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South Africa's BIG debate in comparative perspective

Stefaan **Marysse**
Joris **Verschueren**



University
of Antwerp



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Please contact the author at <stefaan.marysse@ua.ac.be>**

*Instituut voor Ontwikkelingsbeleid en -Beheer
Institute of Development Policy and Management
Institut de Politique et de Gestion du Développement
Instituto de Política y Gestión del Desarrollo*

*Postal address:
Prinsstraat 13
B-2000 Antwerpen
Belgium*

*Visiting address:
Lange Sint-Annastraat 7
B-2000 Antwerpen
Belgium*

*Tel: +32 (0)3 275 57 70
Fax: +32 (0)3 275 57 71
e-mail: dev@ua.ac.be*

<http://www.ua.ac.be/dev>



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Stefaan **Marysse***
Joris **Verschuere****

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* Stafaan Marysse is professor at the Institute of Development Policy and Management, University of Antwerp,

** Joris Verschuere is researcher at the Institute of Development Policy and Management, University of Antwerp



University
of Antwerp

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ABSTRACT

The idea of a Basic Income Grant (BIG) has for long been an appealing alternative to the means-tested social security nets associated with the welfare state as we know it. Proponents of BIG highlight as comparative advantages its unconditionality, its inclusiveness and its administrative simplicity. Moreover, as capital-intensive investment and demographic evolutions engender a decline in activity rates, social security nets that rely on labour as both a source of financing and a condition for entry seem more and more untenable. These latter systems have however for long been in place and have a firm historical embeddedness. Hence, the introduction of BIG requires a revolutionary momentum.

South Africa has gone through a period of profound societal change over the last two decades. After decades of racial exclusion, post-apartheid opened the pursuit of a progressive social inclusionary politics. South Africa has been one of the few countries where social security expenditure has been steadily on the rise since the second half of the 1990s. The ANC-government has opted to strengthen several targeted grants (pensions, child grant, etc.), leaving the searing unemployed active population uncovered.

This article contends that the introduction of a modest BIG, alongside the pre-existing grant system is a feasible and promising option as it would have a considerable beneficial effect on poverty without entailing large costs. This position is shared among an impressive coalition of civil society organisations and political parties. The article inquires why the ANC, in these conditions, shuns away from the introduction of BIG. We conclude that, how ripe South Africa may be for BIG, the ANC-ideology pushes government to strengthen the workfare-approach, including employment programmes, over a radical overhaul of the social security system.

RÉSUMÉ

L'idée d'un revenu de base inconditionnel et généralisé a depuis longtemps été chérie en alternative aux systèmes de sécurité sociale introduits dans l'État-providence. Ses avocats mettent l'accent sur sa simplicité, son inconditionnalité et son caractère englobant subséquent. Maintenant que des technologies à faible intensité de main-d'oeuvre font fureur, combinées à des évolutions démographiques menacent de mettre les systèmes de sécurité sociale en crise, le travail ne peut plus servir comme base de financement et condition d'entrée à ces systèmes. Cependant, fortement ancrés qu'ils sont dans l'histoire des états-providence, leur remplacement par un revenu de base nécessite une révolution sociale.

L'Afrique du Sud a été secouée par la transition de l'Apartheid à un État social et progressiste au cours des deux dernières décennies. Elle a été parmi ces rares pays où les dépenses sociales ont augmenté de manière structurelle depuis la deuxième moitié des années 1990. Le gouvernement ANC a misé sur le renforcement de subventions destinées à des groupes spécifiques (jeunes, handicapés, etc.), laissant pour autant la vaste population de chômeurs sans support.

L'article présent prétend que l'introduction en Afrique du Sud d'un revenu de base modique, complétant les autres formes de support garanti, serait une option faisable et efficace dans la lutte contre la pauvreté qui, pour autant, ne devrait pas engendrer de grands frais. Cette opinion, comme nous l'exposons, est largement répandue parmi la société civile et des partis politiques. L'article enquiert pourquoi l'ANC dans de telles conditions s'oppose à l'introduction du revenu de base. Nous concluons que, nonobstant les bénéfices qui en découleraient, l'ANC préfère à cette dernière option, qui nécessiterait une transformation fondamentale, des interventions dans le marché du travail (ce qui correspond à son idéologie de base) et le renforcement du système en place.

The end of human action, as distinct from the end products of fabrication, can never be reliably predicted. The means used to achieve political goals are more often than not of greater relevance to the future world than the intended goals.

H.Arendt , *On violence*, 1970

1. INTRODUCTION

The South African transition to democracy after decades of apartheid and anti-systemic struggle, is generally understood by South Africans as a revolution. Although negotiations between the Ancien Régime and the opposition movement have played a major role, this perception seems well-conceived and provides for interesting analytical approaches. Writing “On Revolution”, Hannah Arendt explicates two adverse momenta. On the one hand, a revolution liberates tremendous possibilities by breaking down a pre-existing social order. Simultaneously, a revolution constitutes a foundational moment, in that the scattered social order allows the ascendance of new political power brokers. The new powerholders stabilise their position by bringing the liberatory momentum to a close – stated differently, the revolutionary upheaval is traded for the foundation of new social arrangements that come to be seen as the fixed outcome, the results of the revolutionary momentum (Arendt, 1961).

The South African National Democratic Revolution (NDR) as it is termed in political debate, is no exception to this rule. The end of the Apartheid era freed enthusiastic aspirations that had been fed throughout decades of struggle and anti-apartheid ideologies. The promise of a new and just future, of a democratic society seemed within reach as the hegemonic anti-apartheid movement came to power. Indeed, to the ANC fell the task of devising social structures that would underpin the realisation of its egalitarian promises of a political and social democracy.

The debates on reparation, undoing the injustices of the past and overcoming the huge disparities in wealth that have been inherited from the apartheid era have unavoidably gained centrality in this pursuit. Whereas a social security net was in place for a minority of the South African population, the ANC faced the task of extending social justice to all. The revolutionary momentum allowed to envisage a wide range of options. Among the options that have been taken seriously was the idea of a Basic Income Grant, an option that, as we will see, still stirs the heart of many.

In what follows, we attempt to disentangle the debate that has surrounded this option. We will look at the South African context in which this debate is waged, by analysing the current social security system and the political views that surround it. Furthermore we assess the feasibility of a BIG, both by looking at the pros and cons

that have been raised internationally in learned debate, and by further analysing the specificities of the South African situation. In order to grasp the appeal the Basic Income Grant has incited, we will turn to the historical roots of this option, before looking closer at the advantages that are ascribed to it.

2. THE BIG DEBATE IN INTERNATIONAL PERSPECTIVE

2.1. Historical Roots and context of BIG

The Basic Income Grant (BIG) idea and its variants, have deep historical roots and featured prominently as radical ideas to tackle societal problems linked to the disembedding of society by capitalism¹. People were set free from the oppressive feudal links but by the same token were separated from land and the means of production. They were left with only their labour power to sell and like any other commodity, its price and quantity depended on the impersonal laws of the market. Unemployment, inequality and poverty were inseparable from increasing production and wealth since capitalism, driven by the “locomotive of competition”, threw out the weak and less productive producers and “rewarded”, through higher profits, the stronger ones. This process of “creative destruction” (Schumpeter, 1935) gave rise to opposing tendencies, social movements and ideas.

The traditional distinction between scientific and utopian socialists made by Marxist authors, points at two different answers and practices for opposing the brutality of capitalism in the first half of the 19th century. By the end of the century however, the utopian movement lost ground, giving way to a more evolutionary “social democracy” solution. Although heavily criticized by Marx (Critique of the Programme of Gotha, 1894), social democracy (and its variants) transformed the brutality of capitalism and combined its strength of “creative destruction” with increasing rights, wages and social security for the labour class. At the same time “real existing socialism” was established with the Bolshevik revolution in Russia and the other communist parties' rise to power in other countries after the second world war. These experiences came to an end first of all with the fall of the Berlin wall and the end of the cold war that dominated the “short twentieth century” (E.Hobsbawm, 1995). Secondly, the successful capitalist breakthrough of China under the aegis of a communist party meant de facto that socialism, as a radically different way of taming the erratic market forces was abandoned.

The Global market was embraced as an opportunity for upward mobility in the world system by the strong worldwide play-

¹ One of the very first proposals on basic income or endowment can be found in the work of Thomas Paine, *The Rights of Man* (1791-1792) and in *Agrarian Justice* (1795) (King, J.E. & Marangos J 2006). Half a century later during the labour unrest and revolts of 1848, basic income proposals inspired by the “utopian socialist” Fourier, were used as incriminating evidence for the Belgian justice courts against the authors (G.Erreygers & J.Cunliffe, 2006)

ers such as the multinationals but also by the newly emerging market economies such as China and India. This led to decreasing numbers of poor in these latter countries but rising inequalities in the former. However, if these emerging economies are transforming the world system and the balance of power in the 21st century they equally create new contradictions on a worldwide scale that go hand in hand with the embrace of worldwide market forces.

