Submission to the Parliamentary Portfolio Committee into a Comprehensive Social Security System for South Africa
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This social security submission briefly describes the South African research on chronic poverty and identifies key central features of poverty warranting social security attention. To this end, three case examples of the potential impact of a Basic Income Grant are presented, and some concluding remarks and recommendations are presented.

1. Background to the South African Research on Chronic Poverty

The South African chronic poverty research focuses on both the overall attributes and social dynamics of chronic poverty in South Africa and its in-depth manifestation in specific research sites. The latter is done by referring to an in-depth analysis of the research done in three typical South African human ecologies, namely a rural subsistence district (Mount Frere), a rural commercial farming district (Ceres townships), and an urban area (Khayelitsha and the greater Nyanga area in Cape Town Urban/CTU). A household livelihood survey was specifically developed and used as the main instrument, in conjunction with additional studies on food security, household resources, social security and vulnerability. During 2002, over 2000 households (i.e., 10 544 people) were surveyed in the sites mentioned.

The Mount Frere district with 280 000 inhabitants is situated in the north-east region of the Eastern Cape and features a very rudimentary socio-economic and physical infrastructure. It is a rural subsistence economy in a geographical area that was formerly part of the so-called 'bantustans'. A total of 733 households including a representative sample of 2 599 adults and 2 793 children (i.e., in total 5 392 people) was targeted. The average number of people per household in Mount Frere was 7.4.

Ceres is an agricultural town 130 km north-east of Cape Town in the Witzenberg district harbouring a deciduous export fruit industry in a generally wealthy area with a well developed infrastructure. Around the former white town of Ceres there are former coloured and black group areas settlements. A non-representative sample of 543 households with 1 347 adults and 921 children (i.e., 2 268 people) was drawn from four Enumerator Areas of Statistics South Africa from the general population of around 120 000. The average number of persons per household was 4.2.

The third Cape Town Urban (CTU) study was based on a representative sample of households from the Khayelitsha and Greater Nyanga. These townships are home to close to three quarters of a million people in the outskirts of Cape Town, a very polarised city with extraordinary wealth as well as severe poverty. Altogether, 624 households representing 1 668 adults and 1 216 children (i.e., totalling 2 884 people) were included in the study. The average number of people per household was 4.6.

2. Central Features of Poverty Warranting Social Security Attention

People living in the Mount Frere district, the Ceres townships and the CTU area, indeed endure a severity of the multi-dimensional poverty and are poor in several ways, due to the following factors.

The volatile and precarious nature of employment and a general lack of employment opportunities in the formal and SMME sector, leading to the exclusion of the poor from the economic mainstream (due their inability to secure stable employment or to create self-employment within a growing cash economy).
The continued existence and even extension of segregated racialised geographies with dormitory settlements isolated from vibrant economic areas, and insulated in spatial poverty traps with an extremely low economic base.
Very low levels of income and insignificant levels of surplus cash essential for entrepreneurship.
The rising cost of living (especially in regard to food prices).
Large-scale food insecurity.
Poor nutrition and health.
An expanding monetisation of services (including health, education and transportation).
A deterioration of reciprocal relations as the traditional values of sharing are challenged by the prevalence of the cash economy. Whilst informal community arrangements and support networks work well under certain circumstances, they do tend to break down during periods of prolonged

and widespread stress. In other words, over time, the prevailing chronic poverty in the majority of households undermines the social cohesion of the community at large.
A general lack of social infrastructure and markets essential for basic social development.
The present failure of land-based livelihood strategies/subsistence agriculture to provide a basis for survival.

These factors impede on poor people's ability to escape from poverty on their own, and confines them to long-term poverty traps that tend to be race-specific in South Africa. The absolute majority of the chronically poor households in all three of the above human ecologies will not be able to escape poverty through their own efforts alone. Both the immediate short-term crises of severe poverty (such as hunger and basic social services), as well as the incremental long-term creation of viable urban- and land-based livelihoods integrating the poor into the economic and social mainstream, need to be addressed.

