

Social protection

KEY POINTS

A social floor is defined and a multi-pronged strategy recommended to ensure that no household lives below this floor. Problems such as poverty induced hunger, malnutrition and micronutrient deficiencies will be addressed.

Create an inclusive social protection system that addresses all areas of vulnerability and is responsive to the needs, realities, conditions and livelihoods of those who are most at risk.

Provide support that builds and utilises the capabilities of individuals, households, communities and NGOs to promote self reliant sustainable development.

Encourage a culture of individual saving for risks associated with loss of income due to unemployment, old age and illness by providing appropriate frameworks and incentives.

Enhance services and programmes for labour market activation for the unemployed and create opportunities in public employment.

INTRODUCTION

The National Planning Commission discusses fifteen interconnected but distinct problems facing the country. To address these, the commission focuses on two overarching goals: to eradicate poverty and reduce inequality. These goals can be achieved by building capabilities that enable individuals to take part in the formal economy and in other parts of society. Working towards this would enable a better appreciation of how social security, social welfare, education, health, housing, energy and transport policy can be coordinated to benefit individuals and communities, as well as the economy.

The deep poverty levels and inequitable distribution of income are partly due to low levels of formal employment that exclude a large section of the population from actively taking part in the economy.

The root cause of income inequality is the socioeconomic distortion introduced by apartheid, which constrained the development of education and skills, and therefore labour market participation, for the majority of the population and kept them trapped in

poverty. The provision of services was also distorted with Africans, especially in the rural areas, denied access to clean water and sanitation, electricity and safe transport. In urban areas services for Africans were provided to barely meet their needs. The welfare system was unequally distributed, with elderly Africans receiving their old age grant payout every second month, while their white counterparts were receiving it monthly. Both income distribution and access to the basic services

that are necessary to enable individuals to attain a decent standard of living were distorted, creating a poverty trap for the majority of the population. The time and resources needed to address these challenges should not be underestimated.

South Africa needs to pay careful attention to the design of policies between now and 2030 to ensure that the country is kept working, individuals are engaged in meaningful activity, and vulnerable groups and citizens are protected from the worst effects of poverty. If apartheid destroyed opportunities for the majority of the population and trapped them in poverty, the challenge for the next 20 years is to rebuild the opportunity structures and help individuals develop the capabilities to live the life they wish to lead.



The different elements of social protection are complementary and thus should not be seen in isolation. Coordination is a critical element of the social protection system. The other areas such as the judiciary also have a complementary role to play in reinforcing social protection.

The focus here is on measures that help people prevent, manage and overcome situations that adversely

affect their well being.

Other aspects of social protection are addressed in other chapters. The focus of this chapter is on the social protection measures for those who are not gainfully employed due to their vulnerable status, i.e. children, people with disabilities and the aged, as well as those who experience labour market vulnerability due to the nature of their jobs, low income levels or unemployment. These social

protection measures seek to support those most in need, including children, people with disabilities and the elderly and promote active participation in the economy and society for those who are unemployed and under-employed through labour market activation measures, employment services, income support programmes and other services to sustain and improve quality of life.

The aim is to define the elements of a social minimum or social floor which together provide a standard of living below which no one should fall. This should cover the entire life cycle of the individual, from conception by ensuring that pregnant mothers have adequate nutrition up to retirement to alleviate old age related poverty.

Employment is critical, but in South Africa structural unemployment due to historic factors and factors arising from economic globalization means that formal employment based on an industrial model of development is unlikely in the immediate term. We have to take a different approach to social protection than the typical Western industrial model. Our approach has to be based on a hybrid model that protects the vulnerable and those at risk while at the same time ensuring economic inclusion through a range of active strategies.

Social protection is both a public and private matter. Whereas government should play an active and important role in providing this support, it equally requires the active participation of individuals in ensuring that they are supported to take responsibility for attaining a higher standard of living. Equally government has a responsibility to ensure that social protection is affordable and sustainable to avoid withdrawal of guarantees, but also to promote solidarity and cohesion.

Employment is the best form of social protection. Too few people in South Africa have work, and the

levels of poverty and inequality are very high and rooted in the labour market. As indicated in chapter 3, it will take time to fix the economy and address labour market challenges. Thus social protection should be used to close the gap, building on the already existing social protection measures in existence, but it should be labour market and employment friendly.

South Africa's level of human development does not reflect its natural wealth and abundance of labour. Why is it that South Africa is not able take advantage of its natural resource endowments and positive demographic features?

FIVE FUNCTIONS OF SOCIAL PROTECTION

- Protective – Measures are introduced to save lives and reduce levels of deprivation.
- Preventive – Acts as an economic stabiliser that seeks to help people avoid falling into deeper poverty and reduce vulnerability to natural disasters, crop failure, accidents and illness.
- Promotive – Aims to enhance the capabilities of individuals, communities and institutions to participate in all spheres of activity.
- Transformative – Tackles inequities and vulnerabilities through changes in policies, laws, budgetary allocations and redistributive measures.
- Developmental and generative – Increases consumption patterns of the poor, promoting local economic development and enabling poor people to access economic and social opportunities.

These 5 functions reflect a conceptual approach to social protection that is appropriate for countries in Africa. It responds to issues of chronic poverty, unemployment, risk and vulnerability.¹



EVOLUTION OF SOCIAL PROTECTION POST-1994

In 1994 the democratic government inherited a social system that was fragmented along racial lines, which was characterized by inequities and a low standard of services for the black majority. These inequities existed in all social services, such as education, health, access to basic services such as water and sanitation and welfare provision. The unemployment, poverty and inequality challenges facing South Africa today have their roots in the apartheid system.



To address the challenges of poverty and inequality, the democratic government adopted an integrated vision of social policy to promote human development, economic inclusion and social stability. Democratic South Africa adopted a comprehensive social protection system and established minimum standards linked to a social wage. The democratic government modified the social protection system to eliminate racial inequities and introduced some new guarantees and benefits. The social protection system includes non-income transfers and a set of basic services. Basic services complement people's earnings to ensure that everybody can access a minimum level of consumption. These have had a significant impact in addressing poverty and asset inequality. Key elements of the system include:

- social assistance cash grants for children, the

aged and persons with disabilities

- access to free basic services, such as shelter, water, sanitation and energy for poor households
- free education in 60 percent of schools in poor communities; a school nutrition and transport programme
- free health care for pregnant women and children under six
- statutory social insurance arrangements, i.e. unemployment insurance fund (UIF), compensation for injury and disease (COIDA)

and the road accident fund (RAF)

- voluntary social security arrangements for those formally employed, i.e. pensions and provident funds
- active labour market policies to facilitate labour market entry and redress the inequalities that are inherent in the system due to apartheid
- income support for the working-age poor through public works programmes
- a developmental social welfare approach, with a focus on individuals, families and communities.

These aspects are analysed below. Evidence is provided to indicate the achievements and gaps in the social protection system.



Social protection as a right

Under Section 27 of the Constitution, South Africa recognises social security as a basic right: all South Africans “have the right ... to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.”²ⁿ Section 27(2) goes further to state that the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of the right of access to social security and social assistance. Section 28(1)(c) provides for the right of children to social services.

People with disabilities, those who are elderly, children and migrants are at greater risk and more vulnerable. They require measures which include removing obstacles to accessing social protection; and measures to provide assistance. These groups bear the brunt of poverty and inequality. Special attention also needs to be given to the needs of women due to their socio-economic and cultural status and the high concentration of poverty amongst them.

There are many other people who face different forms of vulnerability and are at risk of falling into poverty as a result of insufficient wages, unemployment, sickness, and other conditions that may threaten their livelihoods and dignity, such as food insecurity, economic and other environmental factors. Social protection measures should be extended to cover these risks.

SCOPE AND OBJECTIVES OF SOCIAL PROTECTION

Social protection is conceptualised broadly and is more inclusive than social security. It incorporates non-statutory or private measures for providing social security without excluding traditional social security measures such as social assistance and social insurance, social welfare services, and active labour market policies. Labour market policies are a

critical component of social protection. They play a dual role - providing minimum income protection for the poor who are capable of gaining employment and improving their employability.

Social insurance alleviates the needs of the unemployed, albeit for a short period, but also covers loss of income due to work-related injury or illness.

