

**In search for a new social welfare system:
Is the Basic Income Grant the appropriate policy framework for developing
societies?
The South African Case**

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Note:

Italics are used for emphasis of key concepts.

Words in quotation marks are subject to debate or have several interpretations.

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ABBREVIATIONS:

AIDS- Acquired Immuno-Deficiency Syndrome

ALMP- Active Labour Market Policy

ANC- African National Congress

BI- Basic Income

BIEN- Basic Income European Network

BIG- Basic Income Grant

CDG-Care Dependency Grant

CSG- Child Support Grant

DG-Disability Grant

DA- Democratic Alliance

FFC- Financial and Fiscal Commission

FCG-Foster care Grant

GIA-Grant-in-aid

GEAR- Growth, Employment and Redistribution

HIV- Human Immunodeficiency Virus

JCS- Job Creation Schemes

PWP- Public Works Programme

RDP- Reconstruction Development Programme

SACP- South African Communist Party

SDA- Skills Development Act

SHD- Sustainable Human Development

SMMEs- Small and Medium size Enterprises

SOAP- State Old Age Pension

UIF- Unemployment Insurance Fund

UYF- Umsobomvu Youth Fund

Abstract

This paper critically discusses the Basic Income Grant debate in South Africa. It briefly looks at the theoretical framework on poverty as a background. Then it goes on to three major theories that help build a coherent argument. Although it acknowledges the limitations of the Expanded Public Works Programme, nevertheless it uses it as one of the reasons for substantiating the perspective which articulates that Basic Income Grant is not an appropriate social welfare policy framework for a developing country like South Africa. The rationale is that social grants cannot be used as the sole tool for alleviating poverty especially because of the chronic nature of unemployment (which is understood in this paper as causing high rate of poverty). The assumption is that promotion of a universal grant would endorse dependency from the social grant recipients. It argues that the structural nature of unemployment is what has to be dealt with but not exactly through provision of Basic Income Grant but by getting people to work, giving them jobs so they can earn a living and live an independent and decent life. One of the few recommendations brought up (taken from Borat, 2002) is the expansion of the State Old Age Pension instead of starting a totally new scheme of the social grant. State Old Age Pension would almost have the same effect in poverty as the proposed Basic Income Grant.

CHAPTER ONE

1.1 Introduction

There is an interestingly imperative ongoing debate in South Africa concerning the effective and viable mechanism to alleviate poverty. South Africa is suffering from extreme poverty, which is mostly concentrated among the African population and this can be understood as a reflection of the apartheid past.¹ Wresinki's definition of extreme poverty might be relevant here: "extreme poverty is a lack of basic security in the absence of one or more factors that enable individuals and families to assume basic responsibilities and to enjoy fundamental rights. Such a situation may become more extended and lead to more serious and permanent consequences. Extreme poverty results when the lack of basic security is prolonged and when it severely compromises people's chances of regaining their rights and reassuming their responsibilities in the foreseeable future".² This dilemma, socially and economically *cripples* approximately twenty-two million citizens of this country.³ The most vulnerable groups are said to be the unemployed or those in insecure jobs, the disabled, the sick, children, and women, members of large families and or single parent families. These groups have an increased likelihood of living in poverty at some time in their lives.⁴

1.1.1 Basic Income Grant as a social welfare policy framework for South Africa

Absolute poverty is one of the four interlocking crises of unprecedented magnitude, all of which have the potential for the destruction of the people and some of which threaten the extinction of the human race.⁵ As a result of the dire consequences that absolute poverty has on the social entities, cultural values, economic institutions and the functioning of the country's democratic system; the South African Government appointed a Committee of Inquiry, (chaired by Professor Vivienne Taylor) that was to investigate what would be a

¹ Makino, 2004:1

² Wresinki, 1987 quoted in Wodon, 2000:3 quoted in Mehta *et al.*, 2003:25

³ Standing and Samson, 2003

⁴ Giddens, 2001:315; Harman, 2003:13

⁵ Ekins, 1992:8. In the South African case, the other three crises would be HIV/AIDS, crime and unemployment, (Moriarty, 2003:119).

Comprehensive Social Security for South Africans, taking into special consideration those living in extreme poverty, who approximately form half the population.⁶ After intense and extensive research done by a combination of well trained and experienced economists, members of labour, social development, finance and public/community development departments, the report pointed out that the essential part of the process of assuaging this problem was delivering the Basic Income Grant (BIG).⁷ BIG is to be provided as an entitlement and without a means-test⁸ that will more readily reach the poorest population. It is a social assistance for all South African citizens.⁹ BIG is regarded as a policy that might just settle the issue of the vast inequality in this country as well as unemployment and poverty. This income grant would not be less than R100 a month per person. The grant would be inflation-indexed to ensure that its purchasing power remains constant over time. It was reported that an Economic Policy Research Institute (EPRI) researcher Dr. Michael Samson told a joint press conference that the grant would 'promote economic growth and job creation and improve the effectiveness of social delivery'.

Furthermore, there are currently thirty-two South African civil society organizations that form the Coalition Body proposing the implementation of the BIG policy to the government. 'The BIG Coalition was formed in mid-2001 to develop a common platform among advocates of a universal income support grant and to mobilize popular support for the introduction of the grant. The Coalition Body is made out of various sectors varying from labour, human rights, children, youth, church, HIV/AIDS and the elderly'.¹⁰ The variety of the organizations presented in this body clearly demonstrates how this proposed income grant is widely supported by South African citizens, who are represented by the different organizations including the government's own appointed Taylor Committee of Inquiry. The Coalition Body strongly maintains that there is currently no other effective and efficient mechanism of poverty-alleviation other than the

⁶ Standing and Samson, 2003:8; Harman, 2003:1

⁷ Taylor Committee Report, 2002

⁸ The phrase 'means testing' refers to the process by which applicants for the welfare are deemed eligible or ineligible for a service. It is often done on the basis of income, (Giddens, 2001:332).

⁹ Taylor Committee Report, 2002:61

¹⁰ www.big.org.za accessed in 20 September 2004

delivering of BIG. According to the BIG proponents, delivering of BIG will *somehow* create more job opportunities; bridge the poverty gap almost by 75% as compared to the existing social grants which covers only 23% of the poor people.¹¹ BIG would be an extension of the government's role of making sure that everybody is living a dignified life, whereby those who cannot afford to financially support themselves are being supported by the government.¹²

However, the government has not yet adopted the recommended strategy (BIG) as a way of lessening poverty. Rather it raises the issues of affordability, sustainability, administration, stability and most importantly the unintended consequence of *dependency*, in justification of its position. The government spokespersons maintain that “only disabled or sick should receive “handouts”, while able-bodied adults should enjoy the opportunity, the dignity and the rewards of work”. They emphasize creating employment opportunities through massive Public Works Programmes (PWP) and renewed support for small businesses.¹³

The Finance Minister argued that the Child Support Grant (CSG) and the State Old Age Pension (SOAP) can be regarded as a small form of BIG. He maintained that these two grants cover an extensive number of the targeted people and they are also making a major encouraging difference in poverty alleviation. However, BIG proponents are not comfortable with this perspective, they believe it is misleading and distorts the whole debate.¹⁴ Daniel *et al* wrote that the Finance Ministry is opposed to the BIG idea because of the additional tax implications and also because of the unfavorable sign that BIG may send to investors.

From the highlighted reasons of not delivering BIG, this paper will specifically focus on the unintended consequence of *dependency*, since I believe BIG proponents have adequately and satisfactorily addressed the other issues.

¹¹ Standing and Samson, 2003; Taylor Committee Report, 2002

¹² Constitution of the Republic of South Africa Act 108 of 1996, section 27 (2)

¹³ Mail and Guardian, 2004 September 03 to 09; Sunday Times, 2002 July 28 quoted in Meth, 2004b:10

¹⁴ Standing and Samson, 2003

The rationale behind this argument is that I do not believe BIG is an appropriate social welfare policy framework for a developing country like South Africa. The key concern is the unconditionality of its nature, it is not appropriately targeted. I believe that BIG would not change the structural nature of the problem(s) existing in South Africa. In this case, 'structural' entails the interdependence created among different functional subsystems in the society, for example the economy, law, education, politics, science, sport, etc.¹⁵

Delivering of BIG would not be enough to encourage and assist the previously disadvantaged communities to move up the *ladder* to socio-economic prosperity because BIG does not guarantee education to all those who desire to further their studies. It does not guarantee employment opportunities for all those who are willing to work. It also does not give skills to those who lack the relevant skills for the global labour market. I feel a R100 does not give one a lot of opportunities to develop and progress but it is only enough to survive for a few days. In order to bridge inequality gap, the previously disadvantaged communities need more than R100 per month per person.

Additionally, Philippe van Parijs who is well-known for promoting the Basic Income (BI)¹⁶ idea also does not think BIG is suitable for developing countries; he argued it does not make sense not to have a means-test because of the limited resources in the developing countries.¹⁷

I have three main reasons that I will explore in this paper in justifying my argument. The first reason has to do with the past apartheid system, which through influx control and the Migrant Labour System (MLS) has created a '*dependency culture*' among the majority of the population (Blacks), based on remittances and domesticity. The MLS under the apartheid legislation exacerbated the situation by preventing women and children from

¹⁵ Jessop, 2002:114

¹⁶ In this paper 'BIG' and 'BI' is used interchangeably, I will use two of these phrases because 'BIG' is used specifically for the South African context and 'BI' is used generally, to apply to other countries since most of the writers rather use the 'BI' phrase as compared to the 'BIG' phrase. But the most important point is that they share the 'unconditionality' nature.

