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Welfare in Wonderland? The Politics of Basic Income Grant in South Africa, 1996-2002

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Abstract

The Basic Income Grant (BIG) is very much on the agenda in South Africa today. This extraordinary development in a developing country can be explained in terms of three key factors. First, the post-apartheid state inherited a public welfare system that was already exceptional in the South in that it included an effectively universal and generous old age pension system. South Africans take this for granted, with many seeing a BIG as an extension of the old age pension in a society where many younger people are poor (primarily because of unemployment). Second, one of the legacies of apartheid is that almost all sections of South African society are committed, at least rhetorically, to the alleviation of poverty and the mitigation of inequality (although there is no significant mass mobilization around welfare reform). Third, the BIG proposal has a powerful backer. Curiously this backer is not the political party representing the majority of the poor (i.e. the African National Congress) but rather the trade union movement. Trade unions in South Africa have a history of campaigning over social and political issues. In the case of BIG, their political altruism is strengthened by self-interest: the socialization of welfare through a BIG would relieve union members of the need to support poor dependants through private remittances; provision for the unemployed would make it easier for unions to defend high wage strategies that might constrain job creation; and the powerful public sector unions stand to gain through the expansion of state administration. The African National Congress (ANC)-led government remains hesitant about the BIG, however, due to its commitment to fiscal austerity, its doubts about administrative capacity, and a lingering suspicion of the “undeserving poor”.

1. The possibility of radical welfare reform

The idea of a basic income grant or guaranteed minimum income for all citizens is radical in the established democracies of the North, but is truly extraordinary in the fragile new democracies of the South. Yet in South Africa, at the beginning of the twenty-first century, there is real momentum behind and debate around the proposed introduction of a basic income grant. The African National Congress (ANC), which is the dominant party in national government, may be somewhat reticent about the proposal, but there is strong support for a basic income grant among the ANC's allies in the powerful trade union movement, the leadership of the more politicized sections of civil society, many ANC-inclined intellectuals, and even the opposition Democratic Alliance (which draws its support from the more privileged sections of society) and organized business. In May 2002, a government-appointed Committee of Inquiry recommended that a basic income grant be phased in, and discussion is currently proceeding around the feasibility and logistics of this.

Major extensions of public welfare are uncommon in the South because the prospective beneficiaries are poorly organized and weak, whilst a variety of more powerful players have a vested interest in maintaining the status quo. It is perhaps unsurprising when the rich are opposed to reforms that result in additional tax burdens, when employers are worried about the effects on the labour supply, or when international financial institutions are hostile to extending the scope and power of the state but these groups often have surprising allies. In many countries where the organized working-class and public sector workers secured corporatist welfare arrangements, trade unions may actually be ambivalent about or even oppose the establishment of a universal welfare system. When organized urban labour enjoys privileged access to scarce welfare funds, for example through a state-subsidized employment-based social insurance system, then there is a clear incentive to resist replacing the existing system with a universal social assistance scheme or even an extended social insurance scheme where the very poor will

have superior claims to public monies. In Brazil, where the union-backed Worker's Party (PT) espouses exemplary progressive positions on many issues, it has been ambivalent about reforms requiring that trade union members become net contributors to rather than the beneficiaries of public largesse.¹ The poor in the South, moreover, have been much less successful than their counterparts in the North in using the ballot box to wage the "democratic class struggle" (as Korpi put it)² and secure a class compromise through social democracy.³

What makes radical welfare reform imaginable in South Africa is, above all, the fact that South Africa has been exceptional in the South in terms of its welfare system since the 1940s. The combination of the power of white workers and a racialised concern with the "poor white problem" had resulted in the introduction of a range of welfare benefits for white (and coloured) South Africans by the end of the 1930s. During a brief period of four years in the 1940s a reformist South African government introduced partial deracialisation of social policies including public welfare benefits. Crucially, in 1944, old-age pensions were extended to black South Africans (albeit at benefit levels set far below those enjoyed by white or even coloured South Africans).⁴ Although the National Party reversed some of these reforms after coming to power in 1948, it never abolished the old-age pension provision for African people. Through the whole apartheid era, South Africa remained almost unique in the South in having essentially universal

¹ See Kurt Weyland, *Democracy Without Equity: Failures of Reform in Brazil* (Pittsburgh: U. Pittsburgh Press, 1996).

² Walter Korpi, *The Democratic Class Struggle* (London: Routledge and Kegan Paul, 1983).

³ Adam Przeworski, *Capitalism and Social Democracy* (Cambridge: Cambridge U.P., 1985); Gosta Esping-Andersen, *Politics Against Markets: The Social Democratic Road to Power* (Princeton: Princeton U.P., 1985).

⁴ Jeremy Seekings, "The Origins of Social Citizenship in Pre-Apartheid South Africa", *South African Journal of Philosophy* 19,4 (December 2000); Seekings, "Generosity Amidst Oppression: Welfare Provision in South Africa from an African Perspective", unpublished seminar paper, Yale Centre for International and Area Studies (March 2002).

provision for the elderly.⁵ The circumstances of political transition resulted in the old-age pension scheme becoming highly generous. Unable to defend racial discrimination, the National Party government moved in the 1980s toward parity in the benefit levels paid to white and black South Africans. The government did erode the real value of pensions paid to its white constituents, but achieved parity primarily through increasing the real value of the pensions paid to its black subjects. Between 1980 and 1993, when parity was reached and discrimination ended, the real value of the maximum old-age pension paid to African men and women doubled. The result was that the post-apartheid state inherited, in 1994, a welfare system that was exceptional in both its coverage and its generosity. This is the foundation on which a still more radical welfare reform – the introduction of a basic income grant - might be built.

But why has BIG moved from the realm of abstract possibility to the status of concrete proposal in South Africa? In other work we have argued that post-apartheid South Africa represents a double class compromise: a capitalist economic system with neo-liberal macro-economic policies (in the interests of capital) in return for a high wage growth path and public expenditure on urban working and middle classes (in the interests of organized labour) and some redistribution through taxation and the prospect of job creation (in the interests of the poor, who constitute an important electoral constituency for the ANC).⁶ We might expect that a BIG would be supported by the ANC, protecting its electoral position but opposed by the unions (defending their existing relative privilege) and by the middle classes and capitalist elite - as is the case in Brazil. In fact, however, the ANC has appeared ambivalent, the unions have provided most of the momentum behind the proposal, and the opposition Democratic Alliance has adopted a supportive position.

⁵ The handful of other countries with near-universal retirement provision include Hong Kong, Mauritius and some Caribbean island-states. It should be noted that South Africa's old age pension is means-tested, so is not truly universal; but the intention of means testing is simply to exclude the rich minority.

2. The rise of a BIG idea in post-apartheid South Africa

The post-apartheid state might have inherited a welfare system that was exceptional (in the South), but it also inherited considerable poverty and inequality. The safety net provided by the mix of social assistance (especially the old-age pension) and social insurance was all too obviously full of holes.⁷ Invoking the discourse of the 1940s, the ANC promised ‘reconstruction’ as well as “development”. This would include welfare reform as well as other initiatives to curtail poverty in the medium or long-term.

In the 1994 elections, the ANC campaigned under the slogan “A Better Life For All”,⁸ with an election manifesto (its Reconstruction and Development Programme) promising (among much else) “basic welfare rights” including “the right to basic needs such as shelter, food, health care, work opportunities, income security and all those aspects that promote the physical, social and emotional well-being of all people in our country, with special provision made for those who are unable to provide for themselves because of specific problems”.⁹ Social and economic rights were explicitly recognized in the final Constitution adopted in 1996. Under the Bill of Rights (Chapter 2 of the Constitution), citizens have the

⁶ Nicoli Nattrass and Jeremy Seekings, “Democracy and Distribution in Highly Unequal Economies: The Case of South Africa”, *Journal of Modern African Studies* 39,3 (2001).

