

## **Social Policy in South Africa: the challenges of Poverty, Inequality and Exclusion**

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### **1 Introduction**

In contrast to trends in the West, where the welfare service state is in ascent, welfare regimes in Africa have to contend with the results of colonial and post-colonial policies, as well as with their own struggles towards democracy. The universal profile in Africa is that a small number of citizens have access to employment with good salaries, good education, and good health care, or to good social services. The vast majority of African citizens are excluded from the modern economy and attendant levels of social services, and poverty and inequality is high. The World Bank estimates that about one third of African countries use cash transfers, and they report on 123 programmes in 34 African countries. However, only about 20% of African citizens benefit from these programmes (Devereux, Roelen and Ulrichs 2015). Nino-Zarazúa, Barrientos, Hulme and Hickley (2012) suggest that there are two kinds of welfare systems in Africa: those for middle income countries, with mainly age-based social transfers which are rights-based and tax funded; and those in low income countries, often funded with development aid, and therefore less sustainable.

Although South Africa is a special case in Africa due to its high level of financial and socio-economic infrastructure, as well as its functioning constitutional democracy since 1994, I shall concentrate on South Africa in this discussion. It is an influential country on the continent and its social policy directions are often followed by other African countries.

I shall first examine some of the root causes of poverty and inequality, using particularly the work of Karl Polanyi. Then I shall analyse the current socio-economic and political situation in South Africa, and present current development indicators. Current trends in policy formulation will subsequently be reviewed, and finally I shall look at recommendations for future social policy formulation.

### **2 Why and how policy frameworks change**

Although the process of socio-political change is complex and much debated, for the purpose of this discussion I shall mainly use the work of Karl Polanyi (1886 – 1964). Polanyi argues that policy changes occur over time when the day-to-day living experience of citizens is adversely affected and these citizens eventually cause political change. This of course assumes a degree of democracy and freedom of expression. In his book *The Great Transformation*, first published in 1944, Polanyi analysed the major shift from early Industrialism to the period of social democracy in the West. His thesis is that prior to modern Capitalism the market was embedded in social relations, and that only during and after the Industrial Revolution did the state and the industrial sector form institutions to create a self-regulating market economy, without that social embeddedness. He argued that the ideological swing which could be observed in Britain in the mid-20<sup>th</sup> century towards social democracy

and the Welfare State, was a necessary correction brought about by popular protest against policy induced poverty, by means of voting and by social movements (Polanyi 2001).

In a follow-up paper Frances Stewart (2010) proposes that the swing between market- and state-led policies described by Polanyi continues beyond the period he described. After the onset of the conservative economic policies introduced during the late 1970's a period of market-led policies followed in the West, therefore a swing to the right. She then specifically looks at how developing countries fared in terms of these swings. While East Asian countries followed a Developmental State path (Aspalter 2006), and the Latin Americans a more redistributive regime, Africa on the whole had less policy autonomy. This was due to its recent colonial history, to the role played by the Bretton Woods institutions in aligning it to the Washington Consensus, and to the fact that there were few strong political movements on the ground in African countries, which were prepared to confront authoritarian leaders.

The conservative trend in the West continued from the early 1980's when the Neo-Liberal consensus was introduced, to the present. The developed nations did however intervene in the economy after the 2008 financial crash. State mechanisms were used to counteract the effect of the crisis, such as quantitative easing, the takeover of banks, and the subsidization of individuals (Stewart 2010). The trend is however still to have a self-regulating market, which also sees social services as a potential field of investment and market operation. This trend, according to Stewart, offers less opportunity for the expansion of capabilities than a state-led trend. At the same time Ahn and Kim (2014) show that larger amounts of social service spending contributes to economic growth and market performance, while a larger welfare state might lead to less employment. Here the emphasis is however on growing the economy, regardless of the amount of redistribution engaged in by the state. As it has become clear that the current form of late Capitalism does not redistribute sufficiently to address the problem of global inequality (Piketty 2013; Chang 2008), mere growth, though potentially instrumental for development, does not necessarily signify development. State-led policy formulation, based on rational and ethical principles, would therefore be a normative policy choice, rather than a market-led policy framework which has as its primary focus the growing of the economy without sufficient attention to redistribution.

