Getting social security into gear: Reflections on welfare reform in South Africa

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GETTING SOCIAL SECURITY INTO GEAR: REFLECTIONS ON WELFARE REFORM IN SOUTH AFRICA

SUMMARY

By focusing on an episode of welfare reform in South Africa, the paper illustrates that the realisation of the rights to social security and equity as enshrined in the Constitution of South Africa, is fettered by a new-liberalist economic policy, GEAR, which is not delivering and a developmental approach to welfare which has not been properly operationalised. The conflicting imperatives of the rights to social security and equity as enshrined in the Constitution of South Africa and a macro-economic policy with a commitment to curbing social spending are discussed. The central issue is whether the reform is contributing to the narrowing of gaps in the safety net.

INTRODUCTION

Compared to most other middle-income countries, South Africa possesses a substantial system of cash social assistance that constitutes part of the state social security system (see Lund 1993:22, Van der Berg 1997:1 Kruger 1998:3). This assistance, mainly in the form of old age and disability grants, reaches some of the most vulnerable groups, including the predominantly poor previously disenfranchised African majority. These two benefits were for many years for white people only, but since 1972 steps were taken to gradually remove discrimination. These steps to deracialise access to state grants culminated in the Social Assistance Act of 1992 which provided for the extension of all social assistance measures to all South Africans on an equal scale. At that time, the Old Age Grant already covered the majority of poor people eligible for the grant. It is estimated that Old Age Grants reach close to 80% of Africans that qualify in terms of age (Case and Deaton 1996:10). However, before 1992, these reforms did not extend to the main grant for children and their parents, the State Maintenance Grant. The majority of impoverished Africans were excluded from this grant. At that time, economists warned that improved coverage of black people may put the fiscal viability of the social assistance system in jeopardy (see Van der Berg 1994:4).

Social insurance, another important component of social security, affects only a small percentage of poor South Africans due to high levels of unemployment and participation in survivalist activities in the informal sector. Social insurance is based on contributions from workers and their employers and is often privately funded. It is estimated that it covers less than 40% of the labour force and provides at any given stage benefits to less than six percent of the unemployed (Department of Welfare

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1 This paper is largely based on research undertaken for the South African Department of Welfare and of which the author has been the co-ordinator. It is published as Vorster J, Rossouw H and Muller G (2000). Phasing out the State Maintenance Grant within the context of Developmental Social Welfare. Research report commissioned by the Department of Welfare.

2 For the purpose of this paper social security refers to cash transfers from the state to individuals not related to current production (see Kruger 1998).

3 There are two forms of social insurance: the state run Unemployment Insurance Fund paying benefits to contributors for a limited time in the event of unemployment, illness and maternity; an employer financed employment injury insurance scheme (COIDA) is paid to contributors who became disabled as a result of injuries and diseases sustained at work.
Thus, it seems that the South African social security system ‘caters mostly for poverty resulting from a lack of access to labour power (thus the old and the disabled) and not for poverty resulting from the workings and dependencies in a dynamic market economy, namely the working poor, the long-term unemployed and those with child care responsibilities’ (Kruger 1998:11).

This paper is mainly concerned with an episode of welfare reform in South Africa pertaining to social assistance for poor children and their caregivers. It focuses on the termination of the State Maintenance Grant. The paper has three objectives. Firstly, it provides an overview of the context of welfare reform in South Africa. The conflicting imperatives of the rights to social security and equity as enshrined in the Constitution of South Africa and a macro-economic policy with a commitment to curbing social spending will be discussed. Secondly, it describes the reform of a system of social assistance to children and their caregivers within the context of constitutional obligations, a new liberalist economic policy and a new welfare paradigm. Thirdly, the paper attempts to evaluate the realisation of this reform in terms of constitutional rights, economic constraints and the success of the new welfare policy. The focus will be on what happens to those children and their caregivers whose grants are terminated. The central issue is whether the new policy of developmental social welfare is contributing to the narrowing of gaps in the safety net.

Background and context

South Africa has a high level of poverty and extreme inequality in terms of income. Linked to South Africa’s apartheid past, poverty has a strong racial dimension with 61% of Africans (the majority of the total population) classified as poor, compared to only 38% of coloureds, 5% of Indians and 1% of whites (May et al 2000:31). The latter three groups enjoyed also better social assistance benefits than Africans. It is estimated that three out of five children live in poor households (May et al 2000:32).

After the democratic transition in 1994, the South African government accepted new policies to address, with limited resources, the poverty and the imbalances of the past. Although the focus is since democratic transition in 1994 on the elimination of discrimination with the recognition of social security as a basic human right, fiscal discipline and a commitment to curbing social spending form key aspects of the new economic policy. For the understanding of welfare reform in this context of conflicting imperatives, three central aspects will be discussed. An overview of the economic policy framework will be provided, followed by a description of the policy shift in the Department of Welfare to developmental social welfare and the right to social security as enshrined in the South African Constitution.
The economic policy framework: RDP and GEAR

After the April 1994 elections the government adopted, in an amended form, the ANC’s key election manifesto as the White Paper on Reconstruction and Development (RDP). This programme would form an integrated, coherent socio-economic policy framework for redressing the poverty and deprivation of apartheid, developing human resources, building and restructuring the economy and democratising the state. The programme sets out to integrate growth, development and reconstruction and redistribution into a unified programme. The RDP promised “the attainment of basic social welfare rights for all South Africans” (RDP 1994 s. 2.1.3.4).

The RDP White Paper introduced an emphasis on the facilitation of economic growth by implementing a programme of saving on state consumption expenditure through fiscal discipline, the promotion of investment and a review of exchange controls (Marais 1999:181).

