

Social security for a post-millennium society

All around the world labour markets and employment are changing. Technological changes, pushed on by capitalist competition, are continually replacing traditional jobs and changing the nature of work.

Most jobs being created are temporary, casual or part-time. The new millennium scenario is threatening a growing army of unemployed and underemployed people who subsist alongside a shrinking permanent workforce. The consequences are equally serious: rising inequality, job insecurity and crime, and a gradually disintegrating society. With this scenario in mind, last October's Presidential Jobs Summit agreed to implement an effective comprehensive social security system, aimed especially at the unemployed and those living in poverty.

What is a 'comprehensive social security system'? How far is South Africa from achieving it? How can we design such a system so that it will transform society and not just be a 'welfare handout'?

Beyond welfare

Traditional concepts of social security are becoming outdated. Traditionally, social security has been seen in two parts:

- social assistance (paid by the state from tax revenue, mainly for the young or very old);
- social insurance (where workers and

Ravi Naidoo explains labour's proposals on implementing an effective and comprehensive social security system.

employers contribute to a work-related fund, such as UIF)

With changes in the labour market and higher unemployment, more people need some income security. However, they may not qualify for it under social assistance or social insurance systems.

In addressing this situation, a revised notion of a 'social wage' is becoming popular. In 1997, COSATU's September Commission argued for a social wage – an economic floor below which no South African should sink. This 'economic floor' includes transfers (such as the old age pension or child grant), goods and services.

Further, it follows that such an economic floor must be extended to all people, especially the poor. This requires cross-subsidisation, an expanded public sector and a non-profit sector role. Finally, the manner in which social wages are provided must transform economic organisation and social relations, through, for example, giving people land, cheap credit and support for developing community co-operatives. These steps will

empower individuals and communities to support themselves even if they cannot find work in the capitalist economy. They will also begin to build an alternative to capitalist relations through the development of a socially-owner sector.

In this way, the provision of social wages or comprehensive social security is about what is provided, who provides it, and how it is provided. The current 'social wages' debate thus expands the mainstream definition of 'social security'.

Affordability

Different countries have different social security models. There are, broadly, two models of social security:

Under the residual model the government caters for people who it regards as needy.

The wealthy go to private service providers. The second model is called the institutional model. It identifies important needs for all people and meets them through public institutions.

The following determine what social security system a country will have:

- a country's level of economic development;
- the relative strengths of social forces in that country

The level of economic development broadly determines the limits of the social security system. A rich country can afford to provide a more comprehensive system than a poor country.

The relative strengths of social forces determines the distribution of the country's resources. A rich country may be able to afford to provide for everyone, but may instead develop a system that caters for the wealthy. The conflict over the distribution of national resources is critical in shaping the social security system.

Social security also shapes the relative strengths of the social forces. The classic debate is whether the 'welfare state'

stabilises capitalism or is an advance towards wider socialisation. All around the world, modern social security systems were developed to support capitalist development. For example, public transport developed mainly as a way to reduce the private costs of transporting workers to their workplaces.

In many countries, government and business provided social security to skilled workers to help soften and win over a key component of the working class. It is therefore very important for unions to ensure that any demands for a social wage go beyond simply meeting the needs of its own membership.

South Africa's social security system

Because of apartheid, South Africa's social security system was fragmented for blacks and comprehensive for whites. This reflected the relative strengths of social forces at the time. Social security spending and priorities were therefore heavily biased.

The laws have changed and now offer equal benefits to all citizens. However, current levels of the general-revenue funded social assistance cannot meet the needs of the poor. Moreover, government already considers the current cost of existing programmes to be too high.

Employers and employees in formal employment contribute to social insurance. Social insurance covers a relatively small number of the population. With an increasing number of people falling outside formal employment, there are fewer people contributing to the fund. This limits the system. Further, the better-off workers tend to capture the largest share of social insurance benefits. Social insurance in other countries also pays more money to workers who are better paid.

