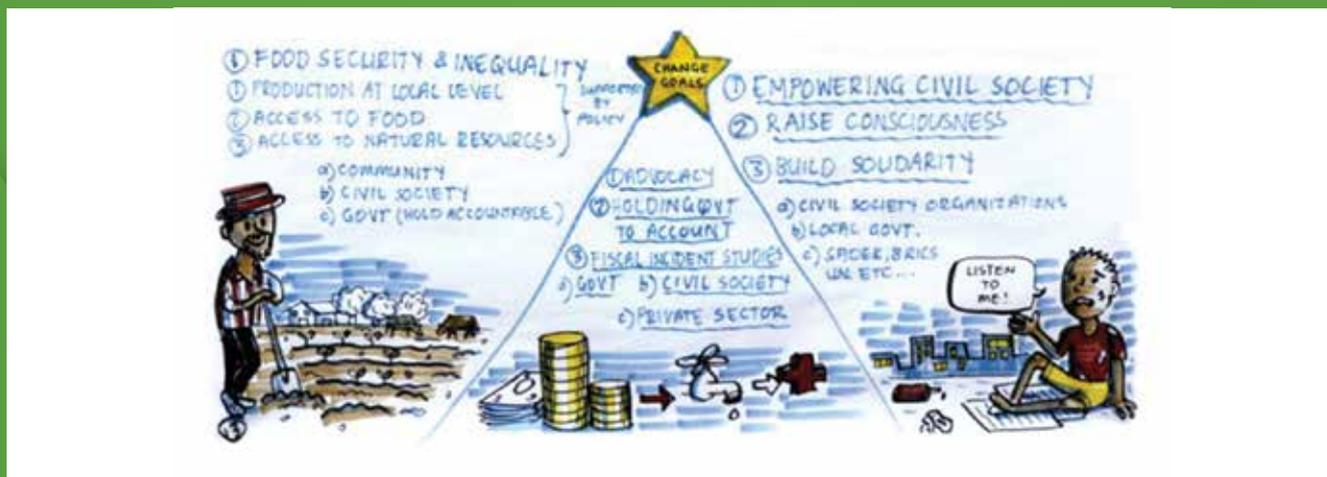


MIND THE GAP

Assessing
nature of trends
and analysis of
national policies
to address
Inequality in SA



"Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom. The steps that are needed from the developed nations are clear."

– Former South Africa President Nelson Mandela.



AN OVERVIEW ON INEQUALITY TRENDS

South Africa Network on Inequality (SANI)



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SANI is a product of intensive work on mobilising the South African Civil Society Organisations (CSOs) which include the Social Network Organisations (SNOs), Faith-based Organisations (FBOs), Organised Labour Organisations (OLOs), Community-based Organisations (CBOs) and other Non-government organisations (NGOs). SANI secretariat is at EJM working in partnership with Oxfam in South Africa.

Specifically, the objective of SANI at EJM, working together with other BRICSAM networks is to ensure that: Policy-making processes *in global institutions* are influenced by civil society networks to take account of the needs of poor and marginalised people.

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CONTENTS

South Africa: 20 years into democracy in an unequal environment	1
Introduction	2
Poverty & Inequality: a legacy of apartheid	2
Redressing the imbalances of the past: fighting poverty and inequality in a democratic South Africa	3
Select Policies that shape South Africa's current landscape from a poverty & inequality perspective	6
Economic policy and governance	6
Land reform and redistribution	9
Social Protection	12
20 years on: Is South Africa's story such a good one?	15
Conclusion and Way Forward	17
Macro-economic policies	18
Civil Society Interventions	19
Land reform and redistribution	19
Social Protection	19
Needs- Based Universal Child Support Grant.	19
Universal Basic Income Grant	20
Civil Society Engagement	20
National Minimum Wage	20
Civil Society Interventions	20

South Africa: 20 years into democracy in an unequal environment

“Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom. The steps that are needed from the developed nations are clear.”

– Former South African President Nelson Mandela

Mind The Gap-Inequality is an act of Injustice

- Despite South Africa being an upper middle-income country, millions of people live in dire poverty and destitution, while a small group of elites continue to profit and prosper.
- South Africa's problems are not just about inequality, but a triple challenge that also includes poverty and unemployment.
- Since 1993 income inequality has risen significantly and is currently at its highest – the Gini coefficient increased from 66% in 1993 to almost 70% in 2011.
- However, in terms of gender inequality it is interesting to note that South Africa has a gender inequality index of 46% and fares well as compared to the overall inequality index.
- Between 2005 and 2010, the average income for households in the upper income decile increased by 70.3% from R271 256 to R461 000, while households in the lower income decile received an average of R1 159 in 2005 which increased by 49% to R1 727.
- The average income increase was 24.9% for all four categories (i.e. India/ Asian; Blacks; Coloureds; Whites); however, despite the significant growth in income in non-white households, there is still a tremendous gap between the population groups. White-headed households on average earn more than 5.5 times the income of the average black African-headed household.
- Inequality within racial groups also increased markedly for all racial groups. By 2008 the most populous racial group, the African (Blacks) group, made up 80% of the population and had the highest inequality of the four major racial groups.
- To date, rising wage inequality is a major factor. Low-skilled workers' wages have a historic legacy of dampened wages for black workers under Apartheid. On the other hand, the 22.7% increase in the average formal sector wage has been entirely due to increases for top earners.
- Between April 1994 and April 2010, the land reform program had redistributed less than 7% of agricultural land albeit with a target of 30% by 2015. The vast majority of agricultural land remains in the hands of fewer than 40 000 white farmers

Introduction

In South Africa, despite being an upper middle-income country, millions of people live in dire poverty and destitution, while a small group of elites continue to profit and prosper. The country has one of the highest income inequalities in the world according to the latest Human Development Index¹. It is worth noting that inequality is not only a difference in income or economic power but includes all types of differences – “based, for example, on gender, ethnicity or location – that determine how individuals and groups can exercise control over their own lives and prospects.”² The outcomes of such differences present a complex picture in which the poorest suffer the most as a result.

The effects of inequality are numerous. Apart from the fact that inequality does not just offend against the enjoyment of equal rights and considerations of justice, it also has very specific social and economic implications. Inequality excludes full participation of people in the economy because only those who have access to resources are able to participate thus slowing economic growth. Furthermore, local economic production in poor communities and townships invariably fails because people do not have enough income to buy those goods - there is insufficient demand or purchasing power required to turn the business into a going concern.³

South Africa’s problems are not just about inequality, but a triple challenge that also includes poverty and unemployment. The ‘triple challenge’ has revealed itself increasingly in on-going protest and strike action. Since 2008, estimates are that more than 2 million people have taken to the streets in protest every year⁴. Aggrieved residents have been protesting against poverty, corruption, joblessness and inadequate and uneven provision of public goods and services. The future looks bleak unless we experience a change in prioritisation from government, and radical reforms are implemented.

The aim of this paper is to assess the nature of trends in inequality and analyse national policies to address inequality in South Africa. More specifically we look at policies on economic and governance; land reform and redistribution and also social protection policies that over the post-Apartheid era have been formulated and implemented to address poverty and inequality in South Africa.

Poverty & Inequality: a legacy of apartheid

A closer look at the South African context reveals that many of the causes of inequality emanate from previous colonial and Apartheid policies and laws. However, this does not exclude new drivers of inequality that are emerging which have the potential to entrench past causes and deepen other divides.

Pre- 1994 saw a period that dates back to 1948 during which laws were passed with the purpose of entrenching racial inferiority and superiority with the introduction of the system and ideology of Apartheid. Most importantly, Apartheid affected the rights of Blacks while giving privileges to Whites. Among others, Blacks were refused common political rights; excluded from decision-making institutions in society; residential choices; rights of movement; educational issues and issues of welfare or the ability to accumulate assets or run businesses.⁵ In addition, for millions of people what they had accumulated was systematically removed from them, including their homes and property.

Divisions were also established between the various race groups, thus deepening divisions further. This led to a situation in which patterns of exclusion and marginalisation emerged that were subsequently reproduced from one generation to the

1 Human Development Report, 2013. [online]: http://hdr.undp.org/sites/default/files/reports/14/hdr2013_en_complete.pdf

2 Kumar, C. 2014. Africa Rising? Inequalities and the essential role of fair taxation, Tax Justice Network, Nairobi, pg 12

3 Frye, I.S. Farred, G. Nojekwa, L. 2011. Inequality in South Africa, In Ed(s) Jauch, H. Muchena, D. Tearing Us Apart: Inequalities in Southern Africa. Open Society Initiative for Southern Africa (OSISA). [online]: <http://www.osisa.org/books/economic-justice/regional/tearing-us-apart-inequalities-southern-africa>

4 Plaut, M. 2012. Behind the Marikana massacre, The NewStatesman, 20 August. [online]: <http://www.newstatesman.com/blogs/world-affairs/2012/08/behind-marikana-massacre>

5 Stadler, A. 1987. The Political Economy of Modern South Africa, David Philip Publisher (Pty) Ltd.

next, reinforcing themselves. The situation escalated even further when the demand for low skilled labour diminished as the South African economy shifted away from primary extraction and agriculture towards secondary and tertiary sectors which require better skilled workers, without the provision of the necessary training.⁶

In a nutshell Apartheid created a cycle of poverty for black people who did not receive as good an education as their white counterparts. Apartheid also furthered the gap between the rich (white) and the poor (black). Currently, the poverty cycle has been continuous and persists as a result of unemployment due to lack of skills.