A human rights approach requires that a societal understanding is reached of what constitutes the “social floor”, or minimum social protection below which no one should fall. These are the basic essential social rights and transfers in cash and in kind that provide minimum income and livelihood security as well as essential basic services such as water, electricity, sanitation, health care and education that should be available to all those who need them. These would define an acceptable standard of living for all. The right to access social protection should provide a fallback of supplementary benefits when income from work and assets such as land does not provide sufficient income to achieve a minimum standard of living.



Social protection should be available to all when they need it the most. It is critical in the fight to eliminate and prevent poverty and reduce inequality. However, it is not aimed at meeting the total needs of the individuals. The measures are designed to lift recipients out of poverty, rather than providing passive protection against contingencies and risk. They are a means to enable the most basic needs (defined in the 'social floor') to be met and provide relief during crisis situations. They should address chronic poverty, support the poor to develop the capacity to address the environmental, economic and social risks and causes of poverty,

The responsibility for social protection thus lies with both the state and individuals as well as social partners, such as business, organized labour formations and community organizations including informal saving schemes. The state through non-contributory social assistance and social relief programmes provides grants to the most vulnerable members of society including the aged, children and people with disabilities. Private individuals, through regulated voluntary insurance and other forms of savings should make their own provision for risks that may result in loss of income due to retirement, temporary unemployment, loss



such as unemployment, exclusion, sickness, disability and old age, and promote people's capabilities. By raising labour productivity these measures create the conditions for people to move out of poverty in the future and so enhance social stability.

A balance needs to be struck. Social protection needs to provide a safety net, especially to vulnerable groups, as well as providing support to cushion individuals and families from household-level and economy-wide shocks. It also needs to encourage economic participation. This includes incentivizing and supporting individuals to develop their own ability to respond to shocks and save for rainy days.

of income due to illness or disability. Social partners, especially the non-government sector, can play a role in the delivery of social services and other community related programmes. This includes community-level programmes that can be integrated with government social protection measures such as the Community Works Programme. It also includes building the capacity and culture of active citizenship among communities. The private sector can ensure compliance with statutory contributions, but also create a market for extending insurance to the poor by designing simple and low cost schemes that encourage saving.



THE CHALLENGE

The country has built an advanced and comprehensive social protection system with wide reach and coverage, but the system is still fragmented, plagued by administrative bottlenecks and implementation inefficiencies. As a result, the various elements of the social protection system are not operating seamlessly. The priority should be improving efficiency in the delivery of services, addressing exclusions by identifying and reaching those who are entitled to the existing benefits of social protection, reducing the administrative bottlenecks that prevent people accessing benefits. These measures are not costly, but will improve effectiveness and ensure wider coverage.

Social assistance

Exclusion errors mean some people are not accessing the benefits they are entitled to. This may be due to a failure to reach certain geographic areas or the administrative burden the system places on the poor. There are also reasons related to poor targeting and administration on the part of the state. These gaps disproportionately affect the poorest, especially orphans and children, persons with disabilities and the aged on farms, in remote rural areas and hard-to-reach informal settlements. These are the groups who need social protection the most and it is important to ensure they can access the appropriate social protection.

Whereas significant progress has been made in administering the various cash grants, administrative challenges impact on delivery. It is estimated that there are approximately 2.1 million eligible children who are not receiving the child support grant. The documentation required to access social grants places a burden on the poor, which has a particularly adverse impact on the poorest of the poor. The foster child grant also presents administrative challenges because it is linked to the judicial system. This creates complications and delays, which can

discourage people from fostering children.

Children, the aged and people with disabilities are the groups who are most likely to be unemployed and bear the brunt of poverty and inequality. Their dependence on family networks is precarious given the extent of unemployment and under-employment. The evolution of social protection post-1994 has focused on providing cash transfer to these vulnerable groups. High unemployment rates mean grant recipients have to use their grants to support other household members as grants are often the main source of income in poor households.

Social wage³

The country has made significant progress in providing basic services to the poor. However, access to basic services is still a challenge particularly for the poorest sections of society. This is partly due to planning and management failures in municipalities (discussed in detail in chapter 13) and in part, due to gaps in the financial framework (discussed in detail in chapter 4). Low incomes and unemployment mean a combination of the social wage and cash transfer programmes are critical for reducing poverty.

Social security

Many people are excluded from the safety net provided by the social security system. The system is also plagued by inefficiencies. Social security is largely contribution based and biased towards formal sector workers, with very limited coverage of those working in the informal sector. This means it is not in alignment with the dynamics of the labour market. This applies to the coverage for retirement, unemployment and compensation for injury and diseases.

Furthermore, the redistributive and solidarity elements of social insurance are undermined by the

fragmentation of private and public sector contributions. The two systems operate separately. Government employees do not contribute to the unemployment insurance fund, representing a loss of contributions which could be used to pool funds and develop mechanisms to protect the unemployed.

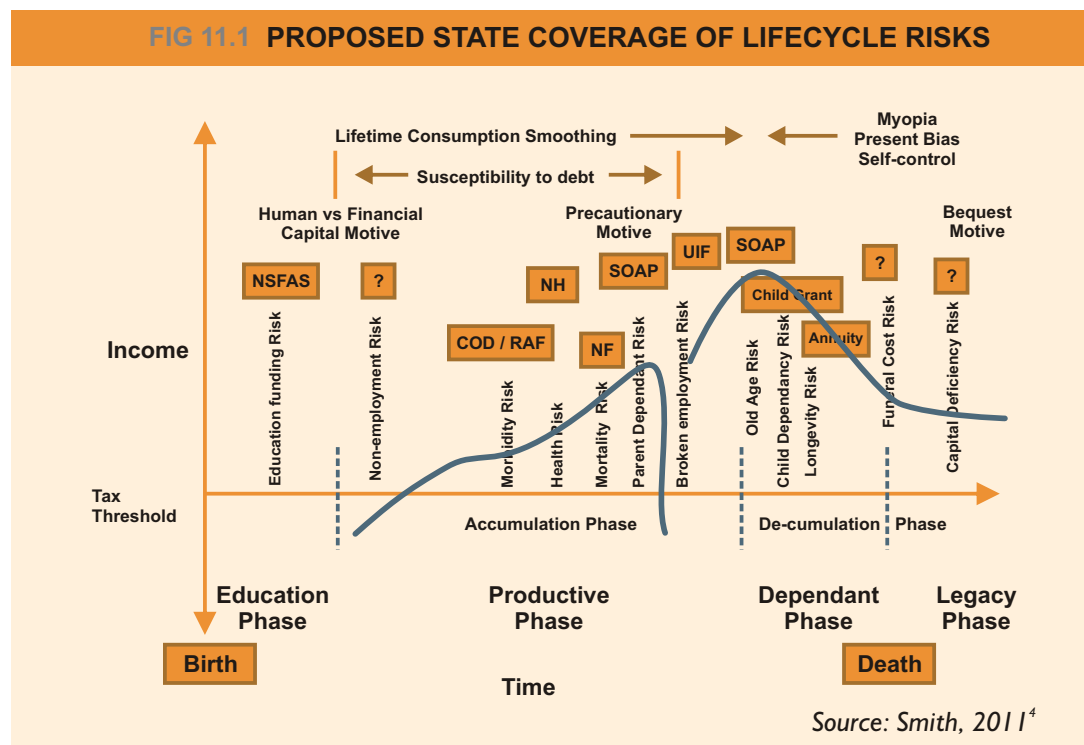
Whereas there is an argument that there is a low savings culture in the country, there are also limited mechanisms and incentives to encourage people to save. Many people find themselves employed in precarious and low paying jobs. There is a growing trend of sub-contracting arrangements. Workers employed through this route do not usually contribute to taxes or contributory social security schemes, while they are the first to suffer from the ensuing deficits and lack of coverage. There is no protection from risks as they have made no individual provision and the state has also not made provision.

The country has one of the largest private retirement fund industries with high participation and contribution rates amongst upper and middle

income earners, but low income earners are excluded from the system. The private pension market is expensive and not adequately regulated. The costs and fees structures are high, which reduces the incentive to invest. A significant number of those who contribute to private pensions withdraw their pension savings if they lose their job and therefore have no pension income on retirement. For those who preserve their pensions, there is a lack of protection against longevity and investment risks.

