

Chapter 5

Poverty, Social Assistance Grants and the Basic Income Grant



5.1 Introduction

The Committee paid significant attention to the urgent problem of poverty and its impacts on South African society. Moreover, through the process of public hearings, consultations with representative groups, submissions and commissioned research, the Committee has considered existing and proposed measures to alleviate poverty.

The Committee was required by the terms of reference to examine the feasibility of a Basic Income Grant. This section of the report therefore evaluates the potential impact of a Basic Income Grant, assessing its role in reducing poverty.

The Committee's findings on the state of poverty have been drawn from a wide range of sources, including representations made by the poor themselves. The Committee based its analysis on more than just a quantitative analysis of indicators and statistical measures. Providing opportunities for poor people themselves to voice their experiences was a way of ensuring broad based participation in the Inquiry as well as verifying the extent to which existing policy and programme initiatives of Government are understood by and reach the poorest people. The realities of intense poverty and inequality were also evident in direct representation made to the Committee by poor people themselves. Moreover, hearings and visits to provinces indicated that the poorest communities are living in conditions that dangerously compromise their human security and well-being.

5.2 Government programmes addressing poverty: findings

During the past 7 years Government has launched new programmes and expanded and revised existing programmes to deal with asset and capability poverty. These measures are designed to provide people (especially those who have been excluded as a result of apartheid) with access to certain assets and capabilities needed to overcome their poverty. Through such measures it is expected that opportunities will open up for people to improve their income earning capacity and as a result to address levels of destitution and poverty.

5.2.1 Poverty programmes to address capability and asset poverty

The Committee finds that Government programmes to address deprivation in health, education, housing, land, basic services such as access to water and sanitation, electricity and access to credit are well conceived and potentially well targeted. The barriers to access, especially in regard to the poor, remain administrative and institutional.

A specific problem repeatedly raised is the use of communal land currently governed by customary law. Rights to use of communal land should be secure and protected from arbitrary

seizure. Concerns have been voiced that the current position does not lead to the optimal use of land, and tends to promote migrant labour. A way needs to be found to allow people to retain their rights to return to land in retirement, but for the land to be fruitfully used while they reside in the urban areas. The Committee recommends that such concerns be considered in reviews of customary law.

Evidence put to the Committee shows that the poor have particular difficulties in accessing healthcare and primary education because they do not have even the most basic income for transport, food and basic clothing. It is the Committee's considered view that these key Government programmes, put into place to address capability and asset poverty, are essential and will in the long term result in sustained human development and economic growth. However, in the immediate term their policy efficiency, especially with regard to those poorest people in the rural and informal areas, is being compromised because of unsustainable levels of income poverty.

Moreover the Committee finds that given apartheid and structural unemployment, the current range of poverty relief projects, while in many cases innovative and responsive, are unable to make any significant impact on mass based unemployment and levels of income poverty in the immediate term. Many of these projects, are also not cost efficient in terms of their outcomes.

It is therefore the Committee's view that for the long-term policy benefits of health, education and more generally, basic services to make a developmental impact on the poorest, Government needs to take urgent steps to provide the basic means to enable the poorest to access these benefits. The Committee also recognises that barriers to access are not only bureaucratic (administrative) or to do with capacity constraints within Government itself but, based on evidence put before it, also that many of the poorest are trapped in income poor households. Addressing income poverty is therefore fundamental to a social protection reform process.

5.2.2 Poverty measures: requirement to target social policy

The World Bank says:

The measurement and analysis of poverty, inequality and vulnerability are crucial for

cognitive purposes (to know what the situation is); for analytical purposes (to understand the factors determining this situation); for policy making purposes (to design interventions best adapted to the issues); and for monitoring and evaluation purposes (to assess whether current policies are effective; and whether the situation is changing).¹⁶

The Committee's review of human development and various poverty studies in South Africa indicate the need for nationally agreed poverty measures. Nationally agreed poverty measures must have a conceptual and empirical basis. Conceptually, the Committee's framework for comprehensive social protection acknowledges that poverty has many dimensions. Effective policy must focus on capability poverty (deprivation in health and education), income poverty (lack of earnings and other sources of income) and asset poverty (access to resources).

Social policy intervention also needs to consider how inequality, participation, social exclusion and vulnerability contribute to poverty and people's social capacity for self-reliant development. Such a broad view of poverty requires special attention to the measurement and analysis that informs specific policy options. For this reason a conceptually sound and an empirically based understanding of poverty indicators and measures of well-being is critical.

Statistics South Africa continues to build national capacity for collecting this important social and economic data. The 1996 census and national surveys of social indicators such as the South African Labour Development Research Unit (SALDRU)/World Bank¹⁷ survey in 1993 and the subsequent OHS have provided important evidence to help orient current policies as well as to inform many of the submissions to this Committee.

Much still needs to be done particularly in the area of longitudinal data. Income data is notoriously unreliable. A proper understanding of the nature of persistent and intermittent poverty requires studies that follow the same people through these fluctuations. This understanding might then allow for effective interventions.

5.2.3 Government service delivery programmes

It is evident that the democratic Government has made significant strides to ensure policy and budget reprioritisation to provide access to resources.

Reprioritisation of resources is directed at such basic ingredients as access to water, sanitation, electricity, housing, knowledge/education, healthcare, land and other productive resources.