⁷ The holes in the welfare safety net and the arguments for a basic income grant have been set out elsewhere. See Nicoli Nattrass and Jeremy Seekings, “Citizenship and Welfare in South Africa: Deracialization and Inequality in a Labour-Surplus Economy”, *Canadian Journal of African Studies* 31,3 (1997), “Two Nations? Race and Economic Inequality in South Africa Today”, *Daedalus* 130,1 (Winter 2001), and “A Basic Income Grant in South Africa?”, paper presented at the first congress of the United States Basic Income Guarantee Network, New York (March 2002). Our analysis is reproduced in large part in Chapter 2 of *Transforming the Present, Protecting the Future: Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa*, RP/53/2002 (henceforth the ‘Taylor Report’).

⁸ The slogan was another item borrowed from the 1940s: the United Party campaigned under this slogan in the 1943 general election.

⁹ ANC, *The Reconstruction and Development Programme* (Johannesburg: ANC, 1994), p.52.

right of access to adequate housing, health care, education and social security. The last of these entails the right to “appropriate social assistance” for citizens who “are unable to support themselves or their dependents”, subject only to the availability of resources. To date, the only welfare cases to come before the Constitutional Court have concerned the implementation of existing schemes, and the Court is yet to consider a case challenging the overall boundaries of public welfare provision. The implications of the Bill of Rights for welfare reform remain uncertain, but the Constitution clearly provides symbolic support for proponents of extending public welfare provision.¹⁰

The most pressing welfare challenge facing the new democratic government after 1994 was organizational. The democratic government inherited organizational chaos, as responsibility for welfare had been divided between racially segregated branches of the state, including the *bantustans*. Corruption and fraud were rife, with large numbers of ghost claimants. In early 1996 the government appointed a Committee for Restructuring of Social Security, under the chairmanship of Frank Chikane (special advisor to then vice-president Thabo Mbeki) to investigate the integration and improvement of the existing public welfare institutions, the restructuring of management and human resources, and fraud and corruption. A second pressing challenge was in part financial and in part organizational. Child maintenance grants - i.e. grants to poor single parents - constituted a second arm of the inherited welfare system. Like old-age pensions, the child maintenance grants were set at a generous level. Unlike the old-age pensions, they were only nominally universal, in that there had been no provision for African people in the *bantustans*, and take-up rates had been low even among African people in urban areas. The major beneficiaries were poor coloured and Indian families. The democratic government was faced with a dilemma: the existing partial coverage was indefensible, but advisors warned that the cost of

¹⁰ See, for example, Chapter 4 of the Taylor Report.

genuinely deracialising the grants would be prohibitive.¹¹ The government apparently contemplated abolishing outright the child support system, but was persuaded instead to appoint a committee of inquiry to explore alternatives. The Committee on Child and Family Support, chaired by academic Francie Lund, controversially recommended in August 1996 that the child maintenance grants be replaced with new child support grants, with benefits set at a very much lower level.¹² The Committee's recommendations were accepted by the Cabinet and, with slight amendments, accepted by Parliament in 1997.

The experience of reforming the child support system was important in clarifying and changing the relationship between the ANC in government and its allies in civil society. The Lund Report did not challenge the fiscal conservatism that had recently become dominant within the government, as the RDP was overtaken by a new and conservative macro-economic strategy, the infamous Growth, Employment and Redistribution (GEAR) strategy. Slashing child benefits was an immediate manifestation of the new macro-economic approach. Moreover, whereas the RDP had been drafted through a collaboration of the ANC and its more left-wing allies in the trade unions and other organizations in civil society, GEAR was imposed without discussion, and the government moved to accept the Lund Committee's proposals with no regard for objections from diverse organizations in civil society. Strong criticisms of both the proposed reforms of child benefits and the lack of consultation were voiced by diverse organizations, including the Congress of South African Trade Unions (COSATU), the Southern African Catholic Bishops' Conference (SACBC), the South African Council of Churches (SACC), the Institute for Democracy in South Africa (IDASA), the South African NGO Coalition (SANGOCO), the Black Sash, and the statutory Commission for Gender Equality and Human Rights Commission. The proposed reforms of child benefits were said to be "ill-conceived and

¹¹ For example, see International Monetary Fund, *South Africa: Selected Issues* (Washington D.C.: IMF, African Department, 1995).

¹² *Report of the Lund Committee on Child and Family Support*, August 1996.

inadequate”, the proposed benefit levels were said to be “miserly”, and the welfare minister (Geraldine Fraser-Moleketi) was said to be as stubborn as former British Prime Minister Margaret Thatcher. As one NGO activist said, “the Minister must go back to Cabinet and demand that the Department of Finance give her the resources she needs to implement a decent system of child welfare”.¹³

The child benefit reforms sat uneasily with some of the rhetoric and procedures entailed in the Department of Welfare’s new *White Paper on Social Welfare*. The White Paper was published in early 1997 after some consultation. Much of the rhetoric was in line with the ambitions of the RDP: “The government is committed to the provision of a comprehensive social security system’, including ‘comprehensive social assistance to those without other means of support, such as a general means tested social assistance scheme. ... There will be universal access to an integrated and sustainable social security system. Every South African should have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimum acceptable standards”.¹⁴ As critics pointed out, the Lund Committee’s proposals did not seem to accord with the ambitions expressed in the White Paper which included no specific proposals on how to achieve its ambitions. It thus did little to offset the effects of GEAR and the Lund Report, with the result that in early 1997 the ANC’s allies on the left were moving toward a more combative relationship with the ANC-led government.

COSATU, indeed, charged that the White Paper did not go nearly far enough in addressing poverty. Through lobbying the parliamentary portfolio committee the unions secured some rhetorical amendments to the White Paper, including a commitment by the Welfare Department to develop social security policy through

¹³ *Poverty Profile* (Cape Town: IDASA, April 1997); *Mail and Guardian*, 25 April 1997, 9 May 1997. See also Krista Johnson, ‘The Trade-offs between Distributive Equity and Democratic Process: The Case of Child Welfare Reform in South Africa’, *African Studies Review* 43,3 (December 2000).

¹⁴ Ministry for Welfare and Population Development, *White Paper for Social Welfare* (February 1997), Chapter 7, para. 26 and 27, p.33.

consultation with labour and other players. COSATU was said to be “very concerned” that the government had not developed a comprehensive welfare system, and reportedly proposed the introduction of a general, means-tested social assistance scheme.¹⁵

Assessing that the government had become distracted from the issue of immediate poverty, organizations in civil society convened a Speak Out on Poverty campaign. Between March and June 1998, hearings were held on poverty across the country. The Human Rights Commission, the Commission for Gender Equality and SANGOCO, organized the campaign. The campaign publicized the extent of poverty and disappointment with the government’s performance since 1994:

In all provinces there were many stories of how people’s expectations had been disappointed after promises from both government and non-government sources. There were also many stories where delivery had occurred, but had not been of the quality, which people had expected.¹⁶

The campaign also commissioned briefing papers on aspects of poverty. One paper focused on social security; after reviewing the history and current status of welfare provision, the paper used the examples of the child benefit grants and minor reforms of the old-age pensions to show the negative effects of GEAR on welfare.¹⁷ Criticism of the “neo-liberal” GEAR strategy in general thus infused the debate about welfare in particular.

¹⁵ *Cape Times*, 19 February 1997.