The severity of the multi-dimensional poverty and the poor communities' eco-spatial isolation from prosperous economic areas, have separate - yet interlinked - implications for pro-poor growth. On the one hand, many poor people will not be able to take advantage of the opportunities in the economy due to the severity of their multi-dimensional poverty (poor nutritional status, poor health, low skill base, a lack of monetary resources, no surplus cash, etc.). On the other hand, given the simultaneous racial and spatial concentration of poverty in South Africa, many poor people are not able to create opportunities in the economy because of the general low economic base of the socio-economic areas within they reside and try to make a living. The integration of poor people, especially the chronic and the rural poor, into vibrant socio-economic areas has to deal with these features simultaneously.

Generally speaking the South African social grant system is presently a means of assisting a very large section of the population over sustained periods of time, and it is not a safety net to catch an unfortunate few in times of temporary distress. The social grant system performs this task relatively well. However, two major problems are apparent, namely the exclusion of many desperately poor people (including problems of take-up) and the utilisation of the social grant system as a developmental instigator.

3. Three Case Studies

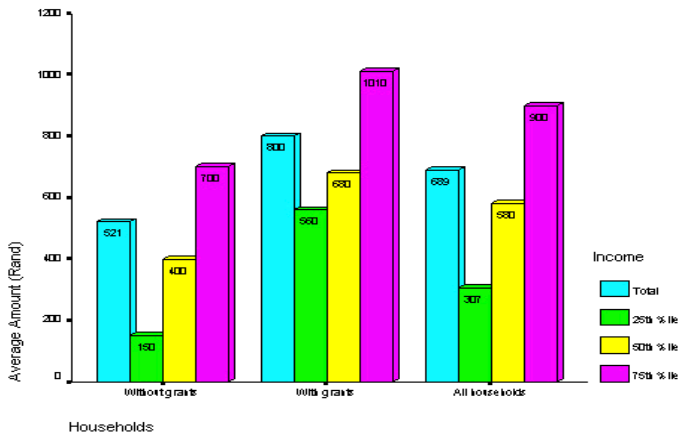
3.1 Mount Frere

In the Mount Frere district, state social grants are by far the most effective social intervention and investment at present. The impact of this governmental initiative, as well as its potential expansion to address the challenges sketched out above, requires further attention.

State social grants accounted for 46 percent of total household incomes. Sixty percent of households received some form of social grant, on average amounting to R532 per month and making up 67 percent of their total income. Without these grants many households would slide into total destitution. Grants such as the Old Age Grant not only provide for the older person but very often for entire households.

Nevertheless, the position of the majority of the 40 percent of households that do not receive any social grants is very precarious. This can been seen, for example, by the finding that the average incomes of all categories of households with social grants are substantially higher than those of non-grant receiving households. Within the poorest income-based quartile (i.e., 25th percentile), the difference is particularly stark: households with social grants have an average monthly income of R560, and households without social grants generate only R150 per month (a difference of 73 percent). These income poorest households are also the most disadvantaged in all other significant categories, such as livestock ownership and food security (see Figure 1).

Figure 1: Impact of Existing Social Grants on Households



When comparing households with social grants (n = 439) to those without (n = 292) in terms of large livestock ownership (cattle, goats, sheep and pigs), it is interesting to observe that there are no apparent differences between the two categories. This indicates that livestock ownership plays no significant role in differentiating between households in terms of means-test-like financial criteria (see Table 1).

Table 1: Comparing Average Number of Large Livestock in Households With and Without Social Grants

Average livestock Households	Cattle	Sheep	Goats	Pigs	*Total average per household*
With social grants	2.48	1.67	4.57	1.3	*10.01*
Without social grants	2.88	2.02	4.25	1.04	*10.19*

However, when the mean social grant is subtracted from the total income of grant receiving households, these households are financially worse off than non-grant receiving households. In the light of earlier findings (De Swardt, 2003) supporting a relationship between income with livestock ownership, it can be concluded that the extent of livestock ownership in grant receiving households can at least be partially attributed to the monthly social grants income.

