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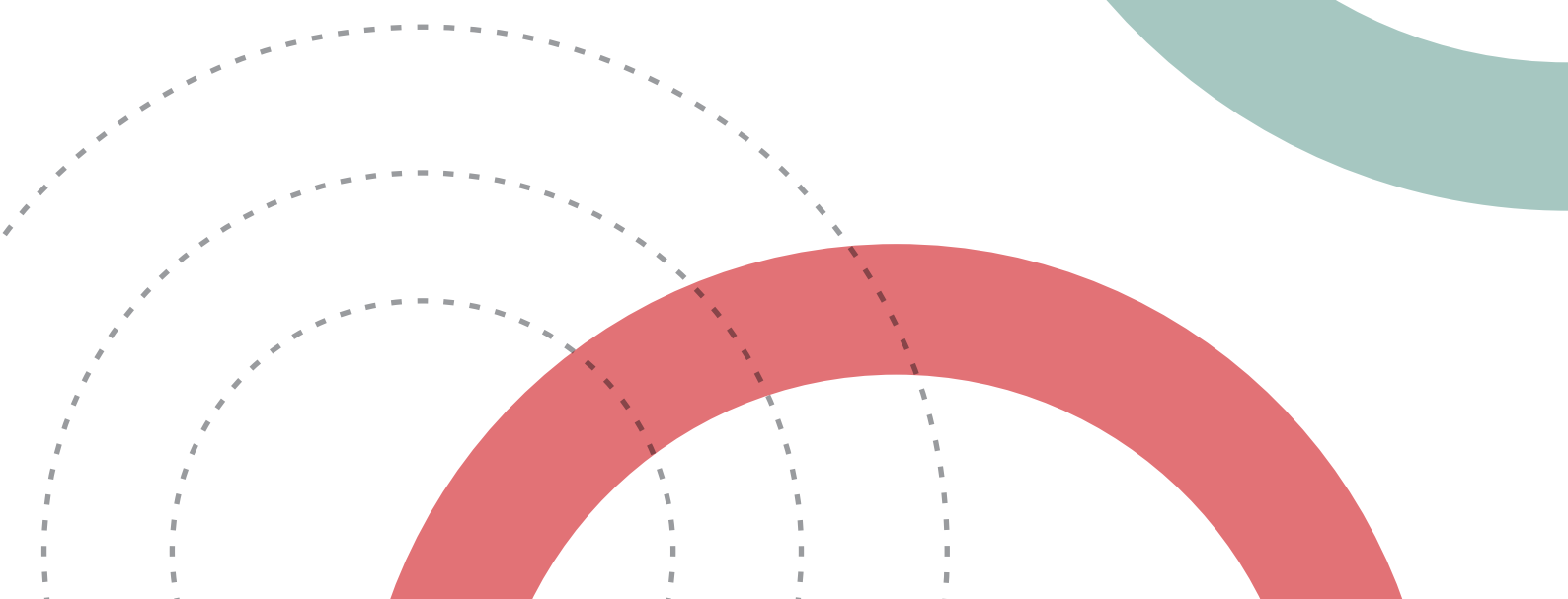
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SOCIAL PROTECTION FLOOR

A Social Compact for
Social Cohesion

A Policy and Planning Brief



A POLICY AND PLANNING BRIEF

Social protection floor: A social compact for social cohesion

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1.

Background and purpose

The National Development Plan (NDP) has prioritised social protection as a critical intervention to improve the quality of life of South Africans by eradicating poverty, reducing inequalities and addressing unemployment.

This policy and planning brief provides the context and background to the work of the National Planning Commission (NPC) on the social protection floor as a priority. It explains how existing social wage benefits, together with other essential goods and services, provide a social protection floor below which no one should fall.

The NDP provides evidence and analysis that highlights how the distortions of colonialism, together with race and gender exploitations under apartheid, trapped the majority of black African people in poverty. The provision of essential basic services and benefits to black people was either non-existent or inequitable, with people in rural areas, the former homelands, and informal and peri-urban areas particularly deprived.