¹⁷ Standing and Samson, 2003:39

joining men in the cities, while ensuring that male labourers fluctuated between “native reserves” and urban areas.¹⁸

Secondly, South Africa has never been a welfare state. A welfare state ‘is a state in which the government plays a central role in reducing inequalities within the population through the provision of certain goods and services. The aim of the welfare state is to counteract the negative effects of the market for people who, for a variety of reasons, find it a struggle to meet their basic needs. It is a way of managing the risks faced by people over the course of their lives. In welfare systems, providing universal benefits, when it is needed, is a right to be enjoyed equally by all, regardless of the level of income or economic status. Welfare systems predicated on universal benefits are designed to ensure all citizens’ basic welfare needs are met on an ongoing basis’.¹⁹ The point of this argument is; the South African government (the past and the present) has never provided all of its citizens with a set of social policies to guarantee a minimum standard of living. The apartheid government only provided for the minority of white people.²⁰ There are different political standpoints for the role of the state in society and it has been noted that since 1980s, welfare settlements have faced major challenges.²¹ On the same note, Jessop insists that welfare regimes are ‘out of phase’, ‘out of cycle’, ‘out of joint and out of date’.²²

Thirdly, getting people to work and giving them the means to be active and productive is a priority in the human development process; therefore state intervention like the PWP expansion needs more awareness and attention, from the government as well as the society. It cannot simply be substituted for a BIG, especially since the welfare state has been argued to be an ineffective method of addressing mass unemployment, extreme poverty and most of the challenges present in the developing countries.²³

¹⁸ BIG Financing Reference Group, 2004; Smith, 1992:2,40 quoted in Harman, 2003:10

¹⁹ Giddens, 2001:332; Kuper and Kuper, 1999:911

²⁰ Natrass and Seekings, 1997 quoted in Makino, 2004

²¹ Giddens, 2001

²² Jessop, 2002:144-5

²³ Giddens, 2001; Report of the Least Developed Countries, 2004

According to the World Bank, PWP characteristically provides unskilled manual workers with short-term employment on projects such as road construction and maintenance, irrigation infrastructure, reforestation and soil conservation. PWP has been used in many countries, for example, Bangladesh, India, Ethiopia, Kenya, Zimbabwe, Tanzania and Ghana. The rationale for PWP rests on six considerations. Firstly, it provides income transfers to poor household during critical times. Secondly, it allows household to meet any consumption shortfalls they may experience. Thirdly, it constructs much-needed infrastructure and thus minimize trade offs between public spending and income transfers versus public spending on development. Fourthly, durable assets that the PWP creates have the potential to generate second round employment benefits as need infrastructure is developed. Fifthly, the programme can easily be targeted to specific geographic areas that have high unemployment and poverty rates. Finally, in many countries, this type of programme has helped many small scale private contractors to emerge and grow. Future benefits from public works can be substantial if the programme is well-designed and implemented, the programme will then be cost effective.²⁴

In summary, the primary reason for writing this paper is to provide a critique of the assumptions of BIG and its implications in perpetuating the '*dependency culture*' of the past apartheid era. It is important to mention that the reason for choosing this topic is not to develop a *new* theory or to propose a *new* solution to the politico-socio-economic problem of chronic poverty in South Africa, but to specifically and critically consider and review the already existing and potential responses to poverty.

1.1.2 Theoretical Framework on Poverty

According to Giddens, theoretical framework on poverty can generally be grouped under two main headings: theories that see poor individuals as responsible for their own poverty, (blame the victim approach) and theories that view poverty as produced and reproduced by structural forces in a particular society (blame the system approach).²⁵ In the South African case, it seems most apparent that the majority of people have the

²⁴ <http://www1.worldbank.org/spsafetyncts/public%20works.asp> accessed on 08 November 2004

²⁵ Giddens, 2001

'blame the system approach'. Hercules *et al.*, Harman, as well as a number of thinkers argued that the system to be blamed would be the *colonialism* and the *apartheid*. They argued that poverty among the Black population is a direct result of these systems.²⁶ Furthermore, it can be argued that governmental social and economic policies have not been successful in alleviating poverty by creating employment opportunities for all the people who are willing to work. Another point emphasizing the 'blame the system approach' is the proposal of BIG which is also known as the *Solidarity Grant*.²⁷ This proposal implies that South Africans are together (the rich and the poor) willing to fight the scourge of poverty, as the majority of the population believes that it is not the poor individuals that have to be blamed for their vulnerable and unstable socio-economic status but the past systems of governance.

However, what is vital to consider here is that, being against the provision of the universal grant does not always imply that one believes that the poor are responsible for their poverty. It might be that one rather believes that there could be more active (other than passive) ways of alleviating poverty that are consistent with the *sustainable human development* conception. Vanderborght wrote that the BI opponents from all political side [which is not the case in South Africa²⁸] rather articulate that "there are other less [deep-seated] ways of reaching the same goal".²⁹ Nevertheless, the crux of the matter is providing the necessary basic needs for the present generation without compromising the needs of the future generations. My contention is the provision of the proposed grant to everybody instead of only the people who are really in need. Afterall, we all know that indeed it is not everybody who deserves this grant.

"If not the culture of dependency, then we should beware of the culture of poverty".³⁰ According to Lewis, the culture of poverty is not the result of individual inadequacies, but a larger social and cultural atmosphere into which poor children are socialized. The

²⁶ Hercules *et al.*, 1997; Harman, 2003:9

²⁷ Standing and Samson 2003:1 refers to BIG as a 'solidarity grant'.

²⁸ Democratic Alliance (DA) is in favour of the BIG although people believe that this is more of a political campaign against the ANC government rather than a socio-economic concern for the poor, (Standing and Samson, 2003).

²⁹ Vanderborght, 2004:25

³⁰ Lewis, 1961 quoted in Giddens, 2001:317

culture of poverty is transmitted across generations because young people from an early age see little point in aspiring to something more, instead they resign themselves fatalistically to a life of impoverishment.³¹ Perhaps one can argue that in South Africa some ethnic groups already have this culture of poverty. Possibly the culture of dependency is the cause or the consequence of the culture of poverty, depending on which way you look at it. Basically this implies, in order to eliminate culture of poverty and dependency, we would have to resist even the convincing and attractive policy proposals like the BIG. By this resistance, the needs of the future generations would not be put in jeopardy because of the present decision-making on social and economic policies.³²

Consequently, I am in agreement with Murray when he argued that the growth of the welfare state has created a subculture that undermines personal ambition and the capacity for self-help. Rather than orienting themselves towards the future and striving to achieve a better life, the welfare dependents are content to accept 'handouts'. Welfare, he argued has eroded people's incentive to work.³³ In addition, some people are not only opposed to many of the moral arguments which are put forward in favour of state welfare provision; they also believe that the growth of state welfare is a dysfunctional development which threatens the long-term survival of capitalist societies.³⁴

Contrary to the above argument; some thinkers argue that the lack of ambition among the poor- which is often taken for the 'dependency culture'- is in fact a consequence of their constrained situations, not the cause of it. Dependency very often is not a choice.³⁵ Although this argument may have some validity in the South African case, I would rather argue for more attention on the expansion of Job Creation Schemes (JCS) or Active Labour Market Policies, so that the majority of the people will not find themselves in the positions of being dependent on the government for social security. The unemployed [and

³¹ Ibid.

³² In this context it is essential to bear in mind the issues of sustainability of the grant especially when considering the (increasing) trend of unemployment which inevitably leads to poverty.

³³ Murray, 1984 quoted in Giddens, 2001:317

³⁴ Harris, 2004; Jessop, 2002

³⁵ Giddens, 2001; du Toit, 2004

the poor] need jobs that allow them to participate in society, to contribute financially to their families and to increase their self-worth.³⁶

The BIG Coalition has clearly taken the institutional view, which according to Giddens says that access to welfare should be provided as a basic right for everyone.³⁷ But as much as Makino admitted, it is 'contradictory to say a universal grant could be a well-targeted grant because means-tests are supposed to be the measure to ensure the social grants would correctly reach the "target"'. But their defense is, 'due to insufficient administrative capacity and rampant corruption, means-tested social grants in South Africa often fail to reach those who need and are eligible for social assistance. Proponents of BIG argue that the universal coverage "would diminish the administrative burden and opportunities for corruption that are often associated with means-tested grants"'.³⁸

As it might be becoming clear by now, my major concern lies in the issue of *means-test*³⁹ as well as the *culture of dependency*. I do not believe that it makes sense to give an extra R100 to a person who is surviving well without this amount of money. Therefore, I maintain that it is not all the unemployed that are poor. "Unemployment does not [always] translate into being poor, as someone who is employed can be poor and sometimes unemployed people are found to spend more than the employed people".⁴⁰

The major questions are: why should everyone have access to the capital or resources that are only meant for the poor? If the government is trying to reduce the inequality gap, why should it continue making the rich to be richer by adding R100 more to their pockets? Instead, I would rather it gives R200 or more to the poor people (those who really need it to survive) than give R100 to somebody who lives a decent life already without this R100. President Thabo Mbeki was once reported to have said 'you and me, who don't need it would be taking the money away from somebody who does'. For that reason, I choose to adopt the residual view, which maintains that welfare should only be available

³⁶ Taylor Committee Report, 2002:73

³⁷ Giddens, 2001:332

³⁸ BIG Coalition, 2001 quoted in Makino, 2004:8

³⁹ Meth, 2004b:22 argued that means-tested social grants create the welfare trap.

⁴⁰ Schlemmer & Worthington, 1996:4 quoted in Venter, 2003: 117

to those members of the society who truly need help and are unable to meet their own welfare needs.⁴¹ I believe there should be separate grants for separate needs as well as different solutions for different problems.

I believe looking closely at the example of Britain might be helpful, “whereby after World War II the British state was turned into a welfare state. It was oriented to a broad vision of welfare that included all members of society. By the 1970s, the welfare was being criticized as ineffective, bureaucratic and too expensive. There was concern over welfare dependency, which meant that people became dependent on the very programmes that are supposed to help them to lead an independent life. The welfare state and high levels of taxation were two ways in which poverty was dealt with but such approaches have failed to eradicate poverty”.⁴²

In conflict with this example, Meth argued that the small proposed amount of BIG with no means-test means ‘that a welfare trap like in the UK would not come into being in South Africa’. Also, ‘South Africa does not have the resources to implement a ‘welfare to work’ regime’.⁴³

In conclusion, I can argue that these arguments are economically, socially and politically interesting and are often informed by widely conflicting theoretical world views and deeply differing underlying statements about the nature, the scope and the causes, hence the appropriate response to poverty in the South African society. du Toit argued that ‘we need to know more about the ways in which poor people cope with poverty and the strategies by which they try to escape. We need to be able to understand what shapes the success and the failure of these strategies. And beyond that, we need to know what poverty means, and to understand the daily lived reality often only hinted at by aggregate statistics. This kind of information and evidence can then serve to inform appropriate policies intended to reduce poverty and alleviate its impact. Understanding poverty

⁴¹ Giddens, 2001:332

⁴² Giddens, 2001:342

⁴³ Meth, 2004b:24

requires coming to grips with the dynamics that create marginality, maintain vulnerability and undermine agency for people'.⁴⁴

In accordance with that statement, the World Bank also held that:

*the measurement and analysis of poverty, inequality and vulnerability are crucial for cognitive purposes, (to know what the situation is); for analytical purposes (to understand factors determining this situation); for policy making purposes, (to design interventions best adopted to the issues); and for monitoring and evaluation purposes (to assess whether the current policies are effective) and whether the situation is changing.*⁴⁵

1.1.3 Research Methodology

This paper is based on qualitative research and secondary analysis of texts, which refers to the use of research materials by persons other than who gathered them and or for purposes different from the original project objective. Secondary data analysis occurs when a researcher finds an existing data set which can be applied for his or her own purpose.

