

The relevance of workfare to SA

After the Jobs Summit we were invited to Brussels to look at the EU's employment strategy. Interviewing people in the EU, I found that a close relation has been asserted between expansionary macro-economic policies, growing employment, raising living standards and the financing of social security. Instead of arguing that high levels of social security act as a barrier to employment, Europeans I spoke to took the view that high levels of employment finance and consolidate a modernised social security system.

There is a growing ageing population in Europe. Nevertheless, parties are looking at expanding employment to finance the expansion of pension payments, rather than cutting back pensions. Alan Larson, who is the director general of DG5, effectively the 'employment ministry' of the EU, talked in this context about raising employment levels from 60% to 72% in the next ten years.

Social security

There seems to be less focus on reducing non-wage costs such as social security, and more of an emphasis on reducing areas which are seen as a barrier to employment, such as certain types of taxation (for example, VAT).

Social security was spoken of as a 'productive factor in the economy', rather than a squandering of wealth.

Neil Coleman, from COSATU's parliamentary office, gave an input at the workshop. This is a shortened and edited version of his input.

A 'productive factor' because it raises living standards and thus effective demand in the economy.

The Europeans also argued that social security lessens social division and conflict, and ensures greater co-operation in the production and distribution of wealth.

A view is commonly held in the developing world and South Africa that only advanced capitalist states can have comprehensive social security systems. However, the people we spoke to do not appear to share this view. In the current debate about enlargement of the EU, Eastern European countries which operate under a primitive form of capitalism, are being expected to construct social security systems as a condition of entry into the EU.

EU officials argue that many European states built social security systems in the context of relatively backward economies; and that more recently, large gaps between systems of relatively poor Southern



Neil Coleman of COSATU, Ravi Naidoo of Naledi and Dennis George of FEDUSA.

European states, and their Northern counterparts, have had to be bridged.

'Flexibility' means different things in the EU and in SA. Europeans talk about a skills based flexibility, training and mobility from low to high technology jobs. Obviously within this there are different variants. In South Africa, the notion of flexibility is aimed at de-regulation, weakening union organisation and lowering wages. Alan Larson said that where there is greater flexibility in the market, there is a need for more, not less security. Security should be found in areas like labour standards and social security systems.

Europeans are comparing their model to the American model and saying that in America there is higher employment of a particular type, especially in the service sector, but there is also a growth in inequality and a growth in the working poor. This is accompanied by casualisation, deregulation and the lowering of minimum standards. This places an extra burden on society to

support poor people who are in employment.

Another problem is the privatisation of the social wage in America. Household expenditure on social security is similar in Sweden and the US. However, in America it is private expenditure and in Sweden it is public expenditure, and obviously the distribution of this expenditure is vastly different.

Workfare's relevance

A question whether the notion of 'workfare' has immediate relevance to the South African situation for a number of reasons

- Firstly, because the long term unemployed fall totally outside the social security net in this country. Those who are covered by UIF are covered on a temporary basis. They are only covered for a six-month period and then, only if they have been in employment for a certain period of time. Those who are unemployed in the long-term and who have never been

employed are not covered at all by UIF (over 90% of the unemployed do not qualify for UIF)

- Secondly, in this context, unemployment in South Africa is not only a downward pressure on wages. It also exercises an upward pressure, by increasing the number of dependants being supported by a worker's pay packet, in the absence of a social security system. It puts enormous pressure on workers to push for a higher take-home pay to support the growing number of unemployed in the extended family.
- Thirdly, we cannot talk about a comprehensive social security system in South Africa - it does not exist. COSATU-commissioned research shows that 13,8 million people who are living in poverty, have no access to any direct form of income from the state. About 40% of households in the lowest two quintiles get no social security transfers at all. While it is well known that wages and in particular old age pensions are very extensively used to support people, particularly in rural areas, it is a completely scatter gun approach. It depends if you are fortunate enough to have a wage earner or an old age pensioner in your family. If you do not have one of them you do not get an income transfer, unless you qualify for other grants.

COSATU's approach

COSATU links the concept of social security to the broader concept of a *social wage*. The social wage includes social security support, public health, public housing, public transport, education, training etc.

A social wage system would be a combination of direct income transfers, like UIF, and indirect income transfers

through subsidies by the state in the form of the national health system, transport etc. Such an approach takes forward the developmental and redistributive economic logic of the RDP - focusing on redistributing wealth and opportunities and bringing people into economic activity. This approach aims to fundamentally restructure social relations rather than being a purely welfare-driven approach - which partially alleviates but also institutionalises poverty, by perpetuating marginalisation and dependency.

