Poverty, Social Policy and the Social Wage

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Paper to be presented at a Conference on "The Politics of Socio-Economic Rights in South Africa: 10 Years after Apartheid", 8 to 9 June 2004, Oslo, Norway

30 May 2004

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1 Introduction

The months leading up to the ten year celebrations of South Africa's democracy have witnessed intense debate over trends in the incidence and severity of poverty in the post-apartheid era. Reaching agreement over what has happened to income distribution and well-being has been complicated by errors found in recent official statistics. This has been compounded by the multitude of methodologies that have been applied to the analysis of poverty, some of which with popular appeal but of doubtful rigour. In particular, representatives of the South African government have questioned both the findings of both the official statistics agency and perceived critique by referring to improvements in social expenditure and the impact that this has had on the 'social wage'. Adapting and stretching a more cautious analysis (vd Berg and Burger, 2002), suggestions that poverty and inequality have increased are been rebuffed, and recent research suggesting that post-apartheid poverty strategy has achieved less than might have been hoped for is described as having a unspecified ideological agenda despite recommending similar policies to those said to be pursued by the South African government (Sunday Times, May 9, 2004).

It is true that at the outset of the most recent State of the Nation address, President Thabo Mbeki again placed poverty reduction at the heart of government policy, with the development of a social safety net as the third leg of a poverty strategy "potjie" (Mbeki, 2004). Later in the speech, we learn that this encompasses not only social welfare but also the delivery of services and infrastructure and that this leg provides the link between interventions hoping to boost the activities in the "First" and "Second Economies" thereby absorbing those dependent upon social welfare and ensuring sustainable poverty reduction. Social policy, that somewhat messy mix of policies concerned with welfare, protection, rights and access to essential services, is thus brought to the fore of South Africa's poverty reduction strategy and begs a more systematic analysis.

In this paper I am going to examine social policy expenditure in terms of its likely impact on the severity and incidence of poverty in the first decade of democracy. Although it is tempting to speculate as to the changes in poverty that might have taken place in South Africa during the post-apartheid era, the data that are currently available simply do not permit such analysis to be made with any confidence. Instead I will start by reviewing what we think we know, and then make mention of poverty analysis that points towards what might be anticipated once the official statistics have been corrected. I will then review the major elements of the 'social wage' to which the South Africa government has been allocating resources. Finally, I am going to consider what might be the implications if we were to seriously attempt social wage accounting.

2 South Africa's Poverty Profile: 'Singular, not to say Grotesque[2]'

In describing the impact of 'apartheid's assault on the poor', Wilson and Ramphele (1989:204, 230) conclude that policies of deliberate impoverishment distinguished the experience and dynamics of poverty in pre-transition South Africa. These included:

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[2]/ Apologies to Sherlock Holmes and "The Adventure of the Six Napoleons".

- The impact of apartheid legislation that stripped and eroded assets, especially human capital and land, distorted economic markets and social institutions through race and gender discrimination, and resulted in violence and destabilisation;
- The under-mining of the opportunities available to individuals, households and communities through neglect, over-crowding, environmental degradation, the mismatch of resources and opportunities, discrimination and social exclusion;
- The impact of a disabling state, which included the behaviour and attitudes of government officials, the absence of information concerning rights, roles and responsibilities, and the lack of accountability by all levels of government.

This legacy of inequality and poverty continues to shape the nature of South Africa's economy and society. Importantly, they have been shown to lead to the persistence of poverty even though many other aspects of the South African political economy are being transformed (Carter and May, 2000; Moser, 1998). The result may be seen in the peculiar poverty profile of South Africa that continues to represent the development problematique of plenty amidst poverty identified by economist Jill Nattrass more than two decades ago (Nattrass, 1983).

At PPP$11 240 per annum in 2001, South Africa's per capita GDP corrected for purchasing power parity (PPP) places it as one of the 50 wealthiest nations, while the strikingly poor social indicators of the country result in South Africa being ranked 111th of 175 countries in terms of its Human Development Index in 2001 (HDI) down on its ranking of 93rd in 1992 (UNDP, 2002)[3]. Despite being among the 35 largest economies in the world, the country now has life expectancies among the 30 worst while projections of mortality suggest that these will deteriorate further as deaths from the AIDS epidemic increase (UNDP, 2003; UNDP, 2004; Dorrington et al, 2001:25). Worryingly, when using the World Bank's Atlas approach to correct for exchange rate fluctuations, Gross National Income per capita has steadily declined from US$3290 in 1998 to US$2500 in 2002, suggesting that capacity to address these socio-economic problems is being eroded despite the modest economic growth rates that are now being achieved. (World Bank, 2004).