Redressing the imbalances of the past: fighting poverty and inequality in a democratic South Africa

South Africa comprised 'two-nations' divided by poverty and inequality..... "[o]ne of these nations is white, relatively prosperous, regardless of gender or geographic dispersal. It has ready access to a developed economic, physical, educational, communication and other infrastructure. The second and larger nation of South Africa is black and poor, with the worst affected being women in the rural areas, the black rural population in general and the disabled. This nation lives under conditions of a grossly underdeveloped economic, physical, educational, communication and other infrastructure. It has virtually no possibility to exercise what in reality amounts to a theoretical right to equal opportunity." Former President Thabo Mbeki.

Did you know?

- Economic growth is disturbingly slow, and not inclusive and thus no significant redistribution of wealth?
- 50% of SA population lives below poverty line (R577/EUR 42), 90% of this is black population?
- Inequality is unacceptably high with a Gini-coefficient of 0.67 and the South African Government plans to it to 0.6 by 2030?
- 10% of South Africa's richest earn approximately 68% of SAs total income?
- Approximately 17 million {vulnerable} people are on social grants?
- Social grants have significantly reduced poverty in South Africa?
- It could take over 2-3 decades to address poverty, unemployment and inequality? and
- SA surrounded by marginalized countries and has the highest number of immigrants in SADC?

What are you doing to address poverty, unemployment and inequality here and somewhere else in the world?

Twenty years into democracy, the issue of inequality has continued to dominate the post- Apartheid landscape. Deep anger and frustration that is highly flammable currently prevails amongst the marginalised and poverty stricken millions of South Africans. While there have been some attempts at redress since the end of Apartheid, with a variety of economic policies and strategies (including black economic empowerment initiatives and land restitution), the effects and impact of these have been regarded as relatively ineffective.⁷ Forbes' list revealed that in 2012, South Africa's wealthy were clearly

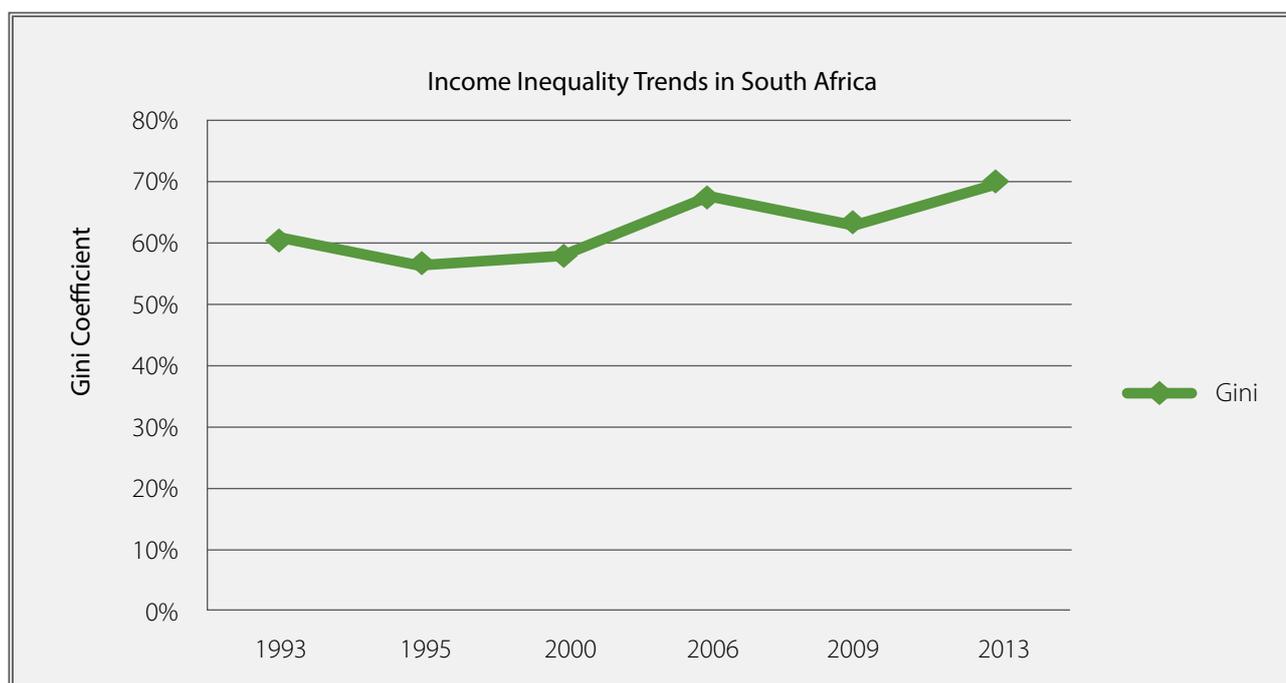
6 Frye, I. 2008. 'Poverty, Social Security and Civil Society in South Africa: Triangulating Transformation', Case study of South Africa for Brot fuer die Welt. Studies in Poverty & Inequality Institute (SPII), Dec., p. 8. [online]: <http://spii.org.za/wp-content/uploads/2013/12/south-africa-poverty-social-security-and-civil-society.pdf>

7 Kumar, C. 2014. Africa Rising? Inequalities and the essential role of fair taxation, Tax Justice Network, Nairobi, pg 12

getting wealthier as their net worth increased and, as the rich got richer, the poverty gap also increased. The redistribution of wealth that has taken place saw a transfer of some wealth from white business to the black business sector through black economic empowerment deals which have benefited few.⁸

A look at World Bank Indicators since 1993 reveal that income inequality has risen significantly and is currently at its highest (see Figure 1 below). Furthermore, a comprehensive report by the OECD, which looked at income distribution trends and household surveys from 1993, 2000 and 2008, finds that the Gini coefficient increased from 66% in 1993 to almost 70% in 2008, a remarkably high figure by international standards and much higher than the figure used in cross-country comparisons⁹. To date the Gini coefficient remains high estimated around 65% based on expenditure data and 69% based on income data in 2011¹⁰. These high levels of inequality, amongst the highest in the world, are only slightly smaller than the Ginis recorded in 2006. However, in terms of gender inequality it is interesting to note that South Africa has a gender inequality index of 46% and fares well as compared to the overall inequality index¹¹.

Figure 1: Inequality trends



Source: World Development Indicators and Stats SA 2012

Analysis of national statistics allows a more precise estimate of inequality as income data can be used. This is more accurate than the figures reported by the World Bank, which are based on expenditure data, used as a proxy for income to enable cross-country comparisons. Between 2005 and 2010, the average income for households in the upper income decile increased by 70.3% from R271 256 to R461 000, while households in the lower income decile received an average of R1 159 in 2005 which increased by 49% to R1 727.¹²

8 Business Report, August 6, 2013. [online] http://www.iol.co.za/business/news/johannesburg-is-home-to-the-rich-and-richer-1.1558031#.UwyML_mSx1Y

9 Leibbrandt, M. Woolard, I. McEwen, H. Koep, C. 2009. Employment and Inequality Outcomes in South Africa. OECD, [online]: <http://www.oecd.org/els/emp/45282868.pdf>

10 StatsSA 2014. Poverty Trends in South Africa. Press Statement, Statistics South Africa, [online]: <http://beta2.statssa.gov.za/?p=2591>

11 ibid

12 Source: Income and Expenditure Survey, www.statssa.gov.za, various years.

The Income and Expenditure Survey of 2011/12¹³ also looks at income changes shows that Indian/Asian-headed households showed a 36.8% average increase in income (an increase of R68 013), closely followed by black African-headed households at 34.5% (an increase of R17 859).¹⁴ Households headed by coloureds saw a 27.7% increase in income (an increase of R30 152), while white-headed households saw only a 0.4% real increase or roughly R1 412 more. So while the income growth trend shows very positive signs, inequality remains a serious challenge for the country.

