



## Poverty, Social Security and Civil Society in South Africa

Triangulating Transformation

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# Poverty, Social Security and Civil Society in South Africa

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# Terms

## **Cash transfers**

social assistance grants

## **Grants**

social assistance cash transfers

## **Retirement Fund Defined Benefit arrangement**

The benefit received by participants is based on a formula related to earnings – usually earnings towards the end of a career progression. This is fixed according to a formula which should be based on inflation-adjusted career-average earnings (Rusconi 2007, 21).

## **Retirement Fund Defined Contribution arrangement**

The benefit received by participants is based on the contributions paid and any investment returns gained on these contributions. Benefits are not guaranteed. Annuity payments are assumed to increase at the rate of inflation (Rusconi 2007, 21).

## **Social assistance**

used to refer to revenue funded non-contributory social cash transfers/grants to individuals in South Africa. Social assistance in South Africa has a redistributive effect given the progressive structuring of the Income Tax system.

## **Social insurance**

refers to state regulated insurance funds including unemployment insurance schemes. Private insurance schemes include medical aids, disability provision, and retirement and life insurance schemes.

## **Social security**

used to refer collectively to social insurance and social assistance programmes.



## Abbreviations

ACCESS	Alliance for Children's Entitlement to Social Security
BIG	Basic Income Grant. Civil society launched a campaign in South Africa in 2001 calling for the introduction of a universal basic income grant to be paid by the state to all South Africans of R100 (in 2000 prices) to address the high levels of poverty experienced throughout the country given the high levels of unemployment.
CICLASS	Centre for International and Comparative Labour and Social Security Law
COSATU	Congress of South African Trade Unions. The largest federation of trade unions in South Africa, formed in 1985.
CSG	Child Support Grant (South Africa social assistance grant for children under 15 years of age)
DSD	Department of Social Development
EPRI	Economic Policy Research Institute
HSRC	Human Sciences Research Council
IES	Income and Expenditure Survey. A five yearly household survey undertaken by Statistics South Africa of about 21 000 households across the country.
ILO	International Labour Organization
NEDLAC	National Economic Development and Labour Council. A statutory social dialogue chamber with representatives from government, formal business, organized labour and community constituency (civil society organisations). It is mandatory for all new policies that will affect either workers' rights or socio-economic rights to be negotiated in this chamber before legislation goes to Parliament.
OAP	Old Age Pension (South African social assistance grant to older people).
PBC	People's Budget Campaign. A civil society coalition formed to present progressive pro-poor policy alternatives made up of the South African Council of Churches, the Congress of South African Trade Unions and the South African NGO Coalition.
RDP	Reconstruction and Development Programme
SACC	South African Council of Churches
SASSA	South African Social Security Agency
TAC	Treatment Action Campaign



## Preface

For many years now the work of „Brot für die Welt“ (Bread for the World) and its partners has focused on the poor, with the aim to do them justice and to spur self-improvement. A series of so-called „Hunger Studies“ in various countries and world regions proved the need for specific strategies to reach the poorest of the poor. For these communities existential security has become the prerequisite for income-generating measures and thus for forms of help towards self-help. Hence within the framework of the „Global Poverty“ project „Brot für die Welt“ and its partners want to enhance their engagement on the issue of social security, in particular by approaches to basic social protection aimed at the poorest of the poor. Guidance by human rights is the foundation for that.

A first study in this context, elaborated on behalf of „Brot für die Welt“, called „Basic Social Protection – positions of key development actors“ (author: Markus Loewe) specified the meaning of „social basic protection“ and the positions significant development actors have adopted in connection with fighting poverty. This study provided an important educational basis for our own position finding and concept development process. Furthermore, it was meant to importantly contribute to current debates in Germany, triggered by resolutions of the German Parliament regarding future weighty dealings of public development cooperation with social protection.

With the present study of „Poverty, Social Security and Civil Society in South Africa“ worked out by the Studies in Poverty and Inequality Institute in Johannesburg on behalf of „Brot für die Welt“ we like to make a further contribution to the current debate and present outcomes from the South African discussion about „basic social security“ to a wider audience. Also referred to the South African year of election in 2009 there is a strong engagement within civil society organizations on social security issues. We are discerning promising activities of our partners whose support and expertise is of value for our own position finding and concept development.

Especially the challenge of the HIV/Aids pandemic becomes apparent in that context. Thus, the study delivers notable starting points for the future cooperation work of „Brot für die Welt“ with our partners in South Africa and it is essentially of use for our advocacy work in Germany and worldwide.

Stuttgart, November 2008

Mechthild Schirmer

Sabine Schlecht

„Global Poverty“ Project

Brot für die Welt

## 1 Introduction

**How best can policy makers make an impact on improving the lives of people living in poverty and destitution? That is the question that seizes governments across the world, both in developing and industrialized nations. Identifying the right policies to ensure sustained economic growth is not sufficient to ensure that the benefits of that growth do in fact benefit all. Inequality in income, assets and opportunities are increasing in all countries as top earners name their salaries and benefits, and low skilled workers are moved out of secure, decent jobs.**

In a country such as South Africa, as a result of deliberate policies designed and pursued under Apartheid and previous colonial policies, many millions of people were sentenced to pursue lives linked to low skilled and low paid jobs. Education, access to land, to credit and the ability to operate any form of business or to accumulate assets and reserves against a rainy day were determined crudely and cruelly along basic racial lines. Political freedom could not be expected to invert that overnight.

Patterns of exclusion and marginalization are reproduced across generations. The legacy of a large low-skilled workforce also came into direct crisis towards the end of the previous century with the demise of the demand for low skilled workers as a result of the move away from primary extraction and agriculture in the South African economy and towards secondary and tertiary sectors, requiring higher and better skills.

Poverty, unemployment and inequality are reaching crisis levels. The added impact of HIV/AIDS can often prove to be a tipping point for already vulnerable households, threatening household disintegration and the demise of any forms of coping or survival strategies that had been employed before.

Most people do not want to see themselves as grant recipients all of their lives, but from qualitative evidence it is clear that while people are unemployed, the income

from social grants into households provides a very necessary – although never adequate – temporary relief.

Section 27(1)(c) of the South African Constitution guarantees to everybody in South Africa a right to social security and the right to social assistance is further guaranteed to those that are not able to look after themselves and their dependents. This right is however tempered by an internal limitation in Section 27(2) that places on the state the obligation to progressively realize this universal right subject to the state's available resources. And that is exactly where policy makers in South Africa are now – trying to work what constitutes a reasonable allocation of state revenue to expanding the social security net into a comprehensive, system adequate to the challenges at hand.

While South African social security provisioning is correctly hailed as being more extensive than in most developing nations, there are many millions of poor and unemployed people who have no direct cover under this system.

Social transfers (grants) are targeted to non-working age people (children and the elderly) and people living with disabilities. This design makes no acknowledgement of the fact that more than a third of working age people are unemployed, or that the majority of employed people are paid such low wages as to constitute the working poor.

Activists for social justice in South African civil society range in their responses to this social, economic and political crisis. Those who view poverty as being linked in some way to a lack of self-agency would advocate for self-help schemes such as food gardens, whilst those who viewed the failure of the system to provide for everybody's needs would state that the structural nature of poverty and inequality and unemployment called for an equally structural reform of the distribution hereof.

In this paper we present a case study of South Africa, looking at three main areas, namely an overview of poverty within the country, a review of the social security policies that exist and a review of the positions held

by various NGOs and membership-based organizations within South Africa on the role and their relationship with social security.

The speed of the announcement of the reforms by the Department of Social Development is staggering. From an abolishment of the need for certain identification documents which have always acted as an obstacle to accessing social grants, to a radical reform of the means test, to equalizing pensionable ages for men and women – all within three weeks. Yet there is still a lot to be done, and civil society should be engaging with seeing the formulation of the policies and enacting legislation as well as a subsequent monitoring of the implementation of these reforms.

This paper ends with an overview of certain more fundamental social security reforms that are being mooted within government, with an explanation of their differences in the positions which the authors trust will make the debate more accessible to South African advocates for justice and transformation, and concludes with a recommendation on how civil society's engagement in this field could be strengthened.

This paper was commissioned by „Brot für die Welt“ as part of a six country study on social security and civil society internationally.

## 2 Setting the scene – levels of poverty, inequality and unemployment in South Africa

Poverty is an internationally contested issue and the way a country defines the concept of poverty depends largely on the commitment of societies to address the causes and effects thereof. In addition, poverty is multifaceted, reflecting unmet needs and exclusions across complex and often mutually reinforcing dimensions.

The wealth of studies undertaken on poverty have also thrown up a confusing and often conflicting range of theories and definitions, from subjective analyses of poverty as experienced by real people, to „scientific“ and so-called „objective“ statistical analyses and econometric extrapolations; from absolute definitions to relative definitions to definitions of relative poverty with an absolute core.

The school of work that measures poverty is equally obscure to the average person on the street. These arcane trappings of thinking provide many hurdles for policy makers wishing to develop appropriate and effective poverty eradication or alleviation programmes; these trappings can also alienate civil society organizations and alliances wishing to work for the end to poverty.

In all of this, the voices, experiences and opinions of poor people often do not even cause a ripple on the surface of the debates.

The above holds true for South Africa as a country too. 2008 will be dominated to some extent on debates about the design and development of a national comprehensive anti-poverty strategy; who is involved in this debate, what the policy is meant to achieve and how various actors will be involved in the implementation of this strategy once it is adopted.

Concurrently, but as a parallel initiative, there is a national debate about the design and adoption of national poverty measures. This latter debate is dominated by a departure between some government policy makers

who believe on the one hand that a poverty measure is a merely technical exercise and should be left to the experts, and on the other hand, a growing number of civil society organizations are demanding that the very definition and subsequent design of measures of poverty must be opened up for national debate, with specific processes designed to obtain input from poor people.

In the interim, statistics on poverty abound, and again, many of the conclusions on poverty levels reached by diverse academics and research institutions appear to be mutually incompatible. In South Africa, the context of poverty analysis for historical reasons is also located primarily in the post-1994 era, as few surveys included people who had been declared to be citizens of the former Bantustans.

This time lens can be used or interpreted given the political change of government in 1994 as constituting an a historic criticism of the influence or impact of the ANC government, which again can be extremely unhelpful and alienating of effective solution seeking.

What no-one can deny however is that poverty in South Africa has reached crisis proportions. The triangulation between poverty, unemployment and inequality is seldom as starkly visible in other countries, and the reach of apartheid racist policies continues to be reproduced within these domains, despite the South African constitutional guarantees of the right to life, to dignity and equality, and the guarantees of the justiciable socio-economic rights contained in Chapter Two of the South African Constitution. The scale of the problem sometimes seems to paralyse the search for solutions and relief programmes.

In this analysis we shall examine the main domains of poverty, inequality and unemployment. The question of access to social security, as a policy intervention that could focus income directly to the poor, and also address income inequality to some extent through a redistributive financing system has to be considered against the trends in employment and unemployment given the usual methods of enrolment in social security systems to date.

## 2.1 Access to income

A headcount analysis of people living in poverty (below a poverty line) depends of course on where that line is drawn, and the data source used. South Africa has no official definition of poverty, nor any official measurements of poverty. The result of this is that various researchers and analysts use diverse measures, which makes inter-study comparison very difficult. In addition, given concerns about the reliability of survey data sets, the various poverty measures are applied to a variety of data sets. There is currently a policy initiative afoot to adopt an official poverty measure which will hopefully bring an end to debates about poverty levels and enable further and better engagement with what is to be done about the poverty levels.

Using a poverty line of R3000 per person per annum (R250 per person per year) in 2000 constant Rand,

**Table 1: Percentage of people living below a poverty line of R3000 per annum from 1993 to 2006**

Year	Percentage of people living below the poverty line
1993	50.1
1994	50.5
1995	50.75
1996	53.1
1997	51.2
1998	51.0
1999	52.1
2000	50.8
2001	51.4
2002	49.0
2003	47.6
2004	46.9
2005	44.5
2006	43.2

Source: The Presidency 2006, using figures from S. van der Berg, 2006 and AMPS data. AMPS figures are based on a private sector survey, and the sample methodology used for this survey has been questioned for a possible bias towards the middle and higher income bands.

Stellenbosch University academic Servaas van der Berg has plotted the poverty headcount trend since 1993 to 2006 (see Table 1).

The total percentage of people living below this poverty line appears to be dropping. This trend has been ascribed to the large increase in the availability of social grants, particularly since 2000. This suggests that the apparent decrease in poverty is not a structural decrease, but reflects that people are better off on a monthly basis as a result of receiving a social grant.