In the old “developed” world, the protective shield of social security systems comes under stress since these countries can only compete internationally with new capital and technology intensive techniques driving out the low-skilled and the vulnerable groups from the labour market. The social and financial costs are passed on to the state budget whereas the benefits are privatized, thereby putting the welfare state and the national solution to market failures (in the form of an expanding state budget for social outlays) under severe stress. The problem of the welfare state in the globalization era is compounded by the demographic evolution in these “old” countries where the population ratio of non-active persons increases dramatically. The cost of this aging society is borne by a decreasing number of active persons.

The middle and low income countries, with fewer opportunities in the global competition drive and a weak national social security shield, experienced higher degrees of exclusion and poverty. (<http://www.gapminder.org/>). As we shall see later in this article, there are however very diverse national responses to the inequalities created by the globalization drive. In the lowest income countries such as the DR Congo, Sudan and other Sub Saharan African countries with the highest rates of poverty, because of their unsuccessful national economic development, formal wages are dismally low and cover only a small percentage of the labour force. In the DRC e.g. only five % of the active population has a formal wage and has some sort of social assistance. The overwhelming majority of the population have no access to formal wages nor to any sort of social security organized by the state. They have to rely on their coping strategies of survival in the informal sector and on churches and the like for their health and education needs (De Herdt & Marysse, 1997; Marysse, 2003). On the contrary Middle Income Countries such as South Africa, Brazil, Mexico, India have already more or less sophisticated systems of social assistance or public work programs for alleviating poverty but are still very far from a sufficient coverage for the poor population at large (Seekings, 2006).

The essential new contradiction in the beginning of the 21st century is that the global market forces are not matched by equally automatic protective measures and that the national answers of social security are insufficient to the challenges of globalization.

In a strange reversal of fortune, the so despised utopian socialist ideas, re-emerge at the end of the twentieth century under the form of BIG with possibly new elements in the fight for international social justice endangered by the challenges of globalization.

The most eloquent title that suggests these pretensions is without any doubt the article by Van Parijs and Van Veen (1986) "A capitalist road to communism", where they explain and defend the idea that a basic income is the cornerstone of social justice and the realm of "real freedom" in a world dominated by capitalism. A Trojan horse so to speak, that transforms the inherent tendency of capitalist development, its necessary reduction of labor time per unit of production, into freedom for all instead of poverty for the many. Theoretically this dream is feasible if you link it with the ideas of a Tobin tax on a world scale. But between dream and reality, a long road of discussion, implementation and practical difficulties stand in the way. The following two are some of the most prominent problems:

- The low income countries have no financial basis or lack political willingness to introduce some form of basic social assistance. In these cases some form of an automatic (Tobin) tax levied on international financial transactions could be very helpful to alleviate some of the severest forms of poverty and avoid the pitfalls of conditional Aid flows.

- The very unequal incomes between countries that do not permit a world basic income even if in theory it would be feasible to finance it. Indeed the necessity to modulate the basic income per country to avoid poverty and employment traps needs to position the struggle for basic income first at each national level.

Convincing academia and other important fora of these ideas and the necessity of introduction of a BIG is exactly the endeavour of an international group of academics and practitioners organized in BIEN (Basic Income Earth Network) (www.basicincome.org). Exactly the relative merits and problems at the national level of the introduction of a BIG is still an ongoing debate in almost every country.

2.2. BIG pretensions

Intellectual fads and fashions have often a short durability. This is certainly not the case with the Basic Income. Indeed when analyzing the publications of the driving forces of BIEN, academics like Philippe Van Parijs, Robert Van Veen, Guy Standing and many others have developed and fine-tuned their ideas, but the main arguments are repeated from the very first writings since the revival of the BIG idea to this very day (Van Parys, 1985 -2006) Not only do they go back to a long intellectual tradition but the evolution of reality has in fact reinforced the strength of their ideas mainly for two reasons.

First the end of the cold war has discredited the preten-

sions of a planned economy that could guarantee full employment and at the same time increase living standards and freedom. The concomitant triumph of socially corrected market economies in a context of globalization reveals however another fundamental weakness: the incapacity to guarantee full employment and fight poverty efficiently within the context of globalization. This section will outlay the arguments of the BIG supporters on the thesis of a BIG as the cornerstone of a more efficient functioning labour market, less poverty and more freedom.

The Basic Income Earth Network defines a Basic Income as follows:

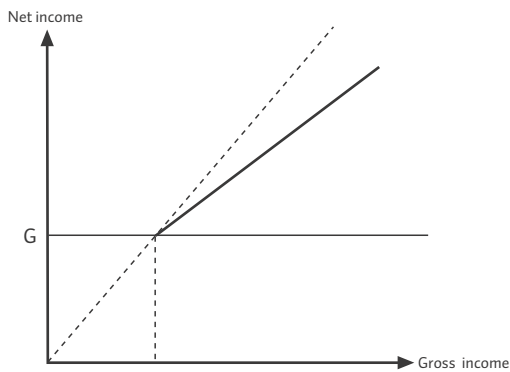
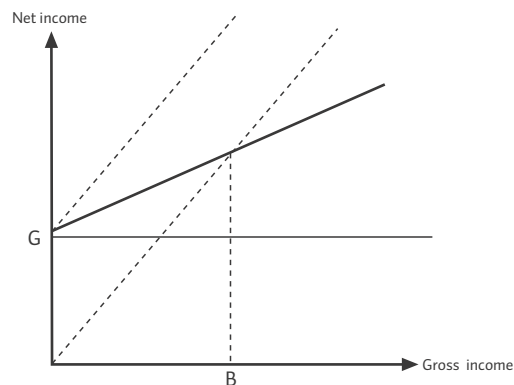
“A basic income is an income unconditionally granted to all on an individual basis, without means test or work requirement. It is a form of minimum income guarantee that differs from those that now exist in various European countries in three important ways: it is being paid to individuals rather than households; it is paid irrespective of any income from other sources; it is paid without requiring the performance of any work or the willingness to accept a job if offered.”

(www.basicincome.org)

The merits of the introduction of a BIG would do surprisingly much in the words of BIEN:

“Liberty and equality, efficiency and community, common ownership of the Earth and equal sharing in the benefits of technical progress, the flexibility of the labour market and the dignity of the poor, the fight against inhumane working conditions, against the desertification of the countryside and against interregional inequalities, the viability of cooperatives and the promotion of adult education, autonomy from bosses, husbands and bureaucrats, have all been invoked in its favour.”

This definition is at first sight quite surprising and a lot of questions arise immediately. Why should rich and poor be entitled to a basic income.? Why should the disabled , sick and old receive the same as the young and healthy? Giving an entitlement/right on income without a concomitant duty towards society, isn't that going to increase dependence and passive receiving citizens without an active involvement , depriving them from real citizenship defined as a bundle of rights and duties? At first sight , the existing systems of social assistance based on a means test delivering income support for those who really need it seems so much more realistic in terms of financial feasibility for the state budget and much more justified in terms of social justice. How could a proposal as basic income to all citizens then be more effective in terms of employment creation and poverty alleviation and yet be financially feasible? To understand this paradox the following graphs are the clearest way for understanding the apparent paradox of a BIG. (Van Parijs, 2006)

Figure 1: Means tested social assistance**Figure 2: BIG**

Both graphs have a 45° line where gross income earned would be exactly the same as net income, meaning that the state would not levy taxes. The bold lines depict the evolution of net income after taxes and under different social assistance policy. In graph one the most common policy in most developed (non Anglo-Saxon) countries is one of means tested minimum income guarantee for those falling below a certain predetermined income G because of ill fortune, unemployment, old age, health problems, handicap etc. Most of the time this minimum income level is adjusted or complemented for special categories such as the disabled, the sick, old age pensions and other categories who often have exceptional expenses. Under that system, you have no incentive to work for a wage or earn an income that is lower than G since the state will then lower your income assistance by that amount. In other words, and this a key argument for the introduction of BIG, all work that is fetching a salary or an income that is lower than the minimum will not be offered on the market. This can be very low-skilled work (a reason why you do not find low skilled local workers in most of the developed countries) but it might as well be very skilled work such as art painting, or music playing in a band or caring for the sick, poor and other persons in need. Every effort that is paid is taxed at a 100% tax rate and therefore the means tested minimum income policy, creates an employment trap.

In graph 2 with the introduction of a BIG, the employment trap would be avoided, since everybody is entitled to G and every income earned by part-time work, or whatever paid activity would add to the net income, even if everybody has to pay taxes on the additional income. In this graph, we suppose a flat tax rate, but the same argument holds for progressive taxation scales. Not only would the employment trap be avoided but active participation in low paid jobs, low skilled or highly valued but badly paid, would be stimulated and poverty less prevalent. The BIG introduction would thus hit two birds with one stone. Once the line of net income crosses the 45° line and your income is at a much higher level than the minimum income, you

pay as much to the state as you receive in terms of a BIG. From that level B onwards, the higher income brackets pay net taxes.

