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Poverty is not knowing where your next meal is going to come from, and always wondering when the council is going to put your furniture out and always praying that your husband must not lose his job. To me, that is poverty.

(Mrs Witbooi of Philipstown, quoted in Wilson and Ramphele, 1989)

Because we are one another’s keepers, we surely must be haunted by the humiliating suffering which continues to afflict millions of our people. Our nights cannot but be nights of nightmares while millions of our people live in conditions of degrading poverty ... No night can be restful when millions have no jobs, and some are forced to beg, rob and murder to ensure that they and their own do not perish from hunger.

(President Thabo Mbeki, inaugural speech, 1999)

Poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion …

(Declaration of World Summit for Social Development, Copenhagen, 1995)

4.1 Introduction

Tackling poverty and deprivation, and its effects, is a critical challenge facing South Africa. The Reconstruction and Development Programme (RDP) states that:

No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of our democratic government.

(RDP: 1.2.9)

This challenge, in its general sense, is of course not a new one. Poverty, unemployment, inequality and generally high levels of vulnerability have been with South Africa throughout its past. However, the coming into being of a democratic dispensation in 1994, followed by a new Constitution (with a Bill of Socio-economic Rights) in 1996, has presented the nation with a unique opportunity to find a path out of this “nightmare” of poverty and deprivation.
The task of addressing, in the final instance, the reality of poverty and deprivation is generally regarded as a central feature of a country’s social security system. In South Africa, however, up to 60 per cent of the poor are not getting any social security transfers at all. Further, the current social security system, for principally reasons of inherited design, is “archaic, lacks integration, and has many gaps.”

Economic globalisation is posing further challenges through changing labour markets and technological challenges. These changes are displacing full-time regular employment and changing the nature of work. Most new jobs being created are in the “informal sector”, or of a part-time, casual, temporary, or home-based nature. There is thus a growing army of unemployed, underemployed and working poor subsisting alongside a relatively stagnant and pressured permanent workforce. The socio-economic challenge facing South Africa is made more ominous by the danger that the dynamics of globalisation may further fasten (at least in the short to medium term) onto these existing relations of vulnerability and exploitation, and exert pressure to intensify them. The consequences would be growing poverty, inequality, social polarisation, job insecurity, and crime—and a fraying social fabric.

With this scenario in mind, the 1998 Presidential Job Summit—comprising government, labour, business, and community—agreed to “implement an effective comprehensive social security system, aimed especially at those living in poverty and the unemployed”. This agreement aligns well with the needs articulated in the *White Paper for Social Welfare* (1997) and the South African Constitution’s Bill of Rights (especially S27 (1)(c)).

Moreover, the development paths of African economies, and developing countries in general, require a fresh look at social protection systems more appropriate to their environments and needs. The reality is that in the developing world, formal sector employment may never become the norm that it is in Europe. Yet much of what we refer to as “social security” derives from the European experience. This European concept, primarily that of contributory social insurance, took as its basic assumption that social security would develop around formal sector employment. As a result, social security is often described as measures to protect against “loss of (formal wage) income”. Such a conception is therefore of limited relevance to Africa and the developing world, where the risk of “insufficient” income (formal or informal) is invariably more prevalent than a “loss” of income.

An appropriate social security concept for South Africa therefore needs to address the realities of our labour market, beyond simply addressing matters of loss of income. In particular an appropriate social security concept needs to address the needs of people without any incomes, with insufficient incomes or who are engaged in informal activities.

In short, South Africa faces two sets of imperatives. The first is the constitutional and democratic imperative, centred on a human rights approach. The Constitution gives socio-economic rights exactly the same status as civil and political rights. In particular, the following aspects are relevant:

- Ensure promotion of values of dignity, equality and freedom
- Build participation and voice of the excluded
- Support citizenship claims through equality of administrative justice, access to information, application procedures, adjudication of rights, monitoring of compliance and non-compliance.

The second is the socio-economic imperative, encapsulated in the RDP, to fundamentally improve the living standards of all people in the country. The socio-economic imperative stresses the following:

- Reduction in poverty, deprivation and social inequality
- Increased access to adequate basic services
- Create an environment for sustainable social and economic advancement of all people, and especially the poor and unemployed.

Both these sets of imperatives are inter-related and mutually reinforcing. The Constitutional Court, in the matter of The Government of the Republic of South Africa et al v. Grootboom et al, stated:

There can be no doubt that human dignity, freedom and equality, the foundational values of our society, are denied to those who have no food, clothing or shelter. Affording socio-economic rights to all people therefore enables them to enjoy the other rights enshrined in [the Constitution].

Thus there is a clear need to develop a new, comprehensive social security system that supports the achievement of socio-economic rights, and in so doing the overriding values of South African society. In this regard, this chapter of the Committee’s report begins to outline the conceptual framework for such a system.

