

## **GOVERNMENT'S EXCLUSIONARY SRD GRANT SYSTEM: THE ENDS DON'T JUSTIFY THE MEANS**

During Covid-19, the Government introduced the Social Relief of Distress (SRD) Grant to ease the financial pain of the lockdown on poorer South Africans.

While this measure (with some qualifications) was welcomed, there was also some undeniable sense of 'too little, too late'.

Why?

Because this is a right that the Constitution grants anyway, and this system should have been put in place some time ago.

Section 27(1) of the Constitution says that **"Everyone has the right to have access to... (c) social security, including if they are unable to support themselves and their dependents, appropriate social assistance."**

As GOOD, our interpretation of Section 27(1), as well as our broader policy on addressing the social challenges in a country with such extreme levels of poverty and unemployment, has always been this:

**A permanent, Basic Income Grant (BIG) must be introduced to lift all those falling below the poverty line up to at least the lower bound poverty line, to start with, increasing after its commencement to meet the upper bound poverty line.**

**Nobody should starve. Everyone should have their most basic human needs provided for, in line with the Constitution.**

The SRD Grant was a (belated) step towards that ideal. Or, more accurately, that **right**. But it still falls well short of what is required: not just in terms of the amount offered, but equally so in the shockingly exclusionary system designed for its implementation.

### **ISSUES WITH THE SRD GRANT**

The SRD Grant is available to all South African residents aged 18-59 who have an income of less than R624 per month, and not are residing in a government-funded institution, and who have not unreasonably refused to accept employment or education opportunities.

There are a variety of issues with the implementation of the SRD Grant, which serve to dilute its purpose and limit the very constitutional right that it was ostensibly designed to fulfil.

**First, applications for the SRD grant can only be made online.** This excludes people who do not easily have digital access, many of which are those who rely on this grant. This is also inconsistent with the approach to applications for other grants, which are permitted to be made offline. There is no rational basis for this differentiation, other than to disincentivise and limit applications.

**Second, the definition of “income” is too broad.** It includes money receipts that are ad hoc, not intended for the applicant, or have no other correlation to income at all. This furthers exclusion.

**Third, the R350 amount is not enough, and has not been rising with inflation.** Until very recently, the value of the grant has remained at R350 a month for several years, eventually raised to a meagre R370. Combined with the forces of food inflation, this means that the real value of the grant has fallen by about 20% over this time period.

The R350 figure (or R370 for that matter) is frankly a thumb-suck. In order to fulfil the constitutional right to social security, the purpose of the grant must be to protect people from poverty. The number falls far short of that.

<b>POVERTY LINES</b>	<b>WHAT DOES IT MEAN?</b>	<b>Est AMOUNT (SA, 2024)</b>
<b>Food poverty line</b>	Monthly amount that individuals need to afford the minimum required daily energy intake.	R742
<b>Lower-bound poverty line</b>	Food poverty line, plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line.	R1077
<b>Upper-bound poverty line</b>	Food poverty line, plus the average amount derived from non-food items of households whose food expenditure equals the food poverty line.	R1588

**Fourth, the threshold has also not moved with inflation.** By “threshold”, we mean the monthly income under which people must earn in order to qualify for the grant. The R624 threshold was set to the 2021 food poverty line. Since then, the food poverty line has risen by over R100. In keeping it at R624, this threshold has become arbitrary and now serves to exclude many people living below the food poverty line.

**Fifth, means-testing has proved exclusionary.** It is for this reason that it is common in countries with developed social security systems not to means-test this sort of grant. There are several reasons why testing the poorest brings more harm than good:

- The implementation costs of such a system exceed the savings from ironing out illegitimate beneficiaries. In such systems, research suggests that exclusion errors are at least as common as inclusion errors. There is evidence to suggest that is equally true in South Africa.
- The time it takes to create a means-testing system delays the realisation of the rights that the system is supposed to protect.
- Verifying income yields huge inaccuracies and misassumptions.

Indeed, it seems that the barriers in place to access the grant are intended to limit the number of even eligible applicants from accessing the grant, in order to save budget.