There is a difference however between increases or decreases in rates of people living in poverty and the actual number of people in poverty. Thus if we look at a table of figures used by Dr Charles Meth that records the number of people living in poverty between 1997 and 2002, we can see that this number has in fact risen by 3.4 million people. Meth uses a poverty line of R271 per person per month in 2002 prices, which would be R3 252 per person per annum.

**Table 2: Total number of people living beneath a poverty line of R3 252 per annum in 1997, 1999 and 2002 (in 2002 prices)**

Year	Number of people (in thousands)
1997	13 500
1999	13 600
2002	16 900

Source: Meth 2006

According to the South African Institute for Race Relations 2006/07 South African Survey using data from Global Insight Southern Africa's 2006 Regional Economic Focus, the total number of people living on less than US1\$ per day in constant 2000 prices in 2005 was just over 4 million, or 8.8% of the population.

According to their data, this rate has increased significantly since 1996, but has fallen steadily since a peaking in 2002 as set out in the following table.

**Table 3: Number and proportion of people in South Africa living on less than 1US\$ per day from 1996 to 2005 in 2000 constant prices**

Year	Number of people	Proportion of people
1996	1 899 874	4.5%
1997	2 243 576	5.2%
1998	2 604 366	6.0%
1999	2 932 253	6.6%
2000	3 205 217	7.1%
2001	3 653 756	8.0%
2002	4 451 843	9.7%
2003	4 374 079	9.4%
2004	4 296 654	9.1%
2005	4 228 787	8.8%

Source: South African Survey 2006/07 2007, 202

Headcount figures are unable to provide any real insight into poverty trends on a distributional basis, whether between income deciles, or between population groups etc.

According to work by Leibbrandt et al. (Leibbrandt et al. 2006, 47), whilst real incomes improved at the top end of the income distribution, there was a pronounced decline for middle and lower income people using the 1996 and 2001 Census figures.

Between 1996 and 2001, whites as a total share of the population fell from 11% to 9%, but their share of the total income increased from 47% to 48%. During this same period, the share of Black Africans as a total share of the population rose from 78% to 80%, however the total share of income to Black Africans remained at 38% of total income. This rate has been growing steadily since 1970, albeit from a very low base line.

It is thus significant that this rate did not increase between 1996 and 2001 for the first time since 1970, despite the concerted policy and legal instruments that were being rolled out to ensure greater access to income and assets for Black African South Africans.

## 2.2 Inequality

Based on this information, it is not surprising that study after study shows that inequality, especially income inequality, has risen steadily since 1994.

Leibbrandt et al. find that income inequality has risen from 0.68 on the Gini Coefficient (0 being total equality, 1 being absolute inequality) to 0.73 in 2001 (Leibbrandt et al. 2006, 101).

A Fact Sheet on Poverty brought out by the Human Sciences Research Council (HSRC) reflected that according to their data, income inequality had grown from a higher baseline, 0.69, in 1996 to a higher rate of 0.77 in 2001 (Human Sciences Research Council 2004).

Mean per capita income has grown in all deciles between 2000 and 2005/06, but the distribution of the growth has been very different across income deciles. According to the 2005/05 Income and Expenditure Survey, above – average increases in the distribution of the growth occurred in income deciles 1, 2, 3, and 10, and below – average increases in the remaining deciles. The above-average increase in the lowest income decile has been attributed directly to the impact of the increased access to social grants (Statistics South Africa 2008, 2 and 35).

According to this analysis, the top ten% of the South African earns 50% of the income, while the lowest two deciles access 1.5% of the total national income (Statistics South Africa 2008, 2). The top decile's mean income was 94 times that of the lowest decile (Statistics South Africa 2008, 31).

The income of social grants into poor households has been found by Statistics South Africa to lower the Gini coefficient in terms of income inequality from 0.80 to 0.73, which is significant.

As a social policy tool to address inequality in South Africa, the payment of social grants has significance, but the intentional progressive nature of the income tax system has been shown in this IES to have no statistical



significance as far as inequality reduction goes (beyond being the source of the revenue for the grants) (Statistics South Africa 2008, 35).

This is a powerful argument in favour of extending coverage to social grants to currently excluded poor people should the state be concerned at the apparent unstoppable increase in income inequality within South Africa.

Inequality between population groups has also grown quite phenomenally. Interestingly, while the media and analysts frequently make reference to the growth in income inequality amongst Black Africans, the following table from the Human Sciences Research Council shows that the population group with the highest rate of increase in income inequality between 1996 and 2001 were Whites, followed closely by Asian/Indian, then Coloured and lastly black African.

**Table 4: Gini coefficient by population group, 1991 to 2001**

Population Group	1991	1996	2001
Black African	0.62	0.66	0.72
White	0.46	0.50	0.60
Coloured	0.52	0.56	0.64
Asian/Indian	0.49	0.52	0.60
<b>South Africa Total</b>	<b>0.68</b>	<b>0.69</b>	<b>0.77</b>

Source: Human Sciences Research Council 2004

Mainstream fixation with the growth of the black middle class – or ‘black diamonds’ – might tend to obscure the real concern – namely the large increase in difference between those who have adequate resources and those who do not, by suggesting that if the trend is affecting all population groups equally, then we are witnessing a ‘normalisation’ of a racially divided state.

Income figures are at best one indication of people’s well-being. Life expectancy figures are another proxy for indicating well-being, and trends in this regard are useful.

## 2.3 Life expectancy

Life expectancy in South Africa has been steadily declining. The impact of AIDS, exacerbated by poverty, clearly has had an impact on life expectancy as set out in the following table.

Other indicators of well-being include access to housing, land, sanitation, land, education and health indicators. In this regard we include statistics on infection levels of Malaria and HIV/AIDS.

**Table 5: Life expectancy in years, South Africa 2001 to 2007**

Year	2001	2002	2003	2004	2005	2006	2007
Life expectancy in years	54.6	53.8	53.0	52.3	51.9	50.7	50.0

Source: The Presidency 2006, 26

## 2.4 Access to housing

According to section 26(1) and (2), everyone in South Africa has the right to adequate housing, and the state is obliged to take reasonable legislative and other measures within its available resources, to progressively realize this right.

Table 6 indicates that access to both formal and informal dwellings has increased steadily since 1996. The total number of households has also increased from 9 059 606 in 1996 to 12 726 000 in 2005. According to statistics of The Presidency, the total number of houses completed since 1994 is 2.3 million till March 2006, although it is not clear whether these only refer to all houses built, to only state provided houses including both houses of the Reconstruction and Development Programme (RDP), subsidized houses and rental stock (The Presidency 2006, 28).

Access to formal housing is significantly determined by race or population group. Based on their analysis of the 2001 national Census, in 2001, 59.7% of black Africans

**Table 6: Number of households, and access to housing by household, various years between 1996 to 2005**

Type and Number of Houses	1996	2001	2002	2003	2004	2005
Total number of households	9 059 606	11 205 705	11 479 000	12 0200 221	12 194 000	12 726 000
Total number of households in formal dwellings	5 794 386	7 680 422	8 349 000	8 865 000	8 974 000	8 878 000
Total number of households in informal dwellings	1 435 015	1 836 232	1 462 000	1 506 000	1 377 000	2 026 000
Total number of households in traditional dwellings	1 812 205	1 689 051	1 668 000	1 649 221	1 843 000	1 822 000
Source: The Presidency 2006, 28						

had access to formal dwellings, 88.5% of Coloured people had access to formal dwellings (Leibbrandt et al. 2006, 115), while the rates amongst Indians/Asians and Whites were 96.6% and 97% respectively.

Access to land was hailed as a priority for the post-1994 government. Millions of people were systematically robbed of their land under the former colonial and Apartheid governments. Government's target is to redistribute 30% of the total agricultural land between 2000 and 2015.

Progress in meeting this target has however been very slow, and as at 2005/06, only 1 486 399 of the sequentially targeted 13 563 000 hectares had in fact been redistributed (The Presidency 2006, 33).

## 2.5 Access to water

Access to water is a fundamental human right and is guaranteed in section 27(1)(b) of the Constitution of South Africa. According to the South African Reconstruction and Development Programme, the standard of access to water was a minimum quantity of 25 litres of potable water per person per day within 200 metres of a household, and a minimum flow of 10 litres per minute for communal water points. This is higher than the Millennium Development Goal standard of 20 litres per person per day within 1000 metres of a household.

By 2006, 84.7% of the 12.8 million households enjoyed access as defined by the DRP standards, but 6% (namely 765 176 households) had no access to any water infrastructure. According to the Presidency, by 2006, 9.5 million households had access to government's Free Basic Water programme (The Presidency 2006, 29).

11.9% of Black Africans however still had to source water from a stream/dam/river or spring in 2001, compared to 0.8% of Coloured people and 0.1% of Indians/Asians and Whites respectively (Leibbrandt et al. 2006, 118).

## 2.6 Access to sanitation

By 2006, 70.75% of households in South Africa had access to basic acceptable sanitation (defined as a ventilated improved pit latrine), leaving a backlog of more than 3.7 million households (The Presidency 2006, 30). While over 97% of Whites and Indian/Asian people in South Africa had access to a flush or a chemical toilet in the 2001 Census, only 41.6% of Black African people did.

By contrast, more than a third (36.2%) of Black Africans still had to use a pit latrine in 2001, compared to just under 5% of Coloured people, 1% of Indian/Asian people and 0.4% of White people (Leibbrandt et al. 2006, 125).

**Table 7: The number and rate of estimated AIDS deaths per province in 2006, ranked ordinaly from highest**

Province	Number	Percentage of total AIDS deaths
KwaZulu Natal	113 082	32%
Gauteng	89 309	25%
Eastern Cape	39 987	11%
Mpumalanga	33 392	9%
North West	32 077	9%
Free State	27 207	8%
Western Cape	11 922	3%
Northern Cape	3 326	1%
<b>Total</b>	<b>354 379</b>	<b>100%</b>

Source: South African Survey 2006/07, 34

## 2.7 Literacy and matric pass rates

Adult literacy is defined as the total number of people older than 20 who have had seven or more years of education. By 2005, total adult literacy in South Africa was 74.2%, with 72.1% of adult females being literate (The Presidency 2006, 45).

The matric pass rate in 2005 was 68.3% of those who write the exam. While this represents an increase from 58% in 1994, there has been a year on year decrease from the 73.2% pass rate of 2003 (The Presidency 2006, 43).

## 2.8 Health

### 2.8.1 Malnutrition

Malnutrition is a stark indicator of poverty and the effects of infant malnutrition impacts the developmental ability of the child for the rest of his or her life.

The number of children under five presenting severe malnutrition has fallen according to statistics from the Presidency, from a total of 88 971 cases in 2001, to 30 082 cases in 2005 (The Presidency 2006, 35).

### 2.8.2 HIV/AIDS

The prevalence of infection to HIV and related opportunistic diseases has crippled many communities in South Africa. The incidence of this prevalence has affected poor people and communities disproportionately.

According to Statistics South Africa data sources reported in the Presidency's Mid-Term Development Indicators, HIV prevalence amongst the entire population progressively increased from 8.5% of the entire population in 2001, to 11.1% in 2007 (The Presidency 2006, 38).

The South African Institute for Race Relation's figure of HIV prevalence for 2006 was 11.2% (South African Survey 2006/07 2007, 34).

The highest HIV prevalence per age and gender cohort was an alarming 20.45% infection rate amongst women aged 15 to 49 in 2007. The infection rate amongst adult women aged 20 to 64 was 18.1% in 2007, compared to a rate of 17.7% for men in the same age cohort. All of these rates have been increasing year on year (The Presidency 2006, 38).

According to the South African Survey 2006/07 brought out by the South Africa Institute for Race Relations

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(ASSA 2003), of a total population of 47 866 985 people in 2006, a total of 5 372 474 people were infected with HIV. Of the total number of deaths in the same year of 746 432, 354 379 or 47% of the total deaths were attributable to AIDS. In 2000, 147 525 out of a total of 524 638, or 28% of total deaths were due to AIDS.

Regionally, KwaZulu-Natal had the highest percentage of estimated AIDS deaths in 2006, while the Northern Cape had the lowest.

### 2.8.3 TB

Tuberculosis (TB) is one of the most fatal infectious diseases that infects people with compromised immune systems. Between 1994 and 2006, the prevalence of TB case notification had increased from 90 292 cases to 315 315 cases according to the Department of Health's National TB Control Programme (The Presidency 2006, 39). The rate of successful treatment in 2005 was 69%, while the cure rate was 56%.