It is the emphasis contained in the RDP White Paper that lay the foundation for the government’s adoption of its policy on Growth, Employment and Redistribution (GEAR) during June 1996. The key elements of GEAR are to promote economic growth through job creation and redistribution and to impose fiscal discipline by cutting on government’s expenditure. The main aim was to boost economic growth and to create jobs in order to alleviate poverty.

The new macro-economic approach has been debated by many observers. There are those who argue that the scope of the fiscal constraints are such that the government has no choice but to radically cut back on state expenditure while at the same time liberalising the economy to promote growth, while others challenge the approach by stating that certain minimum core socio-economic duties cannot be eschewed at the expense of development. Otherwise stated: “We cannot develop at the expense of social justice” (Nelson Mandela, cited in Marais 1999:172). It seems however that even before the GEAR policy was designed, important decisions were already taken regarding the curbing of welfare spending.

The policy framework for social welfare

Consultations on the White Paper (policy framework) for Social Welfare started during 1995. The White Paper for Social Welfare was adopted in August 1997 and needs to be viewed against the backdrop of government’s attempts to promote economic development in terms of GEAR and constitutional RDP obligations.

A policy shift from a rehabilitative and institutional approach to a developmental approach to social welfare (DSW) is set out in the White Paper for Social Welfare. The aim of developmental social welfare is to serve and build a self-reliant nation in partnership with all stakeholders through an integrated social welfare system which maximises its existing potential, and which is equitable, sustainable, accessible,

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4 This included reducing the budget deficit, keeping inflation down, creating tax incentives, phasing out exchange control regulations, introducing greater labour market flexibility and speeding up privatisation (Marais 1999:161-162).
people-centred and developmental. The focus is now on how social and economic interventions can be harmonised to have a positive impact on people’s welfare without hampering economic growth. One of the aims of developmental social welfare is to reduce the number of South Africans relying on social security as a main source of support. At present, approximately 90% of the welfare budget is directed towards social security, while social welfare services receive approximately 8%. In line with the Department of Welfare’s emphasis on promoting social welfare, it is working towards gradually reducing social security spending to 80% of its budget and increasing social welfare spending to 20% (Robinson & Sadan 1999:22).

Key principles of developmental welfare adopted in the White Paper for Social Welfare are to promote equal opportunities and access to resources for the poor to address their needs; to raise the standard of living for the disadvantaged, those who are vulnerable and those who have special needs by providing choices and alternatives; and to motivate people to be less dependent on state assistance and nurture their human potential.

The developmental social welfare approach is appreciated by many role players in the welfare community, but many warn that unemployment and destitution in South Africa take on such high proportions that public works programmes and other development initiatives underway will probably only reach a few of those in need. Furthermore, the White Paper for Social Welfare has been criticised for being “strong on rhetoric and principle, but weak on concrete targets for restructuring and delivery” (Lund 1998:12). It was already during the drafting phase of the White Paper for Social Welfare that the Congress of South African Trade Unions (Cosatu) (cited in Lund 1998:12) called for quantified commitments or targets in order to prevent social security and welfare priorities from being hamstrung by rigid budget deficit reduction targets. A comprehensive and rational plan is yet to be devised.

Although the Department of Welfare made a paradigm shift from remedial to developmental social welfare, social security was still recognised as an important aspect of this new paradigm. This recognition is quite significant given the fact that most other countries were scaling down on or withdrawing from social spending. Leading academics also indicated through their research on poverty in South Africa, that grants were effective in terms of poverty alleviation, reaching women and rural areas (see for example Lund 1999:2, Ardington and Lund 1995, Case and Deaton 1996).

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5 Midgley’s concept of DSW informed the White Paper’s developmental approach. Key principles of the developmental concept include the development of organisational mechanisms by which economic and social policies can be integrated, that economic development must have a positive impact on people’s welfare and that social programmes should generate returns on social expenditure (Midgley 1996:3).

6 A social welfare action plan was released in April 1998 “to convert the White Paper for Social Welfare into reality”. This document no longer receives attention within the Department of Welfare. At present the Welfare Ministry is in the process of devising a new plan/strategy for social development. It will be linked to the Department’s medium term expenditure framework and will include the set of ten priorities that the Department of Welfare wants to address over the next five years (Welfare Update 2000:3).
Apart from viewing the shift in welfare policy against the background of the economic framework GEAR, it should also be interpreted in terms of constitutional obligations.

**The Constitutional framework**

The emphasis introduced in the RDP White Paper and GEAR, as well as the new welfare policy framework, hangs in a further tension with the creation of social and economic rights in the Constitution of South Africa (Act 108 of 1996).

The Constitution was adopted as the supreme law of the Republic of South Africa to ensure, amongst others, that the divisions of the past are healed and a society is established based on democratic values, social justice and fundamental human rights, that the quality of life of all citizens are improved and that the potential of each person is freed (preamble to the Constitution).

The key social and economic rights which create obligations for the state, concern: sections 24 (environment), 25 (land), 26 (housing), 27 (health care, food, water and social security), 28 (the rights of children) and 29 (education). These rights are further buttressed by section 32 (access to information) and 33 (administrative justice). In addition, South Africa has assumed obligations under various international human rights treaties in terms of section 231 of the Constitution. Of central concern here are sections 27 and 28.

Section 27 of the Constitution entrenches the right to social security and it obliges the state to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of the right. The state can therefore be obliged to show that it is taking steps within its available resources in accordance with a rational plan to progressively realise the rights to social welfare and social security. This plan of action should show “… details on goals, objectives, activities, timeframes, progress indicators, costing, and the parties responsible for the implementation of social welfare programmes” (preamble to White Paper for Social Welfare 1997:par. 4).