The evidence supports this. The budget allocated by National Treasury to the SRD Grant envisages roughly 8.5mil beneficiaries. However, there should be 16.8mil eligible recipients of the Grant, according to the South African Labour and Development Research Unit (SALDRU).

The evidence also lies in the application numbers. Millions of eligible recipients of the SRD Grant have simply not applied for it, seemingly discouraged due to the exclusionary system created for the grant's rollout.

**As of May 2023, there has been 14.4mil applications, but only 8.2mil approvals. Of those approved, only 7.1mil had been paid. This is an approval rate of 58%, and an 84% payment rate.**

This confirms that there are significant barriers to people applying, and the Department of Social Development finally paying.

The majority of the rejections (65%) were a result of the bank verification test. The next most common reason (25%) were self-exclusionary answers to the questionnaire, mainly related to income.

In short, the vast majority of rejections were due to the applicant's income being assessed as too high.

At the outset, it should be noted that other grants do not use the bank verification system. Rather, they rely on the self-reporting of income. This alone brings into question the rationality, and therefore constitutionality, of this dual approach.

Even more strikingly, the income verification system relies on out dated databases and yields false results. There is evidence that the system has a 35% false exclusion rate – in other words 35% of the applications rejected were rejected incorrectly.

The bank verification system treats all monies deposited into a bank account as income. It does not, for example, take into account that not every member of a family holds a bank account. Often, family members hold money on behalf of other family members. In such cases, common as they are, this permits the double counting of income when it is shared between family members.

The system also looks only at the last month of monies received. It therefore takes any irregular or ad hoc monies received as 'income', even if those receipts are not permanent.

**Social security is a right under the Constitution.** In principle, it should be available to everyone. Disqualifying people without proper cause is unlawful, and that is exactly what this system is doing.

**It must stop now.**

## **GOOD'S SOLUTIONS**

GOOD has a detailed policy position on the R999 BIG which we propose. This can be found at:

<https://forgood.org.za/wp-content/uploads/2023/06/The-GOOD-Deal.pdf>

In summary, and in response to the issues raised above regarding the administration of the SRD Grant, GOOD advocates for the following solutions which we will implement if elected into government, and which we will also advocate for in the event in which we are approached to be a partner in a national coalition government:

- 1) **Morph the SRD Grant into a permanent and universal Basic Income Grant.** Stop promising it, and just do it. Commit to it as a long-term expenditure in the National Budget.

- 2) **Increase the Grant's value to R999 per month.** This, per our research, is the maximum reasonably affordable amount which stands around the lower-bound poverty line and at least meets the food poverty line. **Increase the amount annually with inflation.**
- 3) **Finance the R999 BIG in terms of the financing proposals listed by GOOD** in our policy document linked to above. The R999 BIG can be funded by cutting other unnecessary or low priority expenditure items, and **not adding to the national debt burden.**
- 4) **The threshold for eligibility for the R999 BIG should be the lower-bound poverty line** (roughly R1000 per month). **The threshold must also rise annually with inflation.**
- 5) **End the online only application process.** Applicants for other social grants can apply offline, and the Department of Social Development admits this is a barrier for various reasons. Currently, this restriction can only be interpreted as a means to disincentivise applications. That is unlawful.
- 6) **End means testing for the Grant, particularly bank verification.** The grant should rely on self-reporting, in the same way that other grants do. The cost of implementing the means test exceeds the savings from sifting out fraudulent or mistaken applicants. It also delays justice and the fulfilment of the constitutional right to social security. There will still be sufficient administrative barriers in place to disincentivise people earning about the threshold from applying fraudulently. The few that do can be dealt with through the criminal justice system (fraud) using another system of detection after the fact.
- 7) **Self-reporting should only assess permanent income,** not other ad hoc financial support, in order to make the determination of whether someone falls below or above the threshold.
- 8) While GOOD stands against means testing the poor in general, and the bank verification method in particular, in the event that it is retained, **it should consider a period of 3-6 months, rather than just one month.**

ENDS.

**\* GOOD would like to express its thanks to the Institute for Economic Justice (IEJ) for their dedication to this issue, as well as their thorough research on the SRD Grant, much of which has been used to supplement our own research on a Basic Income Grant in South Africa and strengthen our position on these issues.**