At the time of the transition in 1993, South Africa was described by the World Bank as among the world's most unequal economies, with a Gini co-efficient measuring 0.58. More recent analysis using the 1996 Population Census data put the Gini co-efficient for income as high as 0.68, worse than that of Brazil and of 33 other developing countries (Marais, 1998: 106). Woolard and Leibbrandt et al (2001:22) show that in 1995, six percent of South Africa's population captured over 40 percent of income. This experience of income inequality carries over to the social indicators as well, with the HDI reported by the UNDP revealing significant spatial and racial differences within South Africa. In 1991, while white South Africans had an HDI similar to that of Canada or Israel, the HDI score for Africans was lower than that of Egypt and Swaziland, and a provincial comparison shows that the score for the Limpopo Province was lower than that of

[3]/ The HDI calculated by the South African Human Development Report (UNDP, 2003) would place South Africa at 115th place for 2003.

neighbouring Zimbabwe (May et al, 2000: 23). Although there were some improvements in the HDI among some groups by 2000, South Africa is one of a handful of countries that has experienced a decline in the HDI since 1995, while the racial aspect of the South African situation remains unchanged with the gap between the index of the poorest (mostly African) and richest (mostly white) provinces having widened (UNDP, 2003).

Although income or consumption based poverty is not the only component of deprivation, most analysts would agree with Lipton (1997:1003) as to the usefulness of this approach when evaluating progress made by policy interventions. At the start of South Africa's transition in 1993 almost half of the population, some 19 million people, were categorised as poor using a national consumption-based poverty line with over 60 percent of Africans being poor compared to just one percent of the white population (Klasen, 1997). The World Development Report of 2000 uses the same data to show that 11.5 percent of the South African population lived on less than PPP$1 per day, while 35.8 percent of the population lived on less than PPP$2 per day (World Bank, 2000:64). At that time, poverty rates in South Africa could thus be compared to countries such as Bolivia (11.3 percent), Colombia (11.0 percent) or Cote d'Ivoire (12.3 percent) in terms of the PPP$1 per day measure of poverty.

More recent South African measures of poverty based on a minimum acceptable standard of living suggest that poverty is more severe than the rather arbitrary international rules of thumb would imply. Woolard and Leibbrandt (2001) use a range of thresholds to provide a rigorous analysis of poverty in South Africa in the period until 1995[4]. Using data from the 1995 Income and Expenditure Survey (IES), they conclude that some 40-50 percent of South Africans could still be categorised as poor in 1995, while 25 percent could be categorised as ultra-poor. They also found that the poverty rate was far higher in rural areas than in urban (65 percent of individuals compared to 22 percent) and 27 percent of rural dwellers were below half the poverty line, and thus were likely to also be chronically poor in the sense of being unable to escape poverty over time (Woolard and Leibbrandt, 2001:59-60). In line with other studies, the Eastern Cape emerged as the poorest province in South Africa, containing 27 percent of those likely to be chronically poor while KwaZulu-Natal and Limpopo Province accounted for 19 and 17 percent of the chronically poor respectively. Also in 1995, the poverty gap, a measure of the depth of poverty calculated to show the amount that is needed annually to wipe out poverty through a perfectly targeted transfer to the poor, was about R15 billion, or about 4 percent of GDP. In the case of the two poorest provinces, Eastern Cape and Limpopo Province, the poverty gap amounted to 11 percent and 21 percent of the provincial Gross Geographic Product (GGP) respectively (May et al, 2000).

Changes in the incidence and severity of poverty since 1995 are less clear and have been the source of debate. Using large sample surveys collected by Statistics South Africa between 1994 and 1998, Budlender (2000:93) suggests that both poverty and inequality may have increased, a finding supported by an official publication using the results of the 2000 Income and Expenditure Survey (Statistics South Africa, 2002). The average annual per capita income in 1995 was reported to be R12 135 adjusted to 2000 prices, higher

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[4]/ For most of their analysis Woolard and Leibbrandt (2001:56) settle on the Household Subsistence Level and $1 a day 'International' line (R3509.00 and R2200 per annum per adult equivalence in 1995 Rand). The latter may be thought of as the ultra-poverty line.

than the per capita income of R11 755 per annum reported in 2000. However many analysts have raised serious concerns with the quality of the data collected by this survey, pointing to methodological and weighting problems and evidence of sloppy fieldwork and data processing (Meth and Dias, 2004:61; vd Berg and Louw, 2003:2). In a brave attempt to interpret these data, Meth and Dias (2004) employ a mix of procedures to adjust for these problems and conclude that the case for an increase in the numbers of people in poverty seems convincing. They find that the numbers of people in the lower of two expenditure groups identified as encompassing the potentially poor increased by about 2.9 million people between 1995 and 2000 while the numbers in the higher band increased by 1.4 million people (Meth and Dias, 2004:63). Thus they estimate that there were 22 million people in poverty in 2002, an increase of at least 2.4 million from 1999 when applying the same methodology. Attempting to take account of transfers to the poor from government in the form of water, electricity, health care, housing, sanitation, education and transport, they amend this estimate to an increase of 2 million people (Meth and Dias, 2004:81)[5]. In a less ambitious attempt to manage data quality problems, van de Ruit and May use a PPP adjusted $1 a day poverty threshold and conclude that poverty levels have increased from 11.5 percent in 1993 to 19.8 percent in 2000 (van der Ruit and May, 2003:23)[6].