While it is true that the between race component of inequality remains very high, when considering inequality between racial groups as a percentage of the maximum possible level, this measure declined by 21% from 1993 to 2008, with the largest decline occurring before the year 2000. Table 1 highlights the Gini coefficients for each racial group and shows that in within-race, inequality has increased markedly for all racial groups. By 2008 the most populous racial group, the African group, made up 80% of the population and had the highest inequality of the four major racial groups. The Gini coefficient for Africans was 0.12 points higher than the same measure for Whites. Thus, within racial group dynamics have become more important and within African dynamics have become especially important in driving aggregate changes in inequality.¹⁵

Table 1: Income inequality trends by race

	1993	2000	2005	2008	2012	%change (1993 - 2008)
Agregate	0.67	0.67	0.72	0.7	0.68	1%
African	0.55	0.61	0.62	0.62	--	13%
Coloured	0.43	0.53	0.6	0.5	--	16%
Indian	0.46	0.5	0.58	0.61	--	33%
White	0.42	0.47	0.51	0.5	--	19%

Source: Leibbrandt, M. et al. (2010)

Even though South Africans are getting richer, overall there are still very high levels of income inequality across and within population groups. The poorest and those dominating the lower income deciles are predominantly black South Africans. At any poverty line, black South Africans are poorer, which is not surprising considering the legacy left by Apartheid, given the active discrimination in state policy, the labour market and in relation to the provision of education, health and other social services.

To date, rising wage inequality is a major factor. Most workers have experienced virtually no improvement in their wages, with the median real wage for a formal sector worker in 2011 being the same as it was in 1997.¹⁶ Low-skilled workers' wages furthermore have a historic legacy of dampened wages for black workers (who occupied these positions under job reservation legislation) under Apartheid. On the other hand, the 22.7% increase in the average formal sector wage has been entirely due to increases for top earners. This dramatic increase in wage inequality has been paralleled with widespread social protests, strikes and conflict amongst poor communities.¹⁷

13 Produced by Statistics South Africa www.statssa.gov.za

14 Increases are in nominal terms

15 *ibid*

16 Africa Rising? *ibid*

17 Africa Rising? *ibid*



Select Policies that shape South Africa's current landscape from a poverty & inequality perspective

We note that levels of poverty and inequality continue to bear a persistent racial undertone. Two indicators of the post- Apartheid political economy have attracted special attention in this regard. The first indicator addresses the question whether the evolving character of the post- Apartheid economy and the policy efforts of the post- Apartheid government have been able to start to lower these very high aggregate levels of poverty and inequality. A related question is whether the racial footprint underlying poverty and inequality is starting to grey and will be replaced by new social strata and more subtle socio-economic dynamics.¹⁸ In order to answer these questions, a review of government initiatives is imperative in order to understand why South Africa is in its current status when looking at poverty and inequality.

Economic policy and governance

Looking at the 20 years of democracy, within the context of a new political framework – the Constitution of South Africa- a number of socio-economic development strategies have been implemented. In terms of governance and in our analysis of economic policy, several issues need to be highlighted and taken into consideration in understanding the manner in which economic policy has evolved post- Apartheid:¹⁹

- Firstly, there are varying notions of democracy at play, which highlight tensions within the governance framework. These range from liberalist notions of the role of the elected representative and minimal state intervention to a far more participative notion of democracy with active engagement between the state and non-state actors in populist and pluralist models.

18 Leibbrandt, M. et al. (2010), Trends in South African Income Distribution and Poverty since the Fall of Apartheid, OECD Social, Employment and Migration Working Papers, No. 101, OECD Publishing, © OECD. doi:10.1787/5kmms0t7p1ms-en

19 White, G. Heymans, C. Favis, M. Hargovan, J. 2000. Development Co-Operation Report: Democracy and Good Governance, Report on Democracy and Good Governance for the Swiss Development Co-operation (SDC)

- Secondly, the nature of social and economic human rights is contested, resulting in basic needs being approached in varying ways. The issue of whether South Africa has a rights-based approach to development or not remains contested.
- Thirdly, public sector reform and service delivery are undergoing massive upheavals, with differing understandings informing the extent to which greater efficiency of the bureaucracy will in fact lead to improved access to services. Within this debate the issue of poverty alleviation is central, and the extent to which there is a coherent policy framework in place to address it is questioned. The introduction of user fees for many of the socio-economic rights in effect cancels out the impact of the guaranteed right of access promised by the Constitution and raises questions about the constitutionality of these policies given the obligation on the state to 'respect, protect, promote and fulfil' the constitutional guarantees.
- Finally, the importance of the region, and SA's role within it, is attracting increasing attention. There are varying views about the leadership position that SA could and should take, and the likely impact of regional economic integration.

In terms of framing post- Apartheid, socio-economic policy, as well as governance for a new democratic South Africa the three most important documents were the:

- Reconstruction and Development Programme (RDP) (ANC 1994);
- Growth, Employment and Redistribution policy (GEAR) (ANC 1996); and
- Constitution of the Republic of South Africa, 1996; and more recently;
- National Development Plan 2030



The debate on socio-economic development post-1994 has been deeply divided on the question of approach. Two main schools of thought emerged, both within the ruling party and more broadly across the nation, and these have shaped diverse policy approaches depending on the then- ascendancy of policy influence. The two schools are to either push for immediate and equitable redistribution of existing resource (growth through redistribution - RDP), while the second school argues for redistribution through growth - to increase growth and then distribute a bigger pie (GEAR), which would

obviate the need for any redistribution of entrenched property. Two successive macro socio-economic policy framework documents (the RDP and GEAR) were the driving force for these two strategies.

When GEAR was introduced in 1996, people on the left described its assumptions and objectives as being regressive, a neo-liberal 'self-imposed structural adjustment plan'. These debates began to fade with time, although there was mounting evidence that the directives of GEAR were failing to address poverty and inequality, principally due to a failure in job creation, and the notion of 'jobless growth' and even 'job-loss growth' emerged. Then in a further policy development, the notion of the 'developmental state' was introduced in 2005.²⁰

Having failed to reach projected growth rates, Government's two major policy frameworks, the RDP and GEAR, were supplemented by various other "secondary" policies and programmes that sought initially to fix the economy, but more recently have articulated the need to have better avenues for the sharing of the economic wealth by the inclusion of more people in the formal economy.

Amongst these policies was the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) that set out the broad framework of steps that needed to be taken to raise growth to much higher levels. Furthermore, ASGI-SA²¹ had a development strategy with specific sections on poverty eradication, equity, and distributional issues. The important Poverty Reduction dimension, included budget reform and reprioritisation, increasing access to income and employment opportunities for the poor, including the Extended Public Works Programme, ensuring food security and providing nutrition, meeting the demand of housing, providing comprehensive free primary health care, building and upgrading clinics, and revitalising hospitals and expanding the immunisation programme.²²

Over the past 5 years a new focus and recommitment to the fight against eradicating poverty and reducing inequality is emphasised in the National Development Plan²³ under a 'capable' state. At the core of the NDP is the need to *eradicate* poverty and *reduce* inequality from the current 70% to 60% by 2030. In order to achieve this, the economy must become more inclusive and grow faster. It is envisaged that by 2030, the economy should be close to full employment; equip people with the skills they need; ensure that ownership of production is less concentrated and more diverse (where black people and women own a significant share of productive assets); and be able to grow rapidly, providing the resources to pay for investment in human and physical capital²⁴.

Support and criticism of the NDP has come from both private sector, labour and civil society. The most vocal opponents have been the labour unions with the Congress of South African Trade Unions (COSATU) and its affiliate the National Union of Metalworkers of South Africa (NUMSA) who expressed their reservations about the National Development Plan (NDP). Of concern to NUMSA's was its perceived unlikelihood of the policies of the NDP to deal effectively with the often mentioned challenges of poverty, unemployment and inequality²⁵.

However, government is not relenting and is pushing through with the implementation of the NDP. Recently as a sign of government's commitment to the NDP and its action plan, President Jacob Zuma in December 2013 signed the Employment Tax Incentive Act No 26 of 2013²⁶, making into law an initiative that will complement government's measures

20 Reitz, M. 2009. The Impact of Democracy on Development: The case of South Africa, Centre for Policy Studies, Research Report 120, Johannesburg

21 *ibid*

22 *ibid*

23 <http://www.npconline.co.za/>

24 National Planning Commission, 2011. What the National Development Plan proposes. [online]: <http://politicsweb.co.za/politicsweb/view/politicsweb/en/page71656?oid=266508&sn=Detail&pid=71656>

25 NUMSA, 2012. *ibid*

26 The tax incentive scheme is one of the actions proposed in the NDP objectives under economy and employment. See Summary of Objectives and Actions [online]: <http://www.npconline.co.za/MediaLib/Downloads/Home/Tab/NDP%202030-Summary%20of%20objectives%20and%20actions.pdf>

to create jobs for young workers and those in special economic zones. The Act which took effect on 1 January 2014 aims to promote employment of young people by offering a tax incentive to employers.

While it is the intention of Government to focus on labour market activation and to thereby stimulate a demand for young workers, through the implementation of the tax incentive, the question that remains is whether the Bill will in fact achieve its objective? In other words, will the Bill stimulate economic activity across the employment spectrum and thereby benefit all businesses or will the incentive operate exclusively for the benefit of large corporations to the exclusion of the small scale employers?²⁷

Land reform and redistribution

The 2007 commercial agricultural census estimates that South Africa has 39 982 commercial farm units which produce about 95% of total agricultural output²⁸. These are largely white owned farms. These figures contrast with landlessness, widespread rural poverty and the net food buyer status of the majority of rural black dwellers.