¹⁶ Debbie Budlender (ed.), *The People’s Voices: National Speak Out on Poverty Hearings, March-June 1998* (July 1998), p.3.

¹⁷ Sandy Liebenberg and Alison Tilley, *Poverty and Social Security in South Africa*, Poverty Hearings Background Paper (SANGOCO, May 1998).

The “Speak Out on Poverty” hearings do not seem to have generated any call for a basic income grant in particular. The first major call for a BIG came from a parallel initiative.¹⁸ In 1998, after sustained procrastination, the government finally convened a Presidential Jobs Summit to examine its responses to unemployment. Poverty in South Africa is primarily the result of unemployment in a society where the subsistence agricultural and informal sectors are very small. It is unemployment that has exposed a huge hole in an otherwise generous welfare system. Representatives of business argued at the summit for greater labour market flexibility. The unions, NGOs and community organizations called for more labour market protection and an expanded welfare system that included income support for all. At the summit, COSATU tabled the idea of a universal grant.¹⁹

At the close of the summit the various participants - representing labour, business, government and the community - committed themselves “to implementing a comprehensive social security system, aimed especially at those living in poverty and the unemployed. A basic income grant may be considered as part of such a system. The process to reach agreement on the elements of such a system should begin with an investigation.”²⁰

Business and government appear to have been reticent about COSATU's proposed BIG. But COSATU kept promoting the idea, securing discussion in the corporatist National Economic, Development and Labour Council (NEDLAC) in 1999 and then again in February 2000 at a conference on jobs and the economy.

¹⁸ We have found some earlier calls for a BIG: First by the libertarian Leon Louw (“dozen popular South African Myths”, in McGregor’s *Economic Alternatives*, 1990) and soon after by economist Roukens de Lange (*Sunday Star*, 2 June 1991) and trade unionist Jeremy Baskin (cited by Roukens de Lange in an article on the website <http://www.sane.org.za/docs/views/showviews.asp?ID=44>).

¹⁹ Summary of Jobs Summit Declaration. See full document at www.cosatu.org.za/press/. Other summit documents are available on www.polity.org.za/govdocs/summit/jobsummit.html.

²⁰ Summary of Job Summit Declaration, www.cosatu.org.za/press/.

Under pressure from the trade unions, relevant government departments began to explore the possibility of a basic income grant of some kind. An inter-departmental task team was appointed to examine welfare reform. In January 2000, the new Welfare Minister, Zola Skweyiya suggested that the price tag attached to a new grant might be R7 billion, i.e. about 40 per cent again of the then R17 billion paid out annually to pensioners etc.²¹ He clearly had in mind a scheme that would be efficiently targeted on the poor.²² In March the relevant cabinet ministers reviewed the recommendations of the inter-departmental task team. The task team's report has not, to our knowledge, been made public,²³ although Skweyiya announced that it had "identified crucial gaps and structural flaws in the current social security system".²⁴ The government responded by announcing, in March, the appointment of a public Committee of Inquiry into a Comprehensive System of Social Security for South Africa. The Committee would be chaired by Vivienne Taylor, a professor in the Department of Social Development at the University of Cape Town and a special advisor to Zola Skweyiya, and hence became known as the Taylor Committee.²⁵

The appointment of the Taylor Committee provided the government with an opportunity to restate its commitments in the area of social policy. The government declared that it was committed to:

- the elimination of poverty and the establishment of a reasonable, and widely acceptable, distribution of income;

²¹ *Mail and Guardian*, 21 Jan 2000.

²² In an article in the press, Haroon Borat of UCT suggested that a BIG be more precisely or selectively targeted e.g. on unemployed people in rural areas over the age of forty or people who lost their jobs because of structural changes in the economy (*Mail and Guardian*, 4 Feb 2000).

²³ Some recommendations are listed in the Taylor Report, p.9.

²⁴ "Statement by Dr. Zola Skweyiya, Minister for Welfare, Population and Development, on the Appointment of a Ministerial Committee of Inquiry into Social Security" (31 March 2000).

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- the provision of a reasonable income in old age;
 - the provision of affordable, decent and effective health care for all;
 - full employment, or if this proves not possible, an adequate system of unemployment benefits.²⁶

The Taylor Committee was enjoined to recommend reforms with a view to both long-term ambition and immediate affordability. There does not appear to have been any explicit mention of a BIG in the Terms of Reference.²⁷

The Committee's members were supposed "experts in various areas of social security, social sector reform and finance", with more or less equal numbers of university-based academics and civil servants. The academics comprised Vivienne Taylor, Pieter Le Roux from the Institute of Social Development at the University of the Western Cape, Charles Meth from the Economics Department at the University of Natal in Durban, Guy Mhone from the Graduate School of Public and Development Management at the University of the Witwatersrand and Anthony Asher from the Department of Statistics and Actuarial Science at the University of the Witwatersrand.²⁸ The civil servants included senior officials from the Departments of Welfare, Health, Finance, Labour and Transport. The final members of the Committee were Ravi Naidoo, the director of the trade union think-tank NALEDI, and Mike Masutha, a Member of Parliament.

Much of the momentum behind the BIG came from organizations in civil society, including especially the churches, the trade unions and the development-

²⁵ Vivienne Taylor was a former exile with good connections to the ANC. She had been a strong critic of the child benefit reforms in 1997 - see her article in IDASA's *Poverty Profile*. As she was out of the country for the very final stages of report writing, the chair was taken over by Mike Masutha.

²⁶ "Statement by Dr. Zola Skweyiya ..."

²⁷ See Taylor Report, pp.10-11.

oriented NGO Coalition (SANGOCO, formed in 1995). These were organizations with strong links to the ANC, both historically and in the present. They also shared skepticism about the ANC's capacity to deliver the promised reconstruction and development given its commitment to GEAR. As the Taylor Committee was working, COSATU led efforts to develop an explicit alternative to GEAR, with a BIG playing an integral role in this alternative. At the end of 2000, COSATU called on the government to introduce legislation in the 2001 parliamentary session to establish a BIG.²⁹ COSATU also joined with the SACC and SANGOCO in formulating a "People's Budget", with increased social spending including the introduction of a BIG (set at between R100 and R200 per month per individual, offset against other grants).³⁰ Together with the SACBC, these organizations formed an Anti-Poverty Coalition, to challenge the power of "a few faceless and unaccountable advisors" in policy making; they adopted the slogan "Speak Out on the Budget", in direct imitation of their earlier "Speak Out on Poverty" campaign.³¹

In July 2001, twelve organizations, spearheaded by COSATU, SACC and SANGOCO, formed a BIG Coalition.³² Offering human rights, economic and social arguments in support, the BIG Coalition argued for a BIG that was not means tested, extended from the cradle to the grave, and was inflation indexed; it should be set at no less than R100 per month on introduction. The Coalition argued that this amount would "nearly triple the average per capita transfer to

²⁸ Francie Lund from the University of Natal in Durban was appointed, but unable to participate in the Commission because of prior commitments elsewhere.

²⁹ COSATU 7th National Congress Resolution no 5 September 2000.

³⁰ *The People's Budget, 2001*, See www.cosatu.org.za/docs/2001/pbud2001.html.

³¹ "Speak Out on the Budget", on www.sangoco.org.za/progs/pro_poor/budget.html.