In this case, it is important to note that using secondary sources is relatively inexpensive and less time consuming. Nevertheless, it has its limitations, which are reliability and intention. The question of reliability brings in the question of validity. Research analysis is more often subjective. The intension of primary research might be problematic to understand.⁴⁶ However, major advantages of conducting qualitative research are: viewing behaviour in its “natural setting” and most of the people say that “experience” is the best way to understand social behaviour.⁴⁷

My research is stimulated by a subject pertaining to social welfare policy framework. I am motivated to positively contribute to unraveling the pressing socio-economic problem

⁴⁴ du Toit, 2004:22, this was taken in a DRAFT version of his paper called: The Sociology of Chronic Poverty in South Africa.

⁴⁵ Taylor Committee Report, 2002:56

⁴⁶ Abbot and Sapsford, 1998

⁴⁷ Chadwick *et al.*, 1984

of poverty and with the hope that this information will somehow improve the current condition. According to Horton and Leslie “no condition, no matter how dramatic or shocking to someone else, is a social problem unless and until the values of a considerable number of people within the society define it as a problem”.⁴⁸ Basically, this means the issue under investigation qualifies to be labeled a problem according to these authors since a huge number of South Africans understand it as a ‘problem’. Although, a number of people argue that some kinds of knowledge make things worse, several people also believe that increased knowledge is a positive step to development. Personally, I believe that social research has the potential to improve the quality of human life.

For collecting data I have used unstructured direct observation and hermeneutic analysis. The unstructured direct observation has been helpful in recognizing the trends that are prevalent within the society concerning the issue at hand. At least in my community,⁴⁹ I noticed an extreme growth in teenage pregnancy especially after the introduction of the CSG. Basically this led me to conclude that social grants (might) have unintended consequences, of which must be born in mind when proposing more social assistance from the government. Another trend observed is the increment in the unemployment rate in my society, which according to my argument is closely associated with the labour market flexibility. The advantage of unstructured direct observation is that it allows the researcher to witness behaviour as it occurs. Observation is one of the key methods for collecting reliable and valid data over a broad range of human behaviour, but like any data collection method, it also has its disadvantages.⁵⁰

Hermeneutics is the continual finding of the significance of texts through constant explanation and reinterpretation. Analysis is the search for patterns in data and for ideas that help explain why those patterns are there in the first place.⁵¹ Hermeneutic analysis “is the search for meaning and their interconnection in the expression of culture. The method for doing this kind of analysis requires deep involvement with the culture,

⁴⁸ Horton and Leslie, 1981:5 quoted in Chadwick *et al.*, 1984:30

⁴⁹ Inanda Newtown A, outskirts of Durban

⁵⁰ Chadwick *et al.*, 1984:30

⁵¹ Bernard, 2002

including an intimate familiarity with the language, so that the symbolic referents emerge during the study of those expressions as in the study here".⁵²

The unpleasant part of social science research is that social scientists must constantly be concerned about the welfare of their subjects (human beings) while in an effort to increase their knowledge. They have to make sure that their research does not result into any kind of harm or damage to people.⁵³ This is especially crucial when dealing with the issue of people's livelihoods, as can be seen with the issue under discussion.

Within the limitations of this paper, it will be impossible to do justice to the full complexity of the matter at hand. I realize that acquiring primary and empirical data would have been fruitful in strengthening and enhancing my argument, but this proved to be impossible within a certain unalterable context. The time allocated for this research paper proved to be limited and also the location of writing the paper (Germany) is different from the area I would have chosen to collect the data (South Africa). This would have been more convenient and efficient because South Africa is where the BIG debate is taking place, therefore it would have been easier to reach relevant subjects for empirical research, etc. Therefore, I comprehend that the lack of primary and empirical research for this paper is a weakness, since policy formulation or policy amendment demands more experimental work than just theoretical framework.

1.1.4 Outline of the Paper

This paper has four chapters and the first one is formed by the current introduction. In this chapter I have introduced the concept of extreme poverty, presented BIG debate in the South African context. Then I had a brief outline of the theoretical framework of poverty and the research methodology section.

⁵² Bernard, 2002:451

⁵³ Chadwick *et al.*, 1984

The second chapter will introduce the theoretical framework that will be guiding the discussion and debates throughout this paper. I will focus on three main theories, namely; Labour Flexibility Theory, State Theory and Self-Reliance Theory. I will use these theories to justify my argument in this debate, proving the inappropriateness of BIG within the local and global context. I will start by explaining labour flexibility theory in showing how 'flexibility in the workplace' exacerbates unemployment and weakens the formal employment sector. This is important for this debate because I strongly believe that unemployment highly contributes to the continuously rising level of people who are living in poverty which in turn allows inequality to continuously worsen.⁵⁴ From there, I will go on to state theory to highlight how the state is responding or how it should be responding to the issue of poverty, being democratic and capitalist in the global economy. Thereafter, self-reliance theory will be discussed as it stands in stark opposition to a welfare state or to any means of survival that would promote *dependency*.

The third chapter will be a general discussion, integration, review and analysis of the arguments and factors already raised in the paper. This chapter will evaluate some of the governmental initiatives of reducing poverty in South Africa since 1994. These will include the Reconstruction and Development Programme (RDP), Growth Employment and Redistribution (GEAR), Expanded Public Works Programme (EPWP), the seven social grants in the welfare system, etc.

The final chapter will be a conclusion summarizing the arguments that have been presented. From there, I will provide a few recommendations which I believe would be useful for this sphere of research in the future.

⁵⁴ Human Development Report, 2000; Daniel *et al.*, 2003 and Ekins, 1992

CHAPTER TWO

In this section I will discuss the labour flexibility theory, with the assumption that labour market flexibility directly or indirectly leads to the rising unemployment rate which inevitably leads to the increasing levels poverty. I will present insecurities evoked in the workplace by flexibilization. Thereafter, I will discuss the Active Labour Market Policies as well as the BI argument against the workfare approach.

2.1 LABOUR FLEXIBILITY THEORY

Makino argued that it is due to globalization and post-industrialization that full-employment is becoming more difficult to attain and as a result; chronic unemployment and underemployment are increasing. Therefore it is consequential that long-term dependence on social assistance is escalating in South Africa.⁵⁵ It is also apparent that the number of the unemployed has grown substantially within the democratic era. Formal sector employment has fallen and informal employment is growing, but jobs are of low income. It can therefore be argued that poverty in South Africa is critically linked to the labour market. Daniel *et al.*, reported that even by strict definition, unemployment is expanding each year. While unemployment is rising for all race groups, the racial incidence is enormous, mostly falling on African workers.

Research has shown that almost 96% of poor people are classified as African and also that among 4.58 million expanded unemployed Africans, only 1.24 million had previously been employed.⁵⁶ The main contributors to growing unemployment include poor education, location, long term unemployment, expanding labour force due to population growth, increased participation rates (with the end of apartheid; freedom of movement to urban areas, increased hopefulness; increased female participation) and no net increase in the number of job opportunities.⁵⁷

⁵⁵ Makino, 2004:4

⁵⁶ Taylor Committee Report, 2002 and Borat, 2002:11

⁵⁷ Daniel *et al.*, 2003

The Taylor Committee Report expressed that these [African] people are difficult to reach with empowerment and skills-upgrading programmes, however my contention is that if BIG can reach these people, then, those empowerment programmes might as well be expanded to reach them as much as BIG could manage to reach them.

On the same note, “the promotion of the Active Labour Market Policies (hereafter, ALMP)⁵⁸ is essential in South Africa” although in the medium to long-term, employment growth and job creation will not be significant enough to ensure income security or earnings replacement for low income workers in the survivalists sectors. In this context, income support through social assistance (or massive PWP) is necessary.⁵⁹ Indeed Expanded Public Works Program (hereafter, EPWP) is clearly the most appropriate and responsible approach to public infrastructure development in situations of high unemployment.⁶⁰

According to Barr, the true aim of labour market and social policy following systematic change is to empower individual citizens. Hence, labour market policies should not create a culture of *social welfare dependency*, but promote genuine freedom over people’s lives instead of stigmatizing them further.⁶¹

In actual sense, it makes good logic that most of us are concerned about the chronic unemployment problem existing in South Africa because in a country with capitalist-democratic system, work endorses three main functions. Initially, it has the function of production which corresponds to the creation of wealth. Secondly, it has the function of income allocation as the workers receive the rewards of his or her effort in a monetary form. Finally, it has the function of inclusion, enabling each citizen to find a place in the social fabric, a process from which individual dignity will be derived.⁶² Therefore, we can agree that work has a greater meaning than just the act of selling and buying

⁵⁸ Active Labour Market Policy (ALMP) is herein understood in its narrow sense, i.e. as direct state intervention in the labour market with the aim of influencing both labour demand and labour supply, generally with an emphasis on the latter. It does not represent an alternative policy solution to macro- and micro- economic policies, but a complementary socioeconomic instrument located within the realm of public policy, (Nativel, 2004:4).

⁵⁹ Taylor Committee Report, 2002:71

⁶⁰ BIG Financing Reference Group, 2004

⁶¹ Barr, 1994 quoted in Nativel, 2004

⁶² Boissonat, 1995:10 quoted in Nativel, 2004:18

commodities. We can also agree that unpaid work or unemployment does more harm than good to the country as a whole, as it results in uneven distribution of wealth, social and economic exclusion.