Available academic and research work as well as official government reports show that the existing land reform programme does not deliver land in sufficient quantity; people on land or acquiring land receive very little support, and there are few successes where there has been a substantial and positive change to people's livelihoods²⁹. Between April 1994 and April 2010, the land reform program had redistributed less than 7% of agricultural land albeit with a target of 30% by 2015. The vast majority of agricultural land remains in the hands of fewer than 40 000 white farmers (see Table 1 below).

Table 1: Land distribution in South Africa – April 2004 to April 2010³⁰

Total area of South Africa	122 320 100 ha	100% of total
Former "homelands"	17 112 800 ha	13.9% of total
Former "white" SA	105 267 300 ha	86.1% of total
Commercial agricultural	86 186 026 ha	70.4% of total
30% of commercial agricultural land	25 855 808 ha	21.1% of total
Land transferred through redistribution and tenure reform	3 186 000 ha	3.7% of commercial agricultural land
Land delivered through land restitution	2 714 000 ha	3.2% of commercial agricultural land
Total land transferred	5 900 000 ha	6.9% of commercial agricultural land
Required rate to meet target of 30% between January 2011 & December 2015 (5 years)	2 123 840 ha per year	3 991 161.6 ha per year = 4.63% of commercial agricultural land
Average rate to date (1994-2010, 16 years) of land redistribution		368 750 ha per year
Number of years to meet the 30% target at current rate		70 years

Source: Mayson, 2004 and PLAAS, 2010

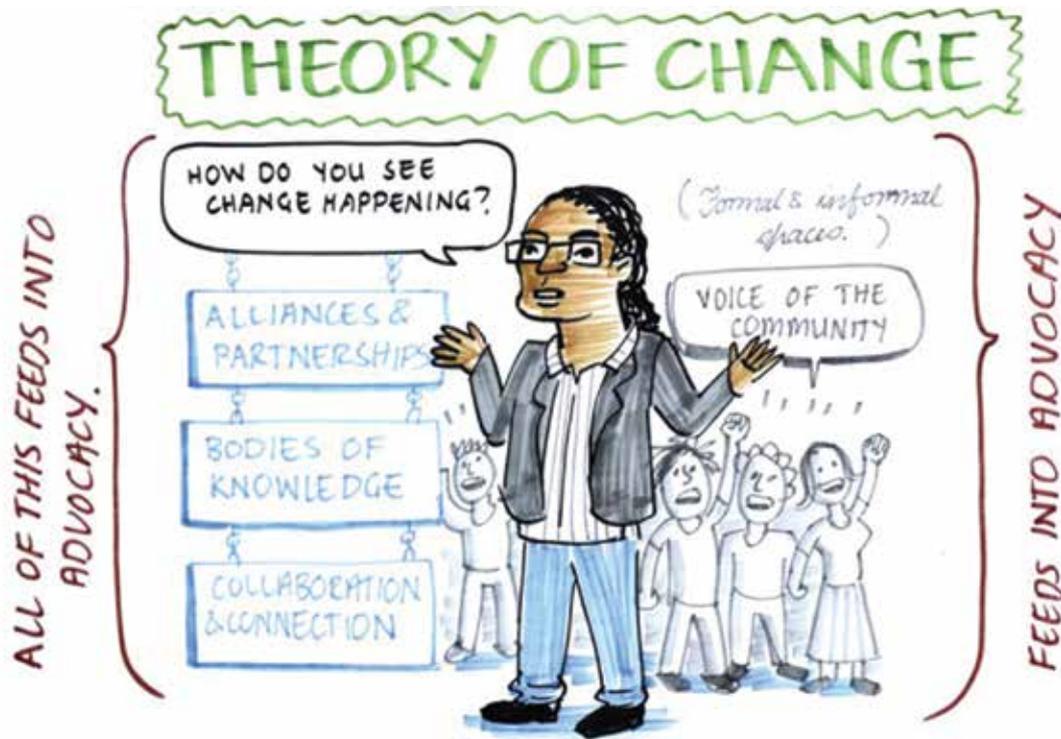
27 Paulsen, N. 2013. The Employment Tax Incentive Bill - Who Stands To Gain Here? South African Institute of Tax Professionals. [online]: <http://www.thesait.org.za/news/146083/The-Employment-Tax-Incentive-Bill---Who-Stands-To-Gain-Here.htm>

28 Statistics South Africa 2009.

29 Lahiff, E. and Cousins, B., 2004. The prospects for smallholder agricultural production in South Africa: A discussion document. PLAAS: University of the Western Cape.

30 Mayson, D., 2004. A land unit for DTCC? Issues to consider and a proposal. Report prepared by David Mayson of Phuhlisani Solutions CC for the Dora Tamana Cooperative Centre (DTCC).

At the core of the problem is that the scope of the program is very limited in terms of the small amount of land actually redistributed, program objectives, budgets, and the institutional framework set up over the last 17 years to oversee land reform and deliver effective support to new farmers. Between 1994 and 2004 the Department of Land Affairs (DLA) received around 0.5% of the national budget. This increased to around 1.0% in 2005³¹ and to still less than 1.5% between 2005 and 2010³². Within this limited overall budget, inadequate resources have been devoted to post-settlement support. Many of the land reform projects that are regarded as failed are a direct outcome of this. The limited scope of the land reform program belies the claim that it is one of government's 5 priorities.



A look at the Comprehensive Agricultural Support Program (CASP) that was introduced in 2004 to enhance the provision of support services at provincial level in response to widely recognized failures in the provision of effective post-settlement support. The following outputs were expected:

1. Increased access to and improvement in the quality of agricultural support services (i.e. advisory, information and knowledge management, training and capacity building, market and business development support, financial, on and off-farm infrastructure such as dipping);
2. Improvement in the capacity of government to deliver agricultural support services;
3. Increased numbers of targeted beneficiaries getting access to public agricultural support services; and
4. Increased access by resource-poor farmers to markets, timeous market and technical information and training on markets.

31 Cousins, B. 2007. 'Agrarian reform and the 'two economies': transforming South Africa's countryside'. In Hall, R. and Lungisile Ntsebeza, L. eds. 2005. 'The land question in South Africa: the challenge of transformation and redistribution', Programme for Land and Agrarian Studies (PLAAS), School of Government, University of the Western Cape.

32 own calculations from the Treasury's Annual Estimates of National Expenditure

A total of R750 million was budgeted for the CASP, spread over a three- year period in increasing tranches.³³ During the 2008/9 financial year, an amount of R534 918 million was allocated to CASP.³⁴ As the 2008/9 annual report of the Department of Agriculture shows, these resources were to target 7 000 farmers and support them in gaining access to financial services. However, only 49 farmers actually gained access to this financial assistance and only R973 926 (out of the R534 918 million) was disbursed to these farmers.³⁵ An overall target was to reach and benefit 80 000 land and agrarian reform beneficiaries. By the 2008/9 financial year, only 32 733 such beneficiaries were reached.

This is poor performance even in CASP's own terms, even before a more rigorous agrarian reform critique is applied. The key factors are under-staffing, failure to coordinate between government departments and slow government processes³⁶. Beyond the 2008/9 performance of CASP, the overall budget of CASP is inadequate compared to the need and financial resources required to meet that need. CASP also falls far short from providing an overall and effective institutional framework required to support small farmers.

As Professor Vink³⁷ (interview, 2009) says, "CASP is not comprehensive. It is a pot of money thrown at an institutional system not geared to support farmers". Vink also expressed concern about the exclusion of small farmers in the design of CASP. In practice CASP proved to focus only on infrastructure support. This means that there was still poor support for procurement of inputs and supplies, extension and technical advice, risk management, training and marketing.³⁸ CASP also proved poorly coordinated with the land reform process. Bureaucratic procurement procedures slowed down implementation. In some provinces, CASP funds were directed at more commercially oriented farmers at the expense of wider layers of land reform beneficiaries. Given this, a review of CASP called for a redesign and review of CASP towards a broader and more integrated vision of land and agrarian reform.³⁹

Soon after the rollout of CASP, government introduced the Land and Agrarian Reform Project (LARP) in 2007. The Departments of Land Affairs and Agriculture recognized that the rate of transfer of land had been slow and that the provision of settlement support was not adequately aligned with the acquisition and transfer of land. LARP's aimed at building a "coherent land and agrarian delivery system". LARP's objectives are to:

- Redistribute 5 million hectares of white-owned agricultural land to 10 000 new agricultural producers;
- Increase the number of black entrepreneurs in the agribusiness industry by 10 %;
- Provide universal access to agricultural support services to the target groups;
- Increase agricultural production by 10 to 15 % for the target groups, under a special Ilima/ Letsema campaign⁴⁰; and
- Increase agricultural trade by 10 to 15 % for the target groups.