- The first section provides definitions of poverty, inequality, unemployment and vulnerability, and discusses why these conditions matter. This section reviews the extent of these conditions in South Africa, and puts forward the Committee of Inquiry’s proposed conceptual approach to addressing these various conditions.
- The second section discusses the socio-economic trends and system reforms that are occurring internationally and the various forms of social security that exist in South Africa currently.
- The third section discusses the causality of poverty and other damaging conditions in South Africa. It assesses the extent to which the current social security framework is addressing the inherited and emerging challenges.
- The fourth section discusses the options for a comprehensive social security system for South Africa.
4.2 Section 1: Definition and concepts

It is important to clarify the meaning of the terms “poverty”, “inequality”, “unemployment” and “social exclusion” because these terms have specific connotations in social security. Also it is necessary to establish why these concepts, in practice, matter to people in their everyday lives.

4.2.1 Poverty

Poverty is usually defined either in absolute or relative terms. In absolute terms, poverty reflects an inability to afford an adequate standard of consumption. In this event, one would use a poverty line, reflecting an income level sufficient to afford adequate consumption, as a point to determine who is poor and who is not. This definition overlooks the distribution of resources in society that often underpins absolute poverty. Thus “relative poverty” refers to the individual’s or group’s lack of resources when compared to that of other members of that society.

Bringing these absolute and relative concepts together, the Committee of Inquiry states that for a comprehensive social security system, poverty can be defined as the inability of individuals, households or entire communities to command sufficient resources to satisfy a socially acceptable minimum standard of living.

Aside from these technical definitions, how do the poor themselves see poverty? During research for the Poverty and Inequality Report (PIR), developed for the then Deputy President in 1998, the poor characterised their poverty in the following manner:

- **Alienation from the community** That is, they are isolated from the institutions of kinship and community.
- **Food insecurity** The inability to provide sufficient or good quality food for the family is seen as an outcome of poverty.
- **Crowded homes** The poor are perceived to live in crowded conditions and in homes in need of maintenance.
- **Use of basic forms of energy** The poor lack access to safe and efficient sources of energy. In rural communities the poor, particularly the women, walk long distances to gather firewood or water, risking physical attack and sexual assault.
- **Lack of adequately paid, secure jobs** Lack of employment opportunities, low wages and lack of job security is regarded as a major contributor to people’s poverty.
- **Fragmentation of the family** Many poor households are characterised by absent fathers or children living apart from their parents. Households may be split over a number of sites as a survival strategy.

Apart from the above, poverty matters because it is the best predictor of one’s future life trajectory. In particular, the negative impacts of poverty tend to accumulate through a person’s lifetime. The greater vulnerability resulting from poverty in youth tends to result in a continuous exposure to
various risks (unemployment, ill health, disability) effectively trapping people and their dependants in a cycle of poverty.

A snapshot of poverty in South Africa today will reveal the following:⁴

- 45 per cent of the population (18 million people) live on less than $2 a day (a poverty line suggested by the World Bank)
- 25 per cent of African children are stunted (that is, short for their age)
- 10 per cent of Africans are malnourished (that is, underweight for their age)
- 60 per cent of the poor get no social security transfers.

The Committee of Inquiry has taken into account the quantitative measures of poverty as well as people’s actual experiences and perceptions of poverty and how these manifest in social exclusion and instability.

### 4.2.2 Inequality

Inequality refers to the unequal benefits or opportunities for individuals or groups within a society. Inequality applies both to economic and social aspects, and to conditions of opportunity and outcome. Social class, gender, ethnicity, and locality generally influence inequality. Reducing inequality includes:

- Increasing the relative share of the least well-off
- Improving relative social mobility of the poor through reducing barriers to the poor in advancing in social and economic life, actively promoting participation of disadvantaged groups, and eliminating the disproportionate advantages of the rich in terms of education, access, political power, etc.

Measured by Gini-coefficient, inequality in South Africa is among the highest in the world. South Africa is ranked as the third highest in the world, surpassed only by Brazil and Guatemala.⁵

Inequality between races remains the most striking feature of South Africa. While 61 per cent of Africans live in poverty, only 1 per cent of whites are in poverty. This stark contrast contributes to a perpetuation of apartheid-style prejudice, where notions of an “underclass” are carried over into the post-apartheid era. Flowing from this there is also a stark race differential in terms of who accesses private services (catering for the better off) and who accesses public services (catering mainly for the poor)—see table 4.1.

**Table 4.1: Declining incomes and growing inequality (1991–1996)**⁶

<table>
<thead>
<tr>
<th></th>
<th>African</th>
<th>White</th>
<th>Coloured</th>
<th>Asian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest 50 per cent</td>
<td>-11 per cent</td>
<td>-16 per cent</td>
<td>0 per cent</td>
<td>-5 per cent</td>
</tr>
<tr>
<td>Richest 10 per cent</td>
<td>17 per cent</td>
<td>-0.3 per cent</td>
<td>16 per cent</td>
<td>28 per cent</td>
</tr>
</tbody>
</table>

In the period 1991-1996, however, intra-racial (that is, class) inequality increased. This suggests that the “Two Nation” divide of the apartheid era, if left to its own devices, could become entrenched as a deep class divide in the post-1994 transformation period.