Using a different methodology, but a similar approach to a poverty threshold, vd Berg and Louw (2003:18) conclude that the numbers in poverty reached 17 million people in 2000, an increase of 1.2 million people from 1995. Hunter et al (2003) use the same data from the 2000 Income and Expenditure to show the continued high levels of income inequality in South Africa. The top decile in the distribution account for 49 per cent of total expenditure compared to just eight per cent accounted for by the bottom four deciles, suggesting little change in income inequality since 1993. Van der Berg and Burger (2002:10-11) try to take account of shifts in social spending in terms of their impact on the distribution of income adjusted for non-cash transfers. Noting that per capita incomes of the African elite have almost caught up with the white population, they calculate a Gini coefficient for South Africa of 0.66, similar to most other studies. Turning their attention to the impact of social spending, they show that social spending to the African population has increase from 51 percent in the immediate transition period to 80 percent in 1997. When income is calculated adjusted for South Africa’s relative progressive taxes and for the strongly progressive non-cash transfers that are made, they conclude that the Gini coefficient can be re-estimated to 0.44. In particular, they conclude that fairly good targeting of old age pensions and disability grants have resulted in rural areas receiving an unusually fair share of social spending compared to the situation in many developing countries. However, they do not attempt to measure on the impact that this social spending might have had on the well-being of the poor, noting that the quality of the service delivered substantially determines this. As an example, while inequalities in terms of inputs to education have narrowed, the outcomes in terms of education attainment have not (vd Berg and Burger, 2002:18).

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[5]/ Referred to as a social wage as an attempt to take into account government reaction to the Stats SA report.

[6]/ All of these analyses calculate poverty and inequality in terms of ‘per capita’ or ‘per adult equivalent’ scales, and include an adjustment to take account of household economies of scale.

Putting aside concerns of the quality of official statistics and the methodologies used to overcome these, analysis of other survey data supports evidence that the incidence and severity of income poverty continued to increase in the immediate post-apartheid period. Using panel data, Roberts (2001) and Carter and May (2001) adopt different methodologies to distinguish those that move in and out of poverty from those that are structurally poor. Both analyses suggest that while some 40-50 percent of South Africa's population can be described as poor, around 20-25 percent of the sampled African and Indian population in KwaZulu-Natal can be thought of as being chronically poor in terms of either a 'time-spell' or 'trajectories' definition. Furthermore, despite a 50 percent chance of upward mobility from the poorest to the next expenditure class, Carter and May (2001) calculate that some 75 percent of those measured as being ultra-poor in 1993 would still be below the poverty line in 1998 and that there was little chance that this group would ever escape poverty in the absence of fundamental change. They ascribe this to the persistence of multiple market failures that prejudice the chances of the poor to make use of the assets that they do have, or to accumulate additional assets. Using the same data, Woolard et al (2002:11) identify three poverty traps that hindered the upward mobility of the poor between 1993 and 1998: large initial household size, low initial levels of education and low initial participation in the labour market. Bhorat and Poswell (2002:51) examine the impact of trade and technology on employment dynamics in South Africa since 1995 and conclude recent economic growth has resulted in weak employment growth among highly skilled workers, while unskilled workers and those in poor households have carried the adjustment costs of greater openness. May et al (2004) reflect on these data, and arguing that progress along the current growth path will not be sufficient to reduce poverty, call for stronger action to address these market failures through further transfers and redistribution. They suggest that such policies form part of the microeconomic strategy being sought by government in various budget and State of the Nation addresses (Manual, 2001, 2002; Mbeki, 2001).

In this regard, it is pertinent to recall that Titmuss (1968:155-159) in his collection of essays on the welfare state argues that social policy represents actions undertaken by government for a variety of political reasons to provide for a range of needs that the market does not or cannot satisfy for certain segments of the population. These take account of needs arising from the unequal allocation of the costs and benefits of economic growth, including those that are the future consequences of such growth. He includes children, the elderly, the disabled and the poor more broadly as the intended beneficiaries of such spending, describing such expenditure as compensation for "…bearing part of the social costs of other people's progress" (Titmuss, 1968:159). In the current debate over poverty reduction in South Africa, analysts and government do seem to agree that an important component of the post-apartheid response to South Africa's "singular if not grotesque" poverty profile should be through a reallocation of government budgets towards social spending on such target groups. This needs to be accompanied by redistributive measures to equalise the benefits of such spending between different races and regions. Disagreement appears to emerge over the method, extent, duration and purpose of such spending. The remainder of this paper will examine the major components of social spending drawing out the issues involved in reaching grounds for agreement of these components.

3 Social Security, Social Protection and the Social Wage

The current debate concerning impact of poverty strategy in South Africa has been made more complex by the loose fashion in which the terms social security, social protection, social assistance, safety nets and the social wage have been used. Before starting, I will need to clarify how these terms will be used in this paper.