³² The members include: Alliance for Children's Entitlement to Social Security (ACCESS), Black Sash, Child Health Policy Institute, Congress of South African Trade Unions (Cosatu), Development Resources Centre, Ecumenical Service for Socio-Economic Transformation (ESSET), Gender Advocacy Programme, Community Law Centre UWC (Socio-Economic Rights Project), Southern African Catholic Bishops' Conference, South African Council of Churches (SACC), South African National NGO Coalition (SANGOCO), Treatment Action Campaign (TAC).

poor households, thereby closing the poverty gap by more than 80 per cent.”³³ In terms of delivery, the Coalition recommended the use of public institutions such as community Post Banks. The grant would be financed progressively through new taxes (so that other areas of expenditure would not be squeezed). On Budget Day, 20 February 2002, three thousand supporters of the BIG Coalition and one of its member bodies, the Treatment Action Campaign, marched on Parliament to deliver a memorandum to the president.

The momentum behind a BIG came primarily from organizations in civil society, but a curious array of political parties lined up in support. On the left, the South African Communist Party (SACP) - an ally of the ANC, through the Tripartite Alliance - lent its support to a BIG. The SACP argued “we need to seriously consider the question of a basic income grant for unemployed people. A basic income grant will boost local economies and help our people to provide for their basic needs”.³⁴ At the same time, the official opposition party, the Democratic Alliance, also supported the introduction of a BIG (as we shall examine further below).

3. The Taylor Committee Report

The Taylor Committee held hearings, consulted international experts, solicited submissions, commissioned research, and called on academics to help draft the report. Sub-committees investigated specific issues. After repeated delays, the Committee handed their report to the government in March 2002, and it was published two months later.

The first three substantive chapters set out the context. Chapter 2 sets out the challenge posed by poverty, noting the importance of unemployment, the lack of

³³ <http://gate.cosatu.org.za/pipermail/press/2001-July/000073.html>

provision for most unemployed people, and the changing nature of inequality in the 1990s.³⁵ Chapter 3 sets out a conceptual approach to a comprehensive social welfare system. Chapter 4 identifies the constitutional and legal framework for welfare. The following chapters examine various areas of policy, beginning (in Chapter 5) with social assistance schemes including the proposed basic income grant. The Report notes the success of the old-age pension but the disappointing take-up of the child support grant (as well as the tight age limits on eligibility). There is almost no assistance for most poor households without pensioners. “Clearly”, the Report finds, “South Africa’s social safety net has a very loose weave”.³⁶ Even if there was to be a 100 per cent take-up of existing schemes, over half the population would still live below the poverty line. This finding led the Committee to propose the introduction of a BIG set at R100 per person per month. Whereas at present social assistance schemes reduce the poverty gap by just 23 per cent, and full take-up would reduce it by 37 per cent, the introduction of a basic income grant would reduce the poverty gap by as much as 74 per cent with over six million people raised above the poverty line. The Committee, however, recommended against an immediate implementation, favouring instead a phased implementation. In the first phase coverage would be limited to children (up to the age of eighteen). Only in the second phase, from 2005, would coverage be extended to adults. Chapter 6 examines unemployment, and recommends a massive expansion of low-wage public works programmes. The following chapters examine the needs of children, health care, retirement, the needs of the disabled. The final significant chapter examines finances, although it avoided any recommendations with regard to taxation. The Committee did find that “there is evidence of sufficient fiscal capacity for improved social sector spending without adverse macro-economic impacts”.

³⁴ See www.sacp.org.za/docs/speeches/2000/add0427.html

³⁵ Much of this chapter is drawn from work drafted by Nicoli Nattrass, drawing on research by her and Jeremy Seekings. In the process of rewriting by the Committee, numerous inconsistencies and errors crept into the text.

³⁶ Taylor Report, para 5.3.1.3, p.59.

The Taylor Report presents a clear case for a BIG. Unsurprisingly, it received an enthusiastic reception from the BIG Coalition. The Coalition described the Report as “one of the most revolutionary events in the life of our nation since the first democratic elections in 1994. It marks a critical moment in the humanization of society”.

The litmus test of any society is the manner in which it cares for its most vulnerable members. The Taylor Committee has articulated an attainable vision of a comprehensive social protection package that can weave a tighter and stronger social safety net for all South Africans. The BIG is a central pillar of this package. The national debate on social security should no longer be focused on whether we implement a BIG, but rather on how we do so.³⁷

The response from government was less positive. In November 2001, the press reported that the Taylor Committee had handed over its report to the government, and that the government was stalling because of the recommendation of a BIG. It seems that a provisional report had been submitted and had indeed prompted criticism from some parts of the state. Pressure was exerted on the Committee to revise its recommendations. Faced with the prospect of minority reports endorsing the BIG if the main report backed down, the Committee appears to have stuck to its guns. Meanwhile, it seems that the Department of Finance commissioned research on the flaws in the Taylor Report.

The final report was submitted in March, without any minority deviations. The Cabinet decided, at the end of April, to publish the report and solicit public comment before deciding how to respond. The report was duly published at the beginning of May, and written submissions accepted up to mid-June.³⁸ A special

³⁷Press statement by BIG Coalition, 16 May 2002, www.cosatu.org.za/press/2002/BIG_Coalition/19803.html.

³⁸The brevity of the period in which submissions had to be made was noted, and criticized, by a range of organizations in civil society.

Ministerial Committee, comprising the Ministers of Social Development, Health, Finance, Labour, Transport and the Presidency, was tasked with assessing the report.

Whilst there is no explicit overall government position yet, some of the ministers concerned have made comments to the press. It is very clear that the South African state is far from monolithic in its position on welfare reform. In November 2001, Zola Skweyiya acknowledged that a “basic income grant system is one of the excellent ideas we might consider introducing during the 2002 budget term”.³⁹ Although the 2002 Budget made no provision for the introduction of a BIG, it appears that the Department of Social Development (as the welfare ministry is now called) sees some kind of a BIG as a solution to South Africa’s welfare needs. In an interview in April 2002, Skweyiya commented “nobody disputes the call for a Basic Income Grant. Nobody disputes that we need a comprehensive social security system in SA”.⁴⁰

But while the Minister may support the BIG in theory, his department’s ability to deliver on the current system precludes his being situated on the “pro” side of the debate. He has admitted that financing a BIG is less of an obstacle than administering it:

The system is not there, we need to create the system. I am not talking about the money part of it all, but the ability to be able to manage, that is not a small thing...We have problems now distributing pensions to the elderly only and children. The system is not up to date at the present moment. Can you imagine if we have to give this (Basic Income Grant) to

³⁹ Mbulelo Musi, spokesman for the Social Development Ministry. See www.dispatch.co.za/2001/11/06/southafrica/GBASIC.htm

⁴⁰ www.health-e.org.za/view.php3?id=20020426, interview with Anso Thom, 30 April 2002.

almost everybody? Will it ever be able to administer and manage that within two months? Do we have a civil service that is able to do that?⁴¹

Another factor contributing to the tempered support for BIG proposals is the profound paradigm shift in the Department away from a traditional “hand-out” approach to welfare to promoting self-sufficiency and sustainable development. This is reflected in the Department’s Ten-Point Plan, adopted after a national consultation process in January 2000 to guide its policies and programmes. Referring to the development of a comprehensive social security system, which “must reduce dependency on non-contributory cash payments and give consideration to food security”⁴² the Plan reflects both a “deserving poor mentality” and a conception that the destitute are incapable of managing money responsibly and will drink the BIG and fail to seek work.⁴³

The Department of Finance has a much more negative take on the BIG, arguing that it is unaffordable. In the face of repeated questions as to why more had not been done for the poor in the 2002 budget, the Minister (Trevor Manuel) replied that he had read up as much as he could about the thinking behind the BIG proposal but had “failed to come away with any reassurance that giving R100 a month to every one of South Africa’s 46 million people would be financially sustainable or would reach the right people”.⁴⁴ Without doubt the biggest obstacle to the implementation of a BIG, the treasury’s opposition to the grant on the basis of cost implications to the fiscus has been accused of being a “mask” for its “ideological positions on developmental priorities”.⁴⁵ The Department of Finance clearly sees itself as defending fiscal responsibility (i.e. austerity or conservatism)

⁴¹ Ibid.

