Social inequality & welfare state in SA

Although South Africa can be described as a social welfare state it is one that has continued to maintain historical inequalities, writes **Eddie Cottle**. He discusses the nature of the welfare state by looking at social inequality and social welfare provision.

SOCIAL INEQUALITY

The post-1994 period in the South African economy is characterised, perhaps most powerfully, by the fact that the economy recorded one of its longest periods of positive economic growth in the country's history. According to tradingeconomics.com from 1993 until 2013, South Africa GDP growth rate averaged 3.2% reaching an all-time high of 7.6% in 1996. Haroon Bhorat, Sumayya Goga, Carlene van der Westhuizen and David Tseng say that until the last quarter in 2008 South Africa had 17 years of positive economic growth. One of the more important issues in the economic policy terrain in post-apartheid South Africa has been the impact of this consistently positive growth performance on social welfare.

Lynley Donelly writes that despite this positive economic growth, the country has the most unequal income distribution in the world with a Gini Index of 0.69 in 2013 – an increase from 0.64 in 1995 just one year after apartheid officially ended. South Africa's Gini coefficient was also much higher than countries such as Brazil at 54.7, India at 33.4 and Russia at 40.1, a country deemed to be on a high level of human development by the UN. The British Broadcasting Corporation adds that the South African census 2012 showed while the income of black households had increased by nearly 170% in the last decade, they still earned the least. The income of white South African households is six times higher than black ones. The average annual income for the blacks is $7,500 (about R75,000) while that for their white citizens is $45,600 (R456,000).

Using the national poverty line of $43 (R430) per month (in current prices), 47% of South Africans remain poor. In 1994, this figure was 45.6%. Officially, South Africa has an unemployment rate of 25%, one of the highest in the world.

It is evident that income inequality between racial groups – to all intents and purposes between Africans and whites – is driving this overall increase. The nature of economic growth since 1995 suggests that despite positive economic growth, individuals at the top-end of the distribution have gained the most from the post-apartheid growth dividend. Furthermore, the country's current growth model is aimed at supporting incomes at the lower-end of the population through an extensive social transfer programme, whilst offering few returns to those in the middle of the distribution.

SOCIAL SECURITY

Since the first decade of democracy there has been a rapid widening and deepening of the state social security system. Social grants targeted the most vulnerable members of the South African society, specifically the disabled, the aged and children. Jac Laubscher says the addition of the child support grant (until 18 years) and the lowering in the qualifying age for men for a social old-age grant from 65 years to 60 years, combined with the HIV and AIDS pandemic pushed up the number of recipients of disability and foster-care grants.

According to the World Bank, social assistance programmes typically represent 1-2% of GDP in developing countries. In SA, the ratio has remained 3.4% since 2009/2010, in line with average welfare spending in advanced countries. SA's social grants system has been deliberately expanded. In 1998, 2.5-million people received grants. By the end of 2012/2013, nearly 16.1-million people were beneficiaries. In South Africa, 'more people receive social grants from the state than have jobs [and this] has created a flurry of alarm that SA's welfare spending is unsustainable.' Claire Bisseker notes that South Africa does not operate a closed welfare system where contributions fund benefits, but out of general revenue means that over expenditure can be financed in several ways.

Of the R813.8-billion (US$79.9-billion) collected by South African Revenue Services in 2012/2013, R459.6-billion (56%) came from direct taxes and R353.3-billion (43%) from indirect taxes. Personal income tax contributed 34%, company income tax 20% and Value Added Tax 26.4%.

The Unemployment Insurance Fund (UIF) is made of contributions that are supposed to be 1% of salary each for employer and employee in the so-called formal sector only. A review is in process to see how so-called informal sector employees can be covered. The UIF's total current portfolio sits at around R83 billion. In 2012, only R5.6-billion was paid out in unemployment benefits – less than half of the UIF's R12.4-billion contributions income for the period. For every six days you have worked an employee receives one day's credit up to a maximum of 238 days. Only 581,074 claims were paid during the 2012/13 financial year.

NATURE OF SA'S WELFARE STATE

In a recent article, Jac Laubscher, a business analyst for Sanlam, one of South Africa's leading financial houses, described South Africa as, 'a social democracy with the typical characteristics of the welfare state. Social spending now accounts for approximately 60% of total government expenditure, including an extensive set of cash transfer payments in the form of social grants.' This line of argument fits perfectly with Therborn's model of the welfare state defined in terms of 'historical transformation of state activities' where the extent of the state's routine activities defines its welfare character.

The notion that South Africa is a social democratic welfare state is reinforced as the country is one of only a few countries in the world to entrench socio-economic rights such as access to food, water, housing, health care and social security which is enshrined in the country's constitution.

However, Gosta Esping-Anderson argues that the welfare state 'cannot only be understood in terms of the rights it grants. We must also take a look at how the state interlocks with the market… The mere presence or social insurance may not significantly bring about major de-commodification if they do not substantively liberate individuals from the market place'. In this sense the South African welfare state resembles that of the Anglo-Saxon model – a system where social welfare is based upon a needs test and offers relatively poor benefits effectively curbing de-commodification and instead strengthening the dominance on market reliance.

The social stratification of this Anglo-Saxon welfare model in South Africa reinforces the social inequalities in terms of race, class and gender which are quite evident in the increase of the Gini Index of 0.69 in 2013. In all areas of social welfare provision, those individuals with higher incomes are either not eligible for specific social welfare or are charged according to scale of income. The middle and upper classes are not catered for in a state pension and are forced to choose the private market or may simply pay for private health-care insurance due to the poor quality of the service provided.

Similarly, the latter groups ensure payment of higher school fees and insurances for the future education of their children. Thus, while provision is made for universal access to health and education, the system is structured to reinforce the social stratification and inequality of the social-economic system of South Africa. LB

Eddie Cottle is the policy and campaign officer of the Building and Wood Workers' International African and Middle East Region and Mauricio Rombaldi holds a Phd in Sociology from the University of Sao Paulo and was the project coordinator of the BWI Latin America Region. Both were coordinators of the BWI 'Campaign for decent work towards and beyond' 2010 in South Africa and 2014 in Brazil respectively.

William Matlala

Shelter is one of the areas in which inequalities are most visible: A woman outside her home.