The United Nations define social security as:

> *"… the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children."* (Midgley, 1996:3)

Dreze and Sen (1991) distinguish between social security for protection and social security for promotion. Social security for protection is concerned with preventing a decline in living standards, especially in terms of basic needs. Social security for promotion is concerned with the enhancement of living conditions and addressing constant deprivation or what has been referred to earlier as chronic poverty. The central concern of social security for protection has been to address vulnerability and in this sense, there is an overlap with the notion of safety nets. According to the World Bank (2001), these are defined as:

> *… formal and informal measures that protect people from the worst effects of low income and poverty.*

Initially social safety nets were aimed at simply "…raising the consumption of the poor through publicly provided transfers" but more recently has shifted to "…helping low-income households cope with income fluctuations as well (Devereux, 2003: 1). Elsewhere "safety nets" have a narrower definition. Cook et al (2003: 17) suggest that "…safety nets is generally used to refer to relatively short term interventions intended to address transitory crises".

Social protection has been used interchangeably with safety nets although some distinguish this from other development interventions by suggesting that social protection is not intended to promote economic growth, though it is intended to alleviate poverty (Devereux, 2003). The British Department for International Development regard social protection as referring to:

> *…public actions taken in response to levels of vulnerability, risk and deprivation which are deemed to be socially unacceptable within a given polity or society* (Norton et al, 2001: 7)

The World Bank's revised and more recently subscribed to definition of social protection incorporates the concept of social risk management.

> *Social Protection [comprises] public interventions to i) assist individuals, households and communities better manage risk, and ii) provide support to the critically poor.* (Holzmann & Jorgensen, 2000, 3)

The emphasis in this definition seems to be more on individual responsibility and less on preventing such circumstances in the first place.

Within the field of social protection, there are two general kinds of action: social assistance and social insurance. The World Bank (2004) suggests that social assistance consists of a range of (government-financed) cash or in-kind benefits for the protection of the most vulnerable persons in society. This definition seems to be incomplete as it does not stipulate what vulnerable people are to be protected from. Norton et al (2001: 10) propose a more comprehensive definition of social assistance as:

> *…public actions which are designed to transfer resources to groups deemed eligible due to deprivation. Deprivation may be defined by low income, or in terms of other dimensions of poverty (eg. social or nutritional status).*

Finally, to add to the confusion, the notion of a social wage is evoked by some to capture the value of all of these forms of social spending that accrue to poorer segments of the population. The social wage has commonly been taken refer to public social spending on health, education and housing (Harding, 1982:13; Sefton, 2002:1). However, agreement what constitutes the social wage and how this is to be measured has not been reached. As an example, Rankin (1997) argues that the social wage is the income accruing to the public interest, and thus is that slice of a country's national income that is paid over in return for the use of social inputs. Shaikh and Tonak (1994:164) see the social wage as the value of all government services received, less taxes that are paid, while Bowles and Gintis (1982) talk of 'citizen wage expenditures'. Meade (1972) and others go so far as to equate a social wage with a universal basic income. Certainly we can take it that this is not what is meant by the South African government. Instead, the South African view seems to include the social spending already mentioned but also includes public works, electricity and water connections and even land reform as being part of the social wage (ANC Today, 2003).

For the purposes of this paper, I will not link social spending to other forms of micro-economic reforms such asset redistribution and market regulation that could be thought of as social security interventions of promotion. Instead I will confine the analysis to interventions that provide social security for protection and will regard these making up the social wage. I will therefore take a narrow perspective and will examine public expenditure in five areas or domains. These are pensions (principally the Old Age Pension), non-employment benefits (eg. Unemployment Insurance), family allowances (eg. the Child Support Grant), disaster relief (eg Social Relief of Distress) and social assistance for service delivery (Municipal Services).

4 The Social Wage: Opening Pandora's Box?

The post-apartheid South Africa Constitution guarantees a number of rights to its citizens that would be of relevance to a social wage. These include the right to have access to health care services, including reproductive health care; sufficient food and water; and social security, including, if they are unable to support themselves and their dependants, appropriate social assistance. Access to adequate housing, basic education and basic health care are also catered for and the Constitution requires that the state takes "…reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights" (Section 27).

Although implementation is at best patchy in terms of coverage and quality, the government has attempted to provide for these rights through an array of state-funded and state-run programmes, some of which predate the transition period. Programs include:

- Long-term and medium tem cash transfers including the State Old Age Pension, Disability Grant, Grant-in-Aid, Child Support Grant and the Foster Care Grant.
- Short-term cash or in-kind cash and in-kind transfers for crisis situations including Social Relief Fund, Disaster Relief Fund, Refugee Relief Fund, the Special Program for Food Security and in-kind transfers during food crisis through the National Food Emergency Fund.
- Employment generating programs including the Poverty Alleviation Projects, Community Based Public Works Program , the Flagship Program for Unemployed Women and their Children, Working for Water Program and Working for the Coast Program
- Education including Early Childhood Development and free education.
- Health protection programs including Primary Health Care, the Integrated Nutrition Program, National School Nutrition Program, Prevention of Blindness/Vision 2020, Free Health Care Services and Protein Energy Malnutrition Scheme
- Assistance with accessing services including Consolidated Municipal Infrastructure Program, Community Water Supply and Sanitation, Electricity Basic Support Services Tariff Strategy, Integrated Sustainable Rural Development Strategy, Rural Infrastructure Strategy and Free Basic Services Coordination
- Assistance for people with special needs including Home-based/Community Care Program for Children and Families Affected and Infected by HIV/AIDS and Assistive Devices for the Disabled.

