The Voice of the Cape (91.3 FM)

‘Social grants need to be linked to skills training’

By Voice of the Cape on May 19, 2016

As the South Africa Social Security Agency (SASSA) continues to investigate recent unauthorized dedications, many questions have raised about both the impact and sustainability of social grants. While the number of people who accessed social grants in 1994 was approximately four million, as of September 2015, the number stood at 17 million. As a result, in excess of four per cent of South Africa’s GDP is used to fund social grants.

Programme manager at the Macroeconomics and Public Finance Unit of the Financial and Fiscal Commission of South Africa, Dr. Hammad Amusa, explained that the social grants programme, due to the range of poverty within South Africa, is essentially meant to act as a poverty alleviating instrument.

He said that grants should be directed toward citizens who come from poverty stricken households, and to those who do not have access to an income and as a result lack access to basic services.

Amusa said that most grant beneficiaries, approximately 12 million recipients, include those who receive; disability grants, older person’s grants, foster grants, care dependency grants, and child support grants.

He said that while, by itself, the social grant programme is a useful instrument to alleviate poverty, it is funded by tax payers, which is dependent on the state of the economy.

“When your economy is buoyant you are able to collect more tax revenues and better able to implement expenditure programmes. But, when an economy contracts and performs poorly, then the ability to access resources declines and, therefore, affects the ability to allocate money to programmes,” he said.

The South African economy, Amusa noted is currently not experiencing substantial growth rates and is, therefore, pressured to efficiently allocate the necessary funds.

“Given the economic situation that South Africa faces, how sustainable are social grants?”

He explained that long term studies, which were conducted by National Treasury, indicate that South Africa’s current level of spending can only be sustained if the economy grows by an average of 3 per cent per annum.

South Africa’s economy has, however, not grown more than 2.2 per cent since 2013 and in the past two years, growth has stagnated just below 1.5 per cent.

“This provides a very narrow margin for additional spending,” Amusa continued.

In addition, while studies indicate that the grants have been critical in bridging the huge inequality gap, Amusa questions the ability of the grants to move people out of the social grant system in the long term.

He further noted the amounts given to social grant recipients is close to the amount that is considered the poverty line, which he asserts provides little room for recipients to become overtly dependent on grants.

“People who access the grants are better able to access; education and food, when compared to the absence of the grant…the empirical evidence from a range of studies conducted in South Africa, shows that the grants do not perpetuate a dependency syndrome.”

He said that in comparison to the social grant programmes in Brazil, which along with China boast the highest number of people being lifted out of poverty, the grants fund system in brazil was tied to a range of programmes, where; parents need to ensure that children remain in school and complete school, children are vaccinated, and where individuals are able to access to professional training programmes.

“While in South Africa, the social grant system is based on an individual’s level of poverty. Tying the social grant programmes to long term education skills and entrepreneurial benefits is [therefore]the way to go,” Amusa concluded.