

Walking the tight rope of social grants

 By [Chris Blair](#)

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In the budget speech on 22 February 2023, minister of finance, Enoch Godongwana warns of tax hikes if calls for basic income grants persist.



Source: Supplied. Chris Blair, chief executive officer of 21st Century.

“I’m not raising taxes this year but next year is a different ball game. I’ll raise taxes for different reasons; there’s always a warning which we did in February last year, we’re repeating that warning.

“For argument’s sake, let’s say we want to increase the R350 social relief of distress (SRD) grant or improve it and make it a basic income grant ... you must also know you’re calling for me to tax you more.”

Godongwana said he has set aside R36bn to extend the payment of the SRD grant to March 2024.

In spite of this threat, Godongwana increased the child support grant by 5% (below inflation) to R505 per month and old age and disability grants to R2,085 per month. He also allocated R23bn with R22bn being allocated to health and basic education respectively, to cover the shortfall in budgets and to improve services.

But do social grants really work?

Social grants are government-provided financial transfers to individuals in need, such as those living in poverty, disabled individuals, and elderly citizens. The aim of these grants is to provide a safety net for those who are struggling and to reduce poverty and inequality.

However, the success and impact of social grants is a topic of debate, with opinions varying on whether they are effective in achieving their goals and whether they have unintended consequences for individuals and society.

In terms of their success, there is evidence that social grants have made a positive impact in reducing poverty and increasing the wellbeing of recipients in many countries. For example, in South Africa, the introduction of the Child Support Grant in 1998 was associated with a decrease in child poverty, improved health outcomes for children, and increased enrolment in school.

In Brazil, the Bolsa Familia programme has been credited with reducing poverty and improving social indicators such as education and health outcomes.

However, there is also evidence that social grants can have unintended consequences and not always achieve their goals. For example, in some countries, social grants may disincentivise work, leading to increased unemployment among recipients.

A need for public trust in the government

While these grants are intended to provide a safety net for those in need, they may discourage individuals from seeking employment or working more hours, as they may lose their eligibility for the grant. This can lead to a dependency culture, where individuals become reliant on the grant as their main source of income, which can be harmful for their long-term financial stability.

There is also debate over whether social grants are good for citizens and society as a whole. Social grants provide a crucial safety net for those in need, helping to reduce poverty and inequality, and improve the wellbeing of recipients.



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South Africa has one of the largest measures of inequity in earnings in the world as measured by the Gini co-efficient (currently 63) particularly if the unemployed are included in the measure. Social grants can also have a positive impact on the economy by increasing consumer spending and boosting demand for goods and services.

However, there are concerns that social grants may be subject to corruption and mismanagement, with a portion of the funds not reaching the intended recipients.

This is a real concern in South Africa as was witnessed by the large-scale corruption with Covid relief. This can reduce the impact of the grants and undermine public trust in the government and the grant programme.

A growing aging population

It is also worth noting that social grants may not be a sustainable solution for reducing poverty and inequality. In many countries, the cost of providing social grants is increasing as the population ages and unemployment numbers grow and more individuals become eligible for support.

This can put a strain on government budgets and may lead to reductions in other critical areas, such as education and

health. Therefore, while social grants can be an effective tool in reducing poverty and inequality in the short term, it is important to consider long-term solutions, such as job creation and economic growth, to address these issues.

In conclusion, social grants are a complex and controversial topic, with opinions varying on their success and impact.

While they can provide a crucial safety net for those in need and improve the wellbeing of recipients, they can also have unintended consequences and not always achieve their goals. It is important to carefully consider the pros and cons of social grants and to ensure that they are implemented in a manner that is effective, efficient, and equitable.

Ultimately, the success of social grants depends on several factors, including the design and implementation of the grant programme, the broader economic and social context, and the level of corruption and mismanagement.

ABOUT CHRIS BLAIR

Chris Blair, Chief Executive Officer of 21st Century Pay Solutions Group (Pty) Ltd, has consulted to over 500 organisations - both in Southern Africa and internationally. Chris holds a BSC Chem. Eng. and MBA in Leadership & Sustainability and is registered as a Chartered Human Resource (CH~~R~~) Practitioner with the South African Board for Personnel Practice (SABPP). He is also accredited as a Master Reward Specialist through the South African Reward Association (SARA).

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