

**A better life for some?
An economic assessment of
social security grants in South Africa**

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Chapter 1

Introduction

1.1 Introduction

The prevailing election manifesto of the South African government has been to “create a better life for all South African citizens” (Zuma, 2009: 1). After the democratic elections in 1994, the government had an immense task to actualise their election manifesto. Regardless of the apartheid era having come to an end in 1994, the country still faces numerous development and economic challenges. High poverty^j, crime and unemployment rates; excessive socio-economic and income inequalities and an HIV/Aids epidemic have been at the order of the day (Hoogeveen and Özler, 2006: 59). Negative real per capita economic growth, high public debt and large budget deficits, high inflation and low labour productivity have further contributed to these challenges (Burger, 2007: 1).

Various policies were put in place after 1994 to address the difficulties facing South Africa. The Reconstruction and Development Programme (RDP), the election policy of the African National Congress (ANC), was the first of these policies and subsequently turned into a White Paper after the democratic elections (Burger, 2007: 15). The White Paper described the RDP as, “a policy framework for integrated and coherent socio-economic progress. It seeks to mobilize all our people and our country’s resources toward the final eradication of the results of apartheid” (The Presidency, 1994: 7).

The policy gives equal weight to the importance of economic growth and development and views these two objectives as mutually dependent (Burger, 2007: 15). The establishment of human development and the eradication of poverty and inequality would allow South Africa to attain high and sustainable development (The Presidency, 1994: 4). The RDP White Paper further puts forward that macroeconomic policy includes strategies such as (The Presidency, 1994: 4):

- A reduction in the fiscal deficit;
- Not increasing government expenditure in real terms;
- Commitment to reduce government dissaving over time;

- Changing the composition of government spending towards increased investment expenditure;
- Improvement of service delivery to the poor which includes access to education, health, welfare and housing and
- Developing human resources and facilitating labour market reform.

South Africa's Growth, Employment and Redistribution (GEAR) strategy was released in 1996 to restore the country's economic health (Pauw and Mncube, 2007: 14). GEAR aimed for economic growth, employment and redistribution within a five-year period, by drawing foreign investment to the country (Makino, 2004: 12). GEAR placed less emphasis on social delivery and prioritised public and private investment (Burger, 2007: 16). It was believed that development and redistribution will follow from economic growth. This macroeconomic stabilisation policy set the following explicit targets: a 6% economic growth rate per year, to reduce the budget deficit/GDP ratio to 3% and to create 400 000 new employment opportunities by 2000 (Van Zyl and Van der Westhuizen, 2003: 13).

Fiscal sustainability and restraint were used to attract foreign capital and government expenditure was kept at a minimum until 2000 (Pauw and Mncube, 2007: 14). After 2000 a period of significant expansion of welfare services began, without putting added pressure on fiscal sustainability (Burger, 2007: 2).

In 2006, the South African government implemented the latest strategy, namely the Accelerated and Shared Growth Initiative – South Africa (AsgiSA), in order to face the country's development demands. AsgiSA follows the approach that through economic growth, poverty and unemployment will be halved by 2014. According to the AsgiSA Summary Report (The Presidency, 2006a: 3–4) the three main objectives of AsgiSA are: firstly, to achieve sustainable economic growth; secondly, to implement labour-intensive activities and thirdly, to ensure balanced growth. AsgiSA aims to obtain these objectives through the elimination of, or control over the so-called 'binding constraints' that dampen economic growth in South Africa.

These binding constraints, as identified by AsgiSA (The Presidency 2006a: 4–5), are:

- Volatility and level of the currency;
- The cost, efficiency and capacity of the national logistics system;
- Shortage of suitably skilled labour;
- Barriers to entry, limits to competition and limited new investment opportunities;
- Regulatory environment and the burden on small and medium businesses and
- Deficiencies in state organisation, capacity and leadership.

All three above-mentioned policies have achieved success in many aspects of development since the political transition in 1994 (Gleb, 2003; Burger, 2007; The Presidency, 2007b; Van der Berg *et al.*, 2008). The country nevertheless still faces significant challenges of inequality, poverty and unemployment. According to the Development Indicators 2008, the proportion of the population that lives in poverty has decreased from 51% in 1994 to 41% in 2007 (The Presidency, 2008a: 26). Despite this decline, the reality is however, that four out of ten people live on less than R367 a month in South Africa. This implies that on average 40% of South African citizens has less than R11.84 or \$1.60ⁱⁱ per day to survive. The current inequality measures paint the same fragile picture of South Africa. The Gini coefficientⁱⁱⁱ, according to the same report, for 2007 was 0.660. South Africa's income inequality is one of the highest in the world (UNDP, 2008: 87).

Policies aimed at the alleviation of inequality and poverty have focused on the extension of access to basic services, the widening of the social safety net and programmes concentrating on job creation (Lalthapersad-Pillay, 2007: 18). The primary part of the South African government's poverty alleviation measures is the provision of social assistance (The Presidency, 2006c; September, 2007). The then Minister of Finance, Trevor Manuel (2003: 7) stated in the 2003 Budget Speech that social grants are the "largest and most effective redistribution programme". The new democratic government strives to ensure minimum living standards to all citizens, the

exact approach however, is determined by the affordability of social security programmes (Van der Merwe, 2000: 726).

The rationale of social grant assistance is to reduce risk, chronic poverty and vulnerability of citizens^{iv} (Chapman, 2006; Farrington and Slater, 2006; Pauw and Mncube, 2007). Social grants, especially the Old Age Grant, reach that goal by reducing the extent of poverty in South Africa (Gleb, 2003; Makino, 2004; Richter, 2006; Van der Berg *et al.*, 2006; Pauw and Mncube, 2007).

Section 27(1)(c) of the Constitution of the Republic of South Africa 108 of 1996^v guarantees the right to social security (Oliver *et al.*, 2004: 118). The provision of social security grants is further assured by the Social Assistance Act 13 of 2004 and its attendant regulations, published by the Department of Social Development^{vi}. This regulatory framework is in addition expanded by the Constitutional Court's finding in the *Government of the RSA v Grootboom 2000 11 BCLR 1169 (CC)* where the court found that the state is obliged to "take positive action to meet the needs of those living in extreme conditions of poverty, homelessness or intolerable housing" (Dekker, 2004: 154). In determining whether the state complies with its constitutional obligations, the court will ask whether the measures taken are reasonable (Kgamphe, 2004: 9). The Department of Social Development also has the duty to monitor the newly formed South African Social Security Agency (SASSA) that is responsible for the administration of all social assistance.

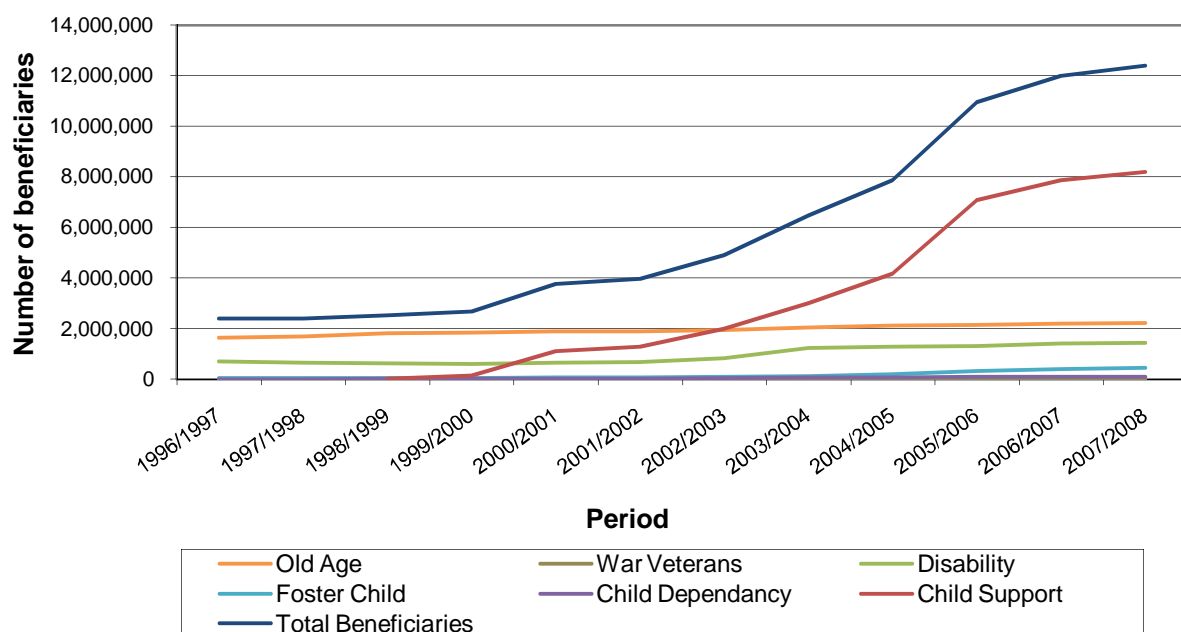
Seven kinds of social security grants are currently available to South African citizens. The Old Age Grant, the Disability Grant and the War Veterans Grant each has a nominal value of R960 per month as of 1 October 2008^{vii} (The Presidency, 2008b: 41). A Foster Child Grant^{viii} (R650), Care Dependency Grant (R960), Child Support Grant (R230) and a Grant in Aid (R210) further complete the social assistance system (The Presidency, 2008b: 42–45).

Social grants in South Africa are non-contributory in nature^{ix} and prone to eligibility criteria^x. All the grants, except for the Foster Child Grant, are in addition subjected to a means test (The Presidency, 2008b: 22). The means test adds the criteria of

material means available to the applicant, to the other eligibility criteria of each grant. The test determines whether the applicant is poor enough to qualify for the grant and which level of the grant should be paid to the applicant. The Department of Social Assistance (The Presidency, 2008b: 36) explains it as a “targeting system designed to ensure that a specific group or category of persons benefit from the limited amount of money that is available”. The purpose of this targeting system is to ensure that the social assistance system can be classified as a pro-poor policy. Grants should be provided to the poorest of the population and not be given to those who can care for themselves.

The social welfare system has experienced prominent growth since 2000. Burger (2007: 32) reports that the number of social grant beneficiaries doubled from 2003. The social assistance spending, as a percentage of Gross Domestic Product (GDP), has also increased from 2% in 2001/02 to 3.1% in 2007/08 (The Presidency, 2008a: 28). The substantial rise in the number of beneficiaries, as illustrated in Figure 1.1 below, can be attributed to the significant extension of Child Support Grants. This is due to successful initiatives to expand access, such as lowering of age requirements and increased public awareness (Pauw and Mncube, 2007: 16).

Figure 1.1: The number of social grant beneficiaries



Source: Development Indicators 2008 (The Presidency, 2008a: 28).

The total social grant recipients for the 2007/08 time frame adds up to 12 386 396 individuals (The Presidency, 2008a: 28). Given a total population of 48 502 063 people, 25.54% of the South African population are grant beneficiaries. The demand for social grants is expected to increase above the current level, given high unemployment, poverty and the worsening HIV/Aids epidemic (The Presidency, 2006c: ii). Lower age requirements for the Old Age Grant^{xi} will also put added pressure on the current expenditure levels (The Presidency, 2008a: 28).

According to Booysen and Van der Berg (2005: 546), South Africa is on the same level with its social security system as many developed countries. Gleb (2003: 13) describes it as “substantial in international terms”, but he emphasises the shortcomings with regard to insufficient coverage. The social security net in South Africa has numerous shortcomings and issues that have been raised in literature. These are summarised in Table 1.1 below.

Table 1.1: Current disputes regarding the social security system

Current dispute	Short explanation	Literature
Administrative capacity	<ul style="list-style-type: none"> ▪ Inefficient systems and weak capacity could lead to corruption and misallocation of resources 	Makino (2004) Pauw and Mncube (2007)
Age requirements	<ul style="list-style-type: none"> ▪ Children currently only qualify for the Child Support Grant if under the age of 15 years. However, international standards, the Constitution and Social Assistance Legislation define a child as under the age of 18 years 	Jansen van Rensburg and Horsten (2004) Lalthapersad-Pillay (2007)
Basic Income Grant ^{xii} (BIG) for South Africa	<ul style="list-style-type: none"> ▪ Cost: benefit ratio should be examined ▪ Despite the many advantages, the cost seems to outweigh the possible advantages 	Bhorat (2003) Makino (2004) Pauw and Mncube (2007) Richter (2006) Samson <i>et al</i> (2002)
Conditional Cash Transfers	<ul style="list-style-type: none"> ▪ Consider a move from a non-contributory cash transfer system to a conditional cash transfer^{xiii} system 	Biyase (2008) Chapman (2006) Farrington and Slater (2006) Pauw and Mncube (2007) Schubert and Slater (2006) The Presidency (2006b)
Grant and means test thresholds	<ul style="list-style-type: none"> ▪ The nominal value of grant and means test thresholds do not keep up with inflation 	Budlender <i>et al.</i> (2005) Jansen van Rensburg and Horsten (2004) Makino (2004)

Table 1.1 continue: Current disputes regarding the social security system

Current dispute	Short explanation	Literature
The two-folded influence of HIV/Aids	<ul style="list-style-type: none"> ▪ The sufficiency of assistance given to those caught up in the cycle of poverty and HIV/Aids ▪ The effects of the epidemic on grant eligibility and fiscal sustainability 	Booyesen (2004) Dorrington <i>et al.</i> (2006) Nattrass (2004)
Means test	<ul style="list-style-type: none"> ▪ The cost to government and applicants ▪ Complicated and expensive – reduces the take-up rate^{xiv} of grants ▪ Cost diverts funds from the poor ▪ The test does not take the dependency ratio of grant incomes into account 	Budlender <i>et al.</i> (2005) Samson <i>et al.</i> (2002) Jansen van Ransburg and Horsten (2004) Richter (2006)
Perverse incentives ^{xv xvi}	<ul style="list-style-type: none"> ▪ Teenage pregnancy ▪ Economic dependency ▪ Refuse treatment or medicine to cure illness or disability ▪ Fostering of children 	Biyase (2008) The Presidency (2006c) Farrington and Slater (2006) Nattrass (2004) Richer (2006)
Eligibility criteria of Child Support Grant - primary caregiver should be older than 16 years	<ul style="list-style-type: none"> ▪ If the primary caregiver is not the biological mother; children are not likely to receive a grant even if eligible ▪ The age requirement for primary caregivers constitutes a problem, as an increased amount of child-headed households are found ▪ Children living on the streets, without an adult caregiver are excluded 	Budlender <i>et al.</i> (2005) Goldblatt and Liebenberg (2004) Jansen van Rensburg and Horsten (2004)
Sustainability	<ul style="list-style-type: none"> ▪ Increase in beneficiary numbers lead to a fiscal sustainability concern 	The Presidency (2006b) The Presidency (2006c) Samson <i>et al.</i> (2002) Pauw and Mncube (2007)

1.2 Problem statement

The social safety net is one of government's key instruments for redistribution and poverty alleviation, but the current system faces a number of shortcomings and challenges. This dissertation provides an assessment of social security in South Africa.

1.3 Motivation

Social grants play a crucial role in poverty alleviation. South Africa's social grant system is of great impact and importance, especially when taking the following facts into consideration:

- 40% of the population lives in poverty (The Presidency, 2008a: 26);
- 25.54% of the population are grant beneficiaries (The Presidency, 2008a: 28);
- The Constitution requires government to give social assistance if citizens are unable to support themselves and their dependants (Oliver *et al.*, 2004: 118) and
- Government expenditure on social grants is equal to 3.1% of GDP (The Presidency, 2008a: 28).

It is evidently sensible to investigate a poverty alleviation programme which affects such a large number of people and resources of a country. It is also apparent that a number of questions about the current system remain unanswered. Consensus has been reached that resources could be allocated more efficiently if a few changes are made. This dissertation evaluates the current system and its deficiencies and offers some recommendations.

The means test is probably one of the elements of the social grant system that receives the most criticism. The purpose of the test is to ensure that scarce resources are allocated to those who need it the most. It is argued, however, that the cost thereof diverts funds from the poor. Budlender *et al.* (2005: 42) estimate that Child Support Grant applicants spend R25 in complying with the means test. In addition to this, government spends around R18.77 per applicant to apply the means test to the Child Support Grant. Such a system puts vast pressure on the administrative capacity and resources available and in turn reduces the take-up rates of grants. Furthermore, the means test does not take the dependency ratio of each grant into account and consequently receives added criticism.

Age as eligibility criteria likewise attracts much scepticism. Jansen van Rensburg and Horsten (2004: 65) explain that even though international standards, the Constitution and Social Assistance Legislation define a child as under the age of 18

years, the Child Support Grant only includes children under the age of 15 years. This implies that children between the ages of 15 and 18 years are currently left to fend for themselves.

Another group of children is denied access to social security as a result of age criteria. The primary caregiver of a child should be 16 years or older. This seems to be a fair requirement. However, in reality there are many child-headed households, in particular given the effect of HIV/Aids on families (Goldblatt and Liebenberg, 2004: 151). It was also found that if the primary caregiver is not the biological mother of the child, the child is not likely to receive the grant, even if eligible (Budlender *et al.*, 2005: 2). Many children are homeless and do not have an adult caregiver and even though these children are most vulnerable, the current system does not provide for them (Jansen van Rensburg and Horsten, 2004: 73).

HIV/Aids has an extensive and devastating effect on households in South Africa. South Africa has a total HIV prevalence rate slightly in excess of 11%, which translates into 5.4 million people being HIV-positive (Dorrington *et al.*, 2006: i). The epidemic gives rise to persistent illness, an increasing number of orphans^{xvii}, child-headed households^{xviii}, higher dependency rates and high unemployment which leaves poverty stricken people behind.

The influence of HIV/Aids on the social security system poses two important questions. Firstly, does the social welfare system give sufficient assistance to those caught up in the cycle of poverty and HIV/Aids? A study done on 30 households in Mount Frere, South Africa, verifies that, "South Africa's system of social security proved inadequate to mitigate the economic impact of HIV/Aids and poverty on households with children suffering from severe malnutrition" (Samson, 2002a: 1172). Secondly, how is the epidemic affecting grant eligibility and fiscal sustainability? According to Booysen and Van der Berg (2005: 545), HIV/Aids is one of the main factors leading to increased eligibility in terms of social grants. The impact of the HIV/Aids epidemic is especially clear when one takes the increase in disability grants into consideration (Nattrass, 2004: 1). Increased eligibility, in turn, raises fiscal sustainability concerns.

The destruction of the HIV/Aids epidemic reaches even further, as it fosters a new perverse incentive. It seems that there is a tendency to refuse medicine or treatment in order to stay eligible for disability grants. Grant beneficiaries have to choose between income and health. Taking the antiretroviral treatment will cause restored health and beneficiaries will lose their grants. They choose for this reason not to take the medicine in order to have an assured income for their shortened lifespan (Nattrass, 2004: 1).

In South Africa, the fostering of children may also lead to a perverse incentive, mainly due to the higher nominal value of the Foster Child Grant. The other perverse incentives found are not uniquely South African. They include economic dependency and possible teenage pregnancy, although no consensus is reached on whether these incentives do exist (The Presidency, 2006c: ii). Any social assistance system with eligibility requirements have the potential to create perverse incentives, due to the tendency that people may change their behaviour in order to qualify for a grant.

One of the suggestions to automatically eliminate any possible perverse incentives is to implement a Basic Income Grant (BIG). This will entail giving a grant of R100 to every South African citizen, regardless of their income, age or any other factors (Makino, 2004: 2). Behavioural change will accordingly not affect the eligibility of applicants (Nattrass, 2004: 16). It is argued that people will not become dependent on the R100 per month, since the amount is too small and people would have to find alternative sources of income, forcing the poor back into the labour market (Pauw and Mncube, 2007: 18).

Another reason put forward for considering BIG, is that the current social security net in South Africa assumes every person who is able to work and seek employment will indeed find it. However, this is not true in the South African context (Richter, 2006: 198). Borat (2003: 1) explains that “many of the unemployed are indeed, unemployable”, due to racial disparities of the past and lack of skills. Mass structural unemployment within the South African economy makes BIG a feasible idea, since it will target the unemployed (Makino, 2004; Pauw and Mncube, 2007).

One of the main reasons why BIG seems plausible is that many poor South African citizens receive no grants (Makino, 2004: 2). It is questionable, though, if the solution lies in giving every South African citizen a grant. No other country has implemented such a system (Makino, 2004: 2). The fiscal feasibility of BIG is questioned due to its extreme high cost (Pauw and Mncube, 2007: 18). Bhorat (2003: 18) estimates that such a system will require just above 30% of total government expenditure. This leaves most with the conclusion that the advantages of BIG do not justify the cost of such a system.

Another suggestion to improve the social assistance system is to change the current non-contributory cash transfer system to a conditional cash transfer system. This will entail setting extra behavioural requirements as eligibility criteria for grants. The conditional cash transfer system is utilised to change the behaviour of grant beneficiaries in order to achieve certain desirable effects. Examples include only qualifying for a Child Support Grant if school attendance of children can be proven and where a Disability Grant will be conditional upon visiting health clinics or taking certain medicine (Chapman, 2006: 4).

Farrington and Slater (2006: 509) explain that conditionality of grants will make transfers politically more acceptable, especially to the public, whose taxes fund the grants. However, such a system will place further pressure on the already weak administrative capacity and cause an increased fiscal sustainability concern (Pauw and Mncube, 2007: 1).

Schubert and Slater (2006: 574–575) identify, amongst others, issues with supply-side implementation capacity constraints. These are particularly relevant to the South African economy, as it is already burdened with the above-mentioned constraints, without making grants conditional. Cost benefit considerations should be taken into account, even though such estimations are extremely difficult. This alternative solution to the current social grant system falls outside the focus of this study and should be evaluated in depth separately.

Other deficiencies with the current social security system include fiscal sustainability concerns, given the increase in the demand for social grants (Samson *et al.*, 2002; The Presidency, 2006b; Pauw and Mncube, 2007). The inefficient administrative capacity raises concern of possible corruption and misallocation of scarce resources (Makino, 2004; Pauw and Mncube, 2007). Even the nominal values of the different grants are problematic, in view of the findings that grant thresholds do not keep up with inflation (Budlender *et al.*, 2005: 9).

This study provides an up to date survey of available literature; and assesses the current social security system and its shortcomings. The analysis uses the latest data from the 2007 General Household Survey (GHS) to establish a profile of social grant beneficiaries. The creation of a social grant beneficiary profile sheds some light on exactly who receives social grants. The effectiveness of the social security grant system, in targeting the most vulnerable groups, is also determined from this analysis.

1.4 Objectives

The general objective of this dissertation is to provide an assessment of social security grants in South Africa.

Specific objectives necessary to achieve the general objective include:

- To review the evolution of the South African social security grant system;
- To outline the current opportunities and challenges through an overview of South African literature and
- To undertake empirical analysis of the characteristics of the individuals who receive social assistance using data from the 2007 GHS.

1.5 Method

A literature review and empirical analysis are conducted to achieve the above-mentioned objectives. The empirical analysis focuses on identifying the characteristics of the individuals who currently receive social assistance. The source of this data is the 2007 GHS. The survey contains information regarding individual and household characteristics, whether the individual used a welfare office or

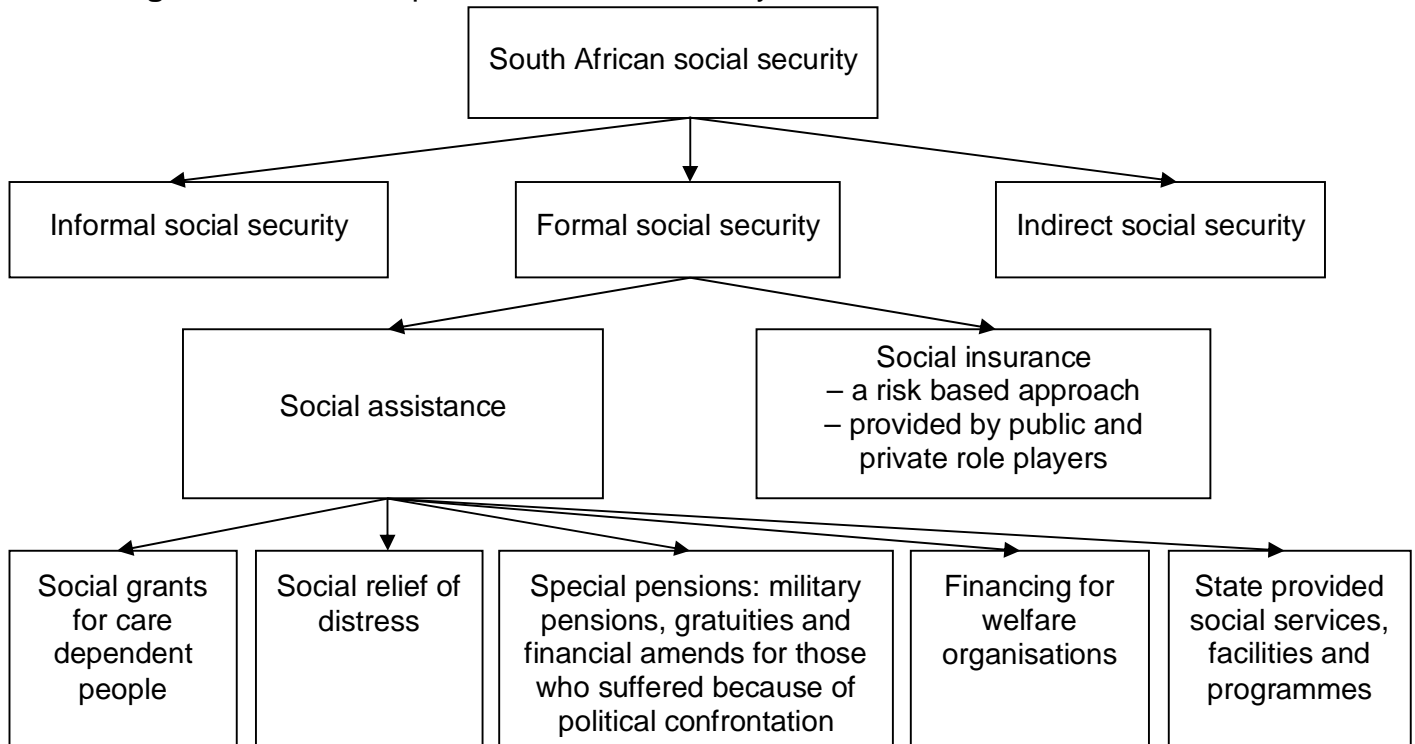
service, the types of welfare grants received, as well as the individual's satisfaction with the service or assistance rendered at the welfare office. The first round of data analysis involves a description of the data and cross tabulations using SPSS 17.