Government aims to meet the basic needs of communities through the provision of basic education (pre-primary and primary), basic health (primary and district level services), housing, water and sanitation, and electricity. It records the following measures to meet basic needs:

- Forty six per cent of the total education budget is spent on basic education
- Twenty per cent of the total health budget is spent on basic healthcare
- There is free healthcare for pregnant women and children under six
- A nutrition programme reaches 12 000 primary schools
- Two million people have access to safe water
- Since 1994, 1 167 435 houses have been built or were in the process of being built by the end of 2000
- The Consolidated Municipal Infrastructure Fund subsidises the cost of capital investment in municipal infrastructure
- An “equitable share” of national revenue is provided for local Government; funds are transferred to municipalities on the basis of need to enable them to provide services to poor communities.
- Transport subsidies (such as for buses) and the rural transport strategy aim to alleviate poverty. The taxi recapitalisation process will contribute to better access to transport for the aged, the disabled and school children.

The Committee engaged in a systematic review of some major current Government measures to address poverty. Such a review was designed to provide a holistic picture of the potential impact of interventions related to asset and capability poverty as well as income poverty.

After the review the Committee concluded that while there has been considerable progress in some aspects, current measures do not adequately contribute to a minimum package of goods, services and benefits. Many programmes for alleviating poverty and meeting basic needs are not targeted effectively in rural areas and to beneficiaries. Gaps in coverage and inequalities

exist in the provision of services.

For example, the Committee found that most rural women and disabled people still experience difficulties in gaining access to land. Research shows that about 80 per cent of the total land claims registered and settled to date by the Department of Land Affairs are urban, yet rural claims involve a far larger number of people.

A survey done on housing subsidy schemes also indicate that people in the rural areas are less likely to know about subsidy schemes. In terms of household income, most of those who knew about the subsidies were those earning between R2 000 and R3 500 (63 per cent), households in the lowest income category had less knowledge of the subsidy scheme (58 per cent).

The PIR (1998) indicated that national programmes for Small, Medium, and Micro Enterprises (SMME) development have focused primarily on the needs of urban SMME development. Results of an evaluation done by Community Agency for Social Enquiry (Case) and the International Labour Organisation (ILO) highlighted that there is a generally inequitable geographic spread of Public Works projects.

While the Government has implemented new initiatives with regard to sanitation and water schemes, there are still millions of South Africans without adequate access to services. Representation made to the Committee indicated that lack of access to running water forces many people, especially the rural poor, to walk long distances to fetch water. Most households in rural areas have no toilet facilities and have access to water from a river, a borehole or tank.

Several problems have also been encountered with regards to the provision of nutrition to school children. In 1998/99, the Primary School Nutrition Programme aimed to target 17 500 schools and serve a meal to 5 574 305 school children. Figures from the Department of Health indicate that the target number of beneficiary learner and schools has never been reached. This indicates that not all children are benefiting from the school feeding scheme.

5.3 South Africa's social assistance system

South Africa's social assistance system of grants is important in addressing income poverty.

Moreover, social assistance can address the fact that low or non-existent incomes contribute directly to poor access to healthcare, education, housing, and social infrastructure. This section evaluates the impact of Government's income grant programme on the state of poverty in South Africa. The evaluation is based on household level micro-simulation models commissioned by the Committee.

5.3.1 An overview of the social assistance system

In April 2001 an estimated 3,5 million South Africans received social assistance through some form of income grant.¹⁸ The State Old Age Pension (SOAP) is the largest social assistance programme with about 1,9 million beneficiaries. The important redistributive impact of this programme has been recognised by Government, labour and academia.¹⁹ The Disability Grant (DG) is the second largest programme in Rand terms, but smaller than the Child Support Grant (CSG) in terms of beneficiaries. DG beneficiaries numbered 643 107 in April 2001. Eligibility for the grant is determined based on a medical diagnosis assessing the degree of disability, along with a means test. Reform of the DG has been the subject of a recent task team report.²⁰

The introduction of the CSG represents an important reform introduced by the Government since the transition to democracy. In April 2001, 800 476 caregivers received grants with an estimated value of R120 million. The distinctive feature of the programme is the concept of "follow the child", meaning that the benefit is independent of the child's family structure. This grant was introduced in April 1998 and provided R100 per month per child for children under the age of 7 within a means test. The declared goal at that time was to reach 3 million children within the next five years. At the same time, the phasing-out of the State Maintenance Grant (SMG) with about 350 000 beneficiaries started. The Department of Social Development had to phase out the SMG over a period of 3 years. In April 2001, the CSG benefit was raised to R110, with a commitment to adjusting it for inflation in subsequent years.²¹

The Committee, through research and submissions, has noted the following concerns regarding the CSG:

- The take-up rate has increased in the 2001/2 financial year to around 1,5 million out of, at the very least, 3 million eligible children who could receive the benefit. However, there is still a concern that children most in need are not targeted effectively.
- It is widely accepted that the level of the grant does not come close to meeting the basic costs of childcare.
- The age limit has no real rational basis and is not consistent with the Constitution's definition of a child, that is, those under 18 years of age.
- In stopping the grant at school-going age some children apparently are unable to attend school because their parents cannot afford the costs associated with schooling.
- The means test as currently applied represents a barrier to many applicants gaining access to the CSG.
- For many reasons, including those above, there is a widely held view among beneficiaries and potential beneficiaries that the grant is not operating effectively.

Other programmes include the Foster Care Grant (FCG), and the Care Dependency Grant (CDG). At the age of 18, the disabled individual can apply for a DG. In terms of numbers of beneficiaries, the SOAP, the DG and the CSG are the largest social assistance programmes within the Government funded social security system.

5.3.1.1 Household structure and social security reform

A number of household structural characteristics are important when considering social security reform. South Africa's household structure was analysed using the best available data. The results have to be interpreted with care, but showed the following:

- Most pensioners (84 per cent) live in households with non-pensioners, so it is likely that most old age pensions support living standards beyond their immediate beneficiaries.
- Nevertheless, most adults (81 per cent) and children (76 per cent) live in households with no pensioners, so they are less likely to benefit from any grants paid to pensioners. It becomes clear that while