### 2.8.4 Malaria

Malaria has been hailed by government as being a significant health danger. In 2000, there were 64 622 reported cases, causing 458 reported deaths. By 2006, the total number of reported cases had fallen to 12 322, but the fatality rate had increased from 71% in 2000 to 845 in 2006 (The Presidency 2006, 40). Since 2000, South Africa, Swaziland and Mozambique have collaborated in a cross border treatment of malaria through the use of DDT (Dichloro-Diphenyl Trichloroethane).

## 2.9 Unemployment

Poverty in South Africa is inextricably linked to employment both in regard to the existence of an income or not, and in regard to the value of that income (Department of Social Development 2002a, 139). If one examines the main sources of income for households, income from salaries and wages far exceeds that from any other

**Table 8: Average household income by main income group and population group of household head**

Source of income	Black African	Coloured	Indian/Asian	White	Total <sup>1</sup>
Income from work					
Salaries and wages	24 666	59 037	91 197	174 171	<b>48 152</b>
Self-employment and business	2 893	2 968	19 200	33701	<b>7 300</b>
Income from capital	201	670	944	4 870	<b>865</b>
Private pensions	386	1 056	1 559	9 152	<b>1 590</b>
State Old age Pensions	1 972	1 988	2 291	2 391	<b>2 033</b>
Disability Grant	863	1 369	1 030	308	<b>834</b>
Workmen's Compensation	53	113	86	262	<b>85</b>
Income from individuals – alimony, palimony etc	756	683	693	1 846	<b>888</b>
Other income from individuals	305	301	160	408	<b>314</b>
Other income, including benefits and gifts	1 518	2 995	2 326	15 735	<b>3 477</b>
Imputed rent on owned dwelling	2 272	7 080	14 243	34 525	<b>7 081</b>
Total average household income by population group of head of household	37 711	79 423	134 543	280 780	<b>74 589</b>

Source: Statistics South Africa 2008, Table 3.3.

<sup>1</sup> Unspecified totals have not been included in this table

**Table 9: International comparisons, labour force and unemployment rates**

Country	Year	Labour Force (000s)	Unemployment Rate (%)
Argentina	2006	11,052	9.5
Brazil	2004	90,962	9.1
Chile	2005	6,345	6.9
Czech Republic	2005	5,175	7.9
Hungary	2006	4,247	7.5
Korea	2005	23,744	3.7
Mexico	2006	43,216	3.2
Philippines	2006	35,804	7.3
Poland	2006	16,937	13.8
Singapore	2006	1,881	4.5
<b>South Africa</b>	<b>2007</b>	<b>16,984</b>	<b>25.5</b>
Turkey	2005	24,566	10.3
<b>Average</b>			<b>9.1</b>

Source: ILO 2007, National Treasury 2007c, 4 and own calculations

source. The following table sets out the various sources of income broken down by population group for 2005.

The average income for a Black African household is thus just 13% of the total average income for a White household. Workerless households with no grant recipients are in extremely precarious situations. Similarly the death of an old age pensioner can see a household moving from poverty into dire destitution (Department of Social Development 2002a, 151 and 153).

Income from wages and self-employment clearly constitutes the largest single source of income into households across all population groups. Accordingly, in order to better understand levels of well-being or destitution, it is important to understand levels of employment and unemployment, as well as levels of wages that accrue to workers.

### 2.9.1 Number of unemployed people in South Africa

According to the September 2007 Labour Force Survey conducted by Statistics South Africa, the total number of working age people in September 2007 was

30 413 000. Of this number, 17 178 000 people were considered to be part of the active labour force, namely those that were either employed, or looking for jobs. While the labour force participation rate for this period was 56.5%, the percentage of working age people with jobs was 43.5% (Statistics South Africa 2007, v.).

Of this labour force, 13 234 000 people were not employed. The total number of unemployed persons however (including discouraged work seekers) was 7 370 000. The difference between the official definition of unemployment and discouraged work seekers is that to be officially unemployed a person must have had no job in the 7 days prior to the interview, but have taken active steps to start a business or looked for a work in the previous four weeks and be available to start a job in the next to weeks should one be available.

The official rate of unemployment for this period was 23%, while the broader definition was 43%. These figures are remarkably high even for a developing country. The following table provides a comparative overview of unemployment rates in developing and transitional economies recently undertaken by the International Labour Organization (ILO).

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The number of unemployed people fell from 4 391 000 people in September 2006 to 3 945 000 people in September 2007; however, over the same period the number of discouraged work seekers grew from 3 217 000 to 3 425 000, which suggests that just under half of the number of people who were no longer officially unemployed in September 2007 must have joined the ranks of discouraged work seekers (Statistics South Africa 2007, iv).

### 2.9.2 Length of unemployment

Statistics on the length of time that people spend seeking jobs, whether these be first jobs or subsequent ones, suggest starkly why unemployed poor people end up becoming discouraged work seekers.

Of the total number of the 3 945 000 officially unemployed (i.e. excluding officially discouraged work seekers) in 2005, 55%, or 2 170 000 people had never worked before (Statistics South Africa 2008, Table 5.2). This rate rose significantly for the youth (between the ages of 15 and 30 years). Sixty three percent of this age group were unemployed, and of these, 66% (1 641 000) people had never worked before (ibid.).

Finally, of the total number of unemployed people in this survey, more than one quarter (26%) of people had been looking for work for a period of longer than 3 years.

### 2.9.3 The face of unemployment

Unemployment is most severe amongst the youth, and black African youth in particular. Of the total number of officially unemployed people in the Income and Expenditure Survey 2005/06, people in the age groups of 15 to 34 constituted 74% (or 2 932 000) of the total (Statistics South Africa 2008, Table 5.1). Of the total of 3 945 000 officially unemployed, 3 461 000 or 88% were Black African people. 2 593 000 Black African youth between the ages of 15 and 34 were unemployed.

According to a report for the Taylor Committee (Department of Social Development 2002a, 166), there is cur-

**Table 10: Official unemployment rate as percentiles by population group and sex, September 2001 and September 2007**

Population Group	September 2001	September 2007
Female		
Black African	40.7	31.2
Coloured	23.1	21.5
Indian/Asian	23.5	11.0
White	7.4	4.5
<b>Average</b>	<b>33.8</b>	<b>26.7</b>
Male		
Black African	31.5	23.1
Coloured	19.5	20.0
Indian/Asian	15.7	8.6
White	4.7	3.5
<b>Average</b>	<b>25.8</b>	<b>20.0</b>

Source: Statistics South Africa 2007, Table T

rently little interplay between active labour market policies (enabling people to find work) and social security policies for three reasons.

Firstly, the number of unemployed relative to the number of employed people is too high. Secondly, there are not sufficient job opportunities to justify withholding benefits from people not actively seeking work. The third reason is that South Africa does not currently have the administrative capacity to administer and manage such a system (Department of Social Development 2002a, 166). As the third section of this report will cover, active job search assistance is one of the proposals being considered as part of social security reforms to address this lack of potential benefit multiplier effect.

### 2.9.4 Provincial overview

Unemployment is highest in KwaZulu Natal, and lowest in the Western Cape. The following table ranks the provinces in accordance with their rates of unemployment, from highest to lowest.

Every two out of three (64%) of discouraged work seekers in September 2007 was female, and the percentage of discouraged working-age persons was highest in the 20-24 year age range.

**Table 11: Rates of unemployment per province in September 2007**

Province	Rate of unemployment
Kwazulu Natal	29.1%
Limpopo	27.6%
Northern Cape	25.7%
Free State	24.3%
North West	24.1%
Eastern Cape	23.1%
Mpumalanga	27.6%
Western Cape	17.0%
<b>Average</b>	<b>23.0%</b>
Source: Statistics South Africa 2007, Table S	

### 2.9.5 Are jobs decent jobs?

Proxy indicators for whether jobs qualify as being decent work (whether in the formal or informal economy) include salaries/wages, as well as indicators such as whether the job is permanent or casual, whether the employer pays contributions to social insurance, provides written contracts etc.

### 2.9.6 Formal/informal sector jobs

The figure for total employment includes both formal and informal sector jobs. In September 2007, formal sector jobs (excluding agriculture) accounted for two thirds or 66.4% of all jobs, while 16.0% of jobs were in the informal sector with a further 16.8% of total jobs being made up from agricultural jobs and domestic work (Statistics South Africa 2007, Table K).

According to Report Five of the Taylor Committee, the absence of decent jobs forces many millions of poor people into adopting survivalist activities, working in poor conditions for long hours for very little income (Department of Social Development 2002a, 157). But formal sector employment does not provide a guaran-

tee of decent work. For both formal and informal sector jobs, the majority of people tend to work for very little pay.

## 2.10 Salaries/wages

Seventy-six percent of all employees in both the formal and informal economies earn R2 500 per month or less. Ninety-five percent of workers in the informal economy and ninety-nine percent of domestic workers earn less than R2 500 per month.

A staggering sixty-six percent of workers in the formal economy however also earn less than R2 500 per month (Statistics South Africa 2007, Table 3.5).

## 2.11 Conditions of employment

Out of a total workforce of 10 902 000 workers in September 2007<sup>2</sup>, 7 706 000 (71%) considered themselves to be permanent employees, 13% were temporary staff, 9% considered themselves to be casual employees, 6 % on a fixed term contract and 1% seasonal workers. Seventy-four percent (74%) of this workforce had a written contract of employment (Statistics South Africa 2007, Table 4.1.1).

Fifty-four percent (54%) of the total workforce of 13 234 000 (including employers, self employed and those working for no pay) contributed to the unemployment Insurance Fund (Statistics South Africa 2007, Table 3.15).

70% of workers had no medical aid coverage (Statistics South Africa 2007, Table 4.1.5), compared with 64% of formal sector workers who had no provision for medical aid or a health insurance fund (Statistics South Africa 2007, Table 3.12.1), and 97% of informal sector workers made no contribution to medical aid or insurance of any kind (Statistics South Africa 2007, Table 3.12.2).

<sup>2</sup> This excludes employers, the self-employed and those working without pay.

## 2.12 Concluding remarks

Given the high levels of un- and under-employment, levels of poverty whilst alarmingly high, cannot be surprising. The depth of poverty in South Africa is further aggravated by the highly unequal distribution of resources, including the distribution of income.

There are many domains of poverty. In the absence of an official South African definition and measurements of poverty this report focused on the following domains; life expectancy, access to housing, access to water, sanitation, levels of literacy and certain aspects of infectious diseases including HIV/AIDS prevalence.

Whilst some of these indicators suggest welcome improvements in terms of access, it is clear that there are still millions of poor people who are exceedingly vulnerable and at risk. In the absence of other safety nets, access to social security can mean the difference between poverty and destitution for many people and households. The weave of the safety security net however as we shall see in the next section is still too loose, allowing too many vulnerable people to fall through.



### 3 Social security policy

#### 3.1 Nature of social security

Section 27 (1) (c) of the Constitution of South Africa (Act 108 of 1996) guarantees the right to social security to everybody, and to those unable to provide for themselves and their dependents, the right to social assistance. The state is instructed to progressively realize this right subject to its own available resources.

Social security in South Africa thus includes both contributory social insurance and non-contributory social assistance within its ambit. Social security must be distinguished from the broader umbrella of social services, which include state support for psycho-social well-being. This paper will make reference to social insurance policy and reform but will concentrate on revenue funded social assistance programmes and policies.

Social assistance in South Africa refers to a stable of a number of grants that provide guaranteed cash payments on a monthly basis. Social assistance is internationally referred to as social/state transfers/cash transfers. The income that is paid to beneficiaries is obtained through the general state fiscus. In countries like South Africa in which income tax is designed as a progressive system, the delivery of social assistance grants to poor people can be a successful tool for redistribution of income.

Social grants can be either universal or targeted in nature, and social policy designers in some countries include certain conditionalities which must be fulfilled by the recipient or beneficiary in order to continue to be eligible for the assistance. Illustrations of such conditionalities include the attendance of school by children or the ongoing inoculation of children in order to ensure eligibility for child support transfers or family income schemes. The requirement that a beneficiary supply evidence of regular searches for employment in order to remain eligible for an unemployment benefit is another example of a condition that social policy designers might attach to the eligibility for state assistance. For some,

the imposition of conditions to the receipt of assistance is seen as paternalistic and based on an assumption that the poor are bad parents or lazy free-loaders. For others, conditions are seen as being supportive of general well-being and a guarantee that the state's investment in human capital will earn certain returns.