The main merits of the introduction of a BIG are first a higher income for the poorer sections of the population without the stigma attached to the status of assisted persons, such as sponging or laziness, since everyone benefits equally from the BIG. Second the avoidance of the employment trap, mobilizes labour that would otherwise not be offered on the labour market, thereby increasing employment for the poor and increasing freedom to choose “the life one values” (Sen, 1999) by those who offer valuable but not necessarily full time marketable labour. Other merits are certainly that BIG avoids the cumbersome and elaborate process of means testing for those who are entitled to a minimum income. The advocates of BIG insist further on the less paternalistic features of BIG and on its simpler delivery, thereby reducing costs.

2.3. BIG pretensions ... and small realizations?

However, if BIG was so superior to the existing systems, how come that so few existing means tested social assistance systems have been replaced by the introduction of BIG? There are many reasons that can be invoked and marginal comments to make to this perception.

The reality of social security systems is often a complex social construct that has taken shape as a consequence of a historical conjecture made by a large diversity of actors and within a certain time frame. Most of the elaborate western European social security systems have been edified as one of the cornerstones of the welfare state, constructed in the aftermath of the great slump of the thirties and the ensuing world war II. Full employment was its prime objective and social security had to act as a built-in stabilizer for national economic stabilization and a safeguard against poverty at the level of the households. There were many variations and regulations with different mixes of state, private and semi-public instances organizing this edifice. However, they all had in common a certain state intervention in the five areas where people, whatever their condition, should be shouldered (child support, unemployment risks, old age support, handicap, health hazards). In some of these five areas of social security and most prominently in the domain of children support, we see that there were elements of basic Income long before BIG was an issue. Universal non-conditional child support grants were in many developed countries part and parcel of these social security systems and thus there were elements of BIG in parts of the existing systems.

As a consequence of the complexity of existing social security systems they obey to the laws of what the new institutional school has termed: path dependency. (North, 1990) All institutions are an interplay of many historical and contextual conjectures. Once deeply engrained in society they cannot easily be replaced without considerable “transaction costs” because of vested interests, beliefs and norms. Profound institutional changes need very special historical conditions such as wars, revolution or deep crisis. So in normal times, institutions will tend to change or reform at the margin, because they are afraid of unknown big changes that are unpredictable in their consequences. Probably, this is also what the reform/expansion of social assistance is all about in SA. The 2007 reform consists mainly in increasing the Child Support Grant (CSG) to R 190 per month and expanding the age of eligibility from 7 to 14 years (M&G, feb 2007). President Mbeki goes against the plea for a BIG by COSATU but follows the less radical but more prudent advice by the Taylor commission (2002) and especially by EPRI (2004) study. The latter study shows convincingly that an expansion of the CSG is the most effective in terms of poverty alleviation (for the political discussion see section 3.1.).

Another serious objection to the introduction of a BIG as an effective way to fight poverty is the multifaceted character of poverty. Income poverty may be the most important reason of poverty, but often poverty is the outcome of many other deprivations that the poor can experience. The place, the time, the lack of a stable caring family background, the absence of schools, water, electricity etc; are all impediments to acquire the necessary “capabilities” to break the vicious circle of poverty. Income support is certainly a necessary condition but not sufficient. Schools, access to water electricity, health services, etc. are necessary complementary investments the state has to finance besides an income support. And even then, these investments will only effectively eradicate poverty if they are accompanied by decently paid, but before all committed and dedicated schoolmasters, civil servants, nurses, doctors etc..

A slightly different but related objection is the “one size fits all” argument. How could one amount of BIG be sufficient to cater for such diverse needs as a handicap, special health care needs, old age problems, unemployment in short for the different hazards in life? A disabled person’s needs are certainly more complex than a young unemployed adult. Again a BIG is surely not a small contribution to help in case of realization of these hazards, but in a careful society, more is needed in terms of state finance and dedication of persons to cater for these diverse needs. In sum, instead of a “Simple and Powerful Idea for the 21st century” (Van Parijs, 2006) much more will be needed to fight poverty adding to the many priorities that governments are urged

to finance . Poverty and insecurity are complex outcomes of complex societies that are not directly transparent. But may be the point is not that BIG supporters do not recognize the diversity of needs , their point is that BIG would be superior to existing sytems of social security.

Some of the above objections can certainly partly be countered by BIG supporters . There is a certain evolution in their thoughts in the sense that they will now acquiesce for the need to supplement BIG with other state interventions and advocate the introduction of BIG without eliminating necessarily existing social security interventions.(Van Parijs, 2006 and www.basicincome.org). In an interesting detailed and documented simulation on the conditions of the introduction of a BIG in the USA, I.Garfinkel et allii.(2006) come to the conclusion that the introduction of a BIG , partly substituting certain pre-existing social grants, would have desirable redistribution effects in that it lowers poverty and decreases inequality but also that

“because other welfare state programs and other government functions are also valuable and because a very large BIG would have undesirable incentive effects, a small to modest BIG is preferable to a big BIG” (Garfinkel et allii ,2006, p.160)

This conclusion brings us to one of the most difficult issues in the BIG debate. What is a desirable and feasible level of a BIG? Can the introduction of BIG be financed and at what level should a BIG be pitched? There is no easy answer to the question of optimality and each region or territorial entity will have a different one. However, responses on that issue range from an outright rejection of BIG to very diverse proposals for its introduction.

Those who reject the introduction of BIG are mostly closely associated with the workings of social security systems in developed nations (Barbara Bergmann, 2006). First , there is the argument given by Garfinkel. Other welfare programs and government functions as diverse as rural roads, primary schools, health insurance programs, human resource development, access of disabled persons to public spaces, adult education, child care centers for one parent families, etc. are all valuable to alleviate poverty and government intervention in some form of financing and regulation, will be necessary. Second, in most of the developed countries, means testing is feasible and is organized, so why spend money on the rich or those who do not need a basic income . The extra money that would be delivered to everyone in a BIG system , can better be used for the urgent needs of those in need for special treatments. In Bergmann’s words

“Both the welfare state and Basic Income reduce inequality of condition. But the welfare state does so with greater efficiency, because it

takes better account of inequalities due to differences in needs. If I need an expensive operation and you don't, giving us a Basic Income grant will not go far to make our situations more equal. Only the provision of health services has the chance of doing so"

She adds however some interesting remarks to her conclusions. First, her priority is for the provision of public or merit goods in countries such as the US (and South Africa?), introduction of BIG is not a good substitute for health and other service delivery. Second when sufficient provision for merit goods is guaranteed and "if through time the capital intensity of production and productivity rise, then as a result the demand for labor may shrink...(then) basic income grants may be the best way of distributing an increasing share of the national income" (Bergmann, 2006:141)

Exactly the last part of Bergmann's argument (the rising labor productivity and capital intensity due to more competition in the global markets), has been the rationale for BIEN to insist on the increasing feasibility of financing the BIG. Indeed globalization and openness of markets will increase the drive for capital intensity and productivity rises, thereby increasing the problem of production and income increases that do not accrue to labour, therefore taxation (and financing of BIG or social security) must be disconnected from labor and wage labor. Otherwise the financial base will shrink and endanger the social security system. In this sense the BIG, introduction in the 21st century is as (r)evolutionary as Keynes' solution to Marx' problem of under-consumption. Keynes solution was to create purchasing power through the introduction of contra-cyclical state spending through the welfare state. However the financing of the social security part of the welfare state was based on taxation of labour (the difference between gross and net wages). In other words the ratio of active versus non-active population has and will further decrease. Since social security outlays are mostly transfers from active to non active population, the difference between the financial cost of introducing a BIG, where all members of society receive a BIG, and the traditional social security system, where only non-active receive social assistance grants, will decrease.

Most of the debate on BIG versus means tested conditional security systems have been discussed within the context of the high income countries. Much less consideration has been paid to the merits and pitfalls of both systems in low and middle income countries. In the next section we take the example of South Africa as a middle income country that has already means tested conditional grants in the areas of old age pensions, child and disabled income support. Is the introduction of BIG a good idea in this context?

