Supporting Lone Mothers in South Africa: Towards Comprehensive Social Security

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Introduction

This paper emerges from the Employment and Social Security Project (ESSP) which formed part of the UK's Department for International Development (DfID) Strengthening Analytical Capacity in Evidence based Decision making (SACED) programme. The SACED programme is a partnership between DfID, the South African Department of Social Development (DSD), the Centre for the Analysis of South African Social Policy (CASASP) at the University of Oxford and the School of Development Studies at the University of KwaZulu-Natal.

The main focus of the ESSP was to explore attitudes to paid work and social security among recipients of Child Support Grant and Disability Grant in South Africa and to investigate the extent to which there was any evidence of a 'dependency culture' emerging amongst grant recipients. The main findings of the project were reported in Surender et al. 2007and in two related papers (Noble et al. 2008 and Surender et al. 2010). In this paper and in two others (Ntshongwana, 2010a and 2010b) the data collected in the ESSP are further interrogated in respect of lone mothers in South Africa. In this paper possible social assistance options for lone mothers are explored using SAMOD (a tax and social security microsimulation model). One of the other papers examines low income lone mothers' experiences of employment and unemployment (Ntshongwana 2010a) whilst in Ntshongwana (2010b) issues for lone mothers in relation to child care, paid work and social security are explored.

A clear message to emerge from the ESSP is that income support for low income lone mothers in their own right, over and above the CSG, is necessary (Ntshongwana, 2010a). Two interviewees from the Eastern Cape Province talked about the inadequacy of the CSG in the context of their unemployment and lack of income, even to meet the needs of the targeted children:

"It's very difficult, there is no work, even with my young child I've been looking for work for over a year now. The grant helps but by the end of the first week of the month I'm already worried that it's getting finished. The stress is never ending, its worse when you have children like us. Not knowing what your children are going to eat because you don't have a salary, or just some kind of wage, because I have matric you know sisi" (Female CSG, Nxarhun Village, 2006).

"I have three children and I receive the children's grant for all of them. We all end up living on this grant, eating from this grant. Really, both my mother and I eat because of the children's grant, my mother is not old enough to get a pension, she has five years to go. One ends up feeling so guilty, eating from the children's money, because they don't have enough themselves. But what can we do, we're not earning anything" (Female CSG, Mdantsane, 2006).

In the Western Cape Province interviewees at times referred to the State Maintenance Grant (SMG) as a form of comprehensive social security provision that would, if administered by the current government to citizens in need, help reduce poverty for low income lone mothers. The State Maintenance Grant (SMG) was social security provided for low income lone mothers in South African non-homeland areas under the apartheid regime. Paid in respect of the caregiver and the dependent child(ren), it was racially stratified with mostly white and coloured recipients (Lund, 2008). A respondent from Makhaza said:

"Considering everything black people went through in this country, I mean living in townships the way we do with little education, having lost all that we did under apartheid, you'd think that women with children like me, mothers who can't find work would get a grant like the State Maintenance Grant. It's difficult to understand, I thought equality would be the compensation we get, I mean today my family doesn't have land, the boers took it, the least they can do is give us a maintenance grant so that this humiliating poverty can stop. I mean when are we going to start living like people, human beings, with dignity?" (Female CSG Makhaza, 2006).

In agreement another interviewee in the same group said:
"This is the thing, it's very sad that, well, as far as I can see, the people in power making all these policies, I don't know, it's like now that they are sorted out they have forgotten about us. Why couldn't they give us the State Maintenance Grant? I mean even the apartheid government gave it to coloured people, why can't our government look after us? It's not that we don't want to work, there is no work, there are no jobs and anyway we have to look after the children as well" (Female CSG Makhaza, 2006).

Both interviewees felt strongly that the government could afford to provide a more comprehensive social security system for low income citizens, in particular those with children:

"*you'd think that women with children like me, mothers who can't find work would get a grant like the State Maintenance Grant"*

The findings from this project and from the wider international literature on social security provision for low income mothers strongly suggest that if child poverty is to be tackled low income parents must be provided for (Lister, 2003).

