WELFARE PAYOUTS

Stalling of grants puts all of SA at risk

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When rich people complain about rising taxes and inefficient government, they should take a minute to reflect on the social grant system.

It delivers grants ranging from R380 to R1,600 to 17-million people — almost a third of the population — every month. In 2015, social grants were the largest source of income for one in five of all households and for a third of all households in the poorest 60%. They provided about half of all the income received by the worst-off 40% of households.

The Department of Social Development's failure to develop a plan to deliver social grants after March is, therefore, breathtakingly irresponsible. It directly imperils the livelihoods of more than 3-million households. Indirectly, it poses a threat to social cohesion, which affects every South African. We hear a lot about how SA's unusually deep social divisions mean it needs a social compact. Being one of the world's most unequal economies brings in its train social and political conflict.

The social grant system is a critical element of the social compact, making it possible for voters to tolerate SA's extraordinarily inequitable and exclusionary economy.

Without it, it seems unlikely that democracy could survive, or that the rich people now complaining about their taxes would be able to enjoy their luxuries in peace. Social grants are also an investment in the future. They enable marginalised households to improve their education and health. Since 1994, the share of SA households going hungry, at least sometimes, has fallen from about 25% to just over 10%. Much of this success is due to social grants.

Most of the grants go to poor households. The poorest 60% of households get about three-quarters of old-age and child-support grants and, two-thirds of disability grants.

By themselves, social grants are not enough to lift families out of poverty. The latest budget pegged old-age and disability pensions at R1,600 a month, and child grants at just R380. The Statistics SA food poverty line for SA in 2011 (reflated using the consumer price index) comes to about R620 a month per person. The World Bank's international poverty line of $1.90 per person per day gives a similar figure.

By these standards, disability and old-age pensions come close to the national and international poverty lines for a couple. But they only make up a quarter of all grants. The child support grant accounts for 70% of all grant recipients. Each one of these grants is enough to end poverty for slightly more than half a person. For households with no employed people or only low-income work — domestic, farm and informal workers, for instance — even these very low sums make the difference between absolute poverty and getting by.

The poorest 20% of households lived on less than R800 a month in 2015. In this group, fewer than one family in five received an old-age or disability pension, although about three out of four received a child grant.

The next richest 40% survived on R800 to R1,300 a month. In this group, two households in five received an old-age or disability grant and, on average, each household received a child grant.

While individual grants are low, they reach many people and that adds up. The share of social grants in the GDP climbed from less than 2% in 1994, to 3.2% in 2004. In 2017, they are expected to account for 9% of total government spending. In recent years, the government has stabilised social grants as a share of the budget mostly by limiting the growth in coverage, especially for disability, rather than by holding increases below inflation. In the coming three years, the number of people getting some kind of social grant is expected to grow faster than the population. But the number receiving disability grants should fall by almost 1%.

Social grants are a crucial remedy for the inequalities that continue to shape SA's economy. But they were not designed for that. They are limited to people who cannot physically work due to age or disability. That leaves out most working-age unemployed, who often end up depending on relatives who get grants.

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That is why the poorest 20% of households are now almost exclusively young couples with only one or two children and no grandparents. Of course, it would be better to transform the economy to generate more real employment opportunities. But realistically, for the foreseeable future, cash transfers to households will continue to play a crucial role in empowering poor families.

We need a broader conversation on how they could be moulded into better support for all of the millions who are marginalised by the economy, beyond their role as a safety net for SA's most vulnerable citizens.

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