Protection for the unemployed poor through labour market policies

The provision of work opportunities is one of the most effective forms of social protection. However, the country is faced with the challenge of high unemployment as well as a low labour market participation rate of 41 percent. There is no special grant for the unemployed working age population. But various labour market activation schemes exist. These include the public works programmes as well as training and skills development programmes. However, their scope is small relative to the magnitude of the unemployment challenge. One of





the gaps in social protection is the deficiencies in providing the unemployed working age population with active assistance that promotes employability and adaptability, as well as creating incentives to work and absorb the unemployed through various active labour market policies. For those who are able to work, the right to work would provide a means to improve their standard of living.

Figure 11.1 shows the lifecycle risks that individuals face and the obstacles to ensuring adequate protection. The current statutory funds and social assistance measures offset some of these risks.

Household food security and nutrition

Social protection extends beyond income security. It includes ensuring that individuals have adequate food security. This means access to land and sea for subsistence farming can play an important role in ensuring a minimum standard of living.

Maternal health is an important starting point for promoting food security. Measures to improve maternal nutrition will help to end foetal malnutrition, which causes infants to be born with low birth weight. Low birth weight has long-term impacts, including impaired cognitive ability and increased vulnerability to various illnesses.

Food and nutrition security is a top priority of government. However, currently policy is fragmented and under-resourced. Major inroads have been made to reduce hunger in terms of the feeling of not being satiated because of a lack of food. However, under-nutrition is the more serious problem in South Africa with many people being unable to afford a balanced diet.

Under-nutrition is not only a rural question, since a large proportion of under-nourished people live in the metropolitan areas, especially Johannesburg, Ekurhuleni, Cape Town and OR Tambo. Some rural households have to pay more for the same food

basket than in urban areas.

Developmental social welfare

Government has adopted a developmental approach to social welfare provision, in line with the Constitution and the 1997 White Paper on Social Welfare. It includes a focus on the social and economic development of individuals, families and communities. This approach incorporates raising community awareness of social concerns and introducing strategies to reduce and prevent social pathologies.

Social welfare services may be provided by the state, nongovernmental organisations and the market. For example, homes for the elderly and the frail, mental health clinics, child guidance services and services related to addictions are provided by government, private providers, non-profit providers and government subsidized providers.

Despite progress in reducing fragmentation in the post-apartheid era, the social welfare sector is struggling with huge constraints related to lack of coordination and integration of systems, weak and limited effectiveness of funding and significant capacity deficits. The distribution of and access to both public and private social welfare services remains skewed along racial and income lines, with the wealthy having access to relatively effective private services.

The burden of disease, particularly HIV/AIDS, extremely high levels of violence and extensive poverty affect the ability of families to care for children, persons with disabilities and the aged. The high mortality rate amongst young adults due to HIV/AIDS places a greater burden on the elderly for raising children.

The social determinants of rising violence require urgent attention. These include heightened levels of addiction, increasing criminality among young

people, high levels of gang-related violence in schools and communities, and sexual violence against children and women, especially in economically deprived areas. Demographic trends and human development indicators point to a country with significant levels of social fragmentation, unacceptable levels of social alienation and the breakdown of social institutions. Poor social services and ineffective policing reinforce the sense of powerlessness in poor communities. Poor-quality education limits social mobility, further straining social relations. The impact of youth unemployment and HIV/AIDS has worsened matters.

VISION FOR SOCIAL PROTECTION

To effectively tackle poverty and inequality, social and economic policies have to work together. Social protection as part of public policy should provide support that reduces vulnerability, alleviates and ultimately prevents poverty, and empowers individuals, families and communities.

By 2030, everyone must enjoy an adequate standard of living. There must be basic social protection guarantees aimed at preventing or alleviating poverty and protecting against vulnerability. These should be easily accessible and available to those who need them the most. We

should build a social protection system which:

- Has a defined social floor so that households that have not achieved the basic standard of living are assisted. The floor of essential goods and services can vary between individuals, depending on their age, gender, socio-economic status, health and abilities. Poverty induced hunger must be eliminated;
- Is responsive to the needs, realities and conditions of livelihood of those who the system is intended to benefit;
- Is built on a principle of building and utilising the capabilities of individuals, households and communities and avoiding the creation of dependency and stigma;
- Is flexible and capable of responding to rapidly changing scenarios and the emergence of new challenges (for example, the impact of HIV/AIDS), and of meeting the changing needs of individuals across the life-cycle.

The social protection system must cover the entire life-cycle of an individual, from conception through ensuring adequate nutrition for pregnant mothers to retirement by ensuring that old age related poverty is eliminated.



TOWARDS A BROADER SOCIAL PROTECTION AGENDA

This vision should be attained through a combination of public and private provision of services. It aims to ensure the most basic needs of recipients are met and so break the cycle of poverty.

By 2030 a social floor should be defined based on the following guarantees:

- All children should enjoy services and benefits aimed at facilitating access to nutrition, health care, education, social care and safety.
- Problems such as hunger, malnutrition and micronutrient deficiencies that affect physical growth and cognitive development, especially among children, should be addressed.
- Vulnerable groups such as children, orphans, the elderly, patients with chronic illnesses and people with disabilities should enjoy the full protection provided for under the Constitution. Cash grants should be used to ensure their income is above the poverty line.
- All South Africans should have access to basic services such as shelter, water, sanitation and energy (details are dealt with in chapters 4 and 8).
- The majority of working age South Africans should be empowered to participate in social and economic life. Social protection services should provide protection against short-term shocks, sudden risks and chronic vulnerabilities. This should be funded by both the state and individuals.
- No one should suffer poverty induced hunger, thus no individual should live below the poverty line of R419(2009).

- The unemployed working age population should have income support through various active labour market initiatives such as public works programmes, training and skills development, and other labour market related incentives.
- There should be universal access to basic essential health care, with the state taking the responsibility for delivery and financing of health care (details of this are dealt with in the chapter on health).
- All working individuals should be making adequate provision for retirement through mandated savings. The state should provide measures to make pensions safe and sustainable.
- Social security mechanisms should be in place to cover risks associated with informal employment.
- There should be an effective social welfare system that delivers better results for vulnerable groups, with the state playing a larger role compared to now. Civil society should complement government initiatives.

The state will continue to bear primary responsibility for ensuring this vision is achieved. The state will also ensure there is alignment and coordination of social protection issues and that efficiency is improved. It will develop an enabling environment, create conditions for social partners to contribute, and ensure vulnerable groups are protected. It will pilot new interventions to address the gaps in social protection.

Our social policy must create a bridge between our 2030 vision of an economy close to full employment and the current problem of high



unemployment. With our long-term goals in mind, the short-term actions should be steered towards universal and inclusive systems of social protection.

Sustainability of social protection

As our social protection system evolves, attention has to be given to the sustainability of the system. The sustainability will largely determine the country's capacity to promote a high level of social protection. One of the main considerations for the future of social protection is the funding of the system. Ultimately, the state must generate sufficient income from the active groups in the population to be able to redistribute to those that are less active or inactive while still meeting other policy priorities. It will be undesirable if the guarantees or transfer benefits are too many or generous and hence contribute to an unsustainable fiscal position. It is equally undesirable and difficult to reduce the benefits and guarantees once they have been introduced. Thus the system should evolve progressively taking into account the sustainability and affordability of the supply-side funding requirements. However, this should not prevent us providing social protection to those who need it the most.

A comprehensive and universal social protection system is feasible within the context of high economic growth, with high labour absorption capacity. South Africa's 'youth bulge' means it has a high proportion of people who are of working-age, but it still has a high dependency ratio because the majority of the working-age population is not in employment.

Government must pursue policies that purposefully increase job creation. The strategy must be multi-pronged and policies must be complementary. As described in chapter 3, policies to address the structural deficiencies in the economy need to be pursued together with a strategy to address

frictional unemployment through the expansion of state funded and state operated employment services. The strategy to address structural unemployment should include a series of training programmes and incentives to employers to create jobs in both the public and private sectors.

Population projections show that the dependency ratio will increase over time, health projections also show that life expectancy will rise. The mortality associated with HIV/AIDS will decrease but demand for health care will increase, thus the cost of social expenditure will rise.

Failure to create jobs will mean public expenditure will need to rise dramatically because not only will the country experience a large growth in the share of pensioners, but there will be a growing number of elderly people who would not have worked when they were of working age. A growing number of children born of these adults will be reliant on social assistance due to their parents' socio-economic circumstances. There will be a growing need for health and long term care and thus a need to increase the resources contributed by the active population.