2.1.1 Flexibility at the workplace

The goal under Fordism was security through regular work and 'jobs for life', career mobility, consumption and all providing state. The 1980s 'naturalized' new labour market conditions, of which one was long-term unemployment due to productivity increases and the technological substitution of labour. Another was the rise of underemployment, manifest in the substantial growth of part-time, contingent and informal employment, as firms sought to reduce labour cost and rewrite the social contract of labour. An additional aspect was the rise of job insecurity, exacerbated by job losses in the public sector which is linked to a new culture of privatization and deregulation.⁶³

Most of the people will probably agree with Jessop in arguing that 'the employment situation is the result of problems and contradictions left unresolved for a long time'. Some of the main problems are that there is an imbalance between the labour supply and jobs available in the whole country as well as in individual regions. Secondly, there is declining effectiveness of vocational training in raising labour quality, because the nature of work frequently does not stimulate the worker to reveal his or her abilities, skill and knowledge in full measure. Thirdly, the release of labour under the influence of the new economic mechanism is *new* for [South Africa]. The fourth reason is the aim to renovate economic structures and substitute old forms and methods of management with new ones. The complex measures on economic reform is intended to transform state property and hand over state assets to cooperatives, joint-stock companies, and so on. Therefore, the value of the main funds of the state owned sector will be cut by half. Fifthly, the profound structural changes, with some sectors shrinking and others expanding, is

⁶³ Amin *et al.*, 2002:4

inevitably leading to an industrial redistribution of manpower. Finally, employment problems may also be aggravated by the current demographic situation.⁶⁴

In contribution to labour flexibility theory, Nativel categorized flexibility into two broad headings. She stated there is internal flexibility or functional flexibility, which centers on the employer's ability to vary the allocation of work within the organization without the need to hire or fire and therefore does not involve the transfer of workers to and from the benefit system. The second type is called 'external flexibility' or 'temporary flexibility'. This takes the form of varying the size of the work force in response to changing requirements such as seasonal fluctuations or changes in consumer demand. This may involve the introduction of part-time working, temporary working, home-working and sub-contracted labour.⁶⁵

2.1.2 Insecurities created by labour flexibility

Furthermore, Standing also made a very crucial input to the labour flexibility theory by defining and explaining seven types of securities that have more or less been eroded in the labour market economy. It is the very insecurities that make employees susceptible to unemployment. Labour market insecurity implies that there is inadequate employment opportunity and the state does not guarantee full-employment anymore. This becomes major problem as high rate of unemployment leads to more people living in poverty especially when the government does not have enough resources to take care of all these people's basic needs. Employment insecurity implies that workers cannot be fully protected from unfair dismissals and the regulations of hiring and firing are more relaxed.

As has been noted above, Nativel would refer to this kind of flexibility as 'external flexibility'. This was extended to include measures to prevent discrimination in recruitment and to promote 'positive discrimination' to increase the employment chances of socially vulnerable groups such as the physically handicapped. Work insecurity is concerned with the lack of protection of workers against illnesses and accidents at work through safety and health regulations and working times. Job insecurity is about a

⁶⁴ Jessop *et al.*, 1991:45

⁶⁵ Nativel, 2004

position designated as an occupation or career, job qualifications and barriers to skill intensity. Job security was seen as a defense against the development of the technical and social division of labour. Income insecurity is related to the growing unstable kinds of employment e.g. casual, part time, flexi timers, etc. Income security was achieved through ['job for life'] minimum wages, collective bargaining rights and progressive fiscal welfare, coupled with insurance-based social security depending in proof of need. Labour reproductive insecurity means that widespread opportunities to gain and retain skills through apprenticeships and employment training have been eradicated. Finally, there is labour representation insecurity, which means a collective voice does not translate into a definite security anymore. Trade union power is severely and continuously being challenged and bargaining power has lost its strength.⁶⁶

In addition, Nativel acknowledged that there is now a broad consensus that labour markets need to be flexible, thus relegating stable and permanent employment to the past. Yet, it is also important to keep in mind that future prosperity does not require full-scale flexibility⁶⁷ instead we can have some flexibility while retaining some rigidity. We should have reorganization of the balance of flexibility and rigidity, which means removal of some old rigidities by flexibilization combined with the creation of new rigidities. Flexibility, as 'necessary and undesirable' as it is, is often seen as one of the great merits of capitalism. It may not always score high on equity issues, but when it comes to flexibilization of labour, it is supposed to be the champion of economic systems. According to the conventional economic wisdom, capitalism works when it is flexible and runs into trouble when it is not.⁶⁸

In agreement with Jessop *et al.*, Nativel maintained that an 8-hour-day job, five days a week is both 'outdated and unachievable'. From the combination new ways of flexibility and old rigid ways, a new concept has arose; '*flexicurity*'. According to Nativel, this term was coined by legislative and labour market reform in the Netherlands and indicates a willingness to strike a new balance between labour market flexibility and security for

⁶⁶ Standing, 1991:1999

⁶⁷ Jessop *et al.*, 1991

⁶⁸ Jessop *et al.*, 1991:33

workers, especially in those precarious situations.⁶⁹ This has to be achieved with provision of minimum security for the workers who are exposed to risks.⁷⁰ This is even possible if we retain some rigidity from the past labour market system as they ensured the security issue. Unfortunately (I feel that) this concept has not gained as much prominence as *globalization*, (which is being questioned whether it brings prosperity or poverty) and *flexibility*, which is well-known for limiting the rights and security of the employees. Nevertheless, it would be interesting to find out how much security can be invoked by the 'flexicurity' concept at the workplace considering the persisting global pressures as well as the *decreased* effectiveness of trade unions in this era.

In contribution to dealing with labour flexibility effectively, Jessop argued that successful functioning of the labour market is impossible without an appropriate training system that is adaptable and effective, responding quickly to changes in the demand for and supply of workers with different trades and skills and training people to high standards at minimum cost. He went on to say that the functioning of the labour market gives rise to the three important groups of tasks connected with qualitative changes in labour. The first one is higher occupational-skill standards required from those working and looking for jobs. The second one is a growing need for retraining for large numbers of working people who lose their jobs through redundancy and must change their workplace. The third one is the need to boost the effectiveness of training and retraining in the new market conditions.⁷¹

2.1.3 Active Labour Market Policies (ALMP)

According to Nativel, ALMP are active measures that consists of job placement and job counseling (matching people to available jobs), job training and individual employment subsidies or JCSs in the form of public works. ALMP should be observed as a corresponding form of intervention and as support to other policies mitigating market failure. They are not supposed to be isolated policy tool. They symbolize a major component of the formal governance structure affecting labour markets. These policies

⁶⁹ Wiltthagen, 1998 quoted in Nativel, 2004 and Jessop, 2002

⁷⁰ Ibid.

⁷¹ Jessop *et al.*, 1991:70

integrate both efficiency and equity considerations and their contribution can only be fully appreciated with reference to the whole architecture of employment policy. In other words, ALMP must essentially be viewed as part of a greater government intervention framework. Furthermore, ALMP plays an essential role in promoting skills acquisition amongst the unemployed workforce. It can also influence the demand for labour through financial incentives to employers and the establishment of intermediary labour markets. As a result, it has both negative and positive effects on welfare, wages and employment conditions.⁷²

Moreover, ALMP should play a significant role in solving the unemployment problem. It is however certain that the ALMP alone is insufficient to tackle the structurally chronic unemployment. To fully comprehend the dynamics of labour markets, it is thus helpful to bear in mind that even if pecuniary aspects matter, the labour market is above all a social institution.⁷³ Moreover, employment and unemployment patterns could be regarded as a more complex interaction between social, institutional and market mechanisms.⁷⁴

The proponents of ALMP believe that given the radical scale of economic restructuring, state intervention and the extension of an intermediate 'second labour market' are the best answers, both from an economic and a social perspective. In contrast, its opponents contend that ALMP merely amounts to social therapy and cannot make any significant contribution to economic development. However, according to Nativel, neither of these propositions has proved to be entirely correct. From a macroeconomic point of view, ALMP has significant employment effects. It reduces high aggregate levels of unemployment and relieves the short-term pressure on labour markets. It thus is regarded as a legitimate and useful tool.⁷⁵

From the perspective of local economic regeneration, ALMP, can also play a complementary role and be harnessed to regional development models. From a social welfare perspective, it contributes to both continuity and change by reducing the social costs of unemployment. It allows individuals to stay in touch with the labour market and

⁷² Nativel, 2004:37

⁷³ Nativel, 2004:14

⁷⁴ Ibid.

⁷⁵ Nativel, 2004:155

maintain their income. Its role is also to support individual skills' acquisition and promote human capital, thus combining both welfare and local economic development objectives.⁷⁶ In view of its role and contribution; ALMP has thus considerable economic and social benefits. These benefits include reduced official unemployment statistics, effects on human capital, individual earnings and inward investment. However, there are also costs linked to the funding of programmes and potential substitution as well as effects on microeconomic level.

Nativel wrote that persistence of residual and structural unemployment after the initial phase may to a certain extent point to policy 'failure'. In this case, I will leave it up to the reader to decide whether we (South Africans) are in a position to judge whether the policy has failed or we are still in a process of making it a success. Perhaps I could also bring in Moriarty's argument of the comparison of 350 years to just ten years of freedom, comparing what has been lost in the past years and what has been gained within the past ten years. "South African politics today is a messy, sometimes nasty business, but compared to just twenty years ago, it is a glorious human achievement".⁷⁷

2.1.4 Workfare vs. Basic Income Grant

Miyamoto wrote that there are two approaches that have emerged in response to the problem of extreme poverty and chronic unemployment. These are the BI and the workfare approach.⁷⁸ The BIG debate in South Africa has already been discussed above (p.1). The workfare approach links the entitlement to benefits and the obligation to take low wage or job training. Miyamoto distinguished between two types of workfares.

One is the "work first" model, which emphasizes the obligation to work and the other is the "service intensive" model which emphasizes measures to increase employability, such as job training. In addition, Nativel wrote that the primary proposal is encapsulated in the 'welfare to work' or 'workfare', which became popular throughout the 1990s in

⁷⁶ Ibid.