1.6 Explanation of terminology

Defining social security and its related concepts is a complex process with different interpretations found globally. There is no universally accepted definition and the term is country specific. As explained by Olivier (2000: 103), social security "can be said to comprise of social contingencies or core elements (e.g. relating to health, unemployment, old-age, employment injuries), it is nevertheless flexible enough to reflect county-specific content, and is subject to constant change and development over time". Social security is affected by socio-economic factors, the specified law, different cultures and labour markets. It is thus important to define the concepts of social security as seen from a South African perspective and to clarify how the study applies certain terminology.

Figure 1.2 gives a summary of the different components of social security in South Africa. Social security has three main divisions, namely: formal; informal and indirect social security. Van der Berg (1999: 238) defines formal social security as follows, "Social security protects people against various contingencies, such as income loss from unemployment, disability, injuries sustained at work, illness or old age". Formal social security can be divided in two main components: social assistance and social insurance. Within the South African context the distinction between these two forms of formal social security is particularly important.

Figure 1.2: The components of social security in South Africa



Source: Dekker and Cronje (2005: 24-25).

In order to construct a definition for these concepts a summary is given of how South African literature characterise social assistance and social insurance.

Social insurance:

- Insurance for those who are formally employed (Olivier, 2000; Malherbe, 2001; Van der Berg and Bredenkamp, 2002);
- Conditional on contributions from employers and employees (Luiz, 1995; Van der Berg, 1999; Van der Berg and Bredenkamp, 2002) and
- The objective is to provide protection when earnings come to an end through specified incidents such as unemployment, old age or work injuries (Luiz, 1995; Malherbe, 2001).

Social assistance:

- Also referred to as public transfers (Van der Berg, 1999; Booysen, 2004);
- Non-contributory (Luiz 1995; Liebenberg, 2001a; Malherbe, 2001; Van der Berg, 2001);
- Means-tested to determine income (Luiz 1995; Malherbe, 2001);

- Assistance to people who cannot maintain a minimum standard of living (Luiz 1995; Liebenberg, 2001a; Malherbe, 2001) and
- Provided by the state (Liebenberg, 2001a; Malherbe, 2001).

Social insurance can therefore be defined as insurance for those who are formally employed with the objective of providing protection against certain incidents leading to the loss of earnings – conditional on contributions made by employers and employees. Social assistance, on the other hand, can be defined as a state-provided, non-contributory, means-tested assistance to certain categories of people who cannot maintain a minimum standard of living.

As illustrated in Figure 1.2, social assistance has many components; the most important of these, however, is the provision of social grants (Dekker and Cronje, 2005: 26). As explained in Section 1.4, the study focuses specifically on this component of social security.

1.7 Delimitation

The dissertation is structured as follows:

- Chapter 1 – Introduction containing the background, problem statement, motivation, objectives and explanation of the method;
- Chapter 2 – The evolution of the social security grants in South Africa;
- Chapter 3 – Current issues with the social grant system;
- Chapter 4 – A social grant beneficiary profile from the 2007 GHS and
- Chapter 5 – Conclusions and recommendations.

ⁱ In 1995, 52% of the population lived in poverty, using a poverty line of R367 per month (in 2007 real values).

ⁱⁱ The exchange rate of \$1 = R7.3771 was used for this calculation. Source: South African Reserve Bank.

ⁱⁱⁱ Todaro and Smith (2003: 796) define the Gini Coefficient as, “An aggregate numerical measure of income inequality ranging from 0 (perfect equality) to 1 (perfect inequality)”.

^{iv} Other goals could also be achieved by means of social grant assistance such as changing demand or supply side behaviour and linking demand to supply in an economy (Chapman 2006: 6).

^v Section 27(1)(c) of the Constitution of the Republic of South Africa 108 of 1996 states that, “Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance”.

^{vi} Formerly the Department of Welfare.

^{vii} The maximum nominal values of all grants are published in the Government Gazette and determined by the Minister of Social Development with consensus from the Minister of Finance (The Presidency 2008b: 41).

^{viii} The terms Foster Child Grant and Foster Care Grant are used interchangeably, as these terms refer to the same grant.

^{ix} No conditionalities are set; the applicant does not have to do something in return for the grant.

^x See guidelines and regulations of the Social assistance Act 13 of 2004 for current general requirements of the different grant types.

^{xi} From 1 April 2008, the male age requirement was lowered to 63 years, after 1 April 2009 this will change to 61 years and after 1 April 2010 the age requirement will be 60 years for both male and female applicants (The Presidency 2008b: 19).

^{xii} The Basic Income Grant is also referred to as the Universal Income Grant or a Citizen’s Income (Makino 2004: 3).

^{xiii} With conditional cash transfers, the grant is conditional on certain behaviour, for example you will only receive a Child Support Grant if you can prove school attendance of these children. Another example is where a Disability Grant will be conditional upon visiting health clinics and taking certain medicine.

^{xiv} The take-up rate as explained by Van der Berg (1998:36), “the number of beneficiaries expressed relative to a target population”.

^{xv} A perverse incentive occurs when people change their behaviour in order to qualify for grant income and someone else (usually a person or body of authority) disapproves of this change (The Presidency 2006c: ii).

^{xvi} Perverse incentives are not unique to South Africa; all means-tested social net systems have this problem.

^{xvii} The ASSA 2003 Provincial Output Model estimates that there will be a total number of 2 500 286 orphans in South Africa by 2025.

^{xviii} Goldblatt and Liebenberg (2004: 151).

Chapter 2

The evolution of the South African social security grant system

2.1 Introduction

Chapter 2 provides the reader with a background of the social security grant system in South Africa. Section 2.2 explains the origins of social security grants in South Africa and how grants were applied as an apartheid tool prior to 1994. Section 2.3 further elucidates how the system changed and evolved since the political transition in 1994 to the present day.

2.2 Social security policy prior to 1994

During the seventeenth and eighteenth centuries the overriding provider of social services in South Africa was the church, with a trivial role played by the state. Church and state policies lead to racial discrimination in the provision of assistance (Van der Berg, 1997; Van der Merwe, 1997). The distinction between ‘deserving’ and ‘undeserving’ poor continued for approximately two centuries (Van der Berg, 1997: 485).

Table 2.1 provides a chronological representation of how social security policy changed from the apartheid years to a democratic system. As explained by Van der Berg (1997: 486), the exclusion of certain ethnic groups was rationalised by the following argument, “The exclusion of blacks was predicated on the ‘civilised labour’ view that people accustomed to modern lifestyles and consumption patterns had greater need of social protection than those in rural subsistence agriculture, who were not proletarianised and were thus presumed to be better placed to meet traditional substance needs”.

Table 2.1: South African social security from apartheid to democracy

Year	Change in social security policy in South Africa
1854	Government gave £75 to old and needy Voortrekkers
1882	The first pension fund commenced in the old Transvaal
1919	Introduced military pensions for Whites and Coloureds, not covered by occupational retirement insurance (subject to age criteria and means test)
1920	Occupational retirement insurance quickly inflates to White skilled employees
1928	The Old Age Pensions Act was approved

Table 2.1 continue: South African social security from apartheid to democracy

Year	Change in social security policy in South Africa
1929	Introduced non-contributory social pensions for Whites and Coloureds, not covered by occupational retirement insurance (subject to age criteria and means test)
1936	The Blind Persons Act was approved
1937	Department of Social Welfare was established Grants for the blind and the disabled were introduced, restricted to Whites and Coloureds only
1941	Implemented pensions for war veterans, excluded Black people
1943	Take-up of social assistance: Whites – 40%; Coloureds – 56%; Blacks – 4%
1944	Social old-age pension and pensions to the blind extended to Blacks, but benefit levels were less than a tenth of that of Whites and they had a separate, much more rigid means test
1946	Disability grants extended to the other ethnic groups
1947	Implemented family allowances for large and poor households, excluded Black people
1956	Pensions Funds Act established and seen as a milestone in regulation of pensions. Again lower skilled workers were excluded from provision leaving Blacks without refuge
1958	Blacks received 60% of the old-age pensions, however, spending on their pensions only amounted to 19% of total spending on old-age grants
Early 1970s	Prompt industrialisation caused Black workers to be included in the industry and occupational insurance expanded to less skilled workers
1972	Social security entered a new trend of re-incorporation and reduced inequality
1978	Blacks contributed to 70% of total pensioners in the country and received 43% of old-age pensions
Late 1970s	The principle of equality in the social spending levels was accepted
1990	Blacks receive 67% of pensions
1993	Pension equality was attained and discrimination in terms of the means test eliminated (gender discrimination still persisted)

Source: Van der Berg, 1997; Van der Merwe, 1997; Schubert, 2007.

As shown in Table 2.1 above, social security was exercised to enrich certain groups and to exclude others. It was one of the many apartheid tools of the government. The coverage of occupational pension schemes was limited to Whites. The original aim of old age pensions was to provide for those Whites who did not have adequate resources at retirement (Case and Deaton, 1998: 1334).

The first sign of equality came with the extension of the former Old Age Pension to Black people in 1944. This, however, was only a small step in the right direction, since Black beneficiaries only received a tenth of what Coloured and White beneficiaries were entitled to and their access was also restricted by a much more rigid means test. Policies and laws regarding social security remained biased with small and ineffective alterations until 1993. In altering the apartheid system to include all ethnic groups, expenditure on social assistance increased by 30% from

1982 to 1991 (Van der Merwe, 2000: 727). Benefits received from social assistance only gradually equalised among different ethnic groups (Case and Deaton, 1998: 1334). These measures were nevertheless still insufficient. All discrimination was only eliminated from the South African social security system in 1993. Table 2.2 highlights how social security expenditure changed in the years prior to the democratic system. Expenditure was almost doubled from 1990 to 1993 in the process of eliminating discrimination from social security.

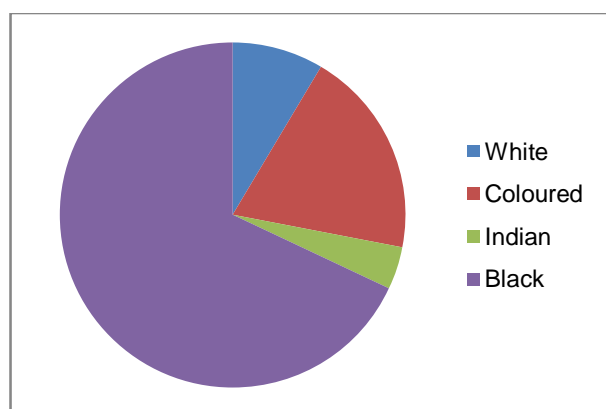
Table 2.2: South African social security expenditure 1990–1993

	1990	1991	1992	1993
R million	5 759	7 431	10 031	10 555
Percentage of total expenditure	6.9	7.7	8.5	8.3
Percentage of GDP	2.1	2.4	3.0	2.8

Source: Luiz (1995: 586).

The distribution of social spending between different ethnic groups in 1993 is illustrated in Figure 2.1. The predominant beneficiary group were Blacks with 68.01%, followed by Coloureds at 19.48%, Whites with 8.52% and Indians with only 4%. At this stage vast progress has been made to align social spending with population demographics.

Figure 2.1: Social pensions and grants beneficiaries by race in 1993

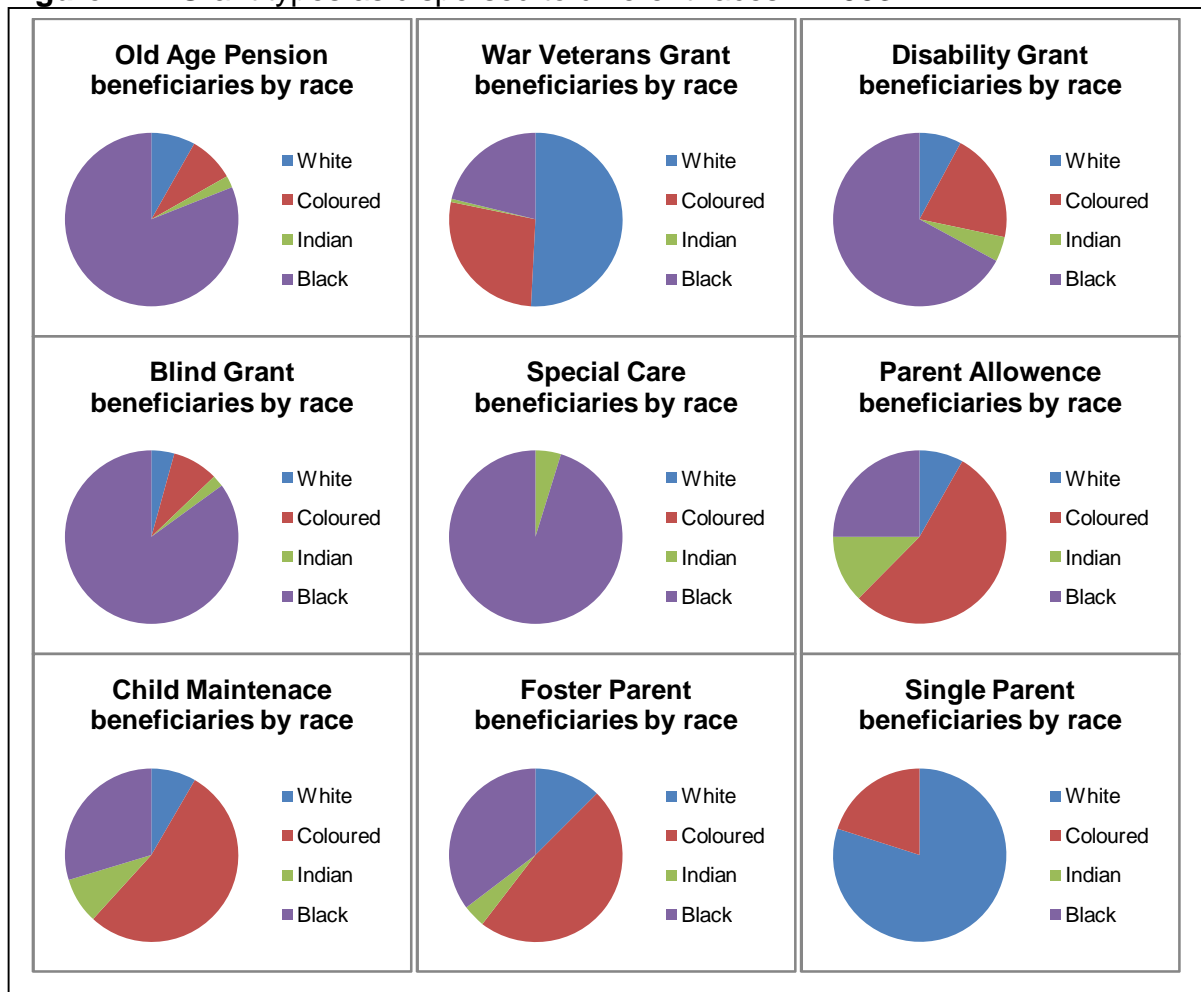


Source: Data obtained from Van der Berg (1997: 493).

Figure 2.2 illustrates how the different grant types were divided between the four ethnic groups in South Africa during 1993. This figure provides a more detailed description than Figure 2.1. The Old Age Pension, Disability Grant and Blind Grant

represent a similar pattern than that of Figure 2.1. However, those grants directed towards lower household poverty, do not share the same demographics. Beneficiaries of the Parent Allowance Grant mainly consist of Coloureds at 54.36%, with Black beneficiaries adding up to a mere 24.89%. The Child Maintenance Grant follows the same pattern with Coloureds at 53.58% and Blacks at 29.44% of total grants received. The pattern of overruling Coloured beneficiaries continues when we consider the figures for the Foster Parent Grant. Here Coloureds constitute 48.11% of total beneficiaries followed by Black beneficiaries at 35.29%. The only grant type still showing a typical apartheid regime distribution is that of the Single Parent Grant, where Whites represent 80% of the beneficiaries and the only other ethnic group included is Coloureds with 20% beneficiaries.

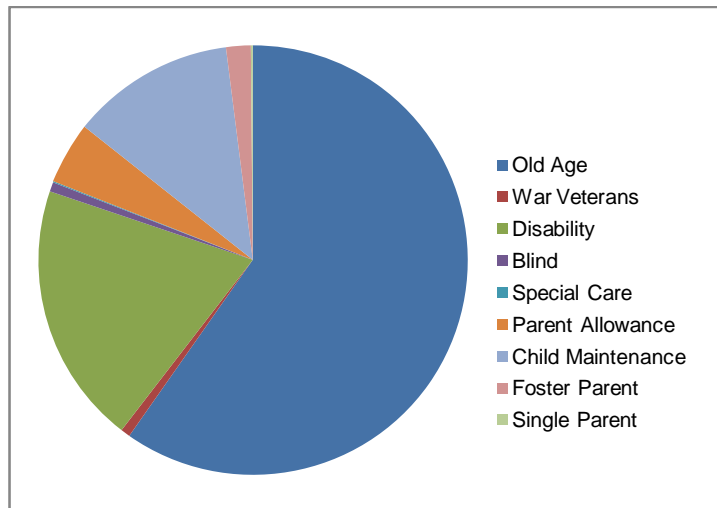
Figure 2.2: Grant types as dispersed to different races in 1993



Source: Data obtained from Van der Berg (1997: 493).

It is clear from Figure 2.3 below, that the main redistribution channels in 1993 were the Old Age Pensionⁱ (59.77%), Disabilityⁱⁱ (19.71%) and Child Maintenance Grants (12.31%). The other six grant categories were extremely small and insignificant in 1993. This figure also explains how Figure 2.1 can be misinterpreted, since the Old Age Pension represents almost 60% of the total allocation.

Figure 2.3: Government spending on different grant types in 1993



Source: Data obtained from Van der Berg (1997: 493).

Van der Berg (1997: 37) reports that the real value of the Old Age Pension and Disability Grant given to White people were reduced by more than 40% since 1978, while the real value of benefits to Blacks increased five-folded from 1970. Table 2.3 gives a good indication of the real level of the Old Age Pension paid out, as the nominal values are compared to the average wage rate in each specific period. In 1975, at the beginning of the political transition, Whites benefited 4.3 times more than Blacks, with a benefit equal to 30.5% of average wages, compared to the 7.1% of Blacks. During the elimination of discrimination the benefit ratios were equalised. In 1993 all ethnic groups received the same benefit level. Van der Berg (1998: 38) also states that a social grant benefit ratio of 15.5% of average wages is quite high for a developing country.

Table 2.3: Maximum nominal value of grants vs. average wages, 1975–1993

Year	Maximum Old Age Pension as percentage of average wage			
	Whites	Coloureds	Indians	Blacks
1975	30.5	16.2	16.2	7.1
1980	28.4	16.1	16.1	8.6
1985	22.5	14.6	14.6	9.9
1990	16.7	13.6	13.6	10.6
1993	15.5	15.5	15.5	15.5

Source: Van der Berg (1998: 38).

The social security policy in South Africa has a dark history filled with discrimination. The effect of apartheid can still be felt in many spheres of South Africa and government has a responsibility to rectify past mistakes. Section 2.3 explains how social grants are now used as a redistribution tool in order to assist previously disadvantaged groups (Case and Deaton, 1998: 1335).

2.3 The evolution of social grants under the new democratic government

This section provides an investigation of how social security grants have changed since the political transition. As explained by Samson (2002b: 70), social security policy has changed and now aims to “address a state of poverty rooted in the legacy of apartheid”.

An understanding of the social grant system and its evolution aids to clarify the following chapters. Aspects examined include: the type of grants provided by government; the nominal value of grants; the number of beneficiaries receiving assistants from grants; the take-up rate of grants; total government expenditure on social grants; changes in the age requirement of grants and lastly, the evolution of the means test used to identify beneficiaries.

2.3.1 Type of social grants

The type of social grants provided by government depends on which categories of people the state classified as vulnerable. Table 2.4 presents a summary of how these categories changed since the 1994 elections. The only major change was the replacement of the Child Maintenance Grant with that of the Child Support Grant, as

is explained in detail below. The other categories of vulnerable people stayed constant over the last fifteen years.

Table 2.4: Summary of different types of grants provided from 1994–2008

Type of grants	1994–1997	1998–2000	2000–2009
Old Age Grant	√	√	√
War Veterans Grant	√	√	√
Disability Grant	√	√	√
Parent Allowance	√	√	
Child Allowance	√	√	
Care Dependency Grant	√	√	√
Foster Care Grant	√	√	√
Grant in Aid	√	√	√
Child Support Grant		√	√

The oldest and most effective grant is the Old Age Grantⁱⁱⁱ. This grant is also referred to as the Old Person's Grant^{iv}, or State Pension^v. Irrespective of what it is called, this grant has been extremely effective in alleviating poverty (Gleb, 2003; Makino, 2004; Richter, 2006; Van der Berg *et al.*, 2006; Pauw and Mncube 2007). Since 1993, when all discrimination was eliminated from this specific grant, it has been provided to those of retirement age, who have insufficient funds left for their old day. The Old Age Grant is means-tested, subjected to age eligibility criteria and furthermore, these beneficiaries should also not be recipients of any other social grant (The Presidency, 2008b: 19).

The success of this grant can be attributed to the living arrangements of the poor – the benefit received from the grant is redistributed to the entire household. Case and Deaton (1998: 1330) explain that poorer people tend to have pensioners and children living in the same household. Therefore, the Old Age Grant reaches impoverished children.

The second type of grant provided is that of the War Veterans Grant. This grant is aimed at a very specific group of vulnerable people, namely those who served their country in one of the following wars: The Great War of 1914 to 1918; the Second World War or the Korean War (The Presidency, 2008b: 20). Since not many of these soldiers are still alive, expenditure on this grant is decreasing annually.

The Disability Grant constitutes the third kind of grant that is still available to present. This grant is aimed at those who cannot participate in the labour market due to a severe disability and are therefore unemployed and without means to sustain a minimum standard of living. The Disability Grant is means-tested, subject to age criteria and the confirmation of disability (The Presidency, 2008b: 19). The Disability Grant is currently under extreme pressure due to the HIV/Aids epidemic. The effect of HIV/Aids on the social grant system is discussed in Section 3.5.2.

Government identified children as another vulnerable group. As shown in Table 2.4, the kind of grants available to children have been transformed. This is seen as one of the most important alterations since the shift to democracy (Samson, 2002b: 70). Child maintenance benefits as paid out in the early 1990s included Parent and Child Allowances. These benefits were paid out to single mothers and their children who had no other means of support, to a maximum of two children (Jansen van Rensburg and Horsten, 2004: 60). The category of single mothers included widows, divorced and abandoned women, as well as those women who never got married. The reach of the Maintenance Grant was limited, as a variety of criteria had to be met, including the requirement where the mother had to prove that legal steps were taken to claim maintenance from the father of the child (Jansen van Rensburg and Horsten, 2004: 60). All ethnic groups were eligible for these grants, however, the former homelands did not administer these specific grants, leaving those in desperate need without access (Jansen van Rensburg and Horsten, 2004: 61).

As explained by Van der Berg (1999: 241), when the child maintenance benefits were 'deracialised', possible problems came to light. Potential problems firstly included the vast fiscal implications and secondly, possible perverse incentives (Van der Berg, 1999: 241). Thirdly, no help were provided to poor children living in families where the legal parents did not necessarily take care of the child (Van der Berg, 1999; Jansen van Rensburg and Horsten, 2004). Fourthly, many poverty stricken families in South Africa have more than two children and lastly, the strict requirements for eligibility for the Maintenance Grants lead to added pressure on administrative capacity (Jansen van Rensburg and Horsten, 2004: 61).

Government approached the Lund Committee in 1995 to make suggestions for the improvement of the child maintenance system (Van der Berg, 1997: 494). The proposal of a new system was made by government in 1997 (Van der Merwe, 1997: 100). Subsequent to the recommendations made by the Lund Committee, the cabinet approved a new approach of 'following the child', as opposed to targeting single mothers.

The cabinet approved the following steps: Child and Parent Allowances were to be phased out; caregivers of the poorest children up to the age of six years were to receive R100 per month and a means test was to be created to identify the poorest 30% of children, to whom the grant would be paid out to (Van der Berg, 1997; Biyase, 2008). The affirmed target was to reach three million children within the first five years of implementation (Samson, 2002b: 70). The phasing out of the Maintenance Grant started in the 1998/9 financial year and this process continued over the next four years (Van der Merwe, 2000: 730). At that stage the state Maintenance Grant had about 350 000 beneficiaries (Samson, 2002b: 70).