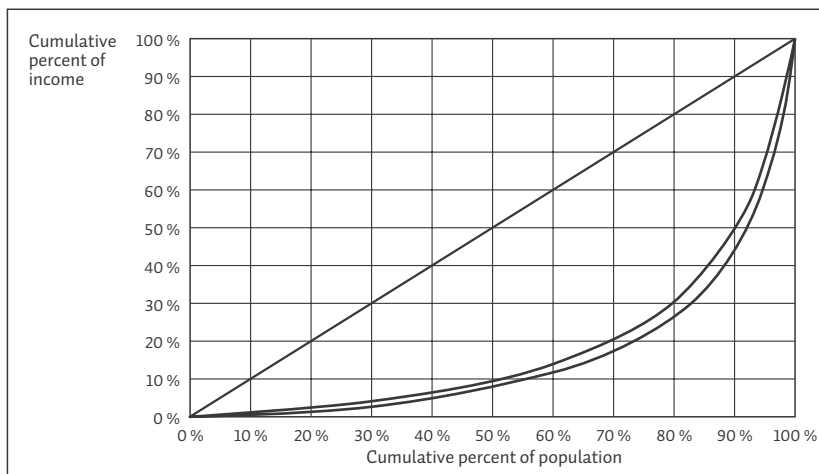
3. THE SOCIAL SECURITY AND THE BIG DEBATE IN SA

3.1. Inequality in the post-apartheid era: from race to class divide?

Although comparing inequality in time and space is often extremely shaky because of the quality of data, many authors would agree that South Africa has, with a Gini coefficient of 0.7, one of the highest degrees of inequality in the world. (Fedderke et al, 2003)

We only have reliable South African data for the post-apartheid period up to 2000 because the *Income and Expenditure Survey* for 2005 has not yet been published. There is however enough reason to assume that the trend depicted in the household income and expenditure data up to 2000 have not been reversed. But first the data on the evolution of inequality. The Lorenz curve and concomitant Gini coefficients (figure 3) point to an increasing inequality in post-apartheid South Africa.

Figure 3: Lorenz curves for household incomes per capita, South Africa



Source: 1995 IES and 2000 IES, plotted by Davis Lam.

When we decompose the inequality coefficients and apply them to the different racial groups we can see a remarkable shift in the composition of inequality in the post-apartheid era. Table 1 gives the gini-coefficients of household income distribution in the different racial groups from 1975-1995 to 2000.

Table I: Racial Income distribution (gini-coefficients), 1975-2000

	1975*	1995*	2000*
African	0.47	0.56	0.61
White	0.36	0.44	0.46
Coloured	0.51	0.50	0.55
Asian	0.45	0.47	0.50
Total	0.68	0.65	0.70

*The 1975 figures are Census data from Whiteford and Van Seventer (2000) , whereas the 1995 and 2000 are Income and Expenditure Survey (IES) data
Source: based on Seekings et al., 2004 :p.7

From this table there is a remarkable shift in inequality composition. It is the inequality within the group of Africans that has risen most dramatically with the group of whites in the second place. Because the Africans were previously to be found predominantly in the poor population it means that in that group upward mobility was highest. The inverse is true for the White group, since their 1975 income position was in the highest income bracket , an increase in their gini-coefficient means that more white families end up in lower income deciles. However as shown in table 2 , the highest income decile is still very much “white coloured” with the African group coming from the last position in income and wealth ranking to the second place. The other groups have however also improved their share in the highest income decile, in this sense, for the higher income groups, post-apartheid was more of a rainbow nation.

Table 2. Racial income share of top income decile, 1975-2000

	1975* %	1995* %	2000* %
White	95	73	61
African	2	18	25
Coloured	2	4	9
Asian	1	5	5
Total	100	100	100

*The 1975 figures are Census data from Whiteford and Van Seventer (2000) , whereas the 1995 and 2000 are Income and Expenditure Survey (IES) data and per capita income deciles
Source: based on Seekings et al., 2004 :p.6

In fact the winners in the income distribution are mostly formal income earners with skilled personnel making the highest move. Real wages and salaries in the formal sector have gone up with more than 30% during the second half of the nineties , whereas overall

earnings have risen only with 7%. (Cichello et al: ,2001: 130). In the highest income bracket we find white collar/high educated workers in the private sector at the top. Since the access to these jobs depend on the number of years of higher education and educational achievement we have here one of the strongest factors in the reproduction of wealth and poverty (Anderson et al;, 2001). Poor African households cannot afford many and good quality years of schooling , consequently you will find them less in the highest rewarded jobs. This category is closely followed by high rank government officials where participation of whites is decreasing and African officials are taking over. The upward mobility of the African group , with the exception of high ranking officials and some in the private sector because of merit and BEE, will be overwhelmingly found in the middle income classes : The skilled workers and those with intermediate years of training and education.

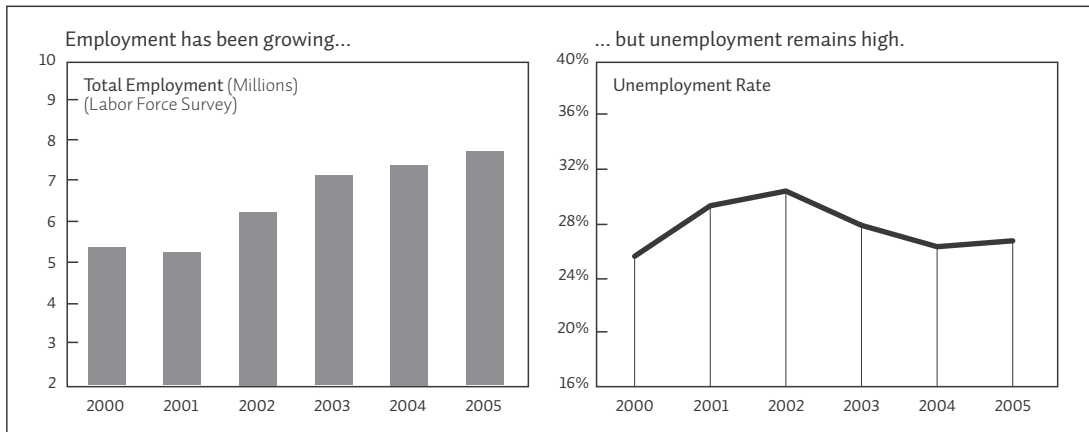
At the other end of the income distribution , in the two lowest income deciles - the destitute in the language of the World Bank - we find predominantly black households with more than 90 % of the poor population (Taylor commission, 2002:15).

In less statistical terms and more sociological categories, the poor are overwhelmingly those that are unemployed or lost their jobs. The link between poverty and unemployment is crystal clear. Between 1999 and 2002 the unemployed increased by 2 million people and those in poverty by an estimated 4 million in the same period (Meth &Dias, 2003:7-9). The Taylor commission reported that 38% of all South Africans' households were 'workerless', that 22% reported being hungry and that 45-55% of the households , depending on the definition of the poverty line, fell below the poverty line (Taylor commission, 2002: 28-29)

The evolution and participation in the labour market is thus central for concerns of poverty, but a univocal evolution of overall employment is not available. This is due to the normal difficulties of defining who is unemployed and especially the problem of measuring the informal sector and defining there who can be counted as employed. The most reliable statistics on employment in the formal (non-agricultural) sector is the south African Reserve Bank , based on reporting by the firms themselves. Employment measured in full time equivalents has decreased in 2003 to 80% of its volume in 1990 (Seekings, 2004:15). However if we follow Simkins (2003) and Rodrik (2006:8-12) total employment in the formal sector has remained constant or increased in the period 1997-2003 from 8.6 million employed to some 9.1 million .

Another source based on the Labour Force Surveys and data from the SA Reserve Bank point at a substantial increase in formal employment during the latter years from 5.2 million in 2000 to 7.9 million in 2005 (IMF,2006). If this is correct, then unemployment has decreased in the latter years.

Figure 4: Employment and unemployment in SA: 2000-2006



Source: SARB and IMF

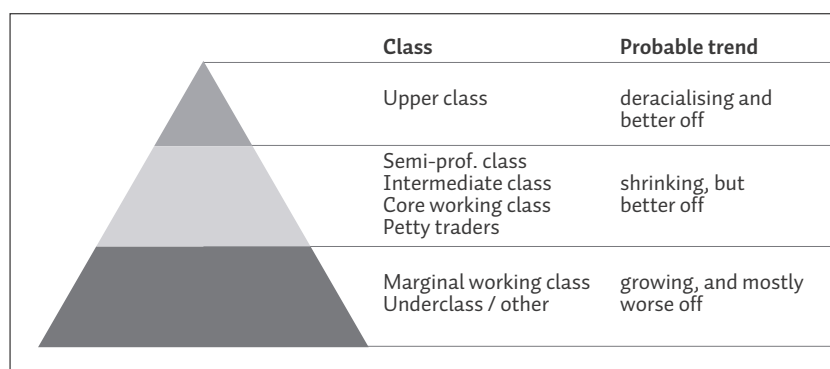
Whatever the exact evolution of employment due to different time-frames and definitions, maybe a few tendencies are clear and worrisome. First, unemployment still hovers in its very strict definition² around 27 % and in its expanded version around 37 % of the total labour force. Second there are the shifts that occurred structurally in the labour force composition. We have seen the rise of formal employment in services (insurance, banking, trade, retail , tourism etc) but a steady decline in mining, agriculture and especially manufacturing. It is these sectors, that traditionally used a lot of low-skilled personnel , where these vulnerable workers categories have been laid off. The shift from low-skilled to high skilled demand of labour has of course accentuated the tendency towards more inequality and more poverty.