⁷⁷ Moriarty, 2003:119

⁷⁸ Miyamoto, 2002 quoted in Makino, 2004:4

social democratic economies. The principle of workfare starts from the position that the main cause of poverty and social exclusion is unemployment and as a result it concentrates on the victims themselves. The rationale in the approach consists of restoring the '*employability*' of the long-term unemployed. This approach has the same aim as the active labour market schemes. The difference is that the workfare emphasizes the *duty or obligation to work* as opposed to the *right to work*. Therefore, the responsibility is shifted from the state to the individual's self-help. In Europe, slowly but surely a new balance between duties and rights is being established. New obligations are being imposed on the beneficiaries, while eligibility criteria have been tightened and sanctions applied more strictly. In this respect, Vanderborgh argued that there is an incremental process of paradigm shift in welfare.

Workfare directly puts the work motivation of the unemployed to the test as the receipt of the benefits is made conditional to the search effort, and sanctions applied if a job offer is rejected. Workfare has had significant employment effects in the UK and the US, but it is not expected to address other social ills and difficulties which affect the poor, e.g. drug addiction, crime, family breakdown, etc.,⁷⁹ as much as in South Africa, the BIG is also not expected to address all of these social problems.

Consequently, the notion of BI stands in stark contrast to workfare approach. BI constitutes the unconditional transfer of payments to individuals, regardless of individual abilities or motivation. According to van Parijs, 'the introduction of a basic income is not just a feasible structural improvement in the functioning of a welfare state; it is a profound reform that belongs in the same league as the abolition of slavery or the introduction of universal suffrage'.⁸⁰ He went on to argue that the BI is justified by concepts of need and social justice. Essentially it acts as a solution to labour market failure and as a redistributive instrument towards the material survival of the poorest members of the society. Contrary to this belief, Nativel argued that BI might worsen the very same problems it is supposed to tackle.

⁷⁹ Nativel, 2004:144

⁸⁰ van Parijs, 1992:3 quoted in Nativel, 2004

She provided interesting differences between *effectiveness* and *efficiency* as well as *equality* and *equity*. She does this in close relation to the policy-making process. The relevance of these terms becomes apparent when a policy has to be made (e.g. in South Africa there is the debate of BIG vs. workfare (or ALMP or EPWP)), so a decision has to be made that spells out which comes first, efficiency or effectiveness, or if possible a balance has to be struck.

The contrast between workfare and BI reflects the strongly opposed views as to the most ethical and effective ways of tackling labour market exclusion (unemployment) and poverty. Interestingly, these proposals reproduce the logic of active vs. passive policies,⁸¹ of targeted vs. untargeted incentives and of selective against universal welfare provision. The problem with workfare is that in the short-term, it does not guarantee the *sustainability* of a highly competitive economy based on high tech innovation. Whereas the concept of BI is intellectually attractive, partly due to its grounding in economic liberalism and partly because of expected evolutionary dynamism it implies. Yet, not only is the BI currently politically impracticable, it would also be dangerous to view it as a remedy to unemployment, especially at a time when unemployment still represents the major instrument of social exclusion.⁸²

Moreover, the danger in the state delivering BIG is that the victims of unemployment might fall in the trap of passivity. They may fail to upgrade their skills, which symbolize a competitive defeat in the labour market.⁸³ The combination of discrimination and state *dependency* lead to demoralization of the unemployed workers, who lose self confidence, which is vital for a successful labour market. Consequently, a fall in job search will subsequently occur. Mead argued that the causes of unemployment are less due to economic factors than to the *culture of dependency*.⁸⁴ Nativel warned that if policies meant to act as a short-term relief become permanent features, they may turn out to be

⁸¹ "For general surveys of the shift from passive to active labour market policy, see Kalish *et al.*, 1998; Peck, 2001 and Schmid, 1996" (Jessop, 2002:154).

⁸² Nativel, 2004:147

⁸³ Layard *et al.*, 1991 quoted in Nativel, 2004:29

⁸⁴ Mead, 1997 quoted in Nativel, 2004:143

more harmful than fruitful to the unemployed. But in South Africa, BIG proponents have not expressed that the BIG policy should be a short-term solution.

Generally, the theory of labour flexibility may be understood as controversial in nature. Firstly, because Webster and Adler argued that 'inflexibility' may encourage employers to choose labour saving technology, to subcontract work or to go off the books and employ undocumented workers. Whereas the noticeable trends which are subcontracting and outsourcing, are closely associated with 'labour market flexibility'. Secondly, it stresses many different kinds of employment (casual, contract, flexi timers, etc.) which allow a lot more people to enter the labour market. For example, the casual and contract workers would not expect to work as long hours as the permanently employed workers because the nature of their contract. But on the other hand, sometimes the quality of work is not as intense as before high technological innovation, therefore the payment gets affected (decreases), as a result it becomes easy to find a poor employed person.

According to Sitas, this employment strategy has a number of benefits for management. Firstly, non-permanent workers are not deserving of employment benefits. Secondly, short-term contract workers are not covered by the protection awarded to more permanent workers in accordance with the new labour legislation. Thirdly, the wages of workers in contract positions are low compared to those in permanent or full-time employment. Finally, subcontracted and part-time workers are difficult to unionize; therefore they are in all regards vulnerable and insecure.⁸⁵ Therefore, I can conclude that poor employed people do indeed need extra assistance in meeting their basic needs. As has been confirmed by many researchers, the single most commonly cited source of poverty and social exclusion remains unemployment.⁸⁶

⁸⁵ Sitas, 1999:7

⁸⁶ Amin *et al.*, 2002

correspond to the basic organizing principles of a given social formation, the organizing principles of the state as an institutional ensemble and the actual political struggles which occur within, around and at a distance from the state.

In this case, I can agree with the common approach which treats the state as a factor of cohesion in a given society. It can 'reconcile' class conflict by acting as a neutral mediator.⁸⁹ By this, I am specifically referring to the South African state attempting to reconcile the socio-economic inconsistency among its citizens, caused by unemployment and poverty by providing social grants as well as fostering and implementing policies and programmes that are conducive to the current state of affairs. (This issue will principally be explored in the next chapter).

2.2.2 Welfare State

According to Briggs, a welfare state is a state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions- firstly, by guaranteeing individuals and families a minimum income irrespective of the market value of their property. Secondly, by narrowing the extent of insecurity by enabling individuals and families to meet certain contingencies (for example sickness, old age and unemployment); which lead otherwise to individual and family crises. Thirdly, by ensuring that all citizens without distinction of status or class are offered the best standards available, in relation to certain agreed range of social services.⁹⁰

Significant to note is the mixed economy of welfare in which the state is the enabler. Private participation is possible through greater individual contribution of fees and the contractual provision of services. This seems to be the direction in which many welfare states are moving. In response to pressures for decentralization, demands for greater social participation and questions raised about citizen-state relationships, the mixed

⁸⁹ Jessop, 2002

⁹⁰ Briggs, 1961:228 quoted in Jessop *et al.*, 1991:83

economy welfare offers a flexible framework for reshaping modern welfare states according to national objectives.⁹¹

It is becoming increasingly apparent that the viability of the democratic welfare is called into question. At one stage, the predicament of welfare capitalism was resolved and growth restored through a policy mix of welfare cuts, industrial protection and fiscal discipline differing from country to country. The social context in which the traditional pattern of state provision is embedded has altered in fundamental ways, and social policy is no longer able to meet the needs effectively. 'The implication is that the government should politely stand aside from the business of providing welfare services for the mass of its citizens. The era of the welfare state is coming to an end, not with a *bang* but a *whimper*'.⁹²

Taylor-Gooby dealt with three main claims advanced against the welfare state. Firstly, the review of the recent history of the welfare state indicates a failure to achieve the main goals laid down in its policies. Secondly, the objective factors, in particular projected increases in population groups who make the greatest demands on state provision and the economic burden of maintaining welfare services, present formidable problems for capitalist economies. Thirdly, increasing social inequality demonstrates the incompetence of state welfare and will undermine the viability of collective welfare at a subjective level, because better-off people are less willing to finance benefits for the poor.⁹³ However, South Africa seems to want to differ from this trend by '*forcing*' the rich people to finance the poor people by making the government take more tax from the rich, which is not actually a bad idea. But if it is about the rich financing the needs of the poor, I believe there are still a lot more ways that this can be done; it is not only through BIG.

2.2.3 State Intervention

I agree with Taylor-Gooby that there is a strong moral case for government involvement in the guarantee of welfare provision as an equal community right, whether through state,

⁹¹ Friedmann, 1987:289 quoted in Taylor-Gooby, 1991

⁹² Taylor-Gooby, 1991:2

⁹³ Ibid.

market, or some combination of them. There is, in addition a strong practical case for direct state provision, as the most effective way of securing a shift in the direction of greater equality.⁹⁴

According to Nativel, the first kind of state intervention would be a form of public *allocation*, whereby capital and labour is evenly allocated, e.g. on pre-university education and health care. The second intervention would be *regulation*, which is a way to control market imperfections through legislation. Thirdly, the state can have a *stabilizing* function by pursuing economic stabilization policies using mainly fiscal instruments and the benefit system. ALMP could be an example of this category to a certain extent. The fourth kind of intervention is comprised of *distribution* policies, in an attempt to alleviate unfair social distribution of income, wealth and welfare. The government could pursue a redistribution policy mainly using taxation system, e.g. on alcohol and cigarette. The last form of state intervention is termed *insurance*, whereby the government provides social insurance such as health, pensions and unemployment.⁹⁵

2.2.4 The end of nation-states debate

The 'end of the nation-states' debate is essential in this context because I am concerned with the role of the state in poverty alleviation. Gough argued that the dominant economic version maintains that states are losing their capacities to govern and the result is a relentless race to the bottom in everything from cultural preferences to labour and living standards.⁹⁶ I agree that the 'relentless race to the bottom' is apparent but I cannot say it is because the states are losing their capacities to govern but rather I would say it is because states are facing severe global challenges whereby they can no longer do much, independent of the global economy.

⁹⁴ Taylor-Gooby, 1991

⁹⁵ Nativel, 2004

⁹⁶ Gough, 1999:291

Although the capacities of the nation states are changing in the modern world, especially with the national macroeconomic management weakening considerably, Hirst and Thompson maintain that the state remains a pivotal institution, especially in terms of creating conditions for effective international governance.