In this paper, therefore, microsimulation modelling techniques are used in order to gauge the impact of three new, hypothetical social assistance grants on the poverty status of low income lone mothers and their children. The microsimulation model employed is SAMOD - the South African Microsimulation Model (see Wilkinson, 2009 and Wilkinson *et al.,* 2009 for details).

Three new grants are considered and the impact on poverty and inequality simulated. The first hypothetical grant is a modified version of the old State Maintenance Grant (SMG) - which we call the *Lone Parent Grant*. The two other prospective social grants simulated are a *Carer's Grant* for the primary caregiver (and their spouse if they have one) of children in receipt of CSG and an *Income Replacement Grant* for low income adults, irrespective of the presence of children within the family. The impact of each of these three grants on poverty and inequality is compared first when introduced individually and then when introduced simultaneously.

The 'South African Microsimulation Model' SAMOD

The microsimulation model used for the reform scenarios was constructed by a team of researchers from CASASP for the National Government Department of Social Development in South Africa[1]. SAMOD was developed from EUROMOD which is a tax benefit model covering 22 countries - the pre-2004 European Union member states and the new accession states (for further details about EUROMOD see Sutherland, 2001; Sutherland *et al.*, 2008).

Like all microsimulation models, SAMOD comprises a micro-data set of information on individuals and households and a set of policy rules which are applied to those individuals and households. The micro-data that was used was the Income and Expenditure Survey (IES) 2000. This was preferable to the more recent IES 2006 because the same people were interviewed for the IES 2000 and the 2000 Labour Force Survey (LFS) which increased the number of variables available for constructing the model. However, the IES 2000 data was then updated using information from the IES 2006 and other sources (see Wilkinson, 2009). In terms of the time point, the micro-data and the policies relate to 2007. The disadvantage of this time point is that it reflects a period in the past and so does not incorporate the amendments to the tax and benefit system that have been introduced since then. The advantage of this time point, however, is that it coincides with the period when the fieldwork for ESSD was undertaken.

The policies that are simulated in SAMOD are:

(a) Income Tax
(b) Unemployment Insurance from Unemployment Insurance Fund (UIF) contributions
(c) Care Dependency Grant
(d) Foster Child Grant
(e) Child Support Grant
(f) Old Age Grant
(g) Disability Grant
(h) Grant in Aid
(i) Fuel levy
(j) VAT and Excise Duties

[1] The project was also part of the UK Department for International Development Southern Africa initiative entitled Strengthening Analytical Capacity for Evidence-based Decision-making programme (SACED). SAMOD (c) The University of Oxford, The Department of Social Development of the Government of the Republic of South Africa and The University of Essex 2008. SAMOD was developed using the EUROMOD framework. EUROMOD is a tax-benefit model for the European Union, supported by European Commission funding, developed by a large consortium of European researchers and coordinated by Holly Sutherland of the University of Essex.

The Reform Scenarios

Reintroducing the State Maintenance Grant

The first scenario explored is the introduction of a social grant that would be the equivalent of the State Maintenance Grant (SMG) which was the main social security provision for low income lone mothers in South Africa during the apartheid era (Burman and Barratt, 1993). The SMG was paid in respect of the lone parent caregiver and the dependent child or children. Thus, unlike the CSG which is intended for the child/children only, the SMG had both a parent and a child component to it. The SMG was awarded to up to four children in a nuclear family and to one child out of wedlock where that was the case (Burman and Barratt, 1993). It was means tested, and the applicant had to prove that she/he had attempted to obtain maintenance from the partner or other parent of the child/children through the private parental maintenance system (Burman and Barratt, 1993). Provision of the SMG originally deliberately excluded all black African women and later, when black Africans living in the Republic were granted eligibility only a few actually received it as information about its availability was censored during the apartheid era (Lund, 1993).