With the phasing out of the old system, the new Child Support Grant was introduced in 1998 (Budlender *et al.*, 2005: 9). The aim of this grant as explained by Jansen van Rensburg and Horsten (2004: 61) is to "ensure a more equitable distribution among a larger number of children than were reached by the state maintenance grant, and to provide financial assistance to children from economically-disadvantaged families".

The Care Dependency Grant is aimed at a specific category of children. Care-dependent children who require permanent care or support services due to their physical or mental disability and who's primary caregiver pass the means test, are eligible for this grant (The Presidency, 2008b: 23). Another group of children qualify for special assistance through Foster Child Grants. If a child is placed in the custody of a foster parent and remains there, the foster parent can apply for the grant. The foster parent is however restricted to six applications, except if the foster children are blood relatives of the foster parent (The Presidency, 2008b: 22). As with the Disability Grant, the Foster Care Grant is in great demand due to the increasing number of Aids orphans, as will be discussed in Section 3.5.2.

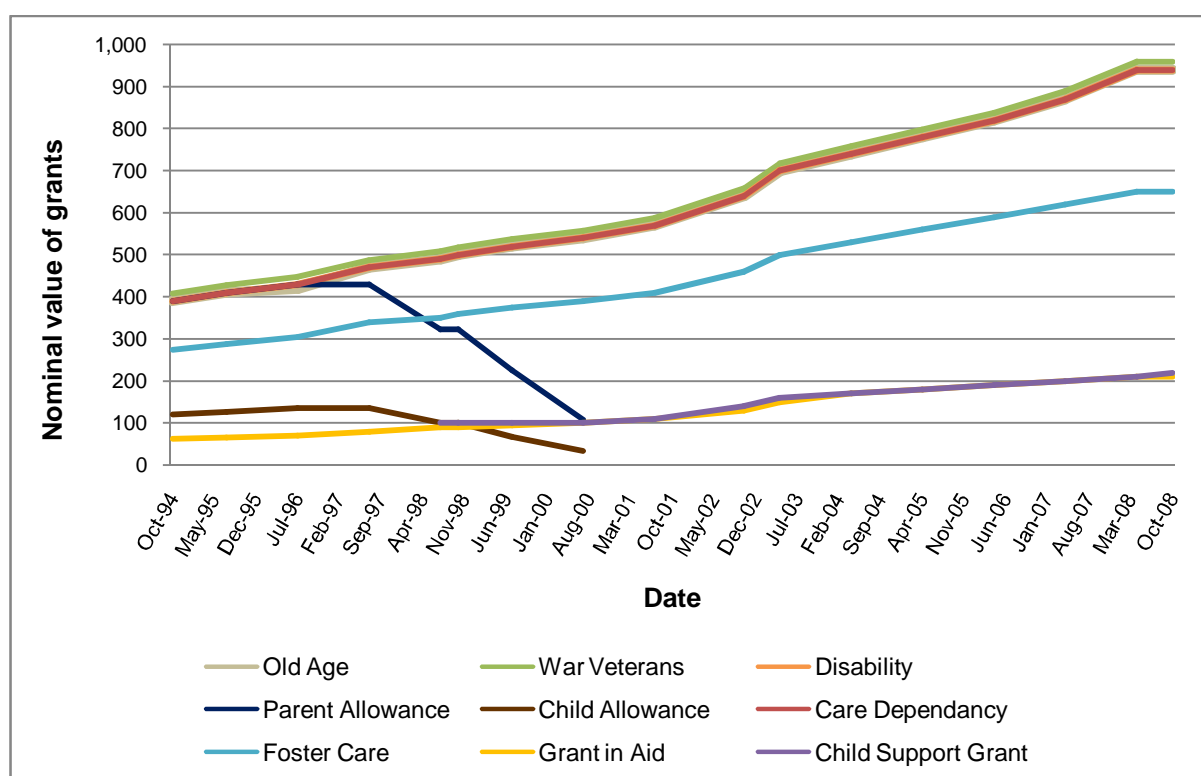
Lastly, the Grant in Aid provides for those who are already a recipient of the Old Age Grant, Disability Grant or War Veterans Grant and require regular attendance from another person. This need should be certified by a medical official or practitioner and the applicant is subject to a means test.

2.3.2 Nominal value of grants

The nominal value of grant benefits is important, since it determines to what extent grants could assist the poor in attaining a minimum standard of living. The main grants in terms of value are the Old Age, the Disability, War Veterans and the Care Dependency Grants. These and the Foster Care Grant are large when compared to the income of poor households in South Africa (Booyesen and Van der Berg, 2005: 547). Bertrand *et al.* (2003: 28) reports that the Old Age Grant is about twice that of the average per capita income of Blacks.

Figure 2.4 illustrates the trend of nominal values for different social grants from 1994 to 2008. As can be expected, all of the grants show an increasing benefit value, except for Parent and Child Allowances, which were phased out as explained in the previous section. The nominal value of all grants doubled over the past 15 years, however, the real value of the grants which represents the purchasing power of each grant is more important. The real value of grant threshold is examined in detail in Section 3.4, since this is one of the current issues with the social grant system as identified in literature.

Figure 2.4: Nominal value of grants paid to beneficiaries, 1994–2008



Source: The Presidency, 2001; The Presidency, 2003; The Presidency, 2004; The Presidency, 2005; The Presidency, 2008c.

In examining the trend in the nominal value of grants, a very important question arises. When does the benefit level of grants amount to ‘appropriate social assistance’ as required by the Constitution? Liebenberg (2001b: 240) states that the assistance will be appropriate if it ensures “that everyone has sufficient income (or in-kind benefits) to meet basic subsistence needs and to live in accordance with human dignity”.

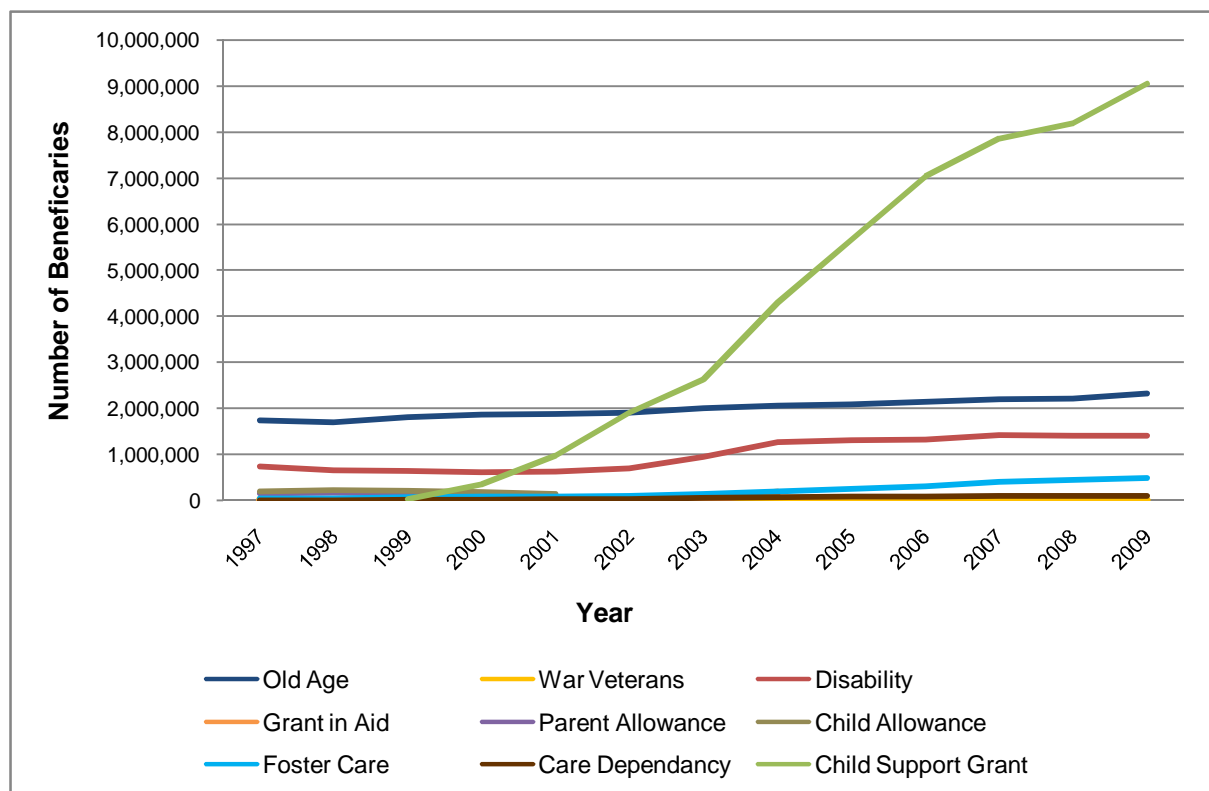
In order to make a quick assessment of the value of South African grants, it can be compared to the World Bank’s dollar a day poverty line. Currently a dollar will cost the South African R7.38^{vi}. It could therefore be concluded that if a person has an income of less than R7.38 per day or R228.78 per month, he/she could be classified as poor by international standards. Given these calculations, the South African social security grants are quite generous providing grants of up to four times as much. Even so, this should be taken into account within the South African context. Samson (2002b: 71) reports that the average South African household consists of six members, while the average poor South African household consists of eight

members. This will imply, for example, that if a poor household with six to eight dependants only receive one Old Age Grant, the provided assistance will not be sufficient to ensure a minimum standard of living.

2.3.3 The number of grant beneficiaries

The number of grants paid out to beneficiaries is particularly important in order to assess the success of the programme, since it indicates how many poor people are reached through social security grants. Figure 2.5 below illustrates the trend in the number of social grant beneficiaries from 1997 to 2009^{vii}. Beneficiary numbers of the Child Support Grant show a drastic increase. This is due to successful initiatives to expand access, such as the lowering of age requirements and increased public awareness (Pauw and Mncube, 2007: 16).

Figure 2.5: The number of social grant beneficiaries, 1997–2009



Source: The Presidency, 2001; The Presidency, 2003; The Presidency, 2004; The Presidency, 2005; The Presidency, 2008c; The Presidency, 2009.

Booyesen and Van der Berg (2005: 546) report that from 1998 to 2003 coverage nearly doubled from 67 to 125 grants per 1 000 of the population. In order to examine whether more grants were paid out to the total population, Table 2.5 gives a

summary of the percentage of the population receiving grants from 1998 to 2008. Over the past decade vast progress has been made in extending social grant beneficiary numbers. The table shows that in 1998 only 6.73% of the population benefited from grants, this has been extended to 25.42%. In other words, government reaches almost three times more of the population than they did 10 years ago.

Table 2.5: Percentage of the population receiving grants from 1998–2008

	1998	2000	2002	2004	2006	2008
Total beneficiaries	2 833 948	3 152 951	4 650 840	8 104 562	10 918 263	12 374 770
Population estimates	42 130 500	43 290 000	45 454 211	46 586 607	47 390 900	48 687 000
Percentage of population receiving grants	6.73	7.28	10.23	17.40	23.04	25.42

Source: Data obtained from Fiscal Reviews, Budget Reviews and Statistic South Africa (2009), author's own calculations.

The demand for social grants is expected to increase above the current level, given high unemployment, extensive poverty and the worsening HIV/Aids epidemic (The Presidency, 2006c: ii). Lower age requirements for the Old Age Grant^{viii} will also put added pressure on current expenditure levels (The Presidency, 2008a: 28).

2.3.4 Take-up rate of grants

The take-up rate reveals how many eligible beneficiaries 'take up' or receive grants. This is an important indicator of the success of the social grant system, especially with regard to how well the administrative side operates. It also indicates whether the poor are aware of available assistance. Bateman (2003: 240) has reported that one of the main problems causing a low take-up rate is that many eligible people just do not know that they qualify.

The term take-up rate is explained by Van der Berg (1998: 36) as follows, "the number of beneficiaries expressed relative to a target population". Thus, the amount of beneficiaries eligible for grants should firstly be determined in order to calculate the target population. This is a complex task and could represent a separate study. This study focuses on estimates found in literature.

Table 2.6: Take-up rates of the main social grants in 2000 and 2001

Type of Grant	2000			2001		
	Old Age Grant	Child Support Grant	Disability Grant	Old Age Grant	Child Support Grant	Disability Grant
Grant beneficiaries	1 767 591	463 699	438 542	1 905 263	1 084 659	643 107
Eligible recipients	2 185 321	3 069 539	780 318	2 237 196	5 460 659	718 050
Take-up rate	81%	15%	36%	85%	20%	43%

Source: Samson, 2002b; Samson *et al.*, 2004.

Table 2.6 reveals the take-up rate for the three main social grants in South Africa during 2000 and 2001. The Old Age Grant has the highest take-up rate due to public awareness of this grant. Even though the take-up of the Child Support Grant is low, Samson *et al.* (2004: 28) report that this take-up rate has increased considerably. The fast improvement seen in the take-up rate of the Disability Grant is an indication of pressure from the HIV/Aids epidemic.

The effect of different increased take-up rates on the poverty gap is explained below (Table 2.7). If all poor children, younger than 18, could be eligible for the Child Support Grant, the poverty gap will reduce by 21.4%. As discussed in Section 2.3.6, government is currently considering such steps.

Table 2.7: Effect of higher take-up rates on the poverty gap

Change in take-up rates	Grant type	% ↓ in poverty gap
10% Increase	Old Age Grant	1.2
Full take-up	Old Age Grant	2.5
50% Increase	Disability Grant	1.7
Full take-up	Disability Grant	5.1
Age requirement increased to 14 years	Child Support Grant	16.6
Age requirement increased to 18 years	Child Support Grant	21.4
Full take-up of Old Age Grant and Disability Grant with Child Support Grant age requirement to 18 years	Old Age Grant, Disability Grant and Child Support Grant	29

Source: Samson *et al.* (2004: 4).

2.3.5 Total expenditure on grants

After the elimination of all discrimination against different ethnic groups, the expenditure on the social security grant system increased dramatically. A large number of eligible people came forward after the system was deracialised, which put enormous fiscal pressure on government (Louw, 1998: 140). The expansion of the social grant system continued after 2000. September (2007: 94) reports that since 2001, expenditure on social grants have been growing faster than any other government expenditure category.

Table 2.8 provides information on the total expenditure from the fiscal year 2000/01 to 2008/09, with the percentage of Gross Domestic Product (GDP) spent on social grants each year. At first glance, the increase in expenditure levels seems dramatic. Since 2000/01 the expenditure increased from R18 070 million to R75 771 million. This is four times the value of expenditure in 2000/01. However, as percentage of GDP, the increase seems less drastic; increasing from 2% in 2000/01 to 3.3% in 2008/9.

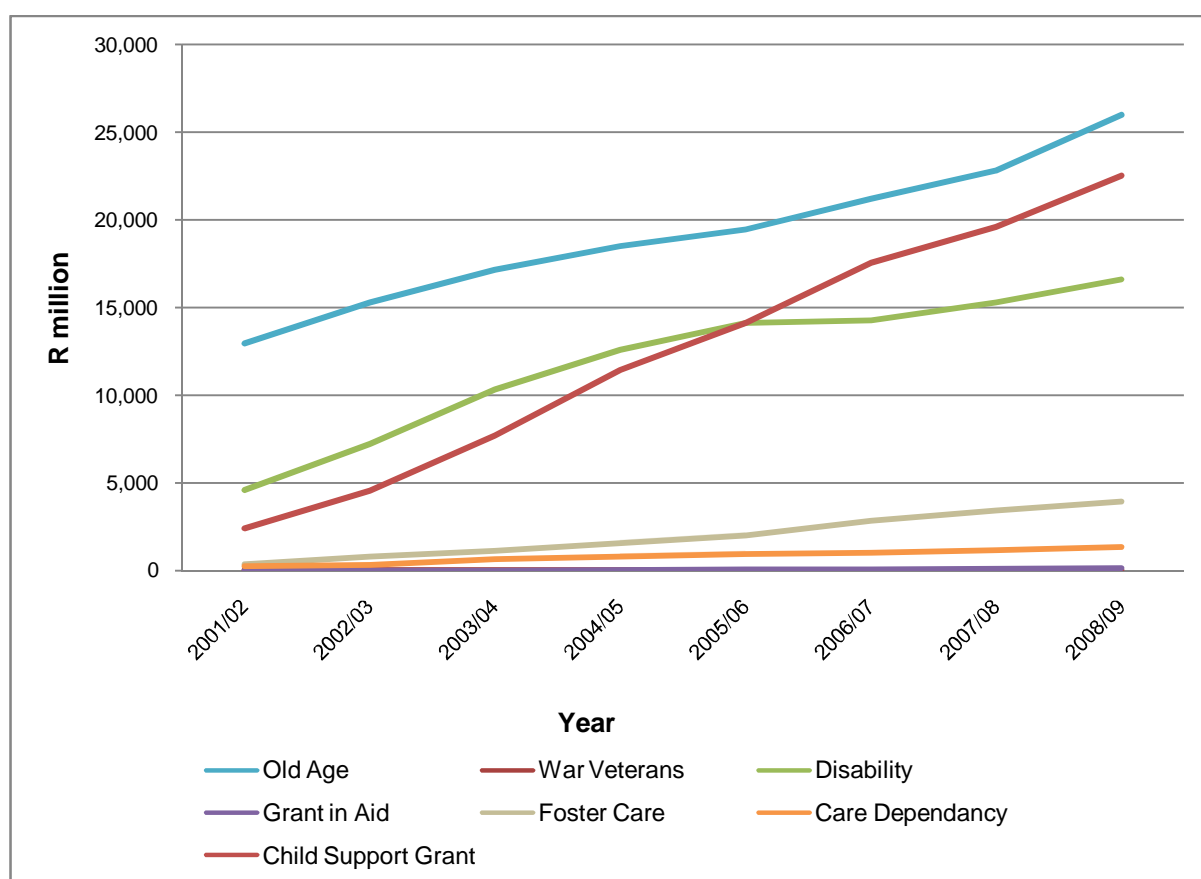
Table 2.8: Total expenditure on social grants 2000/01–2008/09

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Total Expenditure (R million)	18 070	20 567	28 190	37 010	47 063	54 032	60 851	67 018	75 771
Percentage of GDP	2	2	2.4	2.9	3.3	3.4	3.4	3.2	3.3

Source: The Presidency, 2004; The Presidency, 2005; The Presidency 2008c; The Presidency, 2009.

The phasing in of the Child Support Grant lead to an expenditure increase of R1.2 billion in 2003/04 to R9.3 billion in 2006/07 (September, 2007: 95). Figure 2.6 illustrates the total expenditure on each of the different types of grants from 2001/02 to 2008/09. Child Support Grant expenditure exhibits the largest increase. This can be attributed to initiatives set by government to increase the take-up rate of this grant by relaxing rigid age requirements.

Figure 2.6: Total expenditure on the different grant types, 2001/02–2008/09



Source: The Presidency, 2004; The Presidency, 2005; The Presidency 2008c; The Presidency, 2009.

The increase in expenditure on Disability Grants, Foster Care Grants and Child Support Grants can be ascribed to the effect of the HIV/Aids epidemic on social grants (Van der Berg, 1998; Booyesen and Van der Berg, 2005; Burger, 2007; Lalthapersad-Pillay, 2007). The epidemic leads to an increased demand for these grants as HIV/Aids households experience more severe and deeper poverty, are labour constrained and include many abandoned, neglected and abused children (Schubert, 2007: 29). This problem is discussed in detail in Section 3.5.2.

2.3.6 Age requirement

Age requirements are utilised as eligibility criteria for the different social grants in order to target certain categories of people. Age eligibility criteria for the majority of social grants have remained unchanged since 1994. The changes that were implemented, however, have lead to an increase in beneficiary numbers and promoted the effectiveness of grants in alleviating poverty.

In order to benefit from an Old Age Grant, beneficiaries needed to have reached the age of 60 if female and 65 if male. Even though this gender distinction benefited a previously more disadvantaged group, this gender discrimination received some criticism. The phasing out of age differentials between the different genders has already been set in motion. The female age requirement to qualify for an Old Age Grant will remain above the age of 60 years, while those of men will change. As from 1 April 2008, a male applicant had to be over the age of 63 years to qualify for an Old Age Grant. This requirement was lowered to the age of 61 years on 1 April 2009 and will be equal to that of females, at an age of 60 years on 1 April 2010 (The Presidency, 2008b: 19).

The age requirement for the Disability Grant remains constant between the ages of 18 years and the age when the beneficiary qualifies for an Old Age Grant. According to the specified regulations, the Disability Grant should be converted to an Old Age Grant as soon as the beneficiary qualifies (The Presidency, 2008b: 20). The phasing out of age differentials will ultimately take some pressure off the increasing demand for the Disability Grant.

The age requirement which currently receives the most criticism is that of the primary caregiver (PCG) for the Care Dependency Grant and the Child Support Grant. Regulations state that the primary caregiver may not be younger than 16 years (The Presidency, 2008b: 22–23). This regulation leaves many children without refuge, as the HIV/Aids epidemic leaves orphaned children and child-headed households behind. This problem is discussed in Section 3.7.

Another age requirement which receives constant criticism is that of the age limit set for children applying for the Child Support Grant. When this grant was introduced in 1998, caregivers of the poorest children under the age of seven years could apply for the grant (Van der Berg, 1997; Biyase, 2008). The affirmed target was to reach three million children within the first five years of implementation (Samson, 2002b: 70). The problem is that even though international standards, the Constitution and Social Assistance Legislation define a child as under the age of 18 years,

government excluded children above the age of seven years from benefiting from the Child Support Grant (Jansen van Rensburg and Horsten, 2004: 65).

In 2003 it was announced that the Child Support Grant would also be available to children under the age of 14 years. The implementation of this long awaited ‘victory’ was phased in over the next three years (Rosa, 2003: 10). Although this breakthrough led to great relief, the implementation process still received criticism. Table 2.9 below shows how the phasing in process worked.

Table 2.9: Phasing in of the Child Support Grant

	Time	Qualifying age
Phase 1	April 2003	7 and 8 year olds
Phase 2	April 2004	9 and 10 year olds
Phase 3	April 2005	11 to 13 year olds

Source: Rosa, 2003; Meintjes *et al.*, 2005.

The rationale for this phase in plan was explained by the state as necessary in order to handle new registrations, since they estimated that an immediate extension to 14 years would lead to 3.5 million registrations and that they only have the capacity to register 1.2 to 1.3 million children a year (Rosa, 2003: 12). As argued by Rosa (2003: 12), if this phasing in plan were to be measured against the Grootboom test for reasonable measures it is “arguably unreasonable”. Rosa also showed that, “The argument about capacity is invalid as many of the 2.5 million children eligible between the ages of 7 and 14 years, and further 1 million children eligible between the ages of 0–6 years, would not apply for the grant all in one go this year. The Child Support Grant was introduced in 1998, and since then 2.5 million children have been registered. That is 2.5 million in 5 years”.

Pressure on government continued to extend the age criteria of the Child Support Grant to 18 years, since a big proportion of children were left without refuge. The age criteria of the Child Support Grant were extended to the age of 14 years in 2006 (Lalthapersad-Pillay, 2007: 20).

The past extension of age eligibility criteria is seen as a triumph in South Africa with numerous positive effects on child poverty, but wide criticism still prevails because

children between the ages of 15 and 18 years do not have a place in the current social security net in South Africa. The possibility of extending the age eligibility criteria to all children under the age of 18 years is gaining momentum (Lalthapersad-Pillay, 2007: 21). The then Minister of Finance, Trevor Manuel stated in the 2009 Budget Speech, “Compelling evidence that the phasing-in of the child support grant has contributed significantly to reducing child poverty has emerged in recent research, and so consideration is being given, subject to affordability, to the extension of the child support grant to the age of 18”. After the Medium Term Budget Statement by the current Minister of Finance, Parvin Gordhan, it seems that the extension of the Child Support Grant to all children under the age of 18 will be reached within the next few years (Gordhan, 2009: 22). The Minister stated that, “the budget framework for the next year will provide for extension of the child support grant as Cabinet announced up to the age of 18, over the next three years”.

2.3.7 Evolution of the means test

The means test adds the criteria of material means available to the applicant to the other eligibility criteria of each grant^{ix}. The test determines whether the applicant is poor enough to qualify for the grant and which level of the grant should be paid to the applicant. The Department of Social Assistance (The Presidency, 2008b: 36) explains it as a “targeting system designed to ensure that a specific group or category of persons benefit from the limited amount of money that is available”. The purpose of this targeting system is to ensure that the social assistance system can be classified as a pro-poor policy. Grants should be provided to the poorest of the population and not be supplied to those who can care for themselves.

The means test was implemented even before 1994, and it was seen as an efficient tool to ensure that money reached the poor. It excluded almost all the advantaged White people and some upper-income Blacks (Case and Deaton, 1998: 1335). Historically the means test did not have such a noble function. In the apartheid years different ethnic groups had different means tests, ensuring that Blacks received small grant benefits (see Section 2.1 above). The apartheid means test was replaced in 1996 with a common set of regulations, known as the unified means test and two years later a new set of regulations was announced (Van der Berg, 2001: 125).

The unified 1996 formula according to Van der Berg (2001: 132):

$$D = 1.3A - 0.5B - 0.08X \quad (1)$$

Subject to $D \leq A$

Equation 1 illustrates the relationship between the social benefit (D), the maximum social grant (A), the applicant's income (B) and the value of the applicant's assets (X).

Advantages of this means test included the elimination of all inequity and leaving beneficiaries better off as every additional R1 of private income, only reduced the grant amount with 50 cents. This reduced the disincentive to earn more than a certain income range (Van der Berg, 2001: 130). The poverty trap caused by the pre-1996 means test was eliminated as the effective marginal tax rate declined from a 100% to 50% (Van der Merwe, 2000: 723). Fiscal concerns followed from the new means test. As explained by Van der Berg (2001: 130), the exclusion level for single beneficiaries with no assets raised from R6 708 to R13 416. This led to increased benefits for existing beneficiaries and increased the potential number of beneficiaries (Van der Berg, 2001: 130).