On paper, LARP seems to be an important intervention. However, it is still somewhat early to assess its impact. A critical analysis of its objectives and principles suggests that whilst it is based on lessons from past failures it still falls short of the

33 National Treasury

34 Department of Agriculture, Fisheries and Forestry, 2011. Abstract of Agricultural Statistics. [online]: http://www.nda.agric.za/docs/statsinfo/Abstract_2011.pdf.

35 ibid

36 ibid

37 Interview conducted in 2009

38 Hall, R., 2009. Another Countryside: Policy Options for Land and Agrarian Reform in South Africa, Cape Town: Institute for Poverty, Land and Agrarian Studies.

39 ibid

40 This campaign is aimed at stimulating food production through household and backyard activities, creating micro-enterprises through the use of communal land, ensuring productivity of all land lying fallow in peri-urban areas and rural areas, and converting dormant agricultural assets into liquid income-generating assets.



scope, institutional framework, resources and alternative agricultural models required to drive agricultural transformation. It is doubtful whether LARP ever existed as a coherent policy framework with financial and human resources that could drive it. It is also important to note that the main redistribution program of the post-apartheid government, the Land Redistribution for Agricultural Development (LRAD) program, has now been all-but eliminated. In terms of redistribution, the only government program that remains is the Pro-Active Land Acquisition Strategy (PLAS).

Social Protection

Social protection can be regarded as a kind of insurance policy against poverty and a tool for delivering social justice, as well as a means of promoting inclusive development. It is an expression of solidarity and cohesion between the haves and have-nots, between governments and citizens, and even between nations. Social protection can be delivered to those who need it through a variety of mechanisms, including unemployment benefits, pensions, child support, housing assistance, national health insurance, job-creation schemes, retraining programmes, agricultural insurance, and more.⁴¹

Within the context of South Africa, effective social protection schemes are of crucial importance for the future of South Africa and whilst social protection can never compensate for a lack of employment, it can diminish some of the immediate hardships of unemployment. In short, it is both morally and politically desirable to have a system that eases poverty and allows government time to tackle the long term problems of structural unemployment and poverty, and provides for the needs of its citizens.

It is important to note that South Africa has made significant progress in its social protection programmes. There has been increased access to housing, primary health care, education and social security. Of importance to note is the current cash transfer or grant system in South Africa which has been hailed as a programme that has reduced absolute poverty albeit in an environment of increasing inequality.

This is reflected in the Poverty Trends Report released by Statistics South Africa which reveals that people living below the food poverty line (FPL) has dropped to 20.2% of the population. According to the report, poverty levels in the country have dropped since 2006, reaching a low of 45.5% in 2011, when applying the upper-bound poverty line (R620 per capita per month in 2011 prices). This translates into roughly 23 million people living below the upper-bound poverty line (UBPL). Inequality has however not rescinded and remains high with a Gini coefficient around 70% as already highlighted earlier in this report.⁴²

The ascendancy and importance of social grants/ cash transfers in South Africa emanated at the time when the RDP and GEAR had failed to address the issue of redistribution in the manner that was popularly expected at the time. Opinion in society had started to shift away from the more radical policies adopted by the government (Africa National Congress) in the early days of reconstruction. It was no longer expected that the government would successfully deliver on the principles of the RDP, at least in the immediate term. Hence, cash transfers were identified as something the government could expand in order to alleviate poverty to pockets of the most vulnerable and deliver on its constitutional obligations with regard to social security. GEAR thus marks the beginning of the period in which CSOs and others started to focus on working towards increasing the coverage and values of cash transfers, as this was identified as something that government could actually deliver on.⁴³

Therefore there has been a rapid expansion in spending on social assistance between 2000/01 and 2006/07. While spending on most budget items (e.g. education and health) have remained fairly constant in real terms, consolidated expenditure

41 European Report on Development, 2010. What is Social Protection? [online]: http://www.erd-report.eu/erd/report_2010/documents/volA/factsheets/1-what_social_protection_en.pdf

42 StatsSA 2014. *ibid*

43 *ibid*

on welfare and social assistance has increased 3.2 per cent of GDP in 2000/01 to 4.4 per cent of GDP in 2008/09⁴⁴ Since then the number of people accessing social grants in South Africa has expanded significantly with currently just over 16 million beneficiaries⁴⁵.

While the poverty reduction impact of social grants in South Africa is well documented, efforts to influence government to provide a comprehensive social protection scheme hit a roadblock when the Taylor Committee⁴⁶ as one of its recommendation proposed the introduction of a basic income grant (BIG) as a means of providing social security to all and alleviating poverty. The BIG was called for to address the large hole in social security coverage, namely the working age poor.

Instead of adopting a BIG the government decided to establish an Expanded Public Works Programme (EPWP)⁴⁷ in 2004 in order to tackle unemployment and poverty by absorbing a significant number of unemployed people in labour intensive infrastructure and later community service work. In 2009 EPWP II was launched. The stated aim is to increase the number of full year equivalent job opportunities to 400 000 throughout the course of the next five years. This occurred despite the fact that the Taylor Committee had rejected the idea of public work's programmes as ill-suited for tackling South Africa's unemployment problem.⁴⁸ As Kumiko Makino puts it:

"...South Africa's unemployment rate is so high that public works programmes would not be able to create enough jobs however "massive" they would be. The recognition of the impossibility of achieving full employment, or even significant reduction of unemployment at least in the short to medium term was at the bottom of the recommendation of the introduction of a BIG by the Taylor Committee."⁴⁹

An HSRC study which reviewed the first phase unearthed a number of weaknesses and failures, most notably that the design of the programme to provide short term employment and exit strategies into the open labour market, is inappropriate given the structural and long term nature of South Africa's unemployment crisis⁵⁰.

44 National Treasury, 2002 and 2009 reports.

45 South Africa 20 Year Review. The Presidency Office. [online]: <http://www.thepresidency-dpme.gov.za/news/Pages/20-Year-Review.aspx>

46 In March 2000, the Cabinet approved the setting up of a ministerial committee chaired by Professor Vivienne Taylor who was a special advisor to the Minister for Social Development. The Taylor Committee adopted the idea of "Comprehensive Social Protection" as better suited for a developing country than the employment-centred concept of social security, especially given the very high levels of formal un- and under- employment.

47 The EPWP aims to provide temporary job opportunities supported by training to enable job seekers to access more permanent employment came under significant critique at the end of its first phase.

48 Taylor, 2002. Transforming the Present Protecting the Future. p. 74. [online]: <http://www.cdhaarmann.com/Publications/Taylor%20report.pdf> .

49 *ibid*

50 Hemson, D., 2007, 'Mid-term review of the Expanded Public Works Programme: synthesis report', HSRC.

Box 1: Education: A roadmap out of poverty?

Findings from the Poverty Trends in South Africa 2013 report released by Statistics South Africa (Stats SA) showed a strong link between increased level of education and decreased levels of poverty. While the overall level of poverty has declined between 2006 and 2011, there are stark differences when one examines poverty status according to the education status of individuals.

In 2011, two-thirds of those who had no education were living in poverty. This decreased to 60% for those who had some primary, and 55% for those who had completed primary school. The level dropped to 44% for those who had some secondary schooling, and dropped even further to 23.6% for those who had completed matric. Only 1 in 20 people who had some form of higher education were living in poverty in 2011.

A higher level of education does not, however, cushion individuals from the impact of economics, as demonstrated by the fact that in 2009, in the midst of the global recession, 1 in 10 people with some form of higher education were living in poverty. Thus education alone cannot eradicate poverty; rather, education coupled with greater job opportunities in the economy will be the roadmap out of poverty.

Access to health care services in South Africa, as with many other fundamental necessities, has historically been skewed in terms of race, gender, socio-economic status, sexual orientation, disability and a number of other arbitrary grounds. Systems, structures and institutions established to deliver health care services have historically reflected - and continue to reflect - a disproportionate bias in favour of dominant groupings in South African Society⁵¹.

South Africa has however, made significant progress in terms of certain aspects of the health care system. Achievements or progress can be noted in⁵²:

- development of sound and progressive public health legislation and policies;
- establishment of a unified national health system;
- increased infrastructure at primary care level;
- removal of user fees for maternal and child health services;
- ensuring the steady increase of immunisation coverage; and
- supporting the world's largest HIV/AIDS treatment programme.

Despite these major achievements, a number of setbacks and challenges can be highlighted. These include⁵³:

- The country's insufficient progress towards Millennium Development Goal 5 (on child health) and 6 (on HIV/AIDS, TB and malaria) and progress towards MDG 4 (on maternal health) has even reversed.
- The health sector continues to face significant challenges, which include a quadruple burden of disease, economic and social inequity, barriers to accessing health services, inequitable distribution of health resources, and continuing human resource capacity needs.
- Other weaknesses in the areas of human resources and leadership are also cause for concern.