The 2003 Intergovernmental Fiscal Review (National Treasury, 2003b) argues that increased budgets for these programs in 2003/04 reaffirm the commitment of provinces to deliver more and better quality services. Reflecting this, recent South African budgets have been heralded by some as being both pro-poor and pro-growth and as putting in practice the commitments contained in the constitution.

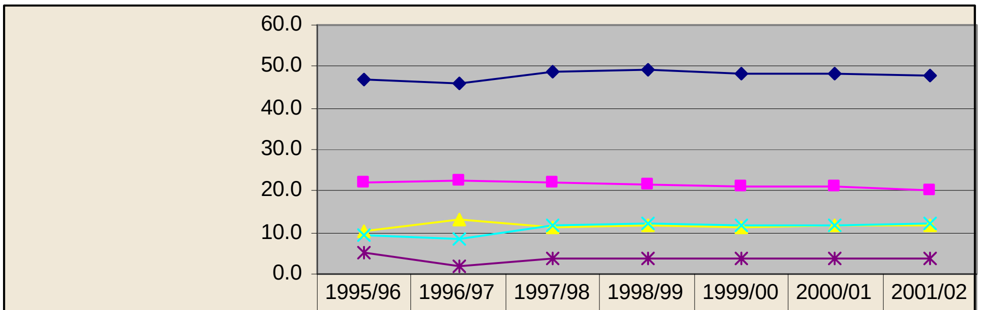
In per capita terms, it is true that real social service expenditure is set to increase by five percent in 2003/04 and at an annual average real rate of four percent between 2002/03 and 2005/06. The 2003 Budget Review points to education, health, welfare and other social services as taking up 58.3 percent of non-interest allocations in 2003/04, having risen from 52.9 percent a decade ago (National Treasury, 2003a: 16). Total expenditure on social services at the national and provincial level as a percentage of general government expenditure rose by 6.4 percent between 1990 and 2001, to constitute almost half of general government expenditure in 2001 (National Treasury, 2000a: 145). Of particularly significance is the fivefold increase in the budget for HIV/AIDS and TB prevention and treatment amounting to R1.952 billion for HIV/AIDS in 2003/4. In 2003/04 a new provincial transfer was introduced to meet the costs of the phased-in extension of the Child Support Grant to children up to their 14th birthday (National Treasury, 2003a). This meets increasing demand from the number of grant beneficiaries that has risen from 2.9 million in September 1998 to 5.6 million in 2003.[7]

[7]/ Voucher Generation Report, August 1998; August 2003, Department of Social Development.

In 1999 the Department of Finance undertook an incidence analysis to measure government's effectiveness in redistributing income and to evaluate the appropriateness of spending patterns. This study focused on approximately 60 percent of expenditure, namely education, health, the social grants, water provision and housing, between 1993 and 1997. The study concluded that the first years after the transition saw a substantial shift of social spending from the affluent to the more disadvantaged in society. Social spending is also said to be relatively well targeted to poor people as a result of, amongst others, changes in the composition of social spending, housing programmes and infrastructure, including water provision. In addition, shifts between programmes have occurred, such as the increasing emphasis on primary health care, and more appropriate targeting, such as the shift in educator resources to the poor. The Financial and Fiscal Commission shows that the share of basic education in the budget compares favourably with many developing countries (FFC, 1997). These actions are estimated to have increased the share of expenditure on the poorest quintile of households increasing from 27.4 to 30.7 percent, while the share of the richest quintile declined from 12.7 to 8.7 percent (National Treasury, 2000a: 145). They have resulted in a modest increase in the budget deficit to GDP ratio compared to the forecast in November 2002, and the expansionary fiscal policy is thus said not to have come at the expense of fiscal discipline, a preoccupation of the post-apartheid government[8].

Provincial expenditure on social services provides a better idea of what is actually happening since most social service spending occurs at this level. Although the 2003 provincial budgets show strong real growth in spending of 7.5 percent in 2003/04, , as Figure 1 shows, when expressed as a percentage of provincial government expenditure, the proportion of social service spending has shown little change since 1995.