The debate in the welfare sphere has therefore become one between cash transfers (Hanlon, Hulme and Barrientos 2010), and improved and extended social services (Otto et al, 2018). For this analysis one also has to take into account that developed and developing countries are not necessarily similar. Stewart (2010) comments that redistributive systems seem to be used more often in developing countries, although African countries often have the disadvantage that the population cannot resist the authoritarian rule of their leaders and therefore cannot demand more just redistribution. They therefore do not use the mechanism identified by Polanyi of protesting and voting against political parties that do not serve their economic and welfare interests.

Cash transfers have indeed been very successful in some developing countries, and in South Africa they are the mainstay of the welfare system. They however tend to merely address livelihood issues, and that at quite a low level, and not graduation and social mobility aspirations. For upward mobility to take place, the poverty trap has to be overcome (Adato, Carter and May 2006) and social services and employment opportunities are essential components of a comprehensive welfare policy. This will be further discussed below.

### 3 The political, social and economic situation in South Africa

There is an extensive literature on the political economy of South Africa, and on the ways in which the structural inequalities which are visible in society have been caused by historical processes over a period of more than three centuries (Mostert 1992; Terreblanche 2002; Du Toit 2007; Du Toit and Neves 2007, 2008, 2009; Bhorat 2014; Leibbrandt et al. 2017, World Bank Group 2018). The mining and industrial sectors, which partly date from the pre-apartheid era, remain largely in the hands of white South Africans, with some exceptions. About 67% of farming land, or 40000 units, are still in white hands (Walker n.d.). Although South Africa underwent a successful transition to democracy in 1994, these unequal structural conditions remain largely unchanged, and except for the fact that a small percentage of black Africans now form more than half of the middle class, the majority of South African citizens are still poor and excluded from the benefits of a middle-income economy.

Some numbers might be useful to illustrate these trends. The statistical service in South Africa reports that about 55% of the population is under the upper-bound poverty line (Statssa 2018). Schotte, Zizzamia and Leibbrandt (2017) propose that, based on their research, South African society can be divided into five income and class categories: An elite, of about 4% of the total population; a stable middle class of 20% of the total; a vulnerable middle class of 14%; a transitory poor group, to which about 13% of South Africans belong, and a chronically poor group of 49%. As a middle income country South Africa's GNP per capita is \$12860 per person p. a. This income is however very unevenly distributed, due to factors discussed above. It is estimated that 10% of the population owns 70% of the wealth in the country. The Gini-coefficient is 0.7 for wealth and around 0.95 for income, the highest in the world (Korhonen 2018). While the unemployment rate using the expanded definition is 36.7%, the youth unemployment rate is as high as 38% (Stassa 2018).

The current political situation in the country furthermore forms a part of the policy context. When Jacob Zuma resigned under considerable pressure as State President in February 2018, he left a ruling party, the ANC or African National Congress, which was split down the middle, and a government structure extensively "captured" by those who seemed to want to benefit themselves. As a result of this there are two main factions in the ruling party at present: the faction supporting President Ramaposa which states that it relies on the rule of law and on the country being a constitutional democracy. The other faction seems to be following a patrimonial model. This divide curtails the ability of policy makers to establish a new direction, as the balance of power is so equally weighted that many policy processes are stalled. Although it is not the only reason, it has contributed to the decline in national economic growth from 3.3% in the last quarter of 2017 to 0.8% in the first quarter of 2018 (Statssa 2018).

Another crucial element in any political analysis of South Africa is the fact that the historically disadvantaged sector of the population has reached a stage where it is no longer prepared to passively accept its poverty and exclusion, or inequality in the country. During the past three years a very active student movement campaigned first for *#Rhodesmustfall*, then for various other forms of colonialism to fall, and finally (and successfully) for *#Feesmustfall*. Collectively this became known as the *Fallist* movement, and in many ways it changed the political landscape among young people from passive participation (or alienation) to activism and challenge – violent in many cases (Mabasa 2018).

The high incidence of service protests and industrial action indicates that ordinary people have returned to the protest action which in the 1980's contributed to the fall of the apartheid

government. Between January 2013 and December 2014 a total of 2322 protests were monitored. One quarter of these were about inadequate services, 23% were labour disputes, and 11% were against crime and injustice. In 7% of cases mobs resorted to violence during these protests (Mail and Guardian, 12 February, 2016). An Afrobarometer survey, which allowed respondents three opportunities to mention what South Africans feel their biggest need is, had 71% of their respondents indicating employment, while 27% of responses were that better housing and the combatting of crime were the most important issues which government should respond to. Education was seen by 22% of the respondents as an important need, and the need to address poverty was highlighted by 19% of respondents. Further, although 82% of respondents felt that government succeeds well in uniting all South Africans into one nation, 76% believed that the same government was doing badly at narrowing the gap between the rich and the poor (Afrobarometer 2015).