⁴² Department of Social Development, *The Ten Point Plan* (2000), pt 3.

⁴³ See for example Margaret Legum, www.sane.org.za/docs/views/showviews.asp?ID=27

⁴⁴ *Business Report* 22 February 2002.

⁴⁵ *Business Report* 19 May 2002.

against a reckless “economic populism”⁴⁶ that would deter foreign investors and erode economic growth. Hostility to BIG is voiced also by some of the provincial finance ministers. In Gauteng province, for example, the ANC minister has opposed the BIG, saying that what is needed instead is simply economic growth, political stability and an effective state.⁴⁷ This has led to some extraordinary exchanges in Parliament, such as when the ANC Minister of Finance defends his scepticism over BIG against pro-BIG comments from MPs from the DA. It is most likely due to an effort to prevent this perception that the government, pushed primarily by the Department of Finance, has attempted to discourage public debate on the BIG.

The Department of Finance is not the only government department caught between the proverbial rock and a hard place in terms of supporting or rejecting calls for a BIG. With poverty and HIV/Aids placing ever-increasing pressure on the Department of Health’s resources, any strategy that can reduce poverty (and thus the burden of free health provision) must be embraced. In her budget speech this year, Minister of Health Dr Manto Tshabala-Msimang pointed out that “We, the developing nations, have successfully argued on the international stage that health care must be seen as a weapon in the war on poverty - and we now have a duty to live by the same rules within our borders”.⁴⁸ In arguing that a critical yardstick of whether policies really promote the interests of the poor is how well the risks to good health are managed, she implicitly acquiesced with proponents of the BIG who believe that it is the system most effective against the HIV/Aids pandemic.

At the same time, it is important to understand that outright support for the BIG from the Department of Health is precluded. On an official level, the strict party discipline of the ANC ensures that the government presents a united front,

⁴⁶ *Business Report* 19 May 2002.

⁴⁷ *Business Day* date?

even if the department itself wanted to adopt an alternative position. On a personal level, there is a history of consummate support between the Minister of Health and the President.⁴⁹

The Department of Labour's stance on the issue is similarly complicated. Unemployment is the biggest contributor to the significant poverty in the country but because of the institutional and political power of the trade union movement, substantial reform of the labour market in order to promote employment is not possible. As a result, the option of targeted employment has been pursued. But while current public works programmes are being used to good effect in terms of creating employment, the scale of the unemployment problem and the administrative difficulties involved in radically expanding the programme means that this cannot be the only means of plugging the welfare gap. The Department too has recognized the importance of "improving the delivery and cost-efficiency in social security systems and ensuring greater accessibility of social and infrastructure services".⁵⁰ In line with this, because it could reduce poverty and promote growth (and thus employment opportunities), one would expect the Department to support calls for a BIG. But if there is support, it is not overt - again related to the policy of the ANC to close ranks around controversial issues.

As the issue of social security is an inter-sectoral one, the position of a number of government departments affect the extent to which, if any, calls for a BIG will be successful. Due to the mixed messages emanating from these departments, it is difficult to categorize them as supporters or detractors of BIG proposals. Indeed, even the Department of Defence has been drawn into the fray as both the official opposition and a number of civil society organizations have

⁴⁸ National Assembly, 4 June 2002, <http://196.36.153.56/doh/mediaroom/index.html>

⁴⁹ For example, the curious official policy on HIV/Aids has been exacerbated by the Department of Health's support for President Mbeki's dissident views on Aids.

⁵⁰ <http://www.labour.gov.za/docs/policy/jobsframework1.html>

countered government's claims that the BIG is unaffordable with calls to cancel the controversial multi-billion Rand arms deal!

Perhaps the most telling government response to date came from government spokesman Joel Netshitenzhe in July. Netshitenzhe said that the Cabinet, which had just discussed the Taylor Report, was moving toward a rather different "philosophy" to that underlying the report. Only the disabled or sick should receive "hand-outs", whilst able-bodied adults should "enjoy the opportunity, the dignity and the rewards of work". The emphasis should be on creating work opportunities, through a massive public works programme and renewed support for small businesses. There was no possibility of introducing any new grant before the 2004-05 financial year, Netshitenzhe said. In essence, the government's position seems to be to delay, requiring further discussion (including at the Growth and Development Summit planned for 2003) and investigation. Unsurprisingly, supporters of the BIG - including COSATU - were critical of Netshitenzhe's position.⁵¹

Ultimately, in taking a position on the BIG, government departments find themselves having to perform precarious balancing acts - internal demands against international pressures, moral considerations against practical constraints, state responsibilities against party allegiances. Even the Presidency is not insulated from this knife-edge: as a chief architect of Nepad and the current president of the African Union, President Thabo Mbeki has been criticized for expecting the developed world to come to the aid of the continent when he refuses to come to the aid of the country. Similarly, Netshitenzhe has a hard time justifying the dismissal of the BIG on the grounds that the cabinet's "philosophical approach is different" when Deputy-President Jacob Zuma, as chairman of the Moral Regeneration Movement, has articulated a commitment to improve the state of

⁵¹ *Sunday Times*, 28 July.

South African society, the degeneration of which is posited to be directly related to the levels of poverty.⁵²

Given the age-old axiom that one cannot please all of the people all of the time, it would seem that the government's intention is to accord proposals for a BIG enough attention to keep South African civil society (and the tripartite alliance partners) placated, but not enough to make the introduction of a BIG a reality.

4. Trade unions and the socialization of welfare

South Africa's trade unions (and union-linked intellectuals) have played the leading role in calls for a BIG. This unusual stance on the part of a relatively privileged section of society (with trade unions having very few members in the poorest half of the population) may be driven in part by altruism, but it also has a clear rational base in self-interest. Trade union members stand to gain financially from the socialization of welfare even if most of the recipients are not members of trade unions and even if trade union members end up paying more in taxes, negating in whole or in part the direct benefits of a basic income grant. This is largely because of the persistence of a private welfare system in South Africa, in the form of remittances, and the relationship between public welfare transfers and remittances. In addition, an emphasis of the social wage allows unions to defend high wages (and a high wage growth path) against criticisms that there is a trade-off between high wages and job creation (such that high wages are bad for the poor and inequality). Moral concerns and self-interest combine to push the unions toward welfare reforms that are, in the first instance, pro-poor.

⁵² www.gov.za/speeches/zuma/april2002

As the trade unions and their ideologues frequently point out, the “working-class” plays a major role in mitigating poverty in South Africa through the private welfare system of remittances. For example, the Labour Caucus at NEDLAC claimed “it is the employed workers who provide the social security net for the unemployed. ... Given the absence of a publicly-funded welfare net in South Africa, workers provide accommodation, food and other help to the unemployed family members”,⁵³ whilst Torres writes that “there is no doubt as to who is currently carrying the major burden of redistribution”, it is the working class.⁵⁴ Such statements are clearly true if one combines *intra*- and *inter*-household transfers. The former are very clearly a major source of support for the unemployed, given that almost half (47 percent) of the unemployed live in households with at least one formal sector wageworker.⁵⁵ Household-level surveys provide no data on such transfers, but they do provide data on inter-household transfers, including remittances sent by migrants to rural kin. Approximately 5 per cent of all wage income in South Africa is remitted to other households. The recipients are concentrated among the poor (although one half of the total value of remittances accrue to households with above median income), whilst the remitters are almost all in the top half of the income distribution. Overall, therefore, remittances serve to transfer income from the richer half of the population to the poorer half. The first two columns of Table 1 show the distribution of remittances received and sent by income quintile, with the third column showing the approximate net transfer of remittances (with a figure less than zero indicating that the decile was a net recipient of remittances, receiving a larger share than it sent). They show that remittances serve to redistribute from the richer half of the population (including trade union members) to the poorer half.