Section 28 of the Constitution provides that every child has the right to basic nutrition, shelter, basic health care services and social services. Section 28 goes further than section 27. Should the state be challenged on the basis that its actions have the effect of depriving children (of all ages) of their section 28 rights, the court is empowered to order the state to take steps to ensure that basic nutrition, shelter, etc. are provided. This is so because, unlike the right to social security, the rights of children are not fettered to the extent that the state can answer to a charge by showing that it has taken steps within available resources to progressively realise the right. If the court finds the state in breach, it will be ordered to provide support. A defense that its departmental budgets do not permit such expenditure will not assist it.

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7 In terms of Sections 32 and 33 everyone has the right to access (a) any information held by the state and (b) any information held by another person that is necessary for the exercising or protection of any right. Everyone has the right to administrative action that is lawful, reasonable and procedurally fair, including the right to written reasons for decisions that adversely affects a person’s rights. Everyone is therefore entitled to reasons for administrative actions, a right to be heard, a right to access information and to institute proceedings in the High Court for unfair administrative actions to be reviewed.
It is in this regard that the emphasis in the RDP White Paper, GEAR and the policy shift to developmental social welfare stands in tension with the commitment to social and economic rights enshrined in the Constitution.

**THE SOUTH AFRICAN SOCIAL ASSISTANCE SYSTEM**

There are currently three categories of social assistance for South African citizens: transfers for elderly people, disabled people and child and family care. Historically, white people enjoyed the social insurance and benefits characteristic of some Western European welfare states. From 1972 onwards, rules regulating access to social security measures were gradually relaxed to include other racial groups as well (see Van der Berg 1994 and Kruger 1995). The Social Assistance Act of 1992 made provision for the extension of all social security measures to all South African citizens on an equal scale. The incorporation of black people into the system posed a major fiscal challenge to the welfare state. Due to fiscal constraints, a reduction in white benefit levels was introduced. Although the gap in Old Age Grants between racial groups was eliminated in 1993, inequality persisted in the payment of other grants. At the time, economists warned that improved coverage of black people may put the fiscal viability of the system in jeopardy (Van der Berg 1994:4).

This is particularly true of the main grant for child and family care - the State Maintenance Grant (SMG). Prior to 1992, African women were largely excluded from access and today, as previously, a significantly higher percentage of coloured women and children in comparison to the other three population groups (as distinguished by the apartheid regime) benefits from this grant. It was estimated that the extension of the SMG to include all eligible South Africans could cost the state five billion Rand or more per year, while a budget of approximately R1.2 billion was assigned to state maintenance grants in 1997 (see Kruger 1995). A study by Haarmann & Haarmann (1996) estimated it would take more than R20 billion to close the gap (Lund Committee 1996:12). Cost projections of reaching racial equity led the government to appoint a technical committee of enquiry to investigate the problem.

*The Lund Committee on Child and Family Support*

The Lund Committee on Child and Family Support (henceforth referred to as the Lund Committee) was established in 1996 to undertake a critical appraisal of the existing system of state support to children and families and to explore alternative policy options in this regard, to investigate the possibility of increasing parental financial support through the private maintenance system and to develop approaches for effective targeting of socio-economic development programmes for children and families. These tasks were to be fulfilled within the context of the new developmental model of social welfare and binding fiscal constraints specified in the GEAR strategy.

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8 According to Robinson & Sadan (1999:21) welfare expenditure increased by 120% between 1990 and 1996, largely because of the removal of racial disparities in the Old Age Pension.

9 Although there has been no national survey on the subject, it is estimated that for every 1000 coloured children, 50 are in receipt of maintenance grants. This compares to 45 per 1000 Indian children, 14 per 1000 white children and 3 per 1000 black children (Strong 1996:73).

10 The Lund Committee had to complete its report within the tight time frame of six months. The report of the Lund Committee was released in September 1996.
An acknowledgement of the tensions referred to earlier, was taken into account by the Lund Committee report which noted that: “The Committee started its work knowing that whatever recommendations are made, there will be losers. When the Constitution and macro-economic policy combine the need for equity with a commitment to curbing social spending, no ‘win-win situation’ is possible” (Lund Committee 1996:26). Thus, it seems that the Committee took the fiscal constraints as a given.

The State Maintenance Grant

The concept of the SMG was based on a similar model introduced in England and introduced in South Africa during the 1920s. It was based on the two generation nuclear concept of a family. The SMG “was a form of support designed to protect a mother and her children in the unusual and uncommon event that the marriage ended in divorce, or if the father died or deserted” (Lund Committee 1996:78). The Child Care Act of 1960 for Family allowances for intact families, and for State Maintenance Grants for single parent families, was based on the principle of enabling destitute parents to care for their children by means of financial transfers from the state. Although the Act also provided for the removal of children from the custody of their parents, the main thrust was that this should never happen for reasons of poverty only.

State Maintenance Grants were awarded to custodian parents/caregivers in the following circumstances: if the parent is single, widowed or separated; has been deserted by her/his spouse for more than six months; her/his spouse receives a social grant or has been declared unfit to work for more than six months; her/his spouse is in prison, or state institution or drug treatment centre for more than six months. Parents have been eligible for this means tested grant if they have applied for financial support from the fathers/mothers of their children through a magistrate’s court (private maintenance) and have been unable to get it.