Some claim that the period of domination of the nation state as an agency of governance and territory will pull apart, which would mean different agencies will control aspects of governance and some important activities will be ungoverned. This statement is questionable, but the nation state's claim to exclusivity in governance is historically-specific.⁹⁷

Formerly states had the capacity to determine the status of and to make rules for an activity that fell within contemporary understanding of the scope of legitimate authority. States were sovereign and hence each state determined within itself the nature of its internal and external policies, but now this is not necessarily the case. We are now in an era whereby if the state wants to socio-economically protect its citizens, it also has to strongly consider the larger economic consequences of its protection action. Relevant to this case are the labour market policies. Sometimes it is not easy for the state to intervene when a large company wants to retrench a load of workers because of labour costs and profitability as the company can easily threaten to leave the country for '*greener pastures*', where there is cheap labour and flexible labour legislation. Stringent labour rights and all covering social welfare will therefore render South Africa uncompetitive in relation to newly industrializing economies. According to Hirst and Thompson, this was acceptable while in the era of national economic management, but not anymore.⁹⁸

Generally, democracy in the sense of representative government has become a virtually universal ideology and aspiration. Non-democratic regimes are now seen as signs of political failure and chronic economic backwardness. Democracy is a source of legitimacy for government and a decision-making procedure within an entity seen to be

⁹⁷ Hirst and Thompson, 1996

⁹⁸ Ibid.

self-determining. However this kind of universal democracy becomes meaningless to the bulk if the majority of the population still lives in poverty.

As much as Ekins also pointed out with his theory of self-reliance, Hirst and Thompson argued that nationally rooted labour has to seek local strategies and local benefits of its own to improve its lot (and not find ways that will make it rely more on the state, since the role of the state is *changing*).

There is however another reason to argue that the 'nation-states' will persist as an important form of political organization, that is, to be the primary source of binding rule, (law) within a given territory. States, on the one side centres of substantive decision-making and administrative powers, and on other side, sources of rules limiting their own actions and those of their citizens.⁹⁹

The assertion that nation-states are losing importance or that we are already living in a post-national age is commonly based on an economic perspective. According to Dittgen self-organization is replacing governmental policy in domestic policy. A world of states is being replaced by a world of societies. Political modernity is being undermined by new forms of economic modernity. Moreover, the crucial factor for the economic welfare is no longer the national economy. The nation state has no control over the global flow of capital or the transactions of trans-national corporations.¹⁰⁰

Dittgen went on to say that state intervention is shifting increasingly from macroeconomic to microeconomic level. Therefore, globalization impairs its integration function as a welfare state. Therefore, its citizens will increasingly have to do without the redistribution policy of the national welfare state. An example of such a hard fact is the labour market policy. The governments are failing to discontinue companies from retrenching thousands of workers.

⁹⁹ Hirst 1994b quoted in Hirst and Thompson 1996

¹⁰⁰ Dittgen, 1999

In contrast, there are those who argue that we are observing not the end of the nation-state but its rebirth in a very close connection to nationalism. It is said that a new role of the nation-state is emerging as opposed to its role diminishing. Samuel Huntington who is well known for his "Clash of Civilizations" thesis also believes that nation-states will remain the most powerful actors in the world affairs. Instead, he argued that the source of conflict will not be *economic* as many people have predicted or as we already can witness [economic globalization] but it will rather be *cultural*.

2.3 SELF-RELIANCE THEORY

In this section I will discuss different viewpoints of looking at the self-reliance theory. Initially, I will look at it from the state as enforcing the structure which promotes *dependency*. And then, I will use '*another development*' conception in showing that perhaps it is the approach to development that has to be changed. This implies development does not always have to come from the top; therefore this is using another approach to tackle poverty from the bottom. Then another perspective will be from the personal obligation, responsibility and accountability of one and his or her society. I will end by promoting the idea of participation of the poor in the poverty alleviation process.

2.3.1 The role of the state in creating structured dependency

In accordance with the main argument of this paper, Baltes saw dependency as an outcome of social forces that needed to be changed to allow people to be independent. She wrote that dependency is socially acceptable to the aged as it is a product of decline and deterioration, a loss of physical and mental functioning.¹⁰¹ But it becomes something else for a young and able-person to be dependent on the government for basic needs. Structured dependency is created by the social structure in our societies and I would regard the provision of the BIG as creating a form of structured dependency. In the South African context, the urgent social necessity is the creation of more jobs and the argument is clear, structural unemployment requires changes to the structures and structures will not change unless they are explicitly addressed at the governmental level.¹⁰² So it makes sense to expect the government to practically, and not only theoretically expand the PWP. If practically and successfully done, then we might start witnessing the decreasing level of unemployment and hopefully less people living in poverty.

Then there is what is called 'behavioral dependency' which is often the focus of psychology studies. It has three etiologies, learned helplessness, learned dependency and

¹⁰¹ Baltes, 1996

¹⁰² Taylor Committee Report, 2002

selective optimization with compensation.¹⁰³ The first two can be traced to social environmental conditions. And in this circumstance, it is the very social environment that has to be controlled not to encourage learned helplessness and learned dependency. This is important for the current as well as the future generations, by not providing the BIG to everybody; I believe we would be discouraging the culture of poverty and the culture of dependency.

According to Ekins, state power has a vital role to play in people's self-development.¹⁰⁴ In this case, I am referring to self-development which would inevitably lead to self-reliance. The phrase 'self-reliance' is closely and critically being used in this paper in stark opposition to the 'culture of dependency'. Therefore, the state must provide the basic institutions to encapsulate and frame the market so that the market mechanism may work to everyone's advantage. It must guarantee continuing access for all people to the resources for production and development, both monetary and non-monetary in nature. Additionally, it must implement basic norms of social justice which narrow differentials in society by progressively enabling the disadvantaged to provide for their own needs from their own resources and participate fully in the mainstream life.

Personally, I would not condone the state to give R100 every month to everybody for an endless period of time. I would rather argue for the need of the state to provide citizens with the means of earning a living, so that each citizen (or at least the majority of citizens) does not rely on the state for a limitless period of time. I strongly believe that it makes more sense for one to teach somebody how to fish than to give her/him fish, because this would mean s/he will come back the next day to ask for more fish. Whereas, if s/he had been taught how to fish; one would not come back for fish because s/he can get his or her own fish.

¹⁰³ Baltes, 1996

¹⁰⁴ Ekins, 1992:208

2.3.2 Another Development

Ekins went on to assert that in many cases it is not lack of development that has brought popular impoverishment, but 'development' itself, (as when natural resources that provides a decent subsistence livelihood for large numbers of people are turned into industrial raw materials that benefit relatively few). He argued that 'development' has been something that has been done for people, to people, sometimes despite them and even against their will, rarely with them whereas *another development* is 'of the people, by the people, and for the people'.¹⁰⁵ Components of 'another development' are that it should be need-oriented, that is being geared to meeting human needs both material and non material. Secondly, it should be endogenous, that is stemming from the heart of each society which defines in sovereignty its values and the vision of its future. Thirdly, it should be self-reliant; that is implying that each society relies primarily on its own strength and resources in terms of its members; energies and its natural and cultural environment. Finally, it should be based on structural transformations, required more often than not, in social relations, economic activities and in their spatial distribution, as well as in the power structure. I believe this is a very motivating and optimistic way of looking at development, which if adopted and managed correctly can make a huge impact on the socio-economic context of this country (South Africa).

However, Hercules *et al.*, wrote that "development in our context is surely about (a) enhancing the quality of life of the mass of our people, through organization and mobilization to tackle the roots of poverty and inequality, and (b) about challenging the power and economic relations which make and or keep our people poor".¹⁰⁶ Possibly from this point, each one of us can decide exactly what kind of development we are going through in South Africa and we can deduce whether we are satisfied with this kind of development or we would like to change into something new, another development.

¹⁰⁵ Ekins, 1992:114

¹⁰⁶ Hercules *et al.*, 1997:6

On the other hand, there is what is called the social economy. “The ‘social economy’ constitutes a broad range of activities which have the potential to provide opportunities for local people and communities to engage in all stages of the process of regeneration and job creation, from the identification of basic needs to the operationalization of initiatives. The social economy covers the economic potential and activities on self-help and co-operative movements, i.e. initiatives which aim to satisfy social and economic needs of local communities and their members. It includes co-operatives, partnership, community enterprises and businesses. The social economy is the fastest growing sector in Europe and this context is fertile ground for the creation of many new enterprises locally”.¹⁰⁷

In the social economy, the prime interest does not lie in profit maximization but rather in building social capacity. Its principles are based on peoples’ needs. Success is judged in terms of the jobs created, number of people involved in a voluntary or learning capacity and the income generated, for and within a community. It is about effective co-operation, interdependence and active participation of the citizens in the social and economic well-being of local communities. It is concerned with creating inclusive and a more fully democratic society that promotes social justice, fundamental equality and equality of opportunity.¹⁰⁸ In this context, the successful ones are surviving because of their networking and organizing ability. According to Sitas, it is these individuals and these productive networks that need to be assisted with organizational support, training, micro-financing inputs and growth ideas.¹⁰⁹

It is widely acknowledged that the slowdown of growth increased the demands on the welfare state (e.g. due to rising unemployment) but it also put a strain on the resources available to meet this demand. The changed economic circumstances challenged state commitment to income distribution, direct management of the national economy and the provision of universal education, health-care and social insurance.¹¹⁰ The social economy

¹⁰⁷ Molly *et al.*, 1999 quoted in Amin *et al.*, 2002:2

¹⁰⁸ *Ibid.*

¹⁰⁹ Sitas, 1999:33

¹¹⁰ Ekins, 1992:5

can inculcate an ideology of self-motivation and self-provision, helping to return individuals as free market agents. Therefore, individuals would not be so pressed to have to propose BIG, as they could support themselves.

The rise of the third sector provides an opportunity for the state to reduce its welfare commitments in the face of rising fiscal stress and a mounting anti-welfare ideology.¹¹¹

The social economy is increasingly being defined as the solution to the problems of social exclusion. It does this by encouraging collective self-help; confidence and capacity building. It humanizes the economy via an emphasis upon autonomy, associational values and organizing the economy by human scale. It enhances democracy and participation via decentralization of policy to local communities places. It brings about a greater degree of systematic coherence to the local production and consumption of goods and services.