² The difference between the strict and the expanded definition of unemployment resides in the active research for a job at the time of surveying.

The last factor that clears the ground for understanding poverty and the role of social assistance is the minor importance of the informal sector in South Africa to dampen the negative effects of (near)jobless growth. The informal sector in South Africa accounts for an estimated 20 % of employment whereas it is as high as 75 % on average in other Sub Saharan African countries (Simkins, 2003: figure 4 Rodrik, 2006:39). So the fall back on informal activities for unemployed is limited in South Africa due to a number of factors. Strict labour regulations for small businesses, legacy of apartheid with faraway markets, crime environment , etc. are all factors that are invoked to explain the relative small informal sector in South Africa.

In sum, although there is a high degree of uncertainty on the exact amount of employment and unemployment, there are a few certainties that set the scene for the discussion on social security and a possible introduction of BIG. Most probably the real unemployment, even if we take into account the improvement in latter years, still hovers around 35 to 40 % of the active population. Taking into account an active population (between 19-64 years) of 29 million inhabitants and at maximum 10 million with a job (some 8-9 million in the formal economy and some 1.5 to 2 million in the informal sector), this is certainly not an exaggeration. The global picture of South Africa in terms of social divide is best summed up by the image given by Seekings (2004:37)

Figure 5: Social Stratification in South Africa



Source: Adapted from Seekings (2003b: 2).

3.2. Social security and poverty in SA

The literature on poverty has boomed in the last decade and world leaders put the issue of poverty on the international agenda. The Millennium Development Goal (MDG) on reducing world poverty by half in 2015 is perhaps the best known. With the work of Sen (1984, 1999) and his influence at the level of the Human Development Report, there is a widespread consensus that income poverty is but one aspect of the dynamics of poverty and that social exclusion is a complex and difficult vicious circle to break. It needs simultaneous and synergetic efforts by governments, civil society, international donors and the pressure of the poor themselves. More and better access to education, health services, safe water, electricity, more government budget; motivated schoolmasters, nurses, doctors, civil servants ... are all part of one of the world's biggest challenges. It is not sure that there is enough real willingness to go beyond the lip service and the efforts that are already engaged in the struggle against poverty. If therefore income poverty is but one of the aspects of poverty it is nevertheless a synthetic index for deprivation in general and it is a powerful tool to start with when discussing poverty issues. The reason is simple, every

policy has to know who is poor and how many people are poor so inevitably every discussion has to start with defining some sort of poverty line under which people should not fall if social justice is a serious matter.

The classic distinction within the poverty literature is between an absolute and a relative poverty line. An absolute level of income poverty is defined in terms of a basket of basic goods and services such as food, water, shelter etc. Because prices of these basic necessities can differ from place to place even within the same country an absolute poverty line has to be country and region specific. In South Africa the Household Subsistence Level Surveys (EPRI 2004:17-19) has defined such poverty lines for more than 24 major urban centres. This line varies from 1274 to 1456 Rand per month for a family of five (2 adults-3 children) in 2000. An updated average poverty line for 2007 can approximately be estimated at R.1820³ or a R.364 on a per capita basis.⁴ The IMF estimates the number of poor in South Africa, those living below the poverty line of \$ 2⁵, at 34 % of the population (IMF 2006:34)

³ My estimation on the basis of IMF country report data (2006)

⁴ If one is to take into account the absolute line for children then we arrive at R.182 and R 728 for adults.

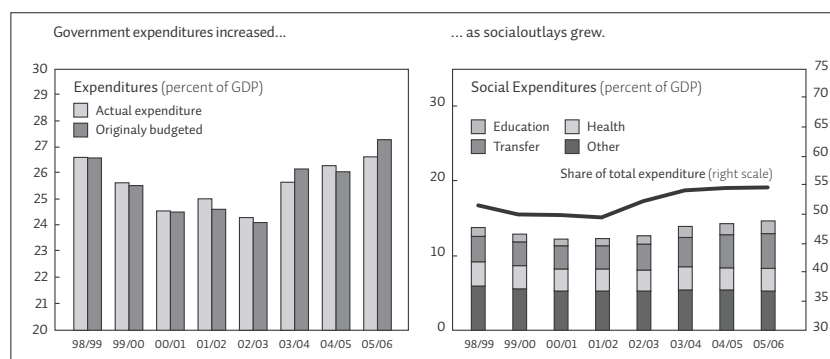
⁵ measured at purchasing power parity (PPP)

A relative poverty line starts from the implicit idea that poverty is defined in relative terms and one can be considered poor only in the context of a given time and place. People do compare their situation relative to other members of the society. It is thus in relation to a general level of standard of living that the poor are defined. In Europe the relative poverty line is set at 60% of the average income level (Cantillon); The World Bank defines as poor the people within the lowest 40% of income. The destitute are defined as the poorest 20% of the population. In South Africa, the poverty line under which 40% of the households fall is estimated at R 459 per person/month or 597 in 2007⁶ (my calculation). The destitution level or the level under which 20 % of the population would fall in 2000 was a R. 100, hence the proposal for a BIG of R.100. Adjusting for inflation would mean pitching the BIG today at a R.130 per person/month. A major drawback of a relative poverty line is of course that with such a definition poverty will never be eradicated, therefore a combination with an absolute level of poverty is necessary.

⁶For 2000 figures (EPRI, 2000:22) for 2007 my calculation.

The South African government has done quite a lot in the area of social security and investment in the social sectors such as education and health. As can be deduced from figure 5 the state dedicates increasing amounts in absolute and relative terms of the budget to these social sectors.

Figure 6: social expenditure as a share of total expenditure 1999-2006



Source: National Treasury and IMF

Overall the education , health and social transfers account for more than half of total government expenditure and their share is increasing to more than 56 % of total government spending . These are the highest outlays per inhabitant for the whole of Sub Sahara Africa.

Within the social spending categories it is the social transfers that are increasing fastest. The announced increase in the Child Support grant to R.190 per month is certainly going to expand further the share of social spending within the government budget. The three main domains of social assistance and vertical income redistribution are the Child Support Grant (CSG), the State Old Age Pension grant (SOAP) and the disability grant (DG). In the latest Annual Report of the Social Development Department – the ministry responsible for the execution of the social assistance grants , we find the following actual spending and beneficiaries of the different social grants

Table 4: Social assistance grant categories and spending in 2006

	Number of beneficiaries ('000)	Amount of the grant in R/month	Budget in mio Rand
SOAP	2131	890	22764
CSG	6961	190	15864
DG	1312	890	14016
Total*	10800		52644**

* the total is not the sum of the three categories as there are other small categories of beneficiaries and grants of minor importance such as the foster care grant the care dependency grant and the war veterans grant

**The grants here are those used in 2006-2007 and do not correspond with the ones the administration used during the whole of the budget year 2005-2006; the total budget spent is an estimation and is in fact an overestimation of the actual spent budget

Source: calculations based on data from Republic of South Africa, Annual Report of the Department of Social Development for the year ended 31 march 2006

All of these grants are means tested and thus conditional, the cost of delivery is counted as 6% of the total budget. It is clear that the impact of the social security system in SA has a major impact on poverty alleviation.

The impact of the social security system on poverty alleviation has been assessed in two major studies. One has been published as a result of the Taylor commission titled “Transforming the Present – Protecting the Future : Consolidated Report” (2002). The second was published two years later, again commissioned by the Social Development Department of the Government. This detailed study was executed by the Economic Policy Research Institute (EPRI 2004) and is a comprehensive simulation study of different possible reforms of SA’s social security system on poverty. Both major studies found that the existing system has a positive impact on poverty alleviation. The Taylor commission found that the existing system decreased the poverty gap⁷ by 23 % (Taylor:2002:61) and if all eligible people would actually take up the grant then the the poverty gap would be reduced by 37% and eight hundred thousand additional people would be freed from poverty. The positive impact is exemplified in the following figure 7. Four situations are depicted; Figure 7.1; shows the SA case without social assistance, Figure 7.2 Poverty reduction with actual social assistance, 7.3. The poverty impact if there were a full take up of all existing grants and finally 7.4. the impact if BIG or a major reform would be initiated.

⁷ The poverty gap for one person is the difference between the poverty line and the effective (lower) income of a poor person. If we sum all these amounts of income of people below the poverty line, we obtain the absolute poverty gap expressed in Rand, dollar or whatever currency. The average poverty gap divides this absolute poverty gap by the number of people under the poverty line and compares it to the poverty line. If however you divide that amount of average poverty gap by the poverty you obtain the poverty gap expressed in a %.