The grant was divided into a monthly parent allowance of R430 and a child allowance of R135 per child for a maximum of two children.\(^{11}\) To qualify for the parent allowance a person must have little or no income. A person may not qualify for this portion if she/he receives another social grant such as an Old Age Grant or Disability Grant. The grant is payable until the child is 16.\(^{12}\) Recipients of the parent allowance are mostly single mothers (for more detail see Lund Committee 1996:78-79).

There was much variation in how the grants were applied by the different administrations under apartheid and especially those administrations dealing with African people. Some of the latter administrations did not administer the grant at all, while others only awarded the child allowance part of the grant. Because many grandmothers are supporting their grandchildren, some administrations awarded the child allowance to grandmothers – this became known as the “granny grant” Since 1996

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\(^{11}\) During 1999 the SMG was awarded to 225 941 adult and 326 774 child beneficiaries. Research indicated that the majority of SMG beneficiaries pooled their income with other members of their household (Vorster, Rossouw and Muller 2000). Based on an average household size of 5.98 and assuming that every adult beneficiary lives in a separate household, it is estimated that a total number of 1.5 million people are both directly and indirectly affected by the phasing out of the SMG.

\(^{12}\) The pre-Social Assistance Act amendment of 1996 regulations awarded the grant until the age of 18 and older under certain circumstances, e.g. if the child was still undergoing secondary or tertiary education.
these grants have been phased out and grandmothers were encouraged to apply for the higher Foster Child Grant.

Other Child Grants

At the time of the Lund Committee, there were also two other types of grants for children, the Foster Child Grant (FCG) and the Care Dependency Grant (CDG).

FCGs are paid to registered foster parents of children who have been placed in their care after a certain court procedure in the children’s court. The FCG plays an important role in keeping children who cannot be cared for by their biological parents in a nurturing family environment. The process of fostering children is complicated, takes a long time and is costly. A full assessment by a social worker of the applicant household and interviews with the child must be undertaken. Regular contact with the social worker is supposed to take place and the social worker must submit reports throughout the period of fostering to ensure renewal of the court order and the continuation of the grant. Many foster parents are relatives of the child but no exact statistics are available. The FCG is not means tested and amounts to about R374 per child per month.

As documented in the Report of the Lund Committee (1996:80), it has been difficult for African people to access the FCG because of bureaucratic obstacles and unreliable continuation of payment once the grant was awarded. Many of these obstacles were removed since the democratic transition and an increase in applications is experienced. For the period 1 July 1998 to 1 July 1999 there was a nation-wide increase of 13.55% in applications for the Foster Child Grant, in some provinces the increase was as high as 40% (Department of Welfare 2000). 69 189 applications for the FCG were registered by the end of June 1999. Welfare staff are of the opinion that there are many AIDS orphans living with their grandmothers and expect an increase in applications from this group as people become aware of their rights. A big increase in the number of AIDS orphans is expected and this may result in a review of the level of this grant in order to stay within the allocated budget.

The CDG is awarded to caregivers of children whose physical and intellectual impairment is so profound that they require full time care. The motivation for the grant is to enable disabled children to be cared for by their parents within their own homes. Home care is much less expensive to the state than institutional care. The Lund Committee recommended that the grant should continue. The amount of the grant is more or less R520 per month. This is a relatively new grant only implemented since 1996. 19 694 applications for the CDG were registered by the end of June 1999.

Compared to the institutional alternatives available, these two grants are considered as cost effective.

The Lund Committee’s recommendations

The Lund Committee proposed the termination of the SMG and the introduction of a flat-rate Child Support Benefit. The phasing out of the State Maintenance Grant over a five-year period would finance this benefit. The Lund Committee proposed that the
benefit would be paid via the primary care-giver\textsuperscript{13} to all children who qualify in terms of a (simple) means test. The Lund Committee stated that the proposed policy deviates from the (nuclear) family preservation policy of welfare in the past\textsuperscript{14}. Since many, if not the majority, poor households in South Africa are not nuclear families, this model is not appropriate. Households and family life take on many complex forms that make the SMG and its regulations difficult to implement. Within this context the Lund Committee shifted its focus from the family model to a plan modelled around a central theme “follow the child” (Lund Committee 1996:84). Although the focus is on the child, the Lund Committee argued that the new direction would not negatively influence family preservation.

The Lund Committee proposed that the new benefit should be aimed at children in their most vulnerable years and should be made available at the very least to children 0-4 years. Although the Lund Committee recommended that the benefit be paid to the age of nine, they also argued that this did not seem feasible within current fiscal constraints. For the grant to be awarded and continued the child’s birth must be registered and the caregiver will be obliged to engage the child in certain health related activities, such as growth monitoring and immunisation. It was further recommended that the relatively small cash amount of the benefit be transferred to a bank or post office account on a quarterly basis to engage beneficiaries, especially those from rural areas, with financial institutions.

The Lund Committee recommended that the Household Subsistence Level (HSL)\textsuperscript{15} could be used to determine the minimum level of the benefit. It also stated that it was in favour of a lower benefit to include more children. According to their calculations an amount of R70 per month, based on the HSL, seemed realistic within the budgetary situation in 1996.

The continuation of the Foster Child Grant as well as the Care Dependency Grant, was recommended. The Lund Committee strongly advocated the reform of the judicial maintenance system as one way of promoting the responsibility of individual parents towards their children. Furthermore, it proposed comprehensive intersectoral collaboration on programmes aimed at poverty relief and eradication, particularly with the health and early childhood development sectors (Lund Committee 1996:55-96). The Lund Committee referred to the forging of practical links between welfare, social security, poverty alleviation and other development programmes on provincial and national levels “in order to divert as many applicants from security as possible to opportunities which could increase their independence” (Lund Committee 1996:86).

