

# Social grants

## Going beyond basic needs

There are many myths around the abuse of social grants. **David Neves** explodes these untruths and shows how social grants not only provide a safety net but also act as springboards for all sorts of other unseen opportunities.

**M**amzoli is an elderly woman who receives a state old-age grant and lives in a small Eastern Cape village with her grandchildren, while her adult children work in distant cities.

After Mamzoli worked for several decades as a domestic worker in Durban, she bought a gas-powered freezer and retired to her rural village which had no electricity. She used the freezer and the regular income from her old-age grant to sell beer and meat to increase her small income. This small-scale selling generates extra money for food and household expenses, and also improves Mamzoli's social position within her family and the village. She now hires people to work her vegetable garden and she sometimes stores items for others in her freezer.

Mamzoli is an example of why state social grants are widely recognised as an effective way to soften some of the harshest effects of poverty. In South Africa grants are targeted at poor children, elderly or disabled people and received by about a quarter of the population.

International research has documented how social grants improve the receiver's welfare by providing resources which are spent on food, clothing and fuel.

Grant income is also used for other needs such as transport, housing, accessing health services and education. In this way social grants provide an important 'safety net' in preventing people from falling into deeper poverty, for millions of poor households.

In the last decade policy makers, politicians and researchers have enquired about social grants functioning not just as 'safety nets', but also as 'springboards' enabling people to 'leap' into better opportunities. Recent research conducted by the Institute for Poverty, Land and Agrarian Studies (Plaas) and Economic Policy Research Institute (Epri) has looked at this. This new research combined statistical methods and in-depth case studies such as that of Mamzoli.

The story of Mamzoli is even more interesting if you see how her pension and purchase of a freezer changed resource flows within her family.

Several years ago Mamzoli's eldest son Fikile was working in a poor-paying job in Durban and sending his mother money every month. But when Mamzoli started receiving a pension and bought a freezer, Fikile reduced his monthly remittance to her. Fikile seized the opportunity

presented by his mother's reduced need for cash to work fewer hours and complete his matric.

Fikile successfully matriculated and was able to qualify for a much better job. His new employment means he now contributes much more to his mother and his extended family. In this way Mamzoli's carefully managed and channelled old-age pension enabled the extended family to improve its material position.

This example shows how social grants help strengthen already existing systems of mutual support or 'reciprocity' amongst impoverished South Africans. Whether you call such systems 'social capital', 'ubuntu' or 'informal social protection', resource sharing and mutual assistance is crucial to the survival of millions of poor and vulnerable South Africans. This micro-redistribution connects breadwinners to extended family members, workers to the unemployed, grant recipients to their larger households.

The Mamzoli case study also suggests ways in which social grants often facilitate a degree of social empowerment. Social grants motivate and support the care of grant recipients who would otherwise be extremely vulnerable.

Grants thereby strengthen the position of the elderly, disabled and children within households and communities.

So social grants certainly enable others to care for the receiver but they also enable the recipient to care for others. Many retrenched, work injured and unemployed adults live in households heavily reliant on social grant income but this income also provides the means for, particularly grandmothers and mothers, to do important domestic labour including caring for the young, ill, disabled or elderly.

Research shows how this 'care work' frees up other working-age, often women, adults to seek paid employment. Most grant recipients are therefore part of a vast and silent army of 'invisible' workers who perform unpaid and socially critical labour, looking after others and sustaining households. Although many working-class South Africans have experienced this, all too often researchers and policy makers overlook it.

### GRANTS AS SPRINGBOARDS

Grants also act as springboards to other things. There is much evidence of grants being invested for the future, but in ways that meet the needs and constraints of the poor.

Amongst poor grant receivers some of the most important investments they make are in their children or grandchildren's education and nutrition.

In addition, the research showed how grant income is frequently used for building or upgrading housing, and invested in other productive assets and activities such as Mamzoli buying a freezer. For the poorest South Africans, investing money in their children or grandchildren, in the quality of their housing and in productive activities and assets is a very real and important investment in the family's future.