The denial of essential services such as water, electricity, transport, waged income, food, quality education and health care trapped people in intergenerational poverty. To address these structural roots of poverty and inequalities the NPC focused its policy and planning attention on clarifying the essential elements that together provide the initial conditions that give the poorest people in the country the building blocks to build their capabilities to better use the opportunities to integrate into the economic and social system.

Social protection is a Constitutional right and as a concept in the NDP is understood to have a protective function when it provides benefits

and services to those who are vulnerable, at risk and in poverty during their lifecycles. It also has a preventive function because the benefits can provide a stabilizer in times of economic and social crises and thus prevent people from falling into deeper poverty. A third function of social protection benefits is that of their promotive potential by providing the means to enable people to participate in community and wider activities. In addition to these functions, social protection measures have transformative potential because as individuals and households improve their conditions they are better able to influence change of oppressive power relations and make choices that generate social and economic developmental impacts.

As noted in the NDP, the post-1994 democratic South African social protection system is based on 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 a significant impact in addressing poverty and inequality. Since the provision of goods and services to South Africans is distributed through a number of sectors operating within government these benefits are not easily understood as a combined basket of benefits or as a social protection floor. During its

second term, the NPC brought together social partners from government, labour, business, and the community sector to better understand the elements of a social minimum or social protection floor, which together provide a standard of living below which no one should fall.

Social protection has a number of sub-programme elements that reduce the cost of living for the poorest households. These are a combination of social assistance grants, minimum wages (through waged work in private or public sector) and the social wage (education, health care, free basic services, Reconstruction and Development Programme (RDP) houses, transport subsidies, school feeding schemes, etc). All these elements make a significant impact on poverty and inequality, and reduce the cost of living for the poorest households, especially the 17 million who receive social cash grants.

However, despite these benefits, the NPC's research finds that many of the poorest households are not benefiting from the full range of available funded social provisions.

In Chapter 11 (2012: 353), the NDP vision for 2030 states: "A social protection floor is defined and a multipronged strategy recommended to ensure that no household lives below this floor. Problems such as poverty-induced hunger, malnutrition and micronutrient deficiencies will be addressed."

According to the NDP (NDP, 2012: 356), democratic South Africa adopted a comprehensive social protection system and established minimum standards linked to a social wage. The social protection system includes non-income transfers and a set of basic services. Such basic services complement people's earnings to ensure that everybody can access a minimum level of consumption. The system, if reaching those who need the services most, should have a significant impact in addressing poverty and asset inequality.

The elements of the comprehensive social protection floor and system include:

- Social grants (children, older persons, persons with disabilities);
- Access to free basic services, shelter, water, sanitation and energy for poor households;
- Free education, school nutrition and a transport programme;
- Free primary health care for pregnant women and children under the age of 6;
- Statutory social insurance – Unemployment Insurance Fund (UIF), Compensation for Occupational Injuries and Diseases Act (COIDA) and Road Accident Fund (RAF);
- Voluntary social security – for formally employed people (pensions, provident funds);
- Active labour market policies to facilitate labour market entry;
- Income support for working-age poor through the Expanded Public Works Programme (EPWP);
- Minimum wages;
- Developmental social welfare services for individuals, families and communities.

The above measures are intended to reduce poverty and inequalities. However, there are problems in access to and distribution of these services. They are not reaching the poorest households.

The NDP clarified the links between the social protection floor (including the social wage) and reducing the cost of living for poor households is clarified (2012:40):

Inequality and poverty can be addressed by raising incomes through productivity growth and reducing the cost of living. A commitment to a minimum living standard will ensure that all households can meaningfully participate in the economy. The costs of food, commuter transport and housing must be reduced, while raising the quality of free or low-cost education and health care.

The NDP also indicates that:

Lowering the cost of living is a necessary adjunct to raising the standard of living and encouraging investment; it will also facilitate the call for wage moderation at both the middle and top end of the income spectrum (2012: 39).

The NDP assumed in 2012 that:

In the earlier years [of the plan period], as the country expands access to employment on a mass scale, a large proportion of working people will receive low pay. It is essential to reduce the cost of living in relation to food, transport, education, health and other basic services (2012:144).