\textsuperscript{13} The “primary caregiver” also includes those people who are not biological mothers or fathers who are caring for children.

\textsuperscript{14} The grants presently available for children and families are “derived from a model of family life which is based on the nuclear family, where men worked and women looked after the children, when divorce and single parenting were unusual” (Lund Committee 1996:84).

\textsuperscript{15} The Household Subsistence Level (HSL) is one of the poverty indicators utilised in South Africa and is calculated by the Institute for Planning Research, University of Port Elizabeth. It indicates the income required by an individual household to reach and maintain a minimum level of health and human dignity over the short term. It includes the minimum requirements for food, clothing, fuel, light, cleansing, rent and transport. As such, it is an “absolute poverty” line which provide separate lines for urban and rural areas.
The Lund Committee stated that the benefit would have a redistributive impact by shifting limited resources to particularly poor households (in rural areas) and would be aimed at protecting the poorest children in their most vulnerable years. The Lund Committee was also of the opinion that the new child benefit, in the short term, has a greater potential for the protection of more children over the medium and longer term, than the alternatives that were considered (Lund Committee 1996:97).

The Lund Committee acknowledged the negative consequences of their recommendations for those on the current system. They referred in particular to women in their 40s and 50s currently receiving grants who will have difficulty in finding alternative income, young people who will have to work for the maintenance of their families and grandmothers whose “already stressed Old Age Pension will have to do more work in household support” (Lund Committee 1996:96). The proposals would have severe implications for households (especially single parent households) where the SMG represents the only source of income. The Lund Committee indicated that it found it difficult “…to try to balance the best interest of children, as South Africa’s future investment, against demographic realities, economic constraints and constitutional rights” (Lund Committee 1996:97). Members of the Lund Committee also acknowledged that the proposals reach only a small proportion of South Africa’s needy children, and that it detracts from resources some women and children are receiving under the old system.

The then minister of Welfare put her hope on developmental social welfare and intersectoral initiatives. She stated: “I am aware that these changes in our social security system will have a major impact on many households … to minimise the impact of the phasing out of the State Maintenance Grant, the affected beneficiaries will be provided with information on existing community development projects which will enhance the individual’s capacity through skills training, job creation, education and income generation. According to the minister such resource lists will be made available by the provincial offices. SMG beneficiaries have to be diverted to developmental social welfare programmes, or the CSG if they qualify.

On 5 March 1997 Cabinet accepted the following proposal based on the Lund Committee’s recommendations:
- A new child support benefit system will be phased in from 1 August 1997.
- A moratorium shall be placed on all new SMG applications.
- The parent component of the present SMG will be eliminated.
- All current SMG benefits shall be reduced at 20% per year starting in 1997.
- The new system shall be awarded to children up to the age of 6.
- A flat rate amount of R75 shall be paid to the caregiver.
- The money shall be paid to the caregiver.
- The caregiver must ensure that the child attends health care facilities.
- The caregiver must present proof that he or she went through the private maintenance system first.
- The child’s birth must be registered.
- A simple means test will be devised to identify 30% of those children who are eligible and poverty stricken.
Reactions to the proposal

Although the extension of the child benefit was widely welcomed by the welfare community, the report of the Lund Committee as well as the recommendations accepted by cabinet sparked a lively debate. Increased pressure from civil society on government led to parliamentary public hearings on the proposals, organised by the Portfolio Committee on Welfare, during April 1997. In general, all presenters at the public hearings applauded the government’s attempt to extend the grant to include all or more poor children, but serious concern was levelled at the manner in which the equalisation in the new child support benefit was being sought and the implementation thereof. Main issues in the debate included the following: the premises regarding fiscal constraints determining the scope and level of the benefit, the administrative capacity of the Department of Welfare to implement the proposals, the social costs of the proposals and concomitant implications for social work and child care in general. In essence it was a debate on the nature and implications of the exclusion/inclusion of children and their caregivers under a new welfare system.

Pressure from NGOs resulted in an increase in the amount of the new Child Support Grant (CSG) to R100 per month per child to primary caregivers of children 0-6 years who qualify in terms of the means test. The phasing out of the State Maintenance Grant (SMG) was also delayed until 1 April 1998 and would be carried out over a three year period.

RESEARCH ON THE TERMINATION OF THE STATE MAINTENANCE GRANT

During April 1999 the Department of Welfare awarded a contract to Datadesk at the University of Stellenbosch to conduct research on the phasing out of the SMG. The research officially started during June 1999 and was conducted over a period of ten months. The SMG was cut by more than half at the time of the study, with the third cut due on 1 April 2000.

The main purpose of the research was to establish beneficiaries’ social and economic responses to the phased reduction in the grant and the realisation of developmental social welfare. Some commentators felt that it was still too early to understand the effect of the phasing out of the SMG, as it was not yet completely phased out.

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16 Public hearings were held in Cape Town, Umtata and in Pietersburg. Many NGOs, the South African National NGO Coalition, academics, the Commission for Gender Equality, South African Human Rights Commission, South African National Council for Child and Family Welfare, Child Welfare Society, the Congress of South African Trade Unions (COSATU), the Black Sash, the South African Council of Churches and others from the welfare community presented submissions during these hearings.

17 Many participants criticised the Department of Welfare for taking budget constraints as one of the main points of departure in the development of a new welfare policy for child support. Barberton (1997:2) for example, remarked that “to approach the problem from a fiscal side first, shows a callous disregard for the rights of the most vulnerable in society” and that “when it comes to choosing between a particular budget constraint and children’s right to a grant, the budget constraint should take second place” (Barberton 1996:3).