Universal social assistance provides assistance to anyone who belongs to an identified group of people, such as all people over the age of sixty (60) years. By contrast, targeted assistance is designed to benefit a select group of people, usually after undertaking means test in which applicants must be able to prove that their income levels fall below a certain threshold, over and above to belonging to a designated group, such as children or pensioners.

Universal social assistance systems are hailed for their ability to promote social solidarity and reduce the stigmatisation associated with people receiving state aid in times of need. They are also regarded as an effective antidote to poverty traps which often result in the inability by the poor to save for their future or their ability to accept low paid jobs or temporary employment for fear that these actions may jeopardize their eligibility for the regular income of a state grant.

On the other hand, critics of the universal approach argue that the cost of providing everybody within a certain category with state assistance can be too costly. The costs of administering a targeted system must however also be entered into any cost-benefit equation. This includes both costs to the state and to the beneficiaries (especially when the continued compliance with conditionalities is costed in terms of money and time costs).

#### 3.2 South African social security policy and legislative framework

##### 3.2.1 Social security policy

Social security policy was codified in the 1997 Welfare White Paper. Subsequent to this the Department of Social Development appointed a Committee of Inquiry

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to investigate approaches to developing a comprehensive social security system (the „Taylor Committee“). The Committee produced their consolidated report in March 2002 (Department of Social Development 2002a).

An analysis of the main recommendations of the committee appears in section 4 of this paper. Although the recommendations of the Committee appear to have informed many of the subsequent policy shifts within the department – including the establishment of the South African Social Security Agency (SASSA) – the official and binding status of the Committee Report appears unclear.

### The Welfare White Paper

The Welfare White Paper was drafted following wide consultations with different sectors in South Africa. The paper heralds a shift in policy from the previous „welfarist“ principles to an expanded position that seeks to promote „developmental social welfare principles“. In effect, this commitment was to develop interventions that would support people to „promot[e] their own well-being and contribut[e] to the growth and development of our nation“.

Its informing principles were in line with the Reconstruction and Development Programme (RDP), and were to be fleshed out in a five year plan to be developed by the Department of Social Development (DSD).

The plan was to incorporate a declaration of a „War on Poverty“ which would be a rallying point for addressing the structural causes of poverty as well as the symptoms of

*„additional social problems such as family disintegration, adults and children in trouble with the law and substance abuse“.*

### Policy Principles

Social security principles were to be based on four pillars, namely:

- Private savings
- Social insurance
- Social assistance
- Social relief, more specifically crisis funds to individuals or communities.

These pillars were to operate in an integrated way to ensure „universal access to an integrated and sustainable social security system“ to ensure that „every South African should have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimum acceptable standards“.

### 3.2.2 Main legislative instruments

- The Constitution of South Africa
- Social Assistance Act 2004
- South African Social Security Agency Act, 2004
- Compensation for Occupation Illnesses and Diseases Act, 1993
- Road Accident Fund, 1996
- Unemployment Insurance Act, 2001
- Medical Schemes Act, 1998
- The Pension Funds Act, 1956 (as amended)

## 3.3 Social Insurance and Social Assistance schemes in South Africa

### 3.3.1 Public Social Insurance

State Social Insurance schemes (i.e. contributory schemes) are made up of the Unemployment Insurance Fund, the „Compensation for Occupational Illnesses and Diseases Fund“ (previously the Workmen’s Com-

pensation Fund), and a Road Accident Fund. They are funded mainly through a contribution of mandatory levies and taxes (Madonsela 2008), although the RAF is funded through a fuel levy. Contributions to the first two schemes are mandatory for both formal sector employers and employees. Since 2001, farm and seasonal agricultural workers and domestic workers are included under the scheme, although the success of efforts by the Department of Labour to enforce this extension is unclear.

These schemes provide benefits for:

- Medical costs (including ongoing medication and palliative care)
- Income replacement due to disability and invalidity
- Funeral costs and lump sum maintenance payments to minor dependents.

### 3.3.2 Private contributory schemes

Private insurance schemes cover instances of disability, health costs and invalidity, and life insurance. In addition there are a growing number of funeral insurance schemes.

South Africa has almost 14 000 retirement funds, with a combined value of about R1 trillion and in 2004 (Department of Social Development 2006, 11) covering a total membership of just under 10 million beneficiaries according to the Financial Services Board's 2004 Annual Report.

According to the Department of Social Development, this suggests that the total number of non-contributing employed people could be as high as 5.4 million, who in the absence of any private provisioning for retirement, will become dependent on social assistance.

Replacement rates for private pensions are low compared to retirement salaries, and vary from just below 24% to about 50% of final incomes (Department of Social Development 2006, 10).

## 3.4 Social assistance – non-contributory social grants: contextual analysis

Social assistance grants or social transfers constitute without doubt the most effective social security system in South Africa, as well as the most effective poverty reduction programme. Introduced through the Pension Funds Act of 1928, the first non-contributory pensions were introduced to address the needs of poor Whites and Coloured people and was payable to men when they reached 65 years, and women when they reached 60 years of age (Department of Social Development 2006, 56).

The values of the pensions reflected the racial discrimination of Apartheid. In 1968, the value of the pension paid to urban whites was R322, compared to just R31 paid to black Africans (ibid.). In 1993 however the values of the diverse grants were equalized by the outgoing government (based, many claim, on a desire to win political support in the face of an inevitable power hand over).

South Africa has the largest social assistance system on the African continent, and some claim that the proportion of beneficiaries to total population in South Africa is the highest in the world (Personal communication, Wiseman Magasela, 5 May 2008). There are an estimated 12 451 087 social assistance beneficiaries as at April 2008 (National Treasury 2008, 316) out of a total population of 47.8 million people (Statistics South Africa 2007).

The current spending on social assistance for the 2007/08 financial year is R62 billion. This is projected to rise to R84.3 billion in 2010/2011 (Statistics South Africa 2008), which will be 3.3% of GDP. The total value for each of the main grants for 2007/08 is estimated to be R22.6 billion on the old age grant, R19.3 billion on the child support grant and R16 billion on the disability grant. While these expenditures are significant, it is necessary to recognize the value of the tax expenditure subsidies that are given to higher income earners who contribute to private retirement funds. Using 2005 prices, the old age grant cost the state R19 486 billion. The

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combined Tax Exemption Subsidy for private retirement funds totaled R28 547 billion, 1.9% of GDP, and R9 061 billion more than the state old age pension (Department of Social Development 2006, 83).

### 3.4.1 Available grants

The following social assistance grants are available, each subject to its own targeting and conditions which are set out in the Social Assistance Act 2004 and the Regulations to that Act (Republic of South Africa 2005):

- The Old Age Grant
- Disability Grant
- Care Dependency Grant
- Foster Child Grant
- Child Support Grant
- Grant-in-Aid
- War Veteran's Grant
- (Social Relief of Distress Grant).

The number of beneficiaries per grant for the 2007/08 financial year is estimated by government to be:

**Table 12: Projected number of beneficiaries per grant for 2007/2008**

Grant	Number of Beneficiaries
The Old Age Grant	2 175 751
Disability grant	1 396 465
Care Dependency Grant	100 029
Foster Child Grant	368 382
Child Support Grant	7 723 302
War Veteran's Grant	2 327
<b>TOTAL</b>	<b>12 451 087</b>

Source: National Treasury 2008, 316

### Old Age Grant

This grant is available to South African men and women (and permanent residents) aged 65 and 60 respectively, subject to a means (income and assets) test (Republic of South Africa 2005).

The pension covers over 2.2 million men and women. It has been hailed as the lifeline for many destitute households, especially in rural areas. The death of an old age pensioner in many cases can throw the household into destitution (reference).

A further amount of R20 is added to the Old Age Pension in cases where the beneficiary served in either the Second World War or the Korean War (Republic of South Africa 2005).

The age differential was always justified in the basis that women spent more of their grant income on the whole household rather than just in themselves. A recent constitutional court case challenged this age differential on the grounds that it promoted gender inequality. The Minister of Finance announced in his 2008 Budget Speech that the state intended to progressively lower the age of eligibility to 60 by 2010.

### Disability Grant

This grant is equal in value to the Old Age Pension, and is granted on condition that the recipient submits a medical assessment that confirms his or her disability renders the applicant 'incapable' of entering in to the labour market. There are either permanent or temporary disability grants. Temporary grants are valid for up to twelve months, where after they fall away and the former recipient is obliged to reapply and submit a new medical assessment and report (Republic of South Africa 2005).

There were approximately 1.5 million beneficiaries as at March 2008. Once the recipient of a permanent disability grant meets the age criterion for the Old Age Grant, the Disability grant automatically becomes administered as an Old Age Grant.

### Care Dependency Grant

This grant is currently paid to just over 110 000 beneficiaries, and is payable to parents or care givers of children between 1 and 18 years old in instances in which the child is medically certified to be care-dependent.

This grant is equal in value to the Disability Grant, and is converted to a Disability Grant when the recipient turns 18.

Children for whom a Foster Child Grant is paid can also receive a Care Dependency Grant. This is important for orphaned children who are living with HIV and require full time care.

### Grant in Aid

This grant is paid in addition to another grant in cases in which the beneficiary requires full time attendance by another person due to his or her mental or physical disabilities. This amount is meant to cover the costs of such full time care.

### Foster Child Grant

In terms of the Constitution of South Africa, the primary obligation for looking after a child rests with its parents. If they are unable to fulfill this obligation, the obligations fall to the state as upper guardian of all children. Rather than running and supervising state facilities for all vulnerable children, the state tries where possible to keep children in the community through the use of foster families.

The objective of Foster Child Grants is to reimburse non-parents for the cost of raising foster children. The child has to be placed in the custody of a foster parent in terms of the Child Care Act 1983 which requires a Court to order such placement on the recommendation of a social worker (Republic of South Africa 2005, regulation 5).

The objective and design of the foster care grant has attracted some debate in recent years. Given the preva-

lence of orphaned and displaced children, the potential take up of this grant could be far greater than the 450 000 current beneficiaries. The value of this grant is about three times that of the Child Support grant. In addition, the targeting of the Child Support Grant (both in terms of the age limit and the means test) are far more stringent than the Foster Child Grant which is available at least until the child is 18 years old, and there is no means testing of the foster parent's income.

The application process can be cumbersome, and given the shortage of social workers and the costs in terms of time and transport money for accessing the courts, these requirements act as obstacles for many people who are eligible for this support.

In addition to these practical obstacles, anecdotal evidence suggest that there have been instances in which grandparents, who should be eligible for a Foster child Grant, have been refused these by magistrates when making the application for the placement on the grounds that as grandparents they should assume the burden of looking after their grandchildren without any assistance from the state, or in other cases, grandparents were told to apply for the lesser value Child support grant and not the Foster child Grant.

Personal positions held by individuals can often scupper good policies, and unfortunately the most vulnerable applicants are usually the ones who are least knowledgeable about their rights and least likely to be advised about appeal or review processes.

Another debate about the Foster Child Grants within the last few years was based on recommendations from the non-governmental research and advocacy organization, the Children's Institute based at UCT in Cape Town. Arising from research they had done into orphans and vulnerable children, they were concerned at the number of vulnerable children who for a range of reasons such as age or lack of access to Identify documents, were not able to access the Child support Grant. The CI accordingly argued that the Foster Child grant should be abolished, and replaced by a universal Child Support Grant for all children up to 18.

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### Child Support Grant

This grant was introduced in 1997, replacing the previous State Maintenance Grant. The latter was developed to provide financial assistance for poor single mothers. It was generous in its value, and available until the child turned 18 or finished tertiary education, whichever was the later. However under Apartheid, this grant had not been in fact available to black African mothers.

According to the post-1994 state, it did not have the available budget to make the Maintenance grant available to all black African mothers in need, and so they withdrew the grant. This regressive step caused a huge outcry from civil society organizations.

The state proposed to introduce a Child Support grant with a negligible value which would be available to more care givers than the State Maintenance Grant had been. Successful lobbying by civil society ensured that the Child support grant was initially introduced at the value of R100 per child per month. From 1 April 2008, the value of this grant was increased to R210 per eligible child per month.

