1, from 2004/5 to 2008/9, EPWP exceeded its target of 1 million work contracts. Building on this success, the programme, in Phase II, aims to target 4.5 million work contracts, averaging 100 days per work contract. The target of 4.5 million is cumulative over a five year period till 2013/2014 and thus amounts to around 1.5 million contracts per annum. The EPWP is an important part of the current employment policy. However, the EPWP model can’t easily be upscaled or converted into an employment guarantee scheme due to its characteristics as it was designed to increase labour intensity of existing government investments.  

As a result, the Community Work Programme (CWP) was launched as a complementary employment guarantee scheme.

The Community Work Program

The Community Work Programme (CWP), on the contrary, provides a minimum level of regular, predictable work – typically two days a week or the monthly equivalent. The current wage is ZAR60 (about USD8.75) a day. The plan is to have the programme operating in at least two wards per municipality by 2014. The CWP is designed to upscale public employment to meaningful levels – with a tested 65 per cent labour intensity (per cent of wage in total programme expenditure) at site level for the first two years of operation.

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16 Anna McCord et. al., p. 49.
Setting a Social Protection Floor for the Working Poor and its Links with the Labour Market

One of the greatest challenges related to the protection of the working poor in South Africa is how to strengthen the new combined system of contributory and non-contributory social assistance. In addition, it is equally important that employment services, public employment programs, and active labour market policies, including skills development programmes that support job search of those able and willing to work in the formal and less formal market, work coherently. It is thus expected that their respective strategies are coordinated to strengthen the system.

In response to the crisis, the Unemployment Insurance Fund (UIF) pilot tested the Active Labour Market Policies as a part of a training of the unemployed scheme. On 10 November 2008, the Minister of Labour approved the approved the scheme and its 2010/2011 financial year budget of ZAR200 million (about USD29.88 million). The training was to be executed in close relationship with the National Skills Fund and the various SETA Sector Education Training Authorities. Up to 31 March 2010, a pilot was implemented in Gauteng. It allocated ZAR26.527 million (about USD3.96 million) for 300 candidates to be trained and permanently placed with the Department of Infrastructure Development and the Department of Local Government. The UIF is now considering the implementation of a social continuation benefit for the long-term unemployed, which would be linked to the general pilot training assistance for unemployed.

It operates by allowing communities to prioritize work at the local level, in partnership with local not-for-profit agencies, which also contribute to the empowerment of beneficiaries by promoting economic opportunities, as well as wider developmental impacts.

2.2 Access to other essential services

Access to essential services, such as housing and potable water, is key to ensure development and prosperity. To that end, the government of South Africa has built since 1994, more than 2.8 million houses for about 14 million people. Nationally, 85.5 per cent of households receive free basic potable water compared to about just over 50 per cent in 1996. Free basic electricity of 50KW is provided to designated indigent households, with a target of 3.1 million (or about 58 per cent) of households. Since 1994, over 10 million households have access to sanitation.

The evidence from micro-simulation of the impact of social grants confirms their impact on accessing basic social services. Spending patterns in households that receive social grants are more focused on basics necessities like food, energy and education. Research has also shown important developmental impacts in school attendance, health and nutrition.

3. Financing the Social Protection Floor

The Social Protection Floor components in South Africa currently cover more than 14.4 million people out of a total population of 49 million. During 2011/12, the government will spend ZAR97.6 billion (about USD14.2 billion) on social assistance, which is 3.5 per cent of South Africa’s GDP and about 12 per cent of total government expenditure.
4. Progress and impact of the Social Protection Floor in South Africa

There are now 14.4 million people receiving social grants in South Africa – which is more than a quarter of the population and over six times the number of grant beneficiaries in 1998. Social assistance will contribute ZAR97.6 billion to household income in 2011/12, representing a substantial and enduring program of poverty alleviation.

Income support makes a tangible difference to households with little or no income, along with in-kind transfers, fee waivers, subsidies and other social wage benefits.

At present:
- primary health care is available free of charge for all residents and tertiary care is provided at minimal cost to adults;
- comprehensive health services are available to all children;
- more than 10 million people receive child support grants and nearly 440 000 caregivers receive care dependency or foster care grants;
- 432 727 pre-school children receive subsidies to go to early childhood development centers;
- 7.1 million children are exempt from school fees;
- 8.1 million children benefit from the school feeding programmes; and
- almost 2.6 million older persons receive a non-contributory pension.