18 The SMG phasing out process results in the following: a quarter of the total amount payable in the first year (of the reduction); a third of the total amount payable in the second year; half of the total amount payable in the third year; and the whole of the total amount in the fourth year (Department of Welfare 1998:80).
Not only did the research provide the opportunity to establish what will happen to recipients as the phase-out occurs, but it could also give insight into the positive effects of a grant to children and their caregivers. Many children in South Africa did not have the basic care provided for by the SMG and the results of this research can be used to highlight what could have been happening to all those non-recipients.

**Research design**

Various modes of observation were used to collect the information for the study, including a survey of SMG beneficiaries, a survey of frontline welfare staff, focus group discussions and in-depth interviews. The survey of 495 randomly selected beneficiaries covered only the four provinces that contain the majority (78%) of SMG beneficiaries: Western Cape, Eastern Cape, KwaZulu-Natal and the Northern Cape. Two case studies were also undertaken in a rural and urban community with relatively high dependencies on the SMG.
Findings

Economic and social responses to the phase-out

Even after the second reduction in the SMG it is still playing a significant role in the income of both beneficiaries and their households. Irrespective of the level of poverty in beneficiary households, in the majority of cases the SMG played an important role in keeping households above the bottom of the scale of poverty. Like the Old Age Grant (OAG), it reaches much wider than its intended target. It did not only reach single parent households. The majority of beneficiaries stay in multi-generational households and pool their grant income with other sources of household income. In many instances non-beneficiary children also benefit from the SMG. The SMG has enabled many vulnerable mothers to care for their children and it contributed to the survival of extremely vulnerable woman-headed (single-adult) households. There is in general no evidence of a significant leakage of the SMG to households with a relatively high income, i.e. SMG beneficiary households are predominantly poor.

At the time of the second cut in the SMG, personal as well as household income had already dropped in the majority of cases below certain minimum levels. Both individual and household incomes are under pressure. Beneficiaries report that their quality of life has seriously deteriorated and that they are already cutting back on life essentials such as food. They also experience problems in covering other main household expenses such as rent, electricity and clothing. The payment of school fees is an extra burden for the majority of them. In some cases furniture is being pawned or repossessed in order to cover debts. In cases where the SMG is the only source of income, households are on the brink of total collapse.

Alternatives to the SMG

The following sources of income were identified as alternatives to make up for the loss in income as a result of the phase out of the SMG: caregivers could find employment in the open labour market, they could engage in some activity in the SMME sector, they could apply for private maintenance, they could be referred to DSW programmes/projects and public works programmes, they could qualify for a CSG and/or another state grant.

- Participation in the labour market

The majority of beneficiaries were at some stage involved in the job market even before the cut. It thus seems that the SMG did not necessarily act as a disincentive to find work. It seems that a significant number of those who acquired a job before the second reduction in the grant have lost it since. At the time of the study a significant percentage of beneficiaries were participating in the job market, either doing paid work or looking for a job. Due to a combination of factors, including the poor performance of the economy, their age, educational level and childcare responsibilities of beneficiaries, the few who have a job found employment in mainly low-paid casual jobs. There is however no evidence of differences in job-seeking behaviour between beneficiary and non-beneficiary caregivers in SMG beneficiary households. In the majority of cases SMME (small, medium and micro enterprises) activities produce only survivalist incomes, that is if they last at all. Their only
reliable source of income is the SMG. Thus the SMG also played an important role in the covering of risk associated with a dynamic market economy. The majority of beneficiaries are older women who struggle more than younger women to find employment as employers are reluctant to appoint them. Many of the women were previously employed in the textile industry. This industry was negatively affected by global competition and experienced many job losses.

The majority of these women are not covered by social insurance schemes. Except for the SMG, they have no other protection against the consequences of commercial and financial globalisation, such as sudden increases in unemployment, increasingly precarious employment and social exclusion.

- **Private maintenance**

Only a small percentage of beneficiaries receive private maintenance. Private maintenance, even for the minority of beneficiaries to whom it is available, is also of a low level and not necessarily secure due to the nature of the fathers’ employment status. In these cases payments are in most instances very low and fluctuating in nature, thereby reflecting the current job market situation and the economy in general. In cases where the father of the child is still alive, there is no increase in beneficiaries trying to secure private maintenance since the reduction in the grant. This is mainly because fathers are unemployed or their whereabouts are unknown. A large portion of SMG beneficiaries receives the SMG precisely because the fathers of their children are deceased. The few who are receiving private maintenance receive only a relatively low amount and it is sometimes too expensive and emotionally taxing for women to try to secure income from this source. Nevertheless, many women with SMGs do seek private maintenance. High levels of unemployment and low levels of maintenance payments will continue to leave single mothers unsupported. It seems therefore that private maintenance should not be viewed as an alternative to state support to single mothers and their children.

Although all these potential sources of income are important, it should be realised that in the majority of cases it is of a relatively low level, fluctuates and is of a temporary nature.

- **DSW initiatives**

Hardly any beneficiaries were referred to or participated in public works programmes or DSW programmes/projects. These alternatives are also limited in their scope and long term feasibility due to scale, type of project, markets, temporary status, capacity in the Department of Welfare and lack of co-operation with other departments and the private sector. There is also a general lack of knowledge and expertise regarding the implementation of DSW programmes.