There are also deeper problems in South Africa's social security system.

Impact on employment

Because publicly provided benefits are limited, the cost of social security is passed onto employers. This has increased non-wage costs in the economy and therefore discourages employers from employing regular workers. Employers try to avoid these non-wage costs by not employing more permanent workers and employing more casuals.

The growth of employer-linked benefits excludes a significant share of the population. The unemployed, informally employed and many non-permanent workers have no access to these benefits. In the South African situation this forces the non-wage costs to be higher still, since workers require more to support many unemployed persons (with no benefits) in their household. As a result, this contributes to upward pressure on workers' remuneration.

Private-provision-to-some contributes to increasing costs of services. South Africa spends about 9% of GDP on health, when about 5% could be enough. The relatively high levels of expenditure is due to two-thirds of health spending going towards the well resourced, private health sector. Private health services the minority in the population that can afford to pay high, and rising, medical costs. This contributes towards high medical inflation and the drain of good doctors from public hospitals. This situation leaves under-resourced government services to deal with the vast majority of the population who cannot afford private services.

Companies driven by profit choose to service low-risk groups so that their profits will increase. This profit-driven provision removes cross-subsidies to those unable to afford services. It makes it more



The Constitution guarantees everyone the right to social security.

difficult to fund publicly-provided social services through contributions. This places a greater burden on government to pay out of general revenues. This is difficult when government is trying to cut spending.

An important weakness is that government departments and civil society do not co-ordinate social wage provision. If the provision of social wages is to be embedded in economic organisation and social relations, it requires a strong overall vision and implementation from all spheres of government and civil society.

Constitutional obligation

The Constitution of South Africa guarantees everyone the right to social security. People who cannot support themselves and their

dependants have a right to social assistance. The state has to 'take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation' of this right.

These Constitutional provisions place an obligation on government to put systems in place to ensure that every South African has access to social security. The government's duty goes even further where it has to assist people who are unable to support themselves.

The Constitution limits government from relying only on privately funded social insurance schemes (for example, provident funds and UIF) as a substitute for publicly funded social assistance schemes. A social security system that relies too much on private contributions could also be in breach of the Constitution's guarantee of equality of treatment for all citizens.

Therefore the state has to provide social security. While contributory social insurance is possible for those who can contribute, the state must ensure that the basic needs of all are met.

The Constitutional Court¹ ruled that the state's obligation is limited to 'available resources' - defined as what the Minister of Finance has allocated in the national budget. Despite this, the state has to prove that it is acting in good faith and rationally in the circumstances. The judgement highlights the need to expand the currently narrow concept of 'affordability'. It also places a greater burden on the state to provide evidence. The judgement highlights the need for progressive social forces to increase their pressure on the national budget and other redistributive instruments that determine affordability.

Comprehensive social security

What does effective and comprehensive social security include? The labour

constituency submitted the following social security components to the post-Jobs Summit task team at Nedlac:

Ensure that social assistance provides a safety net to all citizens.

The social assistance system must provide all citizens, especially the poorest, with a basic safety net. This includes Old Age Pension for the elderly poor, and child support for the young. Currently, there is no support for 90% of working age people who are unemployed. Labour proposes that a basic income grant be paid to all citizens, as set out in the Jobs Summit.

Restructure existing social insurance institutions to:

- Increase coverage to all.*** All working people should be covered by work-related social insurance. Historically, the groups that are the most high-risk and need social insurance the most (such as domestic workers) have been excluded from social insurance. This is because government saw these groups as being 'too risky' and their segment of the labour market was unregulated.
- Promote greater equity.*** High and low-income earners should contribute to the same fund. This will balance out risk profiles and encourage redistribution and solidarity among all working people. It will be more affordable to include more vulnerable workers in a fund when the fund also has higher earners contributing.
- Improve and expand public sector service delivery:*** This must provide essential goods and services to all, especially the poorest. Providing social services (such as cheaper public transport) is not just a cost - it also lowers the cost of living and improves living conditions. A better public service helps to maintain 'social infrastructure'



Two-thirds of health spending goes to the well-resourced private health sector.