This assumption is proven incorrect because growth in jobs has slowed and growth has taken place in sectors that require high skill levels. Few or no jobs are being created, with resultant increases in unemployment and low levels of labour absorption, especially of young black men and women. The rate of

female unemployment remains higher than male unemployment and wage levels of low-income workers have not kept pace with inflation. Wage and wealth inequalities are increasing. Economic growth has stalled and is on the decline, and the South African State's revenue earning capacity is also declining. The emphasis on efficiency and market-led growth has not resulted in the expected progress.

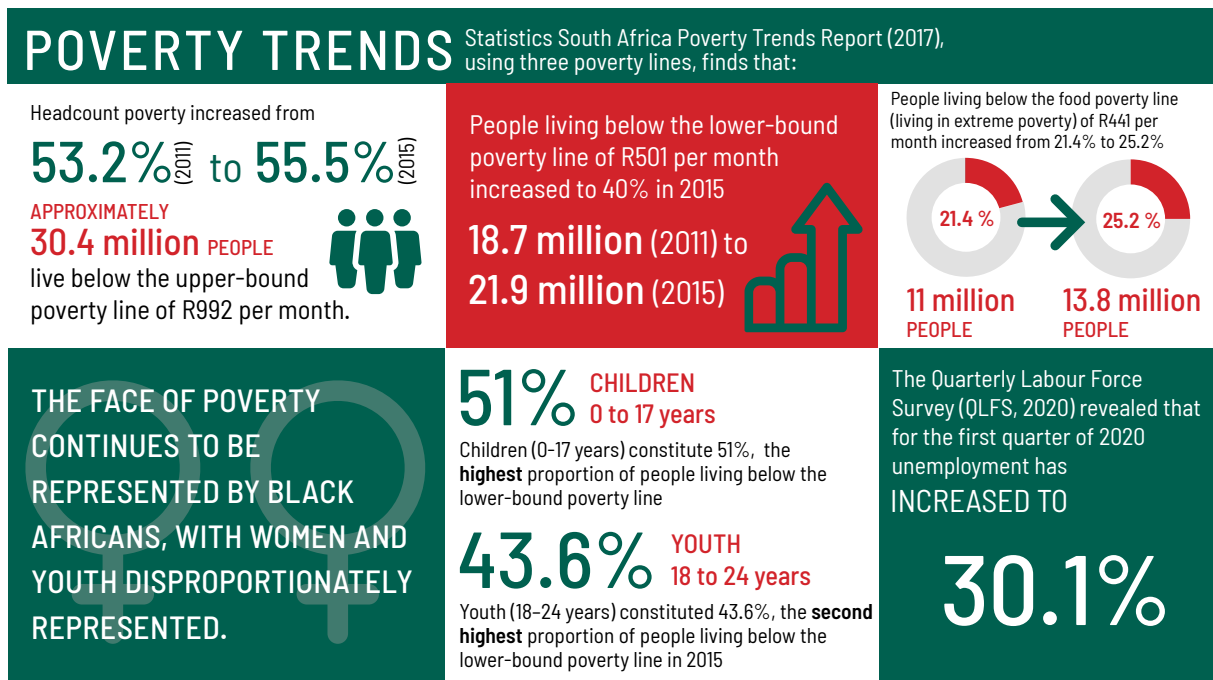
There is an urgent need to reinforce focused attention on the role social protection plays in reducing poverty and social inequalities, as well as promoting economic development through equitable and inclusive strategies. A social floor provides the means to integrate people currently excluded from the benefits of growth with measures that empower them to participate and enhance their quality of life.

Social protection measures act as a lifeline for the poorest and most vulnerable households, as demonstrated during the current COVID-19 crisis as well as during recurring global economic and financial crises. Through these crises the preventive and stabilizing effects of social protection measures are most evident.

2.

Why prioritise a social protection floor to reduce poverty and inequalities?

Although levels of poverty and destitution have not reached pre-1996 levels, poverty has been increasing since 2011 as a result of both domestic and international conditions. A quick look at poverty trends reveals the following:



Given the above, the government and NDP targets of reducing those who live below the lower-bound poverty line and food poverty line to zero by 2030 will not be reached. The NPC reinforces the need to consolidate existing social wage and social assistance measures into a comprehensive social floor that provides basic services and benefits to all those who are constitutionally and legislatively entitled to them.

