



A poverty eradication and development project including older people at Mfiki Village in the Eastern Cape

## CHAPTER 3

# INCOME SECURITY AND POVERTY REDUCTION

### 3.1 Social Grants (Social Security)

The Aged Persons Grant was first introduced in South Africa in 1928 and was confined to the White population. Some Black people began qualifying for the grant in 1943 and up to October 1993 the Rand value of the pension was racially based.

The incoming government in 1994 was faced with the challenge of amalgamating the 14 disparate social security systems, which existed under the apartheid government; ensuring equal access to social grants; and ensuring that all beneficiaries received the same quality of service irrespective of race or geographic location.

Section 27 of the Constitution states that “ Everyone has the right of access to....social security, including, if they are unable to support themselves and their dependants, appropriate social assistance. By February 2002, there were just over 4 million beneficiaries of social grants and the total budget for social grants in the year 2001/2002 was R20 billion. The Aged Persons Grant is the largest of the social grant programmes, with over 1.9 million beneficiaries and an expenditure of R13.2 billion. In addition to the Aged Persons Grant, there is a Grant-in-Aid to enable incapacitated older persons to obtain the assistance of a caregiver.

The South African scheme is a non-contributory scheme and is means-tested for income. Recent amendments to the regulations governing social assistance allow for a nil value of assets if the property is owned and occupied by the grant applicant or his or her spouse. The Aged Persons Grant reaches 68 percent of all persons 60 years and over. As the grant is means-tested, not all older persons are eligible for the grant. The estimated coverage of the target population for the grant is 80 percent of the eligible population.

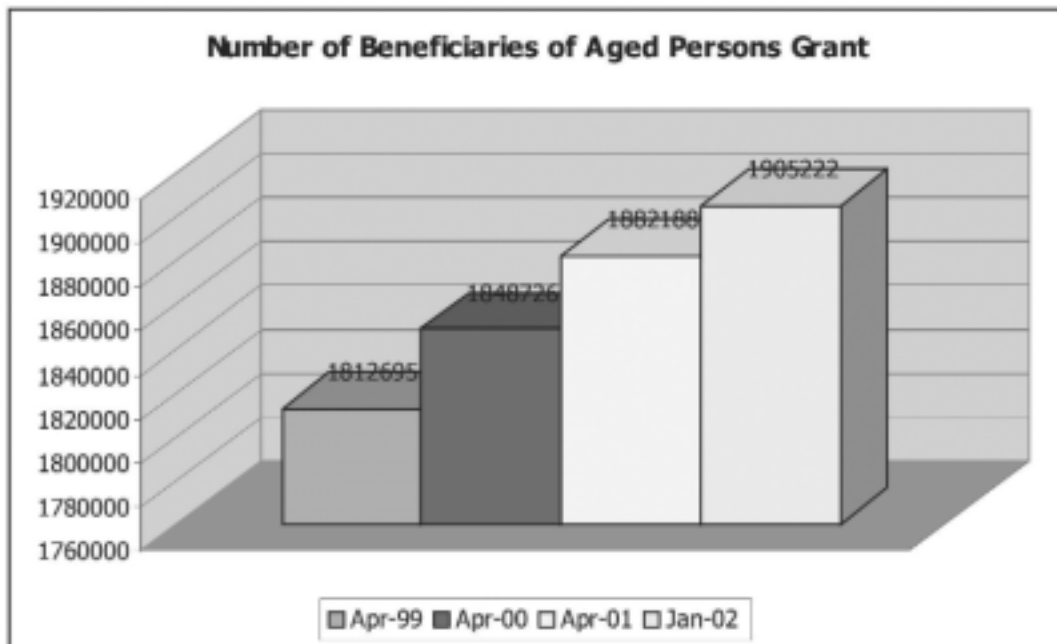
The grant has a significant gender dimension in that nearly 70-75 percent of the beneficiaries are women. The high proportion of women receiving the social grant is due to the fact that women enter the system earlier than men and also stay in the system for a longer time due to their longevity. It is also indicative of the fact that women in South Africa are more vulnerable to poverty than men during their economically active period. The feminisation of poverty continues in old age.

