Gear vs social welfare

Lucien van der Walt analyses the impact that Gear has had on social welfare and finds that reduced spending and a resultant decline in services is set to continue.

In 1994, the South African government became a non-racial parliamentary democracy, ending centuries of legalised racial discrimination. Government (and business) are now committed to a neo-liberal macro-economic policy – Gear. Adopted in 1996, Gear promotes privatisation, economic deregulation, labour market flexibility, and restricting government spending to reduce the government deficit.

Gear has serious implications for broad working-class access to social welfare, including social services (for example, education), social security programmes (for example, unemployment insurance) and social assistance grants (for example, old age pensions). The people affected by such restructuring include (1997 figures):

- 2,85 million people who receive social assistance grants;
- 7,7 million people in households receiving grants;
- 14 million school students.

Apartheid welfare system

The apartheid social welfare system provided for Africans, coloureds, Indians and whites.

However, spending was strongly differentiated by race. In 1975/6, for example, government paid the following maximum monthly amounts for old age pensions and disability grants:

- R684 for whites;
- R354 for coloureds and Indians;
- R135 for Africans.

Similar inequalities existed in other areas of social welfare. In 1973/4 R380-million was spent on white education. By contrast:

- expenditure on African education for 1974/5 was R147-million;
- expenditure on coloured education for 1975/6 was R98-million;
- expenditure on Indian education for 1975/6 was R43-million.

The African working class, the poorest section of society, was the main victim of these policies.

Late apartheid

During the 'late apartheid period' under PW Botha, social welfare was restructured in two main directions:

- overall spending began to be reduced:
- there were moves to narrow the racial gap of spending on social services.

These changes reflected declining

growth rates, which promoted an early drive towards neo-liberal restructuring, and an attempt to get Africans, coloureds, and Indians to support apartheid in the face of growing protest. By the late 1980s, the racial welfare gap had narrowed slightly. In 1950, 61% of the welfare budget had been spent on whites, 14% on coloureds and Indians, and 25% on Africans. By 1990, whites accounted for only 23% of welfare spending, whilst coloureds and Indians received 24% and Africans, 52%

Gear and neo-liberalism

Government adopted Gear as a 'non-negotiable' macro-economic policy in 1996. At its launch, Thabo Mbeki joked: 'Just call me a Thatcherite' Gear promised a growth rate of 6% a year, which would supposedly lead to the creation of 400 000 jobs a year and improved welfare services. The magic wand that would allow South Africa to reach these heights was an orthodox neo-liberal policy of the type that has been applied globally, from London to Lusaka, to restore the economic growth of 1940s, 1950s and 1960s – and which failed spectacularly in every instance.

According to Gear.

- tax had to be cut on companies and the wealthy;
- trade and capital movements would be liberalised;
- public enterprises would be commercialised, privatised, or jointly run by business and government as public-private partnerships,
- labour would be subject to 'regulated flexibility' and wage moderation,
- the public sector would be slashed;
- tertiary education would face subsidy cuts and growing private sector involvement;
- government spending had to be limited, so that the budget deficit would not exceed 3% per year

Spend less, but better?

Gear therefore has three main implications for social welfare Firstly, spending on social welfare would remain (at best) static as a proportion of overall government expenditure

Secondly, that the overall size of the budget would tend to contract as a proportion of overall economic activity as the deficit was reduced and as revenue from taxation fell. Thirdly, that the deracialisation of social welfare would take place through reallocations within the existing budget.

Gear states that fiscal discipline requires 'a thorough audit of government investment expenditure to identify those areas in which budgetary cuts can be made without detracting from the priorities and commitment of government' In constructing a 'cost-effective' public sector, Gear continues, it will be necessary to consider 'salary adjustment', 'right-sizing', 'affordability considerations' and 'consistency' with the neo-liberal programme

For Gear, and the 1997 White Paper on Social Welfare, increases in welfare spending can only be based on massive economic growth, which will improve the tax base and the financial position of the state More overall government revenue would mean that government could spend more without increasing its deficit or the size of the budget relative to that of the economy as a whole. In other words, rather than make government spend a larger part of the pie on welfare, economic growth would increase the size of the pie.

In the meantime, the principle had to be spend less, but better. For this reason the White Paper for Social Welfare hopefully suggested that better accounting could improve welfare spending, and argued that the state should be the last resort for social assistance. Indeed, the White Paper suggested that benefits should be phased out where possible in favour of 'development programmes' to train the poor to support themselves.