Demographics and social protection

Another key consideration for the social protection system is the demographics. Demographically, the country had a 'window of opportunity' between 2010 and 2012. This window will close starting from 2026 to 2030. The window of opportunity means that a high proportion of people are of working age and so the dependency ratio is low. From 2026 the proportion of older people will increase. With fertility rates dropping, the number of children is expected to decline.

Although the economy did not grow as much as was anticipated, economic growth together with this window of opportunity have provided South Africa with the fiscal space to further investments in other areas such as health and education while still



permitting more resources to be allocated to extending social protection coverage. For example, the child support grant has been extended to include eligible children up to 18. Eligibility for the old age grant has been equalised, with both men and women being eligible at 60.

Unless urgent measures are implemented to increase economic participation and employment amongst the youth, the country will lose the advantages of the 'youth bulge', which may then turn out negatively.

Of the estimated 13 million people who are employed today:

- About 7 million (57 percent) will leave the labour market in the next 18 years
- Almost half of those, just over 3.5 million, will be over 63 years old
- In the next 18 years, the economy needs to add a significant number of new people to enter employment, and also needs to keep them in employment for longer.

The 'youth bulge' of today, if not effectively leveraged, will become an older population that is reliant on social protection measures to achieve a minimum standard of living. If the projected increases in life expectancy are realised, the strain on social protection will be even greater.

The need to take into account the current and

anticipate the future structure of demographics and its impact on the social protection system calls for a combination of labour market and social security policies, and social services such as health care and long-term care systems.

In the meantime, short to medium term mechanisms must be found to maintain the current contributors in the workforce for as long as possible. The retirement age has been equalised downwards to 60 years. However, many people could still be economically active after 60. With life expectancy expected to increase, the focus should be on keeping older people in the labour market.

In the short to medium term, there is a need to find a balance between two options:

- Maintain as many current contributors in the system as possible. Discourage early retirement, encourage flexibility in retirement arrangements and promote participation by older people in the labour market.
- Encourage early retirement – 'deactivation of older people' in the labour market to increase labour market participation of the youth.

The second option would erode the funding base of the social protection system. It would reduce the tax take and social contributions while adding costs in the form of early retirement payments. It would

FIG 11.2 YOUNG AND OLD POPULATION TRENDS

	Window of Opportunity (2010-2012)					Closing Window (2026-2030)				
	2010	2011	2012	2011	2025	2026	2027	2028	2029	2030
65 - 90										
Total pop										
Total Very Young (0-14 yrs)	15 513 178	15 491 818	15 418 055	15 354 340	15 161 377	15 155 668	15 146 178	15 132 192	15 113 417	15 089 795
Total Population	50 416 970	50 926 245	51 433 760	51 935 040	57 071 666	57 406 387	57 721 310	58 016 724	58 293 862	58 555 210
Total Very Young Population %	30.77%	30.42%	29.98%	29.56%	26.57%	26.40%	26.24%	26.08%	25.93%	25.77%
Total Very Old (65 - 90 yrs)	2 490 782	2 543 022	2 603 814	2 672 313	3 874 399	3 985 806	4 093 265	4 195 721	4 291 303	4 378 772
Total Population	50 416 970	50 926 245	51 433 760	51 935 040	57 071 666	57 406 387	57 721 310	58 016 724	58 293 862	58 555 210
Total Very Old Population %	4.94%	4.99%	5.06%	5.15%	6.79%	6.94%	7.09%	7.23%	7.36%	7.48%

Source: ASSA, 2012

therefore put social protection funding under fiscal strain.

There is also no certainty that there will be a linear replacement of the retiring employed with the unemployed. It depends on a number of factors, including the sector and the availability of skilled younger people. Although South Africa has a 'youth bulge' advantage, the majority of these young people do not possess the necessary education and skills to replace more experienced older workers.

A balance has to be struck, which includes training and skills development programmes to enhance the employability of young people.

For many, especially the youth, gaining entry into the labour market is not a smooth process. Hence efforts should be made to facilitate labour market entry through active labour market policies.

Building the foundation of future social protection – improve the state of children today

Currently the state provides the child support grant to an estimated 11.5 million children (0-18 year olds), out of an estimated 19.5 million children in the country. These children will be the adults (18-36 year olds) of 2030. The actions taken today will determine their future. These actions are detailed in the health and education chapters.

The proposals in the education chapter on early childhood development (ECD) and education are important if the future of these children and future generations is to improve. Progress also has to be made with respect to the absorption capacity of the labour market. If these objectives are achieved, young people will have a higher level of education and better employment prospects. In this scenario, a smaller number of children will be eligible for the child support grant. Most children in 2030 will have

parents who are working. Most of these parents will be contributing to taxes and social insurance, thus easing the burden on the fiscus.

This scenario requires concerted efforts to ensure that the education and labour market outcomes envisaged in this plan are achieved. The children of today must be guaranteed access to high quality education and professional training throughout their education and working life.

There is already an increase in the level (although not necessarily the quality) of education attained by the younger generation. This increase in educational attainment could be an important source of future productivity gains and improved employment prospects. However, assistance is needed in the transition from school to work and in promoting life-long learning to prevent long-term unemployment.

The undesirable scenario would be that educational outcomes remain poor, labour market absorption capacity remains low and unemployment persists.

In this instance we would have to plan for social protection with increasing dependency ratio. The state would have to continue to provide child support grants of similar magnitude, mediated by the projected decline in fertility rates, while also meeting the growing need for social insurance, old age pensions, as well as services such as health and education. Based on the current labour market participation and tax base estimates, there clearly would not be enough tax payers and contributors to ensure state provision, maintenance and sustainability of decent social protection. Social protection benefits will be competing with other priorities for a small pool of funds. And with technology and other advances in medicine, life expectancy is projected to increase, which will require increased spending in the health sector. This would be an undesirable state for governance and

political legitimacy as poverty and inequality would persist.

These are extreme scenarios and other possibilities lie in the middle. However, the extreme scenarios do raise a critical issue. The majority of young people who are unemployed today have low levels of education. Even if labour market activation strategies and public employment programmes were to provide work for most of them, they would not be able to make adequate private contributions to social insurance. Most will be in informal employment and will depend on the old age grant in their old age. This also implies that in their adult life, they will continue to face a number of risks from which they are not able to cover themselves. Efforts and mechanisms have to be found to encourage them to save even when they are outside formal employment.

The implication is that efforts and resources should be targeted at addressing the education and employment challenges, which are priorities identified in the plan. For most of these young people of today, labour market activation strategies to enhance their employability and improve their chances of entering higher paying jobs are critical and urgent. Most of these jobs must be in the private sector.

SOCIAL ASSISTANCE - GRANTS

The concerns with respect to the sustainability and affordability of social protection should not crowd out the state's obligation to provide social protection to those who need it the most. The issues raised above regarding affordability, sustainability and demographics provide the context within which extensions and expansions of guarantees should be considered.

It is important to note that social grants have been extended so that all children up to 18 and adults

over 60 are eligible if they pass the means test.

The evidence about the positive impact of the various social grants on poverty reduction is overwhelming. They dominate the income profile of many poor households and thus play a vital role in sustaining lives and livelihoods for households that have no employed members.

Social grants are targeted at non-working vulnerable groups – children, older persons, and people with disabilities. However, beneficiaries often have to share them with other family members. This raises concerns about the level of the grants, with the child support grant in particular being regarded as too low. These concerns point to the need for complementary measures and support, because the grants are only intended to provide for a basic minimum standard of living. Working parents provide the best complementary measures for the child support grant.

In the early years of the child support grant, there was a discussion on whether there should be conditions attached to the grants. This drew on lessons from countries such as Chile and Mexico where social assistance is tied to some form of conditions such as school attendance or accessing health care. Conditions were considered unnecessary in South Africa since there is over ninety percent school attendance at the compulsory phase and most children access health care and get immunised on time. In 2009, 'soft' conditions were introduced, i.e. there are no sanctions for non-compliance.

As the social protection system evolved, the child support grant was extended to include children up to eighteen. There is a high dropout rate from school from age fifteen (and maybe lower in some instances), with the participation rate of those aged above 15 years old estimated to be around



67 percent. The question is whether there should be conditions for children over a particular age or other incentives and measures to encourage school attendance.