Van der Berg (2001: 132) further explains it was never the intention to increase the threshold, but to change the slope of the benefit curve. The intended formula is given below. This formula does not penalise people that have asset income as opposed to private income.

The intended 1996 formula according to Van der Berg (2001: 133) was rather:

$$D = 1.15A - 0.5(B + 0.08X) \quad (2)$$

Subject to $D \leq A$

The social benefit (D) is subject to the maximum social grant (A), the income of the applicant (B) and the value of assets (X), as shown in Equation 2. It is important to note how this equation was adapted from Equation 1. The percentage addition to the maximum social grant as well as the influence of the value of the applicant's assets was halved, while the weight of the income of the applicant remains unchanged.

A new set of regulations was released two years later. The 1998 regulations are set out below.

The amended 1998 means test for a single person, as reported by Van der Berg (2001:140) was:

$$D = 1.15A - 0.5B \quad (3)$$

Subject to $D \leq A$

$D = 0$ if

$$(1.15A - 0.5B) < R100$$

Or

$$H > 30A$$

In contrast to Equation 1 and 2, the latest addition to the social grant means test, Equation 3, combines the income of the applicant as well the income from assets owned. However, this means test has two additional constraints. Firstly, the social grant will be voided when the social benefit (D) is less than R100 or secondly, if the total value of assets (H) exceeds the excess of the maximum social grant as shown above.

Currently all the grants, except for the Foster Child Grant, are subject to a means test (The Presidency, 2008b: 22). Table 2.10 gives a summary of the different means tests for grant eligibility. The different income thresholds for single and married people are also provided.

Table 2.10: Means test for different grants

GRANT AS DEFINED IN SECTION 1 OF THE ACT	Old Age Grant (OAG)	Disability Grant (DG)	War Veterans Grant (WVG)	Care Dependency Grant (CDG)	Child Support Grant (CSG)
Means test^x formula	D = 1.3A – 0.5B D = social grant amount (D < A) A = maximum social grant A = R960 X 12 = R11 520 B = Y of the applicant (shall include the Y from assets) after deductions	D = 1.3A – 0.5B D = social grant amount (D < A) A = maximum social grant A = R960 X 12 = R11 520 B = Y of the applicant (shall include the Y from assets) after deductions	D = 1.3A – 0.5B D = social grant amount (D < A) A = maximum social grant A = R960 X12 = R11 520 B = Y of the applicant (shall include the Y from assets) after deductions	A = B X 10 A = annual income threshold B = annual value of the Care Dependency Grant A = R960 X12 = R11 520)	A = B x 10 A = annual income threshold B = annual value of the Child Support Grant A = R230 X 12 = R2 760)
Asset threshold – single	R460 800 (R960 X 12 X 40)	R460 800 (R960 X 12 X 40)	R460 800 (R960 X 12 X 40)	Not applicable	Not applicable
Asset threshold – married	R921 600 (R960 X 12 X 80)	R921 600 (R960 X 12 X 80)	R921 600 (R960 X 12 X 80)	Not applicable	Not applicable
Income threshold – single	Exclusion level: > R2 296 p/m	Exclusion level: > R2 296 p/m	Exclusion level: > R2 296 p/m	Exclusion level: > R115 200 p/a	Exclusion level: > R27 600 p/a
Income threshold – married	Exclusion level: > R4 592 p/m	Exclusion level: > R4 592 p/m	Exclusion level: > R4 592 p/m	Exclusion level: > R230 400 p/a	Exclusion level: > R55 200 p/a

Source: The Presidency (2008b: 36–45).

Although a definite need for a targeting system exists, the means test leads to increased administrative costs, negative incentives, a poverty trap syndrome and unproductive behaviour (Van der Merwe, 2000; Olivier, 2000). It is also argued that the means test does not take the unique South African background into consideration, as high dependency ratios and the effect of HIV/Aids on household income are not taken into account (Jansen van Rensburg and Horsten, 2004: 64). This and other critique are discussed in Section 3.3.

2.4 Conclusion

Several improvements have been made to the social security grant system since the political transition in 1994, with the extension of coverage showing the most significant advance. The Parent and Child Allowances have been replaced by a more effective Child Support Grant, altering the focus to children in need instead of single mothers. Vast progress has also been made in extending social grant beneficiary numbers. During 1998 only 6.73% of the population benefited from grants; this has been extended to 25.42%. Government thus reaches almost three times more of the population than they did 10 years ago. Shortcomings and issues with the current system still prevail; these are investigated in Chapter 3.

ⁱ The Old Age Pension was subjected to age criteria and a means test. Only men from the age of 65 years and women over the age of 60 qualified. In order to apply the means test, income was calculated by adding 8% of financial assets to other income. Only applicants with an income under a certain threshold qualified and in the case of married people, only half of the combined income was taken into account (Van der Berg, 1997: 493).

ⁱⁱ The Disability Grant was subjected to medical eligibility, age criteria and a means test. People between the ages of 16 and retirement qualified for the Disability Grant. The same means tests as explained in end note (i) above, was applied (Van der Berg, 1997: 493).

ⁱⁱⁱ As done by the South African Social Security Agency (SASSA).

^{iv} As done in the Guidelines to the Social Assistance Act, 13 of 2004 and Regulations (The Presidency, 2008b: 4).

^v This is a layman's term used by beneficiaries themselves.

^{vi} Source: South African Reserve Bank.

^{vii} The 2009 figures are projected numbers as provided in the 2009 Budget Review.

^{viii} From 1 April 2008, the male age requirement was lowered to 63 years, after 1 April 2009 this changed to 61 years and after 1 April 2010 the age requirement will be 60 years for both male and female applicants (The Presidency 2008b: 19).

^{ix} For a fully detailed explanation of eligibility criteria, see guidelines and regulations of the Social assistance Act 13 of 2004.

^x A targeting system or means test is designed to ensure that a specific group or category of persons benefit from the limited amount of money that is available. The task is to find an approach that produces the right pattern in terms of including the neediest and not providing grants to those who are in a position to provide for themselves.

Chapter 3

Current issues with the South African social grant system

3.1 Introduction

To follow the delineation of the history, evolution and current state of the social grant system in the previous chapter, Chapter 3 investigates current issues and shortcomings still faced by the social grant system. Van der Berg and Bredenkamp (2002: 40) state that South Africa has an extremely advanced system of social security compared to countries with similar levels of per capita income, although the authors also emphasise that the system has pervasive gaps in coverage and is close to its capacity limit.

This chapter aims to evaluate how well the social security grant system in South Africa succeeds in reducing widespread vulnerability in the country, given the limited resources available. The sections in this chapter give an overview of literature found on the problems, limitations and issues within the social security grant system in South Africa. Some of the authors also provide recommendations on how to improve the current system; these are considered as well.

Literature identifies and discusses the following crucial issues:

- The effect of administrative capacity constraints and corruption on the objectives of the social grant system;
- Criticism and issues related to the means test;
- Grant and means test thresholds that do not keep up with inflation;
- The important impact of the HIV/Aids epidemic on social security grants;
- Possible perverse incentives created by the current system;
- The existence of child-headed households and
- Questions regarding the fiscal sustainability of the social grant system.

3.2 Administrative capacity constraints and corruption

The inefficient administrative capacity of the South African social grant system raises concerns of possible corruption and misallocation of resources (Makino, 2004; Pauw and Mncube, 2007). The state is required by Section 27(1)(c) of the Constitution to

take reasonable measures within their available resources to provide access to social security if people are unable to support themselves and their dependants. The Constitution thus requires excessive barriers to accessing social grants to be restricted (Liebenberg, 2001a: 32). Inefficient administration and corruption reduce the state's ability to comply with the Constitution (Malherbe, 2001: 338). This implies that the state is required to limit maladministration, corruption and barriers to the social security system. Given intolerable poverty, South Africa cannot afford the misallocation of scarce resources.

Van der Merwe (2000: 722) explains that any system can lead to maladministration and corruption. The state, however, has to minimise possible loopholes since, as explained by the author, people will take advantage of any existing ambiguities. Ineffective administrative systems create loopholes that will lead to corruption, barriers to access and the misallocation of resources. The South African social security grant system is not above this norm and literature identifies many administrative hindrances to the successful reduction of vulnerability in South Africa.

The system used in the administration of social grants in South Africa is known as the SOCPEN system (The Presidency, 2006c: 61). This system has two important branches: firstly, the application and processing function – put into action on a provincial level – and secondly, the verification, maintenance and information-monitoring function – implemented at national level (The Presidency, 2006c: 62).

In a country where 17.9% of the population are uneducated and illiterate, the administration of cash transfers is a challenge (Statistics South Africa, 2001: 37). As explained by Case and Deaton (1998: 1332), “In the absence of good information, means testing based on income is impossible or unreliable, and it is hard to prevent fraud through money going to recipients who are not entitled to the benefit, or through the diversion of funds by corrupt administrators or politicians”.

Olivier (2000: 107) identifies the following administrative deficiencies, “poor service delivery, insufficient administrative capacity and fragmented policy implementation at national or provincial level, lack of proper funding and budgeting, unacceptable level of fraud, the claiming of grants for the same contingency from different parts of the

social security system, little interdepartmental coordination, insufficient record-keeping and collection of contributions, the absence of an integrated data system and accountability problems”. The author further recommends that the system should be changed to a separate independent judicial enforcement system, with the same status as the High Court. Olivier (2000: 107) explains that the implementation of a Social Security Court will make the settlement of disputes “cheap, accessible and speedy”.

Goldblatt (2005: 30) did a qualitative study by conducting interviews with grant applicants and officials in the Gauteng and North West provinces. The author found many barriers to access still exist, of which some include: requirement of certain documents by officials, which is not a legal requirement; officials are biased in approving grantsⁱ and they require unnecessary police affidavits. The author also noted most Child Support Grant applicants need to deal with four government departments – Social Development, Justice, Home Affairs and the Police Service, which makes the application process expensive and time-consuming (Goldblatt, 2005: 30–31).

A summary of administrative issues as identified by different authors is provided in Table 3.1. The following draws attention to the most important barriers to social assistance. The maladministration of social grants leads to corruption and misallocation of resources. Many vulnerable citizens do not have sufficient knowledge about the social grant system and others do not have the necessary funds to cover the cost of applications. The cost of applications increases due to multiple trips required between different state departments. Welfare officers are not up to date with the latest regulations and allow their own preferences and judgements to interfere with the application process, creating a biased social grant system.

Table 3.1: Administrative issues, as identified in literature

Administrative problem	Literature
Insufficient information provided to possible beneficiaries regarding different social grants and their eligibility criteria	Liebenberg, 2001b; Guthrie, 2002; Goldblatt <i>et al.</i> , 2006
Police affidavits and certified copies are required causing increased transport cost	Goldblatt <i>et al.</i> , 2006
Transport cost is increased as multiple trips to Home Affairs and Welfare Offices are required	Guthrie, 2002; Goldblatt <i>et al.</i> , 2006;
Long delays in the application process as well as the payment of grants	Liebenberg, 2001b; Dekker and Cronje, 2005; Goldblatt <i>et al.</i> , 2006
Welfare officers' training is inadequate	Samson, 2002a; Patel and Wilson, 2003; Goldblatt <i>et al.</i> , 2006
Shortage of personnel	Liebenberg, 2001b
Requirement of certain documentation, which is no longer a legal requirement according to the regulations. This adds to the burden of applicants and is unlawful	Guthrie, 2002; Goldblatt <i>et al.</i> , 2006; Lalthapersad-Pillay, 2007
Attitudes of welfare officials towards applicants are humiliating and obstructive	Guthrie, 2002; Goldblatt <i>et al.</i> , 2006; Lalthapersad-Pillay, 2007
Corruption in terms of multiple primary caregivers	Goldblatt <i>et al.</i> , 2006
Long queues force applicants to return to welfare offices	Samson, 2002a
Lacking infrastructure	Liebenberg, 2001b

Goldblatt *et al.* made recommendations for improving access to grants in their 2006 study after conducting fieldwork in Gauteng, North West province and in the Eastern and Western Cape provinces. These authors offer the following solutions to the many issues identified above (Goldblatt *et al.*, 2006: 1–7):

- Employ a Commissioner of Oaths at the social security office and thereby reduce the transport cost of applicants;
- Improved coordination between the Department of Social Development and Home Affairs will speed up the application process;
- State departments should ensure that their personnel follow the most recent regulations and undergo regular training and
- Require officials to use the SCOPEN database to investigate whether a different primary caregiver did not duplicate a claim in another province.

The focus of these administrative capacity constraints should be on their effect, as it creates barriers to access. For example, as explained by Guthrie (2002: 130), it is

estimated that 51% of children do not have birth certificates and since the Department of Home Affairs is not capable of meeting this demand, vulnerable groups are left without refuge.

As explained at the start of this section, the main concern with maladministration is its link with corruption. The most common form of social security fraud occurs when wrongful and incorrect information is provided which leads to an incorrect payment of a social security grant (Malherbe, 2001: 337). Section 21 of the Social Assistance Act 2004, states that when a person knowingly provides untrue or misleading information in order to obtain social assistance which he/she is not entitled to, or obtain more social assistance than that person is entitled to and fails to inform the Agency thereof, he/she is guilty of an offence. Malherbe (2001: 352) recommends that senior officials should have stringent supervision and control, communicate the seriousness of corruption and lead by means of example in order to “create a culture of honesty”.

Government is aware of the incidence of corruption within the social grant system, on part of beneficiaries as well as government officials (The Presidency, 2006c: 33). The newly formed South African Social Security Agency holds the promise to deal with administrative delays, assure speedy payouts of grants and reduce corruption (September, 2007: 95). September (2007: 95) reports that the SASSA, through its comprehensive anti-fraud strategy and special investigation unit, in 2007 investigated 32 000 reported cases which lead to the arrest of more than 600 government officials of whom 400 have been convicted of malpractice.

Administrative problems and corruption within the social grant system need to be eliminated in order to ensure the most efficient allocation of resources toward the vulnerable in South Africa. Goldblatt *et al.* (2006: 5) remind readers that there will always be a trade-off and state that, “the Department’s emphasis on investigation and ‘crime prevention’ should not outweigh the emphasis on getting the grant out”.

3.3 The means test

The means test is probably one of the elements of the social grant system that receives the most criticism, although such a test is necessary to ensure that government allocates funds to the most vulnerable citizens. The means test

determines whether the applicant is poor enough to qualify for the grant and which level of the grant should be paid to the applicant (Van der Berg, 2001: 126). Section 27(1)(c) of the Constitution which guarantees the right to social security, also implies the need for a means test when it states, “if they are unable to support themselves and their dependants” (Malherbe, 2001: 339). The purpose of the test is to ensure that scarce resources are allocated to those that need it the most. There is a definitive need for a targeting system to assure the latter; unfortunately this could lead to increasing administrative costs, negative incentives and unproductive behaviour (Van der Merwe, 2000: 721).

The most criticised negative incentive caused by the means test is that of the poverty trap syndrome (Olivier, 2000: 106). As explained by Van der Berg (1999: 241), a poverty trap exists “when certain regulations or tax systems make it unattractive for people to increase their private income beyond a certain point, as this leads to a reduction in the resources obtained from the state”. Low income earners find themselves in these poverty traps. For example, if the applicant qualifies for a certain grant with the nominal value of R200 if their income is lower than a R1 000 per month, this person will rather only earn R999 and receive the R200 grant, than earning R1 100 and not qualifying for the grant.

In determining who has the biggest need for social assistance, the means test determines the income of applicants. As explained by Van der Berg (2001: 126), this is a complex calculation given the different cultural backgrounds of the South African population and the different forms of income and wealth. Means testing is one of the biggest administrative burdens, as discussed in Section 3.2, since it reduces the available resources that should be directed toward poverty alleviation (Geldenhuys, 2007: 56).

It is argued that the cost associated with the means test diverts funds from the poor. Budlender *et al.* (2005: 42) estimate that Child Support Grant applicants spend R25ⁱⁱ in complying with the means test. In addition to this, government spends around R18.77ⁱⁱⁱ per applicant to apply the means test for the Child Support Grant. Such a system puts significant pressure on the administrative capacity and resources available and in turn reduces the take-up rates of grants. Also, the means test does

not take the dependency ratio of each grant into account or the added financial pressure such as having HIV-positive dependants and consequently receives added criticism (Jansen van Rensburg and Horsten, 2004: 64).

Samson (2002b: 75) argues that a main reason for poor take-up rates^{iv} (as discussed in Section 2.3.4) is the fact that the poorest people – those who have the most severe need for social relief – fail to apply due to an expensive means test and application process. Alternative suggestions include those from Olivier (2000: 106); the author emphasises the need for a revised system and recommends a more simplistic approach to ensure easier application, enforcement and targeting, which will make the system more understandable to the layperson as well.

Van der Berg (2001: 137–139) asks whether the means test should be abolished. His answer is an unequivocal ‘no’, although he explains that the current means test is not applied in the correct way. Van der Berg (2001: 139) recommends that the test should be used to exclude the wealthy, not as a sliding scale for nominal value of grants paid out to beneficiaries. He explains that, “Attention should shift to information aimed at excluding the non-eligible (less than one-sixth of the population) rather than information needed to include the eligible (five-sixths)”.

3.4 Nominal and real values of grants and means test thresholds

The trend in the nominal value of grants and means test thresholds can be misleading, as this does not take the effect of inflation into account. A certain nominal grant benefit may not have the same value in following years, since the effect of inflation reduces the purchasing power of the amount paid out to beneficiaries. Beneficiary numbers can be reduced by not adjusting the means test threshold to keep up with inflation. Some authors claim this is indeed the case within the social security grant system of South Africa.

Liebenberg (2001a: 33) explains that if the nominal grant values do not keep up with inflation it could “constitute a retrogressive measure”. The Constitution requires the state to provide appropriate social assistance. Liebenberg (2001b: 240) states that assistance will be appropriate if it ensures “that everyone has sufficient income to meet basic subsistence needs and to live in accordance with human dignity”. If grant

values do not keep up with inflation, it is eroded and could fall to a level which cannot provide for the basic needs of beneficiaries, making it inappropriate (Liebenberg, 2001b: 241). The author argues that this is indeed the case with the Child Support Grant.

Table 3.2 shows how real and nominal values of certain grants differ according to Kgamphe (2004: 10). The author used 1999 as a base year for the deflation of nominal values. As indicated in Table 3.2 below, Kgamphe found that nominal grant values of the Care Dependency Grant and the Foster Care Grant did not keep up with inflation from 2000 to 2002, while nominal payouts from the Child Support Grant also did not beat inflation in 2000 and 2001.

Table 3.2: Real vs. nominal value of grants from 1999–2003

Type of grant		1999	2000	2001	2002	2003
Child Support Grant	Nominal	100	100	110	130	160
	Real	100	92.8	95.7	103	120.3
Care Dependency Grant	Nominal	520	540	570	620	740
	Real	520	500.9	496	491.4	528.9
Foster Care Grant	Nominal	374	390	410	450	530
	Real	374	361.8	356.8	356.6	378.8

Source: Kgamphe, 2004: 10.

Table 3.3, however, provides different results when a different base year is applied to deflating calculations. The different nominal and real values of maximum social grant payments from 1996 to 2006 are shown, using 2000 as a base year. Each of the seven grant types show an increase in both nominal and real social grant benefits. The results are different from those found by authors such as Liebenberg (2001b), Kgamphe (2004) and Budlender *et al.* (2005).

Table 3.3: Real vs. nominal value of grants from 1996–2006

Type of Grant		1996	1998	2000	2002	2004	2006
	Consumer Price Index	77.7	90.2	100	115.3	123.8	133.9
Old Age Grant	Nominal	420	490	540	640	740	820
	Real	540.54	543.24	540	555.07	597.74	612.40
War Veterans Grant	Nominal	448	508	558	658	758	838
	Real	576.58	563.19	558	570.69	612.28	625.84
Disability Grant	Nominal	430	490	540	640	740	820
	Real	553.41	543.24	540	555.07	597.74	612.40
Care Dependency Grant	Nominal	430	490	540	640	740	820
	Real	553.41	543.24	540	555.07	597.74	612.40
Foster Care Grant	Nominal	305	350	390	460	530	590
	Real	392.54	388.03	390	398.96	428.11	440.63
Grant in Aid	Nominal	70	90	100	130	170	190
	Real	90.09	99.78	100	112.75	137.32	141.90
Child Support Grant	Nominal	-	100	100	140	170	190
	Real	-	110.86	100	121.42	137.32	141.90

Source: Data obtained from: The Presidency, 2001; The Presidency, 2003; The Presidency, 2004; The Presidency, 2005; The Presidency, 2008c; SARB, 2009b; author's own calculations.

Another concern is that of means test thresholds. Inflation causes higher nominal earnings, which might exclude certain people from the beneficiary group as their nominal earnings will increase above the means test threshold. However, their purchasing power will remain constant or even decline. It is therefore important that nominal means test thresholds keep up with inflation, otherwise vulnerable people will be excluded.

Budlender *et al.* (2005: 1) report that the means threshold of the Child Support Grant has not been altered according to inflation changes. Means test thresholds that did not keep up with inflation resulted in a decline in the number of eligible beneficiaries over the past few years (Guthrie, 2002; Lalthapersad-Pillay, 2007). Table 3.4 illustrates calculations done by Budlender *et al.* (2005: 9) and confirms that means test thresholds did in fact not keep up with inflation. If thresholds have kept up with inflation, the thresholds needed to be set at R1 123 and R1 544 respectively in 2004.

However, the thresholds were equal to the purchasing power of R570 and R784 in 1998, not the required R800 and R1 100.

Table 3.4: Inflating and deflating means test thresholds

		1998	1999	2000	2001	2002	2003	2004
Consumer Price Index		87.9	94.6	98.9	105.3	113.1	123.1	123.4
R800	1998 R value	800	743	711	668	622	571	570
	2004 R value	800	861	900	958	1 029	1 120	1 123
R1 100	1998 R value	1 100	1 022	978	918	855	785	784
	2004 R value	1 100	1 184	1 238	1318	1 415	1 541	1 544

Source: Budlender *et al.*, (2005: 9).

Evidence from literature shows the state needs to adjust grant and means test thresholds according to inflation. This is certainly an important issue which needs to be monitored. With regards to nominal grant values, different results are found when different base years are applied. However, it is clear from Table 3.4 above that the means test threshold did not keep up with inflation. This leads to lower beneficiary numbers, excluding the vulnerable.

3.5 HIV/Aids and the social grant system

The HIV/Aids epidemic has extensive and devastating repercussions for households in South Africa. South Africa has a total HIV prevalence rate slightly in excess of 11%, which translates into 5.4 million people being HIV-positive (Dorrington *et al.*, 2006: i). South Africa has one of the highest and most severe HIV infection rates when compared internationally (Nattrass, 2006: 1). The epidemic gives rise to persistent illness, an increasing number of orphans^v, child-headed households^{vi}, higher dependency rates and high unemployment which leaves poverty stricken people behind. Children leave school to care for relatives or to offer an alternative source of income (Samson, 2002a; Bateman, 2003; Booysen and Van der Berg, 2005). For some, education is the only way to escape the poverty trap. Circumstances that make it impossible to exercise this human right of education, has devastating long-term effects (Samson *et al.*, 2004: 58). As described by Booysen

and Van der Berg (2005: 545), “HIV/Aids creates a vicious cycle of poverty and disease”.

The influence of HIV/Aids on the social security system poses two important questions. Firstly, how do social grants impact affected households? In other words, does the social welfare system give sufficient assistance to address the socio-economic vulnerability caused by the cycle of poverty and HIV/Aids? Secondly, how does the epidemic affect grant eligibility and fiscal sustainability? These two questions will be examined in the following sub-sections.

3.5.1 Sufficiency of assistance

Using data from 351 sampled households, Booysen (2004: 45) determined that households affected by the HIV/Aids epidemic are more reliant on social grant income than non-affected households. This can be expected, since HIV/Aids-affected households are more vulnerable. Increased vulnerability can be ascribed to numerous reasons such as: the loss of employment and income; increased medical expenditure; reduced savings; the death of a breadwinner; changing household structures and many more poverty-creating problems.

The effect of changing household structures leaves many dependants behind. Due to the high HIV/Aids prevalence and mortality rate in the breadwinner age, elderly people are left without their informal pension, where their children used to provide for them. Added to this, the elderly in South Africa is now left with the burden of providing for the HIV-sick, Aids orphans and their retirement is replaced with child-care responsibilities. Most poor South Africans live in multi-generation households and this puts further pressure on the demand for social assistance (Dekker, 2004: 153).

Booyesen and Van der Berg (2005: 545) did an empirical study and used panel data from two Free State communities to determine the effect of social grants on households living with HIV/Aids. The authors found that social grants reduce the occurrence and intensity of poverty in households affected by the epidemic. Although social grants lessen the effect, many find the coverage of the social grant system inadequate in alleviating the effects of HIV/Aids on households.

A study done on 30 households in Mount Frere, South Africa, verifies that “South Africa's system of social security proved inadequate to mitigate the economic impact of HIV/Aids and poverty on households with children suffering from severe malnutrition” (Samson, 2002a: 1171). Samson reports that of these 30 households, only three adults were employed, 63 unemployed and 39 were involved in informal or temporary employment. The self-employed adults earned an average monthly income of R50 to R100, with the maximum salary only reaching R448 per month (Samson, 2002a: 1156). From these poverty stricken households, only four children received the Child Support Grant (Samson, 2002a: 1160). Reasons for the low take-up rate in a community in desperate need of assistance include not having access to the required documents and administrative problems.