Figure 1: Social Service Expenditure as a % of provincial government expenditure



	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Total social services	46.7	46.2	48.5	49.2	48.5	48.2	47.7
Education	21.9	22.5	22.0	21.6	21.3	21.1	20.3
Health	10.2	13.2	11.3	11.8	11.4	11.5	11.6
Social security & welfare	9.6	8.6	11.6	12.1	11.9	11.8	12.0
Other	5.1	1.9	3.7	3.7	3.8	3.8	3.8

Source: National Treasury, 1994, 1995, 1997, 2000, 2001, 2002, 2003

Spending on education has remained relatively constant at between 20 and 22 percent of

[8]/ The budget deficit to GDP projections have increased from -2.2 to -2.4 percent in 2003/04 and -2.1 to -2.4 percent in 2004/05.

general provincial government spending, while spending on health has also remained constant after an initial spurt in expenditure in the 1996/97 financial year. Welfare spending has grown inconsistently but markedly over the period. On the whole, expenditure on all social services takes up the vast bulk of provincial expenditure. From 1996 until 1998 this amount grew by about 10 percent, and fell slightly thereafter. In sum, expenditure on social services makes up just under half of general provincial government expenditure, and this percentage has increased over time, but declined slightly in 2001/02. Social service spending has made up just over 85 percent of provincial expenditure from 1999 to 2001. Currently, although increasing in real terms, the shares of education and health in total provincial spending are expected to decline steadily, while the share of social development is expected to increase by 4.2 percent over the period 2002/03 to 2005/06 (National Treasury, 2003b).

The system of social grants has been one of the most important aspects of the poverty reduction strategy of both the apartheid and post-apartheid governments. Overseen by the national Department of Social Development (DSD), and administered by DSD at the provincial level, applications for these grants are taken and payments made at the local level. It can be seen Table 1, social security grants account for the vast majority of social development expenditure at the provincial level and although remaining at approximately the same proportion of social development expenditure, have steadily increased in value.

Table 1: Expenditure on social security grants

Provincial social development expenditure	**1997/98**	**1998/99**	**1999/00**	**2000/01**	**2001/02**
Transfer payments (Rm)	16383	17015	17700	18970	21554
Of which social security grants (Rm)	15521	16167	16120	18039	20510
% on social security grants	88.4	87.7	83.2	86.3	86.0

Source: National Treasury 2003b, 2001b.

The impact that of these some grants has made on the poor has been well documented. Among others, Haddad and Zeller (1997) point to the fact that the Old Age Pension in South Africa has become a safety net for non-target groups, in particular for children in the pension receiving households. Calculations by the Committee of Inquiry into a Comprehensive Social Security System[9] indicate that in the absence of social assistance transfers, 58 percent of South African households would fall below the subsistence level of R401 per adult equivalent. The Taylor Committee notes that existing social security programmes reduce the average poverty gap by 23 percent (CICSSS, 2002:59). The grants are means tested and are targeted: the Old Age Pension is available for the elderly; disabled adults and children may receive disability grants; relatively small Child Support Grants are targeted at poor children; Foster Care Grants may be received by those legally fostering the child of other parents.[10] While the Old Age Pension is almost universal in its coverage, some analysts calculate that nearly 88 percent of the eligible are in fact receiving the grant (Chernick and Reschovsky, 2000:28), it seems that the uptake of some

[9]/ Hereafter referred to as the Taylor Committee.
[10]/ Other grants – the War Veteran's Pension and the Grant-in-Aid – are also available for much fewer beneficiaries.

of the grants is hampered by complicated administrative processes that may prevent many of those eligible from accessing the grants. In order to access the grants identity documents and birth certificates in the case of children are amongst the documents required by district level welfare offices. Many of those living in rural areas do not have these documents, which are obtainable from another government department that is experiencing efficiency and capacity problems, the Department of Home Affairs.

However positive, linking these trends to a social wage, and attempting to redefine income and poverty to show improvements in the incidence and severity of poverty is of questionable value and if undertaken more carefully, may open up a Pandora's Box of commentary. Critics of the budget have already noted that spending on the old age pension and child support grant combined will increase by less than R2 billion in the coming financial year which should be set against a tax break of R15 billion for comparatively affluent South Africans. This resonates with the social wage accounting principles proposed by Rankin (1997:6). He views the social wage fund (the resources available to be distributed through such expenditure) as comprise three components: revenue from income tax (personal and corporate), revenue from indirect taxes (eg. VAT) and the value added by state owned enterprises and other public investments in capital markets. Giving up on government revenue through tax cuts represents a transfer of the social wage to the beneficiaries of such relief. Thus, as an example, the total value of income tax cuts proposed by Budget 2003 was R15 billion in 2003/04, of which R13.4 billion takes the form of personal income tax reductions. Most of these benefits accrue to people earning low wages in the formal sector, but will not reach these who are categorised as poor. In fact, the South African Council of Churches notes that '…even those taxpayers who benefit least - those earning between R27 000 and R35 000 a year - will see R720 more next year, or R100 more than the additional support given to pensioners' (SACC, 2003).