As we cannot tell from the micro-data underpinning the model whether the lone parent tried but failed to obtain private maintenance, this condition was dropped from the simulation. The distinction between children born in or out of wedlock was also dropped. There was no need to apply a limit to the number of children (which was the case for SMG) as this is addressed within the CSG rules. The simulated Lone Parent Grant (LPG) therefore simply relates to the component for the lone parent herself/himself, as the child component is addressed by retaining the child grants already in existence in 2007. Even though the focus of this paper is on lone mothers, the Lone Parent Grant is simulated such that both men and women could qualify so as to adhere to the non-sexist principles contained within the Constitution; in practice, however, most eligible people will be women. The simulated grant also differs from the SMG because eligibility is irrespective of population group or place of residence. The LPG is ‘non overlapping’ with the Old Age Grant (OAG) and the Disability Grant (DG), i.e. LPG is not payable if either the DG or OAG is in payment.

In terms of amount, the Lone Parent Grant (LPG) is set at R870 – that is the same amount as the Old Age Grant (OAG) in 2007. This reflects the position with SMG where the adult component was set at the rate of the OAG at the time.

A Carer’s Grant

It could be argued that the LPG penalises parents who are married (or living as married), as it only provides funds for lone parents. As such some might argue that such a grant might introduce a ‘moral hazard’ into the social assistance system – for example couples parents might feel obliged to separate in order to become eligible for the LPG. In order to address this challenge, the next grant simulated was a more general Carer’s Grant (CG). This was designed in such a way that all carers of dependent children would be eligible, regardless of the marital status of the carer. It was also designed to be non-overlapping with the OAG and DG.

The amount selected for such a grant is R700 per month to a lone parent carer or R700 to each carer in a couple (i.e. R1400 for a couple with dependent children). This amount is around 80% of the amount payable in 2007 for the Disability Grant (DG) or Old Age Grant (OAG). The rationale for a discounted amount is that the DG is a dual benefit containing both an income replacement and 'extra costs of disability' element (Whitworth and Noble 2007). We have made the assumption that around 20% of the DG would be an 'extra costs of disability' element. The amount of the Carer's Grant is also about 80% of the Old Age Grant. Again one could argue that older people have extra costs and so a grant for the able bodied carers might be somewhat less than the Old Age Grant. This is generally the case internationally although the exact 'discounting' varies from country to country. As the amount of OAG/DG in South Africa is so relatively low, a 20% reduction for carers seemed appropriate.

Though the LPG utilises the same means test as the OAG, for the Carer Grant we opted to use the (lower) means test that is used for the CSG so that it is more consistent for recipients as they would receive both the Carer Grant and the CSG. This would mean that recipients are only dealing with one means test.

An Income Replacement Grant

The third scenario that is simulated is the introduction of an Income Replacement Grant (IRG) for all adults of working age, including lone mothers, but excluding those with a disability who would already receive a Disability Grant (DG). This eliminates a potential 'moral hazard' within the Carer's Grant and the Lone Parent Grant, both of which might result in a decision to have children in order to qualify for either of the grants. As with the Carers Grant the rate of payment was set at a lower rate than the DG/OAG. However, in this case, as the grant would be going to all able bodied adults and not just those with children there would be greater fiscal implications, so the IRG was further discounted and set at R500 per adult per month. Obviously fixing of these rates is arbitrary but as we shall see in the next section simply increasing the scope of the social grants system even in this modest way can have major impacts on poverty and inequality both for households in general and households with children. The means test applied was as for the OAG.

The three microsimulation scenarios are comparatively summarised in the Appendix.

The impact of these scenarios on poverty and inequality

Having simulated a range of grants which provide extra support to lone mothers either directly through a lone parent grant, through a carer's grant or through a general adult income replacement grant, the rest of this paper looks at the actual impact of such grants on poverty and inequality amongst (1) all households and (2) households with children.

In line with other comparable recent analyses (e.g. Liebbrandt et al 2010 referred to below) these analyses are undertaken using 'per capita' income. In terms of the poverty analysis, we use a set of income poverty measures that were developed by Foster, Greer and Thorbecke (1984), a class of decomposable poverty measures widely used in developing countries and referred to as 'FGT measures'. The measures comprise a 'head count ratio' (p0) which indicates the rate of poverty within the country and is sometimes called the incidence of poverty. There are two further FGT measures which we will use: the p1 measure is the poverty gap which is the measure of how far below any given poverty line people are – it therefore gives an indication of the depth of poverty, and the further below the line people are the higher the p1 figure will be. The p1 figure is computed as the average normalised poverty gap. The p2 measure is a measure that reflects even deeper poverty and is calculated as the average squared normalised poverty gap. Thus, an effective state transfer intervention should not only reduce the head count ratio but also the poverty gap and the squared poverty gap.