Policy proposals

Close the gaps by ensuring those eligible for the existing benefits receive them

Despite significant progress in expanding the reach of social grants, there are people who meet the criteria for the existing benefits but are not accessing them. This may be due to geographical and/or administrative burdens.

Survey data suggests that about three-quarters of the elderly are eligible for the old-age pension, almost all of whom are receiving it. About 6 percent of the working-age population receives disability grants. While 60 percent of children who are within the age and income bracket covered by the child support grant receive a child grant of some form, a 2008 survey estimated that 70 percent are eligible for the child support grant on the grounds of household income. This indicates that there are many children who are not receiving grants to which they are entitled: some estimates put the number at 2.9 million.⁶

Priority should be given to identifying these people and ensuring that they receive the benefits they are entitled to.

Targeting versus universalism

The grants are currently targeted through means testing. There are proposals to remove the means test so that each person, by merit of being a citizen, would receive benefits from social protection guarantees. There are societal benefits to this as it would accelerate delivery and make it easier to reach those who are currently eligible but who are not receiving the grants. It would cushion millions of families from the effects of household

level and economy wide shocks. It would also reduce the administrative burden on the poor. There are however, also considerable cost implications. Every element of the proposal to extend or expand guarantees would need to be financially quantified. There are also concerns that the universalism approach may unfairly distort individual efforts.

SOCIAL SECURITY

The fundamental objective of social security is to provide people with a securely funded and adequate pension on retirement. Contributions to private schemes must guarantee a decent replacement income on retirement. Most social security or insurance schemes are financed out of labour income. However, employment does not offer full protection against the risk associated with loss of income. Some people flow in and out of employment and unemployment.

For some who are in formal employment there are statutory and voluntary social insurance schemes, with mandatory membership and contributions. These include measures which provide protection against the risks associated with loss of income as well as medical care. There are also voluntary funds that cover retirement for those in formal employment, but most low wage earners are not covered. Recently, there has been analysis within the private sector of various types of private insurance to cover loss of income due to job losses and/or hospitalisation. The extent of coverage of these is not fully known.

Social security should not be limited to those who have made private contributions to private schemes. It should provide income security in old age and during unemployment spells to those who, for various reasons, had shorter or interrupted working careers, those who have had shorter spells of formal employment, worked in the informal

sector and those who were in low paying jobs. It must also seek to provide protection to those who have had long unemployment spells throughout their working life.

The old age grant covers all those who pass the means test. Those who move in and out of the labour market or work in the informal economy should be encouraged to save during the periods when they are working so that they do not become entirely reliant on the old age grant. Thus mechanisms for making social security contributions should be available to those outside formal employment.

Make pensions safe and pension systems sustainable

South Africa's retirement fund industry is said to be one of the world's largest relative to GDP, with high participation and contribution rates. Dependents receive substantial benefits and protection in case of the premature death of the contributing member. However, on retirement many members do not have adequate income to sustain a reasonable level of consumption, given that consumption drops post retirement. This is due to a number of reasons; key amongst these is the low preservation rates, i.e. most people do not preserve their pension funds when they change jobs or flow into unemployment. The cost and fees structures of the schemes are also said to be high, eroding the investment value of these and thus lowering the benefits. There are issues related to the governance of some of the schemes, which leads to potential loss of income. Moreover, there is lack of protection post-retirement against longevity and investment risks.

Policy proposals

Whereas the private pension scheme system is large with high participation rates, it is characterized by inefficiencies which will require strong

government regulation. The Commission supports the proposals made by the government task team on retirement reforms led by the Minister of Finance:

- Improving governance of retirement funds
- Harmonising the contributions to and benefits from all retirement funds
- Phasing in preservation requirements to improve financial security in retirement
- Reforming the annuities market.

These will ensure that a significant majority of those who are in formal employment and contributing to private/voluntary pension schemes are protected on retirement, relieving the pressure on public finances.

However, this will require finding measures to close other gaps. There must be protection from the risk of losing a job. Most of those who do not preserve do so to avoid risks associated with unemployment. The question is how to protect from risks associated with unemployment and thus discourage early withdrawal of pension funds. It is not feasible to ask individuals to save for retirement when they are faced with immediate needs for food, housing, health care, etc. This should be a priority issue to be worked out alongside the proposals made for social security reform.

The proposals to provide a contribution subsidy for low-wage formal sector employees are also supported. The financial implications of this and the other proposals in the reform need to be clear, both within the comprehensive social protection policy and as a means of prioritizing fiscal spend within the broader developmental objectives.

The current proposals do not address the issue of bequest motive or intergenerational transfers of the pension funds. While it may be argued that at old age, people do not necessarily have dependents, the individual savings could play an important role in



addressing intergenerational poverty. In the context of high unemployment and increasing number of orphans amongst other reasons, many old people do have dependents. The other issue not addressed is how to cover the informal sector. Some proposals on this are dealt with below.

UNEMPLOYMENT INSURANCE

The national unemployment insurance fund assists those who lose their jobs, but also those who stop receiving a salary for a period of time due to maternity leave, illness or taking care of an adopted child under the age of 2. Family members left behind upon the death of the breadwinner in the family are also assisted by the fund.

The fund's coverage is limited, with less than 5 percent of the unemployed receiving unemployment benefits at any given time. Part of the explanation lies in the fact that 55 percent of the unemployed report that they have never worked and thus have not contributed to the fund. Furthermore, 44 percent of unemployed people who have previous work experience have been unemployed for more than a year and would have exhausted their benefits if they were ever eligible for them. While the fund clearly has an important role to play in providing replacement income and a

degree of security to the short-term unemployed, the vast majority of the unemployed fall outside this system.

The unemployment insurance fund provides essential support to workers who have lost their income. For the first nine months of 2010/11, the fund received an average of 63 260 new claims per month. Average monthly benefit payments amounted to R466.8 million to 207 646 beneficiaries according to the Budget Review 2011. The fund currently has a large and growing surplus. In 2010/11, fund expenditure was about R8.1 billion, while revenues were R14.4 billion.

The fund currently has a growing surplus. In 2010/11, fund expenditure was about R8.1 billion, while revenues were R14.4 billion. In the 2010/11 financial year, when the economy lost an estimated million jobs, the fund processed an average of 63 260 new claims per month. Average monthly benefit payments amounted to R466.8 million to 207 646 beneficiaries, according to the Budget Review 2011.

In light of the growing surplus and the persistent unemployment problem, there are proposals from

- Of the estimated 13 million people employed in South Africa, about 9 million are employed in the formal sector. It is estimated that only about half of these earn enough to contribute to the voluntary social insurance schemes.
- Of these an estimated 10 percent preserve their retirement funds and thus are able to maintain pre-retirement level of consumption on retirement.⁷
- Government employees make up just over 1 million of the 9 million formal sector workers.
- Therefore over 80 percent of those who are currently employed will be reliant on state old age grant in retirement.
- This will have a significant impact on public finances and funding for other programmes

the Department of Labour to utilize the fund more in order to provide more protection for the unemployed, by increasing the benefits to better address the long and structural nature of unemployment. These include extending the period of benefit payments or increasing the amount of the benefits.

Policy proposals

Having an existing fund balance or surplus from which to draw makes the problem of financing benefit payments much easier. However, a few issues need to be considered before thinking about increasing benefits:

- How long the current unemployment crisis is likely to last, and the long run prospect for unemployment rates
- The possibility of large year-to-year swings in unemployment insurance caseloads
- The potential disincentives and negative or unintended consequences of increasing benefits or extending the period of benefits payments.

The alternative to increasing benefits could be to find creative ways to use the UIF.

- One option is to improve the reactivation mechanisms such as assistance with seeking work, training and skills development. The design will have to be carefully crafted and a link established with the skills development levy and associated programmes which are also meant to facilitate finding work. The fund is currently focused on giving benefits to members, but to ensure its sustainability the focus should be on helping people return to active employment.
- The other option is to create an unemployment
- assistance fund. A proportion of the UIF could be set aside into a fund that will assist the

unemployed, not only those who have contributed to the UIF. The fact with respect to the UIF is that not many of those who contribute face the constant risks of job losses. Many of those who do become unemployed quickly manage to return to employment. The low payments of benefits at a time of significant job losses attest to this. Furthermore, those who take longer to find employment, exhaust the benefits due to long spells of unemployment.

