



INCLUSIVE SOCIETY INSTITUTE

Op-ed

RAISING THE AGE: WHY SOUTH AFRICA MUST RETHINK THE OLD AGE GRANT THRESHOLD

By Dr Fanie Joubert and Daryl Swanepoel

Few policies have done more to fight poverty in South Africa than the Old Age Grant (OAG), because for millions of older citizens, it is the difference between dignity and destitution. And yet, as the country grapples with the fiscal risks of rising longevity, one question is unavoidable, should South Africa raise the age at which citizens qualify for this grant?

According to a new analysis by the Inclusive Society Institute (ISI), increasing the OAG eligibility age from 60 to 65, phased in over five years from 2026, could generate substantial fiscal relief. The numbers are striking and shows that currently (2024), about 4.1 million people draw the grant at a cost of R106.8 billion to the state, with projections that the cost could rise to R131 billion by 2027/28. According to the ISI analysis, expenditure items especially susceptible to longevity risk include pensions (that is OAG payments), healthcare and long-term care. Among these old age grants account for roughly 60% of the estimated expenditure shock linked to longevity, which makes this a significant driver of future budget pressures.

The fiscal case for raising the age

Demographic data indicates that, in 2024, South Africa had nearly 24.6 million people over 60 and that one in three of them, or about 8.6 million individuals, were between 60 and 64 years old. Assuming a similar age dispersion of OAG recipients, would mean that excluding this group from grant eligibility would immediately reduce the state's obligations related to this expenditure item by around 30%.

Modelling in the report shows that phasing in a higher qualifying age would save an average of R25 billion annually between 2026 and 2030, amounting to R126.1 billion over the five-year period. Expressed as a share of government expenditure, this adjustment trims the fiscal shock of longevity from 0.5 percentage points to 0.3 percentage points per year.

Beyond 2030, the gap widens further, because by 2030, under the base scenario, OAG costs climb to R154.5 billion. Under the adjusted scenario, they remain almost flat at R108.1 billion. The long-term effect is a noticeable and persistent deviation between the two fiscal paths, creating room for reallocation of scarce resources.

The social trade-offs

The fiscal logic is compelling, but social justice cannot be ignored. Raising the qualifying age by five years effectively excludes millions of poor, often vulnerable South Africans from a vital safety net during their early 60s.

Unlike in high-income countries, where people in their early 60s often have access to private pensions or well-paying jobs, many South Africans enter their 60s after a lifetime of informal or precarious work and so for them, the OAG is not just an income supplement, it is the only stable income they will ever have.

Critics will argue that delaying access risks deepening inequality. Women, in particular, who often shoulder unpaid care responsibilities and have lower lifetime earnings, would be disproportionately affected and raising the age could also increase pressure on other grants, like the child support grant, as multi-generational households adjust to a gap in income.

A balanced approach

So, the question that arises is what is the responsible path forward? Policymakers should avoid framing this sensitive and emotionally charged debate as a binary choice between fiscal prudence and social justice and instead, they will have to explore transitional strategies that will mitigate harm, while still achieving savings.

Possible approaches include:

- **Phased implementation with exceptions:** As the ISI's analysis suggests, a gradual increase will serve to avoid abrupt shocks and therefore, policymakers could further soften the blow by exempting particularly vulnerable groups, such as those with disabilities.
- **Expanding employment options for older workers:** Raising the grant age makes little sense if people in their early 60s cannot find work and so there should be incentives for employers to retain or hire older workers.
- **Strengthening contributory retirement schemes:** To reduce dependence on the OAG, the state could accelerate reforms that broaden participation in private retirement savings, thereby ensuring that fewer citizens arrive at age 60 with no savings at all.
- **Targeted social protection:** Instead of universal exclusion, South Africa could design a means-tested support for those aged 60–64, who demonstrably have no other income.

Political realities

The Treasury has already confirmed that “there are no planned changes” to the OAG age of 60, which reflects the political sensitivity of the issue and therefore, any attempt to raise the threshold will encounter fierce resistance from advocacy groups and communities that rely heavily on grants.

But political expediency cannot forever override fiscal arithmetic and with debt projected to surpass 90% of GDP by the 2040s, under longevity pressures, something must give. The OAG's sheer weight in the expenditure basket makes it impossible to ignore.

Conclusion: A necessary, difficult conversation

Longevity is a triumph of progress, but it also reshapes the social contract. South Africa cannot indefinitely sustain a system where one in three elderly beneficiaries starts drawing grants from the age of 60, while the working-age population struggles with mass unemployment and a narrow tax base.

Raising the OAG qualifying age is not a silver bullet and it is a deeply complex reform with painful trade-offs. Yet, the fiscal stakes are too high to dismiss and therefore the conversation must begin now, not in the midst of a debt crisis.

The real challenge for policymakers is to design a reform that preserves the dignity of older South Africans, while restoring fiscal sustainability. If done carefully, raising the age could be part of a broader strategy that turns longevity from a looming liability into a manageable, even positive, feature of South Africa's future.

Dr Fanie Joubert is the author of the Inclusive Society Institute's soon to be published report: "The impact of longevity on the fiscal sustainability in South Africa". Daryl Swanepoel is the Institute's Chief Executive Officer.