Table 1. Distribution of remittances and taxes, 1993

⁵³ Quoted in Haroon Borat and Murray Leibbrandt, ‘Understanding Unemployment: The Relationship Between the Employed and the Jobless’, in Jeremy Baskin (ed.), *Against the Current* (Johannesburg: Ravan, 1996), p.144.

⁵⁴ Torres, ... *South African Labour Bulletin* (1996), p87.

⁵⁵ Borat and Leibbrandt, *op. cit.*, pp.154-5.

Income quintile	Share of remittances sent (%)	Share of remittances received (%)	Share of remittances sent less share received	Share of VAT paid (%)	Share of income taxes paid (%)
1 (poor)	4	20	16	2	0
2	11	25	14	3	0
3	29	23	- 6	6	0
4	29	20	- 9	14	5
5 (rich)	27	11	-16	75	94

Source: Columns 1-3: our calculations, using SALDRU 1993 data; Columns 4-5: McGrath, Janisch and Horner, "Redistribution through the fiscal system in the South African economy", paper presented to the Economics Society of South Africa conference, Potchefstroom (September 1997).

Trade unions clearly support the socialization of welfare because they prefer the burden of supporting the poor to be shouldered by taxpayers rather than by their own members. The fourth and fifth columns of Table 1 show the incidence of VAT and income taxes respectively. They show that the top quintile pays the lion's share of both forms of taxation, primarily because of course its share of income and expenditure is so high. The income quintiles in which trade union members fall pay small shares of total taxation. Shifting from a private remittance-based welfare system to a public welfare system (such as a BIG) funded out of taxation serves to narrow the burden from the richest half of the population in general to the richest quintile in particular.

In the face of a new welfare system that helps to support their dependents, trade union members might choose not to reduce their remittances. There is weak evidence from survey data suggesting that public welfare transfers do have what economists call a "crowding-out effect" on remittances: as pensions rose in value, so remitters chose to send less back to their families, presumably on the grounds that increased pensions meant that rural relatives were less in need than they had been before.⁵⁶ The socialization of welfare makes complete sense to trade unions, even if their members will not gain significantly from the BIG, if it would relieve them of some of the responsibility for looking after the poor. It is rational for

⁵⁶ See Dori Posel, "Altruism, Kin Selection and Intra-Family Transfers: Evidence from Remittance Behaviour in South Africa", unpublished paper, Princeton University (2000).

South African trade unions to adopt a pro-reform position, unlike their Brazilian counterparts, because of the prospective benefits of the socialization of welfare on the workers who currently remit shares of their wages.

A similar logic can drive business interests to support the socialization of welfare. Korpi, Przeworski and Esping-Andersen may have emphasized the role of labour in securing a social democratic welfare state in Scandinavia and elsewhere in the twentieth century, but subsequent work by Swenson shows that labour can find allies among their employers. Key sections of Swedish capital was supportive of social democracy because it offered the prospect of socialising welfare provision, which meant that the social wage was larger than the wages paid by employers, as well as facilitating centralized solutions to industrial unrest.⁵⁷ A partially similar logic helps to explain why South African mining capital was not hostile to the extension of old age pensions to African people in 1944.

The redistributive impact of a BIG probably depends less on how it is financed than on the indirect effects on remittances. The system of financing does matter and is a political and politicised issue. How much should be financed out of additional taxes and how much out of borrowing? And what new taxes should be introduced? Borrowing transfers the costs to future tax-payers (and citizens in general, if there are indirect economic benefits or costs). Increased income taxes impose the burden on the top income quintile (if marginal rates are increased at the top end) or on the top two quintiles (if marginal tax rates are increased across the board, so as to broaden the income tax base). Increased sales or excise taxes spread the burden across a wider range of quintiles, although the top quintiles continue to pay the lion's share.

⁵⁷ Peter Swenson, "Bringing Capital Back In, or Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden", *World Politics* 43,4 (1991), and "Varieties of Capitalist Interests and Illusions of State Power: Employers in the Making of the Swedish and American Welfare States", paper presented at the conference on Distribution and Democracy, Yale (November 1999).

At the 1998 Presidential Jobs Summit, COSATU proposed that the tax system would be used to retrieve the grant from middle-income earners (a “claw-back”), and a progressive “solidarity tax” imposed on higher income earners. In other words, the typical trade union member would have the grant clawed back in tax, but the professional and the company executive and the senior civil servant would be taxed heavily. Thus although the grant would be paid universally, it would in fact be targeted at the poor and be redistributive in effect.⁵⁸ The People’s Budget documents propose much the same financing arrangement. The DA also proposes using the tax system as a disincentive for high-income earners to apply for the BIG. But it would be rational for the DA to favour indirect taxes (especially VAT) or broadening the income tax base over a solidarity grant or borrowing.

The Taylor Report says nothing about taxation. This is curious, since it could clearly fall within its brief, and the Committee did commission work on financing arrangements. It is rumoured that the Committee was leaned on by the Department of Finance not to consider tax choices, because that is Finance’s jurisdiction. If so, it must have been irritating for the Committee to read or hear the Minister of Finance’s criticism that the BIG was unaffordable.

The second reasons why unions have a real interest in welfare reform is their need for a defence against the criticism that high wages are bad for job creation and hence protect poverty and inequality. Union-linked intellectuals are clearly alert to this criticism. Arguments in favour of the unions adopting the approach of “social movement unionism” or “social dialogue” typically acknowledge the risks of unions becoming the vehicles for protecting a labour elite.⁵⁹

⁵⁸ Summary of Jobs Summit Declaration. See full document at www.cosatu.org.za/press/

⁵⁹ See, for example, Ravi Naidoo, “Poverty alleviation through social dialogue: The role of trade unions in South Africa”, paper prepared for the Bureau of Workers’ Activities of the ILO, Addis Ababa (available on the NALEDI website, www.naledi.org.za).

5. The Democratic Alliance and business

A less important source of support for a BIG is the largest opposition party, the Democratic Alliance. The DA draws almost all of its support from the more privileged white, coloured and Indian sections of the population, i.e. sections of society that would shoulder a large share of the tax cost. But the DA's support for a pro-poor policy is not altogether surprising considering the history of its predecessor (the Democratic Party, and before that the Progressive Federal Party) as a champion of human rights throughout apartheid.

The DA first discussed a basic income grant privately in late 1999, and publicly in February 2000. A year later, formal proposals for a basic income grant were released in the Democratic Party's Budget Proposals for 2000/01. Supporting the Copenhagen Declaration (1995), the DA emphasizes the need to create an enabling environment for poverty eradication and to promote full employment, social integration and gender equality. In its policy documents on social development, the DA argues "welfare must always be the last resort...[but] that in South Africa, where the burden of poverty is so great, social services are the only lifeline for many and the consequences of an inefficient system extend very far into the fabric of society".⁶⁰

The DA believes that unemployment, "undoubtedly South Africa's most serious economic problem"⁶¹ lies at the root of the high crime rate, high level of poverty, skewed distribution of income and increasing social problems. While it believes that "private enterprise is the key to job creation [requiring] massive deregulation of the labour market as an economic priority",⁶² it does accept that

⁶⁰ www.da.org.za/SA/Site/Eng/policies/Docs/Social.htm

⁶¹ www.da.org.za/SA/Site/Eng/policies/Docs/Labour.htm

⁶² Ibid

social security offers the “most direct poverty reduction strategy”.⁶³ In terms of social security, the DA supports a comprehensive system in which there is social old age pensions, disability grants, care dependency and foster care grants. The DA believes that child support grants should be extended to all children under sixteen and that incentive schemes for extended families must be investigated in order to look after the needs and children infected and affected by HIV/Aids.