In designing a comprehensive conceptual framework for social security, the Committee has considered the implications of these factors and the inequalities that emerge from its trajectory into contemporary society. The complex features that shape perceptions and experiences of the fractures and divisions in South African society must be taken into account. However, from a social security perspective the key issue is to ensure that those who are currently excluded are given a stake in the present; those who have benefited from past privileges are able to promote a level of solidarity that ensures them a stake in the future.

4.2.3 Unemployment

Even more than poverty and inequality, the definition and measurement of unemployment is a controversial issue. There are two widely used definitions: a “strict” and an “expanded” one, with the latter including discouraged workers who have given up looking for work. With wages being the principal source of income for people, the loss of a job, or the inability to find one, has a devastating impact on individuals and their dependants.

The Committee’s review has shown that statistical data and analysis derived from this are generally highly contested. In particular, it is argued that due to the limited scope of the statistical sampling, growth in the informal and other sectors is under counted. Further, repeated changes in unemployment definitions and statistics methodology have made employment trends difficult to calculate accurately.

Importantly, with changing forms of employment, and hence changing statistical definitions of unemployment, the distinction between “employed” and “unemployed” is also becoming blurred. For the purposes of social policy, for example, the difference between an unemployed person and someone who has “worked” parking cars for one hour in the past week appears insignificant, since such work does not provide adequate job and wage security.

However, using the one available set of comparable employment statistics, which covers the formal private sector, formal sector employment has fallen by almost 20 per cent between 1990 and 2000, or one million jobs. This is clearly a massive decline, with serious social and economic implications. As mentioned, there well may be concurrent informal-sector employment that is unrecorded. However, household survey evidence demonstrates these jobs to be considerably lower-paid and less secure, and thus not significantly compensating for the loss of formal sector jobs.

An important factor that the Committee has had to consider, in a conceptual framework for comprehensive social security, is that South Africa is characterised by a labour surplus economy that is unlikely to change within the next 10 years. A labour surplus economy with high skills’
deficits at the lower end has significant implications for the design of a comprehensive social security system in the short to medium term.

4.2.4 Social exclusion

Social exclusion covers both the static condition (poverty) and the dynamic process (exclusion) through which poverty is caused. As such, the term “social exclusion” is, conceptually, more appropriate for integrated policy purposes than “poverty”.

Social exclusion functions through the twin mechanisms of exclusion and inclusion. It is essentially based upon the power of one group to deny access to reward and life-chances to another group; this is on the basis of certain criteria that the former seek to justify. These criteria could, for example, be income, education, skin colour, sex, or religious belief.

As in South Africa’s apartheid past, social exclusion was about mobilising state machinery and policies to exclude others (black people) from reward and privilege. Social exclusion manifests itself in barriers to advancement based on the economically arbitrary individual characteristics mentioned above. Many of these take the form of exclusion from markets; others take the form of exclusion even when markets are competitive.

Social exclusion implies a dynamic set of processes with a number of aspects:

- **Relativity** People are excluded from a particular society, as opposed to a focus on ability to purchase an “absolute” basket of goods which might have been regarded as adequate at another time.

- **Multi-dimensionality** Income and consumption are central, but so are other aspects of participation such as the ability to carry out socially valued activity (not just paid work), political involvement and social interaction. In each dimension inclusion/exclusion are matters of degree, rather than simply of sharp cut-offs.

- **Agency** Someone, something or some process is responsible for exclusion or inclusion occurring, while inability to control major aspects of one’s life is an important aspect of being excluded.

- **Dynamics** Such processes occur over time with long-lasting or cumulative effects. Duration in particular states matter and so do prospects for the future.

- **Multi-layered** Exclusion operates at different levels—individual, household, community/neighborhood, and institutions.

4.2.5 Vulnerability

Vulnerability refers to the risk of a particular individual or group falling into poverty or in situations that compromises their human well-being. Certain individuals or groups, due to their position in society, are more vulnerable to the negative consequences of economic, political and social trends, cyclical changes or “shocks”. Generally women, children, households or communities with limited
assets are least able to cope with the effects of, say, a negative change in basic service provision or access to wage incomes.

Therefore policy interventions that seek to move people out of poverty, and have them stay out of poverty, need to address questions of vulnerability. Such an approach requires strategies to advance vulnerable individuals or groups more easily out of their precarious environments or at least enable them cope better with any future negative changes.
This chapter draws on the research papers and inputs developed by the various sub-committees of the Committee of Inquiry into a Comprehensive Social Security System. It also includes submissions and contributions made through public hearings.

Terms of reference of Committee of Inquiry into a Comprehensive Social Security System.

Constitutional Court of South Africa (Judgement). 4 October 2000


Survey of Total Employment and Earnings, Statistics South Africa.