The CSG was initially targeted to poor children up until the age of seven. This has progressively been extended and will be available to poor children up until 15 from April 2009. Given that the Constitution defines a 'child' as being a person under the age of 18, this arbitrary age cut off has incurred much anger amongst poor mothers and civil society organizations. The state does not appear to have any valid grounds for this cut off, and the African National Congress 2007 Congress did resolve that the CSG should progressively be rolled out to age 18. A case has recently been brought by ACCESS (Alliance for Children's Entitlement to Social Security) to challenge the failure of the state to roll out the CSG to children under 18.

The other current targeting of the CSG is done through means testing. The income test for primary care givers is lower than for other grants, namely R800 per month for primary care givers living in formal urban dwellings, and R1100 per month for primary care givers living in infor-

mal or rural areas. This income threshold has not been revisited since the introduction of the grant in 1997, despite consistent year in year increases in inflation.

The CSG is currently accessed by approximately 7.7 million poor children under 15 (National Treasury 2008).

Child poverty is extremely prevalent in South Africa, with as many as one in five children reporting frequent hunger. As a result of this prevalence, and given the fact that complying with eligibility criteria for applying for grants in general excludes the most vulnerable, there have been calls for the abolition of means testing and the introduction of a universal Child Support Grant.

There are 10.7 million children under the age of 15 currently in South Africa, and a further 4.9 million children between 15 and 19. A universal grant would thus reach approximately 15 million children if made available to all children under 18, at a current cost of approximately R3.3 billion per annum (without any administrative or infrastructure costs).

The other main obstacle preventing poor primary care givers from accessing Child Support Grants is the need of the primary care giver to produce a South African Identity document for herself, and a birth certificate for the child (Republic of South Africa 2005). These requirements are justified on the grounds that they ensure that the grants are paid only to South African citizens or permanent residents, and to prevent fraudulent claims.

The impact of these requirements however in practice tend to exclude very poor and rural people (especially in former Bantustans) who have never received ID books, and have not in turn been able to register their own children. The cost in terms of time and money to apply for official documents as well as thereafter the grant in effect acts as an often insurmountable obstacle for the most vulnerable.

As a result of legal action brought against the Department however, the regulations will be amended and with effect from 1 June 2008 – International Children's Day – the South African Social security Agency will accept

social grant applications without the requirement of a valid Identify Document.

### Social Relief of Distress Grant

This is also viewed as a social grant, but is available for a limited period (up to 6 months) when a person finds themselves in 'distressed' circumstances (Republic of South Africa 2005). These include death, institutionalization or illness of a breadwinner and external disasters.

The amount of the grant cannot exceed the maximum amount of other grants, and despite the fact that this is considered a grant, it can be made available in kind (e.g. food parcels) rather than cash.

The provision of this grant is one of the many contradictions or ambiguities that exist within the state's policy on social assistance. For most people, distress is a permanent state arising from poverty and destitution, yet for policy makers this distress must be caused by an exogenous happening.

Equally contradictory is the fact that where a breadwinner for instance is sentenced to jail and so cannot earn an income, should he or she lose their job and so not be able to support the family or household, the family is not eligible for this support.

This anomaly could be based on historical grounds, namely that the assistance was designed for white people who would have been expected to form part of the formal workforce and so be entitled to UIF as soon as they lost their employment. As it stands however it is not a rational or reasonable exclusion.

### 3.4.2 Gaps in coverage including those caused by targeting and conditionalities

#### Targeting and the means test

The means test consists of both an asset and income threshold. These thresholds have not been increased since their introduction in the early 1990s (see Table 13).

**Table 13: Targeting and the means test**

Asset threshold	As at 01 April 2007
Single person	R 313 200
Married person	R 626 400
Income threshold	
Social grants:	
Single person	R 21 612
Married person	R 40 092
Child support grant:	
Child grants: (Urban)	R9 600
(Rural/informal dwelling)	R13 200
Foster child grant:	R 14 800
Care-dependency grant (parent)	R 48 000
Care-dependency grant (foster child)	R 20 880
Source: South African Social Security Agency 2008a	

Government is currently reviewing the design and the functioning of the means tests (Cape Times 2008; Daily Sun 2008). Concerns have been raised that the means test for the old age pension might well act as a disincentive for people to save for their old age.

*“Drawing on the work of the interdepartmental team on social security reform, we will begin to address the difficulties of the present means tests. The qualifying household income threshold for the child support grant will be raised and the means test formula that applies to the old age grant and disability grant will be revised, contributing both to easier administration of these restrictions and broader access of the poor to income support. Details of these reforms will be contained in amendments to the Social Assistance Act and its regulations, which will be tabled by the Minister of Social Development“ (Manuel 2008).*

In a presentation delivered by the Director-General of Social Development, Vusi Madonsela, at a conference in Cape Town between 10 and 14 March 2008, the question of the means test was listed as a „Strategic

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Challenge in Social Assistance“ as a result of the following:

*“Most of the grants are Means Tested ... as a result, we rely on applicants to declare their income ... this result in inclusion and exclusion errors, and ... the multiple cost of targeting has financial, social and political costs that may exceed the realized benefits“ (Madonsela 2008).*

As part of this review, the Department of Social Development recently commissioned a research paper by the Economic Policy Research Institute (EPRI 2007). The main recommendations of this report are:

- The financial, political and social costs of targeting on both the state and applicants are large, and create economic distortions.
- Proxy targeting as used in other countries however are not feasible within a rights-based society.
- A gradual move towards a universal system of benefits would be most efficient, eliminating exclusions and perverse incentives.
- Micro-simulation suggests that completely abolishing means tests is affordable within the current grant system.
- The means test should accordingly be abolished; in the alternative, the means test for the Child support grant should be adjusted for inflation.
- The value of all grants should keep track on a monthly basis with the published Consumer Price Index for the lowest quintile.
- Means test thresholds should either be indexed to the grant benefit levels or to the same CPI.

### Conditionalities

Currently the South Africa social grants are relatively free of conditionalities (Samson et al. 2007, 8).

Conditionalities are in general imposed by policy makers to ensure that recipients do or desist from doing certain things. As such policy makers are open to accusations of paternalism and the belief that poor people tend to be encouraged in undertaking constructive rather than destructive behaviour.

Unconditional transfers are far less costly both for the administrators and the beneficiaries than systems in which adherence to conditions needs to be regularly policed. In certain situations they might be beneficial, such as in countries that experience high levels of child labour, policy makers might well believe that imposing a condition of school attendance to a wage-replacement child income grant might be beneficial.

Given the general absence of conditionalities in South Africa’s social assistance policy, it is worth noting the following statement from the Minister of Finance in his 2008 Budget Speech:

*“The Minister of Social Development has indicated the need to review eligibility criteria or conditions, in line with practice in many countries, aimed at reinforcing the responsibilities of caregivers towards benefiting children. These might include regular school attendance, for example, or immunisation of children in keeping with health requirements. There is rightly public interest in these matters, and we should ask this House to lead an active debate.“*

Targeting is also done according to age. The debates about the age thresholds for the old age grant and the child support grant have been set out above.

### Other gaps

Through the age targeting, the social assistance system fails to provide cover for able-bodied people across for their entire working age, namely 15 to 59.

The state is considering ways to increase or „massify“ its Expanded Public Works Programme as a way to provide some income support for poor working age people.



If social security is considered as a guarantee of a certain standard of living below which no one should fall, then the vast number of workers who are employed in full time employment but whose incomes fail to enable them to live a decent life also should be considered to have been failed by the South African social security system.

Despite its debilitating effect especially for people who are not on treatment, there is no financial assistance for people living with HIV/AIDS, and in fact there is major confusion nationally about whether even full blown AIDS should enable a person to receive a disability grant. This gap leads to extreme pressure and stress on people whose immunity deficiency is exacerbated by daily poverty.

Despite the fact that the right to social security in the Constitution is made available to everybody and not just citizens or permanent residents, the current Social Assistance Act and regulations require citizenship or permanent residence as a ground of eligibility. The rights of vulnerable refugees and foreign workers and undocumented children and workers are being blithely ignored on the justification that if not all needy South Africans receive social security then why should we provide it to foreigners? This circular argument does not advance the rights of anyone and South Africa could be challenged on the basis of international and regional rights treaties and covenants.

### 3.4.3 Institutional arrangements, applications and appeals

With effect from 1 April 2006, social grants were administered through a national agency – the South African Social Security Agency (SASSA) established in terms of a 2004 Act. Prior to this, the function of administration of grants was understood to be a provincial function in terms of the Constitution, while the national government was understood to have political control over social assistance.

Through the Social Assistance Act of 2004, this devolution of powers to the provincial ministers was revoked.

The agency was established, and the CEO is accountable to the Minister. The reason for the revocation of the devolution of powers was largely due to the huge variance in the standard of grant administration between the provinces, although few provinces could claim that they were providing an exemplary service. Many civil society organizations such as the Black Sash were involved in constant litigation on behalf of applicants for their social grants, in some cases grant applications took over three years to process.

The system of appeals and reviews was well provided for in the 1992 legislation and regulations, but in practice this also was seldom respected. In some provinces applicants were advised not to appeal a negative decision, but to reapply ab initio for their grant (personal conversations with Black Sash clients 2003-2004). Payment is calculated from the date of application; applicants who merely reapplied would clearly be prejudiced in terms of the date from which backpay would be calculated.

Applications are made at a local SASSA office DETAILS. An applicant is given written proof of application and is notified in writing whether the application is successful or not. Appeals should be noted within 90 days of receipt of a rejection.

It is not clear how much information is made available to applicants on the steps for noting an appeal. In the Frequently Asked Questions on the SASSA website, not details are provided of the appeal process beyond that „An appeal should be made within 90 days from time of receiving rejection letter“.

In accordance with the Promotion of Administrative Justice Act 2000, written reasons should be provided for any administrative action. It is also not clear whether all rejected applicants receive reasons that are adequate to enable them to prepare an appeal, or whether they are assisted through the appeal process.

According to a press release on the Department of Social Development's web site (Department of Social Development 2008b), the Minister announced on 7 April 2008 that the

*“appeals tribunal, formed in terms of section 18 of the Social Assistance Act of 2004, to hear appeals of people whose applications for social grants have been rejected, is due to begin work today.”*

The appeals tribunal is located centrally in Pretoria. As at 7 April, there was an estimate backlog of 45 000 appeal cases. The Minister in the same press release refers to a court judgment handed down in a matter against the Department on 9 March 2008 that required that the appeal process commence within 45 days from date of judgment.

The Minister concluded:

*“there have been unforeseen challenges and delays in the establishment of an independent appeals tribunal, which should consider and decide on appeals from social grants applications. Again, the absence of appeals structures and mechanisms have denied appellants the opportunity to access possible internal remedies, which is a general prerequisite before exercising judicial review on these matters. As a result, appellants, either acting on their own or through their representatives had often resorted to utilizing unaffordable and protracted legal processes.”*

#### 3.4.4 Value of grants

Since 2000, the values of the grants have consistently kept pace with inflation, and at times have increased in real terms.

Despite annual increases, the value of the grants has not always kept pace with inflation, leading to an erosion of the real purchasing power of the grants. According to Samson et al, in 1994, the value of the old age pension could have purchased an additional R100 worth of food in today’s prices. For this reason it might be more transparent to index the value of grants to the national Consumer Price Index as recommended by Samson et al. (2007, 14 and 15).

### 3.5 Minimum wages

From a policy efficiency perspective, income received from social grants should not exceed minimum wages to prevent economic distortions. Given that the majority of grants are targeted at people outside of the work force, this has less relevance in South African social security policy and would only be an issue in the field of disability grants. The argument is further weakened by the fact that this type of distortion has little relevance in a country that has such a high unemployment rate.

In any event, the disability grant value is less than the minimum wages set by the Department of Labour annually. For the 2007/08 financial year, the minimum wage for a full time farm worker, was R1041.00 per month in urban areas, and R989.00 per month in peri-urban/rural areas (Department of Labour 2008).

### 3.6 Summary

Whilst South Africa boasts the most extensive social assistance system in Africa, there are many gaps in the weave of this safety net. The system was originally designed to provide for the cyclical vulnerabilities of white workers in an Apartheid economy that basically guaranteed full employment for whites, as well as means tested grants for the elderly and children.

Given the current levels of unemployment, underemployment and the growing survivalist informal economy, millions of people are living precarious existences that fail to accord with any of the fundamental or the socio-economic rights contained in the South African constitution.

### 3.7 Recommendations

Although the social assistance legislative framework was set out in a statute that was assented to on the 26th April 1992 in the form of the Social Assistance Act 59 of 1992, the Act only came into effect on 1st March 1996. In other words, the Act was drafted four years before

the text of the final constitution, whose constitutional rights are meant to be realized through the legislation.