- The unemployment assistance fund could be accessible to the informal sector and contract/temporary workers who have not contributed but can prove they have worked for a particular period. It could be extended to those without formal contracts who can prove they have worked for a particular period of time. It could also include labour market reactivation measures, such as training and job search assistance, which will be accessible to this group that is outside the scope of UIF.
- To assist those who lose jobs and need to cash their retirement savings to smooth consumption. Unemployment assistance could be accessed on condition that an individual can show they have a retirement savings account. It could be used to assist them after exhausting the unemployment insurance benefits and after they have tried to join the expanded public works programme or find other means of earning income. It must have conditions and not discourage reentry onto work.
- The proposal to increase the period of payments of benefits needs serious consideration. Long spells of unemployment limit the chances of re-entry into employment partly due to the deskilling that takes place while people are unemployed. The proposal may have unintended negative consequences.



- The other option is to create a job investment fund that is targeted at investing in small, micro and medium enterprise (SMME) development. There are already discussions on this with the Public Investment Corporation (PIC).

Currently government employees do not contribute to the UIF. Government employs over a million people and the fact that they do not contribute represents a lost income. There have been proposals to include government employees, but this has not happened. It is proposed that this should be seriously considered and implemented. This will have a number of benefits including a redistributive aspect. Their contribution will not only grow the Fund, but will also allow financial space to extend the benefits to the non-covered section of the population.

These proposals do not require additional resources, but a different approach to thinking about social insurance. They can be piloted and then scaled up within a short space of time.

COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASE

For those working in formal employment, there is the Compensation Fund, which provides medical care and income benefits to workers who are injured at work or with occupational diseases. The Fund is a statutory fund with mandatory membership and contributions, effectively restricted to the formal economy. However, as with other contributory funds, some of those without formal contracts of service in the formal economy and those in the informal sector cannot access the Fund if they are injured at work or develop occupational disease.

The informal sector and small-scale industries, in particular, are subject to numerous workplace hazards. Most informal sector workers live and work in poor areas, and vulnerability to disease and poor health result from a combination of undesirable living and working conditions.

Furthermore, due to improvements in workplace practices in the formal economy, the hazardous jobs are pushed into the informal economy where



companies can save costs. For example there is no pressure to ensure proper recycling of products in many industries including mining and manufacturing, and at the end of their life-cycle products are recycled in the informal sector. Despite Traditional occupational health and safety regulation operates through formal employment structures and therefore offers limited or no protection to informal workers.

Occupational safety and health in the informal sector and for those on informal contracts cannot and should not be seen in isolation and de-linked from the other socio-economic issues. The exposure to hazardous working environments exposes people to work related accidents and/or diseases and if these affect the breadwinner, it can push the family into deeper poverty.

Those in informal employment are effectively dependent on the public health system, as most of them will not have contributory health insurance. A long-term change in the risk coverage of workers in the informal sector and informal employment needs a shift in approach. Deciding who should bear the burden presents some practical difficulties. Nevertheless, the formal and informal sectors are interdependent and many formal sector supply chains can be traced back to the informal sector. Therefore solutions to some informal sector problems should come from the formal sector and the formal sector should hold some responsibility for workers' safety in the informal sector.

Policy proposals

Whilst there will be no one-size fit all solution, efforts can be made to cover some workers in the informal economy. There is an urgent need to improve the understanding of the scope and nature of informal employment in the country. This will assist in addressing the challenges related to this sector with respect to occupational health and

safety. A number of suggestions should be explored to ensure that those in this sector are protected from hazardous working conditions:

- Reorient conventional occupational health and safety systems and regulations to include a substantial number of those in informal employment.
- Where linkages can be established, industry based funds or group insurance should be established to cover safety and compensation for those in the informal sector through formal sector funds.
- Improve the quality of statistical data on occupational hazards and injuries in the informal sector.
- Local government and municipalities should play a significant role in the management of occupational health and safety for the informal sector. This would include providing information to workers about health and safety issues in specific sectors, facilitating access to information from other sources.
- Municipalities should partner with the private sector to improve working conditions and ensure safety equipment is provided.
- Improve the implementation and enforcement of health and safety standards by requiring employers to invest more in occupational health and safety and organizing alternative provision for the informal sector and the self-employed.

SOCIAL PROTECTION OUTSIDE THE STATE – COVERING THE INFORMAL SECTOR

There is a growing trend of under-employment. Many people find themselves employed in



precarious and low paying jobs, and a growing number of people are working in the informal sector. There is a growing trend of sub-contracting. These workers do not usually pay taxes or contribute to social security schemes, meaning they have little protection.

There are three different forms of informal employment: workers who work in the formal sector but do not have formal contracts, workers who are employed by informal enterprises or households who also do not have formal contracts, and those who are self-employed in the informal sector. All these groups suffer high vulnerability due to the lack of effective social protection.

The informal economy is assumed to fare relatively well during crises and provides a cushion for those who lose formal sector jobs or need to supplement their formal incomes during crises.

Contributory systems for formal sector workers such as retirement insurance, unemployment insurance, occupational injury and disease insurance, provide very little coverage for workers in the informal economy. Informal sector workers are typically lowly paid and have immediate expenditure needs for food, clothing, housing,

education and health. This makes it difficult to save sufficiently to cover future risks. Thus most of those in this group rely on the state funded old age pension in old age, but have few other means to cushion risks associated with temporary or permanent loss of income prior to qualifying for the old age grant. In event of injury or illness, they rely on the public health sector for care.

Social protection systems must respond to the growth of temporary and part-time contracts, and the increasing importance of self-employment.

Whereas a solidarity driven system of social security can cover those in the formal economy, other designs should be explored to enable those in the informal economy to participate in contributory schemes. There need to be a mixture of financing and institutional frameworks that bridge the binary division between the formal and informal sectors.

Policy proposals

Encourage voluntary participation

The government has a key role in facilitating and promoting the extension of social protection to help ensure a decent life for all its citizens, but it cannot fulfill this on its own. It should work with other





parties to explore options for developing social insurance and social protection schemes for the informal sector. Social partners and communities can play a strong role in running such schemes.

South Africa has a long tradition of stokvels, which are said to form a sizeable part of the informal savings schemes. Alongside these there are cooperatives, although these are generally small in size. These community based mechanisms show that there is a culture of saving as well as managerial and financial expertise. This expertise could be used in developing social protection schemes that will reach out to workers in the informal economy. The government should use these existing mechanisms as a basis for establishing and developing appropriate institutional support to promote social protection for the informal sector.

Community-based insurance provides a powerful mechanism for developing the organisational capabilities of civil society, with long term benefits for enhancing accountability and governance as well as welfare provision.

Encourage private sector participation and voluntary contributions through incentives

The private market has an important role to play. There are already indications that poor South Africans are willing and able to save if the incentives are appropriate, and the products are flexible and responsive to their needs. One of the major banks launched a savings product which illustrates the capacity and appetite to save among South Africans. Approximately 750 000 accounts were opened, collecting R1.2-billion in deposits, and about 20 percent of the people who opened accounts had never had a bank account before. People didn't take their money out when the programme closed down. The product had two incentives: there were no fees charged and people could invest small amounts, and there was the possibility of winning a big pool of money without losing the initial investment.

There are other private sector products in the insurance market, including medical insurance schemes which replace income loss during hospitalisation and insurance for loss of income as a result of losing a job. Most of these address the needs of those who do not participate in the formal

- In 2011, the All Media and Products Study (AMPS) estimated that 40 percent of the South African population belonged to a stokvel.
- According to African Response, there are 811 830 stokvels and 11.4 million stokvel members with a total estimated value of R44 billion in South Africa.
- Stokvel membership depends on individual circumstances, which is why there are different types. The most popular types of stokvels across all respondents are savings stokvels and burial societies (with 47 percent and 41 percent of respondents belonging to these types)
- Investment stokvels make up 5 percent of the total stokvel market. The rise of investment stokvels speaks to a newer aspirational need for stokvels.

Source: African Response 2011⁸

sector contributory schemes and have great potential to improve coverage of those in the informal sector.

Government needs to explore using such mechanisms to incentivise wider participation and provide matching contributions to those below a particular threshold.

Coordination role of trade unions

Trade unions can play a vital coordinating role to ensure social protection mechanisms are available to their members as well as workers in the informal economy. Trade unions should explore ways of extending protection to their members when they lose their jobs.

