

Give more grants - study

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By Craig Dodds

Cape Town - Critics of the government's social grant system, which reaches 15 million people in need, claim it is bleeding the small base of taxpayers and cultivates dependency, but a Financial and Fiscal Commission study disagrees.

Though it warned South Africa was facing "difficult economic times", the study recommended that the child support grant, in particular, be extended to those not covered and that the means test be relaxed.

It said social spending not only improved equitable distribution of economic well-being and reduced poverty, but promoted productive efficiency, human capital and long-term economic growth.

This was because the child support grant, the government's biggest social assistance programme and one of the biggest in the world, had a number of positive effects on households beyond simply easing their distress.

The consumption and production of food and education increased, and the positive impact on the local labour market created a positive link between the grant and the chances of finding work.

Some of the money was invested in productive activity, which improved the household's ability to generate income. Improved fortunes, in turn, helped prevent harmful risk-coping strategies like the sale of productive assets, children dropping out of school, and commercial sex, begging and theft.

Qualifying households also tended to pass on the benefits to those that were ineligible, and there were multiplier effects on income and welfare in the local economy.

The commission, a fiscal advisory body to the government at all levels, said the results of the study "challenge the often held view that these grants are squandered on non-productive consumption".

"This suggests a compelling 'developmental state' argument to preserve and protect current expenditure levels even in fiscally austere conditions."

It recommended even more resources be channelled towards "progressive realisation of an ideal child-support system", which would relax the means test and speed up universal coverage.

The Social Development Department has acknowledged that as many as 2.1 million eligible children, or 27 percent of those eligible, did not receive the grant in 2008, with lack of documentation being the biggest problem.

An estimated 10.98 million children received it in 2011, and the value increased from R100 in 1998 to R280 last year.

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