Moreover, the assumption that the entire value of social expenditure can be allocated to poor beneficiaries as additional income is also questionable. The Taylor Committee describes South Africa's social security system as neither adequate nor comprehensive and noted that at that time there was no income support programme for children between the ages of nine and 18[11], adults between 18 and 59 and no general assistance for households where no one is employed. In addition, the Taylor Committee found that much of what is referred to as social security derives from the European concept which has as its fundamental assumption that social security would develop around formal sector employment. Instead, the Taylor Committee has noted that the development paths of African economies and third world countries more generally may require a new look at social protection systems that are more appropriate to the needs of these countries (CICSSS, 2002). Specifically, the grants do not provide comprehensive coverage for all those in need. Unless they are able to access the Disability Grant, adults are largely excluded from this framework of assistance. It is only possible for the UIF to be received by the unemployed for a maximum of six months and then only by those who were registered with the Fund, for the most part the formally employed. In fact, some of the

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[11]/ Eligibility for the Child Support Grant was extended from children aged under seven years to those under nine years on 1 April 2003. From 1 April 2004 those aged under 11 were eligible for the Grant, and from 1 April 2005 children under the age of 14 will be eligible to apply.

poorest households are those containing adults and children in which no-one receives a grant.

The situation becomes even more opaque when the values of the Grants are corrected for inflation as Meth (2004) has done.

Table 2: Value of Old Age Pension and Child Support Grant (R/month)

	Old age pension		Child support grant	
	Nominal Value	Value in 2002 prices	Nominal Value	Value in 2002 prices
July 95	410	708	-	-
July 96	430	693	-	-
July 97	470	694	-	-
July 98	490	671	100	137
July 99	520	668	100	129
July 00	540	649	100	120
July 01	570	647	110	125
October 02	640	640	140	140
April 03	700	652	160	149

Source: Derived from Meth, 2004:12

As Table 2 shows, while the real value of the Child Support Grant has been rising since 2000, the Old Age Pension has declined between 1995 and 2002, and only in 2003 begins to increase once more.

Turning to other aspects of the social wage, van der Berg (1999) notes that improved access of the poor to social services such as improved sanitation, access to health services, nutrition and housing, may improve other aspects of their life while not necessarily improving their cash income. As already noted, a number of such programmes are run at the provincial level and allocating these forms of social spending to the incomes of the poor has been one of the strategies adopted by the government when attempting to calculate a social wage for South Africa.

Improving human capital in South Africa through expanding and improving the educational system is regarded by many as essential for sustainable poverty reduction in South Africa (vd Berg, 1999). However, public education expenditure has been shown to not be pro-poor, since the share going to the poor and the ultra-poor is substantially smaller than their share of the population (de Bruyn et al, 1998). Moreover, although in South Africa education should be free, but in practice schools require school fees and other costs (such as uniforms, school books and stationery, transport to school) are making it increasingly more difficult for the poorest to access basic education (Buthelezi, 2004).

In terms of health care, the Department of Health administers a Primary Health Care (PHC) programme, which provides free health care for certain vulnerable groups, including pregnant women and children under six. Table 3 shows that expenditure on health as a percentage of general government expenditure, at the level of both central and provincial government, has been relatively consistent over time, but has increased slightly in latter years.

Table 3: Budgeted health expenditure as a % of general government expenditure[12]

1993/4	1994/95	1995/96	1996/97	1997/98	1998/99
10.6	10.2	10.2	10.4	10.8	11.2

Source: Statistics South Africa (2000b:39)

Currently 20 percent of the total health budget is spent on basic health care (CICSSS, 2002). The same analysis for the FFC quoted above shows that the budget for 'basic health services', of which PHC is the central component, had increased to 20 percent of the total health budget by 1995/96, from 1992, largely achieved through a budgetary shift away from hospitals. However, a key problem is the slow movement of personnel to primary health care facilities. Other problems noted include the fact that budgets do not reflect actual spending, and are not co-ordinated with plans or national policy priorities (de Bruyn et al, 1998).

Access to basic services forms the other major component of imputations intending to take account of the social wage. The Consolidated Municipal Infrastructure Programme (CMIP) is one of the largest programmes undertaken by government, and aims at enabling municipalities to provide at least basic levels of services to low income households. It aims to support municipalities, particularly those in urban areas, through a grant fund to provide municipal infrastructure in order to improve quality of life and build sustainable communities. The CMIP also makes available capital grants to municipalities to provide services and facilities such as water, roads, storm water drainage, solid waste disposal, community lighting, clinics, cemeteries, and multi-purpose community and sports facilities to the needy (CICSS input doc, 2001). It funds low-income households up to a certain ceiling amount per household. Funding is provided to municipalities on an application basis (National Treasury, 2000b).

The bulk of the burden of inadequate water supply in South Africa is carried by the rural poor, particularly women, who due to a lack of access to running water have to walk long distances to fetch water. A policy for the provision of a free basic level of services was established, and in February 2001 it was announced that government would ensure that poor households are provided with a basic supply of water free of charge. The primary aim of the Community Water Supply and Sanitation (CWSS) scheme is to provide basic water and sanitation services to those that have not benefited from them in the past, particularly those in rural areas, and in so doing alleviate poverty. However, CWSS has not been without problems. A lack of institutional capacity and integration has resulted in a fragmented approach with responsibilities for sanitation spread across different government departments, with no one department taking complete responsibility. Moreover, a lack of forward planning that should take future trends in population density into account has been noted (CICSSS, 2001).