One of the major problems with the present social grant system is that many severely poor people are excluded. Research by PLAAS/SOPH in Mount Frere has demonstrated that the likelihood of chronically and severely poor people accessing social grants is lower than for any other segment of the population. For example, in the Social Security Survey which focussed on extremely poor households, it was found that the take-up rate for the child support grant was only 7 percent (4 out of 54 children who all qualified) and the take-up of the foster care grant was 0 percent (0 out of 17 children who qualified).

The Taylor Commission suggested an Universal Basic Income Grant (BIG) as a possible non-means tested poverty alleviation social grant. Introducing this grant (at the suggested R100 per person per month) into the Mount Frere sample would seem to instigate some interesting developmental and poverty alleviation improvements. A BIG would dramatically reduce the *severity* of the income poverty experienced by the poorest third of households. At present, the bottom third of households have an average monthly income of R32 per person (approximately R234 per household). If this were to be adjusted with a BIG of R100 per person,

the income would increase by 76 percent to R132 per person (approximately R974 per household per month). This would amount to a similar income level to that of the present top third of households (R169 per person). The differences in the quartiles can been seen in Table 2.

Table 2: The Average Difference of a Basic Income Grant on the Different Income Categories in Mount Frere

Monthly income	All households without a BIG	All households with a BIG	Households presently without existing social grants and without a BIG	Households presently without existing social grants, with a BIG	Households presently with existing social grants, without a BIG	Households presently with existing social grants and with a BIG
Total monthly average income	R689	R1429	R521	R1261	R800	R1540
Up to the 25th quartile	R307	R1044	R150	R890	R560	R1300
Up to the 50th quartile	R580	R1320	R400	R1140	R680	R1420
Up to the 75th quartile	R900	R1640	R700	R1440	R1010	R1750

Ceres

The impact of social grants in Ceres needs to be assessed separately in the black and coloured communities, given the substantial differences found. In black households, state social grants account for 9 percent of total household incomes, with only one fifth of households (22 percent) receiving social grants that amount to an average of R99 per month. In coloured households, social grants comprise of 10 percent of the total monthly income, with 27 percent of households receiving grants.

Using the official poverty line for black households (at R352 per adult equivalent) as many as 68 percent of households fall below the poverty line. If social grants are subtracted, this figure rises to 71 percent. If a BIG was to be introduced, the number of black households under the poverty line would diminish to 52 percent. The number of coloured households falling below the poverty line is substantially less than for black households at 43 percent. Without social grants, these percentage would increase to 50 percent, whilst with the introduction of a BIG, would result in a decline to 23 percent.

Table 3: The Average Difference of a Basic Income Grant on the Different Income Categories in Black and Coloured Ceres Households

Monthly income	All households without a BIG	All households with a BIG	Households presently without existing social grants and without a BIG	Households presently without existing social grants, with a BIG	Households presently with existing social grants, without a BIG	Households presently with existing social grants and with a BIG
Total monthly average income	*Black:* R1 067 *Coloured:* R1 725	*Black:* R1 497 *Coloured:* R2 145	*Black:* R998 *Coloured:* R1 765	*Black:* R1 428 *Coloured:* R2 185	*Black:* R1 313 *Coloured:* R1 613	*Black:* R1 743 *Coloured:* R2 033
Up to the 25th quartile	*Black:* R400 *Coloured:* R838	*Black:* R830 *Coloured:* R1 258	*Black:* R400 *Coloured:* R860	*Black:* R830 *Coloured:* R1 280	*Black:* R620 *Coloured:* R820	*Black:* R1 050 *Coloured:* R1 240
Up to the 50th quartile	*Black:* R800 *Coloured:* R1 414	*Black:* R1 230 *Coloured:* R1 834	*Black:* R776 *Coloured:* R1 462	*Black:* R1 206 *Coloured:* R1 882	*Black:* R975 *Coloured:* R1 300	*Black:* R1 405 *Coloured:* R1 720
Up to the 75th quartile	*Black:* R1 508 *Coloured:* R2 230	*Black:* R1 938 *Coloured:* R2 650	*Black:* R1 400 *Coloured:* R2 370	*Black:* R1 830 *Coloured:* R2 790	*Black:* R1 945 *Coloured:* R2 040	*Black:* R2 375 *Coloured:* R2 460