Furthermore, this Act was also drafted and passed five years before the finalization of White Paper on Social Welfare, which heralded a shift from a „welfarist“ to a „developmental“ approach to social development. The White Paper itself was adopted in the same year in which the Constitution of South Africa was adopted. It immediately led to the replacement of State Maintenance Grant with the Child Support Grant through the enactment of the Welfare Laws Amendment Act 106 of 1997. This amendment, however, built quite superficially on the foundations of the 1992 Social Assistance Act.

Ideally, the statute governing the granting of social assistance grants and any provisions for the progressive extension of these grants should have been informed by the provisions of the White Paper, which make reference to the Constitutional imperatives for the progressive realization of the rights to social security in general and social assistance in the particular (Department of Social Development 1997, Chapter two, clause 8). It should thus have been drafted and passed subsequent to the adoption of the policy White Paper, rather than the other way around.

## 4 Civil society views and position on social security

Civil society has a long and active connection with fighting for progressive reforms and expansion of social security within South Africa, as well as acting as a service provider of many welfare services at community level. Advocacy issues have included advocating for the introduction of a child support grant in the late 1990's, fighting to increase the value of social grants, using the courts to enforce administrative justice for applicants whose grant applications were delayed for years on end; fighting to reinstate the right of successful applicants to receive payment of their grants from date of application rather than date of approval; submissions to the Taylor Committee on social grants; fighting through the courts to halt administratively unfair suspension of temporary and permanent disability grants; inclusion in early conceptualization of the establishment of a national social security agency; fighting to extend the eligibility of the child support grant to all children under 18 (still in the process of being won in practice); equalizing the date of eligibility to state old age pension for men to 60 years (down from 65); and campaigning for the introduction of a universal Basic Income Grant (BIG).

These battles have been fought in a variety of terrains and through a variety of tactics, including mass mobilization, court cases, media interventions, parliamentary submissions and Parliamentary Questions. At times civil society has held a united position, and at times there have been tactical divisions within civil society on how to best win progressive reforms. At times it has worked together with government to oversee the successful implementation of reform policies, and at times the sector has stood apart from government and its policies and argued for alternatives to be considered and put in place.

This section of the paper reflects the outcomes of ten interviews with NGOs that have specific strategic relationships with „Brot für die Welt“, to understand the

way in which these organizations view social security, its role and its potential to be used as a more successful tool in the battle against the impact of poverty on people's lives. In addition to these interviews, a focus group was held for civil society in Johannesburg in May 2008 to elicit broader reflections on social security, the strengths and weaknesses of the current system, how civil society could best intervene in demands for far reaching reforms and how we could learn from past campaigns and lessons.<sup>3</sup>

### 4.1 Analysis of social, political and economic threats to peace, freedom and development in South Africa

#### 4.1.1 Political threats

The current leadership contestations within the ruling party, the African National Congress and its alliance partners was seen as providing a moment for engagement that is not seized upon by civil society, will close after the elections. It is important to engage with the party structures now to communicate progressive positions for policy formation.

Some organizations felt that the negative side of this political uncertainty is the resultant political instability that has in fact led to a high degree of paralysis within the political leadership and extending to government, informed by mistrust and suspicion.

There was a concern noted by two respondents about the level of public participation in the country. The concern was that any participative democracy needs to have active participation by the public in policy formulation and programme implementation and monitoring/evaluation. Civil society's active participation was viewed as having faded away quite considerably. The strength of civil society as a sector to engage in a united and informed way was also questioned. Almost every organization was concerned about the levels of politi-

<sup>3</sup> Please see Annex for methodology.

cal and strategic leadership within civil society. Some organizations suggested that there was a lesson that we should learn from Zimbabwe and the gradual eroding of the strength of civil society sector there.

Corruption at the level of daily administrative actions was seen as posing a dangerous threat which, if not checked, could rot a lot more of our national fabric.

#### 4.1.2 Social threats

Critical factors that were identified were the impact of HIV/AIDS on the lives of individuals, communities and the nation. AIDS also has the potential to affect the economy of the country and people's opportunities to engage in the economy and to benefit from such inclusion.

Poverty and unemployment were also critical factors that strengthen South Africa's future in terms of peace and development. Most people were quite at sea about how the required numbers of jobs would be created to absorb the currently unemployed. Social grants were raised as providing necessary but insubstantial relief to some of the poor.

Inequality was highlighted across the board as being dangerous for our nation's future. Conspicuous consumption across the board by the middle classes had the effect of making the high levels of destitution experienced by millions within the country more unbearable. Some respondents drew a link between the growing numbers of localized demonstrations (the so-called service level riots) to the conspicuous differences in the life styles and expectations of the poor and the middle class.

Lack of quality education was raised as a concern by people in terms of providing opportunity for poor people to break into a better life cycle in the future. There was a general lack of understanding why government had not been able to make any progress on ensuring quality education and learning for poor people.

Concern was raised about what is seen as a high level of dehumanization that had its roots in the brutality of

apartheid, but has seen new expression as a result of the levels of poverty and destitution and hopelessness of marginalized people in South Africa. This is expressed in a number of ways that reflect an alienation from self and an atomization of self from community, leading to psycho-social displacement, thuggery and crime.

Violence is experienced at a number of levels as well within South Africa. Within the home, domestic violence continues to be experienced at alarming rates, often exacerbated by alcohol and other substance abuse. Theft is more often than not associated with violence as well, including aggravated assault, rape and murder. Rape and the threat of sexual violence is also seen as a way of asserting patriarchal power relations in a shifting world. One of the main results of these manifestations of violence however is a pervasive fear for personal physical safety that restricts the freedom of movement of people, and encourages isolation of people within communities and between communities as well.

#### 4.1.3 Economical threats

The impact of income inequality on the growth patterns of the country were raised, as was the lack of fit between current skills and desired new paths of growth and development within the economy.

Crime, lack of skills and HIV/AIDS were social factors that were seen to have specific impact on the economy.

The inability of government to plan clearly for development for some was illustrated in the current energy/electricity crisis. Some respondents thought that this was an ominous sign, but an equal number acknowledged that a new government might not be able to get everything right, but should at least acknowledge its mistakes and learn not to repeat them.

#### 4.1.4 Vulnerable groups

Those who were most vulnerable in our society were the poor and the unemployed, people living with or affected by HIV/AIDS, seasonal workers, women and children in general. Refugees and illegal aliens were also

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seen as vulnerable, given the few visible programmes that were available to meet their needs and the levels of xenophobia that exist in South Africa in general.

Within marginalized groups exist extremely vulnerable people. This includes minorities who struggle to balance competing, multiple identities such as indigenous minorities.

The real vulnerability politically, socially and economically of unemployed young black men is increasingly being acknowledged. Rather than being seen as a threat to other vulnerable groups, their marginalization is being highlighted as an important area for policy intervention.

Respondents from the Western Cape also identified drugs as posing an enormous threat, especially amongst the youth. This was not limited to urban areas but was prevalent in all areas of poverty, destitution and social inequalities.

Most of these interviews took place immediately prior to the Mid-May outbreaks of xenophobic attacks around South Africa. Respondents subsequent to the attacks in general identified the high levels of competition for scarce resources as being quite integral to the attacks, as well as community atomization and a breakdown of community organization.

### 4.1.5 Social security

Most organizations were involved in their work with social security either directly or through their members. The type of involvement with social security ranged from assisting people in overcoming obstacles to accessing social security (including trying to access the necessary identity documents), to advocating for the expansion/extension of the availability of social security.

A lack of documentation was seen as being extremely problematic as an obstacle to eligible people being able to secure their rights. Given patterns of migration between rural and urban areas, undocumented people find it almost impossible to satisfy the arcane demands

of the Department of Home Affairs. Lack of documentation acts as a multiple excluder, disabling vulnerable people to access grants, free basic services, housing, health and education for their children. For many the cost of repeated attempts to satisfy the department's requirements prove too high. The impact of this will of course not only be felt on that person, but their successive descendants and dependents.

The role that social security played currently was seen mostly as addressing destitution and allowing some people access to cash for food and necessities that they would not normally have. For seasonal workers as well social security was seen as providing a smoothing over for the months of unemployment which could assist annual budgeting.

The lack of coverage for working age people was highlighted as presenting a grave problem. Grants that were targeted for certain people became income for the whole household which could create difficult social dynamics. Almost all organizations mentioned that they supported the civil society campaign for a universal income grant for this reason.

The lack of social assistance for poor people living with HIV/AIDS was raised, and hope was expressed that the state would develop appropriate income security for people living with HIV, whether they were receiving medical treatment or not.

The continued payment of social grants through shops in some areas was highlighted as a real problem by rural based NGOs. Many grant recipients are encouraged to take extensive credit throughout a given month, to the extent that by the time they receive their grants, they are already indebted for the whole amount of the grant if not more, leading to perennial debt traps. These shop keepers clearly fail to observe the spirit or letter of the National Credit Act that limits the rate of credit to income, and yet they keep below the radar, leading to severe exploitation of grant recipients.

Other forms of assistance (social services rather than social security) that were identified as having a trans-

formative potential included extending the school feeding schemes to all children receiving education up to grade ten, and providing subsidized or free and safe transport facilities to ensure that poor people, especially those in rural areas, did not have to stay cut off from the rest of the nation, and adequate housing.

With regard to the Constitutional guarantee of the right to social security and social assistance, all the organizations know about this justiciable socio-economic right. One respondent said that they had not been aware that this right extended to non-citizens.

For most respondents, the internal limitation within the right (namely that of progressive realization within the state's available resources) was the greatest threat to the realization of this right. The limitation was unclear and seemed to offer a standing excuse to the state to limit the extension of this right. Respondents asked how the question of available resources sat with the existence of a national budget surplus.

#### 4.1.6 Patterns of inequality

When asked to identify drivers of inequality – old and new – respondents answered in a fairly homogenous way. Poverty, gender, race, HIV status, and spatial location were the drivers identified most frequently. Inextricably linked to race, various other apartheid drivers were identified, including lack of access to land, and the economic outcomes of generations of denied freedoms of skills development, business development and accumulation and asset accumulation.

Skills and education specifically were seen as critical to development and any possible hope for equality. Newer drivers of inequality were identified as being HIV/AIDS, as well as globalization and the impact of international trade and tariff exclusions and the role played by international financial institutions in driving policies that reinforced current access and exclusion.

The push towards conspicuous displays of wealth and status in South Africa was also identified as constituting a new driver of inequality and social alienation.

Social security was acknowledged for its role in addressing income inequality through the redistributive effects of a progressive tax base, but was thought to have limited impact on its own in addressing inequality given the extent of the divisions within the society.

#### 4.1.7 Traditional forms of social security

Most respondents answered that while they were aware of stokvels and community based savings systems that existed in communities, they did not think that these forms of savings should be considered as alternatives to expanding state social security to assist people living in poverty. These schemes were seen as coping mechanisms rather than survival strategies. Respondents did not want to see the burden of looking after the poor falling on the slightly less poor or the working poor.

Invariably families or neighbours take in vulnerable members of their communities, especially children. However, the ongoing ability of extended families to provide for less fortunate family members was raised as a concern.

Very many poor families have had to take in and/or support members of their extended families. The current increases in the cost of food and fuel would put further strain on this. However, lack of adequate resources would not make a family member turn away someone in need, it would just mean that the limited income and/or assets would have to be stretched further.

The availability of the Foster Care Grant was identified as useful for addressing some of the financial costs of looking after others' children, but all agreed that the value of the grant was little more than symbolic as you could not raise a child on that.

#### 4.1.8 Current social security reforms

Just over half of the respondents knew that there was some talk about reforms to the current social security system, although most of these cited the national print media as being the source of their knowledge about the reforms.

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All the organizations indicated that they wished to be informed and kept up to date on information about the reform process and choices. In response to a question asking what they would need to be kept more actively engaged in the debate people listed accessible knowledge/pamphlets and fact sheets and updates.

In addition most respondents said that it would be easiest if there was a standing civil society secretariat to co-ordinate information and coalition building amongst civil society organizations, similar to the coalition/network built around the child support grant extension movement. Finally, most organizations also mentioned a severe lack of staffing capacity as constituting another obstacles to active and informed engagement with the reform process.

### 4.1.9 Civil society's role in addressing social security reforms

There was general consensus that civil society did and should have a role to play in campaigning for the advancement of social security. This cut across NGOs that dealt with human rights in general as well as those that dealt with specifically vulnerable groups (e.g. women and seasonal workers).