**Table 6: Costs of Social protection expenditure in South Africa (000' ZAR and % GDP)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social grants transfers</td>
<td>62 467</td>
<td>70 715</td>
<td>79 260</td>
<td>88 268</td>
<td>97 560</td>
<td>106 256</td>
<td>114 409</td>
</tr>
<tr>
<td>SASSA administration</td>
<td>4 143</td>
<td>4 630</td>
<td>5 169</td>
<td>5 631</td>
<td>6 144</td>
<td>6 200</td>
<td>6 540</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66 610</strong></td>
<td><strong>75 345</strong></td>
<td><strong>84 429</strong></td>
<td><strong>93 899</strong></td>
<td><strong>103 704</strong></td>
<td><strong>112 456</strong></td>
<td><strong>120 949</strong></td>
</tr>
<tr>
<td><strong>Percentage of GDP</strong></td>
<td><strong>3.2%</strong></td>
<td><strong>3.3%</strong></td>
<td><strong>3.5%</strong></td>
<td><strong>3.5%</strong></td>
<td><strong>3.6%</strong></td>
<td><strong>3.5%</strong></td>
<td><strong>3.4%</strong></td>
</tr>
</tbody>
</table>

Source: South Africa Treasury, 2011 Budget Review
Impact of Child Support Grant of access to services and human development

Since 1998, social grants have increased both in scope and value. Over this period eligibility for the CSG has been progressively extended. The grant initially supported children in poor households up to the age of seven. However, as of 2013/14, children will be eligible for the grant up to the age of 18. Eligibility for the old-age grants has also increased, following the equalisation in 2010 of the age at which men and women retire.

A study assessed the scheme in relation to children under age 7 and estimated that “assuming that all those eligible ... register for the CSG, household poverty would fall to 28.9 per cent, poverty among children falls from 42.7 per cent to 34.3 per cent and extreme poverty falls from 13.1 per cent to 4.2 per cent”. More broadly, his estimates indicate: “the grant system also strongly reduces inequality – the Gini coefficient falls from 0.67 before grants to 0.62 after grants”.

In 2002 the CSG was associated with an “8.1 percentage point increase in school enrolment among 6 year old children and a 1.8 percentage point increase among 7 year old children”. The CSG has also been shown to have a positive impact on nutrition, growth and hunger. A study found that receipt of the CSG for two-thirds of the period of a child’s life before the age of 26 months resulted in a significant gain in height, an important indicator of nutritional status. Another study showed that the CSG has a positive and significant effect on the statistic of child’s height-for-age, and estimate that the improved nutrition reflected in these height gains will yield a discounted rate of return of between 160 per cent and 230 per cent on the original CSG payments.

Finally, a study commissioned by the Economic Policy Research Institute (EPRI) showed that households receiving the CSG and other social grants were in fact more likely to participate in the labour market.

Impact of Old Age Grant

Although pensioners are the direct recipients, it is widely acknowledged that the social pension is shared within, and effectively supports, the poorest households. Evidence indicates that the implementation of the pension scheme has not only prevented many vulnerable pensioners from falling into long-term poverty, but also limited the depth of poverty experienced. According to HelpAge International, the poverty gap would be two-thirds larger for South Africa if the non-contributory pension income were to be removed and the poverty gap would be one-fifth larger. The same report also indicates that the pension reduces household vulnerability, as recipient households show greater financial security and a lower probability of experiencing a decline in living standards.

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17 Woolard 2003.
18 Case et al., 2005.
20 Aguëro et al. 2007.
Evidence indicates that the pension has significantly improved women’s status in rural households. The number of female beneficiaries is about three times the number of males, but the scheme can be seen to play a broad and effective role in offering “unpaid workers a guarantee of partial economic security in their elderly years, affording them an earned place in the household”. Even regarding concerns that the pension scheme could have disincentive effects for those looking for jobs and therefore a negative impact on labour market participation, there are positive noticeably effects in the case of female labour migrants. Results suggest that pension income received by women helps prime-age women because it makes it possible for grandmothers to support grandchildren.

Impact of the Community Work Programme

The Community Work Programme operates at a 65 per cent labour intensity, where 65 per cent of the costs are for wages, which is relatively high. However, this programme contributes to the creation of infrastructure for food security – by erecting fences to protect food crops from grazing animals, water harvesting technology, and conversion of unused public land into allotments and food gardens. It represents labour support to maintain food security levels to vulnerable households, child-headed households, and school food gardens through feeding schemes, cooking meals for child-headed households.

Through this programme public assets and public services have made available, which in turn improve productivity and the quality of life in communities, as well as on health, nutrition, food production. Evidence shows that access to work has impacts on participants’ self-respect, as well as access to income and agency. It impacts positively on household income and poverty, and has potential impacts on child nutrition and prevention of HIV/AIDS.

Importantly, it improves the economic participation of women and addresses social problems by enhancing responses in terms of the provision of community facilities, organized youth activity, and home-based care and auxiliary services.