Figure 7.1.: Poverty in SA without social assistance

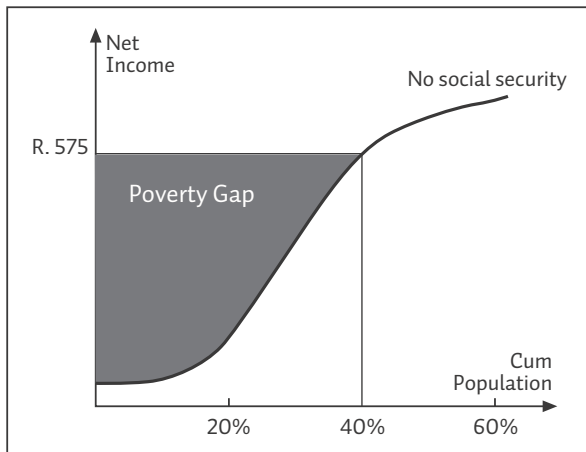


Figure 7.2. Poverty in the current situation

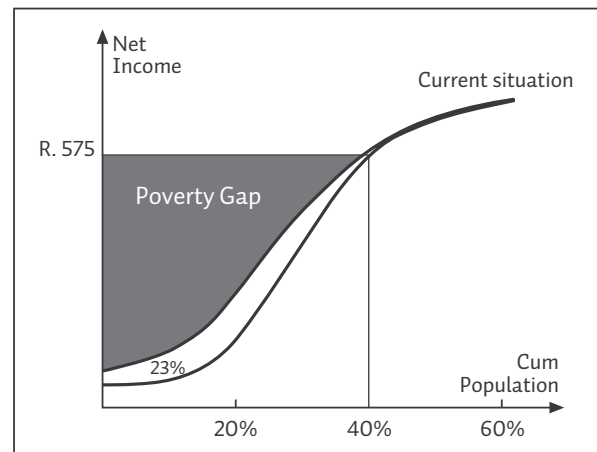


Figure 7.3 : Poverty with full take-up of grants

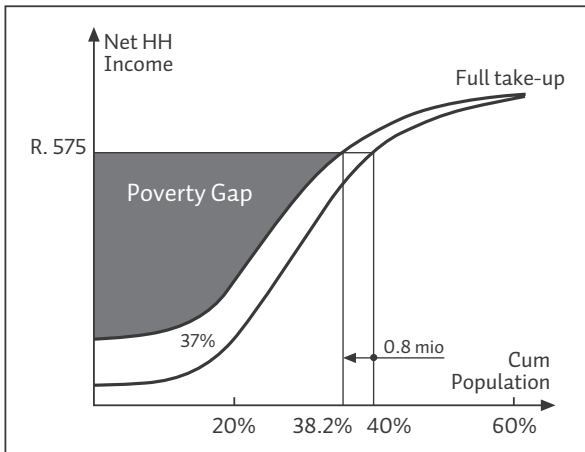
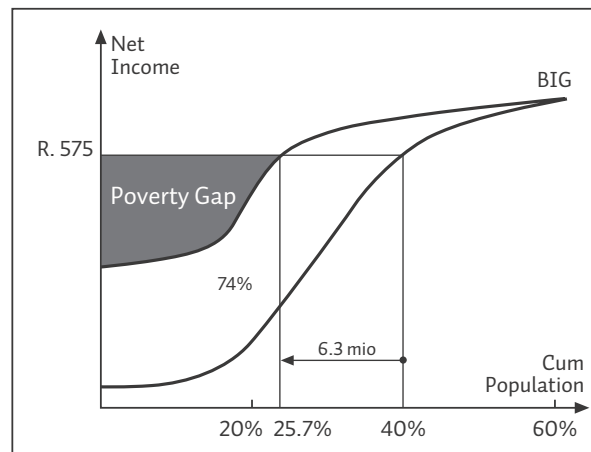


Figure 7.4. Poverty with major reform



Source: drawings and updated data based on Taylor(2002) , EPRI(2004) and Republic of SA (2006)

The EPRI study made more detailed simulations of impact for the different grants and found that:

The greatest reducing potential lies with the progressive extension of the Child Support Grant. Extending the eligibility age to 14 reduces the poverty gap by 16.6 %, and a further extension to age 18 reduces the poverty gap by 21.4%. Increasing the real grant payment generates an even greater impact...combining the higher CSG extended to age 14 with the full take-up of the SOAP and the DG yields a reduction in the total rand poverty gap of 29%...South Africa's system of social security substantially reduces deprivation, and the progressive extension of the magnitude, scope and reach of social grants holds the potential to dramatically diminish the prevalence of poverty in South Africa" (EPRI 2004:52-54)

I have extensively quoted from this study and its conclusion because this is exactly what the government has done in 2007 (see president Mbeki's -State of the Union). It has therefore chosen to change the system at the margin , try to improve it and go against the plea for the introduction of a BIG, recommended by the Taylor commission and defended by COSATU . Before going into a comparison of the merits and drawbacks of this particular choice and the introduction of a BIG we'll first try to understand the political debate and the 'passions and interests' that fed this debate.

3.3. The BIG debate in SA political arenas

Thirteen years after its coming to power, the three constituents of the Triple Alliance, the ANC, the SACP and COSATU have retained a strong emancipatory rhetorics and remain committed to social security interventions to counter the social legacies of the apartheid era. However, fierce debates have been and continue to be waged

over the direction this social spending should take, both within and without the Triple alliance. The disputes over strategies against poverty seem to parallel cleavages that, with the Mbeki presidency well into its second term, become more and more apparent but the roots of which can be traced back far into the 1990s.

The ambitious neo-Keynesian Reconstruction and Development Programme was soon traded for the Growth, Employment And Redistribution programme (GEAR), that is commonly described and decried as a neo-liberal turn. This has provoked, as we will see, widespread protest and resentment, not the least on the side of the SACP and COSATU who, by the turn of the century managed to incline government politics slightly back to a developmental agenda. While it is asserted that the heyday of neo-liberal policies in South Africa is over, this shift in policy is held responsible for the limited advances that have been made in improving the majority's living conditions.

In the same period, dismayed communities have taken to the street to express their expectations from local and national government. The last years have seen an upsurge in localised "uprisings". Throughout 2005, on average 3 "unprocedural" demonstrations occurred every day.⁸ These often violent actions are aimed against local policy measures that are perceived as injustice, or to express concern over lacking service delivery (or corruption). These protest actions often take the form of marches on governmental infrastructure, of toyi-toyis or of more menacing and violent expressions of discontent. Simultaneously, South African civil society seems to recover from the disarray that characterised the aftermath of attaining its premium goals in 1994 and a new generation of social movements, initially in reaction to the adoption of GEAR, have seen the light.⁹ The World Summit on Sustainable Development in Johannesburg in 2002 marked the existence of these movements on the map of South African civil society, and in a way seems to have been the acme of their organised existence. These movements address issues such as HIV/AIDS, insecurity and foremost: poverty. A very oft-heard resentment among both spontaneous and structured protest groupings, is that the ANC has turned away from its progressive promises of the apartheid era, and has now turned into a "footloose" party that no longer concerns itself with the demands of the poor.

The government's general attitude to these movements has been to incriminate them, rather than taking their political messages serious. Thabo Mbeki outrightly amalgamated spontaneous protest movements with crime in the June 2006 budget speech. The putting together of political violence and crime seemed instrumental in condemning all kinds of protest outside the large traditional organisations of South Africa's political life. After warning that law enforcement agencies would step up their action against those who drag the country "*back to the killing fields that marked the dying days of apartheid*",

⁸According to the minister of safety and security, Charles Nqakula, quoted in one of the Sunday newspapers, there were some 5000 legal demonstrations across the country in 2005 and almost a thousand unprocedural ones. Protest action is reportedly approaching levels last seen before the establishment of democracy." (Ntshalintshali, 2006)

⁹ For a broad treatment of several of these new social movements, see the contributions in Ballard, et al, 2006.

he urged these “organised political, social and other formations to act with similar vigour to defeat the negative forces that believe that the liberation, for which many sacrificed their lives, gives them freedom to act in a manner that fundamentally negates the very meaning of our emancipation” (Quintal 2006). These remarks, that skilfully blend reassessments of the struggle for liberation to the condemnation of those who nowadays confront the government's flaws are exemplary for the ANC's unease when dealing with opposition.

However, this “master discourse” that emanates mostly from the mainstream, presidential current of the ANC, is contested within the Tripartite Alliance itself, where attempts at concentrating power in the presidency are seen with bigger and bigger concern. From May 2006 onward, this debate has been lifted onto a more critical level, foremost by the SACP. The May (special) issue of the SACP's Central Committee's information bulletin released a “discussion document” questioning the nature of the South African transition, and the roles the Tripartite Alliance and the SACP within or without the alliance should play (CC SACP, 2006). Shortly after the SACP, COSATU equally attacked the “dictatorial leadership style” of president Mbeki and the unsatisfactory “left” achievements of the government.