Even the aged should be removed, where possible, from government old age homes and be looked after by 'community structures'.

Gear's argument that growth had to come first and welfare second, is in contrast to the Reconstruction and Development Programme (RDP), which argued that immediate redistribution programmes would boost economic growth by enhancing productivity and consumer demand.

Growth? Redistribution?

The problem with this model is that if growth fails to materialise, 'redistribution' becomes nothing but a struggle for the crumbs of a shrinking budgetary pie. Rather than giving everyone access to a decent social welfare system, the effect will be to create a generally inadequate system which systematically fails to overcome the legacy of apartheid, an equality of poor services rather than a general improvement in the conditions of the broad working class. By contrast, the middle class and capitalist class could opt out of the state welfare system in favour of private medical aid schemes and the like.

Shrinking social pie

Social welfare spending on many items has in fact been declining in real terms since 1996, even before the adoption of Gear. In the budget for 1996/7, spending on grants increased by 7,4%, and spending on poverty alleviation by 1,6%. Health spending increased by 0,5%. But all of these increases were below inflation and therefore represented a decline in real spending. There were also open budget cuts. For example, subsidies to old age homes were cut by R50-million in 1996/7. Spending on the primary school feeding programme – which reached 3,2 million children in 123 000 schools – declined from R623-million to R500-million.

The effects of these spending cuts were serious. Real cuts in health spending fell in the Western Cape (by 12%), Gauteng (by 8%), KwaZulu-Natal (by 4,6%) and the Free State (by 0,6%), leading to staffing cuts. Although health department figures indicated that between R6- and R8-billion was needed to upgrade and repair hospitals, only R241-million was allocated for 1996/7.

There was an initial increase (10,7%) in education spending with the 1996/97 budget. But the increase was still inadequate given the existing state of educational facilities – in 1995, 12% of schools had no sanitation facilities, 24% had no water within walking distance, and 59% had no access to electricity. Almost 17% of school buildings were described to be in a 'weak to very weak condition', whilst only 49% of schools had adequate supplies of textbooks. According to some estimates, an additional R3-billion was needed over ten years to eliminate these backlogs.

The first post-Gear budget, delivered by Trevor Manuel in March 1997 was billed as a 'transformation' budget set to deliver a 'better life for all'.

But the budget continued the trend to fiscal austerity. Overall government spending fell by 1,3% if the effects of inflation in 1996 are taken into account. Rather than including a 'substantial allocation to poverty relief' and a 'significant reprioritisation of expenditures in favour of social development', the 1997/8 budget continued the trend towards trying to accommodate a greater

COSATU figures show that spending on education has declined in real terms.

number of people within a grossly limited budget.

Child maintenance grants in the late apartheid period were R435 per month for the mother, and R135 per child up to the age of 18, and covered up to two children. The 1997/8 budget extended these grants to all African children. But, it abolished the grants to mothers, and children now only received R75 per month – and this only up to the age of six.

Although government insisted, unconvincingly, that this amount was 'adequate' to feed and clothe a child, social advocacy groups estimated that the new schedule meant an effective cut of R2,5-billion on child welfare spending over five years.

Total education spending for 1997/98 was R40,3-billion – a nominal increase of 3% from the previous fiscal year. But, taking inflation into account, the cut was 4,4%. It is not surprising in this context that school textbook publishers complained in early 1998 that textbook expenditure dropped by 50% between 1995/96 and 1996/97 and again by 70% between 1996/97 and 1997/98. Media and government arguments that 'excessive' spending on teacher salaries was leaving little money for other costs such as textbooks missed the basic point – it was the inadequate overall education Budget that led to absurd and negative trade-offs between personnel and facilities.

Successes?

One project government identifies as highly successful is introducing free primary health care at clinics, community health care centres and day hospitals. The policy, introduced in 1996, cost R5,3-billion. By 1998, government claimed that it had constructed 500 new public clinics in previously under-served areas

Yet despite these apparent successes, severe problems continued. In many instances, primary health care facilities were partly funded by removing resources from tertiary level medical facilities such as hospitals. At the same time, however, the new free health services led to a rapid growth in the number of people (mainly from poor working class communities) using the hospitals

The effect has been a decline in hospital services. At Chris Hani Baragwanath, four babies recently died of klebsiella (which results from poorly cleaned hospitals) because only four nurses - rather than the recommended 18 - were on duty to care for 35 babies in intensive care. New facilities at Edenvale hospital - including a R40-million theatre block and maternity, paediatrics and casualty wards - could not open in 1999 due to staff shortages. A further three hospitals were closed, and a further eight downgraded into health-centres, as part of a Gauteng spending plan

The clinic system has also been negatively affected by budgetary constraints Of the clinics built since 1994, at least 117 were not operational by early 1998, in large part due to financial, equipment and staff shortages. In KwaZulu-Natal only 46 of an estimated 113 clinics were operational at this time.