Although the proportion of households receiving social grants is similar between the black and coloured communities, the impact of these grants are fundamentally different. The targeting of social grants in the coloured households appears to be relative good. For example, the overall income of households without grants is higher than that of grant receiving households. This means that the coloured households receiving grants are in need of it, as they would be significantly poorer if the grant-based income source were removed. Social grant targeting of the black households, on the other hand, appears quite ineffective, even arbitrary, since the opposite pattern can be observed. Grant receiving households in all quartiles have a higher average income than non-grant receiving households (see Table 3 above).

Cape Town Urban

All in all, 376 individuals (living in a total of 40 percent of the households) receive a state social grant. The main grants are: the child poverty grant (66 percent), pensions for aged (15 percent) and disability grants (12 percent), and state social grants account for 18 percent of total household income. If there were no state social grants the overall percentage of households below the official poverty line would increase by 3.5 percent (from 76.4 to 79.9 percent). This relatively small change in poverty reduction can be ascribed to the fact that child poverty grants account for two thirds of the total number of grants, is relatively low (R130 per month) and thus does not significantly impact on the overall poverty reduction.

If the BIG were to be introduced with effective administration, a monthly R100 per person could, in addition to existing grants, reduce the overall percentage of households below the poverty line by 17.2 percent (i.e., from 76.4 to 59.2 percent). It would also dramatically reduce the *severity* of the income poverty experienced by the poorest third of households. At present, the bottom third of households have an average monthly income of R180 (i.e., R39 per person). If this were to be adjusted with a Basic Income Grant of R100 per person, the income of these households would more than triple to R640 per month (i.e., R139 per person). This would amount to a similar income level to that of the present middle third of households (R155 per person). See Table 4 for a breakdown according to income quartiles in CTU.

Table 4: The Average Difference of a Basic Income Grant on the Different Income

Categories in Cape Town Urban Households

Monthly income	All households without a BIG	All households with a BIG	Households presently without existing social grants and without a BIG	Households presently without existing social grants, with a BIG	Households presently with existing social grants, without a BIG	Households presently with existing social grants and with a BIG
Total monthly average income	R977	R1 437	R964	R1 424	R1 001	R1 461
Up to the 25th quartile	R300	R760	R230	R690	R480	R940
Up to the 50th quartile	R720	R1 180	R665	R1 125	R750	R1 210
Up to the 75th quartile	R1 300	1760	R1 400	R1 860	R1 240	R1 700

4. Concluding Remarks

The administrative infrastructure for the existing grant system is cumbersome, under-resourced both in financial and human capital terms, and not geared towards dealing with developmental realities or needs in rural areas such Mount Frere. The Departments of Social Development and Home Affairs have installed some promising outreach programmes. However, these are not meeting the enormous demand. However, a comprehensive reform of bureaucratic practices is required to render social security services more effective. Understaffing, an uncaring ethos and complicated bureaucratic procedures of present welfare services create obstacles to the effective administration of social grants in general.

On the basis of the three sites, the existing grant delivery system has to be extended and strengthened through increased resources with more well trained staff and delivery systems appropriate to poor people. There also needs to be a simplification and reduction in the bureaucracy associated with administration of grants. An improved social grant outreach would be a low cost means of assisting, and empowering, the chronic and severely poor.