With regard to the gap in the current welfare system, where the youth are most affected, the DA proposes to focus on the development of skills and youth training. For the last two years they have proposed a voucher scheme to give poor school-leavers access to training or further education or provide them with guidance and start-up costs for small businesses. In terms of this proposal, an Opportunity Voucher to the value of R3 000 (about \$285) would be made available to each of 300,000 matriculants, and a further 200,000 young unemployed people, every year for five years. The voucher would be funded out of the state Umsombovu Fund⁶⁴ and other public sources. Recipients would be able to trade the Opportunity Voucher for training and education at any accredited institution, for the purposes of starting a micro-enterprise, or in exchange for wages from an accredited employer. The DA argues that because recipients are able to decide for themselves how to use the vouchers, the effectiveness of the system is maximized, and its administration is simplified.

But in the context of high unemployment and jobless growth, even after taking care of the needs of the sick, disabled and elderly, and children without support structures, there are many who fall outside the poverty net. It is for this reason that the DA, in February 2001, proposed to pay a “basic subsistence grant” of R110 per month to every person with an annual income of R7,000 (\$666) a year or less. According to this proposal, the income tax system would be used to

⁶³ www.da.org.za/SA/Site/Eng/policies/Docs/Social.htm

⁶⁴ This fund was established to alleviate poverty and unemployment and R855m was allocated to the fund in 1999/2000, which according to the South Africa survey 2000/2001, had not been spent.

make it uneconomic for people who do not qualify to apply, and a maximum amount of R400 (\$38) per month would be payable to any one family. The cost would be financed through an increase of 1 per cent in VAT, with a limit on the total amount available for paying this grant set at 0.75 per cent of the total amount of additional VAT collected. A six-month period would be used for applicants to register and for the government to gain an indication of how many people would be on the scheme, so that a monthly amount could be determined.

The DA proposal stresses the importance that this grant, essentially “survival assistance”, is administered as cheaply as possible and that it does not become a deterrent to obtaining employment.⁶⁵ At the same time as it proposes a BIG, the DA also supports an expanded public works programme “based on the assumption that the market economy is the best vehicle for delivery”.⁶⁶ It proposes the outsourcing of maintenance, private sector partnerships in managing public works, the decentralization of most functions and obligations of the Department of Public Works to the provinces and the institution of “proper control mechanisms to monitor consultants and tender procedures”.⁶⁷

The DA position is at odds with the position of organized business, despite their generally close ties. Organized business has consistently emphasized job creation through economic growth rather than poverty alleviation through state action. In May 1998, Business South Africa (BSA) submitted proposals “towards

⁶⁵ A critical problem in South Africa, according to the DA, is that the current systems are complicated and inefficient, both in terms of recipients’ access to grants, and in terms of the state’s ability to administer them. It proposes that claim forms should be simplified, that increases in the amount for most grants should take the form of food vouchers, payments should be staggered, the use of swipe-cards should be investigated, and conditions at pay points require improvement. It also stresses the need for a campaign to make people aware of the benefits of a bank account, in conjunction with a system of incentives for the opening of bank accounts, must be implemented. Most importantly, the DA believes that it is essential to establish partnerships between the government, civil society and the private sector resulting in an integrated, inter-sectoral approach to social development and poverty eradication. See www.da.org.za/DA/Site/Eng/Policies/Docs/Social.htm

⁶⁶ www.da.org.za/DA/Site/Eng/Policies/Docs/Pub-Works.htm

⁶⁷ Ibid.

an agenda for the presidential Job Summit” to be held in October that year. In its submission, BSA stated that it was “unequivocally committed to employment growth in South Africa”.⁶⁸ It described the policies adopted by the new government as “broadly appropriate for re-integrating South African into the global economy” and recognized that GEAR was an “important milestone” in achieving “significant further progress”.⁶⁹ Central to BSA’s proposals was the role that small businesses and the informal sector can play in alleviating poverty and creating employment. BSA’s submission at the Job Summit emphasized stability and growth through the maintenance of fiscal discipline throughout government; the maintenance of Reserve Bank independence; ensuring inputs are cost-competitive and creating a competitive tax environment. Given these proposals, it is not surprising that BSA gave the idea of a BIG a lukewarm reception. Instead, BSA proposed that a public works programme be developed which establishes local level projects and prioritizes transferring skills. In terms of helping the “ultra-high unemployed groups” (youth, rural women, unskilled), BSA recommends providing them with a “special dispensation to ease their entry into employment”.⁷⁰

At the Job Summit, BSA again re-iterated the view that the government’s GEAR programme “is the correct policy for South Africa at this time”.⁷¹ Despite acknowledging the need to make a meaningful and lasting contribution to South Africa’s “unemployment crisis”, and to make “inroads in the fight against crime and violence”, there is no mention of the issue of a social security system, or social assistance policies. Instead, in terms of developing a coherent agenda for

⁶⁸ www.polity.org.za/govdocs/summit/subbus.html

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ www.polity.org.za/govdocs/summit/busproposl.html

growth and job creation, BSA emphasized an increase in the rate of privatization and the “appropriate function of labour market policy”.⁷²

The following year, at the Nedlac Summit, BSA’s position was patently opposed to a BIG. It stated “macro-economic affordability must enjoy top priority in any comprehensive social security system”.⁷³ Furthermore, “BSA is fundamentally opposed to a central large social security fund which meets all needs commonly associated with social security. This would be a major inhibitor to economic growth and job creation. There should, as far as possible, be separate funds for separate risks”.⁷⁴

Currently, business seems to be very quiet on the issue of a BIG - perhaps sensing that the government’s opposition to a BIG means that it does not have to voice its concerns. Alternatively, perhaps business simply prefers to concentrate on the issue of privatization and labour market reform, at present losing the battle against COSATU. BSA does propose a “comprehensive business initiative that focuses initially on tourism and education’ seeing this as having the potential to create new short-terms and long-term jobs”.⁷⁵ This programme entails training for the tourism industry, developing business against crime initiatives, encouraging business participation in improving the schooling and skilling systems, and accelerating housing delivery by extending the financing of low cost housing⁷⁶. In terms of financing these programmes, a start-up cost of which is at least R1 billion, BSA suggests setting up a trust with voluntary contributions; legislating that companies listed on the Johannesburg Stock Exchange contribute 0.15 per

⁷² Ibid.

⁷³ Nedlac Summit 1999, Commissions Report, Commission on Social Security www.nedlac.org.za/summit/1999/

Commissions/social-security.htm

⁷⁴ Ibid.

