Social Protection Floor in South Africa

Summary, 31 August 2011

South Africa has developed a social security system based on the constitutional right, composed of three pillars: non-contributory schemes, including targeted social assistance and public employment programmes, mandatory social insurance, and voluntary insurance. Since its transition to democracy in 1994, South Africa has made notable progress by creating the *South African Social Security Agency*, expanding benefits to children and elderly, and extending the *Unemployment Insurance Fund* to include domestic workers. The *Child Support Grant* and the *Old Persons Grant* are the two major programmes that compose South Africa's social protection floor.

The *Child Support Grant* is a poverty-targeted programme implemented since 1998. The programme's objective is to assist child education and nutrition by providing a cash transfer of ZAR 270 (approx. USD 35) per month for each child (for a maximum of six children under 18 years of age in a household). The grant currently covers about 11 million children aged 0 to 17 or about two thirds of the total number of social assistance beneficiaries. The take-up rate is between 80 per cent and 85 per cent of eligible children. The overall cost represents about 1 per cent of GDP. In addition to the grant, the government also provides other developmental measures, such as access to free schooling, free health care and school feeding schemes for poor children.

The *Old Persons Grant* was created to assist elderly women and men, and currently covers almost 2.6 million people. Since 2008, the age of retirement for men and women has been set to 60 years of age, but this equalization will be progressively phased in. Consequently, it is expected that by 2010-11, everyone aged 60 or older, who satisfies income criteria for the social pension, will have equal access to the grant benefits. The programme provides an annual grant of ZAR 1,140 (ZAR 1,160 for the over 75). Compared to other programmes this grant is considerably high; thus, making it the biggest driver of cash transfer expenditure. The social pension is however means-tested and tax financed, and the annual cost equates to about 1.4 per cent of GDP – representing over 38 per cent of the Department of Social Development's total cash transfer expenditure.

Non-contributory social transfers and services have significantly improved the living standards of the most vulnerable households in South Africa and the impact has strengthened public support for the extension of social security. During 2011-2012, the government plans to spend ZAR 97.6 billion (about USD 14.2 billion) on social assistance, representing about 3.5 percent of GDP and 12 percent of total government expenditure. In addition, a consolidated policy paper with view to establishing comprehensive mandatory social insurance, including a broad-based pension system, is scheduled to be released for consultation this year. Since contributions would be partially subsidized by the government, this pension system would be accessible to high- and low-income workers. While South Africa has made great progress in social protection over the past 15 years, continuous efforts are needed to address the remaining gaps and strengthen the national social protection floor.