Outcomes according to the FGT measures are sensitive to the particular poverty line employed. There is no official poverty line in South Africa. Some of the poverty lines that are common in OECD countries and Europe such as percentages of median income are difficult to implement in South Africa because of the skewed nature of the income distribution – e.g. the median income in the distribution is very low indeed. The problem with using mean income is that the mean income can be distorted by any kind of error in the high incomes within the data set, so most poverty research in South Africa tends to use absolute income poverty lines (e.g. Leibbrandt et al. 2010). We follow that tradition and use the lower and upper bound poverty lines developed by Hoogeveen and Özler (2006). These poverty lines were constructed in 2001 when they were fixed at R322 for the lower bound poverty line and R593 for the upper bound line. For these analyses the lines were inflated to mid 2007 values yielding a lower poverty line of R460 per month and an upper poverty line of R848 per month.

We first present the analysis using the lower poverty line (the lower poverty line of Hoogeveen & Özler (2006) inflated to 2007 prices, i.e. R460 per month) and then for the upper poverty line (the upper poverty line of Hoogeveen & Özler (2006) inflated to 2007 prices, i.e. R848 per month). The analyses are first presented for all households and then just for those households that contain children.

For comparison, the results are presented alongside the scenario where no grants are in payment and where existing 2007 grants only are in payment. The simulated grants are then presented (on the assumption that, in addition, existing 2007 grants are in payment. In the analysis of the three hypothetical grant scenarios, the Child Support Grant has also been adjusted to include all eligible children up to the age of 17 inclusive. Though this had not taken place in 2007 there is a government commitment to extend the CSG to under 18s and this age extension is gradually being rolled out.

Table 1 Poverty Experienced by All Households in 2007 using a Lower Poverty Line of R460

	p0	p1	p2
No Grants	0.58	0.41	0.34
2007 Grants	0.50	0.22	0.13
2007 Grants plus LPG and CSG for 0-17s	0.42	0.14	0.07
2007 Grants plus CG and CSG for 0-17s	0.39	0.11	0.05
2007 Grants plus IRG and CSG for 0-17s	0.21	0.03	0.01

Note: Based on simulations using SAMOD V1.1

The impact of all grants on poverty levels will inevitably be more apparent when applying lower level poverty lines. Tables 1 and 2 illustrate this. For all households, (Table 1) the head count ratio goes from 0.58 with no grants down to 0.50 with normal 2007 grants. The introduction of a simulated LPG reduces the head count ratio to 0.42, with the CG it reduces to 0.39 and with an IRG poverty is reduced even more to a head count ratio of 0.21. Therefore, even though the adult IRG is the smallest in grant amount (R500 per month), it has the greatest impact on overall per capita household poverty. This is because of the large number of unemployed adults that would qualify for such a grant. For all three grants there is a dramatic impact on depth of poverty and squared depth of poverty.

Table 2 Poverty Experienced by Households with Children in 2007 using a Lower Poverty Line of R460

	p0	p1	p2
No Grants	0.64	0.46	0.38
2007 Grants	0.57	0.25	0.14
2007 Grants plus LPG and CSG for 0-17s	0.47	0.15	0.07
2007 Grants plus CG and CSG for 0-17s	0.43	0.11	0.04
2007 Grants plus IRG and CSG for 0-17s	0.26	0.04	0.01

Note: Based on simulations using SAMOD V1.1

Considering just households with children (Table 2), a scenario with no grants results in an even higher head count ratio (0.64) than for all households (0.58). Similarly, a scenario with normal 2007 grants also has a higher head count ratio (0.57) and that remains the same even after adding a LPG (0.47), with a Carer's grant it is 0.43 and with an Adult IR Grant the head count ratio reduces to 0.26. For all scenarios the poverty levels of families with children are higher than the poverty levels of all households. This is the case even when grants in respect of parents - the lone parent grant or the carer's grant are in payment. In fact, the IRG, which does not have any direct reference to children, has a bigger impact on child poverty as measured by the per capita poverty headcount ratio in households with children than either of the grants paid solely to parents. All 3 simulated grants have a significant impact on depth of poverty - and again the IRG has most impact.