It is therefore clear that South Africa is experiencing a transitional phase. There is broad agreement among most South Africans that the inequality in the country is unsustainable, although different political parties use this to their own advantage, in different ways. The discontent of the poor, and particularly of the youth, is undeniably a factor in how the transition will develop, and clear strategic thinking is required from all players in the policy arena.

#### **4 Current trends in social policy formulation**

The policy document which informs social policy formulation, as well as economic and administrative planning structures in South Africa, is the National Development Plan 2030 (NDP) (National Planning Commission 2012). This plan provides for different interlocking policies which all together form a development infrastructure. Chapter eleven deals with social protection, and specifies the need for a social protection floor. This policy directive is also contained in the report on the review of the white paper for social welfare, where it is formulated as follows:

An acceptable minimum standard of living must be defined as the social floor, including what is needed to enable people to develop their capabilities (Report on the Review of the White Paper for Social Welfare 2016, p. 356).

The implication of this welfare principle is therefore that nobody in the country should have to live under the standard defined as the social floor. Until the formulation of the poverty floor has been completed, the upper-bound limit of the poverty line can be used, although it only uses a monetary threshold, and does not take into account the capability threshold required by the policy documents. The current upper-bound limit of the poverty line is R992 (63 Euro) per person per month, and currently, as stated above, 55% of the population lives under that level. Because black Africans were severely affected by colonial and apartheid policies, 64% of Africans live under the poverty line, and 73% of African children under 17 find themselves living under the poverty line (Africacheck 2018). The policy therefore projects a reversal of this situation, where everybody would at least have an income and the capability to live above that minimum level.

To achieve this, the NDP also foresees an inclusive social protection system which provides for a range of vulnerabilities, so that the state can respond to all those who are most at risk. The current South African welfare state is based on the British/American Liberal regime of targeting people who do not or cannot work. There is a Child Support Grant of R380 per month (26 Euro) and a grant for the elderly or disabled of R1690 or 21 Euro. These grants

have an extensive reach – 17 million people receive grants, but more than two thirds of South Africans live in households where grants are received. There is however no cover for working age individuals without work, and this constitutes a major gap in the social security system (World Bank Group 2018, pp. 26, 38).

Further social security goals are to move towards self-reliant sustainable development for all, to encourage individual saving, and to reach a stage where the poor and unemployed can be active in the labour market (National Planning Commission 2012). It is also important to note that the social security chapter of the report uses Human Development principles and terminology (Conradie 2018).

One of the ways in which policy makers planned to achieve some of these goals was by making welfare more developmental. This policy has not been successful, as social workers often felt divided between their conventional social work roles and new ways of working which they had often not been trained for. In addition, resources were not always available for these new tasks (Report on the Review of the White Paper for Social Welfare 2016; Conradie 2011; Hölscher 2008; Gray and Lombard 2008; Gray 2006).

## 5 Future social policy formulation in South Africa

The Polanyi/Stewart hypothesis reads that economic and welfare policies tend to swing between market-led and state-led policies, depending on the hegemony of different ideologies, which again depend on how people had experienced their own advantage or disadvantage over the long term. If this hypothesis is right, the slow swing to increasing support for a populist radical right in Europe as an expression of anti-immigrant sentiment might be significant (Tartar 2017). The aim of this chapter is to show that countries in Africa are differently positioned, and that the main aim of social policy in African countries has to be the correction of inequality and exclusion, and of the poverty traps which are seen everywhere in Africa. Polanyi pointed out that if policy makers do not respond to social and political signals, social movements will attempt to force them to do so. Devereux, Roelen and Ulrichs (2015) emphasize the same point in a paper on current welfare trends:

Inequality is widely seen as a major force that could drive a rationale for social protection and create a political incentive within the global development paradigm. Reducing inequality... is also a ‘hot topic’ in current development debates, and social protection is often mentioned as one of the main policy instruments to achieve this.