COSATU sees the establishment of a *comprehensive social security system (CSSS)* as a key pillar in advancing this vision of a social wage. An important advance was made in the parliamentary process on the White Paper for Social Welfare, when it was agreed to incorporate a commitment to the establishment of such a system. We have taken this forward in discussions with government, in the Jobs Summit, in the alliance processes and elsewhere.

Engagement on the shape of a CSSS needs to happen at various levels:

- restructuring of the retirement system in South Africa,
- restructuring of the UIF;
- investigating the basic income grant proposed at the Jobs Summit, and its relationship to other grants;
- debating the correct mix between social assistance and social insurance, the former largely being direct grants coming from government (from the fiscus), while social insurance is predominantly funded by employers and workers;
- examining the implications of current macro-economic policies on social security provision;
- finally, we must be very careful that so called 'developmental social security' does

not constitute a surrendering by the state of its social security responsibilities.

Delivery

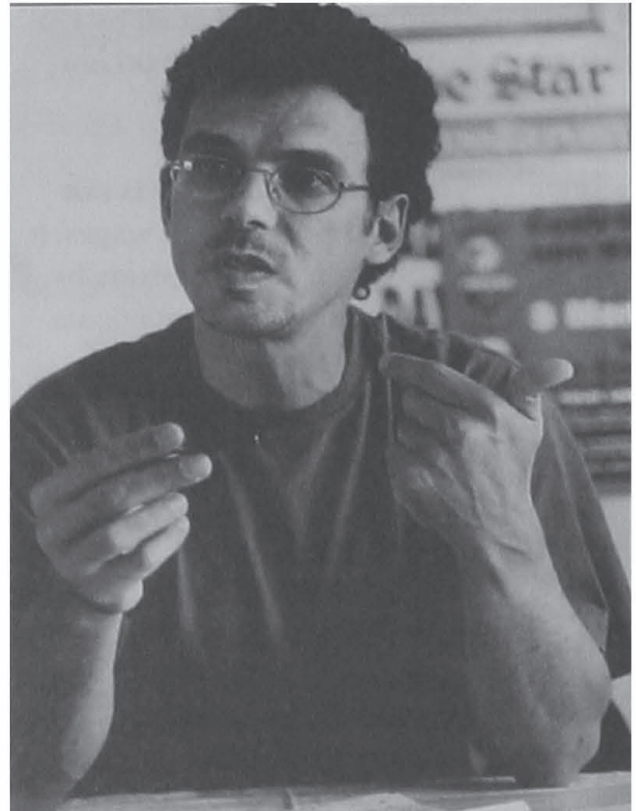
Some people will say that we cannot even deliver the fragmented and limited social security system which we have presently got. That should not act as a barrier to a more comprehensive system. It should spur us on to begin to look at much more effective and comprehensive systems which are easier to administer. The income grant proposal, for example, would not be means tested but would be universal. This is designed to avoid the problems of administering delivery.

Approaches to delivery should be linked to other strategies which government is developing to empower people, particularly the poor and rural communities. One example is government's idea to set up a post office bank. Here everyone in the country would become linked into the banking system through the network of post offices in the country. That has all sorts of obvious advantages in relation to delivery of social welfare. You therefore need a comprehensive and inter-ministerial approach. The Department of Welfare cannot do it alone.

One thing that is particularly worrying is the danger of privatisation of certain areas of social security, and the social wage. Certain areas which are currently in the private sector, like large portions of the health system, need to be de-privatised or nationalised and brought into the area of public care.

Fiscal constraints

One view is that, as a result of 'fiscal constraints', we have got to increasingly shift the burden to fund social security onto the private sector and workers. This is a short sighted approach which the trade union movement has opposed, as



Neil Coleman.

being both developmentally and economically retrogressive. The first major danger is that such an approach would exclude the majority of people who are not in formal employment. Secondly, it would raise the unit costs of providing social security because it will reduce the benefit of large-scale delivery, as well as undermining public provision of those services. Private provision also usually excludes cross subsidisation. Thirdly, it would raise the non-wage costs of employment. All this could lead to the increasing marginalisation of the very poor because it will increase segmentation and result in limiting social security to the employed. Finally, this will reinforce private provision of other aspects of the social wage such as the move towards market-driven provision of transport and delivery of housing ★

Neil Coleman is the department head of COSATU's parliamentary office