51 Pillay, K. 2009. Tracking South Africa's Progress on Health Care Rights, Law, Development & Democracy. [online]: <http://www.saflii.org/za/journals/LDD/2003/4.pdf>

52 Schaay, N. Sanders, D. Kruger, V. 2011. Overview of Health Sector in South Africa, DFID Human Development Research Centre, London. [online] <http://www.sarrahsouthafrica.org/LinkClick.aspx?fileticket=XB3825I2kmw%3D&tabid=2321>

53 ibid

Despite these challenges and setbacks, the government has initiated a number of reforms to address the well-known crisis in the health sector. Amongst the initiatives include the development of the National Department of Health (NDOH) Strategic Plan 2010/11–2012/13 and the requirements for Provincial Departments of Health to develop long-term Service Transformation Plans.

The current health reforms take place in the context of overall public sector reforms which focus on an outcome-based approach to monitoring and evaluation⁵⁴. Box 2 highlights some of the current health reforms.

Box 2: Specific legislative and policy reforms under way in the health sector

- **Re-engineering Primary Health Care** in South Africa, with the necessary strengthening of the district health system, greater emphasis on the delivery of community-based services and a focus on the social determinants of health;
- The implementation of a **National Health Insurance (NHI)** as a financing mechanism to promote universal coverage;
- A renewed focus on **quality assurance and improvement**, which has included a revised set of core national standards and the identification of six critical areas for fast-tracking of the attainment of quality standards across all facilities, and the proposed establishment the Office of Health Standards Compliance;
- **Governance reforms**, with focus on a competency-based ranking system for public hospital CEOs and district managers, and the development of a governance model for a strengthened district health system;
- The establishment of a new public entity (South African Health Products Regulatory Agency – SAHPRA) to manage the registration, regulation and control of **health products**; and
- **Performance management** reform initiatives which include, the organisational review of the National Department of Health, financial management improvement project and other initiatives, such as those aimed at the strengthening the provision of quality health care by healthcare facilities.

In spite of these reforms, there remain significant issues of health management capacity which should be an urgent government priority.

20 years on: Is South Africa's story such a good one?

Economic growth, poverty reduction and job creation remain key goals of economic and social policy in South Africa. There has been a focus on sustainable and diversified economic growth – as underscored in the Ready to Govern and Reconstruction and Development Programme documents. These objectives have been reiterated in subsequent policy documents, from the Growth, Employment and Redistribution (GEAR) strategy of the late 1990s through the Accelerated and Shared Growth Initiative for South Africa (Asgi-SA) of 2006, the New Growth Path of 2010, and the NDP of 2012.⁵⁵

54 ibid

55 South Africa 20 Year Review Chapter 4 – Economic transformation, pg 84 [online]: <http://www.thepresidency-dpme.gov.za/news/Pages/20-Year-Review.aspx>

Between 1994 and 2000 the South African government made significant progress in meeting the goals of the RDP: providing housing, basic services, health care and land reform. The lives of millions of people have been improved. The government hailed GEAR and privatization as the best long-term way to achieve high growth.

In its latest 20 year review, government has highlighted a “good story” of its achievements in a democratic South Africa. While some notable progress has been made, critics highlight that not enough has been done to eliminate poverty and reduce inequality. The government has significantly lowered the budget deficit and inflation; however growth remains at about 3%, far short of the 6% goal which is seen as necessary to reduce unemployment.

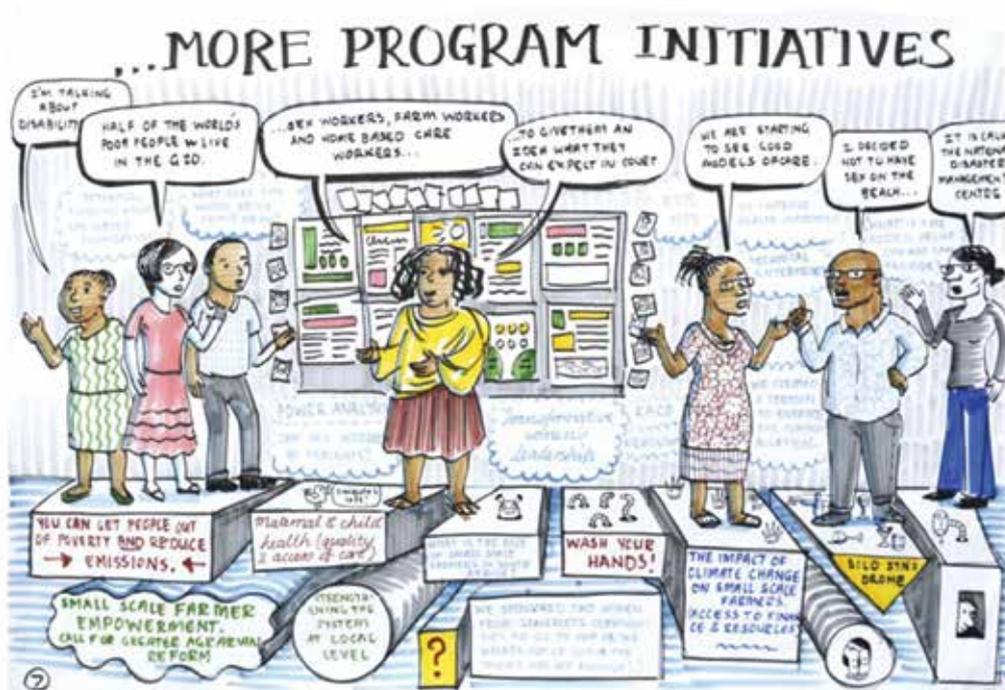


A look at some of the policies implemented by government such as the GEAR policy, which government at the time touted as a long-term strategy that will provide South Africa with the most economic growth, we note that this has not materialised. One of the most outspoken critics of GEAR was the COSATU which noted that GEAR failed to deliver the promised economic and job growth or significant redistribution of income and socio-economic opportunities in favour of the poor. Furthermore, it noted that GEAR, with its focus on stringent monetary and fiscal targets, conflicts with the goal of the RDP of growth based on job creation, meeting people’s needs, poverty reduction and a more equitable distribution of wealth. Characteristic of GEAR was deep cuts in government spending between 1996 and 1999 which curtailed efforts to improve services to the poor suffered, despite the continued reprioritisation of spending from the rich to the poor.

A closer look at the economic and social policy, much of the debate has focused on employment and poverty. Statistics South Africa highlighted that unemployment was 22.5%, down from 23.3% in 1999 using the narrow definition of unemployment - only including those actively seeking work, excluding discouraged job seekers. COSATU however noted

that using the broader definition unemployment rose to 37.3% from 36.3% in 1999. To date these figures have not changed significantly or at worst remain the same.

While government has said it has created significant job opportunities, NALEDI⁵⁶ noted in December 2000 that some official estimates suggest that up to one million jobs in the informal sector have been created since 1995, but the opposite was the case in the formal sector:



“Between 1996 and 1999 more than 400,000 formal sector jobs were lost. The impact on families is disastrous, as there is little in the way of social security protection for the unemployed. The jobs that are being created are generally informal and lowly paid positions.”

The net result, notes NALEDI, is that the income of the poorest 40% of the population has declined by 20%. NALEDI concludes: “It is now widely acknowledged that the Growth, Employment and Redistribution strategy (GEAR) has, despite its name, failed in terms of economic growth, creation of quality jobs and redistribution towards the poor... [G]overnment is increasingly feeling the pressure to address the wider socio-economic failures of economic policy.”

The much hyped National Development Plan has also received attention with the same issues coming to the fore. It is yet to be determined to what extent this will shift the tide for the poor performance of government policy into tangible and visible progress towards a nation living without extreme poverty and high levels of inequality, a nation that guarantees its citizens the right to a decent living level as enshrined in the Constitution.

“Can South Africa’s story be such a good one” in this era of democracy? The challenge we face is not only the responsibility of one actor but a collective action. Government, civil society and the nation as a whole has a role to play to work towards ensuring that we live in an equitable society.

Conclusion and Way Forward

From the above it is clear that the state has shown a demonstrable commitment to improving the lives of poor people through the social wage. The Studies in Poverty and Inequality Institute’s (SPII) review of the benefit distribution of state

56 National Labour and Economic Development Institute (NALEDI) – a think tank initiative of the Congress of South African Trade Unions (COSATU).

spending found that the social wage is clearly biased in favour of the poor.⁵⁷ However, inequality trends persist, as do intergenerational patterns of poverty and marginalisation.

In terms of policy recommendations that could be advocated for by civil society, and the means to advocate for them, the following are put forward.

Macro-economic policies

Given the critical need to address the unsustainably high levels of income inequality in the immediate as well as in the medium to longer terms, the use of fiscal policy as a tool for redistribution requires serious engagement. The two main suggestions that we make involve Personal Income Tax (PIT) and the flat rate Value Added Tax (VAT).

Incomes in the top income decile have continued to increase at a very fast pace, which has of course aggravated income inequalities. We recommend firstly increasing the marginal tax rate for the highest income tax bracket to 45%, as has been done in a number of European countries since the financial crisis to address this very issue, and secondly ensuring that tax brackets keep strict indexing with inflation to prevent further leakage due to 'bracket creep'. Tax relief through annual PIT reductions announced with each successive national budget should also stop with immediate effect.