The South African Government is mindful of the erosion of the real value of the grant through inflation and has adopted a policy of ensuring that annual grant increases are in line with the expected inflation. The increase for the Aged Persons Grant for the year 2002/2003 is 8.8 percent, above the expected inflation rate of 6 percent.

The Aged Persons Grant has been confirmed by researchers as having important redistribution effects in the South African context. The grant is the primary source of income for older persons who would otherwise be living in abject poverty and is estimated to reduce the poverty gap for older persons by 94 percent. (source: Committee of Inquiry into Comprehensive Social Security). In practice, however, the grant is in many instances the primary source of cash income for households, which include persons other than the recipient of the grant. Research conducted by HelpAge International in 1999 found that the Aged Persons Grant is used to support entire households, many consisting of three generations. The result being that the basic needs of older persons in poor households are not met.

A War Veterans Grant is payable to men and women who are 60 years and older and served in the former South African Defence Force during world wars. The number of beneficiaries decreases each year. The monetary value of the grant is slightly higher than that of the Aged Persons Grant.

**Figure 2**



### 3.2 Contributory Pension Schemes

South Africa has a large private pension and insurance sector relative to the country's Gross National Product. In 1998 there were over 15 000 funds with a membership of about 11 million and annual contributions of R54.3 billion. The Government Employees Pension Fund is fully funded and managed soundly. (source: Committee of Inquiry into Comprehensive Social Security).

There are a number of challenges with regard to contributory pension schemes. These include:

- Limited capacity of regulatory agencies to monitor the large number and diversity of the pension funds.
- The complexity of schemes make it difficult for consumers to make informed choices.
- Pension schemes exclude the informal sector, which is an expanding sector in the South African economy. Pension schemes do not make adequate provision for people in formal part-time or casual employment.
- There is no effective interface between non-contributory schemes and contributory schemes.

### 3.3 Improving Social Security

#### **Committee of Inquiry into a Comprehensive Social Security System**

The government appointed a Committee of Inquiry in the year 2000 to investigate the current system of Social Security and to propose options for a comprehensive system of social security for South Africa. The Committee's brief covered all forms of social assistance, social insurance, and health insurance. The report of the Committee was submitted to Cabinet in 2002 and is under consideration. The preliminary report of the Committee identified gaps in the existing system. Of significance to the issue of social grants are gaps in coverage of unemployed adults and children aged seven to eighteen years. These gaps place pressure on recipients of the Aged Persons Grant, which is the sole source of income to many poor households. The shortcomings identified in the private pension schemes also have implications for older persons. The inquiry is the first most comprehensive inquiry into social security in South Africa and it is expected that the implementation of recommendations will have to be phased in over

a long period.

### **Improving the existing system of social grants**

Although parity has been achieved in the monetary value of social grants across the different race groups, equal access to social grants and quality service continues to pose a challenge to the government.

A significant proportion of older persons are not literate and not informed of their rights and their obligations.

Older persons who are caregivers of young children are not aware of the availability of other grants such as the Child Support Grant, the Care Dependency Grant for disabled children and the Foster Care Grant. These grants can go some way towards easing the burden of caregivers.

Older persons in rural areas have to travel long distances to register for the grant and to receive their monthly payments.

Banking services are not easily accessible in rural areas and the administrative fees charged by banks are a disincentive to older persons to use the banks. African grant recipients therefore opt for cash payments at pension pay points. In many instances the conditions at pension pay points are unsatisfactory and expose older people to unscrupulous loan sharks, hawkers and funeral policy agents.

Following a comprehensive review of the administration of social security in July 2001, government has commenced with the implementation of the following improvements:

- Development and implementation of national norms and standards for service delivery.
- Communication campaigns to inform potential and current beneficiaries of their rights and obligations. This includes the development of a client charter for social security.
- Upgrading and standardising information and communications technology.
- Upgrading the National Call Centre to provide information on social grants and other social welfare services.
- Improving infra-structure and training of social security officials.

- Introducing new legislation to govern social security.

In addition to these administrative improvements, the President has called for a national campaign to ensure that all those who are eligible for social grants are registered and receive payment. The campaign will be launched in May 2002 and will involve volunteers, non-governmental organisations, community-based organisations and the religious sector.