HIV/Aids assistance provided to people who are Aids-sick are limited to those who are in stage 4 of the disease, between the ages of 18 years and the qualifying pension age^{vii} and those who qualify according to the means test (Nattrass, 2005: 31). Nattrass (2006: 1) reports that the ratio of Aids-sick people receiving Disability Grants increased from 27% in 2001 to 41% in 2003.

One of the biggest concerns is the increasing number of Aids orphans and child-headed households who need assistance from government (Jansen van Rensburg and Horsten, 2004; Kgamphe, 2004; Malherbe, 2004; Lalthapersad-Pillay, 2007). The state does not provide for all children affected by the pandemic; HIV-positive children do not qualify for the Care Dependency Grant. A child has to be younger than 15 years and have a primary caregiver in order to be eligible for the Child Support Grant and furthermore only qualify for a Foster Care Grant if the child is placed in formal foster care. Many of the HIV-affected children fall outside these categories (Jansen van Rensburg and Horsten, 2004: 56).

The state's solution for the effect of the AIDS epidemic on children has been to extend the Foster Child Grant (Meintjes *et al.*, 2004; September, 2007). Orphaned children under the age of 15 years, with a primary caregiver older than 16 years, who meet the requirements of the means test, also qualify for a Child Support Grant of R220 per month (The Presidency, 2008b: 6). The state's preferred response to the

increased vulnerability of AIDS orphans is to extend the Foster Care Grant, in stead of the Child Support Grand.

The Foster Child Grant differs from the Child Support Grant in many ways. It has a higher nominal benefit of R650 per month, the application and administration process is much more complex and the purpose of this grant is to assist children in need of care, not to provide poverty relief (The Presidency, 2008b: 7). This grant was implemented in order to provide a specialised service and care for those children who were removed from their parents, with the intent of returning them to their parents within two years or finding an adopting family. It was never intended to be a long-term poverty relief grant (Guthrie, 2002; Jansen van Rensburg and Horsten, 2004; Lalthapersad-Pillay, 2007).

The state's response was investigated by Meintjes *et al.* (2004: 16) and the authors conclude that, "To tie these orphaned children and their caregivers into a labour-intensive surveillance and costly child protection system aimed at children truly 'in need of care and protection' simply to access poverty relief – as is presently the case – is problematic".

Meintjes *et al.* identify the following problems with the current response:

- Capacity constrains – the Foster Child Grant requires more resources, which include more financial resources, court systems, social services and social workers (Meintjes *et al.*, 2004:14);
- Increased pressure on the administrative capacity of the social welfare system (Meintjes *et al.*, 2005:264);
- "Overburdening of the social welfare system" (Meintjes *et al.* 2004:14);
- The Foster Child Grant was not intended to be an "orphan grant" (Meintjes *et al.*, 2004:15);
- The increased number of applications will "clog up an already over-burdened system", making access much more difficult for the applicants for whom the Foster Child Grant were initially intended (Meintjes *et al.*, 2005:264);
- Inequality of the system – only if the AIDS epidemic leaves the child orphaned and living with a non-biological family, does he/she qualify for the significantly lager Foster Child Grant (Meintjes *et al.*, 2004:15) and

- Evidence indicates that within the social and cultural context, an orphaned child is not automatically in need of care, as they are taken in by relatives (Meintjes *et al.*, 2005: 264).

Meintjes *et al.* (2005: 264) recommend that the full extension of the Child Support Grant up to the age of 18 years for all children will provide an effective solution to the problems and limitations discussed above. Jansen van Rensburg and Horsten (2004: 57) report that the Committee of Inquiry made the same recommendation after an investigation into a Comprehensive System of Social Security of South Africa.

Guthrie (2002: 134) also emphasizes the limitations of the Foster Care Grant. The author argues that 'informal caregivers', extended families and child-headed households are denied help, since they did not partake in the lengthy court proceedings of fostering children. The author further asserts that when the increasing number of AIDS orphans is taken into account, the Foster Child Grant is not the appropriate response, given the financial implications and the unmanageability thereof. She recommends a universal income support for all children under the age of 18, with the Care Dependency Grant acting as a top-up in special needs cases (Guthrie, 2002: 141).

Lalthapersad-Pillay (2007: 20) agrees with the state's response, as the author believes the Foster Child Grant to be the right kind of assistance to care for orphaned children. The author argues, however, that even though it might be the right type of assistance, accessibility is limited due to costly legal procedures.

The HIV/Aids epidemic creates a desperate need, since affected households are more vulnerable due to the many factors described above. Even though social grants assist some of these households, the coverage of the safety net is insufficient. The state's response to the socio-economic vulnerability caused by the cycle of poverty and HIV/Aids, especially in the case of children, is inappropriate and inadequate. The gaps in coverage should be addressed as soon as possible.

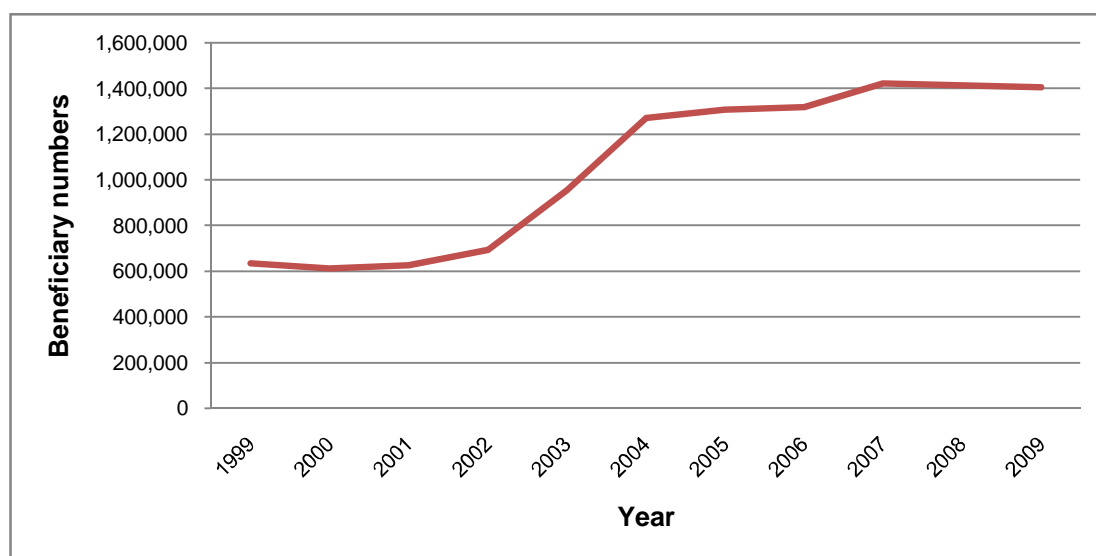
3.5.2 Effect of the epidemic on the social grant system

The most evident effect of the pandemic is the increased demand for grants created by the high HIV/Aids prevalence in South Africa (Van der Berg, 1997: 498). The increased demand is caused by the following characteristics of HIV/Aids households: members experience more severe and deeper poverty; are labour constrained and these households include many abandoned, neglected and abused children (Schubert, 2007: 29).

HIV/Aids is one of the main factors leading to increased eligibility in terms of Disability, Foster Care and Child Support Grants (Van der Berg, 1998; Booysen and Van der Berg, 2005; Burger, 2007; Lalthapersad-Pillay, 2007). The impact of the HIV/Aids epidemic is especially discernible when one takes the increase in disability grants into consideration (Nattrass, 2004: 1).

Figure 3.1 illustrates the change in beneficiary numbers within the Disability Grant from 1999 to 2009. A sharp increase from 2001 is evident. The beneficiary numbers more than doubled from 2001 to 2009. In 2001, 627 481 people received the Disability Grant; increasing to 1 404 884 in 2009. This increase was caused by the escalating amount of Aids-sick people eligible for the grant.

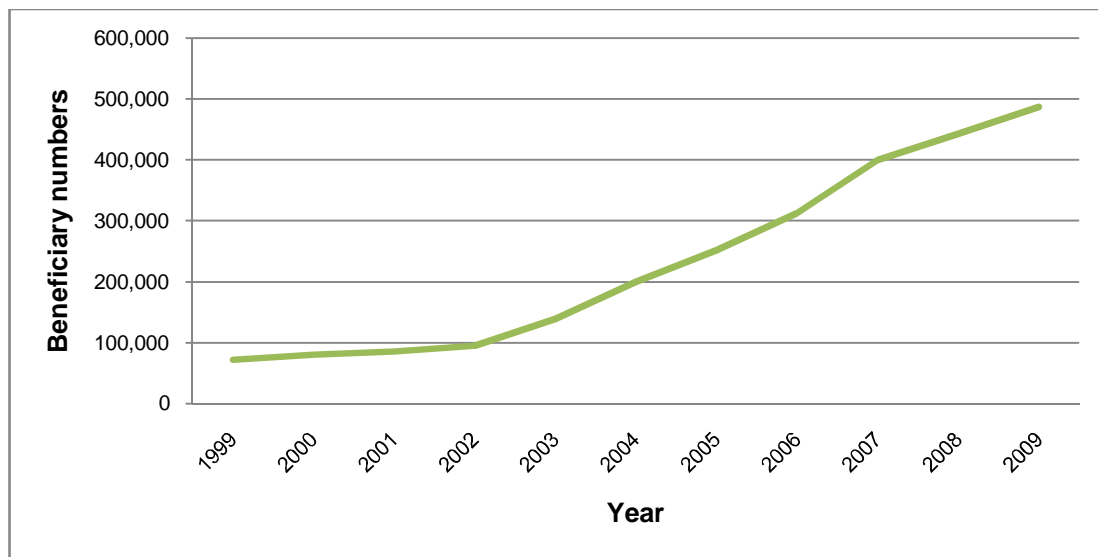
Figure 3.1: Number of Disability Grant beneficiaries, 1999–2009



Source: The Presidency, 2003; The Presidency, 2004; The Presidency, 2005; The Presidency, 2008c; The Presidency, 2009.

Another drastic increase in Foster Care Grant beneficiary numbers, caused by the HIV/Aids epidemic, is demonstrated in Figure 3.2. As explained in the previous section, the state’s solution for the effect of the AIDS epidemic on children has been to extend the Foster Child Grant (Meintjes *et al.*, 2004; September, 2007). In the past 10 years the number of beneficiaries receiving Foster Care Grants increased significantly from 71 901 in 1999 to 487 510 in 2009.

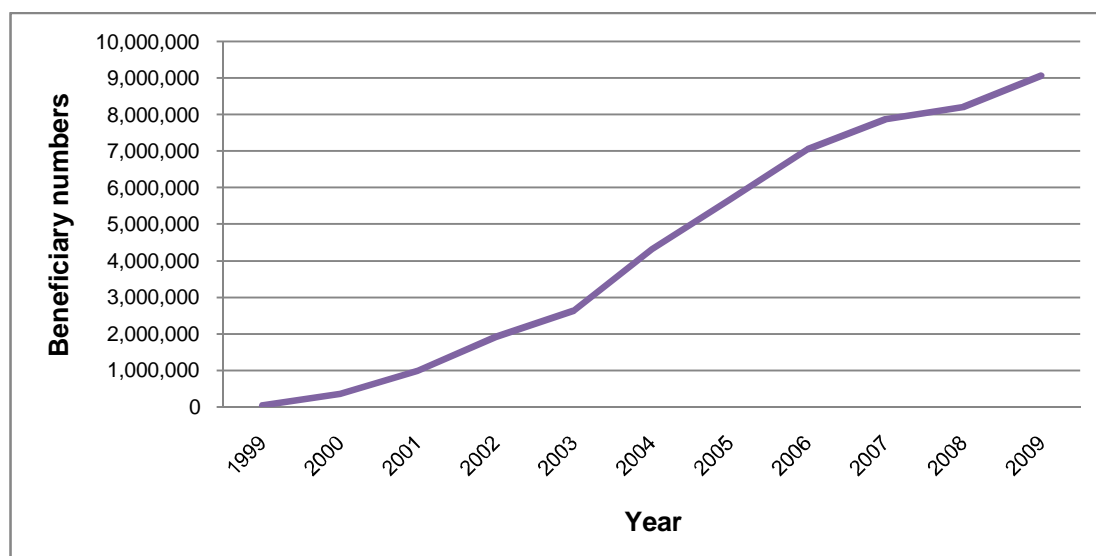
Figure 3.2: Number of Foster Care Grant beneficiaries, 1999–2009



Source: The Presidency, 2003; The Presidency, 2004; The Presidency, 2005; The Presidency, 2008c; The Presidency, 2009.

Figure 3.3 shows the increasing trend in the Child Support Grant over the past decade. As shown in Section 2.3.3, the Child Support Grant has the highest number of beneficiaries compared to other available social security grants and also shows the greatest increase of beneficiary numbers over the past 10 years. This increase can mostly be attributed to extending the age criteria of this grant as explained in Section 2.3.6. However, the effect of the HIV/Aids epidemic also contributed to increasing beneficiary numbers as children in affected household are more vulnerable. In the past decade the number of Child Support Grant beneficiaries increased significantly from 34 471 in 1999 to 9 061 711 beneficiaries in 2009.

Figure 3.3: Number of Child Support Grant beneficiaries, 1999–2009



Source: The Presidency, 2003; The Presidency, 2004; The Presidency, 2005; The Presidency, 2008c; The Presidency, 2009.

As there is no stop to the socio-economic vulnerability caused by the cycle of poverty and HIV/Aids, these numbers are expected to increase. For example, Meintjes *et al.* (2004: 13) estimated the number of orphans which will qualify for the Foster Care Grant. These estimates indicated 220 000 orphans qualified in 2003 and anticipate this number to increase with 420 000 new orphans in 2010.

This impact of the HIV/Aids epidemic on the social security grant system leaves many with the question of whether the state will be able to sustain such an increase, given fiscal constraints. The issue of fiscal sustainability relating to the current social grant system is discussed in Section 3.8.

3.6 Perverse incentives

Perverse incentives are not distinctly South African. Any social assistance system with eligibility requirements has the potential to create perverse incentives as people will tend to alter their behaviour in order to qualify for a grant. The Department of Social Development (The Presidency, 2006c: 11) explains perverse incentives as, “Incentives are perverse when an individual would be better off if they took a course of action of which someone else – normally a person or body in authority – disapproves”.

As explained in Chapter 2, the state provides social security grants to the most vulnerable groups in the country, who cannot find employment. In order to identify these vulnerable people, grants are only awarded to individuals with particular characteristics, but this unfortunately creates incentives for changing certain behaviour (The Presidency, 2006c: 78). The main cause of perverse incentives is the fact that the entire social security policy is built on the principle that a person in South Africa, who is able to work and seek employment, will be successful. Regrettably, given the effect of apartheid and high structural unemployment in South Africa, this is not the case. People consequently tend to change their behaviour in order to qualify for categorical grants, which are rapidly changing to poverty relief grants in South Africa. Nattrass (2006: 12) argues that the state “needs to address the incentive problems posed by the mismatch between the premise of full employment and the reality on the ground”.

South African perverse incentives, as identified in literature, include: economic dependency; possible teenage pregnancy; refusing medical treatment and the fostering of children in the biological family, although no consensus is reached on whether these incentives exist (The Presidency, 2006c: ii). The four different identified perverse incentives are discussed in the following sub-sections.

3.6.1 Teenage pregnancy

It is claimed that teenage pregnancy arises from the Child Support Grant. Some claims have been made that the means-tested Child Support Grant with a nominal value of R230^{viii} per month will lead to this perverse incentive. The concern is not uniquely South African and not a new phenomenon. Lund (1999: 60) reports that even before the introduction of the Child Support Grant, people were of the opinion that the State Maintenance Grant ‘encourages’ women to fall pregnant.

Even though public concern exists, no evidence can be found that teenage pregnancy and the Child Support Grant are linked (Goldblatt, 2005; Lalthapersad-Pillay, 2007; Richter, 2009). It is reported that only 5% of total Child Support Grant beneficiaries in October 2005 were indeed teenagers (Lalthapersad-Pillay, 2007: 21)

and that only 20% of teenage mothers are beneficiaries of the Child Support Grant (Richer, 2009: 94).

Moultrie and McGrath (2007: 443) refer to studies and data that prove teenage fertility rates have been relatively constant and assert that no proof exists to link the Child Support Grant with teenage pregnancies. The authors highlight the very important point that the media obsession on this supposed perverse incentive causes a diversion from the real issues regarding teenage fertility rates. The authors continue to explain that the focus should be on exposure to HIV, making contraception more accessible, school attendance and most importantly the take-up rate of the Child Support Grant as a poverty grant.

Richer (2009: 94) also criticises the media for making false claims about the supposed perverse incentive after it has been investigated in 2007 by die Human Science Research Council and no association could be found. The author continues to question how teenage girls in South Africa would deliberately have unprotected sex and expose themselves to HIV and other sexually transmitted diseases in order to gain a mere R7.70 per day.

3.6.2 Economic dependency^{ix}

One can expect a decline in labour participation due to the availability of social grants, as this results in a decline in the opportunity cost of being unemployed (Samson *et al*, 2004: 117). If the value of the grant does not differ from the wage level, or is indeed higher, people would prefer to not be employed and rather collect their grant at the end of each month. The poverty trap syndrome caused by the means tests also creates a perverse incentive: to not increase private income beyond the value of the means test threshold, as the beneficiary will fear losing the grant (Guthrie, 2002: 135). However, with the South African labour market, things are never that straightforward, given high structural unemployment and the effect of discouraged workers.

Using the Integrated Household Survey of South Africa, Bertrand *et al.* (2003: 28–27) conducted a study where they investigated the effect of the Old Age Grant to three-generation households^x on labour participation. The authors found that the

labour supply of members between the ages of 16 and 50 years were reduced, both the hours of work and whether or not the household members indeed worked were affected negatively. These authors therefore found evidence supporting the existence of an economic dependent perverse incentive, where economically active members of a household rely on Old Age Grants paid out to other family members.

The impact of social grants on the labour market was later assessed by Samson *et al.* in 2004. The authors analysed both the demand for and supply of labour. Firstly, the demand for labour was investigated by examining how social grants impact labour productivity. Secondly, the incentive effects of social grants were investigated to determine the impact of grants on labour supply. Both these sides needed to be assessed to be able to come to a meaningful conclusion on how social grants affect the labour market.

Samson *et al.* (2004: 118) find that in South Africa social grants increase both supply and demand for labour. The authors also prove three different hypotheses:

- Social grant beneficiaries are able to part take in 'high-risk/high-reward' job search, as they are provided with resources and the economic security;
- A correlation exists between the success rate of finding employment and living in a household receiving social security grants and
- Workers living in households receiving grants are more productive and thus bring in higher wages.

Another possible counter argument to the dependency view is that the positive effect of social grants on education could provide the much needed opportunity to break the poverty cycle. Social grants affect education positively. Firstly, grants reduce economic barriers to school attendance; secondly, the opportunity cost associated with education is lowered and thirdly, indirectly add to the resources available to schools (Samson *et al.*, 2004: 60).

Literature offer different views and results on this topic. Many feel that grants should not just be a piecemeal, but that government should provide a more permanent solution to mounting poverty. Guthrie (2002: 125) explains that social security grants "should not merely provide a safety net and minimum standard of living, but should

also aim at the rehabilitation and integration of persons back into social and economic life, foster independence and expand opportunities for development”.

The redistribution of income has never been an easy process. On the one hand, tax payers feel their money is given to people who abuse the system and are too lazy to find employment and on the other hand, people are vulnerable, poor and cannot find employment due to a lack of skills. A quote from J.M. Luiz (1995:579) to end this section, “Although welfare should not promote dependence, neither should it be so hard to come by as to punish the poor”.

3.6.3 Income or health

The destruction of the HIV/Aids epidemic reaches even further, as it gives rise to a new perverse incentive. It seems that there is a tendency to refuse medication or treatment in order to stay eligible for Disability Grants (Nattrass, 2006: 9). Disability Grant beneficiaries can regain their ability to work as a result of antiretroviral therapy and hence lose their benefit (Nattrass, 2005: 31). Unfortunately, this does not necessarily mean that an employment opportunity will follow, leaving the affected household without resources (Schubert, 2007: 24).

Grant beneficiaries as a result feel they have to choose between income and health. Taking the antiretroviral treatment will cause restored health and beneficiaries will lose their grants. They choose, for this reason, not to take the medicine in order to have an assured income for their shortened lifespan (Nattrass, 2004: 1). Nattrass (2006: 7) states that, “Given South Africa’s high unemployment rates and relatively generous disability grants, illness has itself become an important source of income”. This perverse incentive finds its origin in the fact that the Disability Grant is the only social grant available to poor and vulnerable people of an economically active age in South Africa. The Disability Grant in this manner transforms into a poverty grant where beneficiaries might choose to discontinue their treatment in order to receive income (Lalthapersad-Pillay, 2007: 23).

If the Disability Grant is cancelled due to restored health, the consequences reach even the effectiveness of the Highly Active Antiretroviral Therapy (HAART) treatment. Nattrass (2005: 31) states that firstly, patients might struggle to purchase

food, which is essential to their restored health. Secondly, patients might find it difficult to obtain transport money to clinics which limits access to medication. Lastly, those patients who still bought HAART through the private sector will not have the necessary resources to continue with the treatment.

The tenable solutions for the elimination of this perverse incentive are slim. Natrass (2005: 31) explains that the first possible response is not to allow HIV-positive people access to the grant. This will be discriminatory, though. The second possible solution is to allow AIDS-sick people access to the grant after restored health. This, however, may lead to an even more perverse incentive, as people already have the inaccurate belief that an HIV-positive status is a 'ticket to the disability grant'.

3.6.4 Fostering of children

In addition to the general incentives provided by changing behaviour, the Foster Care Grant provides added appeal. The Foster Care Grant has a nominal value of R650, almost three times higher than that of the limited Child Support Grant. Except for the higher nominal gain of R420 per month if one applies for the Foster Care Grant, this grant is also not means-tested and does not have the same age limit as the Child Support Grant. It is argued that people will leave their biological children in someone else's care in order to obtain the grant for their children. Another concern is that due to the age restriction on the Child Support Grant, parents will foster their children after the age of 14 years (The Presidency, 2006c: 34–35).

The perverse incentive which is mainly due to the higher nominal value of the Foster Child Grant has devastating effects. Firstly, impoverished parents leave their biological children in the care of others and secondly, those for whom the grant was intended, such as children without families, experience violence or are neglected (Schubert, 2007: 25).

3.7 Child-headed households

Many child-headed households can be found in South Africa, in particular given the effect of HIV/Aids on families (Martin, 2003; Goldblatt and Liebenberg, 2004). This vulnerable group is left without refuge as the current social grant system does not

provide for them. Under the current social security grant system in South Africa, children can only get social assistance from the Child Support Grant, the Foster Care Grant or the Care Dependency Grant.

This system fails to assist child-headed households. In practice, only children living with an adult caregiver (referred to as the primary caregiver) can qualify for the Child Support Grant; the Care Dependency Grant is restricted to children requiring permanent care and only children placed in formal foster care will qualify for the Foster Care Grant. Therefore, the current social security net for children excludes child-headed households and children living on the streets (Guthrie, 2002; Martin, 2003; Jansen van Rensburg and Horsten, 2004).

The primary caregiver of a child should be 16 years or older in order to access the Care Dependency Grant and the Child Support Grant, since an identity document is required for a successful application (Christmas and Liebenberg, 2003: 14). The primary caregiver is any person who takes care of the child on a daily basis, with the permission of the parent, even if that person is unrelated to the child (Liebenberg, 2001b; Jansen van Rensburg and Horsten 2004).

This seems to be a fair requirement. However, the reality of child-headed households is not taken into account. It was also found that if the primary caregiver is not the biological mother of the child, the child is not likely to receive the grant, even if eligible (Budlender *et al.*, 2005: 2). Many children are homeless and do not have an adult caregiver and even though these children are most vulnerable, the current system does not provide for them (Jansen van Rensburg and Horsten 2004: 73). Goldblatt and Liebenberg (2004: 164) emphasize that even though a change of the current system will require additional resources and capacity, the state has no choice but to honour their constitutional commitment to vulnerable children.

3.8 Sustainability of the social grant system

Added to the shortcomings discussed above, another concern with the present social security grant system is fiscal sustainability, given the increase in the demand for social grants combined with current high expenditure levels on grants (Samson *et al.*, 2002; The Presidency, 2006b; Pauw and Mncube, 2007). The increase in

demand is due to high unemployment, extensive poverty and the increasing number of Aids orphans in the South African economy (Lalthapersad-Pillay, 2007: 16). Van der Merwe (2000: 717) states that, "For a developing country, South Africa has a relatively well-developed social security system. However, it cannot address all the needs without major fiscal adjustment".

Another concern given increased expenditure in the past and the increased demand, is the trade-off with other socio-economic priorities such as welfare services, education and health care (Patel and Wilson, 2003: 222). September (2007: 94) states that "social welfare grants were 'crowding out' the budget for essential education, health and social welfare services".

Even disregarding the concern for increased demand, South Africa as a developing country already has large social assistance programmes (Van der Berg, 2001: 125). These abnormal high levels of social security provision is unfortunately rooted in the country's apartheid regime (Van der Berg, 1997: 501). Lalthapersad-Pillay (2007: 18) reports that expenditure on social grants increased from R10 billion in 1994 to R55 billion in 2005 and has doubled in real terms over the last five years. The author also states that the expenditure on grants contribute more than half of the income of the poorest 20% of South Africa. Dekker and Cronje (2005: 23) go as far to say that the formal social security system "has more or less reached its capacity".