Whereas there are laws that require a subset of employers to provide severance pay, the requirement is difficult to enforce when a company closes down. The workers of these operations are usually left on their own without any form of compensation or protection. Laws need to be established to address this problem, but trade unions can also play a role in assisting their members.

Severance pay includes either a lump sum payment after the employment is terminated or periodic payments. Most of these workers become unemployed or enter informal employment and lose social protection coverage. The lumps sums paid out are usually used to replace the loss of income and little if any of it is saved. Using the principles of community insurance schemes, trade unions could assist in coordinating social protection for their members to provide protection against such risks. Trade unions can also play an educational and advocacy role to help extend social protection to members who become unemployed.

DEVELOPMENTAL SOCIAL WELFARE SERVICES

A robust social welfare system should be one of the pillars of the country's social protection agenda. The poor bear the greatest burden of a heavily-constrained social welfare system.

The current social welfare system needs to be reformed to deliver better results for vulnerable groups. Over the medium to long term, government should implement reforms that ensure accountability as well as adequate funding for the current state-civil society model for delivering welfare services.

Social cash transfers are not sufficient to ensure wellbeing. Other services are needed to reinforce the outcomes of social protection. It is thus important to identify the linkages between cash and in-kind transfers and social welfare services and that these are closely linking with the justice system. This requires a coordinated and integrated approach to social protection.

Policy proposals

Reorganise the state-civil society model for delivering welfare services to ensure greater accountability, improve service delivery and protect the very vulnerable from neglect, exploitation and abuse

In social welfare services, the state has adopted a partnership model of service provision and relies mainly on non-governmental welfare organisations to provide professional social services. However, the funding of these organisations has declined steadily since 1994, reducing the range and compromising the quality of services at the same time as demand for such services has increased.

Such organisations are unable to respond to the scale and complexities of South Africa's poverty, social fragmentation and lack of social support systems. Increasingly, the burden of care has fallen on the poorest communities and on women and the elderly, often leading to a sense of powerlessness and social isolation.

There is also a need to ensure that accountability is built into partnerships with the non-governmental sector. The state has to ensure that non-governmental providers do not take advantage of vulnerable groups and that they provide the correct benefits.

Address the skills deficit in the social welfare sector

In the immediate and medium term, the country

needs to increase the supply of four categories of social service professionals to respond to the demand for appropriate basic social welfare services. These categories are social workers, auxiliary or assistant social workers, community development workers, and child and youth care workers.

Responding to the social breakdown of families, communities and society requires a range of generic and specialist education and training that is not available to poor communities. The inability of South Africa's social welfare services to provide the quality of care required is reflected in the inadequate supply of social work, community development, and child and youth care professionals. It is estimated that the country requires close to 55 000 social service professionals to respond to the country's social welfare needs. Currently, there are approximately 15 000 qualified social workers registered with the South African Council of Social Service Professions. Problems in the supply of qualified social service professionals are also linked to poor working conditions and a lack of funding for social services. Structural conditions in the education and health sectors affect the ability of tertiary institutions to produce social work, community development and social development professionals, as well as specialists such as school psychologists.⁹

The skills deficits are not limited to the social welfare sector. Delivery of effective and efficient social protection services is reliant on an effective and capable public sector. Chapter 13 of the plan deals with the issues of state capacity in detail.

The state should play a much larger role in the provision of social welfare services, including establishing effective partnerships with the private and community sectors.



South Africa needs to confront the reality that social services are critical for improving social integration and human development. The current model of shifting the burden of care, treatment and rehabilitation to the non-governmental sector and the poorest communities is not working. The scale of social fragmentation and loss of purpose requires more systematic engagement with both governmental and non-governmental social service providers. Statutory services for children, young offenders, the elderly, people with mental health problems and people living with disabilities need well-conceived state and community interventions. Complex social problems require professional interventions to deal with the symptoms and underlying causes of social pressures, most evident in schools, workplaces and neighbourhoods that are plagued by gang warfare and households afflicted by violence, including the abuse of women and children. Urgent and systematic attention is required to deal with these issues.



Accelerate efforts in integrating issues of disability into all facets of society, and ensure equitable service provision for persons with disabilities,

Due to various barriers, many people with disabilities are not able to develop to their full potential. They are often viewed as being unproductive and a burden, but this need not be the case. For most adults, work is a fundamental component of life, which confers status and economic security and opens up social networks.

The most notable barriers to people with disabilities accessing work are:

- Physical barriers, which may prevent persons with disabilities from accessing educational facilities.
- Information barriers, which may leave persons with disabilities without the use of essential educational materials.
- Communication barriers in educational settings, which may prevent persons with disabilities from accessing information and/or participating fully in the learning experience.
- Such barriers may also prevent students with disabilities from interacting fully with their peers who do not have disabilities.
- Attitudinal barriers, which may lead to assumptions about the capabilities of persons with disabilities, and whether it is wise to commit resources to their education. This can lead to people with disabilities receiving sub-standard education – or even being denied access to education – a problem that especially affects girls and women with disabilities.

Efforts to eliminate poverty by 2030 would greatly assist in reducing poverty-related disabilities.

Improve the safety of women, children and persons with disabilities

The safety and protection of these groups requires

special attention. The details are addressed in chapter 12 (building safer communities).

HOUSEHOLD FOOD AND NUTRITION SECURITY

Addressing household food and nutrition security is a low cost way of underpinning livelihoods, well being and developmental growth. It will help bring down the future costs of health care and improve education outcomes.

It is critical to address nutritional needs through the first 1000 days – 270 during a women's pregnancy and 365 days in each of the first two years of an infant's life –if we are to reap the benefits of good health and development. Poor dietary intake, food insecurity and the poor quality of basic services are major problems exacerbated by the HIV/AIDS pandemic. Nutrition in South Africa is beyond child survival, it is about realizing children's full potential, and building healthy families and a thriving nation. This requires multi-sector partnerships to reduce malnutrition and accelerate efforts for our children to thrive.

Policy proposals

- A household food and nutrition security roadmap should be pursued, including elements such as: food grants, fortification, pricing, education, home gardens. It should target mothers, infants and children.
- A campaign and roadmap for promoting household food and nutrition security should identify strategies to improve nutrition
- In 2012-15 the main elements of a comprehensive strategy should be identified and a campaign launched. Initial high impact steps should be pursued, mainly related to strengthening existing policies in respect of breast feeding, the first 1000 days programme, vitamin A distribution, fortification monitoring, food banks, access to social grants for

mothers of children under 3 and school feeding schemes.

LABOUR MARKET POLICIES

Employment is the best form of social protection. As indicated in the employment chapter, the time it will take to fix the economy and associated labour market problems should not be underestimated. Unemployment is persistent amongst low skilled and less educated young people and those in economically depressed areas, as well as low skilled adults.

Social protection should provide security and flexibility, but also balance between rights or entitlements and responsibilities. Income support should be combined with active labour market policies as well as assistance and incentives that help people find employment.

Social protection must provide unemployed people who are able to work with assistance that promotes employability and adaptability through various active labour market policies.

Labor market policies allow social policy to be linked to productive activities, not just to public spending. Last resort employment schemes such as public works programmes, activation policies and other enabling programmes play an important role in stimulating economic activity and labour market participation. These policies are aimed at job creation and employment and offer incentives to ensure sustainable economic activity.

- Given the current labour market dynamics, the proposals should focus on building strong incentive and systems:
- Mechanisms and incentives to assist the unemployed to access the labour market
- Incentives for older workers as they face possible early retirement to stay in employment



- Incentives for employers and entrepreneurs in relation to job creation
- Training and skilling to enhance labour market mobility
- Address information asymmetries
- Reduce administered prices (particularly transport costs) that raise the reservation wage.

Public employment

Public employment programmes create new jobs through the expanded government employment. Public employment opportunities provide a bridge between social grants and the sustainable employment envisaged in the New Growth Path, creating a mechanism that allows unemployed people to become a productive part of the economy while the structural changes required to create sustainable employment take effect. Without this mechanism, the social tensions arising from high unemployment are likely to hinder medium to long-term growth and development objectives.

Expanded public works programme has created over half a million job opportunities for the unemployed. In the initial stages it was assumed that Expanded Public Works Programme (EPWP) would have a training component to enhance the employability of the participants and help them move on to a full-time job. However, it is now accepted that it is difficult to provide training through such programmes. This issue is important when thinking about the future of EPWP and other measures to enhance employability and reduce the unemployment rate.