### 3.4 Poverty Reduction Programmes

The eradication of poverty and inequality has been a primary objective of the government since the 1994 democratic elections and is articulated in numerous policy documents and programmes of many government departments. Special initiatives of government, such as the Poverty Relief, Infra-structure and Job Creation Fund, the Integrated Sustainable Rural Development Programme and the Urban Renewal Programme, reflect government's commitment to intensifying the fight against poverty.

The Poverty Relief, Infra-structure and Job Creation Fund was established in 1998/1999 as a special budget allocation to initiate a range of special programmes by government departments to provide poverty relief, improve infrastructure and create jobs.

A number of government departments participate in the Special Poverty Relief Fund and the programmes include:

- Community-based public works programmes
- Infrastructure programmes by local authorities
- Tourism, arts, culture and craft
- Job creation through water conservation
- Environmental protection
- Agriculture and food security
- Social development programmes

Government will review the Poverty Relief Programme, in 2002, to determine how best to integrate the fund into the normal budget and operations of departments.

In 2001, government launched the Integrated Sustainable Rural Development Programme and the Urban Renewal Programme. The aim of these two programmes is to enhance the integration and co-ordination of current poverty eradication initiatives and resources within prioritised geographic locations.

The Poverty Relief Programmes of most departments focus specifically on older people, but older people are beneficiaries in some of the programmes.

Although the Aged Persons Grant provides a monthly income to the majority of older people with limited or no other sources of income, it is recognised that the grant cannot provide in all the needs of older persons. The National Department of Social Development and its provincial counterparts have therefore targeted older people in their Poverty Relief Programme. The department's Poverty Relief Programme has provided support to older people in the following ways:

- Funding groups involved in crafts to generate income
- Funding groups to establish food gardens or rear poultry or pigs for home consumption and small scale marketing.
- Funding non-governmental organisations involved in care, support and recreational activities for older persons.
- Funding community groups to establish dual purpose centres, which focus on craft production and daytime child care by older persons. The objective is to provide income generating opportunities for older persons and to utilise the child-rearing experience of older persons. It is also hoped that the programme will foster inter-generational understanding and solidarity. The aim is to establish 104 projects over a three year period. The programme has been in operation for one year and 86 projects have been approved, with 4 300 older persons as beneficiaries. The majority of these projects are located in the rural areas.

In 1998 the government established the National Development Agency (NDA), whose primary function is to provide financial and technical assistance to non-governmental organisations and community-based organisations involved in poverty reduction. Older persons have been identified as a target group for NDA support and to date the NDA has given financial assistance to the South African Council for the Aged to train community workers.

An important aspect of the Department of Social Development's Poverty Relief Programme is the piloting of social finance projects, which aim to provide access to credit and promote savings within poverty relief projects. The pilot projects were implemented with technical assistance from the International Labour Organisation. Based on the lessons learnt from the pilot projects, the Department aims expand the

programme in the forthcoming year and older persons, especially older women, who form a significant proportion of beneficiaries, are expected to benefit from this initiative.

The South African Government is aware of the importance of access to finance to the informal sector and has established agencies to facilitate such access. A review of these initiatives indicates that these agencies target small, micro and medium enterprises, but are not reaching those who fall into the 'survivalist' category. Government has tasked the relevant departments to identify options and strategies to address these gaps.

### **3.5 Social Relief in Distress**

In addition to the system of social grants, government provides for social relief to individuals and households in distress. Short term social relief is available to people awaiting the outcome of their social grant applications. Provincial Departments of Social Development and local authorities also provide urgent relief (food, blankets, interim shelter) in cases of natural disasters. In the new financial year commencing April 2002, the circumstances under which social relief can be provided will be expanded to include the provision of urgent relief to households affected by the loss of the breadwinner.

Government also makes provision for medium term relief to households affected by disasters. The State President is empowered to declare areas as disaster areas, on recommendation of the Minister of Social Development. The Disaster Relief Board assesses applications and authorises payment to victims. The relief is intended to provide for the replacement of household goods damaged or lost during the disaster and beneficiaries are usually poor households in rural areas and in informal settlements. During 2001/2002, the Disaster Relief Board made payments to the value of R49.7 million.

The provision of social relief is inclusive of older persons, although not specifically targeted at older persons.