SACP and COSATU criticise the growth-oriented development path the ANC has been pushing and the “elite-oriented” Black Economic Empowerment policy. This axis within the alliance on the contrary advocates “measures toward the construction of socialism”, such as the replacing of BEE as it is now by mass-empowering measures. Although the concern that they mostly defend the interests of organised labour has been raised, their more populist-left stances on the reproduction of labour and the second economy seem to resonate with the social undercurrents and movements we have spoken about. Their common criticism that the ANC is alienating its movement-base to the benefit of a managerial centre where government power is concentrated, and their insistence on its abandonment of the progressive promises of the Freedom Charter and other apartheid-era-documents tap into a widespread consensus. Moreover, COSATU has been actively involved in civil society protests that opposed to the government's economic policies, such as the Social Movements Indaba, the People's Budget Campaign and the BIG-coalition to which we will return later.

The ANC itself has indeed been implementing a growth-oriented policy which is however complemented with an extended (and appreciated) public works-programme. Moreover, as we said at the beginning of this paragraph, the ANC remains strongly committed to a social security net that insures all South African citizens against unfortunate twists of fate. However, as can be read from the general statements the party has made on the second economy and from the discussion documents on Social Transformation that have recently

been published in preparation for the 2007 General Conference, the ANC has clearly embraced the market as the means to fight poverty. This results in a discourse in which the second economy is regarded as a “backward” section of the economy, which has to catch up with the “first”, normal economy. The organic link between the two, the production of a relative surplus-population as a result of the dynamics of this capitalist economy, is not grasped.¹⁰ Similarly, the market-economy that the ANC seeks to establish is implicitly supposed to provide work and a living wage for all. As a consequence, unemployment insurance is dealt with as a means to protect workers who happen to end up in an unfortunate, but generally avoidable and certainly anomalous situation.

In a remarkable 2006 Centre for Social Science Research Working Paper on South African social security options, Jeremy Seekings has pitted the political approaches to “welfare or workfare” against one another (Seekings 2006). The argument he lays out is concomitant with ours, in that he ascribes an ideological undercurrent to the ANC which shuns away from granting money to ‘idle-goers’ and favours an earned, albeit through the different PWPs, income. However, this latter preference of work over grants is convincingly argued to be overambitious, as the government has proved incapable of engineering PWPs of a scope that matches the needs (Seekings, 2006).

These positions of the ANC and the alliance partners alike, replicate themselves in the debate on the BIG. As said, the ANC does not take up the suggestions of the Taylor Commission and rejects the BIG following an EPRI report. In fact, the ANC does not even support a discussion in which the BIG is taken up as a valid policy option. “Stellenbosch conference mandated us to discuss the Basic Income Grant. It may be helpful to discuss the comprehensive social security net that include [sic] retirement benefits, social grants, free education and health care, household support, food security and a range of co-ordinated and focused benefits **against basic income grants which would neither have the broad or deep impact on poverty eradication nor the broad mobilisation of resources to address diverse aspects of poverty and well-being of our people.**” (ANC, 2007, § 12, our emphasis) This outtake from the abovementioned discussion document on Social Transformation clearly steers the discussion away from a BIG (in its uncomplemented version) by implicitly hinting at the PWPs that would be a more “active” (“mobilisation”) way to counter poverty. This is in line with the ethos to which, according to Seekings, is stubbornly clung and which would emanate from the fear to create a dependent class of citizens. “Our attack on poverty must seek to empower people to take themselves out of poverty, while creating adequate social nets to protect the most vulnerable in our society.” (ibid, §10) Simultaneously the ANC’s continues to stress its disposition to expand the existing grant system.

Consequently, the ANC pledges to give considerable additional fund-

¹⁰ Cfr. the SACP’s criticism: “The present hegemonic state project conceptualises this terrain as the “second economy”, and although the word “underdevelopment” is invoked, it is not really understood as the dialectical consequence of the current “development” path of capitalist accumulation. The so-called “second economy” is, in effect, understood as undeveloped – i.e. as a “left-over” from the apartheid past that requires modernisation and “promotion” into the “first economy” – the metaphor of a “stairway” is sometimes evoked. (SACP 2006pp 26-27)

ing to the SOAP, as in the latest State of the Nation and Budget speech, and make a plea to strengthen the UIF. This tendency to enlarge the existing system, rather than pleading for a radical overhaul, contrasts strongly with the positions of both the Alliance partners and the opposition.

The DA has repeatedly opposed its commitment to a BIG to the ANC's budget speeches. The party argues that "[t]he Basic Income Grant is not welfarist in character. At a humble R110 a month the programme will neither keep young able-bodied workers out of the labour market nor will it overly burden the fiscus. [...] Because the Basic Income Grant is not conditional on whether or not one works it also acts as an indirect form of wage support, with the result being an increase in employment which is more pronounced for less skilled or low-income workers." (DA 2006) By stating this, it goes radically against the fear of the ANC (and most probably taps into the research presented above). Moreover, by presenting the BIG as a form of wage-support, their proposition implicitly avoids the costly administrative needs that would come with the ANC's initiatives in this realm (see ANC, 2007). However, the DA's proposal is a means-tested BIG, as only those earning less than R 7500 could benefit from it. This clearly diminishes the appeal of the administratively lean BIG.

Compared to this, the ANC's alliance partner COSATU is more unequivocal in its support for the BIG (the SACP is aligned on these positions, but far less vocal on the issue). They reacted to the much-debated 2007 State of the Nation by Thabo Mbeki, in which the enlargement of the Old Age Pension was envisaged, by stating that "We have in principle supported the introduction of retirement savings but we believe that the devil is going to be in the detail." (COSATU, 2007) After expressing their fear that the cost of retirement savings would disproportionately fall on the workers and the poor, their plea for the introduction of a BIG as the only meaningful intervention to alleviate poverty is reiterated. "COSATU will continue to campaign for the introduction of the Basic Income Grant and hope that the ANC, which in its congress called for an open debate on this, will finally honour its mandate and engage its alliance partners on this important question." Although this hope may well lead to utter disappointment, it is very important to note that COSATU is indeed actively involved in both the People's Budget Campaign and the BIGCoalition, the two main civil society organisations that have spearheaded the struggle for the introduction of a BIG.

COSATU, contrary to the ANC as we have seen, follows the Taylor commission on this topic. They plead for the introduction of a Basic Income Grant to counter the current shortcomings of the social security net. Moreover, COSATU links the introduction of this measure clearly to the situation on the South African labour market. First of all, they are not as strong believers in the possibility of attaining general

employment. Moreover, with FEDASU and SACTU, they distrust the current BEE-measures, stating that “They seem directed simply at the enrichment of a few individuals, and often is simply a front for the status quo.” (COSATU, FEDASU & SACTU, 2006, p 15). In the same document, COSATU champions the BIG for a much more down-to-earth reason than its overall poverty-reducing effects: unemployment is itself not only discouraging people from looking for a job, it also deprives them of the means to get one (transport in the first place). Although being historically opposed to VAT, COSATU seems to accept the idea of a tiered VAT-system that would finance the BIG.

This can be read from the publications of the People’s budget campaign (PBC), an NGO / campaign opposing the official budget with an alternative that emanates from civil society. The PBC consists of COSATU, South African Council of Churches and South African NGO coalition (SANGOCO), thus grouping the lion’s share of South Africa’s progressive civil society organisations. The same umbrella organisations find themselves grouped in the BIGCoalition – the name speaks for itself – but this latter group’s activities seem to have withered in the last years. In any case, the arguments of both movements are similar to the ones already mentioned. A BIG is promoted as the most effective and considerable means to alleviate poverty and as a means to guarantee solidarity (through the tax system) among South Africans. Thus, the proposal rings with older populist, even socialist proposals that were championed during the days of the anti-apartheid movement.

4. MORE WORKFARE, WELFARE OR MARGINAL CHANGES TO THE STATUS QUO?

4.1. The shortcomings of the existing system

South Africa is probably the middle income country with the most comprehensive system of social protection in both its social assistance policy (welfare) and public works program (workfare). With social spending (education, health and social grants expenditures) at 55 % of total government expenditure, and with an expanding budget in absolute and relative terms for social grants, it is doing more than most Middle Income Countries. With its social grants it has alleviated income poverty and with its intervention in the health and education sectors it has helped to overcome what A.Sen has called capability poverty.