(such as community services and values) which is a very neglected concept.

- *Replace or rationalise privately provided employment-related benefits*
Employment-related benefits such as transport, retirement funds, private health care and housing amount to about 30% of labour costs. This cost to employers will be reduced if these benefits are included in an overall social wage package. More importantly, the publicly provided safety net will be better resourced and more sustainable by reducing duplication and increasing economies of scale.
- *Promote structural transformation of the economy.* This includes:
 - Restructuring ownership of productive assets, such as land and credit. This will increase the poor's ability to improve their conditions. It will increase levels of economic activity and reduce high levels of concentration of ownership.
 - Increasing investment and infrastructural development in disadvantaged communities,

through public works - building clinics, roads, housing, etc

Obstacles

What are the obstacles to implementing effective comprehensive social security?

Government is limited by conservative fiscal policy. Government's real expenditure on both social and economic services has been reduced in the 1999/2000 budget. This limits the possibilities for the development of a comprehensive social security system. However, by taking the broader view of provision of social wages (that is, including structural transformation of the economy) some progress can be made even within fairly tight fiscal constraints. Further, the limited budgetary resources available could be used as a catalyst for integrating existing social security components. Nonetheless, the constraints on government expenditure impose severe limitations on the provision of social wages.

Second, there are capacity constraints within government to deliver services effectively. The private sector and other

organised groupings in society also have capacity constraints in terms of delivering services to communities and vulnerable persons. Thus there is the need for a general focus on building capacity, both within government and civil society, to ensure effective social security provision.

Third, powerful constituencies will resist change, including some within the labour movement. This is especially likely if overall expenditure is not increased significantly, and extended coverage and benefit provision to the vulnerable come at the expense of others. The resistance to change by the powerful pharmaceutical industry is a good example of resistance to change. On the other hand, groups of organised workers may also resist change to current privately provided benefits (such as any move against access to private health care)

Conclusions

Building an effective and comprehensive social security system is a long-term process. It requires ensuring substantial resources through the budget to back up the clauses of the Constitution. It also requires a restructuring of existing social insurance and other social security institutions (much of which is beginning to take place). But above all, it requires a common understanding, mobilisation and action among progressive social forces in society to see this transformation through.

It is unlikely that the public sector could, by itself, provide all the necessary social wage benefits. A social wage is likely to be delivered by a combination of the public, non-profit and private sectors. The nature and extent of this balance, even if only for the medium-term, requires extensive debate. The public and non-profit sectors should be given a greater role over time, while the private sector is brought into a tighter regulatory net in the interim. There could

also be a role for the union movement in the delivery of such services.

The promotion of a wider floor will require a transfer of resources from the privately supplied benefits to the publicly supplied benefits. However, this effort to 'de-privatise' social security requires improvements in the quality of public sector service. If public health is not improved, for example, there will be less chance of mobilising for public provision.

An effective way to begin to expand public sector social wage provision is to withdraw the tax benefits that the for-profit sector receives for providing such benefits. We know that much private provision has largely been to take advantage of these tax incentives, which are at the expense of other taxpayers. The withdrawal of these tax incentives will increase tax revenues, and allow such revenues to be channelled to support an expanded social wage. The improvement of publicly supplied benefits means ensuring that important public services must be protected from being dismantled or privatised.

Finally, it should be clear from the discussion that there is no easy road to developing a comprehensive social security system. But with the distressing scenario of 'barbarism' fast becoming a reality in our society, there is little alternative but to effect drastic changes in society. The move to implement an effective and comprehensive social security system is one route to effect this change. And the opportunity needs to be grasped with both hands. ★

Footnote

1 See Soobramoney vs Minister of Health, KwaZulu-Natal (Constitutional Court) 1997.

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