Furthermore, it acknowledges the relationships between the economy, environment, politics and society.¹¹² For the socially excluded, the social economy is offered as an alternative source of work. For those who fail to get jobs in the mainstream economy, the Third-Way offers a route to a world of survival via sequential training schemes, temporary employment and the possibility of work in the social economy.¹¹³

2.3.3 Principles of Duty and Personal Responsibility

Nevalainen has provided three kinds of responses to the following question, ‘what are the possibilities for promoting or securing the well-being of citizens with respect to the global economy?’ For the purpose of this paper, I will only address the first two responses. The first alternative argues for individual responsibility and the principles of duty. It emphasizes the role of individuals, families, voluntary associations and local communities when addressing questions of welfare. Promoters of this view argue that individuals should be made to understand that they are responsible, first and foremost, for

¹¹¹ Rose, 1998:66 quoted in Amin *et al.*, 2002:14

¹¹² Amin *et al.*, 2002

¹¹³ Amin *et al.*, 2002:24

themselves as well as well-being of their fellow-citizens. Remedy to public resource should be seen as the last option.¹¹⁴

In this view, the point is that the welfare state should be turned into a welfare society, whereby the state is not the chief player in social protection. According to Nevalainen, this argument is politically and morally charged. The reduced role of the state in questions of welfare is inevitable. The traditional form of the welfare state is just not compatible with the conditions of the global economy [which promotes the flexibilization of work]. It is therefore necessary to diminish the state's responsibility for welfare and increase individual responsibility.¹¹⁵

From a moral point of view, the reduced role of the state is also desirable. The reason is that; the welfare state weakens individuals' sense of moral obligation and makes them passive recipients of benefits. It discourages initiatives and fosters the proliferation of rights with no attention paid to corresponding duties. In short, the decline of welfare state "frees up the space for individuals to take up responsibility for their own welfare arrangements to become active citizens rather than demoralized rights claimers".¹¹⁶

The second alternative focuses on the role and responsibility of business. It requires businesses, firms, investors and consumers to act in accordance with certain social and ecological standards. These groups have a great deal to do with the problems and challenges that globalization has brought about and therefore, it is argued, they should take greater responsibility for these problems. They should not only take into account the economic but also the social and ecological concerns.

2.3.4 Participation of the Poor

Participation is cost-effective since if poor people are taking the responsibility for a project, then less cost from outside will be required and highly paid professional will not

¹¹⁴ Nevalainen, 2001:49-50

¹¹⁵ Ibid.

¹¹⁶ Ibid.

get tied down in the detail of project administration. In accordance with Ekins's argument of another development, Hercules *et al* argued that participation of the poor will also make projects more effective as instruments of development. It is held that the major reason why many projects have not been effective in the past in achieving objectives is because local people were not involved. Effectiveness equals the successful completion of objectives, and participation ensures this.¹¹⁷

Therefore, self-reliance at this juncture refers to the positive effects on people participating in development projects. A few have realized that participation helps break the mentality of dependence which characterizes much development work and, as a result promotes self-awareness and confidence. This causes poor women and men to examine their problems and think positively about their solutions.

A wide coverage is much more feasible if communities would know that they do not have to wait for the government but rather to start their own projects. Sitas acknowledged that job creation is a *collective responsibility* of all. He went on to say that we need to involve everyone in finding practical solutions for the unemployment-poverty situation.¹¹⁸ Therefore, participation increases the number of people who potentially can benefit from development and could be the solution to broadening the mass appeal of such services. Finally, Hercules *et al*, argued that experience has shown that externally motivated development projects frequently fail to sustain themselves.¹¹⁹

¹¹⁷ Ekins, 1992; Hercules *et al.*, 1997

¹¹⁸ Sitas, 1999:32

¹¹⁹ Oakley *et al.*, 1991 quoted in Hercules *et al.*, 1997:24

CHAPTER THREE

3.1 DISCUSSION AND REVIEW

The aim of this chapter is to evaluate and analyze some of the endeavors initiated by the government in trying to address the issue of poverty through redistribution, sustainable livelihoods, reconstruction, empowerment, etc. since 1994. It is vital to make clear the major challenge of having to balance the economic growth with the social cohesion. It can be argued that the unbalanced progression of these two aspects can be traced back in the colonial and apartheid era.

3.1.1 The challenge of unemployment

It is apparent that unemployment in South Africa is unreasonably high no matter what kind of measure is utilized. According to the government documents, in 1998, unemployment levels were at 20% by narrow definition and 29% by broad definition and they have risen to the 30% by narrow definition and 40% by broad definition by the end of year 2004. Although it is argued that high unemployment levels have existed for many years and the apartheid government kept the problem hidden from the view, there has still been an intense increase within the democratic era. However, this can be charged on the *'double transition'* that Webster and Adler wrote about. (This will further be discussed below, p.42). As it has been outlined above, 'high unemployment is a result of population growth, lack of attention to human capital development, a prolonged deterioration in real growth rate and rising capital intensity of production and a decline in savings and investment since the mid 1960s'.¹²⁰

According to McCord, the fall in the formal sector is largely due to structural changes in the economy, resulting from a decline in the importance of the primary sector, technological change and liberalization and entry into global economy. Therefore, the

¹²⁰ <http://www.polity.org.za/html/govdocs/misc/jobsframework1.html#1.1> accessed 19 January 2005

number of labour market entrants exceeds the number of new jobs created resulting in rapid rise in unskilled unemployed.¹²¹

3.1.2 Causes of unemployment

According to the government reports, there are six main causes of the high unemployment rate in South Africa. Firstly, 'uncertainty'; which means investment and employment are partially hindered by the perceived risks of doing business in South Africa. Crime, social dislocation and political transformation are some of the reasons for the hesitation. Secondly, the labour market is still highly distorted because of the past unequal access to education, training, occupational chances as well as geographical mobility.

Thirdly, productivity gains are not associated with both improved wages and increase in employment levels whereas this should be achieved in combination with higher productivity growth, higher skill levels and improved work organization. Fourthly, the structure of production shows that South Africa is not labour absorbing due to the inherited capital intensive structure of the economy and the choice of technologies. The character of the South African economy previously dependent on the suppression of the Black majority means a few productive links between the formal sector and SMMEs.

Fifthly, South Africa's level of investment fell very low in the 1980s and nearly to the 1990s, only recovering to 20% of GDP by 1996. Finally and most importantly is the issue of human development. Apartheid clearly and successfully blocked the development of the majority of the people. This imposed serious constraints on the growth potential as a middle income industrializing country. Instead, the level of human development measured in terms of basic standards of education and nutrition more closely matches the less developed countries.¹²²

¹²¹ McCord, 2004

¹²² <http://www.polity.org.za/html/govdocs/misc/jobsframework.html#1.1> accessed on 19 January 2005

3.1.3 The Double Transition

One key aspect of the 'new South Africa' surrounds the debates which are taking place concerning the future economic strategies and development paths for the next ten years. Two issues lie at the heart of these contemporary debates. The first one is 'redistribution'; which is a response to the need to redress the extreme racial inequalities in income, wealth and living standards for which apartheid South Africa is notorious. The second one is 'growth'; which is a reaction to the economy's dismal performance since the mid-1970s.¹²³

Webster and Adler labeled what South Africa is going through as a 'double transition', whereby the state is simultaneously consolidating democracy and reconstructing its economy. Under conditions of globalization, it is argued that growth depends on adopting neo-liberal policies that will attract investment but this directly or indirectly leads to exploitation of labour which results in unemployment and underemployment. Furthermore, this kind of pact might result in the increase of class inequality and generate popular pressures against neo-liberalism and I suppose this is a phenomenon that is already apparent in our society.

Webster and Adler acknowledged that globalization presents difficult problems for countries undergoing a double transition by generating a number of new stresses on an economy while undermining the state's traditional role in economic management. It is widely accepted that globalization has contributed to a radical re-composition of the labour market and which Standing would call 'global labour flexibility'.

As a result of the global economic pressures, some have argued that democracy should be limited but I am convinced that limited democracy is inevitable when prioritizing the country's economy over social cohesion. Consequently, I believe democracy is already limited as it seems that economic globalization seems more powerful than socio-cultural globalization. Nevertheless, Webster and Adler are very optimistic about the changes that

¹²³ Jessop, 2001

the [social] movements can mobilize in fighting against neo-liberal policies. They believe the movements could even be in a position to make the 'rules of the game' and this would be called "bargained liberalization". I am not so adequately convinced of the viability of this approach considering the current and foreseeable circumstances in the economic and social spheres of life. It is apparent that rampant economic liberalization not only undermines attempts to consolidate democracy but, with a decline in state capacity, is leading to social disintegration.

3.1.4 Sustainable Human Development (SHD)

SHD is what a developing country like South Africa needs as compared to the provision of R100 a month to everybody. SDH is composed of four key components, the first one being productivity. This means people must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment. To me, *enabling* does not necessarily imply R100 every month from the government; rather it means sustainable means of surviving independent of the government. The second component is equity. Equity, in this case means that people must have access to equal opportunities in life, including employment opportunities. Thirdly, sustainability must be ensured not only for the present generations but for the future generations as well. Finally, empowerment means development must be by people, not only for them. This point is in tune with my argument for participation of the poor, Ekins version of another development and Mullen's argument of contribution of the poor for self-development so to move from dependency to self-reliance and not self-relief.¹²⁴ I understand empowerment to be about en-skilling, capacitating, enabling and motivating.