The same phenomenon is identified when using the higher poverty lines in Tables 3 and 4 below.

Table 3 Poverty Experienced by All Households in 2007 using a Higher Poverty Line of R848 per month

	p0	p1	p2
No Grants	0.70	0.52	0.43
2007 Grants	0.67	0.40	0.27
2007 Grants plus LPG and CSG for 0-17s	0.66	0.34	0.20
2007 Grants plus CG and CSG for 0-17s	0.66	0.31	0.17
2007 Grants plus IRG and CSG for 0-17s	0.59	0.22	0.10

Note: Based on simulations using SAMOD V1.1

Table 4 Poverty Experienced by Households with Children in 2007 using a Higher Poverty Line of R848

	p0	p1	p2
No Grants	0.76	0.57	0.48
2007 Grants	0.75	0.45	0.30
2007 Grants plus LPG and CSG for 0-17s	0.73	0.37	0.22
2007 Grants plus CG and CSG for 0-17s	0.73	0.34	0.19
2007 Grants plus IRG and CSG for 0-17s	0.68	0.26	0.12

Note: Based on simulations using SAMOD V1.1

In the two tables above, the poverty headcount ratio without grants was 0.70 for all households and 0.76 for households with children. This fell with the introduction of the existing 2007 grant system, and reduced further with the introduction of the LPG and CG (0.66 for all households and 0.73 for households with children). The poverty headcount ratio is lowest with the introduction of the IR grant (0.59 for all households and 0.68 for households with children).

In Table 4 the average normalised poverty gap, p1, is reduced significantly from 0.57 with no grants to 0.26 with an adult IR grant. Introduction of a Lone Parent Grant reduces the depth of poverty by 8 percentage points from the situation with normal 2007 grants, from 0.45 to 0.37. Even deep poverty, reflected by the p2 measure, is reduced the most by the IR grant in comparison to all other scenarios in Table 4: the Adult IR Grant reduces the p2 measure from 0.30 with normal 2007 grants to 0.12.

How do grants impact on income inequality and, in particular what is the impact of the simulated grants on income inequality? Levels of income inequality in South Africa have become the highest in the world. In their analysis for 2008 using the National Income Dynamics Study, Leibbrandt et al. (2010) estimate the gini coefficient for South Africa at 0.7. This accords with our analysis using SAMOD. Before any social grants were taken into account the gini stood at 0.77 for all households, and 0.76 for households with children. The existing grants reduce inequality to 0.70 for all households, and 0.65 for households with children. Income inequality in households with children is therefore slightly lower than for all households. The gini coefficient gets progressively reduced by the introduction of the hypothetical grants. Table 5 below shows that with an Adult IR grant the Gini coefficient goes down for households with children as low as 0.54 whereas for all households it is only reduced to 0.60. Thus, inequality is significantly reduced with the introduction of the existent 2007 social grants, and is reduced further by the LPG, the CG and (most of all) by the IRG.

Table 5 Inequality experienced by all households and households with children in 2007 as measured by the GINI coefficient with different grant scenarios

	GINI All households	**GINI households with Children**
No Grants	0.77	0.76
Normal 2007 Grants	0.70	0.65
Lone Parent Grant	0.66	0.60
Carer Grant	0.65	0.58
Adult IR Grant	0.60	0.54

Note: Based on simulations using SAMOD V1.1

Two further scenarios involving all three hypothetical grants

The analysis hitherto has focussed on the impact of each of the three hypothetical grants if they were added to the 2007 tax and benefit system individually - that is an LPG or a CG or an IRG. This section considers the impact on poverty of introducing all three grants in combination. As this system was more comprehensive than those considered above, we considered two options - a minimum package with grants introduced at relatively low rates and a maximum package with grants at higher rates. In neither package were the rates set at the levels simulated when the grants were introduced individually. However, the means tests and other eligibility criteria are as described above. Both the maximum and minimum packages were based on the 2007 tax and benefit system and are referred to as SA_07COMBOMAX and SA_07COMBOMIN respectively (please see the appendix for more details).

