Despite the extensive reach of South Africa’s social assistance system, a number of barriers exist that prevent many of the poor from accessing social grants. In 2002, the Taylor Committee of Inquiry into a Comprehensive Social Security System for South Africa proposed a system of universal grants to tackle income poverty and address gaps in the social security system. The government has committed to phasing in a universal Old Age Grant and is proposing to apply the same principle to the Child Support Grant (CSG). This essay makes a case for the universalisation of the CSG.

Targeting versus universalisation of children’s grants

When considering social security programmes, policymakers must decide whether to provide social assistance to everyone (universalisation) or to a select group (selectivity or targeting). For example, fiscal constraints played a significant role in the development of the Lund Committee’s proposals and the government’s decision to target the grant at poor children under the age of seven years old when the CSG was first introduced. Although there has since been an increase in the age threshold to 18 years, a means test is still a determinant to assess whether caregivers fall below the income threshold and are therefore eligible for the grant. A recent study by the International Labour Organisation (ILO) found that while most countries have child benefits of some kind, 27 countries have chosen to universalise child benefits, where all children receive benefits irrespective of whether or not they live in poor households.

Arguments for targeting children’s grants

A key argument for targeting social grants at select groups is that it prioritises certain groups or individuals based on the principle of need: that is, social assistance programmes should focus on those who are most in need of income support. Closely linked to this is the argument that governments must make choices in the context of resource constraints, and that targeting provides a means of “allocating scarce public resources efficiently and equitably”. Given limited public budgets, proponents of targeting argue that it is more efficient to prioritise the poorest, concentrating benefits in this group rather than spreading scarce resources across the population. Those who support means testing argue that targeted interventions are more effective in reducing inequality of opportunities than universalisation “since, if all available resources are destined to the poor, the reduction in inequality will be more marked than if the same resources are equally shared among the entire population”. Targeting poor and vulnerable groups is therefore considered a more efficient and effective approach to achieving the goal of reducing poverty and inequality.

Figure 25: Global distribution of child/family benefit programmes by type, 2011–2013


Note: Figures in brackets refer to the number of countries in each category.

i Few programmes are truly universal; a universal grant would be one that would be available to all citizens of a country, such as the Basic Income Grant. A universal child benefit, however, still targets a specific age category.
The rationale for universal child grants

Universalisation, in contrast, gives everyone access to the same benefits. A universal approach is based on the principles of equality and inclusivity, rather than need.

There are several arguments in favour of inclusive social security programmes. First, the South African Constitution states that everyone is entitled to have access to social security, subject to progressive realisation within available resources. Second, poverty targeting requires applying an arbitrary income threshold (means test) to distinguish the “very poor” – those who are eligible for social grants – from others who are also “poor”, but not poor enough to qualify for the grant. Thus, caregivers who earn slightly more than the means test threshold cannot receive the grant for their children, even though they live in similar circumstances to those who are eligible. The means test also assumes that incomes are stable, whereas earnings are often erratic, and poor households may fall in and out of “poverty” as defined by the poverty line. Some view this distinction as unfair, and a violation of people’s constitutional right to social security and dignity.

As a result, targeting can create resentment and division in communities between those who receive social grants and those who do not, whereas a universal benefit treats all people equally. Universal benefits also avoid the stigma associated with welfare or social grants going to people deemed “poor”, and can instead promote an ethos of social solidarity.

A key motivation for introducing a universal child benefit is the potential for reducing the number of poor children who are excluded as a result of targeting. Poverty targeting assumes that
the methods of targeting are effective in reaching poor children. However, no form of targeting is perfect. Instead, those who are not eligible may receive a grant (inclusion error), while many of those who are eligible may be excluded (exclusion error). Despite improvements in the coverage of the CSG, many eligible children who should benefit from the grant remain excluded. A universal child benefit increases the likelihood that the benefit will reach all poor children. Box 8 on P. 81 provides reasons for the exclusion of children who are eligible for the CSG under the current means test.

Targeting imposes costs on applicants and the government. The costs to applicants include travelling to South African Social Security Agency (SASSA) offices, having to pay to make copies of documents and opportunity costs, as applicants may wait for hours in queues. The costs to government involve the costs of administering the means test and monitoring access.

Another argument for universal programmes is that they allay concerns about potential perverse incentives and negative impacts on the labour market, as all caregivers would be eligible for the benefit irrespective of their income.

Furthermore, universal programmes tend to have more political support than those that are targeted and may lead to larger benefits. Kidd’s analysis of pension transfers in approximately 40 developing countries shows a correlation between systems with broad coverage (over two thirds) and higher levels of transfers. He argues that in countries with inclusive social security programmes, people with higher incomes are more likely to be supportive of social grants, as opposed to feeling that they are the only ones paying taxes and providing “hand-outs” to the poor. Thus, middle- and higher-income people are prepared not only to support the social security programmes, but also to motivate for increasing benefits, potentially resulting in a greater reduction in poverty.

Lastly, champions of universalism argue that budget constraints are less binding and fixed than often presented; and that the amount of resources available depends on the choices governments make
about spending priorities and taxation. In South Africa, some economists argue that the tax base is small, but this argument does not take into account the fact that the tax threshold and amount of taxes raised are policy decisions. Political as well as financial concerns play a role in defining the “affordability” of programmes.

Key considerations for implementation

The universal provision of a child benefit would require an increased budget and fiscal allocation. A common concern raised about this approach is the perception that costs will increase dramatically due to an increase in the number of beneficiaries. However, an estimated 78% of all children in South Africa are already eligible for the CSG (although not all of these children access the grant; see Box 9). In addition, fertility rates in South Africa have declined since 1994 and are expected to continue to do so in the future. The implication is that the costs of a universal benefit would decrease over time. Box 9 presents delivery and financing options for a universal child benefit.

Conclusion

Targeted programmes require a considerable amount of extra resources to enforce a targeting mechanism that, at the same time, may generate undesired effects, such as exclusions. Universalisation may cost more in the short run but offers significant social benefits. The Department of Social Development commissioned research into the feasibility of universalising the grant in 2012, and in 2016 commissioned further work to explore delivery and financing options.

References

7 See no. 4 above (Devereux et al 2016).
9 See no. 4 above (Devereux et al 2016, p. 166).
19 See no. 11 above.
22 See no. 4 above (Kidd et al 2015).
23 See no. 4 above (Kidd et al 2015).
24 See no. 4 above (Seekings 2016).