Burger (2007: 2) argues that the growth of the social welfare system never "threatened the health of public finance". Fiscal constraints should be balanced with the constitutional responsibilities, as government is obliged to work to the progressive extension of social security (Van der Berg and Bredenkamp, 2002: 40). This is also not the first time the social grant system lead to sustainability concerns. After the equalisation of the apartheid social grant system, the same fears were present (Lund, 1999: 63). If South Africa could survive the increased demand of the early 1990s, it would be hard to imagine how the system will fail now.

Samson *et al.* (2004) argue that we should look beyond the effect of social grant expenditure on the budget and focus on the effect thereof on the economy. The authors show that social grants have a positive effect on the food, clothing and

personal care sectors in the country. Since these sectors use domestic production contents and are all relatively labour intensive, increased spending has a positive impact on national income and employment creation (Samson *et al.*, 2004: 123). According to Samson *et al.* (2004: 135), the macroeconomic impact of the South African social security system is largely positive, since the benefits of redistribution and education outweigh the cost.

3.9 Conclusion

Chapter 3 has researched the issues, problems and shortcomings faced by the current social security grant system. One of the shortcomings identified from literature is the inefficient administrative capacity of the South African social grant system which raises concerns of corruption and the misallocation of resources. Many administrative difficulties exist, creating barriers to access for the most vulnerable groups. Pressure is placed on SASSA to limit maladministration and corruption in order to ensure the efficient allocation of scarce resources to the vulnerable in South Africa.

The current means test has also raised concerns. Even though the means test is necessary to ensure that scarce resources are allocated to those who need it most, it leads to increased administrative cost, negative incentives and unproductive behaviour. Criticism on this system include: creating the poverty trap syndrome; high costs associated with the means test – diverting funds from the poor – and lastly, not taking dependency ratios and HIV/Aids prevalence rates into account.

A review of literature puts a question mark on whether the nominal values of grant and means test thresholds keep up with inflation. This is certainly an important issue, which needs to be monitored. With regard to nominal grant values, different results are found when different base years are applied. However, literature shows that the means test thresholds have not kept up with inflation. This leads to lower beneficiary numbers, excluding the vulnerable.

The HIV/Aids epidemic creates major concerns for the social security grant system. The influence of HIV/Aids on the social security system poses two important questions. Firstly, does the social welfare system give sufficient assistance to

address the socio-economic vulnerability caused by the cycle of poverty and HIV/Aids? The HIV/Aids epidemic creates a desperate need, since affected households are more vulnerable. Even though social grants assist some of these households, the coverage of the safety net is insufficient. The state's response to HIV/Aids, especially in the case of children, is inappropriate and insufficient. The gaps in coverage should be addressed as soon as possible. Secondly, how is the epidemic affecting grant eligibility and fiscal sustainability? HIV/Aids is one of the main factors leading to increased eligibility in terms of Disability, Foster Care and Child Support Grants and these numbers are expected to increase. The increased demand leaves many with the question of whether the state will be able to sustain this demand given fiscal constraints.

Another burning point is that of perverse incentives, although these are not distinctly South African. Perverse incentives, as identified in literature, include: economic dependency; possible teenage pregnancy; refusing medical treatment and the fostering of children in the biological family. However, no consensus has been reached on whether these incentives do exist.

Research indicates that the social grant system does not provide for child-headed households, which leaves one of the most vulnerable groups without refuge. Only children living with a primary caregiver or who are placed in formal foster care can qualify for the grants currently available to children. Many child-headed households can be found, given the effect of HIV/Aids. The current system will require additional resources and capacity to enable government to provide assistance for this group. The state may not ignore their constitutional commitment to vulnerable children.

Chapter 3 has lastly identified fiscal sustainability concerns as a shortcoming, given the increase in the demand for social grants combined with current high expenditure levels on grants. The increase in demand is due to high unemployment, extensive poverty and the increase of Aids orphans in the economy. These concerns should, however, be balanced with constitutional responsibilities, as government is obliged to work to the progressive extension of social security. It is also argued that the macroeconomic impact of the social grant expenditure is positive.

Following the shortcomings and issues with the current social security grant system identified, Chapter 4 describes the system. This is done by undertaking an empirical analysis of the characteristics of the individuals who receive social assistance using data from the 2007 General Household Survey. The survey contains information regarding individual and household characteristics; whether an individual used a welfare office or service; the nature of the service or assistance; the types of welfare grants received; as well as the individual's satisfaction with the service or assistance rendered at the welfare office.

ⁱ For example, it was found that some officials assist certain groups and not others. Goldblatt (2005:30) reports that, “an official admitted that he assisted old women but not young women because ‘young woman waste CSG and do not need it anyway’”.

ⁱⁱ On average the applicant would also spend six hours on this process (Budlender *et al*, 2005: 1).

ⁱⁱⁱ These calculations were made by calculating the time taken by the Department of Social Development and the South African Police Service employees to process documentation related to the means test, multiplied by the lowest possible cost of employment of these officials (Budlender *et al*, 2005: 1).

^{iv} Take-up rates according to Samson (2002b:75) for March and April 2001 were 85% for the OAG, 20% for the CSG and 90% for the DG, which gives a total take-up rate of 43%.

^v The ASSA 2003 Provincial Output Model estimates that there will be a total number of 2 500 286 orphans in South Africa by 2025.

^{vi} Goldblatt and Liebenberg (2004: 151).

^{vii} Since April 2009, this is men above the age of 61 and women above the age of 60 (The Presidency, 2008b: 4).

^{viii} The Presidency (2008b: 43).

^{ix} Economic dependency can also be referred to as welfare dependency (Van der Merwe, 2000:722).

^x A household with at least three generations living together, for example: a child, a parent and a grandparent (Bertrand *et al.*, 2003:30).

Chapter 4

A profile of social grant beneficiaries from the 2007 General Household Survey

4.1 Introduction

Social grants play a crucial role in poverty alleviation and are of great importance, particularly in South Africa. The Constitution requires government to give social assistance to citizens who are unable to support themselves and their dependants (Oliver *et al.*, 2004: 118). Furthermore, government expenditure on social grants is equal to 3.1% of GDP (The Presidency, 2008a: 28).

The importance of this poverty alleviation instrument generates a need for the consideration of social grant beneficiaries' characteristics. The creation of a social grant beneficiary profile sheds some light on exactly who receives social grants. The effectiveness of the social security grant system, with regard to targeting the most vulnerable groups, can also be determined from this analysis.

This chapter commences by explaining the 2007 General Household Survey (GHS). Section 4.3 describes the GHS demographics and includes a comparison between the GHS and Census data. The aim of this section is to demonstrate how well the GHS represents the true population. The characterisation of social grant beneficiaries follows in Section 4.4. This analysis establishes a social grant beneficiary profile and further draws a comparison between social grant beneficiaries and non-beneficiaries. The comparison serves to highlight the vulnerability of social grant beneficiaries.

4.2 Explanation of the 2007 GHS

The aim of the GHS is to provide government with insight into the level of development in South Africa, as well as the performance of different government initiatives and programmes. This survey measures the different aspects of living conditions and the quality of service delivery that key service sectors provide (Stats SA, 2008b: 1). The

survey has been conducted on an annual basis since 2002 and assesses the following broad categories:

- Demographic information (e.g. sex, age and population group);
- Biographical information (e.g. education, health, disability and welfare);
- Work-related activities and unemployment;
- Non-remunerated trips taken by the household;
- Housing;
- Access to services and facilities (e.g. housing, water, electricity, refuse removal, telephone services and transport) and
- Satisfaction level of selected services provided by government (Stats SA, 2008b:2).

The 2007 GHS was conducted in July 2007 (StatsSA, 2008b: 1). Questionnaires were administered as part of the survey. Most questions were pre-coded. This GSH forms part of a collective survey inclusive of the annual Labour Force Surveys (LFS) and the Income and Expenditure Survey (IES) (Stats SA, 2008a: 2).

The sampling was independently drawn in the nine provinces of South Africa. In doing so, the representativeness of the samples was improved by reducing sampling error (Stats SA, 2008a: 2). The sampling process consisted of two stages. Stage 1 included the usage of probability-proportional-to-size (PPS) sampling to select primary sampling units. In this method, the selection probability for each element is set to be proportional to its size measure, up to a maximum of one. Measure of size was the number of households in the primary sampling unit. Stage 2 addressed the drawbacks of variable sample size and over- or under-representation due to chance variation in selections. The study incorporated a systematic approach to select secondary sampling units. A sample of 10 households was drawn from each primary sampling unit. Private households and residents in workers' hostels were the target population in all nine provinces; however it did not include collective living quarters (Stats SA, 2008a: 2). Stats SA employed and trained field staff who successfully interviewed 29 311

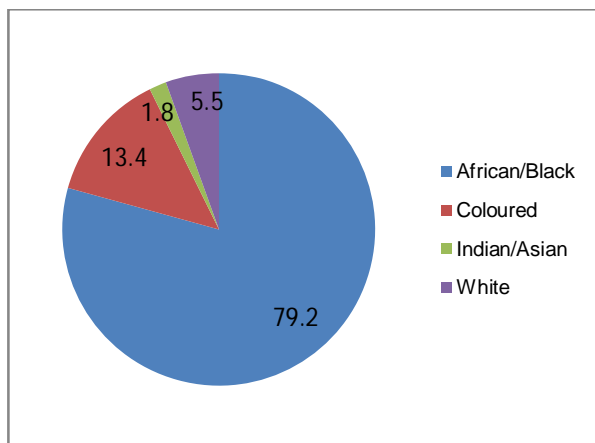
households face to face. The team consisted of 784 enumerators, 260 supervisors and 46 quality assurers who monitored the questionnaire process (Stats SA, 2008a: 1).

4.3 Demographics

This section investigates the demographics of the participants of the 2007 GHS. Demographic factors include different population groups, the number of individuals per age group, gender and the provincial distribution. A comparison between the different demographic factors in the GHS and the latest South African Census data demonstrates how accurately the GHS represents the true South African population.

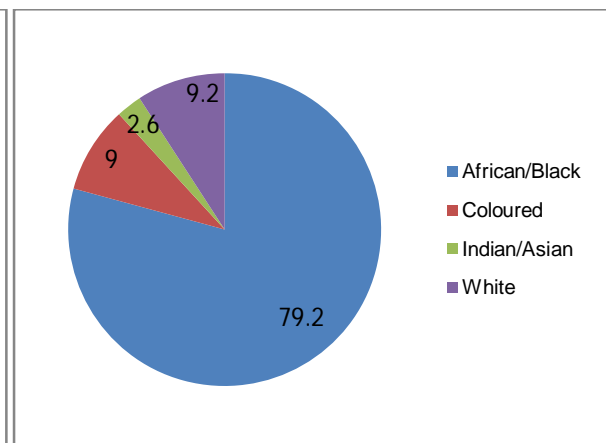
Given the history of oppression in South Africa, the most important demographic indicator is race. The GHS and the Census concur that the South African population is predominantly Black, representing a sizeable 79.2% share of the total population. The distribution of other ethnic groups differs somewhat between the GHS and the Census: Coloureds constitute 13.4% and 9%; Whites add up to 5.5% and 9.2% and Indians/Asians form 1.8% and 2.6% of the total population, respectively (Figure 4.1 and Figure 4.2).

Figure 4.1: 2007 GHS, population groups



Source: 2007 GHS.

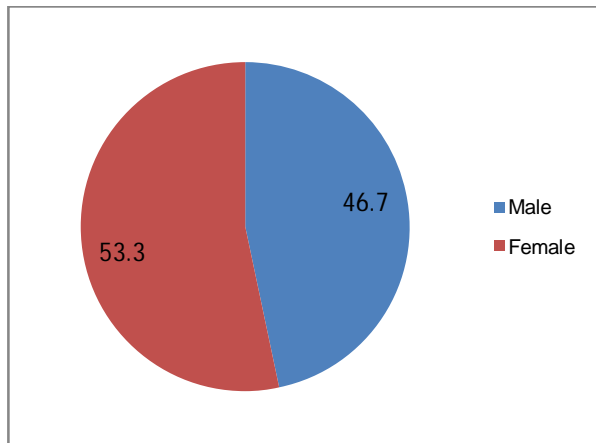
Figure 4.2: 2008 Census, population groups



Source: Stats SA 2009.

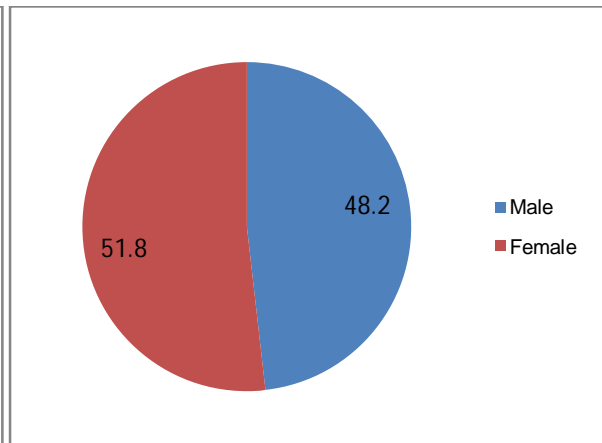
The gender distribution of the 2007 GHS closely corresponds with the latest Census data. Females represent 53.3% of the respondents in the GHS, while 51.8% of the population are female according to the Census (Figure 4.3 and Figure 4.4).

Figure 4.3: 2007 GHS, gender



Source: 2007 GHS.

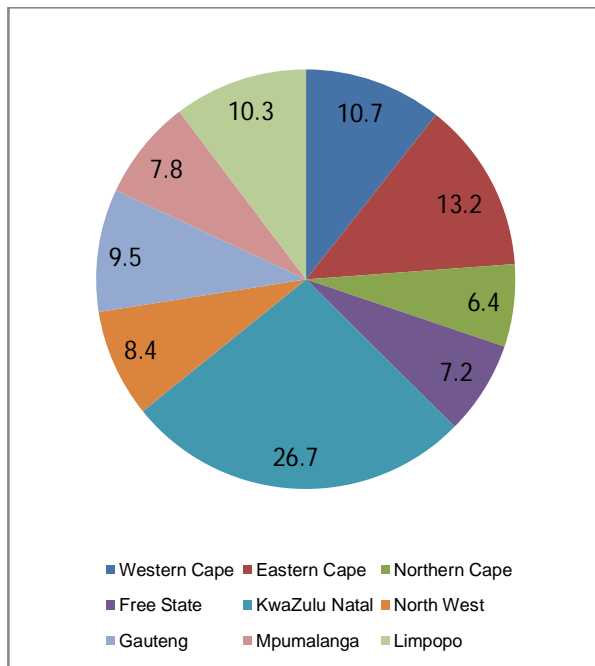
Figure 4.4: 2008 Census, gender



Source: Stats SA 2009.

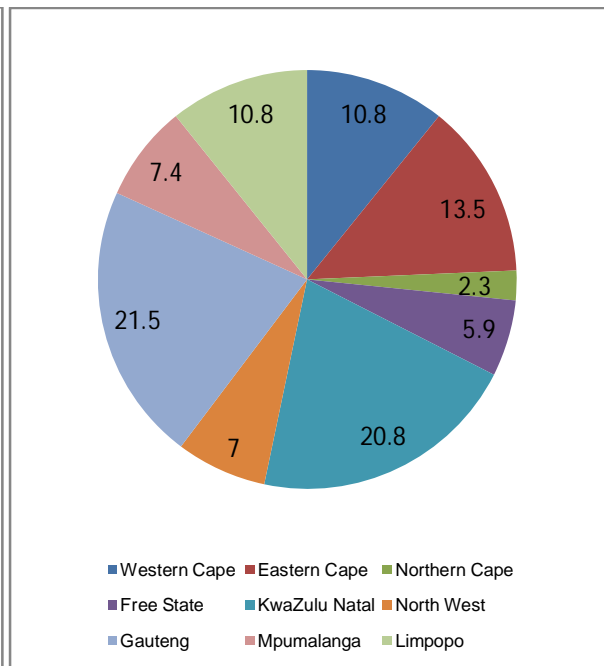
Figure 4.5 and Figure 4.6 illustrate the geographical division of individuals within the population. Both surveys agree that KwaZulu Natal, Gauteng and the Western Cape province have the largest shares of the South African population. The smallest percentage of people (6.4% and 2.3%) reside in the Northern Cape. The population distribution between the GHS and the Census differs. The sample proportion, GHS relative to the Census, for the KwaZulu Natal province is 6.7 percentage points higher and that of Gauteng province 12 percentage points lower. The Northern Cape province's distribution in the GHS is three times larger than that of the Census. Nevertheless, when comparing the two different surveys, the GHS sample is still a good representation of the true population distribution, as indicated by the Census. Both sources agree that the Northern Cape province represents the smallest part of the total population.

Figure 4.5: 2007 GHS, province



Source: 2007 GHS.

Figure 4.6: 2008 Census, province



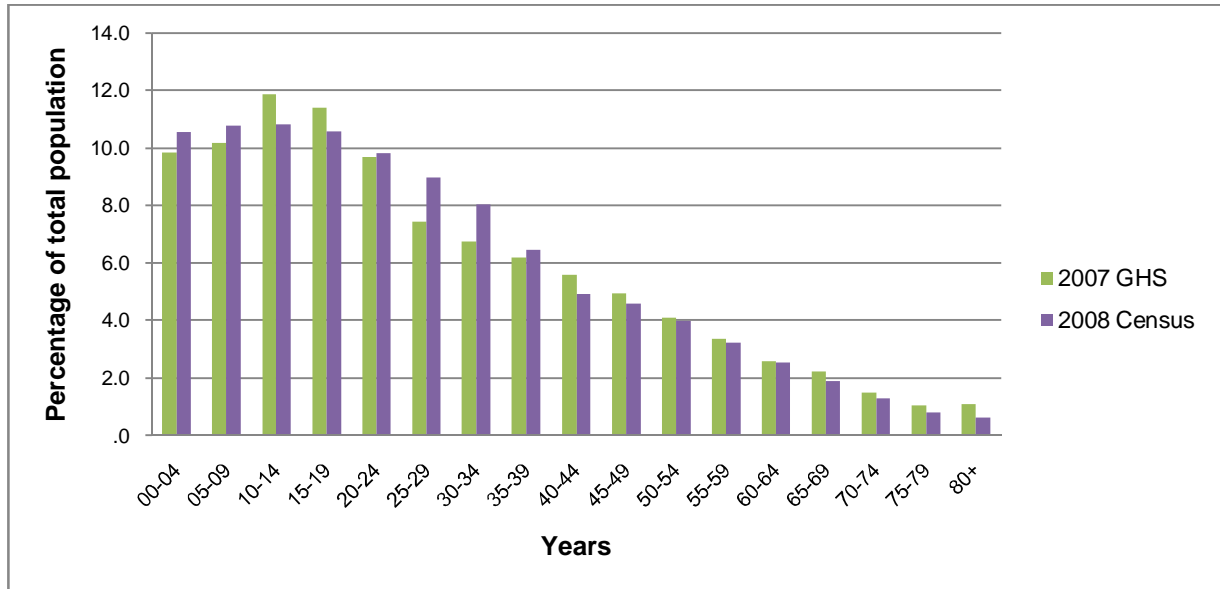
Source: Stats SA 2009.

The GHS and the Census agree on the distribution of different age groups in South Africa. This demographic indicator reveals the number of dependants relying on the working age population. Both surveys confirm that 32% of the total population is younger than 15 years. The working age population, according to the GHS, constitutes 62% of the total population, while the Census indicates that 63% of the total population is of working age. These figures evidently indicate high dependency ratios within the South African population. The only difference between the distribution of age groups is the age of the majority of respondents/population in each survey. The GHS displays a peak between the ages of 10 to 20 years, while the Census peaks between the ages of 0 to 20 years (Figure 4.7). What is important to note, is the difference in the number of individuals from the age group 25 to 29 years and 30 to 34 years. A possible explanation for this is the effect of high HIV/Aids prevalence rates among the working age population in South Africa (Booyesen, 2004: 46).

Although there are differences between the two surveys (as discussed above), these discrepancies are insignificant and common in any sample data set. Therefore,

conclusions drawn from the GHS may be construed as accurate representations of the true population within South Africa.

Figure 4.7: Age group comparison

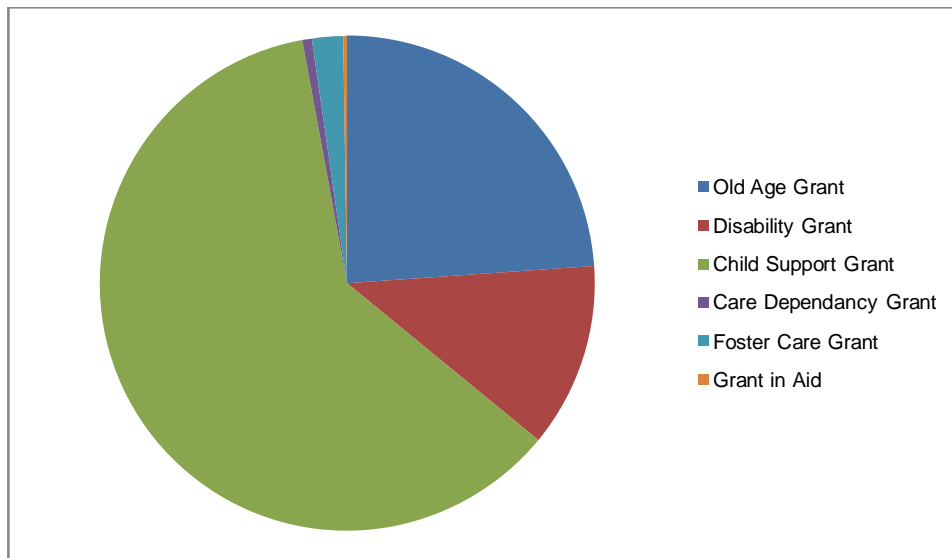


Source: 2007 GHS and Stats SA 2009.

4.4 Description of grant beneficiaries

According to the GHS, 14.6% of respondents indicated that they received some type of social grant during the past 12 months prior to the interviews. The majority of grant beneficiaries received Child Support Grants (61.19%), followed by Old Age Grants (23.89%) and the Disability Grant (12.03%). This corresponds with the literature (as discussed in Section 2.3.3) which reveals these as the fundamental types of grants received by beneficiaries (Figure 4.8).

Figure 4.8: 2007 GHS, grant beneficiaries by type of grant



Source: 2007 GHS.

The 2007 National Budget Review (NBR) provides the number of beneficiaries to whom grants were paid out to. This number closely corresponds with that of the GHS. The only variation is that of the Old Age Grant and the Child Support Grant, which can be attributed to normal survey sampling practice (Table 4.1).

Table 4.1: GHS and NBR, distribution compared between grant types

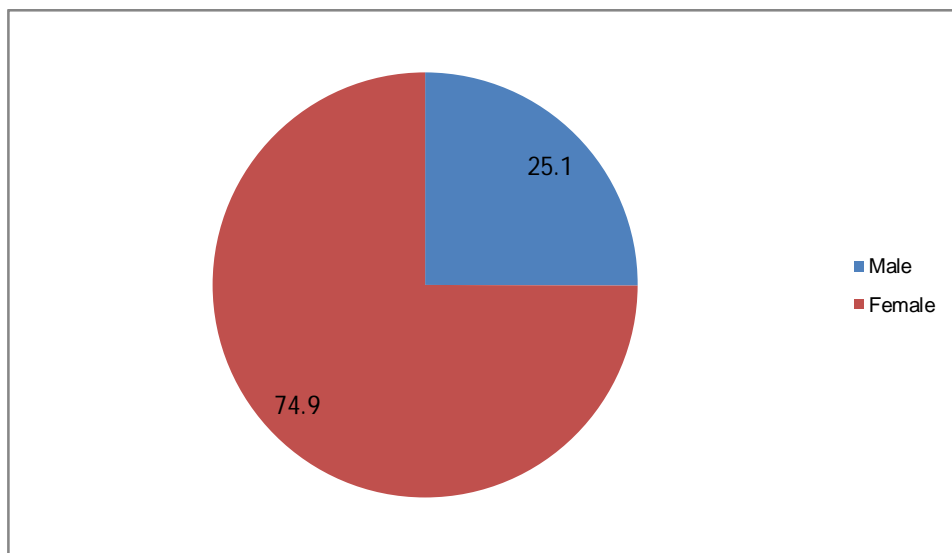
Grant type	2007 GHS		2007 National Budget Review	
	Frequency	Percentage	Frequency	Percentage
Old Age Grant	7 020	23.89	2 195 018	18.32
Disability Grant	3 535	12.03	1 422 808	11.88
Child Support Grant	17 982	61.19	7 863 841	65.64
Care Dependency Grant	174	0.59	98 631	0.82
Foster Care Grant	598	2.03	400 503	3.34
Grant in Aid	79	0.27	—	—
Total	29 388	100	11 980 801	100

Source: 2007 GHS and The Presidency 2007.

An important demographic indicator is that of gender distribution. The GHS indicates that more females (74.9%) than males (25.1%) receive social grants (Figure 4.9). This

result coincides with literature confirming that females are generally more vulnerable than males. Different arguments can justify this result. Firstly, given the discriminating behaviour during the Apartheid-era against women particularly, females are generally less educated than males. Since education and employment are positively related (Human Capital Theory), females struggle to find income generating opportunities. Secondly, as nearly 80% of the total South African population is of Black ethnic origin, their cultural orientation directs women mainly to household activities such as cooking, cleaning and bearing children. Thirdly, women tend to exit the labour market to care for infants, while their counterparts continue the role of main breadwinner (Baker, 2003: 63).