The grant amounts assigned under each system are shown in Table 6 below:

Table 6 Grant Amounts in two new tax and benefit scenarios

	SA_COMBOMAX (Rand per month)	SA_COMBOMIN (Rand per month)
Lone Parent Grant	500	350
Carer Grant	350	250
Adult IR Grant	250	200

The grants were treated as 'non overlapping' and were simulated in the order shown in the table, i.e. LPG then CG then IRG. In the policy rules we stipulated that no-one could receive an IRG if they had already been assigned a LPG or a CG, and that no-one could receive a CG if they had already been assigned a LPG.

The impact on poverty is shown in the last two rows of Tables 7 and 8 for all households and households with children respectively. For ease of comparison the FGT poverty measures of the other grants already analysed are included in the tables. Table 7 shows the impact of the grants on poverty using the lower bound poverty line of R460.

Table 7 Poverty experienced by Households in 2007 using a Lower Poverty Line of R460

	All Households		
	p0	p1	p2
No Grants	0.58	0.41	0.34
Normal 2007 Grants	0.50	0.22	0.13
Lone Parent Grant	0.42	0.14	0.07
Carer Grant	0.39	0.11	0.05
Adult IR Grant 500	0.21	0.03	0.01
Combo Min	0.39	0.10	0.04
Combo Max	0.34	0.07	0.02

Note: Based on simulations using SAMOD V1.1

The SA_07COMBOMIN has the same impact on the poverty head count ratio as the Carer Grant on its own. This is because, although the grant levels are lower SA_07COMBOMIN reaches more people. It could also be regarded as posing less of a risk of moral hazard. Based on the SA_07COMBOMIN scenario, if a Carer grant recipient ceases to be a child carer, for example, she/he does not lose all grant income but instead becomes eligible for the adult IRG.

The SA_07COMBOMAX has more of an impact on poverty reduction, with a head count ratio of 0.34, than any other grant or grant combination except for the R500 per month IRG (which produced a head count ratio of 0.21). The impact on poverty of the combination grants on households with children is not as great as that on ‘all households’. Table 8 shows that the head count ratio for SA_07COMBOMIN is 0.45 for households with children - two points higher than if just the CG was offered. The head count ratio of SA_07COMBOMAX is 0.4 (as compared to 0.34 when considering all households.

Table 8 Poverty experienced by Households with Children in 2007 using a Lower Poverty Line of R460

	All Households		
	p0	p1	p2
No Grants	0.64	0.46	0.38
Normal 2007 Grants	0.57	0.25	0.14
Lone Parent Grant	0.47	0.15	0.07
Carer Grant	0.43	0.11	0.04
Adult IR Grant 500	0.26	0.04	0.01
Combo Min	0.45	0.12	0.04
Combo Max	0.4	0.09	0.03

Note: Based on simulations using SAMOD V1.1

Table 9 below shows that both Combo Min and Combo Max have a greater impact on reducing inequality in households with children than in all households. Out of all the hypothetical grant scenarios the IRG reduces inequality the most generating a Gini coefficient of 0.60 for all households and 0.54 for households with children. Nevertheless, Combo Min and Combo Max significantly reduce inequality for all households, and for households with children, compared to the existent 2007 grant system, and introduce fewer ‘moral hazards’.