5. Challenges and lessons learned

Current challenges in the social protection floor in South Africa include:

Access to essential health care for all

- The 2011 Budget takes the first steps in establishing a national health insurance (NHI), which is part of the Minister of Health’s 10-point plan for improving health outcomes in South Africa. It includes consideration to improve the quality and extent of the primary health care system for all.

Income security for children and their access to nutrition, health and education

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26 2011 Budget Speech by Minister Pravin Gordhan, Minister of Finance, 23 February 2011.
• Comprehensive system of child support should by 2012 include all qualifying children covered up to the 18th birthday; this is an improvement which was confirmed in the 2010 Budget for phasing-in over the next three years; there is also possibility of a Child benefit to age 25 (if studying).

• There will remain a lack of proper social assistance for the young adults aged 18 to 24, of whom 70 per cent are unemployed; the support should facilitate their transition from education to work.

• There is limited support for caregivers of children who face the challenge of the burden of child caretaking – in case caregivers in poor families are at home to ensure proper development of children and families, they will need some form of income support.

• There is still 15% exclusion error in the delivery of the Child Support Grant, affecting some 2 million children. In other words, about 15% of eligible children are not receiving the grant when they are eligible. The main reason is due to administrative bottlenecks, especially around requirements for birth certificate of the child and identity of the main caregiver. About 50 percents of eligible but non-receiving households did not have the right documentation. Government is implementing programs to reduce the exclusion error.

Protection of the active working population

• There is no form of income support for adults who face structural unemployment. That occurs for example when they have lost their jobs after the expiry of Unemployment benefits. The UIF is currently looking at ways to address this situation.

• For the large uninsured population, the assessment of the Expanded public employment program II and its generalization is ongoing; the increased use of Community Work Programs at the local level is sought. Its rolling out on a large scale would provide a limited albeit reliable and predictable form of income support for long term unemployed (equivalent to 2 days work at ZAR 60).

Income support in Old age and disability

• There is consideration to introducing a universal benefit by setting up progressively the income threshold at a level which does not result in the arbitrary exclusion of people in need and thereafter subjecting the benefit to tax claw back arrangements.

• Under consideration in the reform towards comprehensive and inclusive social Security and retirement is the introduction of a mandatory social security scheme as current voluntary social insurance coverage is patchy.

Administration

• High administrative costs burden both the social assistance and the statutory social security funds. The main reason for high costs is the duplication of functions across agencies. Social security entities essentially perform the same tasks: they collect contributions, manage accounts and disburse benefits. Yet none of these functions are shared. In 2010 the inter-ministerial committee on social security reform and health financing called for the
unification of administrative functions, alignment of benefits and coordination of policy-making across agencies.

One of the key challenges in achieving an improved social security system is the need for coordinated policy development and service delivery. This relates to the fact that the responsibility and authority for social security is divided between several departments, service delivery agencies operate separately from each other with low levels of integration, coordination, or cooperation.

A more coherent policy approach and institutional coordination is needed at the national level in the field of Social security. Also, appropriate linkages of social protection instruments should then be established with social and health services and labour market instruments (employment services, active labour market policies, labour inspection).

- 2011 Budget establishes reforming the means test applied to social grants a priority. Social grants means tests are intended to ensure that support is provided to beneficiaries who need it, and that social assistance is both fair and financially sustainable. But the tests have several drawbacks: they are complicated, they prevent poor households whose income is marginally above threshold from receiving support and they increase administrative costs. They can have adverse consequences on people’s behaviour – for example, by creating an incentive for older workers to divest their assets and liquidate savings prior to retirement.

The budget for 2011/12 will raise the level of disregard, means test and asset thresholds on social grants. It is expected that they will continue to be raised in subsequent budgets until they are in line with the tax threshold. This reform will benefit households with limited means, and alignment with the tax threshold will reduce administrative complexity.

Some lessons learned on implementing the Social Protection Floor in South Africa:

- South Africa generated evidence which proved important to show the impact of social grants on poverty and improve national support to the social protection floor. Arguments about perverse incentives and dependency required research disproved by outcomes; research by UNICEF and the Department of Social Development suggest that the unconditional nature of the CSG is one of its key strengths; research by UNICEF further suggests that the social grants system played a significant role in reducing the impact of the recent economic crisis on poor families.

- There is a further need to systematically generate and communicate data on social security; for this, the Department of Social development has initiated two main projects; a Social Budget – with the participation of the ILO and a National Social Information system.

- Consideration is being given to progressively lifting the means test threshold and universalizing old age benefits for reasons pertaining to the design and integration in the framework of comprehensive social security.

- South Africa expanded the social protection floor at the same time as it ensured a balanced macro-economic environment; South Africa had the most significant economic growth in decades between 2001 and 2008 at the same time as the beneficiary numbers grew exponentially.

- South Africa has a well functioning and sustainable tax base allowing for fiscal planning and...
redistribution of resources towards social spending.
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