The caring balancing act

VICKI ROBINSON - Feb 16 2006 23:59

The removal of the social security grant function from provinces will allow the national government to shift its priority away from social assistance towards welfare services, which it says has been neglected over the past five years as social grants consumed as much as 92% of the provincial equitable share.

Reprioritising spending on welfare services, namely education, public health services and poverty focused community development, was essential to stem a creeping culture of dependency, one of the perverse effects of the social security grant system, said Jan Hattingh, the chief director of provincial budget analysis in the national Treasury.

A major change in the provincial fiscal framework for the medium-term is the shift of the social security grant function from the provincial to the national sphere of government. The South African Social Security Agency will begin administering social grants from April 1 this year. This means that, for the first time, social security assistance will no longer be administered as a provincial conditional grant but through the Department of Social Development. Welfare services will remain a provincial function.

The largest adjustment in the 2006 budget is to the provincial equitable share, which will receive an additional R30,9-billion over the next three years in line with governmentâ€™s renewed focus on "targeted welfare".

Alongside an expanded income security net, shared growth must also involve "improvements in welfare budgets including education, health care and support for poverty focused community development", such as home-based care and early childhood development, said Finance Minister Trevor Manuel in his Budget speech.

Kathy Nicolaou-Manias, the director of labour and public finance in the Treasury, said the drive to balance welfare and social security was essential to avoid lopsided social development.

Income transfer to households, mainly through grant programmes, has increased 20% a year since 2002. Currently, there are 10,5--million people- receiving grants, with an average monthly growth of 2,2%. The bulk of beneficiaries are for the take-up of the child-support- grants (6,7-million beneficiaries) and old-age grants (2,1-million beneficiaries). Expenditure is growing fastest on the foster-care grant (4,9% a year) as a result of the rising number of child-headed households because of HIV and Aids.

According to Hattingh, the uptake of social grants has slowed considerably over the past year as the classification for disability grants in particular has been refined and grant fraud has been weeded out of the department.

Despite the high number of people receiving grants, it is unclear whether the governmentâ€™s welfare net is catching enough of the countryâ€™s poverty stricken households.

Nicolaou-Manias said research shows that grants are, on average, reaching "the bottom 40% of the poorest 60% of the countryâ€™s households".

A Human Sciences Research Council report shows 57% of the countryâ€™s population lives below a poverty line of R354 per month per adult. Currently, the government has got no standard poverty line.

According to the Peopleâ€™s Budget, released last week, two-thirds of income received by the poorest 20% of households comes in the form of state transfers. This assessment has been confirmed by recent research, commissioned by the social development department.

"The size of the impact of the grants varies depending on the poverty line selected, but with a full uptake of the old-age pension, the disability grant and the child-support grant, the poverty gap closes by between 24% and 40%," according to the Peopleâ€™s Budget.

"But they are not in themselves sufficient to bring about more equitable development or drive sustainable growth. For that, all government programmes must do more to prioritise employment creation in both the formal economy and the historically marginalised areas."

Nicolaou-Manias said this is exactly what the government is doing by bolstering the provincial equitable share and centralising delivery of the grants. "Managing the balance between social assistance and social welfare is tricky. Government has a political commitment to ensure that everyone in South Africa has access to social security. The Treasury, therefore, doesnâ€™t have a choice but to fund this, which means over the past few years welfare has been neglected."

Hattingh said when provinces were disbursing grants, through their equitable share, social assistance was soaking up 92% of that budget, leaving only 8% for welfare spending, including both salaries and capital expenditure. Now that the social security agency will be administering the R73-billion (nearly one-fifth of non-interest expenditure) set aside for social security this year, provincial budgets will no longer be squeezed, he explained. In addition, the provincial equitable share has been considerably bolstered.

Various reforms in social welfare services are currently under way to balance social assistance with welfare. Three pieces of legislation currently before Parliament are central to the expansion of social welfare services: the Older Persons Bill, the Childrenâ€™s Bill and the Child Justice Bill.

Anticipating the possible disjuncture between the national payment of social security grants and the provincial delivery of social welfare services, the Financial and Fiscal Commission recommended to the government that it set norms and standards for the delivery of a defined minimum basket of social welfare services by provinces.

"In particular, government should define the basket of social welfare services, and develop a rigorous, transparent and robust way of calculating the reasonable operating costs of efficient and effective social welfare services."

The government has indicated it will undertake such a review. Itâ€™s got its eye on the ball, now it must follow through and ensure that provincial government implements the new and improved balanced social protection package.

Frugality rules

At the end of 2005, there were 10-million people receiving social grants in South Africa, which ranged in value from R180 a month for a child support grant to R780 a month for old age pensions and disability grants, writes Isobel Frye. The state must be applauded for increasing both the number of eligible people under social assistance and the real value of social grants.

The social security system, however, fails to provide an adequate safety net for the millions of South Africans who are unable to find work. In September last year 7,8-million people of working age were unemployed. None of these people are eligible for a state grant.

The government has repeatedly stated that it does not wish to insult the dignity of unemployed people by giving them social grants when what they want is a job. Instead, it will use tax resources to try to stimulate job creation. Jobs are the most sustainable way of addressing poverty, but the fruit of current initiatives will only be seen in a few yearsâ€™ time. In the interim, the executive has so frugally managed the economy that there is talk of the potential of a balanced budget.

South Africa is witnessing a historic upswing in sustained economic growth, yet the benefits of this growth are not felt by many poor people.

Between 1997 and 2002, the total number of workerless households receiving no remittances rose from 1,3-million to two million. In 2002, there were 2,7-million households in which no one was employed, representing 10,4-million people. These people survived on state grants and remittances from extended family.

It has been demonstrated to the Treasury and the Department of Social Development that the extension of basic social security to include everyone of working age is affordable even within the current mildly expansionary fiscal policy. Failure to do so will perpetuate and aggravate inherited patterns of exclusion and destitution.

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