Ideally, the means test for grant qualification should be removed in regard to grants that could potentially impact significantly on the majority of the population. There is an abundance of evidence demonstrating that the means test is not an effective mechanism for ensuring that eligible recipients receive their entitlements of government social security. Social grants allocations indeed often appears quite ineffective and even arbitrary in terms of various poverty criteria.

Furthermore, chronically poor households need to fulfil their absolute basic needs *and* have some surplus cash in order to become economically active, generate income and become upwardly mobile in more sustainable ways. Its is in this regard that a BIG appears - from all three very different human ecologies - to be useful as a developmental instigator.

In summary, this kind of a grant - if administered effectively - can potentially:
address the immediate short-term crises of severe poverty (such as hunger) and avert the brunt of destitution for the severely poor;
enable greater participation in productive activities (both land-based and in the other sectors of the economy) by reducing the severity of the impoverishment, and by providing inhabitants with some monetary

resources, *and* uplift the general low economic base of these areas (e.g., through economic multipliers). Furthermore, there is evidence of a positive correlation between raised income and success in securing work. The small but stable income provided by the BIG would notably assist poor people to cover expenses and take risks associated with job seeking and self-employment;
be developmental as there would still be sufficient incentive for people to look for work in order to supplement their income due to the moderate monthly universal BIG of R100;
reach even those destitute households effectively excluded from the current social assistance programme with much greater ease, as it would circumvent many of the current social security barriers (such as means testing, complicated application procedures, uncertainty about their eligibility for available grants, lack of transport and required documentation);
reduce the present 'poverty tax' as it is most often the working poor, the grant receiving poor and the poor in general that lend support to other poor households. There is indeed a great need to assist the poor to combat the demands of other impoverished households. A BIG could reduce this 'poverty tax', add social stability to communities, reduce coercive patronage relations as community transfers are rarely based upon pure benevolence, and enable households to invest a greater portion of their income in productivity-enhancing consumption and social investments.

The above scenario is possibly also the case for other socio-economic areas in which chronically poor people in South Africa live. Whilst this is no quick fix solution, its apparent potential warrants serious attention. A BIG could assist to create vibrant socio-economic spaces, especially in the areas of South Africa characterised by the extreme racial and spatial concentration of poverty.

5. Specific Recommendations

Effective social interventions and investments are crucial not only to the survival of many severely and chronically poor people, but also to pro-poor socio-economic growth.

1. The effective utilisation of social grants to address the short-term crises of severe poverty and to act as a developmental instigator. In this regard the following needs to happen:
the provision of poverty alleviation funds in the form of an improved social grant outreach in order to *directly* assist impoverished regions, districts and neighbourhoods;

an improved social grant outreach as this would be a relatively low cost and cost effective means of assisting the severely and chronically poor;
a reform of bureaucratic processes (e.g., ID book registration) and practices, and a simplification and reduction in the bureaucracy associated with administration of grants;
local level bureaucratic attitudes need to be re-orientated to render social security services more effective, and to enable the institutional practices of the public sector to empower poor people; and
a non-means tested poverty alleviation and development instigating social grant (such as a BIG) warrants serious consideration, especially in the context of the racial and spatial concentration of poverty and the extreme asset and cash depletion of the poor and the chronically poor in particular.

2. A reformed social grant system has to be complimented by:
the provision of services that are accessible, tailored to the needs of the poor including the cashless poor, and affordable - especially in regard to health, education (including school fees, transportation costs, and school uniforms) and transport - the costs that severely burden the poor;
impoverished regions, districts and neighbourhoods need to targeted with a general subsidising of energy, water and local transport. This is a crucial prerequisite of combating poverty and in stimulating development opportunities and peoples abilities to utilise existing opportunities; and
the low economic base of impoverished regions, districts and neighbourhoods needs to be uplifted by implementing incremental socio-economic development which targets the amelioration of the low economic and assets base of areas isolated from vibrant economic areas, and encapsulated in their own poverty.

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