Figure 4.9: Gender distribution of GHS grant beneficiaries



Source: 2007 GHS.

The working age population (59.7%) constitutes the largest beneficiary group, as these individuals are responsible to provide for their dependants. The aged dependants (64 to 85+ years of age) receive 24.8% of grants; this is similar to the 23.89% distribution to the total Old Age Grant, as shown in Figure 4.8 and Table 4.2. The average age of grant beneficiaries according to the GHS is 45 years, which is also close to the average age of a working adult.

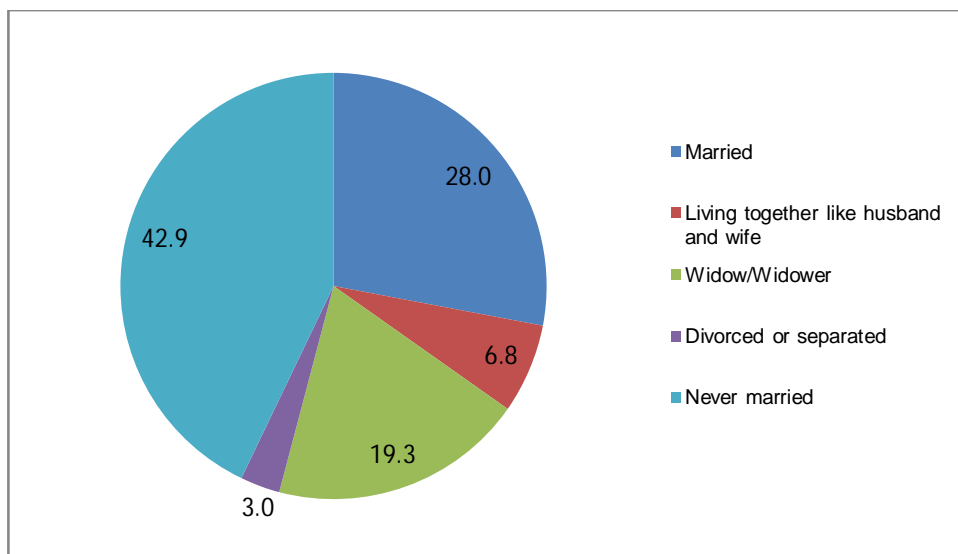
Table 4.2: The distribution of social grants between different age groups

Age group	Age range	Frequency	Percentage
Dependent children	00–14 years	2 463	15.4
Working age	15–64 years	9 555	59.7
Aged dependants	64–85+ years	3 968	24.8
Total			100

Source: 2007 GHS.

Marital status has an important impact on the available income for a household. Households with two sources of income will be less vulnerable compared to those households dependent on a single provider. The questionnaire considers both modern and traditional marriages. Only 34.8% (consisting of the 28% married people and the 6.8% of beneficiaries who live together like husband and wife) of households that receive social grants can rely on dual income (Figure 4.10).

Figure 4.10: Marital status of grant beneficiaries within the GHS

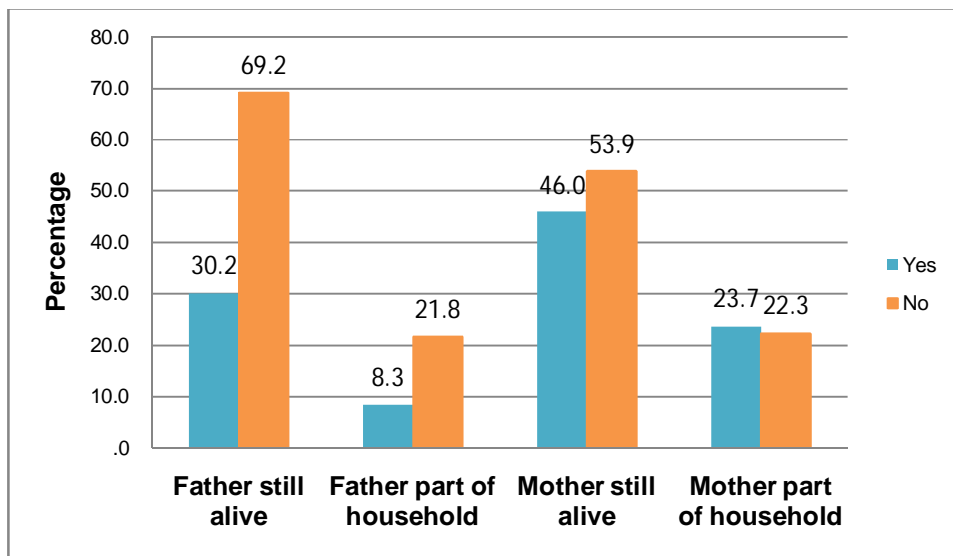


Source: 2007 GHS.

The questionnaire enquires whether the biological parents of those respondents who receive social security grants, are still living and if they are active members of the household. Only 30.2% of grant beneficiaries' fathers are still alive and a mere 8.3% of grant beneficiaries have a father present in the household (Figure 4.11). This coincides

with higher poverty rates, as the majority of grant beneficiaries are without the main breadwinner. A larger portion of the beneficiaries' biological mothers are still living (46%) and part of the household (23.7%). A possible explanation for this result is that fathers generally work away from home, whereas mothers fulfil the traditional role of homemaker.

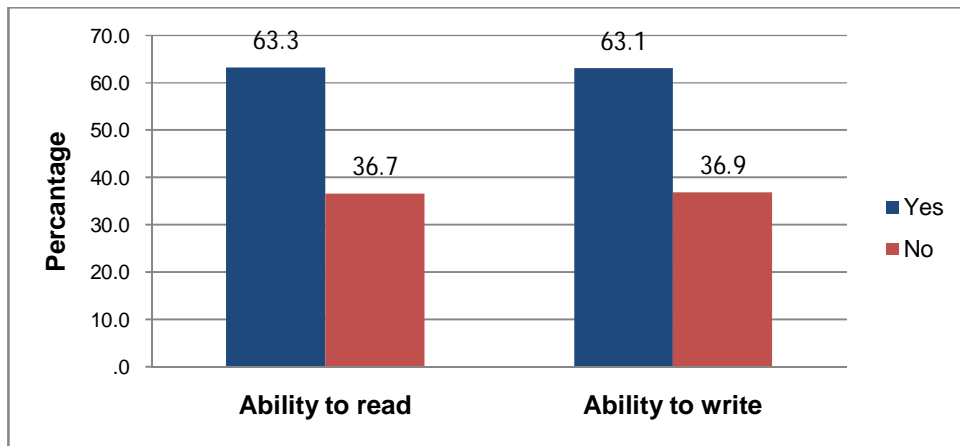
Figure 4.11: Biological parents still alive and part of the household



Source: 2007 GHS.

As already pointed out, the level of education has a significant impact on the ability of an individual to find employment. Higher levels of education directly correlate with higher levels of social development and disposable income. Some argue that the only route to escape a poverty cycle is for individuals to obtain education. The GHS asserts that 63% of beneficiaries are able to read and write in at least one of the 11 official languages (Figure 4.12). This value is not likely to increase, as only 10.7% of beneficiaries are currently attending school.

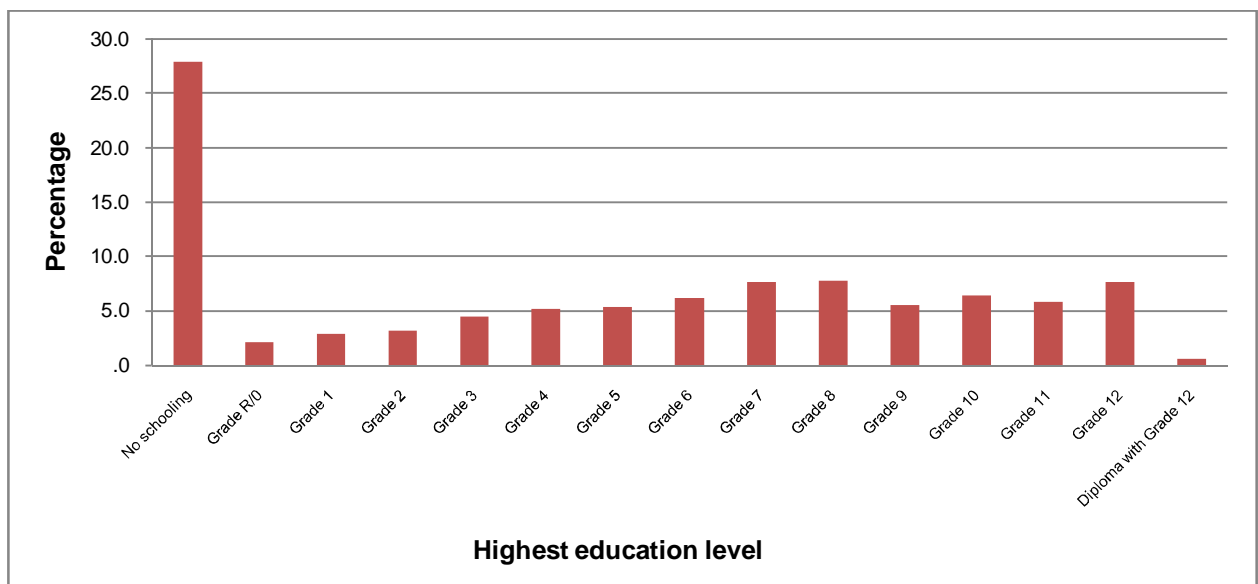
Figure 4.12: Ability to read and write



Source: 2007 GHS.

The highest level of education completed successfully by social grant beneficiaries, gives rise to great concern. Low education levels are apparent, as 27.9% of all grant beneficiaries have no schooling at all. Only 7.6% of beneficiaries have either completed primary school or Grade 12 (Figure 4.13).

Figure 4.13: Highest education level



Source: 2007 GHS.

Table 4.3 indicates the main reasons provided by social grant beneficiaries for not attending school or any other educational institution. Firstly, most of the respondents pointed out that they fall outside the appropriate age for education. Secondly, 10.1% of the respondents revealed that they cannot further their education due to family commitments. This is a common occurrence among the impoverished due to high dependency ratios. The third largest contributor to the lack of education is financial restrictions, since these households do not have the necessary means to pay for education. The last two key contributors are illness or working responsibilities that keep beneficiaries from attaining education. Literature shows that working responsibilities stretch as far as children providing for families, especially when the parents are Aids-sick (Samson, 2002a; Bateman, 2003; Booyesen and Van der Berg, 2005).

Table 4.3: Main reasons for not attending school or any other educational institution

Reason not attending school	Percentage
Too old or young	49.3
Family commitments (child minding, etc.)	10.1
No money for fees	8.5
He/she is working (at home or job)	5.4
Illness	5.2
Has completed school or education	1.9
Pregnancy	1.4
Education is useless or uninteresting	1.4
Got married	1.2
Failed exams	0.9
School or education institution is too far away	0.3
Other	0.7

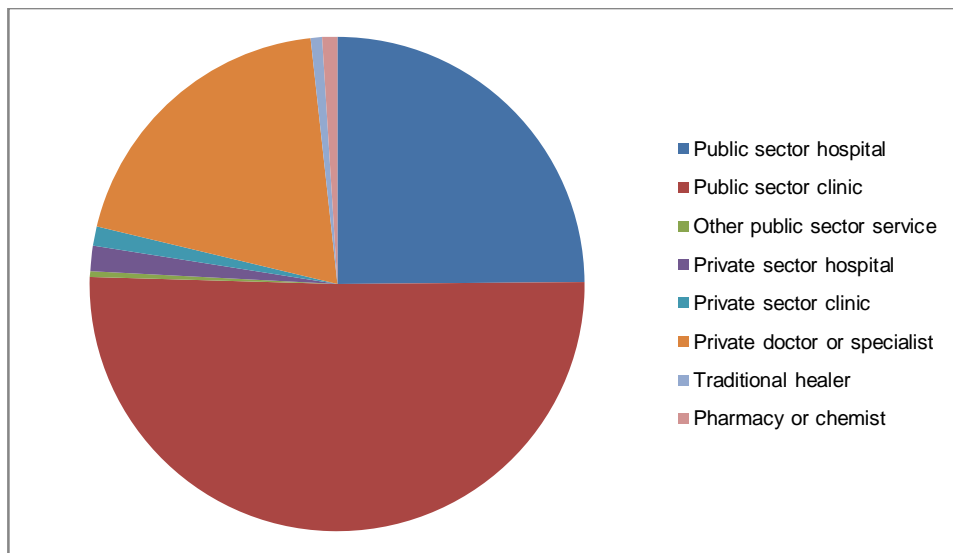
Source: 2007 GHS.

Taking these low levels of education into account, beneficiaries will find it difficult to escape from poverty, as employment opportunities for the uneducated are limited. The vulnerability of this group is further highlighted, as the survey reveals that 19.5% and

17.8% of beneficiaries spent at least one hour during the week prior to the interview, fetching water and wood respectively, for home use from a source outside the property.

Another indicator of vulnerability and social development is the availability of medical services. Only 2.8% of social grant beneficiaries are covered by a medical aid, a medical benefit scheme or another form of private health insurance. This implies that the greater part of social grant beneficiaries need to utilize publicly provided health services. The survey confirms that the majority of social grant beneficiaries consult a public sector clinic if injury or illness occurs (Figure 4.14).

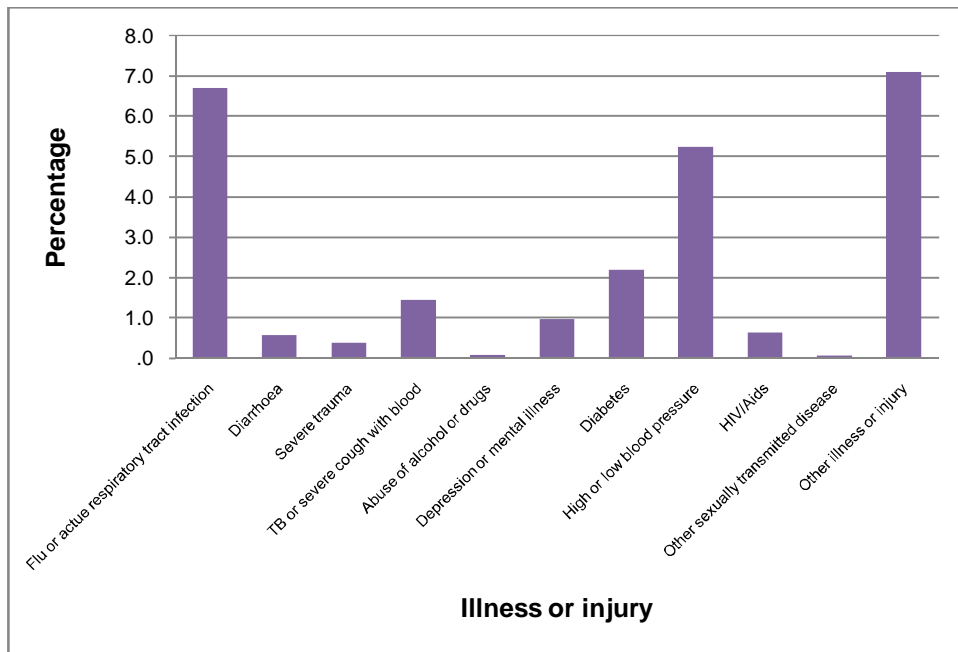
Figure 4.14: Type of health institution



Source: 2007 GHS.

Some of the main illnesses or injuries suffered by social grant beneficiaries in the preceding month to the interview were: flu or acute respiratory tract infection; high or low blood pressure; diabetes and other non-specified illnesses (Figure 4.15). The survey further exhibits that 11.3% of grant beneficiaries were limited in his/her daily activities at home, at work or at school due to a disability enduring more than six months.

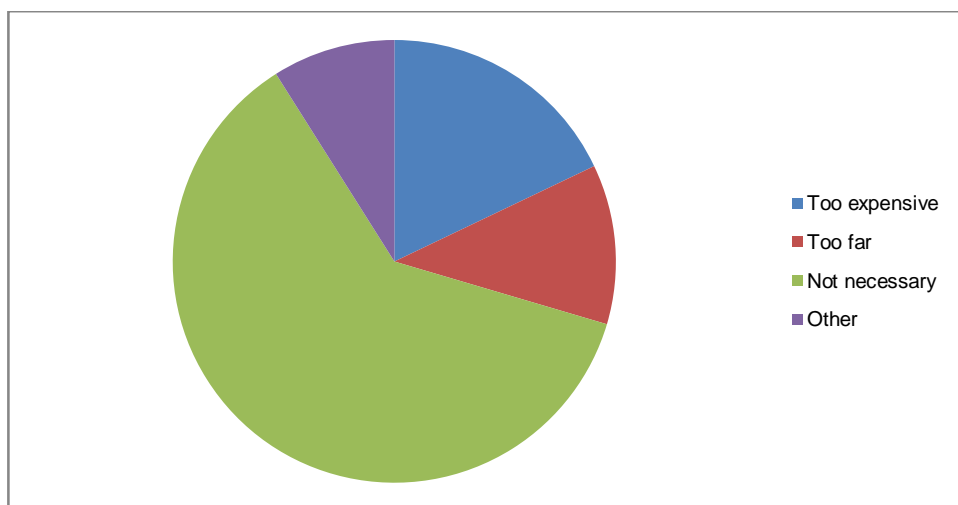
Figure 4.15: Illness or injury in the past month prior to interview



Source: 2007 GHS.

Social grant beneficiaries provided three main reasons within the GHS for not consulting with a health worker, even though they were sick during the past month. The majority of respondents felt it was unnecessary, followed by those who found it too expensive or too far to travel (Figure 4.16).

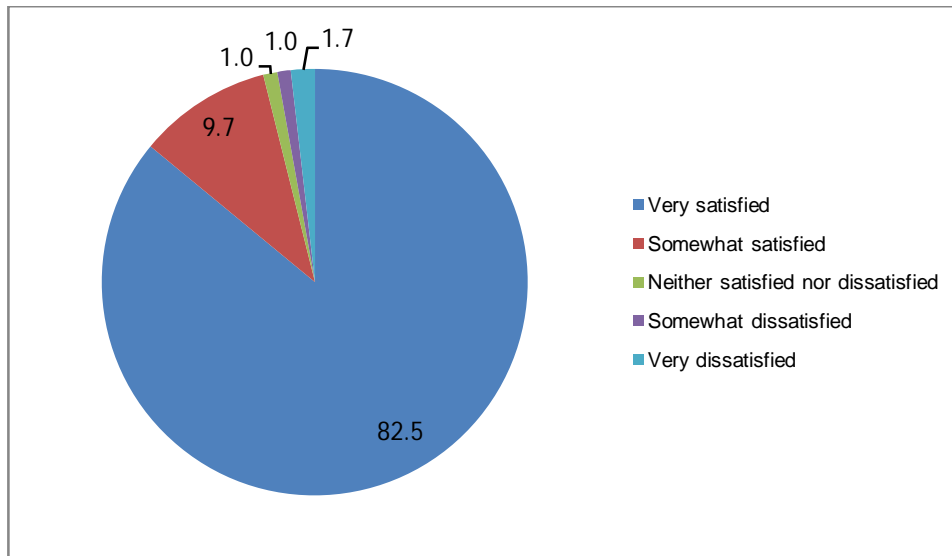
Figure 4.16: Reasons for not consulting with a health worker



Source: 2007 GHS.

The survey also determined the degree of satisfaction of household members regarding the service or assistance rendered by the welfare office. The majority of social grant beneficiaries (82.5%) made it evident they were very satisfied with the service rendered at welfare offices (Figure 4.17).

Figure 4.17: Satisfaction level with service rendered at welfare office



Source: 2007 GHS.

4.5 Grant beneficiaries compared to respondents not receiving grants

As stated in the previous section, 14.6% of the GHS respondents indicated they receive social grants. The main objective of this section is to demonstrate how the characteristics of social grant beneficiaries differ from those respondents who do not receive social grants.

The GHS provided four possible responses to determine whether a respondent had received a social grant. These included: yes; no; not applicable and unspecified. A dummy variable was created to simplify the comparison between recipients and non-recipients. The four possible responses were categorised into two groups. The first group consisted of those respondents who selected the yes option; known as social grant beneficiaries. The second group included respondents who selected any of the

other possible responses; no, not applicable or unspecified. These respondents were grouped into a single category, regardless of their reason for not selecting the yes option. This group will be referred to as non-beneficiaries of social grants.

The Pearson chi-square test was applied on all cross-tabulations to determine whether there is a significant association between respondents in both groups and their respective characteristics. All results are highly significant, presenting a p-value of less than 0.000.

The distribution of social grants differs between the various population groups. Blacks (84.2%) represent the greatest proportion of social grant beneficiaries. Whites, on the contrary, constitute 2.1%, while the Indian/Asian group (0.7%) amounts to the least representation. It is evident that the social grant distribution supports previously disadvantaged groups, for example 84.2% of the total 79.2% of Blacks receive grants. Only a mere 2.1% of Whites of the total 5.5% are grant beneficiaries (Table 4.4).

Table 4.4: Distribution among different population groups

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
African/Black	Count	13 477	73 606	87 083
	Percentage	84.2	78.3	79.2
Coloured	Count	2 079	12 698	14 777
	Percentage	13	13.5	13.4
Indian/Asian	Count	105	1 851	1 956
	Percentage	0.7	2	1.8
White	Count	329	5 679	6 008
	Percentage	2.1	6	5.5
Total	Count	16 003	93 972	109 975
	Percentage	100	100	100

Source: 2007 GHS.

Social grants are mainly directed at vulnerable groups. This is confirmed by the results shown in Table 4.5. A greater percentage of females (74.9%) receive social grants compared to males (25.1%). This coincides with literature that indicates that females

are vulnerable to a greater extent. A more equal distribution is found between genders in the non-beneficiaries group; males (50.3%) and females (49.6%). A possible explanation is that the non-beneficiary group excludes the most impoverished.

Table 4.5: Gender distribution

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Male	Count	4 009	47 302	51 311
	Percentage	25.10	50.3	46.70
Female	Count	11 989	46 645	58 634
	Percentage	74.9	49.6	53.3
Total	Count	93 972	16 003	109 975
	Percentage	100	100	100

Source: 2007 GHS.

Social grants beneficiaries differ on the basis of marital status. It is noticeable that social grant beneficiaries have a significantly larger share of widows or widowers. Table 4.6 reveals that 19.3% of social grant beneficiaries are widowed compared to the 2.8% of non-beneficiaries in the same position. Widows are more vulnerable as the loss of a spouse coincides with a loss of dual income. In addition, the change in the household structure will also increase the dependency ratio. Interestingly enough, 68.1% of the total respondents were never married. Of this total, the survey further indicates that 72.4% of the participants, who were never married, do not receive any grants. Possible explanations for this may include lower dependency ratios and/or that the largest age group in the GHS represents respondents 30 years and younger. The current trend amongst young adults is to postpone marriage and first focus on education and their careers. Another unexpected result is that nearly a third (28%) of social grant beneficiaries are married, in contrast to a lower 17.9% of non-beneficiaries. This could be attributed to the extra financial security that originates from a marriage.

Table 4.6: Marital status

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Married	Count	4 474	16 834	21 308
	Percentage	28	17.9	19.4
Living together like husband and wife	Count	1 091	5 047	6 138
	Percentage	6.8	5.4	5.6
Widow/widower	Count	3 094	2 640	5 734
	Percentage	19.3	2.8	5.2
Divorced or separated	Count	477	1 343	1 820
	Percentage	3	1.4	1.7
Never married	Count	6 865	68 061	74 926
	Percentage	42.9	72.4	68.1
Total	Count	16 003	93 972	109 975
	Percentage	100	100	100

Source: 2007 GHS.

The household structure of social grant beneficiaries differs considerably from those of non-beneficiaries. The categorisation exemplify that only about a third (30.2%) of social grant beneficiaries' biological fathers are still alive, compared to nearly two-thirds (58.8%) of non-beneficiaries. Furthermore, 75% of non-beneficiaries disclose that their biological mother is alive compared to a much lower 46% of social grant beneficiaries (Table 4.7). An even greater cause for concern is that only 23.7% of grant beneficiaries still has their biological mother active in the household, compared to 45.9% in non-beneficiaries' households. The appalling result of a diminutive 8.3% of social grant beneficiaries who have their biological father as part of their household is troublesome (Table 4.7). The remarkably small presence of biological parents within the households could possibly be ascribed to high HIV prevalence rates. The HIV epidemic increases the number of Aids orphans and child-headed households who need assistance from government (Jansen van Rensburg and Horsten, 2004; Kgamphe, 2004; Malherbe, 2004; Lalthapersad-Pillay, 2007).

Table 4.7: Biological parents alive and part of the household

			Social grant beneficiaries	Non-beneficiaries of social grants	Total
Father alive	Yes	Count	4 827	55 300	60 127
		Percentage	30.2	58.8	54.7
	No	Count	11 074	37 893	48 967
		Percentage	69.2	40.3	44.5
Father part of household	Yes	Count	1 335	20 525	21 860
		Percentage	8.3	21.8	19.9
	No	Count	3 481	34 712	38 193
		Percentage	21.8	36.9	34.7
Mother alive	Yes	Count	7 354	70 452	77 806
		Percentage	46	75	70.7
	No	Count	8 624	23 284	31 908
		Percentage	53.9	24.8	29
Mother part of household	Yes	Count	3 787	43 106	46 893
		Percentage	23.7	45.9	42.6
	No	Count	3 567	27 311	30 878
		Percentage	22.3	29.1	28.1
Total	Count	93 972	16 003	109 975	
	Percentage	100	100	100	

Source: 2007 GHS.