The NDP (2012:357) articulates its approach within human and constitutional rights, and states that a wider societal understanding should be reached on the elements that

constitute South Africa's social floor or minimum social protection, below which no one should fall.

Achieving this consensus on the effective delivery of all the elements of the social floor through national consensus (social compact) will achieve much-needed social cohesion. A social floor or minimum should be available to all and provide an acceptable and decent standard of living. Ensuring the elements of the social floor are delivered will radically reduce poverty and social inequalities, as well as exclusions and continued instability.

3.

How does the cost of living for the poorest households link to social protection and a decent standard of living?

Many concepts and terms are used interchangeably in policy and planning discourses within South Africa. Such discourses, while focusing on important aspects that affect the lives of the majority of South Africans, can be confusing for those who have to implement policy priorities.

Issues that emerge in these discourses relate to a decent standard of living, reducing the cost of living and social protection.

Taking an evidence-based approach to analysing the links among the impacts of social protection measures, including the social wage, the NPC commissioned a background research study entitled 'Analysing the Impact of State Services on the Cost of Living for the Poor (2018)'. This study is significant because it highlighted the links among poverty experienced within households, their spatial

location, their access to state services in the form of the social wage and the impacts of these services on their quality of life. Based on both quantitative and qualitative analysis, this background research reinforces the importance of effective delivery and distribution of government social services in reducing the cost of living of the poorest households, providing effective social protection and advancing a decent standard of life for the most vulnerable and at risk.

Some of the main findings are:

1. *In 2015, 9 out of 10 people in the poorest 80 percent of households had electricity for lighting, but only two-thirds had piped water.*

While the cost of utilities was around 4 percent of budgets of the poor, their cost increased at a much faster rate than the rate of inflation from 2008. In the case of electricity, this situation in part arose because of a spike in the price of coal during the commodity boom. Efforts introduced by the government to fund major new bulk infrastructure investments from 2005, as well as municipal revenue-seeking, also fuelled higher household tariffs.

2. *The time and money spent on commuter transport remains a major factor that reduces the standard of living for poor households.*

Most workers rely on a combination of walking, taxis and buses to get to work, spending an average of over an hour each way in the process. The cost of public transport tended to track the price of petrol, despite significant subsidies. The main way to reduce the cost would be to provide more housing for workers near to economic centres.

3.

The cost of university education accounted for the bulk of education costs at all income levels.

In contrast, children from most low-income households did not pay for general education, but the quality of their schools was often very poor.

4.

In health, as with education, marginalised households typically relied on free public services, so their costs were relatively low.

In contrast, formal-sector workers often had health insurance and turned to the private sector. As a result, health costs were a significant cost driver for formal semi-skilled and skilled workers.

5.

Households in the 10th percentile had an income of R9,600 a year; those at the 95th decile, around R470,000 a year.

According to tax data, the richest 1 percent of households earned over R750,000 a year.

6.

At R1,500 a month, a single old age or disability pension would lift a household into the second decile in the income distribution.

In contrast, families with only working aged, able-bodied adults were not eligible for any state transfers.

7.

Poor households were heavily over-represented in the former so-called 'homeland' regions, which were shaped under apartheid essentially as impoverished labour reserves.

In 2015, these areas held 28 percent of all households but 40 percent of those in the poorest two quintiles and only 9 percent of the most prosperous quintile. Urban areas housed 70 percent of all households but 90 percent of those in the richest quintile.

8.

Low household incomes resulted largely from low employment levels.

Almost half of the poorest 40 percent of households had no employed people at all, whether in wage work or self-employment. In contrast, the most prosperous 40 percent of households had more than one income earner. As a result, the poorest 40 percent of households accounted for 22 percent of all employment and the next two quintiles for 45 percent. The most prosperous 20 percent of households held 33 percent of jobs.

9.

In the poorest 20 percent of households, only 1 in 4 adults had employment, compared to over two-thirds in the richest 20 percent.

The national average is just over 40 percent; globally, the national figure mostly runs between 50 percent and 65 percent.

10.

Less than 40 percent of all households in the poorest two quintiles earned any income at all from salaries or wages.

