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# CONCEPT NOTE | Grants under attack in South Africa: How to save social protection

*IEJ Economic Justice Matters discussion series | 6*

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**Panel:** Kelle Howson (Institute for Economic Justice), Thandi Henkeman (Black Sash) and Leandro Ferreira (Brazilian Expert)

## Summary

Amidst a growing crisis of poverty and hunger, the National Treasury has instructed the South African Security Agency to reduce the number of people receiving social grants, or risk its operating budget being withheld. Policymakers claim this shocking move is necessary to protect the fiscus as revenue and growth stagnate. Activists claim it breaches constitutional rights and will lead to desperate hunger. South Africa is not alone in confronting this impasse. Across the Global South, countries are wrestling with the competing demands of protecting their populations and their place in a volatile global economic order.

In this episode of Economic Justice Matters, in collaboration with SMWX, local and international experts and policymakers unpack how we arrived at this crisis, and what should be done about it. In this no-holds-barred conversation, we explore how a radical policy shake-up is needed, including a commitment to universal basic income as a right, in order to correct historical inequality, jump-start the economy, and put poverty in the past.

## Background and context

In South Africa, at least 16 million working-age adults are estimated to be in food poverty. The expanded unemployment rate has hit 42.9%. The proportion of households that experienced moderate to severe food insecurity increased from about 16% in 2019 to about 20% in 2023. The proportion of children living in poverty increased from 55.6% in 2019 to 69.9% in 2022.

For decades, the social grant system has kept the worst of food insecurity at bay, and has long been considered relatively effective and progressive compared to our peers. But now, as hunger and poverty worsen and jobs fail to materialise, the government is making it harder to access grants. The proportion of children covered by the Child Support Grant (CSG) has decreased from 69.1% in 2021 to 65.5% today. The value of grants is also being eroded compared to the cost of basic food items - in 2019, 27% of households reliant on grants experienced moderate to severe food insecurity, compared to 35% in 2023.

The National Treasury has now effectively instructed the South African Social Security Agency (SASSA) to actively reduce the number of people receiving social grants, or risk its operating budget being withheld altogether. Treasury is forcing SASSA to implement a series of verification procedures across the grant system, including bank account checks and facial recognition. These procedures were first used for the R370 Social Relief of Distress (SRD) grant.

Research conducted by the Institute for Economic Justice shows that the procedures led to up to 90% of all SRD grant applicants being wrongly rejected, and the High Court has declared several of the procedures unconstitutional and invalid. While the case has been referred to the Supreme Court of Appeal, the government is forging ahead with rolling the procedures out to the critical Older Persons, Child Support and Disability grants, among others. What's more, SASSA must report quarterly to National Treasury on the number of grants they have cancelled and the savings achieved.

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Underpinning these debates are competing perspectives on the relationship between social grants and the overall economy. The conventional assumption is that increased spending on social grants signals a bad outlook for the economy. This is linked to understandings of social grants as unproductive "handouts" which foster "dependency" and even laziness. Some people say that grants come at the expense of jobs.

But this entrenched view is increasingly being challenged by many development economists, social protection advocates and grassroots activists, who point to evidence that social grants can be a productive investment in the economy and help to boost GDP and employment. By contrast, they argue that cutting the social safety net will have the opposite effect, hamstringing the economy further and trapping people in dire poverty.

Drawing on these arguments, advocates for social protection in South Africa have united behind a radical and potentially transformative demand: Universal Basic Income, or UBI. UBI refers to a grant or cash transfer available to everyone, with no onerous verification requirements or means-testing.

In South Africa, proposals for UBI envisage it being made available to all working-age adults (while older adults still access the Older Persons' Grant, and children the Child Support Grant). Proponents argue that making the grant available to all adults is the only way to leave no one behind. At the same time, the grant can be financed by the richest, through additional taxation.

South Africa is not alone in confronting these highly contested issues. Across the Global South, countries are wrestling with the competing demands of protecting their populations and their place in a volatile global economic order. Direct, unconditional cash transfers and universal basic income are finding increasing support in Global South countries, as poverty alleviation measures, but also as ways to stimulate wider economies, and ultimately to advance redistributive justice. In countries like Brazil and South Africa (South Africa being the most unequal country in the world), these may not only be smart policy programmes, but political and moral imperatives.