Literacy rates are an important socio-economic indicator, as illiterate people have limited development opportunities. Vital information about aid projects or labour laws fails to reach the illiterate which restricts employment opportunities. To highlight the vulnerability of social grant beneficiaries, a comparison between the literacy rates of social grant beneficiaries and non-beneficiaries is necessary.

Not surprisingly, the non-beneficiary group outweighs the beneficiary group in every level of literacy. The majority of non-beneficiaries are able to read at least one language (72.3%) and write (72%), while a lower percentage of social grant beneficiaries can read (63.3%) and write (63.1%). As these percentage differentials are trivial, it concurs that the ability of an individual to read and write are closely related (Table 4.8). As nearly one-third of social grant beneficiaries are illiterate, it contributes to administrative problems associated with grant applications. Furthermore, it amplifies

the number of grants provided, as the illiterate struggle to find employment, since employment opportunities for this group is limited.

Table 4.8: Ability to read and write

			Social grant beneficiaries	Non-beneficiaries of social grants	Total
Ability to read	Yes	Count	10 130	67 911	78 041
		Percentage	63.3	72.3	71
	No	Count	5 873	26 012	31 885
		Percentage	36.7	27.7	29
Ability to write	Yes	Count	10 101	67 687	77 788
		Percentage	63.1	72	70.7
	No	Count	5 902	26 226	32 128
		Percentage	36.9	27.9	29.2
Total		Count	93 972	16 003	109 975
		Percentage	100	100	100

Source: 2007 GHS.

Table 4.9 exhibits the highest level of education successfully completed. The survey reveals that 27.9% of all grant beneficiaries had received no form of education. This result is 10% higher than the proportion of non-beneficiaries who had not successfully completed any form of schooling. A greater proportion of social grant beneficiaries (7.6%) revealed primary school to be their highest level of education in contrast to non-beneficiaries (6.5%). These results are consistent with the illiteracy rates discussed above.

Table 4.9: Highest attained education

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
No schooling	Count	4 469	16 855	21 324
	Percentage	27.9	17.9	19.4
Grade 7	Count	1 220	6 107	7 327
	Percentage	7.6	6.5	6.7
Grade 10	Count	1 028	7 103	8 131
	Percentage	6.4	7.6	7.4
Grade 12	Count	1 220	12 015	13 235
	Percentage	7.6	12.8	12
Certificate with Grade 12	Count	69	857	926
	Percentage	0.4	0.9	0.8
Diploma with Grade 12	Count	92	2 122	2 214
	Percentage	0.6	2.3	2
Bachelor's degree	Count	17	767	784
	Percentage	0.1	0.8	0.7
Bachelor's degree and diploma	Count	6	243	249
	Percentage	0	0.3	0.2
Honours degree	Count	8	242	250
	Percentage	0	0.3	0.2
Higher degree (Master's, Doctorate)	Count	2	180	182
	Percentage	0	0.2	0.2
Total	Count	16 003	93 972	109 975
	Percentage	100	100	100

Source: 2007 GHS.

There is a significant difference between social grant beneficiaries and non-beneficiaries with reference to secondary education successfully completed. A mere 7.6% of beneficiaries concluded secondary education, compared to a higher 12.8% of non-beneficiaries. The attainment of tertiary education is low in both groups. However, it is evident from the survey that non-beneficiaries are far more successful (4.7%), compared to 1.2% of social grant beneficiaries.

The current attendance of school or any other educational institution demonstrates that non-beneficiaries are more likely to acquire education. The survey reveals that 38.6% of respondents who did not receive grants are currently attending an educational

institution. In contrast, a mere 12.6% of grant beneficiaries are receiving some form of education (Figure 4.10). A lack of funds and especially the opportunity cost associated with education could possibly explain these results.

Table 4.10: Currently attending school or any other educational institution

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Yes	Count	2 024	36 317	38 341
	Percentage	12.6	38.6	34.9
No	Count	13 975	57 594	71 569
	Percentage	87.3	61.3	65.1
Total	Count	93 972	16 003	109 975
	Percentage	100	100	100

Source: 2007 GHS.

The comparison of school attendance specifically endorses the above findings. Only 10.7% of social grant beneficiaries are enrolled in school, in contrast to the much higher 33.7% of non-beneficiaries (Table 4.11). Due to the different socio-economic circumstances of these two groups, education is less likely for social grant beneficiaries. As discussed above, various factors contribute to a more impoverished social grant household, limiting their means to provide for school education.

Literature (for example Samson, 2002a; Bateman, 2003; Booyesen and Van der Berg, 2005) identify the HIV epidemic as one reason for the depletion of school enrolment. Often, children leave school to care for relatives and provide an alternative source of income. The epidemic results in persistent illness, a growing number of orphans, child-headed households, higher dependency rates and high unemployment, which alternately leaves poverty-stricken individuals behind. As survival is the number one priority for such households, the attainment of education is unfortunately set aside.

Table 4.11: Attending educational institution

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Pre-school	Count	173	2 635	2 808
	Percentage	1.1	2.8	2.6
School	Count	1 712	31 667	33 379
	Percentage	10.7	33.7	30.4
University	Count	13	855	868
	Percentage	0.1	0.9	0.8
Technikon	Count	9	250	259
	Percentage	0.1	0.3	0.2
College	Count	28	604	632
	Percentage	0.2	0.6	0.6
Adult basic education and training/literacy classes	Count	63	129	192
	Percentage	0.4	0.1	0.2
Other adult educational classes	Count	17	57	74
	Percentage	0.1	0.1	0.1
Other than any of the above	Count	6	75	81
	Percentage	0	0.1	0.1
Total	Count	93 972	16 003	109 975
	Percentage	100	100	100

Source: 2007 GHS.

Both beneficiaries and non-beneficiaries provided the main reasons for not attending school or any other educational institution as not being the appropriate age (Table 4.12). Nearly half (49.3%) of social grant beneficiaries indicated that age was the main contributor, while a lesser 22.3% of non-beneficiaries provided the same reason. A possible explanation for the beneficiaries' response lies vested in the different socio-economic circumstances that result in them not attending school. This data endorses the fact of missed opportunities.

Another factor leading to missed educational opportunities is that of family commitment. As discussed above, this is a regular occurrence in households affected by the HIV epidemic. Household structures are altered in such a way that other family members have to replace the traditional caregivers. The vulnerability of social grant beneficiaries is further highlighted by the fact that 5.2% of beneficiaries indicated illness as their

number one reason for not attending an educational institution. In contrast, only 1.3% of non-beneficiaries' education is restricted by illness. This also exemplify that social grants are indeed directed to the most vulnerable groups.

Table 4.12: The main reason provided for not attending an educational institution

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Too old/young	Count	7 896	20 984	28 880
	Percentage	49.3	22.3	26.3
Has completed school/education	Count	303	3 577	3 880
	Percentage	1.9	3.8	3.5
School/education institution is too far	Count	42	302	344
	Percentage	0.3	0.3	0.3
No money for fees	Count	1 363	7 626	8 989
	Percentage	8.5	8.1	8.2
He/she is working (at home or job)	Count	872	14 062	14 934
	Percentage	5.4	15	13.6
Education is useless or uninteresting	Count	219	1 831	2 050
	Percentage	1.4	1.9	1.9
Illness	Count	830	1 258	2 088
	Percentage	5.2	1.3	1.9
Pregnancy	Count	228	637	865
	Percentage	1.4	0.7	0.8
Failed exams	Count	150	1 098	1 248
	Percentage	0.9	1.2	1.1
Got married	Count	196	468	664
	Percentage	1.2	0.5	0.6
Family commitments (child minding, etc.)	Count	1 613	4 180	5 793
	Percentage	10.1	4.4	5.3
Total	Count	93 972	16 003	10 9975
	Percentage	100	100	100

Source: 2007 GHS.

For some, education is the only way to escape the poverty trap. Circumstances making it impossible to exercise this human right have devastating long-term effects (Samson *et al.*, 2004: 58). Social grant beneficiaries who have no education and/or who have circumstances making education unattainable will find it difficult to rise above their vulnerability and impoverished lives.

Furthermore, the survey demonstrates that illness and injury is more common among social grant beneficiaries than non-beneficiaries. More than one-fifth of social grant beneficiaries (20.8%) revealed that they have suffered from an illness or injury in the past month prior to the interviews. A much lower 9.8% of non-beneficiaries revealed that they were in a similar position (Table 4.13). The high prevalence of illness among social grant beneficiaries could be ascribed to malnutrition, lack of knowledge, unhygienic facilities and other impoverished circumstances.

Table 4.13: Illness or injury suffered

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Yes	Count	3 321	9 164	12 485
	Percentage	20.8	9.8	11.4
No	Count	12 646	84 488	97 134
	Percentage	79	89.9	88.3
Total	Count	93 972	16 003	109 975
	Percentage	100	100	100

Source: 2007 GHS.

In comparison to non-beneficiaries, a larger proportion of social grant beneficiaries confirmed a disability to limit their daily activities at home, work or school. The survey reveals that 11.3% of social grant beneficiaries are disabled, in contrast to a smaller 2.3% of non-beneficiaries (Table 4.14). This again proves that social grants target the more vulnerable.

Table 4.14: Disability

		Social grant beneficiaries	Non-beneficiaries of social grants	Total
Yes	Count	1 801	2 122	3 923
	Percentage	11.3	2.3	3.6
No	Count	14 170	91 515	105 685
	Percentage	88.5	97.4	96.1
Total	Count	93 972	16 003	109 975
	Percentage	100	100	100

Source: 2007 GHS.

4.6 Conclusion

According to the GHS, 14.6% of respondents indicated that they received some type of social grant during the past 12 months prior to the interviews. The majority of grant beneficiaries received the Child Support Grant (61.19%), followed by the Old Age Grant (23.89%) and the Disability Grant (12.03%).

The survey identifies the following characteristics of social grant beneficiaries:

- Blacks (84.2%) represent the greatest proportion of social grant beneficiaries, followed by Coloureds (13%), Whites (2.1%) and the Indian/Asian group (0.7%);
- More females (74.9%) than males (25.1%) receive social grants;
- 19.3% of social grant beneficiaries are widowed;
- The average age of grant beneficiaries is 45 years;
- Only a third (30.2%) of grant beneficiaries' fathers are still alive;
- 46% of grant beneficiaries' mothers are still living;
- A mere 8.3% of grant beneficiaries have a father present in the household;
- Only 23.7% of grant beneficiaries still have their biological mother active in the household;
- 63% of beneficiaries are able to read and write in at least one of the 11 official languages;
- 27.9% of all grant beneficiaries have received no form of education;
- Only 10.7% of beneficiaries are currently attending school;
- A mere 7.6% of beneficiaries have concluded secondary education;
- More than one-fifth of social grant beneficiaries (20.8%) revealed that they have suffered from an illness or injury in the past month prior to the interviews and
- 11.3% of social grant beneficiaries are disabled.

Even though this profile confirms the vulnerability of social grant beneficiaries, it becomes more evident when the general characteristics of social grant beneficiaries are compared to non-beneficiaries, as shown in Table 4.15.

Table 4.15: Characteristics of social grant beneficiaries vs. non-beneficiaries

Characteristics	Social grant beneficiaries	Non-beneficiaries of social grants
Population group distribution		
Black	84.2%	78.3%
Coloured	13%	13.5%
Indian/Asian	0.7%	2%
White	2.1%	6%
Gender distribution		
Male	25.1%	50.3%
Female	74.9%	49.6%
Marital status		
Widowed	19.3%	2.8%
Household structure		
Father alive	30.2%	58.8%
Father part of household	8.3%	21.8%
Mother alive	46.0%	75.0%
Mother part of household	23.7%	45.9%
Education		
Ability to read	63.3%	72.3%
Ability to write	63.1%	72.0%
Received no form of education	27.9%	17.9%
Currently attending school	10.7%	33.7%
Successfully completed secondary education	7.6%	12.8%
Attainment of some form of tertiary education	1.2%	4.7%
Health		
Illness or injury suffered	20.8%	9.8%
Disability	11.3%	2.3%

Source: 2007 GHS.

The analysis confirms that grant beneficiaries are more vulnerable than those respondents who do not receive grants. The effectiveness of the social security grant system, in targeting the most vulnerable groups, is further endorsed.

Chapter 5 provides the reader with an overview of this study. Literature discussed in earlier chapters and findings from the 2007 GHS are used to answer some important questions. The next chapter also includes recommendations and highlights areas for further possible research.

Chapter 5

Conclusion and recommendations

The primary part of the South African government's poverty alleviation measures is the provision of social security grants. In 2003 the then Minister of Finance, Trevor Manuel stated in the Budget Speech that social grants are the "largest and most effective redistribution programme". The fundamental reason for social grant assistance is to reduce risk, chronic poverty and vulnerability of citizens.

Social grants play a crucial poverty alleviation role in South Africa. The following facts highlight the impact and importance of South Africa's social grant system:

- 40% of the population live in poverty;
- 25.54% of the population are grant beneficiaries;
- The Constitution requires government to provide social assistance if citizens are unable to support themselves and their dependants and
- Government expenditure on social grants is equal to 3.1% of GDP.

It is evidently sensible to assess a poverty alleviation programme affecting such a large number of people and resources of a country. Furthermore, it is apparent from literature that a number of questions about the current system remain unanswered. Government could allocate resources applied to this redistribution and poverty alleviation programme more efficiently if a few changes are implemented.

This dissertation evaluated the current social grant system as follows: firstly, the evolution of social security grants was reviewed; secondly, the current challenges were outlined through an overview of literature and thirdly, an empirical analysis of the characteristics of social grant beneficiaries were undertaken, using data from the 2007 GHS.

The review of the evolution of the social security grant system commenced with an investigation of social security policy prior to 1994. Social grants were one of many

apartheid instruments of the pre-1994 government. Racial discrimination was at the order of the day with the majority of the population excluded from social assistance. The first sign of equality came with the extension of the former Old Age Pension to Black people in 1944. However, this was only a small step in the right direction, since Black beneficiaries only received a tenth of what Coloured and White beneficiaries were entitled to and their access was limited to a much more rigid means test. The South African social security system was emancipated from discrimination in 1993.

The study completed the review of the evolution of the social security grant system by inquiring into changes since the political transition in 1994. Several improvements to the social grant system are evident, with the extension of coverage showing the most significant advance. A more effective Child Support Grant replaced Parent and Child Allowances, altering the focus to children in need instead of single mothers.

Gender discrimination within the age requirement for the Old Age Grant is in the process of elimination. As from 1 April 2008, a male applicant had to be over the age of 63 years to qualify for an Old Age Grant. This requirement was lowered to the age of 61 years on 1 April 2009 and will be equal to that of females, at an age of 60 years on 1 April 2010.

The age requirement for the Child Support Grant has made vast progress since its introduction in 1998. Originally, only caregivers of the poorest children under the age of seven years could apply for the grant. This eligibility criteria have, however, been gradually extended over the past decade to the age of 14 years in 2006. After the 2009 Medium Term Budget Statement by the current Minister of Finance, Parvin Gordhan, it seems that the extension of the Child Support Grant to all children under the age of 18 will be reached within the next few years.

The total expenditure on social grants increased from 2% in 2000/01 to 3.3% in 2008/9. The main contributor to this increased spending is the Child Support Grant, since the phasing in of the grant lead to an expenditure increase of R1.2 billion in 2003/04 to

R9.3 billion in 2006/07. It is important to note that this increase in spending is accompanied by an extension of social grant beneficiary numbers. During 1998, only 6.73% of the population benefited from grants; this has increased to 25.42%. Accordingly, government reaches almost three times more of the population than they did a decade ago.

The next step in the assessment of the social security grant system was to identify the current issues and shortcomings through an overview of literature. The aim was to evaluate how well the social security grant system in South Africa succeeds in reducing widespread vulnerability in the country, given the limited resources available.

The most important issues identified and discussed in literature, include:

- The effect of administrative capacity constraints and corruption on the objectives of the social grant system;
- Criticism and issues related to the means test;
- Grant and means test thresholds do not keep up with inflation;
- The important impact of the HIV/Aids epidemic on social security grants;
- The current system creates possible perverse incentives;
- The existence of child-headed households and
- Questions regarding the fiscal sustainability of the social grant system.

The inefficient administrative capacity of the South African social grant system raises concerns of corruption and misallocation of resources. The cost of applications increases due to multiple trips required between different state departments. Welfare officers are not up to date with the latest regulations; they require unnecessary documentation and allow their own preferences and judgments to interfere with the application process, creating a biased social grant system. Welfare officers' training is inadequate; and a shortage of personnel and lacking infrastructure is common within welfare offices. Government is furthermore aware of the incidence of corruption within the social grant system, on part of beneficiaries as well as government officials.

The means test is probably one of the elements of the social grant system that receives the most criticism, although such a test is necessary to ensure that government allocates limited funds to the most vulnerable citizens. Criticism includes that the means test establishes the poverty trap syndrome, adds administrative burdens, diverts funds from the poor and does not consider the dependency ratio of each grant or the added financial pressure, such as having HIV-positive dependants.

The trend in the nominal value of grants and means test thresholds can be misleading, as this does not take the effect of inflation into account. A certain nominal grant benefit may not have the same value in subsequent years, since the effect of inflation reduces the purchasing power of the amount paid out to beneficiaries. Not adjusting the means test threshold to inflation will cause reduced beneficiary numbers. The monitoring of these thresholds is important, given the possible impact thereof. Applying different base years to the deflation of grant thresholds leads to contrasting results. However, it is evident from literature that the means test threshold did not keep up with inflation. This results in lower beneficiary numbers, excluding the vulnerable.

The HIV/Aids epidemic has extensive and devastating repercussions for households in South Africa. The epidemic gives rise to persistent illness, an increasing number of orphans, child-headed households, higher dependency rates and high unemployment, which leaves poverty-stricken people behind. The influence of HIV/Aids on the social security system poses two important questions. Firstly, does the social welfare system give sufficient assistance to address the socio-economic vulnerability caused by the cycle of poverty and HIV/Aids? Secondly, how does the epidemic affect grant eligibility and fiscal sustainability?

HIV/Aids-affected households are more vulnerable and reliant on social grant income than non-affected households. Even though social grants assist some of these households, the coverage of the safety net is insufficient. The state's response to the socio-economic vulnerability caused by the cycle of poverty and HIV/Aids, especially in the case of children, is inappropriate and inadequate. The state does not provide for all

children affected by the pandemic. HIV-positive children do not qualify for the Care Dependency Grant. A child has to be younger than 15 years and have a primary caregiver in order to be eligible for the Child Support Grant and only qualify for a Foster Care Grant if the child is placed in formal foster care. Many of the HIV-affected children fall outside these categories. In addition, the state received numerous expressions of disapproval on their preferred response of extending the Foster Care Grant to the increased vulnerability of AIDS orphans. HIV/Aids is one of the main factors leading to raised eligibility in terms of Disability, Foster Care and Child Support Grants and these numbers are expected to increase. It leaves many with the question of whether the state will be able to sustain this demand, given fiscal constraints.

Another issue is that of perverse incentives, although most of these are not distinctly South African. Perverse incentives, as identified in literature, include: economic dependency; possible teenage pregnancy; refusing medical treatment and the fostering of children in the biological family. Literature is contradictory on whether the perverse incentive of economic dependency exists. Despite a lack of evidence to prove a correlation between teenage pregnancy and the Child Support Grant, the media obsession on this supposed perverse incentive causes a diversion from the real issues regarding teenage fertility rates. The HIV epidemic gives rise to an added perverse incentive. It seems that there is a tendency to refuse medication or treatment in order to stay eligible for the Disability Grant. The tenable solutions for the elimination of this perverse incentive are slim. The fostering of children mainly occurs due to the higher nominal value of the Foster Care Grant and has devastating effects.

Child-headed households are without refuge, as the current social grant system does not provide for them. Only children living with a primary caregiver can qualify for the Child Support Grant; the Care Dependency Grant is restricted to children requiring permanent care and only children placed in formal foster care will qualify for the Foster Care Grant. Although the alteration of the current social grant system will require additional resources and capacity, the state has no choice but to honor their constitutional commitment to vulnerable children.

Added to the shortcomings discussed above, another concern with the present social security grant system is fiscal sustainability, given the increase in the demand for social grants combined with current high expenditure levels on grants. The escalation of demand is due to high unemployment, extensive poverty and the increase of Aids orphans in the economy. These concerns should, however, be balanced with constitutional responsibilities, as government is obliged to work to the progressive extension of social security. It is also argued that the macroeconomic impact of the social grant expenditure is positive.

The study expanded the assessment of the social security grant system by conducting an empirical analysis. The analysis established a social grant beneficiary profile and drew a comparison between social grant beneficiaries and non-beneficiaries. The effectiveness of the social security grant system, with regard to targeting the most vulnerable groups, was also determined from this analysis.

According to the 2007 GHS, 14.6% of respondents indicated that they received some type of social grant during the past 12 months prior to the interviews. The majority of grant beneficiaries received the Child Support Grant (61.19%), followed by the Old Age Grant (23.89%) and the Disability Grant (12.03%).

The survey identified the following characteristics of social grant beneficiaries:

- Blacks (84.2%) represent the greatest proportion of social grant beneficiaries, followed by Coloureds (13%), Whites (2.1%) and the Indian/Asian group (0.7%);
- More females (74.9%) than males (25.1%) receive social grants;
- 19.3% of social grant beneficiaries are widowed;
- The average age of grant beneficiaries is 45 years;
- Only a third (30.2%) of grant beneficiaries' fathers are still alive;
- A mere 8.3% of grant beneficiaries have a father present in the household;
- 63% of beneficiaries are able to read and write in at least one language;
- 27.9% of all grant beneficiaries have received no form of education;

- Only 10.7% of beneficiaries are currently attending school;
- A mere 7.6% of beneficiaries have concluded secondary education;
- More than one-fifth of social grant beneficiaries (20.8%) revealed that they have suffered from an illness or injury in the past month prior to the interviews and
- 11.3% of social grant beneficiaries are disabled.

Even though this profile confirms the vulnerability of social grant beneficiaries, it becomes more evident when the general characteristics of social grant beneficiaries are compared to non-beneficiaries, as shown in Table 5.1.

Table 5.1: Characteristics of social grant beneficiaries vs. non-beneficiaries

Characteristics	Social grant beneficiaries	Non-beneficiaries of social grants
Population group distribution		
Black	84.2%	78.3%
Coloured	13%	13.5%
Indian/Asian	0.7%	2%
White	2.1%	6%
Gender distribution		
Male	25.1%	50.3%
Female	74.9%	49.6%
Marital status		
Widowed	19.3%	2.8%
Household structure		
Father alive	30.2%	58.8%
Father part of household	8.3%	21.8%
Mother alive	46.0%	75.0%
Mother part of household	23.7%	45.9%
Education		
Ability to read	63.3%	72.3%
Ability to write	63.1%	72.0%
Received no form of education	27.9%	17.9%
Currently attending school	10.7%	33.7%
Successfully completed secondary education	7.6%	12.8%
Attainment of some form of tertiary education	1.2%	4.7%
Health		
Illness or injury suffered	20.8%	9.8%
Disability	11.3%	2.3%

Source: 2007 GHS.

The analysis confirms that grant beneficiaries are more vulnerable than those respondents who do not receive grants. The effectiveness of the social security grant system, in targeting the most vulnerable groups, is therefore further endorsed.

The assessment of the social grant system in South Africa highlights the following results:

- Social grants play an imperative poverty alleviation and redistribution role in South Africa;
- The social grant system has made vast progress since the fall of the apartheid-era in 1994, with the extension of coverage showing the most significant advance;
- If government addresses the shortcomings and issues, which remain within the social grant system, it will be more successful in reducing the risk, chronic poverty and vulnerability of citizens given government's limited available resources;
- Social grant beneficiaries' general characteristics endorse the fact that they are significantly more vulnerable than non-beneficiaries and
- The current social security grant system is effective in targeting the most vulnerable groups.

In the light of the importance and impact of social grants, valuable resources would be preserved if government aggressively addressed the shortcomings of the social security grant system. The top five priorities, as identified from this analysis, are listed below:

- Government needs to refine their policy response to the increasing vulnerability of Aids orphans, since the extension of the Foster Care Grant is inappropriate and inadequate. Furthermore, provision should be made for children affected by HIV/Aids. Many of these children fall outside the current eligibility criteria of available grants, even though they are part of the most vulnerable groups;
- The current social grant system does not provide for child-headed households. These children are without refuge and government cannot ignore their constitutional commitment to the vulnerable youth;

- Government needs to eliminate administrative problems and corruption within the social grant system to ensure that scarce resources are allocated towards the vulnerable and impoverished. A first step in the right direction would be to better equip welfare officials;
- A definitive need for a revised means test with a more simplistic approach is emphasised throughout literature and
- Grant and means test thresholds must keep up with inflation.

The last and most pressing recommendation is for government to enable further research. Government should invest in the provision of a survey, with the specific objective of an in-depth analysis of the social grant system. The lack of suitable data for empirical analysis of the social grant system leaves many unanswered questions. This will enable economists and policy makers to provide sustainable solutions instead of providing criticism with limited effect.

The remaining question is whether the election manifesto of the South African government to create a better life for all South African citizens, is realised by the social grant system. The empirical analysis proved that the social security grant system targets citizens that are more vulnerable. However, whether these social grant beneficiaries indeed have a better life after receiving their grants, is debatable and subject to further research.

This study makes it evident that the system fails to provide for two of the most vulnerable groups in South Africa. Child-headed households and children affected by HIV are left without refuge. It can consequently be concluded that the social grant system in South Africa offers a better life for some.

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