As integral to this recommendation however, we believe, must also be a very clear statement of intent by the state to the use of fiscal policy to actively act as a redistributive measure. In terms of VAT, we recommend that the zero-rating of basic food stuffs be re-evaluated to ensure that ALL the main basic unprocessed foods consumed by poor people are zero-rated. VAT rates should also be amended to reflect a bias for locally manufactured products through the imposition of a higher tax rate for luxury imported goods.



57 Dlamini, T. 2009. Pro Poor Budget Benefit Incidence Analysis of Five Expenditure Categories of the 2006/07 Budget of the Republic of South Africa. Occasional Paper, Studies in Poverty and Inequality Institute (SPII), Johannesburg

Civil Society Interventions

There are many possible interventions for civil society in this regard. The Davis Tax Committee embarked on its task of reviewing South African tax policies in 2013. The work of the Committee should last for at least two years, enabling CSOs to engage with it through submissions while it undertakes its review, as well as to call for a process for engagement with the recommendations that the Committee finally produces and submits to Parliament.

The Parliamentary hearings on the National Budget as well as the Medium Term Budget Policy Statement further provide opportunities for robust advocacy from civil society. This should be located in comprehensive research that starts by reviewing the existing research and policy analysis that has been undertaken, including by COSATU and the AIDC. Civil society also needs to review the impact of the implementation of the revised PIT brackets in countries such as the UK and France to inform our recommendations and prevent unintended consequences down the line.

Land reform and redistribution

From an agrarian reform perspective rural development policy needs to set out a compelling and detailed vision of the alternative structure and character of a future rural agrarian economy and society, specify the 'what' (e.g. priorities for wealth creation, resources, and geographic and sectoral priorities for public investment) and the 'how'. In South Africa, agrarian reform has to concern itself with whether a more mixed farming sector in which broad-based accumulation by smallholders is the main route to 'development'.

Furthermore, a range of other practical measures are required and possible. At the minimum, the following require immediate action:

1. Custom-built urban agriculture and food security interventions to support those residing in informal settlements in peri-urban and urban areas;
2. Mobilising the buy-in of the private sector through mutually beneficial partnerships particularly around retailers' procurement policies where small farmers secure markets and business linkages; and
3. Optimising access to financial resources – for example through utilising the R9 billion Jobs Fund for agriculture-related job creation projects.

Ultimately, this paper recommends the combination of policy and measures that addresses both systemic issues over the long term whilst also undertaking concrete practical measures as a basis for harnessing land reform towards effectively addressing poverty and inequality.

Social Protection:

Needs- Based Universal Child Support Grant.

While policy makers are swift to claim the income- replacement benefit of social protection, especially social assistance, the replacement- value of grants needs to be re-assessed against an assessment of need. It is clear from the section on the origins of the Child Support Grant, in particular, that this was never the point of departure for the fixing of the value of the grant. It is however vital, we believe, given the critical developmental requirements of childhood development. In addition, given the prevalence of poverty amongst children in South Africa, the continued use of the means test serves to place an administrative burden on poor parents and care- givers that often serves to exclude the eligible, for questionable reasons. By universalising the CSG, and clawing back the value from middle- class and elite parents through the tax system, this danger can be avoided entirely.

Universal Basic Income Grant

As set out above, the redistributive value of a universal BIG was clearly set out in the Taylor Committee's report. Although a BIG was not adopted by the state, there is a need for civil society to revisit and update the earlier research of the BIG Coalition, and to resume the lobbying and advocacy work of the previous BIG Campaign.

Civil Society Engagement:

International lobbying with networks such as the Basic Income Earth Network would assist in strengthening access to international research.

It is however crucial that demands for social security reform is rooted in grass roots organisations, rather than being predominantly the calls from more specialised NGOs. This requires true collaboration across civil society, the production of accessible educational and mobilisation materials, and the hosting of training workshops, and brave and committed campaigners who are unflinching in their demands.

An advocacy strategy that has not yet been used in respect of the call for a Basic Income Grant is the use of constitutional litigation around the failure of the state to advance reasonably working age poor adults' rights to social assistance under Section 27 of the Constitution. A reasonable policy remedy that could be advanced is certainly the idea of a BIG.

National Minimum Wage

The Tripartite Alliance Summit held in August 2013, as a result of the influence of the Congress of South African Trade Unions (COSATU), supported in principle the need for a National Minimum Wage as a key critical policy tool to reduce poverty and inequality. Proponents within the Alliance successfully campaigned to ensure that a commitment to investigating the feasibility of a NMW was included in the ANC's 2014 Election Manifesto. This position was based largely on the empirical evidence of the positive impact of the NMW in terms of reducing poverty and inequality in Brazil under President Lula da Silva's PT administration. A combination of a NMW in Brazil, and the extension of social cash transfers through the *Bolsa Familia* programme together with an overhaul of their Collective Bargaining system, have been shown to have been successful in promoting the advance of a decent living level nationally. Between 2003 and 2010 the National Minimum Wage increased by 81% in real terms and in 2013 was the equivalent of over R3000 per worker per month. In addition, partly as a result of the increased local demand made possible due to the redistributive nature of these policies, 17 million formal jobs were created between 2002 and 2011. Furthermore, between 2004 and 2008 the number and proportion of formal employment in the economy increased significantly, outpacing informal jobs by 3:1. Between 2003 and 2008 the number of poor people fell by 20 million from 61.4 million people living in poverty 41.5 million. Inequality also fell dramatically⁵⁸.

Civil Society Interventions:

Civil society should appraise itself of these positions, and collectively support COSATU's call. Another critical tactic beyond the 2014 elections is to submit a formal request to the ANC to have a CSO representative included in the study into the feasibility of the NMW. Civil society can also call for policy proposals to be submitted to NEDLAC and to the Parliamentary Portfolio Committee on Labour, and to call for public hearings to follow the latter.

Given the high levels of disparity amongst current sectoral minimum wages, it would be useful for civil society to support the current conversations regarding a Decent Living Level and a Decent Wage, localising these through their own networks, partners, and nationally, through the media.

⁵⁸ Presentation by N Coleman, COSATU to a NEDLAC seminar on A South African Decent Living Level, 23 September 2013.

The Economic Justice Network, (EJN), working in partnership with Oxfam and a diverse range of other CSOs under the banner South Africa Network on Inequality, SANI, seeks to ensure that: Policy-making processes *in both national and global institutions* are influenced by civil society networks to take account of the needs of poor and marginalised people. Strategic Alliances have been forged with Civil Society organizations working across Brazil, Russia, India, Indonesia, China, South Africa and Mexico, commonly known as BRICSAM countries. Through SANI collective actions, the following policy interventions with a potential to deliver significant development outcomes and reduction of poverty and inequality levels areas are being pursued; Economic Policy and Fiscal Justice, Access to public service and Social Justice and thirdly the Land and Food Justice

We seek to live in peace with our neighbours and the people of the world in conditions of equality, mutual respect and equal advantage."

– O. R. Tambo

Primary research on impact of national policies on inequality

Background

Primary research was undertaken as part of the broader research project which aims to make policy recommendations to reduce inequality based on an evidence-based approach that is also grounded in the perspectives of those who are primarily affected by the issues, through work of Civil Society Organization.

In this instance the Focus group discussions (FGDs) role was to gather as much information on the perceptions of ordinary people who are living in an unequal South Africa and aim to assess to what extent they view the impact if any of national policies in reducing inequality.

Gender balance was also factored although with social services especially when it comes to the child support grant (CSG), the majority were women as they are the ones who normally apply for their children. Due to the focus of this research on issues of inequality and the impact of post-1994 enacted policies, the participants were people who were previously disadvantaged before 1994, mainly coming from the townships although the participants' economic status was not a major factor that can influence inclusion or exclusion from the focus group¹.

Findings

Social services and impact on inequality

Under this particular FGD, focus was predominantly on the CSG which has the largest number of beneficiaries (approx. 11 million) in South Africa. Cognisance of the fact that impact and effectiveness of social services on inequality cannot be treated in isolation, greater understanding of how participants are aware of:

- i) The role of the particular service (i.e. cash grants and more specifically CSG). This was covered as general questions to ascertain the level of knowledge of participants on (a) use of the grant; (b) their rights to access; (c) importance of the different grants.
- ii) Issues of access (physical; economic/ affordability; non-discrimination and information accessibility) were also considered. This was mainly for purposes of determining whether accessibility is an impediment to applying and hence affecting impact (no access – no impact) on inequality.
- iii) Impact – (adequacy and use) as a measure was discussed. Herein what was critical was to determine the extent to which the grants especially the CSG has made an impact on people's lives, more especially providing that income security required to reduce destitution.
- iv) Expectations from government when it comes to addressing issues of inequality.

1 We are cognisance of the fact that over the past 20 years some previously disadvantaged individuals have managed to rise to the occasion and have greatly improved that economic status.