*Social grants support millions of South African rural households.*

Receipt of a social grant also influences financial activities, such as borrowing and lending. The statistical analysis used in the research showed that grant beneficiaries save more money than non-recipients. They do this through informal mechanisms such as savings clubs or *stokvels* and formal bank accounts.

Grant recipients also engage in modest 'precautionary saving' for unforeseen future events and risks, and they borrow less money.

Statistics also revealed that recipients of social grants generally access credit on more favourable terms than non-recipients. This may be because of their reduced dependence on high-interest rate formal credit and greater informal borrowing from (and lending to) family, friends and other community members.

### NEGATIVE EFFECTS?

Are the effects of receiving a social grant all good? Are there negative effects?

Some people raise possible negative effects of grants such as discouraging saving, remittances, and even work seeking by adult recipients. However there is very little evidence of these negative effects.

Consider Fikile's reduced remittance to Mamzoli. Superficial research might say that this is an example of a state social grant 'displacing' a private remittance. But careful inquiry showed that Fikile's reduced remittance allowed him to complete his schooling and improve his occupation, ultimately benefiting his mother and extended family. Evidence of a 'displaced' remittance on its own reveals little of where or how the displaced money is used.

Perhaps even more controversially the Child Support Grant is often blamed for encouraging teenage girls to fall pregnant in order to access the grant. Although many people believe this, it is contradicted by the evidence. Not only are teenage mothers statistically much less likely to apply for grants than older women, the number of teen pregnancies remained constant before and after the introduction of the Child Support Grant in 1998. The idea that the grant induces young women to have children is just popular prejudice with little basis in fact.

### POLICY IMPLICATIONS

So if the impact of social grants is generally developmentally positive and empowering, what are the policy implications? What should



David Neves

*Social grants act as springboards for other things. Small monthly markets often spring up around grant payout points.*

the state and civil society do and continue to do?

Firstly, policy makers must acknowledge the crucial developmental impact of social grants and the role they play in the systems of mutual assistance on which millions of South Africans depend. While reports of grant misuse are sometimes noted in the media, we must recognise that millions of individual recipients receive and carefully use their grants every month.

Secondly, recipients use their grants in highly flexible ways.

While much grant income is spent on the basics such as food, schooling, clothes, energy and transport, much research evidence shows grant expenditure is tailored to recipient's particular circumstances. Grants often respond to the constraints and opportunities that individuals face as in the Mamzoli case. Key to this flexibility is that grants are paid out regularly and in cash rather than, say, in food vouchers. This has implications for policy debates about the use of vouchers which would deprive recipients of important flexibility.

This often paternalistic concern with controlling grant recipients has

echoes with debates about imposing conditions (or 'conditionalities') on grant recipients. Conditions such as school attendance or health clinic visits have been applied in Latin America, and exert a growing appeal in South Africa.

On the face of it this seems like a good idea: surely school and clinic attendance should be a condition of receiving a child grant? Bearing in mind that conditions generate considerable costs both on recipients who need to prove they are complying, and on administrators who need to monitor compliance, our research identifies several arguments against imposing conditions.

Conditions typically solve problems largely unknown in South Africa, such as child labour, low school enrolment and female withdrawal from school. Poor people overwhelmingly understand the value of education and health services – indeed they often agitate for better government services in protests! Where health or education services are underused it often reflects problems such as distant, dysfunctional or under-resourced facilities. Therefore, 'conditionalities'

should not be blindly imported into the South African context, but should instead be informed by careful consideration of the benefit these would actually add.

Finally, for all the developmental benefits of social grants, it is important to be realistic about what social grants can, and cannot, achieve. In South Africa able-bodied, working age adults cannot access social grants. There are debates about the extent to which they can or should be included in the welfare net, or if interventions such as Public Works Programmes, wage subsidies and vocational training are more appropriate. Although social grants can cushion the harshest aspects of poverty, social policy must in the end support trade, industrial and monetary policies which support employment and livelihood generation opportunities. <sup>15</sup>

*David Neves is a researcher at Plaas at the University of the Western Cape. Its report on social grants is titled, 'The Use and Effectiveness of Social Grants' by D Neves, D Samson, M Van Niekerk, I Hlatswayo, & A Du Toit (2009). The research was funded by the FinMark Trust.*