Although many government officials blamed the situation on corruption and poor administration, there is no doubt that neo-liberal fiscal austerity played a central role in these problems As even Olive Shisana (then director general of the Department of Health) commented in early 1998 - universal health care 'can only be real if you have enough money to implement it'. He estimated that an additional 'R4- to 5-billion' was needed to ensure the success of a universal health care policy.

Neo-liberal millennium?

These patterns of neo-liberal fiscal austerity have been reproduced in the budgets announced for 1998/1999 and for 1999/2000, both structured by the Medium Term Expenditure Framework (MTEF). Introduced in late 1997, the MTEF locks government into neo-liberal social welfare spending plans regardless of elections, by setting three-year spending plans for national and provincial government.

The MTEF is clearly neo-liberal. Despite some real increases in spending on social services in the 1998/9 budget, social welfare spending falls in real terms because projected annual increases in social spending are consistently below realistic projections of future inflation levels. Projected increases for welfare average 4% a year; for health the projected increase is 5,5% a year, and for education, 3,4 % a year.

The MTEF even projects an overall decline in total social spending as a proportion of the budget. Welfare spending falls from 9,6% of the total budget in 1998/99 to 9,3% in 2000/01; health spending from 12,2% to 11,7%; and education from 22,8% to 21,8%. These are enormous cuts when taking inflation (and a population growth of about 1,5% per year) into account.

Looking North

International experiences stress the enormous threat neo-liberalism poses for social welfare. In the United States, for example, maximum benefits in the Aid to Families with Dependent Children programme have fallen by 40% since 1970. In Zimbabwe, there have been severe reductions in social spending with the adoption of a neo-liberal economic adjustment programme in 1991. The 1994/5 budget was particularly severe, cutting health spending by 39% and reducing spending on primary education to its lowest level since 1980.

Research by the International Confederation of Free Trade Unions (IFCTU)'s African Regional Organisation

(AFRO) reveals a similar picture throughout Africa. A recent conference on the Trade Union Role in Social Security Systems in English-speaking Africa, held in Nairobi in September 1999, and attended by unionists from 17 countries, painted a grim picture. The conference report noted a range of problems with social security systems in much of the continent, including:

- lack of coverage of the informal sector and female-headed households;
- government misuse of funds;
- lack of worker involvement in managing social welfare structures.

These 'anti-poor and anti-labour' policies have led to cuts through:

- reduced social spending;
- reduced assistance for development programmes;
- wage restraint;
- retrenchments;
- price decontrol;
- a decline in real wages;
- delayed payments of wages;
- non-payment of workers' redundancy benefits;
- eliminating fringe benefits and labour welfare and protection measures.

Yet despite the strict application of neo-liberal policies for more than 20 years, neo-liberalism failed to restore growth in any part of Africa. The lessons are clear enough for South Africa.

Voting for Gear?

It is quite clear that the Gear budgets, which are set to continue, undermine any prospect of redistribution in South Africa. Despite ritualistic references to the RDP which pepper budget speeches and government White Papers, Gear violates the promise of 'A Better Life for All.' The budget for 2000 underlines these concerns. COSATU figures show that social spending continues to be cut back in real terms in the context of a projected inflation rate of around 7%. The budget's emphasis is on criminal justice and policing (justice is up 4% in real terms, prisons up 5%, although policing is down by 1%) and the military (defence is up 21%). Education has fallen by 1% in real terms, housing by 14% and other social services fell by 11%. Health has remained static.

The praised tax cuts are biased against lower income earners: individuals earning R35 000 a year will receive a tax cut of 1,6% (R660), but those earning R400 000 a year will receive a cut of 3,4% (R13 560). This takes place against the backdrop of a shift in tax revenues away from big business: corporate tax fell from at least 36% of government tax revenue in 1976 to under 12% by 1999. At the same time individual and sales tax rose from 25% to 66% of the total in the same period.

Coupled with the ongoing drive to privatise and the devastating impact of economic liberalisation on the working class, Gear's assault on social welfare, which affects workers and the poor people first and foremost, raises serious questions about how, or why, workers should participate in the next elections. ★

References

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