Table 9 Inequality as measured by the GINI coefficient with the Combination Grant Regimes

Inequality (Gini)	**All Households**	**Households with Children**
No Grants	0.77	0.76
Normal 2007 Grants	0.70	0.65
Lone Parent Grant	0.66	0.60
Carer Grant	0.65	0.58
Adult IR Grant	0.60	0.54
Combo Min	0.64	0.58
Combo Max	0.63	0.57

Note: Based on simulations using SAMOD V1.1

The Cost of the hypothetical Grant scenarios

In this section we consider the cost of the various scenarios that have been simulated in this paper. Table 10 lists the cost of introducing each new scenario. The second column gives the amount if the CSG rules for 2007 were left intact, and the third column gives the amount if the CSG was extended to under 18s (to be in line with the analysis above).

Table 10 The Cost of all hypothetical grants

Type of Grant	R Billion (CSG for children younger than 14 years of age)	R Billion (CSG for children up to 18 years of age)
Lone Parent Grant	26.9	32.4
Carer Grant	36.4	41.8
Adult IR Grant	105.5	111
SA_07COMBOMIN	48.2	53.7
SA_07COMBOMAX	63.2	68.6

Note: Based on simulations using SAMOD V1.1.

So for example, the Lone Parent Grant at R870 per month, together with the CSG offered by government in 2007 for children younger than 14 years of age, would cost R26.9 billion. When eligibility for the CSG is raised to include children up to the age of 18 years the amount rises to R32.4 billion.

The Lone Parent Grant is the cheapest scenario to introduce. However, it excludes able-bodied people of working age without children as well as couple parents, posing a moral hazard where poor people who do not have children or poor couple parents might have an incentive to have children or separate respectively, just to be able to have an income. The combination grants (Combo Min and Combo Max) would cost more, R53.7 Billion and R68.6 Billion respectively, however, they are also more equitable as more people would have access to them.

As social grants are mostly financed through tax revenue in South Africa, we now consider new possible policy options that government might consider in raising funds towards the financing of grants. In 2007/8 the revenue raised through basic income tax in the country was R168.774 billion[2]: this highlights the fact that any of the scenarios being considered in this paper would require a significant amount of additional resources. Thus, in an attempt to see how the required revenue could possibly be raised, we hypothetically increased the income tax rate for the highest three income bands in the country.

[2] See National Treasury Budget Review 2009

Table 11 Income Tax Rates for 2007/8 and a hypothetical scenario

Income bands (Rand)	2007 Tax Rate (%)	Hypothetical Tax Rate (%)
0-112,499	18	18
112,500-179,999	25	25
180,000-249,999	30	30
250,000-349,999	35	40
350,000-449,999	38	50
450,000 and above	40	60

As shown in Table 11 above, those with an annual income of between R250,000 and R349,999 would hypothetically have to pay 40% income tax on income above R250,000 as opposed to the 35% they paid in 2007; those earning R350,000 to R449,999 would pay 50% income tax on income above R350,000; while those earning R450 000 and above would pay 60% tax on income above R450,000 rather than 40% as was the case in 2007. This would increase the tax burden on the relatively wealthy and be a redistributive measure. However, because most people in South Africa live in poverty and much less people actually belong in the top three income bands, such an increase in income tax yielded only R21.81 billion more tax revenue, an amount inadequate to pay for any of the hypothetical social grant scenarios presented in this chapter.

Raising income tax is one way of contributing to the financing of social grants, other possible avenues that could be explored such as raising corporation tax cannot be investigated with SAMOD. In the 2009/2010 tax year 53.3% of revenue from taxes on income and profits is expected to come from individual income tax while 46% will be from corporation tax[3]. Corporate tax rates, therefore, could also be raised. In addition, some of the tax relief enjoyed for contributions to private health care and private pension schemes could also be channelled towards social grants in the country in order to effect poverty reduction. Indeed, former Social Development Minister Zola Skweyiya recently stipulated that:

"while a comprehensive social security system is too expensive, it is also too expensive not to have it, given its ability to reduce poverty and create safety nets and stable families and communities" (Skweyiya, 2007).