In South Africa the interplay between well-organized social movements and smaller, radical political parties is creating an arena for such a Polanyian shift in social policy. Ironically, most policies which are needed for more equitable programmes are already in place, but lack of political will, the inefficiency of many government departments, corruption, and political in-fighting has constrained efforts to move towards economic empowerment for all. There is however a sense of impatience on the ground. After Barack Obama had delivered the lecture for the 100<sup>th</sup> commemoration of Mandela’s birthday in Johannesburg on 18 July 2018, president Ramaposa took the floor and was cheered by the 15000 people present. However, they also sang a message: *Phakama, Ramaposa, Ixehsa lifikile! Stand up, Ramaposa, the time has come!* (Green 2018).

What would this imply in terms of the pendulum swing between market-led to state-led policies? Should the economy first grow better, or should better social policy be used as a tool to improve the economy? It is a difficult conundrum, as the warning of market leaders that

dangerous signals can chase investments away is very real, as can be seen from the drop in the South African growth rate. At the same time, the need for radical change is too strong to ignore. There is a call at present for strong leadership, and for a new social contract between government, business and society, based on a Social Justice position. Within this new social contract, a whole range of policies could be pursued. Business is likely to play its role, once the contract is clear. The creation of employment is not only the first priority of the populace, as seen above; it is also seen by development policy makers as a tool which could lead to sustainable, self-reliant development. A recent World Bank survey on South Africa concludes: “Jobs are perhaps the most important pathway for South Africa to overcome the legacy of exclusion” (World Bank Group 2018, p. 2). It is however important to point out that this is different from market-led welfare policies in the developed world, where market-led and managerialist policies often mitigate against people-centred social policies, and against the provision of social security.

In their paper on future trends in global welfare policy formulation, informed by thought leaders in the field, Devereux, Roelen and Ulrichs (2015) point out five ideas that they and their informants think will be important. They suggest that successful programmes might in future imply the building of extensive, national systems, where the parts are interlinked for better coordination. Furthermore, programmes have to be affordable, considering the austerity trend among donor nations. (As pointed out earlier, in all African countries a small number of citizens form part of the formal economy and pay tax, the funding source of social programmes). A third marker is that policy makers should attempt to understand local and national political processes, and how democracy functions in a particular setting. One of their respondents comments, reflecting Polanyi’s thesis of a few decades before:

Democracy is and will be one of the key drivers. Expansion of social protection towards universal comprehensive systems depends in the end on how much organizations and voters wish to see it (Devereux et al. 2015:28).

The fourth point made by Devereux *et al* is that future social policy is likely to have strong labour market linkages, and finally they point out that more emphasis needs to be placed on whether comprehensive coverage has been achieved.

It might be useful to return to Amartya Sen’s idea of instrumental capabilities. Sen (1999) points out that in order for an individual to have the freedom to choose between different options of a valued life there are certain instrumental capabilities which need to be in place. These are: political freedoms; economic opportunities; social opportunities, especially in health and education; transparency guarantees, which imply trust and transparency, and protective security. These instrumental capabilities can therefore be seen as a foundation on which a good welfare system can be constructed, and without which it will be at risk. These five capability sets could be used to plan services which would enable an individual to engage with personal agency and to pursue development objectives. It is also interesting to observe the synergy between instrumental capabilities and the markers for future policies described above.

In South Africa much progress has been made with political freedom and with freedom of speech. In traditional regions it might still be a risk to express political ideas which are contrary to those held by the leadership, but on the whole the system of constitutional democracy which South Africans designed between 1990 and 1994 provide a secure foundation for development, with a depth of democratic opportunities. There is also a

reasonably good social security system for the elderly and for those who have children, as discussed above.

Some of the instrumental capabilities are however lacking and need focused attention. As reviewed above, economic opportunities are very limited unless one has been exposed to good education, which applies only to a small percentage of the nation. Universal health services are available, but at a much lower level than that of private health care. A universal health service is being planned, but is also constrained by governance issues. Transparency and trust are lacking and corruption has become a major problem in society, and particularly in government (World Bank Group 2018).

We can thus see that the policy path which has been set out in policy documents in South Africa are in line with global policy trends for developing countries, and that there is broad consensus that inequality and exclusion pose a threat not only to the livelihoods of the disadvantaged, but also to the prospect of peaceful democratic development.

## 6 Conclusion

If Karl Polanyi's work is read together with Frances Stewart's interpretation, the reader is able to have a better understanding of how "great transformations" take place. Whereas countries linked to the history of Social Democracy in the West experience the pendulum swings of state-led or market-led policy phases, South Africa, and in fact many other African countries, at present have to focus their policy directives to the correction of inequality and exclusion. If Polanyi is correct, the correction will happen in any case.

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