Budlender (1999:33) has noted that the CMIP has 'elements which work against the poor'. These include the fact that a large proportion of grants such as these are based on housing subsidies, that the application procedure and financial criteria may create barriers, and that the programme is targeted to areas that already have some sort of infrastructure. For the most part, it is rural areas and the 'poorer' municipalities that are

[12]/ This table excludes local government financing, and indirect expenditure, such as from the Department of Works, who are involved in capital expenditure.

disadvantaged. The intention was for these weaknesses to be partly addressed by the CWSS scheme.

Table 4 shows that that the budget available to local government for the CMIP is on the decline.

Table 4: National transfers to local government for conditional grant programmes

Programme (R Million)	1995/96	1996/97	1997/98	1998/99	1999/00
Consolidated Municipal Infrastructure Programme	126	540	1382	703	696
Community Water Supply & Sanitation (Operating)	0	497	493	599	710
Community Water Supply & Sanitation (Capital)	496	321	1429	520	429

Source: National Treasury (2000b:135)

In 1997/1998 the transfers peaked at R1382 million. The operating budget for the CWSS has steadily increased while the capital budget for the same programme has declined (Hunter et al, 2003).

However, both water and electricity provision are facing a mounting crisis in terms of the impact of the cost recovery policies that have been adopted. McDonald (2002:168) reports that 22 percent of households in a nationally representative survey stated that they were in arrears for water, while 13 percent were in arrears for electricity. Half of those in arrears reported that they would be unable to pay these off. Using these data, McDonald goes on to estimate that 3.25 million people have experienced a suspension in water services due to non-payment and an equal number have had electricity services suspended. He also estimates that 2 million people have been evicted and 1.5 million have had property seized due to non-payment. Citing statistics from the Department of Provincial and Local government, he shows that there were 256 000 electricity disconnections and 133 000 water disconnections in last 3 months of 2001. In each instance poor households were those most affected (McDonald, 2002:170).

5 Conclusion

Most of the cash transfer programmes adopted by South Africa in the post apartheid era show increased social spending (National Treasury, 2003b). As van der Berg (2001) concludes, the first years after the political transition saw a large and significant shift of social spending away from the more affluent to the formerly disadvantaged members of the population, while most social spending is redistributive and relatively well targeted to reach those most in need of it. The Taylor Committee (CICSSS, 2002) concurs, noting that government has launched new programmes and expanded and revised existing programmes to deal with asset and capability poverty. In many cases, these have said to have been innovative, responsive, well conceived and potentially well targeted. Naturally the income benefit of these transfers would be included in any standard survey of income and consumption such as the IES 1995 and 2000 and would be readily taken into account by any of the conventional measures of poverty incidence and severity.

In the case of non-cash transfers in the form of services, expenditure is declining in real terms while administrative and institutional barriers to access persist. More importantly, due to privatisation and the impact of cost recovery policies, services may well be the “Weakest Link” in South Africa’s poverty reduction strategy. In this respect at least, the credibility accorded by the South African government to the market as the instrument of regulation appears to have been misplaced resulting in disconnections, indebtedness and further hardship. For this reason, these policies have been described as representing a neoliberal agenda and have been robustly attacked as being fundamentally poor unfriendly while benefiting big business (Bond, 2000; Desai, 2004; McDonald, 2002).

Why then, in face of poor data, weak analytical capacity, generally favourable trends in cash transfers but unfavourable trends in the delivery of services, does the government feel the need to open a new line of argument around a social wage? The information demands for social wage accounting are formidable, and official statistics and analytical capacity in South Africa, while perhaps better than many other developing countries, are not adequate for an economy and society of its size and complexity. Indeed, a proper calculation of how the social wage fund has been allocated in terms of to whom transfers have been made, may well result in the embarrassing conclusion that post apartheid policies have not been all that redistributive. Or at least not to the rural poor who were once identified as the target group. Instead, more confusion may result, and more attention devoted to activities of political thrust and parry instead of basic research, the generation of reliable statistics and informed decision making. Is then this ‘social wage’ no more than riposte to critical analyses recently made of South Africa’s progress since 1994?[13] If so, hopefully this cluttering of poverty analysis is no more than a side effect of the election year and will soon end. If not, government will need to be reminded that critical comment assists better policy formulation while misleading or incomplete information will hinder poverty reduction still further. As Dreze and Sen comment:

> *“…public action for social security is neither just a matter of State activity, nor an issue of charity, nor even one of kindly redistribution. The activism of the public, the unity and the solidarity of the concerned population, and the participation of all those who are involved are important features of public action for social security.”(Dreze and Sen, 1989.4)*

[13]/ A fencing term to refer to an offensive action made immediately after a parry of the opponent's attack.

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