A common general understanding of social services and grants in particular

Based on the FGDs, there was a general perspective that social services are provided by government to support people. On the specific issue of CSG, the majority of the participants highlighted that it was money meant to support the child's welfare and provided to people who cannot afford. One participant noted, "it's money from Government to assist people to support their kids in terms of school uniform, food and clothes." Asked whether grants were only for kids, there was a common understanding of the different types of grants available, their use and the recipients with the exception of the Aid Grant (R250 provided for 6 months after a disaster situation) that was something new.

No awareness on people's right to social services

When asked further if participants knew that it was their 'right' to access social services, only one was aware. The majority felt it was government doing them a favour as they know that people are poor. This begs the question regarding the extent to which availability of information and the nature in which it is disseminated. As one individual² retorted, "Grants are from the ANC," further demonstrating the lack of knowledge of between the separations of a political party to the role of government.

Social services are easily accessible

As this FGD was conducted in a peri-urban area, all participants acknowledged that government had done an exceptional job to ensure that people easily access their grants. From the application process to receiving the money, participants noted that this has greatly improved since it only takes within a month to have an application processed and receiving the grant from their experience. The introduction of the SASSA cards was also hailed as revolutionary as it allowed people to purchase at different retail outlets and even get 'airtime' from service providers and in some cases on credit leveraged against the grant.

A negative however, was the bank charges associated with accessing the grant from a private bank which has forced others to continue using old systems such as mobile payment centres, community centres etc. furthermore, one participant noted that the current SASSA system did not encourage savings because any money that is not withdrawn after the 15th of each month would be returned back to SASSA and therefore had to withdraw all of it immediately.

Nomahlubi: "I withdraw it all after my experience and I was thinking that I'm saving for my child but since I realised that after the 15th I'm losing that money I just take it all out and do the child stuff and I prefer it like that not to swipe. I really don't know how Government can change the setup of taking it back after the 15th because I needed to save some money because when you save with banks there's always a bank charge."

2 Separate discussion held around the 2014 national and provincial election campaign

Box 1: Responses on the right to social services

Individual participants noted:

Maki: "I know is my right it is on the constitution book, but I think most people don't know because it's very easy to access the CSG, once you have a child you automatically know that you will get it."

Lindiwe: "I was under the impression that is just a favour from our Government"

Dunyiswa: "I didn't know! I thought they are just doing it to assist people from poverty because there are a lot of people who are seriously poor so this money is making a difference."

Zanele: "I believe they saw that most of South African are poor so Government was trying to assist"

Ouma: "They were trying to decrease poverty"

Lindiwe2: "I thought it's a favour."

Positive impact on reducing destitution and poverty albeit not adequate and more needs to be done

While participants acknowledged that the grants have had a significant impact on their livelihoods, the issue of inequality was somehow not as clear cut. When informed what inequality meant, the majority highlighted that nothing had changed. Discussions became drawn on racial lines with participants highlighting that white people had everything and there was some aspiration to work for whites rather than for oneself as a way of reducing inequality.

In terms of reducing vulnerability, destitution and poverty, everyone agreed the different grants made a significant change in their lives, highlighting the critical importance of cash transfers as a poverty reduction measure.

Ntombizodwa: "for me is very important even though people are complaining about it that the money is little and they only increasing it with R10 but it helps a lot in my situation, e.g. the father of my child is not working so that money help me a lot because I can do most things for my child because I'm still staying at home with my parents."

Zanele: "it's very important to me because the father of my child ran away after knowing that I'm pregnant. Though we can appreciate if government can increase it"

However on inequality, this was not addressing the issue and measures of addressing with this based on participants' views will be discussed under 'expectations from government.'

In terms of adequacy, the responses varied based on how financial situation of the household was like. Some households entirely depended on grants (especially CSG and old age pension), and in this case this was not adequate and sometimes the CSG was also used for purchasing food.

Ouma: "it helps in the house for food and other stuff although my priority is the child first"

Nomahlubi: "well at my house, I'm getting CSG and my parents are receiving Old Age Grant and so far my brother is the only one who is working and he can only manage his life, so we living mainly on the grant money"

However, where a member of the household had other income e.g. employed; or the grants went a long way in addressing the challenges. *Lindiwe 2: "100%, your grant money goes to your child support, all of it since you have everyone working at home."* Interesting enough emanating from this discussion is the extent to which means testing is effective in identifying beneficiaries. What emanated from the discussions was the fact that there is an incentive to lie about your current situation in order to access the grant, especially when it came to the CSG. This was not only withholding information from government but also to the fathers of the children in situations where the parents are not married. Reasons given include:

Maki: "My question is when we register we always lie to them and they always ask about the father and we create stories like he is not working, or he ran away. Does Government catch the lie?"

Dunyiswa: "Yes if his working, and if his giving me money it's unofficial, because he is just giving it to me and I can still go and register to receive grant, so it's an easy application."

Ouma: "I mean if it was going to be a formal thing to receive money from the fathers, it was going to be another long issue because with man, we cannot depend on them, sometimes they give you sometimes they don't, and man always complain about their money."

Zanele: "If he knows, let's say you asking for money he will ask you what about the CSG money so they don't take it out not even by mistake"

Nomahlubi: In my case the father of my child used to do everything for the child after he knew that I was receiving the grant he started limiting like he can buy food and clothes, then when I ask about the crèche money and transport he will tell me that remember the child is receiving the grant so

it's the child's money I should use that money for the rest. So it's true once they know they do that.

Some reasonable expectations from government to reduce inequality

Based on the FGD there seems to be an understanding that government cannot do everything and people must also play their part. The myth that grants create laziness was dispelled by the majority although some few shared that view. That also includes the myth that CSG encourages pregnancy rates amongst poor especially teenagers.

However in terms of addressing inequality, participants had some suggestions which include increasing the amount of social grants; providing economic opportunities and increasing employment; as well as providing quality education to children so that they can have a better future. These and other suggestions are contained in the original transcripts which are separate annexes to this report.

Economic Policy and Governance

Economic Policy

Changing economic landscape since 1994

There was a general consensus that the economic environment had improved for previously disadvantaged groups, mainly as a result of government serving the needs of the people and not just a few. One respondent noted that "*most people are able to acquire luxury items.*"

A sense of appreciation from respondents on the manner in which government created a gateway to economic emancipation albeit only a few have managed to take advantage while the majority remain poor, vulnerable and unable to capitalise on this new environment. Interestingly, there is a sense that while the conditions have improved, the "*rich get richer and poor get poorer.*" In a nutshell, inequality is increasing under the current economic environment.

Is government doing enough to redress the imbalances of the past through its economic policies?

Whether government was doing enough or not, the consensus was in the negative. What emerged was a feeling that government was only concentrating on the needs of the few who are politically connected. Furthermore, one respondent noted that government officials lacked the skills and experience required, to manage the country in general and unfortunately greed has taken over.

On unemployment, wages and unskilled labour

Unemployment remains a concern and there is no sign of reducing. There was a sense that government was more involved in talking rather than acting to address the issue. Wages remain low and highly

unacceptable especially if one compares with developed countries which have a universal minimum wage for labour.

On affirmative action and black economic empowerment

This was another issue where the respondents reemphasised the issue of patronage, with no visible impact on the majority. As one respondent noted that none of these have benefited anyone they knew in their area. Another respondent retorted that "it's a great initiative however the not so qualified workers get higher jobs that don't meet their qualification and the qualified are unemployed."

Future outlook

Future outlook looks bleak and there is no sense of confidence that the government will do anything meaningful to reduce inequality. One respondent noted..."all you have to do is look at the countries on the African continent that have gained control from the west to know what is in store for us should things not change any time soon. Pick any five countries and you could draw up a timeline of where we headed at the rate we are going at."

Governance

Ability for government to police itself

There is a feeling that government is not adhering to its own rules. One respondent noted that "Government only managed to adhere for a few short years. With the way things are going it appears all that are in power at the moment are catering for their own personal gain." The economy is not being managed but abused and when it comes to addressing inequality it's, the "animal farm" effect, some people are more equal than others.

Issues related to corruption

On corruption, all respondents acknowledged its existence and highlighted that the government's failure to police itself was the biggest obstacle. One respondent noted that "Nothing is done to rid corruption, government employed workers leak information to their family and friends, influence tender decisions to ensure their friends and families win. From this they benefit too cos they will be expecting payment for the part they played in ensuring that the tender was won by the candidate of their choice."

What government must do on governance issues?

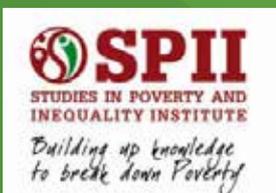
Reaction was mixed and responses ranged from having distinct lines separating government from the justice system to ensuring that all rotten apples are weeded out (get fired) to ensuring that an environment where equal opportunities can be harnessed is created.

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MIND THE GAP

Assessing
nature of trends
and analysis of
national policies
to address
Inequality in SA



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