In addition a number of organizations raised the point that for a vibrant participative democratic government it is vital that civil society does become involved in policy discussions and deliberations to enrich the available information for policy makers.

There was also the general feeling that overwhelmingly civil society works with marginalized societies and people that are poor and require better and more concrete forms of security and that these needs need to be communicated into policy reform debates.

When asked what types of resources organizations required to be more involved in policy discussions at a conceptual level, the main issues that arose was:

- Accessible and timeous information to enable people within the sector to be proactively aware of debates

- Self-education on the issues to allow for substantive inputs of policies, alternatives and potential consequences of the various options

- Some level of co-ordination of debates and inputs

- Capacity in terms of advocacy and research staff.

The ability of civil society organizations to be able to monitor the implementation of policies and the success in meeting policy objectives was highlighted, including the potential for civil society to be able to bring attention to failings in implementation.

Many organizations lamented that when they tried to raise these things with government officials, their insights and recommendations were dismissed out of hand. There is clearly a need to develop a mutual understanding between civil society and government on how to communicate these issues and to whom.

There were various understandings of the value of civil society in general. Some viewed civil society as constituting necessary agents for service delivery where government did not reach communities or could not address the variety of needs experienced in communities, whilst other organizations saw civil society as constituting more fundamentally a necessary ingredient for a vibrant participative democracy – an expression of society and a source of impartial evaluation of government and as well as a source of diverse views necessary to take forward the development and deepening of a common humanity.

Finally, respondents identified a number of other issues that they felt were related to human security, but needed to be articulated as distinct from social security. These included specifically:

- Protection against the impact of apparently run away increases in the prices of food, energy and transport

- Sustainable and co-ordinated land reform that included policies to promote sustainable livelihoods with adequate support and training on farming techniques



and support for market access to ensure that production could result in sustainable livelihood strategies beyond production for own consumption.

## 5 Introduction to retirement reforms

### 5.1 Background

At the 1998 Presidential Jobs Summit, the Congress of South African Trade Unions (COSATU) called for the introduction of a universal basic income grant to address growing levels of poverty and unemployment in South Africa.

In 1999, the Department of Social Development headed an inter-departmental task team that investigated gaps in the social security safety net, including both social assistance and social insurance.

Arising out of their initial findings and recommendations, the Minister of Social Development, Minister Zola Skweyiya, constituted a committee of inquiry in 2002 under the chair of Professor Taylor (the „Taylor Committee“) to consider the web and weave of a comprehensive social security system for South Africa. The committee consisted of a variety of government policy makers from various departments, as well as representatives from civil society, labour, and local and international academics. Many bodies and organizations provided written submissions to the committee.

The report of the Committee was published in 2002, entitled „Transforming the present-protecting the future“.

The work of the Committee was thorough and their findings provided not only a framework analysis of levels of poverty and inequality within South Africa and descriptions of the dynamics of many of the traps that continued to keep people in poverty, but also detailed and comprehensive recommendations for the introduction of a system of social protection, a detailed analysis of access to healthcare, and a set of recommendations for the institutional set up required to introduce, manage and administer the comprehensive social protection system that they recommended.

The mutually reinforcing and developmental understanding of the committee of the components of social protections included five aspects:

1. Addressing income poverty – through a minimum universal income guarantee.
2. Addressing asset poverty – through access to land and income-producing assets and support.
3. Addressing capability poverty – through a combination of free basic services and affordable secondary services.
4. Separate and developmental provisions for special needs.
5. Appropriate contributory social insurance schemes

Recommendations from the Taylor Report for addressing income poverty included a basic minimal universal cash transfer (recovered through the tax system from wealthier people), active labour market policies to enable unemployed persons to find jobs or be linked to the necessary skills training and made aware of the available jobs, and substantial reforms to retirement funding (Department of Social Development 2002a, 42).

According to the findings of the Committee, unlike most other countries, South Africa's retirement financing was based only on two out of three necessary legs. There was a state-funded means tested social assistance pension, and then various private arrangements of pension and provident funds, retirement annuities and other vehicles, regulated to varying degrees by the state but administered and managed completely apart from the state, and membership of these funds was by and large voluntary (although employers might make membership a condition of employment).

These two legs left a large gap of uncovered people, largely low income workers and the self-employed, who might not qualify for the means-tested Old Age Grant, but were not paying into any contributory fund either. In 2005 approximately 5.4 million of 11.3 million em-

ployed workers were not covered by any private retirement funding arrangement or scheme (Department of Social Development 2006, 9).

Institutionally, the Committee recommended that the emergent comprehensive system of social security could be administered and managed through a single national social security agency, subject to a social security board but politically accountable to the Minister of Social Development. This agency could administer both social assistance and social insurance applications, adjudications and payments (Department of Social Development 2002a, 122).

In June 2002, Cabinet adopted the three pillar framework for comprehensive social security (Department of Social Development 2006, 8). Since this time there has been ongoing discussion within government by an interdepartmental task team tasked with finalizing recommendations to Cabinet on the eventual size and shape and pace that social security reforms should take. Arising out of these behind the scenes work, various discussion documents have been released by the departments of finance, social development and labour on aspects that might inform the principles and design of the eventual system.

## 5.2 Involvement of NEDLAC

NEDLAC (National Economic Development and Labour Council) is a statutory body established to facilitate formal social dialogue on socio-economic and labour related policy formulation between the four social partners, namely Government, Labour, Community (civil society) and Business. In February 2007, a NEDLAC Executive Committee task team was set up comprising of all four social partners to try to reach informed consensual positions around the reforms.

The work of the Task Team has been rather lacklustre. There also appears to be no consensus from within government about these reforms, with the departments of social development and finance bringing out quite different initial positions. Business is concerned about future

control over the vast private retirement funds. Labour and Community are in the process of developing their own positions for use to mobilize their own constituencies and to inform future bargaining positions.

Overview 1 and 2 (Annex) attempt to identify the main principles and recommendations of both Social Development and Finance to assist people in understanding what requires clarity, and where current and future gaps might lie.

## 5.3 Issues for further deliberation (not necessarily raised in government documents)

1. The benefits of economies of scale in relation to the administration of a single national social security fund over alternative arrangements involving private fund managers. There are differing opinions about this in various countries. However it has been found that where the management of for-profit retirement funds has been done competitively; the management and administration costs are higher (Department of Social Development 2006, 33). How should the government sponsored retirement fund be administered and managed, by whom, and driven by what principles?
2. The potential role and scope of a wage subsidy. National Treasury has recommended that an employer-side general wage subsidy would be effective in creating jobs and not allow the additional costs of social security contributions cost low income workers their jobs.

International studies by both the HSRC and Centre for International and Comparative Labour and Social Security Law (CICLASS) based at University of Johannesburg for the Department of Labour suggest that the empirical evidence suggests that employer-side subsidies have little success in creating jobs, and may instead cause displacement. Worker-side subsidies were more effective in supplementing low incomes and providing limited income security. In Costa Rica the state provides a fiscal subsidy to the self-employed with low incomes to encourage participation in saving for retirement. Should

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a subsidy be considered, what will its primary objective be, and how should this be structured?

3. Should the system provide for mandatory or voluntary inclusion of informal workers and the self-employed? Should they be able to access their savings for retirement prior to retirement? What would constitute retirement for a survivalist self employed person?

4. Is Defined Benefit preferable to Defined Contribution, and if so, should the full scheme not be DB?

5. How should unemployed people, both within the formal and the informal economies, be accommodated? What sort of income protection should be provided?

## 6 Conclusions and recommendations

South Africa is currently contemplating extremely progressive reforms to its social security system. The Department of Social Development is committed to the principle of universalism which is in line with the Constitutional right to social security contained in Section 27(1)(c).

Civil society as a sector has long been involved with social security in many different ways. These include active involvement in policy formation; monitoring the successful implementation of policies on the ground, educating people about their rights and eligibility for assistance, assisting people in asserting those rights when bureaucrats fail to respect them in practice, and also through the use of litigation both to enforce individual rights and to force the pace and direction of reforms to policies.

It appears however that the voice of civil society in advocating for social and economic transformation through expanding social security has become weakened over time. This is due to both internal and external factors. There has been a demise of a number of the former coalitions that co-ordinated advocacy for better social security, most notably, the Basic Income Grant Coalition. The very programme oriented approach to funding that donors often employ also limits the capacity of organizations to contribute in informed ways to national debates and policy processes that might fall outside of the specific and funded plans of an organization.

Access to information and an opening up of policy making processes are necessary to include more voices in the reform deliberations. The other critical role that civil society can and does play is through monitoring the execution of policies through their implementation on the ground on a day to day basis. What appears to be lacking however is a clear line for this information to be communicated to government officials that have the necessary status to effectively address the problems so identified. As the reforms get decided upon and rolled

out, this type of independent feedback mechanism will prove to be extremely useful to government.

Rights education is very necessary and the need for it appears insatiable. Organizations appear to be less active on this front these days. There is still a need for accessible pamphlets, posters, and workshops at community level about what assistance is available, how it can be accessed, and what to do if your attempts to access your assistance are thwarted.

There appears to be a keenness amongst the civil society organizations interviewed in this work to become more involved in social security work; however given the high levels of engagement of organizations in other fields, there needs to be a way of integrating this work to their main areas of focus in a way that strengthens both.

Despite this keenness at a conceptual level to become more involved, there appears at the same time to be an inertia about implementing the steps that would be necessary to taking on issues pertaining to social security at that day to day level, suggesting that there needs to be some catalyst to bring organizations together and find ways to get involved in accordance with their varied objectives and constituencies.

In conclusion we therefore suggest that such a catalyst might be a national conference, convened for civil society organizations at which both substantive information is shared, but also agreements forged on a process to design and establish a standing body that could act to co-ordinate further and better involvement between civil society bodies (including labour) and between civil society and government and business in order to explore specific partnerships in a structured, institutionalized fashion.

## Overview 1: Main principles and recommendations of the Department of Social Development

<p><b>Principles</b></p>	<ol style="list-style-type: none"> <li>1. Collective policy formulation.</li> <li>2. Loyal to universality.</li> <li>3. Dedicated to a mandatory system.</li> <li>4. Committed to consensus style of decision-making.</li> <li>5. Informed by the Declaration of African Rights, the Freedom Charter, the South African Constitution, and the guiding principles of the ILO.</li> <li>6. Redistribution from rich to poor and from young to old through risk-pooling, promoting social solidarity and cohesion and tackling income inequality.</li> </ol>
<p><b>Proposals</b></p>	<ol style="list-style-type: none"> <li>7. Universal state old age pension, adjusted annually above annual inflation-index.</li> <li>8. Three-pillar system of:             <ol style="list-style-type: none"> <li>a. social assistance as a basic floor.</li> <li>b. mandatory membership of a contributory national retirement fund.</li> <li>c. voluntary contributions to top-up private schemes or arrangements.</li> </ol> </li> <li>9. Total contributions of 15% of earnings above a threshold of R12 000 per annum (2005 value of money). 6% for Defined Contribution scheme, 6% for Defined Benefit scheme and 3% for death, disability and survivor benefits.</li> <li>10. Fifty-fifty percent split between Defined Contribution and Defined Benefit.</li> <li>11. DB to be partially funded (Pay-as-you-go), DC to be fully funded.</li> <li>12. DB fund to include death and disability benefits and post-retirement cover for medical scheme contributions.</li> <li>13. Collection through SARS.</li> <li>14. DB portion to be managed in a state sponsored retirement fund.</li> <li>15. Provide a potential for opting out of the state retirement fund for the mandatory DC contributions which could be managed by state accredited private funds.</li> </ol>
<p><b>Framework</b></p>	<ol style="list-style-type: none"> <li>16. Universal basic state old age pension paid to all (which would cost the state an extra R9 billion per annum).</li> <li>17. Do away with Tax Expenditure Subsidies that are currently provided to private retirement fund savings for people above the tax threshold. The value of this TES to the state revenue was R28.5 million in 2005, or 1.9% of GDP. This would fund the added costs of a universal pension and still save just under R20 billion for other expenditure.</li> <li>18. Mandatory retirement savings of at least 15% of pre-tax income for all workers who earn above the tax threshold over 25.</li> <li>19. Guarantee a replacement rate of 40% of final income for lower income workers. This would include the value of the universal pension.</li> <li>20. Mandatory savings to go into a public specialized governance agency, the national government sponsored retirement fund (GSRF), reporting to a board and to the Minister of Social Development.</li> <li>21. The GSRF would:             <ol style="list-style-type: none"> <li>a. Establish and operate a Defined Benefit (DB) pay-as-you-go tier of the retirement system.</li> <li>b. Establish and might manage a fully funded Defined Contribution (DC) tier.</li> <li>c. Receive funds from the state for the DB and DC funds.</li> <li>d. Manage mandatory death and disability cover</li> <li>e. Manage investments in respect of the funded portion of any benefits</li> <li>f. Provide post retirement medical scheme protection.</li> </ol> </li> </ol>