The current phase of EPWP introduced innovations to enable a scaling up. This involved the simplification of programme targets and a decentralisation of decision making. Three new programmes were introduced namely the employment incentive for municipalities that achieve employment targets, the employment incentive for

non-profit organisations, and the Community Works Programme. These new elements enable communities and organisations to determine how they will go about their job creation initiatives.

The type of public employment that the Commission advocates is more than income transfer; it is about empowering people to contribute to their communities.

Employment services

Employment Services should assist the unemployed in finding work and skills development opportunities, and help employers recruit new employees. This is particularly important for low skilled workers who form the majority of the unemployed as well as for groups who have special needs or face a particular disadvantage in the labour market.

Private employment and placement services play a significant role, although there are concerns about the implications for labour regulations and the protection of workers' rights. These issues should be addressed through better regulation. The private sector can play a significant role in reducing information asymmetries. The government, through the Department of Labour's regional offices, also provides these services, albeit on a small scale. They also play a regulatory role.

There are Special Employment Programmes under the auspices of the Department of Labour which focus on persons with disability. These provide placements for people with disabilities and facilitate on-the-job training, leading to qualifications and competencies that help people access employment. They also provide technical assistance to emerging and existing enterprises that promote the employment of people with disabilities.

There are also career services provided by other entities, both public and private. The South African Qualifications Authority in partnership with the Department of Higher Education and Training has a careers service programme. However, the focus is largely on initial career choices, and thus has a limited reach.

Training and skills development Programmes

Training and skills development programmes both promote employment and provide protection against the risk of unemployment. They aim to provide unemployed workers with the skills necessary to obtain decent jobs in both the private and public sector.

The current skills development system is not equipped to tackle the growing vulnerability that comes from more workers being in smaller firms and on less secure contracts. The programme operates at a small scale, despite there being adequate financial resources to expand. For example, at the end of the 2010/11 financial year there was an estimated R3.8 billion surplus from the skills development levy.



The evidence suggests that skills development programmes can play an important role in facilitating entry into the labour market. An HSRC study evaluating the first five years of the skills development strategy found that more than 50 percent of the young people surveyed moved

from the learnership programme into employment before finishing their training programme. Furthermore, more than 50 percent of those who completed their training programme moved into full-time employment.

Activation

There is no incentive structure to encourage employers to hire and train unemployed workers. The employment rates for young people are low and declining. Strategies to provide incentives for these unemployed people to seek and take up work and for employers to create new jobs are critical to address the problems of unemployment and poverty.

Employment incentives have been used in many countries and it is clear that they are a critical policy instrument. There are both positive and negative aspects of the instrument. The critical issue is to design the programmes in such a way that the negative aspects are minimized. It is also important to note that there is no single model of subsidized employment programme. Countries have experimented with different variants and a country can have more than one variant at a time, each targeted at a specific category of the unemployed.

Funding active labour market policies

Apart from training and skills development programmes, which are funded through the levy paid by employers, all the other strategies will require funding from the fiscus. Public funds are not unlimited and choices will have to be made. The challenge is to improve the efficiency of these programmes, minimize duplication and ensure they are properly targeted:

- Given the differences in the characteristics of the unemployed, how should the various programmes be targeted at specific groups?
- What is the primary concern of each of the programmes? Is it poverty alleviation, reducing the



impact of unemployment on individuals and families, or enhancing employability and increasing employment rates? It is proposed that to improve efficiency in all these programmes, they should be targeted at participants who are likely to benefit most. The following categorisation could be applied:

- EPWP should be targeted at low skilled adults who are unemployed –the programme serves as unemployment assistance and protects this group from the risk associated with job losses or long term unemployment.
- The youth with senior secondary education and above should be targeted by programmes that provide incentives to employers to hire and train them. After a year or two in a subsidised job that is complemented by relevant training, they will gain experience and their wages will increase, enabling them to graduate from the subsidised programme.
- The skills development programmes can be used to target young people and encourage them to acquire additional educational qualifications and skills. A large number of the unemployed young people have less than senior secondary education level. Unless this improves, their labour market prospects will remain poor. This group should be reengaged through proper education and training programmes.

Whilst there is agreement that the economy needs to grow to create jobs, high unemployment rates constrain economic growth. Thus it is a chicken and an egg situation and both strategies should be pursued. EPWP is sometimes expected to be a panacea for unemployment and also enhance employability of the participants. Lessons from the first round of evaluation of the programme have shown that this is an unrealistic expectation. EPWP has an important role to play but it cannot be the only instrument to address unemployment.

CREATING A FUTURE SOCIAL

PROTECTION SYSTEM

Social protection is at the heart of reducing poverty and inequality. It combines the objectives of alleviating and preventing poverty and protecting individuals against social risks, as well as empowering individuals to seize opportunities for decent employment and entrepreneurship. It should enable a degree of security in normal times and serve as a safety net in times of crisis.

We should not under-estimate the time it will take to eradicate poverty and inequality. South Africa will need to commit significant resources to social protection measures. Effective social protection is not just about risk management or responding to crises; it is a long term investment in a productive society and economy. The state and other actors should focus on programmes that promote the sustainable use of natural resources and build resilience amongst the most vulnerable while at the same time addressing their developmental needs and protects them.

Some elements of the right to social protection are prescribed in the Constitution. Most of these rights have been converted into entitlements through social assistance, standards and the social wage. This demonstrates a sufficient level of consensus about the state's role, and the levels of risk and deprivation that are unacceptable. Government has a responsibility to ensure these rights are met. Non-contributory transfer programmes play a critical role in preventing people falling below a certain poverty level.

As the social protection system evolves, government must ensure that social protection is:

- Affordable in the short and medium term budget planning for the public budget. Does not place unreasonable burdens on households and communities;
- Financially and politically sustainable – the state's

role in social protection should reflect an adequate level of public support for interventions to assist the poorest.

Increases in spending are more likely to be justified if there is public support for the proposed safety net programmes and they promote social inclusion. This is more likely where taxes are raised efficiently, and the combined package of expenditure and financing is redistributive.

Social insurance should not only apply to those in formal employment. There needs to be a mixture of financing and institutional frameworks that bridge the binary division between the formal and informal sectors. This includes encouraging voluntary participation.

Informal sector social protection schemes should mostly be financed through a combination of private fees, grants and government subsidies. In terms of delivery mechanisms, the government can facilitate access either by implementing social protection schemes directly or by facilitating participation by other players.

South Africa should have a consolidated institutional framework that supports coherent policy implementation, integrated social security administration, and effective regulation and oversight of the system. The administrative coordination and alignment of the various elements of the social protection system should be improved.

Non-governmental welfare organisations cannot be expected to respond alone to the scale and complexities of South Africa's poverty, social fragmentation and lack of social support systems. Government should play a more active and larger role, including ensuring the system is adequately funded and accountability is strengthened.

Favourable social protection and employment outcomes are influenced by economic growth, they also contribute to progress in human and economic development and to poverty reduction.

CONCLUSION

This chapter has focused on the state of social protection in South Africa and the principles for the future of social protection. It should be read in conjunction with other chapters that deal with matters related to social and economic policies, as well as the safety of communities and nation building. The vision sets out the desired future social protection system. While a comprehensive social protection system exists in the country, it requires improvements in efficiency and coordination of policies as well as improvements in implementation, particularly with respect to the quality of services.

If South Africa is to make real progress in eliminating poverty and reducing inequality, it will need to provide its people with a secure foundation from which they can expand their capabilities and improve their life opportunities. Social protection can provide this minimum security, as can a range of social welfare services designed to provide targeted support to vulnerable groups.

An essential feature of any well-functioning democracy is the ability of citizens to hold the government accountable for its efficient and equitable delivery of public services, including social protection. It is important that errors are corrected, bad practices are exposed, and the rules and procedures of each element of social protection are clearly explained to avoid unnecessary confusion. An independent complaints or grievance mechanism is recommended for all social grant programmes to improve transparency, efficiency and equity, and expose corrupt practices.



It is critical to ensure that the actions of today steer us in the direction of a positive future for this country. Social protection has a critical role to play in shaping this future by guaranteeing people a

minimum standard of living and thereby providing a foundation for expanding capabilities and opportunities.

NOTES

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