

## **4.5 Section 4: Transformation options**

The Committee has identified three options.

### **4.5.1 Option 1: Maintain the status quo**

This option could be based on the view that significant improvements, particularly income poverty interventions, cannot be accommodated due to inflexible fiscal constraints. Alternatively, the interventions are perhaps unnecessary because the suggested end-state will be reached naturally over time with improvements to its administration. Here it is hoped that current marginal reforms of existing institutions would bear fruit in the future. There will probably be considerable support for this option, particularly by those who fear having to pay, or facilitate finance, for the appropriate interventions.

The Committee is of the view that this would be an ultimately short-sighted position, however. The current reforms fail to satisfy the constitutional imperatives and thus make the State vulnerable to repeated Constitutional Court challenges, and are clearly inadequate. Further, the current system fails to address the socio-economic imperatives, and does not offer adequate social protection even remotely approaching a minimum acceptable standard of living. Also, the social costs of the absence of proper social protection will contribute towards a tendency of social instability. This would force the State to increasingly criminalise and judicialise essentially poverty-related social conditions and threaten to undermine the legitimacy of the democratic State.

In short, there is clearly a cost to not acting, which will sooner or later have to be borne by the country. Intervention sooner would be both socially and economically prudent.

### **4.5.2 Option 2: Immediate implementation of a comprehensive social protection system**

The Committee has received many submissions and representations, from a wide range of social formations, which argued for immediate implementation of measures to address the tremendous socio-economic challenges facing South Africa. It was argued that there are increasingly large numbers of people in desperate need, and such people are not accessing any protective measures (such as emergency shelter). In particular, such arguments tended to motivate for a universal income grant that can, at the very least, alleviate persistent and pervasive levels of destitution.

Many proponents of this view argued that South Africa has considerable economic resources at its disposal, including low levels of debt and considerable space for increased taxation—and that such resources could be mobilised in the short-term.

The Committee, after due consideration of this view, and appreciation of the need for additional social protection interventions, has concluded that the current institutional arrangements do not easily allow for new and expansive measures to be implemented immediately. A comprehensive social protection system requires the prior establishment of new institutional arrangements and measures. Such arrangements, even in the most optimistic scenarios, would require several years to fully plan, budget and implement.

Nonetheless, the Committee is of the view that, in the interim, there is a need to take immediate steps to expand certain poverty relief and *de facto* schemes to assist those individuals and groups that can access such benefits.

### **4.5.3 Option 3: A phased approach towards a comprehensive social protection system**

This is the Committee's preferred option. This option seeks to progressively realise a comprehensive social protection "end-state". A two-phase approach is suggested, with the phased delivery balancing the need to allow time for the development of necessary institutional arrangements and ensuring that the State is able to meet important domestic and international commitments related to poverty reduction.

#### **4.5.3.1 Phase 1: Comprehensive social protection system prioritising the most vulnerable**

Recognising that a comprehensive social security system requires significant time for development and aware of South Africa's current needs and crises, this phase would establish the preconditions for a comprehensive social protection system based on the constitutional imperatives and apartheid backlogs. It approaches the reform process in a way that prioritises the most vulnerable and destitute for immediate assistance. It also sequences the policy changes in line with financial and institutional capacity considerations within a long-term vision of social protection. The key components of phase 1 are identified below.

#### **4.5.3.2 Phase 1: Period 2002 to 2004**

- Set minimum income level to eliminate destitution
- Prioritise vulnerable and destitute groups (for instance, children)
- Put administrative systems in place
- Rationalise grants that are currently *de facto* poverty grants
- Ensure effective and efficient ways of targeting the most vulnerable
- Simplify and eliminate the means test where they obstruct equity, administrative justice and are costly to implement.

This phase uses the criteria of age as a parameter for the income support grant. Since children are among the most vulnerable and voiceless in society, and children born into extreme poverty almost never escape the poverty cycle the introduction of an income support grant to all children (those below 18 years of age who qualify through a simple means test) should be introduced. The downside to this phase is that an exclusive child-focused intervention does not address household poverty, and could create negative unintended consequences. An exclusive focus on child poverty, for example, would overlook the fact that children in poverty live in households in poverty, and therefore the entire household will consume whatever grant one gives for the child. The addressing of *de facto* household poverty in this manner will exclude more than one million poor households without children, and may create perverse incentives regarding children. These problems will be addressed in phase 2, however.

#### **4.5.3.3 Phase 2: Comprehensive social protection for all**

This phase completes the building of the comprehensive social protection system initiated in phase 1. Although more costly in the short to medium-terms than option 1, this alternative would have the biggest impact on poverty and social exclusion, thus providing various positive spin-offs for development and society in the medium- to long-term. By the conclusion of this phase, the State would have gone a long way in meeting its World Social Development Summit (1995)

commitments to eradicate absolute poverty by 2015. The key components of phase 2 are identified below.

#### **4.5.3.4 Phase 2: Period 2005 to 2015**

- Set a level to address absolute poverty
- Level of the grants determined in relation to a comprehensive package
- Grant expanded to other vulnerable groups.

This phase, which includes the extension of the universal basic income grant to adults, would simultaneously address the constitutional and socio-economic imperatives through ensuring significantly reduced instances of destitution. This option would emphasis two aspects.

- A comprehensive social protection system must ensure that all citizens have a minimum acceptable standard of living through a combined package, enabling them to participate and advance in social and economic life.
- Comprehensive social protection, by providing people with their socio-economic rights, enables them to enjoy their democratic rights. As such comprehensive social protection, by providing universal coverage, thus embeds an important form of social citizenship—and could be seen to represent the Democratic State’s “contract with the people”.

In its initial phase, the progressive realisation of the entire CSP package would need to be clearly set out. In this regard, prioritisation would be given to addressing income poverty to have an immediate reduction in deprivation. Measures to address capability and asset poverty, by their nature longer-term endeavours, will be progressively realised.

The CSP, reflecting a time-sensitive standard, needs to be appropriately enhanced over time. These changes would need to reflect both societal and development needs and opportunities. In this regard there would be a need to benchmark and relate the CSP package to relevant human development and economic indices.