<b>Objectives</b>	<ul style="list-style-type: none"> <li>22. Income protection to prevent poverty where savings will provide inadequate.</li> <li>23. Income protection to prevent poverty due to death or disability of a breadwinner.</li> <li>24. 3rd party protection from the potential voluntary non-participation of breadwinners in retirement arrangements.</li> <li>25. A system of minimum provision to apply equally to citizens permanent residents and fair treatment to temporary residents</li> <li>26. Proper oversight and governance required for the full spectrum of provision.</li> <li>27. Private markets to be regulated to protect consumers.</li> </ul>
<b>Current debates</b>	<ul style="list-style-type: none"> <li>28. The content (value) of the benefit people get on retirement.</li> <li>29. The level of redistribution that this society should consider appropriate.</li> <li>30. Whether the schemes should be privately and/or publicly managed.</li> <li>31. By whom and in what form should the management and administration of the state retirement fund be done?</li> <li>32. How to provide for post-retirement medical contributions.</li> <li>33. What type of social security benefits should be developed for the unemployed – both short and long term unemployed, and how can this be linked to active labour market policies?</li> </ul>

## Overview 2: Main principles and recommendations of the Department of Finance

<p><b>Principles</b></p>	<ol style="list-style-type: none"> <li>1. Equity</li> <li>2. Pooling of risks.</li> <li>3. Mandatory participation of employees and self-employed and encourage voluntary participation by informal workers.</li> <li>4. Administrative efficiency.</li> <li>5. Solidarity – to be sought through the provision of basic state old age pensions funded from Income Tax.</li> <li>6. Current lack of comprehensive unemployment benefit negatively affects household formation and residential choices that are detrimental to job-finding.</li> </ol>
<p><b>Proposals</b></p>	<ol style="list-style-type: none"> <li>7. Potentially universal state old age pension – the current means-test on state pension acts as a disincentive to saving, creates a poverty trap.</li> <li>8. Multi-pillar system that consists of:             <ol style="list-style-type: none"> <li>a. State funded social assistance, either with no means-test or a revised means-test, to provide a safety net against poverty in old age, and basic support to disabled, children and care-givers. This satisfies the need to have risk pooling and redistribution in any retirement reforms. Creates a universal retirement floor.</li> <li>b. Mandatory participation in national social security system up to an agreed ceiling of earnings, that provides basic retirement, unemployment, death and disability benefits. Contributions of 15% of earnings up to a ceiling of R60 000 per annum.</li> <li>c. Additional mandatory membership in private retirement funds (occupational or individual) for people earning above a threshold to ensure that retirement funds provide sufficient income replacement rate (i.e. to ensure replacement pensions for wealthier).</li> <li>d. Supplementary, voluntary savings.</li> </ol> </li> <li>9. Collection through SARS.</li> <li>10. Introduce an employer-side wage subsidy.</li> </ol>
<p><b>Framework</b></p>	<ol style="list-style-type: none"> <li>11. Universal basic state old age pension.</li> <li>12. Introduce mandatory contributions to a national social security system for workers in the formal sector, with household employees and the self-employed phased in over time.</li> <li>13. Introduce simultaneously a wage subsidy to cover the costs of social security contributions for low-wage workers, with a value of between R20 billion and R30 billion per annum will be introduced at the same time as the social security reforms to lower the costs of employment and to raise the labour earnings of the poor.             <ul style="list-style-type: none"> <li>■ E.g. a subsidy of one third of the total wage for jobs with wages of under R15 000 per annum.</li> <li>■ A subsidy of R5 000 for jobs of R15 000 wag per annum.</li> <li>■ A subsidy for jobs with annual wages of between R15 000 and R45 000 of R7 500 per annum less one sixth of the total wage</li> <li>■ or, could consider a targeted wage subsidy e.g. to the youth.</li> </ul> </li> <li>14. A wage subsidy would contribute over time to job creation as it will lower the cost of jobs, especially in labour intensive sectors, although this will only occur in the longer term once employers change their expectations and investment decisions.</li> <li>15. In the short term the effect of an employer-side wage subsidy would be a redistribution of income to low wage workers and their employers.</li> <li>16. Consider what to do with informal sector workers with low or irregular incomes which would allow for crisis-driven withdrawals but would encourage in general preservation of funds for retirement.</li> </ol>



	<p>17. Two tiers of mandatory contributions. The first for all workers up to a ceiling of earnings will be paid into a national social security fund, to complement the current social assistance programme.</p> <p>18. The second will be for higher income earners, and will be to an occupational or individual retirement fund to ensure that pension replacement rates relate to last earnings.</p> <p>19. Consider using individual accounts in privately managed pension schemes.</p> <p>20. Could also consider allowing existing private funds to opt out of the public scheme subject to certain standards being met.</p> <p>21. Reform the governance and regulation of occupational and individual retirement funds which will continue to provide arrangements to supplement the basic social security scheme.</p> <p>22. Reform the tax system to maintain sufficient incentives to provide adequately for retirement, while addressing inequities and complexity that currently exists.</p>
<b>Objectives</b>	<p>28. South Africa is committed to reducing the unemployment rate from 26% in 2006 to 13% in 2014. Social security with an employer-side wage subsidy will assist in achieving this goal.</p> <p>29. A mandatory social security system will alleviate poverty and will be likely to contribute to an improvement in the functioning of the labour market, and bridge the gap between the first and second economies that is currently being reinforced by the structure of retirement funding.</p>
<b>Current debates</b>	<p>30. The transitional steps that will have to be taken between current private pension funds and a national social security fund.</p> <p>31. Institutional matters: should the social security fund management and administration be undertaken as a government agency responsibility, or by private sector management with a competitive provision of services subject to state regulation.</p> <p>32. Is the proposed time frame (roll out between 2007 and 2010) realistic?</p> <p>33. Possible inclusion of national health insurance.</p>

### Interviews with civil society organizations

SPII was requested as part of the Terms of Reference of the project to undertake face to face interviews with ten organizations that had a funding relationship with „Brot für die Welt“.

The aim of the interviews was to establish the views of these organizations on the role – current and potential – of civil society in regard to social security.

#### Interviews were held with

- Treatment Action Campaign
- Black Sash
- Women on Farms
- Masimanyane Women’s Support Centre
- Diakonia Council of Churches
- Project for Conflict Resolution and Development
- South African Council of Churches
- Ecohope
- South African San Institute
- Ekupholeni Mental Health and Trauma Centre.

The format of the interview, agreed in advance with „Brot für die Welt“, focused on 9 main areas of inquiry, namely:

1. Organizational information
2. Questions of national strengths and weaknesses and factors that do or might pose threats to peace, freedom and development.

3. Organizational understanding on the role of social security and challenges facing optimal impact of current policies as well as gaps in the current coverage.

4. Exploring knowledge of the operation of traditional forms of social security at play.

5. Levels of awareness of the current debates on social security reforms.

6. Questions on the constitutional, rights based nature of social security in South Africa.

7. Identification of particularly vulnerable groups and how social security can or might add scour to vulnerable people.

8. Exploring drivers of inequality, both old and new drivers.

9. The nature and potential for civil society as an actor in social security discussions, campaigns and delivery.

### Civil society workshop on social security

A total of 15 organizations were invited to attend the workshop. This was jointly hosted with the People's Budget Campaign due to the vast membership reach of the campaign which includes members of the Congress of South African Trade unions (COSATU), the South African Council of Churches (SACC) and the South African NGO Coalition (SANGOCO). It is clear that the question of the current social security reforms has not filtered down to most of these organizations, and yet all present expressed a desire to be included in current and future deliberations.

#### Engagement with current social security matters

Most of the organizations deal with social security matters through their membership base organizations.

#### The main issues that are dealt with include

- Access to Identity Documents as the first obstacle to accessing social grants
- Accessing social grants and facilitating an expedition of applications
- Dealing with indebtedness of social grant beneficiaries – whether through credit advancement by food shops, or the habits of moneylenders who prey on especially old age pensioners
- The SACC has a programme through which member churches organize food parcels for people in need for four months, which is linked to a developmental condition that recipients grow their own food gardens during this period to assist with their longer term food insecurity.
- Lack of interest payment on delayed grant processing

- Burial society contributions and the potential need for state regulation on exclusions and the fact that elderly people are not entitled to join such schemes

#### Advocacy initiatives include

- Submissions on national health insurance
- Support for court cases aimed at expanding the child support grant to all children under eighteen and equalizing the pension age between men and women
- The work through NEDLAC on the retirement reforms

#### Other partners

It was suggested that we actively include TAC and Age in Action into any initiatives arising from this workshop as well as organizations that deal with seasonable workers (e.g. Women on Farms), organizations of informal workers/traders, and the unemployed.

#### Gaps to be considered in current social security provisions

- The impact of women's access to assets and income the household vis a vis the use of the household as a unit for establishing eligibility for an old age pension
- Burial expenses
- Informal traders
- Supporting informal systems of social provisioning on a community basis
- Active labour market policies to ensure that the unemployed enter the labour market
- Orphans and vulnerable children – the need for social services beyond grant income

## Annex

- Seasonal workers
- The unemployed
- Non-legal or informal wives struggle to access support on the death of their common law husbands
- Universalism as a concept needs to be developed within the South African discourse
- Related to this, studies of societies such as in Sweden in which universal coverage is part of every citizen's right
- Social health insurance/national health insurance
- Financing for comprehensive social insurance – creative alternatives such as the Tobin tax on financial transactions, or consideration of tax exemptions for private pensions and medical aids, and also the question of the current budget surplus and ongoing tax cuts
- Questions of cross subsidy, and the fact that if actuarially, poorer people have a shorter life expectancy, then poorer people will contribute to a scheme that they have a slighter chance of ever receiving as a pension compared to their middle class co-contributors.

### Lessons from past campaigns

#### BIG campaign

- There was no political support for it, and in fact there was derision from government which discouraged a lot of members. The power of state propaganda and the absence of a sustained and nuanced media campaign
- Campaign was not rooted in communities, and thus there was little grass roots ownership or support for it. Too academic and removed
- Little management and oversight of the coalition of force which led to theft of funds

- Once a formal secretariat had been established, member organizations felt absolved of the need to actively work on the issue
- Difficulty in accessing political leadership of member organizations

### OAP equalization and CSG extension to 18 initiatives

It seems as if the court cases will lead to victory, but there is little awareness amongst civil society organizations about these court cases. Litigation is one tool that must be rooted in social mobilization, or at the very least, advising other civil society structures that you INTEND to embark on litigation, whose involvement might provide evidence to strengthen your case and will certainly extend ownership of the victory

### Initial campaign on the CSG

- Was an identifiable campaign with a limited life
- Tangible outcomes, tangible victories

In general, the challenges are how campaigns are brought to the general grass roots structures in an accessible and concrete manner. In addition, how civil society positions itself so as to be expanding the vision of government, rather than being in opposition to it.

### Lessons for future campaigns

Building on the above, ensure grass roots base, both in the development and conceptualization of appropriate alternatives and to ensure effective and successful strategies for the implementation of these campaigns and subsequent programmes.

Community and labour must work together, whilst being conscious of the divergent interests at the end of the day

Engage government to inform us of their position, but develop independent, needs-based empirical positions

### **Social security reforms – what is to be done?**

- We need to have a resourced, inclusive (sectorally inclusive and comprised of both NGOs and mass based organizations) broad based civil society platform

- Include/draw on progressive academics

- Draw on the ILO

- There are a number of technical issues that we need to educate ourselves on, including:

- DC/DB

- Value of pension payments

- Informal workers

- Work subsidies and alternative uses for such a fund

- The cost of a universal unemployment grant/unemployment guarantee scheme

- One way of proceeding to address most of the above is to try to pull together a conference in the next two months at which we can invite government departments to explain their positions, get input on alternatives that exceed the conceptualization of government and spend a day with a wide spread selection of civil society organizations developing positions and principles.



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The views in this report should not be seen as reflecting adopted policy positions of either „Brot für die Welt“ or Studies in Poverty and Inequality Institute.

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