Moreover other expenditure such as the right on a free minimum water supply or Public Works Programs (PWP), included in the expenditure of other government departments, would even increase the share going to social spending. The PWP at its peak, and

conceived as temporary anti poverty measures, realized a job creation of some 4 million work days a year, some 1% of the workdays needed to eliminate unemployment (Mc Cord, 2003). An expanded PWP in 2004 aimed at creating some two hundred thousand short term job opportunities. Of course in comparison with the structural 9-11 active non employed population in mind, this is a very small mitigation of poverty and structural unemployment

Without the shadow of a doubt, existing social safety nets in SA have reduced the number of poor and the poverty gap for those below the poverty line. However, population growth and the evolution of poor employment growth with a bias in favor of well-paid skilled workforce, has increased both inequality and overall poverty. The existing social safety net, however useful, was of a loose weave and inadequate to cope with the massive challenge of poverty. The four main shortcomings of the existing social assistance system are:

- Two very substantial vulnerable population groups are not covered by the social safety net: The unemployed and the (illegal) immigrants. The IUF (unemployment allowance) for those who lose their formal employment expires after six months. It therefore is an insurance against frictional or cyclical unemployment but it is completely insufficient to address the structural unemployment of an estimated 40% of the working population. The internal migration, because of the deagrarianization and the other African immigration creates another vulnerable group and poverty challenge that is as yet not seriously addressed.
- The take up rates of the existing social grants are worrisome. Only the existing SOAP (state old age pension) has a take up rate of more than 80%. The child support grant however reaches only 15 to 25 % of the children who are eligible for a grant. (Taylor commission 2002:30 and EPRI, 2004:28)
- The poorest in society, those in the two lowest income deciles and most in need of social transfers, receive the lowest grants. In other words the means testing and the targeting of the poor is a very poor policy indeed. (Taylor Commission 2002: 25)
- The third most important social grant is the disability grant (DG see table). Not only is the take-up rate very low (30% see EPRI, 2004:29) but with the particular severe AIDS problem in South Africa, the danger of a moral hazard problem or an AIDS poverty trap is very real. Indeed, the government, in order to face the challenge, has introduced free antiretroviral (ARV) medication and a DG for the sick. However if the ARV treatment succeeds, one loses the DG, and since unemployment is almost certainly lurking behind the corner for the unskilled and former AIDS patients, getting better is also losing the disability grant. (Nattrass, 2006- Van Parijs, 2007)

4.2. Is South Africa more BIG ripe than other countries?

In view of the shortcomings of the existing social assistance system in South Africa, what is the better reform? Most high income countries have a mix of private insurance and a wide coverage of social assistance targeted at the different needs of the vulnerable population categories. There are important variations and differences between the various countries with better coverage in the Scandinavian countries and other European Union countries and less in the USA and Great Britain. In most of them some elements of Basic Income features can be found as in the case of child allowances that are often universal in scope and therefore non means tested. However with the exception of the state of Alaska, there is no country that has a nationwide BIG as the cornerstone of its social assistance system. In future, however, with an increasing share of non-active population and the pressures of globalization, the financial modalities of the existing system whereby the active pays for the non-active come under stress. However, without major shocks, the existing system, with all its inconveniences mainly for the labor market in the form of unemployment traps, is too well established as an institution to be overhauled drastically.

The case of some middle income countries such as South Africa, Brazil, Mexico, Argentina has in contrast with low income countries on the one hand and the Asian middle income countries on the other, certain specific features that make them more a BIG candidate than the others.

In low income countries, the national requirements for the constitution of a minimal state and a material infrastructure as precondition for growth limit severely the financial basis for the introduction of a serious coverage of social assistance. There probably, PWP's, social funds or cash for work programs are the more probable candidates to fit the constrained possibilities of the state. Although these workfare programs cannot address the massive poverty challenge, they still have other coping mechanisms that do not exist anymore in these middle income countries. The deagrarianization has not been completed, the informal economy is more developed and the kin and clientilistic networks are still very active in coping with adversity (Hyden, 1984, De Herdt & Marysse, 1996).

The middle income countries can be subdivided in two distinct categories. Those with strong labor unions, relatively high minimum wages, collective bargaining mechanisms and where the deagrarianization process is completed. The other group, more located in Asia, has combined agrarian reforms and industrialization with unions that are much more controlled by the government and more flexible

labor markets. These economies have been able to compete internationally also in international markets using low wages as a competitive edge. Their combination with labour intensive agriculture keeping food prices low and states that compensated low wages at the firm level with higher social wages (housing, free education, worker allowances etc) have been able to be successful internationally and yet keep poverty in check. (Hart, 2002)

South Africa falls within the first group of middle income countries, because it has powerful unions, strict labor regulations, minimum wage policy that pitches the minimum wage relatively high. It has (therefore) within the context of the era of globalization, not unsuccessfully, chosen a path of growth that is relatively high skilled, capital intensive and as a consequence with poor employment growth (Rodrik, 2006). Combined with the completion of the deagrarianization process through the establishment of a modern capital intensive and land extensive agriculture at the expense of dispossessed rural populations, it has plunged many low skilled workers in structural unemployment and poverty. This combination of structural features makes these economies more BIG ripe than other candidates. Indeed in order to cope with the challenge of ensuing poverty it has three main alternatives where BIG seems to be the most rational choice.

Workfare instead of welfare and social grants has a prima facie preference because it links reward to effort and is in line with capitalist ethics or real citizenship that links rights to obligations. When people in surveys are asked whether one should have the right to a social transfer even if you do not deserve it because you have not looked for a job or was fired because drunk, most would answer no. So workfare certainly has more intuitive appeal than a basic income given without conditions. However, since unions in a context of relative high minimum wages cannot agree on the creation of 'lower than minimum wage' jobs, Public Works Programs (PWP) such as successfully implemented in India and elsewhere, are not a solution to problems faced in countries like South Africa. The cost of putting 4 million people at work would equal the total cost of contemporary social transfers and would not address half of all unemployed in South Africa without counting the very poor that are generally not reached with these kinds of programs. Furthermore putting 4 million people at work, giving them on the job training and organizing these PWP's is more costly than paying grants. (Seekings, 2006 McCord, 2003)

So if workfare is not a serious alternative for social assistance, two alternatives are left. Adapting and reforming the existing social assistance system or introducing a BIG. Each of these alternatives would certainly have a very positive impact on both reducing the

poverty gap and the number of poor as exemplified in figure 6.4.. We have shown there that the introduction of a BIG could decrease the number of poor by eight million South Africans in comparison with the current situation. Pieter Leroux, in a remarkable article has argued convincingly that such an introduction of a BIG at the destitution level (R.100 in 2000 and R.130 today) is financially feasible by increasing VAT rates by half (Leroux, 2006). So the debate should not be if BIG is feasible but if the other alternative of tightening the loose weave of the existing social safety is better.

The government has chosen to increase the eligible age of children to 14 years and has increased the means tested child support grant to R.190/month. This is a judicious choice. We know that the extension of the CSG has a very positive impact not only on the income poverty but it also impacts positively on the capability poverty because it is invested in more schooling by the parents who receive the grant (EPRI, 2004). Moreover, in order to increase the take-up rates, the government has installed a new body in 2006 called South African Social Security Agency (SASSA). Although these are positive steps, they do not address the main shortcomings mentioned above. So further reforms are necessary. The main drawbacks of a further reform in that direction are threefold.

- In contrast with high income countries, the weak state delivery capacity in middle income countries such as SA and testified by the very low take up of the social grants, will be compounded by the introduction of a new means tested grant to cope with the massive structural unemployment.
- The sheer size of the structural unemployment problem (at least 40 % of the active population) minimizes the difference with an administratively less burdensome BIG. Indeed the higher the non-active population the lower the difference in financial burden between a targeted allowance or a universal allowance such as BIG. The fact that delivery costs for a universal allowance are lower, pleads in favor of a BIG. If the means tested allowance is pitched at the same level as a BIG, the financial burden for the BIG would remain higher, but administrative costs for delivery, since non means tested, are lower. Only if the government would be able to lower substantially the structural unemployment, is the argument for a means tested targeted unemployment allowance valid. Since the structural features of the South African political economy will continue to create large structural unemployment, the argument for a means tested allowance is weaker.
- Even if such a means tested new unemployment allowance would be introduced, the problem of adverse selection stays. The poorest sections of the population do not access these grants, because they have no sufficient voice and capability to exercise these rights.

5. CONCLUSION

Because of the structural features of certain middle income countries such as SA and because of their relative financial strength to support a comprehensive social safety net, the introduction of a BIG seems to be both feasible and effective to cope with income poverty, more than a further extension of means tested social assistance. In the particular situation of South Africa however, opposing both systems seems to be counterproductive. The combination of continuing the stronger parts of the existing system (SOAP, DG and the extension of the CSG) with a universal allocation such as a BIG pitched at the level of destitution would best serve the poor for a more dignified life. Throughout this article, it has become clear that the active population is as yet not entitled to any form of support or grant, be they unemployed or not. Whereas the ANC seems to prefer mending this through strengthening the currently meager UIF, civil society and political parties alike are demanding a BIG. This remarkable support and the overall consensus to extend social security, present the leading parties with an almost unprecedented window of opportunity. Thus, should the ANC give up its contempt for the BIG, it would find in its introduction not only a feasible and effective social security measure, but equally a desired and popular political choice.

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