Almost all the people interviewed in this study remarked that sufficient funds should have been allocated to projects and that a significant number of projects should have been in place and operational before the announcement of the phasing out of the SMG was made. As it were, and in the majority of cases still is, there was nothing that welfare staff could divert SMG (and CSG) beneficiaries to. The negligible number of SMG beneficiaries participating in poverty alleviation programmes confirms this
point. Furthermore, at the very least, proper and appropriate administrative systems, targeting mechanisms and monitoring systems should have been in place to administer the implementation of the new approach. It needs to be noted that the concept of developmental social welfare was already conceived of by key policy strategists long before the White Paper for Social Welfare was released in 1997, yet many years later, there is little evidence of effective planning to implement this approach.

- Other grants

The majority of beneficiary children are seven years or older and do not qualify for the new CSG. There is however, in a significant percentage of SMG beneficiary households, children of non-beneficiaries who qualify but who have not (yet) applied for the CSG. The main reason for not applying is related to ignorance. Given also the low level and short span of the CSG it will not make up for the loss in income. It is argued that it is still too soon to establish whether adult beneficiaries will abandon their children to enable another relative to secure a Foster Child Grant (FCG) for them, although some mothers are planning or hoping to send children to relatives. It seems that the few beneficiaries who consider applying for another state grant would rather opt for the Disability Grant. The income of the majority of those beneficiaries who had or who acquired additional income before or since the reduction in the SMG, is on such a level that they would still qualify for a CSG in terms of income (i.e. their income is of a low level). The age of their children would in most cases disqualify them unless the age cut off point is increased.

Effect on child care patterns

Some households will most probably change in form due to the phase-out of the SMG. The single adult household is the most vulnerable and will most probably cease to exist as children and their beneficiary caregivers are forced by economic reality to join other households and form or become part of multi-generational households. In cases where only the children join the household, this can probably lead some grandmothers, in the absence of other state assistance, to apply for the Foster Child Grant (FCG) as the majority of beneficiary children are seven years or older and do not qualify for the new CSG. The majority of beneficiaries are however already members of multi-generational households.

Women represent the majority, if not all of the adults in most of the beneficiary households. In terms of existing income levels, multi-generational households are more or less in the same position as single adult households and additional non-economically active people will place an enormous burden on these households. In many of these households the Old Age Grant will be the only consistent source of income. In many instances it seems that households tend to group together around the Old Age Grant as single caregiver households become part of or form a multi-generational household with caregivers moving in with their mothers who receive an OAG. With the decrease in real value of the OAG and the increase in the number of dependants, this also results in increased strain for elderly pensioners and increased poverty for the entire household.
The possibility of children moving in with their fathers seems highly unlikely. Not only is a significant percentage of fathers deceased or their whereabouts unknown, but by comparing beneficiary children with other single parent children it seems that a culture of fathers taking responsibility for children is nearly non-existent. Unemployment is of course contributing to this situation.

Although nearly all children of school-going age from beneficiary households are attending school, the phase-out of the SMG may result in a higher school drop-out rate. Caregivers experience pressure from both the schools and their children on this level. On the one hand principals are pressuring beneficiaries to pay school fees and on the other hand children are reluctant to go to school because they feel embarrassed, as they do not have the proper clothing, cannot pay the school fees, etc.19 The majority of beneficiaries mentioned that children demand the most economically when they are of school-going age and that they cannot cope with these needs.

Beneficiaries creatively utilise opportunities to secure income. Many are however home-bound due to their childcare and other family care responsibilities and are unable to take up employment elsewhere. Beneficiaries are relying more on relatives for assistance, especially their mothers and sisters. In many instances the Old Age Grant is being stretched beyond limits. Some women also enter into relationships with men just to secure some form of livelihood for their children. In some cases the only option to survive economically is for children to start working. Women also report increased levels of conflict in their households due to economic hardship and in general they experience feelings of humiliation and a loss of dignity.

In general it should be acknowledged that the termination of the SMG will most probably result in the breaking-up of families and lead to a situation where children do not live with their mothers, resulting in a far more costly exercise for the state.

EVALUATION

Contrary to what is happening in most other countries, South Africa still recognises the importance of cash transfers as part of its system of social security. Most other less developed countries have no system of cash grants and in the transitional economies of Eastern Europe and even in many developed countries, systems of state transfers are being dismantled.

The institution of a new cash grant for children by the South African Department of Welfare illustrates the importance assigned to cash transfers. In comparing cash grants with other options of poverty alleviation for children, the Lund Committee concluded that grants are easier to administer and more cost effective, as the bigger part of the budget allocated to the benefit reaches the beneficiary directly (Lund Committee 1996:9). Research on the Old Age Grant (OAG) also assisted this argument as it was illustrated that this grant reached many more poor people than merely the elderly. “When delivered efficiently, (cash benefits) hold out greater possibilities than do most other development initiatives, that resources will go into the pockets of the really poor rather than be skimmed off by intermediaries” (May 2000:127).

19 According to law, no child can be refused to attend school due to the inability of his/her caregivers to pay school fees.
Constitutional rights and fiscal constraints

According to entitlements as enshrined in the Constitution, it seems that the right to social security and children’s rights are progressively realised by the institution of the new grant. The new child grant expands social assistance to poor households with children that were not covered under the system of State Maintenance Grants. Although the new grant is on a much lower level than the SMG, it will still make a substantial contribution to the alleviation of poverty because of the wider coverage of households previously excluded. However, the constitutional rights of those on the old grant are negatively affected by the termination of the SMG as alternatives identified by the Department of Welfare do not provide viable substitutes at this stage. There is also no coherent plan to implement DSW.