If remittances and business income are included, around 70 percent of these households had some kind of earned income, but it was typically precarious and low. Around 60 percent of these households received at least one social grant. In contrast, in the richest 20 percent of households, over 95 percent had some kind of earned income from employment or self-employment.

4.

What is to be done?

As a first step, the NPC facilitated a process to ensure that social partners in government, civil society organisations, labour, community and business sectors understand the elements of the social protection floor as a combination of the existing social wage elements and social security, social grants and other social services. Using various social platforms and processes, engagements were convened to promote a clear understanding of South Africa's social protection floor, its elements, the issues affecting its implementation and the

need to ensure it reaches those who need it. Wider dissemination of the need to implement a consolidated social protection floor can be achieved through mobilising all South Africans to form a social compact to reduce poverty and social inequalities and improve the quality of life of the most vulnerable, and thereby enhance social cohesion. Activities related to mobilising social partners to focus on a compact on the social floor took place between 2018 and 2019. The emphasis in these processes was to:

Improve delivery and distribution of existing social wage benefits and services to ensure access by the poorest.

Ensure that all service providers for the elements of the social floor have established agreed minimum levels of services and benefits.

Monitor the implementation and distribution of the elements of the social protection floor and assess its impacts on reducing poverty and the cost of living, and achieving a decent standard of living.

Some policy and planning proposals to achieve the impacts

For effective distribution of the benefits of the social protection floor, the following is proposed:

PROPOSAL 1: *Social protection floor as a practical medium-term objective (2020)*

The existing social wage, including free basic services, education, health care, social

grants, minimum wages, housing, transport subsidies and social welfare services should be recognised as South Africa's social protection floor with the criteria below.

The social protection floor should comply with the requirements of *progressive realisation* as incorporated in the South African Constitution.

It must:

- Specify the minimum guaranteed level of entitlements to social benefits including

minimum wages, income support (social assistance grants), health care, education, basic social welfare services, free basic services and VAT-exempt basic foods.

- Determine the availability, distribution, adequacy and sustainability of the benefits.
- Ensure that specific entitlements and benefits have a defined path to their full realisation and implementation over a phased period of time (between 2015–2025).
- Indicate a set of norms, standards and specific criteria for basic and other types of social services that are provided, and specify who should receive what benefits.
- Indicate the package of services, type of social infrastructure, human resource requirements and institutional arrangements to deliver the elements of a social protection floor.

PROPOSAL 2:

Youth and women's transition into labour markets

Ensure that youth transitions into labour markets, especially for those in the age range of 18–24 years.

PROPOSAL 3:

Early childhood

Improve the provision of early childhood development to the poorest children.

PROPOSAL 4:

Strengthen social welfare service delivery

Strengthen social welfare service delivery by reviewing what is in place and identifying the distributional issues and gaps in services. Undertake legislative and policy reforms to ensure social infrastructure, capacity-building of human resources, funding and institutional arrangements are in place.

PROPOSAL 5:

Basic income grant to address social protection gap

Research the feasibility of a basic income

grant to address the gap in social protection for people between 18 and 59 years. Besides the minimum wage determination set for all workers and given levels of unemployment and unemployability, the 'income poverty' aspect of the social protection floor is relevant, particularly for three reasons:

- First, income support poverty measures are easier to roll out in the short term than more infrastructure- and institution-intensive 'capabilities' and 'asset' poverty programmes.
- Second, people who are in 'capability' and 'asset' poverty, or for that matter have special needs, are usually also facing income poverty.
- Third, the Constitutional Court has recognised that if the State were providing better social assistance to the poor there would be less pressure on other socioeconomic rights. (RSA: Taylor Report, Committee of Inquiry into a Comprehensive Social Security System for South Africa, 2002: 43).

This policy and planning brief is designed to inform the wider South African community about efforts being made through the National Planning Commission to implement a social protection floor that will reach those who need it the most and provide the building blocks for South Africans to achieve a decent standard of life. Such information can be used to monitor what is being done, how it is being done and who is being reached so that all those who are responsible for the delivery of the elements of the social floor can be held accountable. The COVID-19 crisis provides a renewed urgency to translate issues of distributive justice into policy outcomes that matter for people whose daily lives are characterised by poverty and multiple deprivations and who suffer the worst during global economic and epidemiological crises.