Focus group respondents from the Western Cape Province also expressed the relief an unemployment grant would bring to the grinding day to day poverty they lived under. Interviewees were unequivocal about the view that an unemployment grant would reduce not only poverty but crime as well in South Africa. Two respondents, in particular, said:

"It is after three days of absolute hunger that you transform into someone you yourself don't recognise. I tell you, after three days of hunger you snatch an old ladies bag when she comes from getting her pension" (Female CSG, Khayelitsha, 2006)

[3] See National Treasury Budget Review 2010

“Hunger over a long period of time, I’m talking about poverty, turns you into an animal. You end doing things you know you shouldn’t do. Yes, some people commit crime because they are cruel or because they are on drugs, but I tell you, in this country it’s mostly because of poverty. So an unemployment grant would help so that our children don’t end up being criminals” (Female CSG, Khayelitsha, 2006)

Conclusion

The Bill of Rights (Section 27:1) in South Africa’s Constitution (1996:2) states that:

“Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance” (Republic of South Africa, 1996).

This includes able-bodied people of working age, the unemployed. The article further declares that:

“The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights” (Republic of South Africa, 1996).

All that is available, however, for able-bodied adults of working age is the discretionary Social Relief of distress which is not a right that would be recognised within Section 27 of the Bill of Rights. Taking into account the constitutional mandate and given that sub-section 2 of Section 27 refers to the provision of grants according to the availability of resources and the progressive realisation of such rights, one option that could be considered is the provision of an IRG, albeit at a low rate in the short term.

Results yielded by all five hypothetical grant scenarios show that cash transfers significantly reduce household poverty, and poverty levels of households with children. It could further be argued that social grants at modest amounts would have an employment generating effect as the increase of money circulating in more poor neighbourhoods would create opportunities such as opening small shops in communities. Such grants could also place recipients in a better position to find and retain employment as they could assist with transport costs which were often cited as an impediment to finding jobs by focus group interviewees.

Because of the apartheid legacy, and the country’s Constitutional mandate, policy choices that have a strong redistributive element are attractive not only for the purpose of reducing poverty but also for the country’s own stability. Focus Group interviewees expressed dismay that after they and their previous generations had lived through the injustice of the apartheid system, poverty continued to define their existence and their children’s future. They thought it unacceptable that with a history of solidarity such as the one South Africa has the country’s inequality rate was so high. It was clear in the focus groups that respondents thought that their social citizenship rights were not being met:

"I don't think we'll ever reap the benefits of democracy unless democracy is living in a shack with your whole family and not knowing where your next meal is going to come from. The four rooms the apartheid Boers used to give were even better. It's not that I want apartheid back, it is the hopelessness that makes me speak like this. " (Female CSG, Khayelitshsa, 2006).

Additional grants, particularly ones such as the hypothetical IRG, have a dramatic impact on poverty and this is so for households with children as well as for all households. In order for the country to move towards the realisation of social citizenship rights and poverty reduction, a more comprehensive social security system is not an unaffordable luxury but a hard-earned necessity.

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Appendix: Five SAMOD Scenarios

	1	2	3	4	5
System Name	**SA_07&LP**	**SA_07&CARER**	**SA_07&IR**	**SA_07&COMBOMAX**	**SA_07&COMBOMIN**
Summary	**2007 system plus Lone Parent Grant plus extending CSG to under 18s**	**2007 system plus Carer Grant plus extending CSG to under 18s**	**2007 system plus Income Replacement Grant plus extending CSG to under 18s**	**2007 system plus Lone Parent Grant, Carer Grant, Income Replacement Grant and extending CSG to u18s (max grant size)**	**2007 system plus Lone Parent Grant, Carer Grant, Income Replacement Grant and extending CSG to u18s (min grant size)**
Policy name (spine variable explanation)	Lone Parent Grant	Carer Grant	Income Replacement	See previous columns	See previous columns
Amount	R870 to lone parent	R700 to primary care giver (and R700 to spouse)	R500	LP R500; C R350; IR R250	LP R350; C R250; IR R200
Means test	Same as OAG	Same as CSG	Same as OAG	LP and IR same as OAG; C same as CSG	LP and IR same as OAG; C same as CSG
Other changes?	Extend CSG to under 18s	Extend CSG to under 18s	Extend CSG to under 18s	Extend CSG to under 18s	Extend CSG to under 18s

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