The binding fiscal constraints of GEAR within which the Lund Committee was instructed to carry out its task, can also be questioned in terms of the Constitution. Although fiscal constraints are a reality, budgetary allocation is a matter of prioritisation, especially in the case of children’s rights. As indicated elsewhere, unlike the right to social security, the rights of children are not fettered to the extent that the state can answer to a charge by showing that it has taken steps within available resources to progressively realise the right. If the court finds the state in breach, it will be ordered to provide support. A defense that its departmental budgets do not permit such expenditure will not assist it. Critics of the Lund Committee argue that the Committee and the Department of Welfare should not have accepted the limited budget allocation, "but should rather have calculated on the basis of a reasonable amount that would enable children to live above minimum levels, and then motivated for the necessary budget” (Budlender 2000:129). In reflecting on the work of the Committee, the chair Francie Lund, refers to the very important role of economists, “the people in Finance and State Expenditure in determining social policy” (Lund 1999:11). While discussing the results of the SMG study on the termination of the SMG and the need for a general child grant, a senior welfare official remarked that he can only promote the recommendation if he has information on other less developed countries following the same route. “Otherwise the people of finance will not even consider it”. Thus, the role of economists and especially their views in determining social policy, remains a policy issue.

Social assistance to children

There are two underlying principles in the three existing grants available to children and their caregivers (the Foster Child Grant, Child Support Grant and Care Dependency Grant). Firstly, there is the recognition that in general children are best cared for in a family/household environment and secondly that a grant will hopefully curb the flow of children to more expensive options such as institutional care. As indicted, the SMG played a significant role in securing care for a specific group of poor children within the above framework. The current system of grants for children is very fragmented with big discrepancies. Children fall through the gaps and the spin-offs are undesirable. With the termination of the SMG, there is no grant coverage for children from seven to seventeen years with poor parents. The ideal is to revise the system and work from the premise of wanting to keep children secure, in a family environment with parents (generally) and in an equitable welfare system where the size of one grant or criteria for the grant does not mitigate against the other. Presently
this does not seem to be the case with the CSG and FCG. The current system of a high FCG (close to four times higher than the CSG) and a low CSG only until the age of six can result in families not staying together, but rather children being sent to live with relatives/other people in order to claim a FCG. All children need basic care, not only until the age of six. A general child grant for all children will be more equitable than the vast difference between the FCG and CSG. It will also contribute to lower administration costs as the children’s court system for foster care is long and expensive. It will also cater for the growing number of AIDS orphans more efficiently if it is connected to community care (a DSW programme). If the FCG stays in real terms on the same level and a large number of AIDS orphans get onto the FCG system, it may well result in the collapse of the system. It is estimated that one out of five South Africans is HIV positive.

Job creation and developmental social welfare

Much hope was placed on economic growth and job creation for those coming off the old system. Over the last four years, however, South Africa experienced jobless growth. The low level and limited span (until the age of seven) of the new grant were also justified by the minister of Welfare in terms of the hope placed on job creation and severe fiscal constraints. Within the Department of Welfare it was also hoped that the switch to developmental social welfare (DSW) would assist in filling the gaps by providing income-generating activities and training (Budlender 2000:130). Social workers, many of whom are not development officers, are involved in pilot projects that are not marketable, sustainable or on a scale large enough to make a real difference. With a limited budget and resources they try what other government departments are supposed to do: create public works programmes on a scale that will really alleviate poverty. From our research it seems that a negligible number of SMG beneficiaries benefited or will in the near future benefit from these activities. Intersectoral collaboration with other government departments, NGOs and the private sector would most probably be much more effective than the relatively small scale efforts of the Department on its own. This will however depend on who drives the process, as there has been a problem with Welfare trying to get co-operation from other departments. Central government co-ordination is necessary for successful development on a scale that is needed. Other state departments should be challenged to take responsibility for job creation for single mothers - they are not necessarily “welfare cases”.

The Department of Welfare has a crucial role to play in securing some form of state assistance for all children of poor caregivers. The department should have clarity on what its role and functions are in order to prevent any confusion regarding its role in economic empowerment or in poverty alleviation. Social workers have to be agents of DSW, social security, social services and end up being ineffective and disillusioned. Welfare should rethink its vision of DSW, concentrate on what it does best for the most vulnerable and pinpoint who is responsible for the rest. This is more in line with its vision of an integrated system, rather than perpetuating a duplication and “watering down” of its limited capacity. The task of the Department of Welfare is with those who are so vulnerable that they are unable to help themselves: the old, infirm, extremely disabled and children.
CONCLUSION

By focusing on an episode of welfare reform in South Africa, the paper illustrates that the realisation of the rights to social security and equity, as enshrined in the Constitution of South Africa, is fettered by a new-liberalist economic policy, GEAR, which is not delivering and a developmental approach to welfare which has not been properly operationalised. During the reform of a cash grant for children and their caregivers, much hope was placed on job creation through GEAR and developmental projects and programmes initiated by the Department of Welfare through its policy of developmental social welfare (DSW). Neither GEAR nor DSW has delivered yet.

It seems that the reform of the child and family grant has negatively affected the constitutional rights of those on the old system, as well as those eligible for the old grant but to whom it was not administered. Although the new child grant is contributing to the realisation of the rights of a group of children not catered for under the old system, it does not provide a safety net for children seven years or older. While the cost effectiveness of grants compared to other alternatives for the alleviation of poverty has been widely accepted in South Africa, serious consideration should be given to a general child grant for all poor children. The long-term costs of not introducing a general child grant should be weighed against short-term savings. It seems that decisions taken by economists are determining social policy currently. Although fiscal constraints are a reality, budgetary allocation is a matter of prioritisation and according to the South African Constitution children’s rights should receive priority.

If child grants were improved, community care enhanced with the private sector and NGOs as important partners, and central government focuses on job creation, we would begin to close the gaps of poverty in a systematic and comprehensive way.

REFERENCES