⁷⁵ www.polity.org.za/govdocs/summit/business.html

cent of their total market capitalization and private companies would be asked to donate at least 2 per cent of their after-tax earnings. The housing and micro lender initiatives would be funded through business (banking) and government partnerships.⁷⁷

That the DA supports a BIG when to all intents and purposes, its business constituency opposes it, is not all that surprising. The DA has publicly committed to extending its support base into the black, poor majority, launching itself as “the core of an alternate government in South Africa” and promoting itself as “the Party for the People”, ironically the platform of the ANC in the 1994 elections. To this end, it tends to characterize the government’s reticence to consider a BIG as an indication that the ANC elite is no longer interested in the majority of South Africans.⁷⁸

A number of people have questioned the sincerity of the DA’s support for a BIG, suggesting on the one hand that it is merely part of their campaign strategy of seeking support among black South Africans, on the other that it is simply another example of their adversarial approach to the government, characterized by dubious point-scoring rather than genuine concern. Lending credibility to these suspicions are comments from the DA that “the overarching problem in terms of practical delivery for a BIG is a generally inefficient administration” and that “this sort of institutional collapse needs urgent and immediate attention and simply cannot be used as an excuse to delay or resist the introduction of a BIG”.⁷⁹ Thus despite the DA being a potential political ally of the BIG Coalition, the Coalition is unwilling to utilize the party as a mechanism for lobbying against the government. In any event, the weakness of the DA, both in parliament and in

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ See for example, www.da.org.za/DA/Site/Eng/Speeches/Leon/YouthDay02.htm

⁷⁹ Ibid.

terms of popular support, means that it poses no significant threat to the government on this issue - its role as the official opposition notwithstanding.

6. The Prospects for BIG

How then do the proponents of BIG plan to advance the cause? At its launch, the BIG Coalition mapped out a plan of action, which included “an intensive process of discussion and consultation with a broad range of stakeholders and institutions, inside and outside government”. In the year since its inception, it has made submissions to the Taylor Committee, the Department of Social Development, the Social Services Select Committee, the Portfolio Committee on Social Development, and three major Provincial Legislatures.⁸⁰ The Coalition has also begun engaging with the media, including on community radio stations and the independent television channel e-tv. It has intensified its collaboration with experts from the social and economic sectors and frequently publishes research findings in the press, on its member organizations’ web sites and in its recently launched *Masitye* newsletter. A number of additional organizations have either joined the Coalition or publicly endorsed its work.⁸¹

The Coalition has in recent months refined both its platform document and its strategy. In terms of the former, the Coalition now proposes a phased approach to the BIG: the first phase prioritising access to the grant for children under the age of eighteen with the extension to all South Africans forming the second phase. It has also agreed that a sliding scale may be considered given that needs and

⁸⁰ Western Cape, Gauteng, KwaZulu Natal.

⁸¹ These included Aids Consortium, Age-in-Action, Anglican Diocese of Johannesburg, Co-operative for Research and Education, Diakonia Council of Churches, South Africa New Economic Foundation (SANE), Young Christian Workers National Secretariat.

resources differ according to whether households are sick- or elderly- or child-headed. It has recommended that the computerized system of grant payments proposed by the Department of Social Development (involving the HANIS National Identification System, the Automated Fingerprints System and Population Registration) could be extended to serve the purpose of administering the BIG.

With reference to its strategy refinements, the BIG Coalition is looking to raise the media profile of the BIG and is embarking on a programme of “mass mobilization”. Adopting a green ribbon as the identifying symbol of the BIG, the campaign is beginning to gather momentum at a grassroots level with presentations and workshops being held in townships and rural areas. On 20 February 2002, the BIG Coalition organized a march in which three thousand supporters gathered outside Parliament, to draw attention to the need for a budget more responsive to the needs of the poor. Despite having failed to convince the government to introduce a BIG in both 2001 and 2002, the BIG Coalition has chosen not to adopt an adversarial approach to government. So much so that even though petitions are now being circulated calling on the government to introduce a BIG in the 2003 budget, the Coalition has indicated that it does not expect this to happen, and that it will be satisfied with a commitment from the government to keep the proposal on the agenda.⁸² And when the Cabinet recently announced that it is deferring the final decision on the Taylor recommendations until January 2003, the Coalition decided to ‘cautiously welcome the fact that the Cabinet had not ruled out a BIG’⁸³ and to seek a meeting with the President to clarify the implications of the postponement.

⁸² Interview with Karen Kallman and Isobel Frye of Black Sash, Cape Town, 6 August 2002.

⁸³ Minutes of National Strategy meeting 26-27 July 2002.

Ironically, the BIG Coalition has experienced similar kinds of problems as has the government, in terms of conflicts of interest between the platform of the Coalition on the one hand and the perspectives and positions of individual members on the other. COSATU is a case in point. More than being a founding member of the Coalition and a member of the ruling tripartite alliance, it represents the sector of society, which would benefit most from increasing the public welfare system (directly as beneficiaries of a BIG and indirectly by members being able to reduce their remittances to poorer household members). It remains to be seen whether the strength of COSATU's position with the ANC becomes a weakness for the Coalition - the desirability of protecting its leverage in government may take precedence over the need for the Coalition to adopt a more confrontational approach.

COSATU is in a particularly delicate position but other members of the Coalition are also in push-me-pull-me situations. For example, the Alliance for Children's Entitlement to Social Security (ACCESS) has expressed concern that introducing a BIG will negatively affect the Child Support Grant, both in terms of extending the grant to children over the age of seven and in the actual amount paid to recipients. Similarly, the Treatment Action Campaign (TAC) fears that the government may try to use the BIG as an excuse not to fulfil other obligations, specifically the universal roll out of anti-retroviral for which TAC has fought a long and difficult battle. At present, these potential conflicts are being kept at bay, with the Coalition attempting to accommodate the individual members' positions. Thus while the Gender Advocacy Programme (GAP) as a member of the BIG Coalition is represented in the Coalition's submissions to government, GAP has in its own capacity made submissions to the government concerning the gender imbalances that contribute to poverty in the country.⁸⁴

Tensions between Coalition member organizations have also developed, relating to how the Coalition has been conceived. There is the perception that the

⁸⁴ See *Gap Talk*, Special Edition, 2002.

Coalition is elitist - conducting its campaign via email and expecting member organizations to dedicate already overburdened staff and resources to promoting the BIG.⁸⁵ SANGOCO suggests that while some members of the Coalition are carrying out an “intellectual” campaign in boardrooms and on computers, other members, specifically SANGOCO, are being left to do the “real work” of “educating and mobilising the masses”.⁸⁶ Part of the problem is that the Coalition lacks a formalized structure or framework and this impacts on its institutional capacity. Recognising this, a decision was taken in July 2002 to establish a national steering committee, appoint a national co-ordinator and to consider restructuring the Coalition. It is hoped that this development will reduce pressures on individual organizations and enable the Coalition to take the campaign to “the next level”, which kicks off at the World Summit on Sustainable Development on 3 September 2002.⁸⁷

That a BIG made it on to the agenda in South Africa is an achievement in itself. But the BIG Coalition's strategy - helping government to see that the BIG was the government's idea all along - is unlikely to dent the apparent hostility of the Department of Finance. Some shift in the balance of power within government, between departments, would appear to be necessary for the government as a whole to shift its position. The only actor with significant power to push the BIG forward is COSATU. The unions have good reasons for promoting BIG, but how strongly will they push BIG given their delicate relationship with the ANC within the Tripartite Alliance? On some issues COSATU can be expected to fight strongly: privatization and labour market policies are the most obvious examples, given the vested interests of public sector workers for the former and all current formal sector workers for the latter. The BIG is not as important to the unions as these issues. If the government proceeds

⁸⁵ Interview with Patrick Solomon, South African NGO Coalition, Cape Town, 13 July 2002.

⁸⁶ Ibid.

⁸⁷ A human chain linking a prominent business area with a township to draw attention to BIG.

with its plans to expand public works programmes as an alternative to a BIG, then they are likely to head off strong opposition from COSATU.