For South Africa, SHD implies a rapid process of redress, social reconciliation, national building, economic growth and human development alongside the sustainable utilization of natural resources. Human development is also about political, economic, social and cultural freedom, a sense of community and opportunities, to be creative and productive. In short, human development is about what people can do in their lives,¹²⁵ not what the

¹²⁴ Ekins, 1992; Mullen, 1999

¹²⁵ Streeten, 1999 quoted in Human Development Report, 2000:4

government can do for them. In addition, Lewellen warned that poverty is not just economic, it is total. Poverty means lack of education, constantly searching for employment and it means the psychological consequences of hopelessness and insecurity. It implies familial violence, broken homes and crime.¹²⁶

Therefore, in line with the concept of SHD, the Taylor Committee Report mentioned four important points that have to be observed in order to reach social cohesion. Firstly, it mentioned that social insurance must be extended wherever possible, with due considerations to administrative feasibility of providing such protection and recognition of its limits. Secondly, social grants coverage must be urgently widened to relieve the income poverty of many who will not be rescued by policies designed to stimulate gainful labour market insertion. Thirdly, indirect social protection approaches, through facilitation of favourable labour market transitions, should be fostered by the deployments of every policy that can help to do so. Finally and most importantly, monitoring and evaluation of each and every policy designed to address poverty and unemployment must be put into action. I believe the last point is the most important so that it would be easier and faster to recognize the ineffective policies and programmes in terms of poverty alleviation and then these can be revised and altered or even eliminated.

3.1.5 Reconstruction and Development Programme (RDP)

The RDP is an incorporated, consistent, socio-economic policy framework. It tries to organize all people and country's resources towards the final eradication of the results of apartheid and the structuring of a democratic, non-racial and non-sexist future. It represents a vision for essential transformation of South Africa. This integrated process of transformation is supposed to ensure that the country becomes a prosperous society, having embarked upon a *sustainable* and environmentally friendly growth and development path. It develops strong and stable democratic institutions and practices characterized by representativeness and *participation*. Most importantly, the RDP documents outlines that 'not every expectation will be realized and not every need will be met immediately' and it also mentioned that 'involving the people in the act of creation'

¹²⁶ Lewellen, 1995

is an important part of the transformation process.¹²⁷ Thus this information helps us in understanding that the RDP conception is about progression and development which takes time indeed. It suggests that we should not engage ourselves with policies that will try to solve all the problems simultaneously and over-night whereas the long-term consequences might draw us back again.

The RDP originated in an attempt by labour to produce an accord that would tie a newly elected ANC government to a labour-driven development programme. Its first priority was to meet people's basic needs which are jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, health care and social welfare. From 1994 to 1996, the RDP became ostensibly the guiding document of the Government of National Unity (GNU). In December 1995 the government announced intentions to privatize important state assets.¹²⁸

In 1994, the South African economy was in an advanced stage of decline evidenced by stagnant GDP growth, a net reduction in formal sector employment and high levels of poverty and inequality and this was reason enough for the GNU to introduce the GEAR strategy.¹²⁹

3.1.6 Growth, Employment and Redistribution (GEAR) Strategy

In June 1996, after a considerable internal disagreement within the tripartite alliance (state, business and labour), the Finance Minister, Trevor Manuel released the new strategy, which was GEAR. The national government implemented a macro-economic reform programme that aimed at the stabilization of key aggregates. It aimed to achieve a "fast-growing economy which creates sufficient jobs for all work-seekers, redistribution of income and opportunities in favour of the poor, a society which is sound in health and education; and an environment in which homes are secure and places of work are productive."

¹²⁷ http://www.polity.org.za/html/govdocs/white_papers/rdpwhite.html?rebookmark=#1, accessed on 14 January 2005

¹²⁸ Webster and Adler, 1999:367

¹²⁹ Executive Council Province of the Eastern Cape, 2003

However, one criticism of the national policy framework has been a concentration upon macro-economic stabilization at the expense of social spending and poverty reduction.

Unfortunately, the projected employment and growth targets under GEAR have not been met and the levels of saving and investment have not been adequate to underwrite real, sustained growth.¹³⁰ GEAR was in collision with government's own industrial relations and labour market policies, which could then be seen as unattractive to foreign investment. GEAR put forward ambitious targets, but the controversial aspect of the plan was the means identified to achieve these goals.¹³¹

31.7 Legislation, Programmes and Policies

In addition to RDP and GEAR, there was a variety of legislations passed, programmes implemented and policies formulated in order to reach the goals of a democratic country. For example, the National Economic Development and Labour Council (NEDLAC) was a new body located in the department of Labour and charged with a task of reaching consensus between government, organized labour, organized employers and other community-based organizations on all significant economic and social policy before legislation goes to parliament. NEDLAC is thus a statutory body consisting of four chambers, labour market, public finance and monetary policy, trade and industry and development. Webster and Adler argued that the establishment of a fourth constituency, which comprises of community based interest groups in NEDLAC was an attempt to avoid the dangers of narrow corporatism by providing the marginalized with an institutional voice in economic and social policy making. But these groups' capacity and representational ability remain in doubt and no firm alliances have yet emerged. Nevertheless, I believe it is a positive initiative to try and incorporate the spheres of the society in one body to ensure representativeness and participation.

The Skills Development Act (SDA) was aimed to assist work-seekers to find work; assist retrenched workers to re-enter the labour market and to assist the employers to find qualified employees. It was established to improve the employment prospects for people

¹³⁰ Ibid.

¹³¹ Webster and Adler, 1999:367

previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education. It was to encourage employers to provide opportunities for new entrants to the labour market to gain experience and to employ people who find it difficult to be employed. Finally, it intended also to increase the level of investment in education and training in the labour market and to improve return on that investment.¹³²

The Umsobomvu Youth Fund (UYF) was established by government in 2001 with the mandate of promoting job creation and skills development and transfer among young South Africans between the ages of 18 and 35. UYF also makes strategic investment for young people to pursue meaningful self-employment opportunities. The purpose of this organization is to enable the implementation of effective youth development programmes and the mainstreaming of youth development to sustainable livelihoods. The vision of the UYF is to enhance the active participation of South African youth in the mainstream of the economy.¹³³

Black Economic Empowerment (BEE) is an integral part of South Africa's transformation process, encouraging the redistribution of wealth and opportunities to previously disadvantaged communities and individuals. It is the primary tool for addressing inequality and has been identified as a crucial factor to the future of the country's economy.¹³⁴ However, it is criticized for only making the rich richer and not reaching the poorest of the poor. It is often a handover from the white elite to a small black elite.

In addition to the few initiatives mentioned above, President Thabo Mbeki promised to "reduce unemployment by half through new jobs, skills development, assistance to small businesses, opportunities for self-employment and sustainable community livelihoods". He promised to create one million job opportunities through EPWP and complete land

¹³² http://www.labourgov.za/act/section_detail.jsp?legislation=5976&actId accessed on January 2005

¹³³ <http://www.uyf.org.za> accessed 03 January 2005

¹³⁴ The Broad-Based BEE Act of 2003 defines "black people" as a generic term that includes 'Africans, Coloureds and Indians' in http://www.southafrica.info/doing_business/trends/empowerment/bec.htm accessed 03 January 2005

restitution programme and speed up land reform, with 30% of agricultural land redistributed by 2014, combined with comprehensive assistance to emergent farmers.¹³⁵

3.1.8 Expanded Public Works Programme (EPWP)

The EPWP can be defined as “a cross-cutting programme to be implemented by all spheres of government and state-owned enterprises. It is defined as a nation-wide programme which will draw significant numbers of the unemployed into productive work, and increase their capacity to earn an income”.¹³⁶

The objective of the EPWP is to utilize public sector budgets to alleviate unemployment by creating temporary employment opportunities coupled with training.¹³⁷ Phillips reported that to reach governments’ target of halving unemployment by year 2014, 546 000 new jobs would have to be created each year.¹³⁸ He mentioned that increasing economic growth is crucial so that the number of the new jobs being created starts to exceed the number of new entrants into the labour market. He argued for increasing of qualifications and skills of the workforce and I believe the government is already doing this through the Skills Development Programme.

“PWP were included in the RDP under the name of National Public Works Programme (NPWP), as a critical element of job creation. The national government has initiated a range of environmental PWPs since 1994 including Working for Water, and the Land Care and Coastal Care programmes. The Zibambele Programme in KwaZulu Natal is an example of the indication of the rich diversity and innovativeness of the local initiatives. This was initiated in year 2000; the objectives were to carry out a routine maintenance on the provinces rural access road network and to provide poor rural households which have no other source of income with a regular income”.¹³⁹ As a result of the success of this

¹³⁵ http://english.people.com.cn/200401/11/eng20040111_132306.shtml accessed 03 January 2005

¹³⁶ Phillips, 2004:7

¹³⁷ Ibid.

¹³⁸ Statistics South Africa, 2003 quoted in Phillips, 2004:2

¹³⁹ Phillips, 2004:5

programme, Meth argued that there is an urgent need for PWP that create sustainable long-term employment like the Zibambele programme.¹⁴⁰

As a result of the decision to have a single budgeting process,¹⁴¹ the EPWP does not have its own special budget for projects; rather it is funded by allocating funds on the budgets of line function departments, provinces and municipalities. This decentralized approach to funding poses challenges for coordination and implementation; but it also enables the programme to have access to much greater resources and to be taken to a greater scale. Therefore this increases the sustainability of the programme.¹⁴²

(A number of advantages of the PWP have already been mentioned in the first chapter of this paper, p.5-6). In terms of non-income poverty, the impact of PWP participation was found to have potential to be significant, lowering the occurrence of adults skipping meals, the reduction in size of children's meals and the improvement of regular school attendance of children.¹⁴³

Undoubtedly, the PWP has limitations that are obvious to some sectors of the society especially because of the way they are continuously emphasized by the people who believe that the government should start by giving social grants to everybody and only after that can it talk of initiatives to create jobs. Firstly and most significantly, it has been argued that EPWP is both too limited in scale and too short in duration to have a significant impact on unemployment because of the nature and the extent of it. On the other hand, it has been reported from international experience that the successful implementation of the PWP depends on the scale, duration and targeting.

¹⁴⁰ Meth, 2004b:23

¹⁴¹ During 2003 the government decided to fund poverty relief through the normal budgeting process, rather than through separate special funding with its own budgeting process. This decision was based on a review of poverty relief programmes which found that the separate budgeting processes creates problems such as tensions in inter-governmental fiscal relationships and secondly departments and spheres of government becoming involved in work which is not part of their constitutional core function. (Phillips, 2004:8)

¹⁴² Phillips, 2004

¹⁴³ McCord, 2004:11

Secondly and in line with the first limitation is the fact that the policy discourse is inconsistent regarding the nature of the labour market problem and appropriate responses. It has been noted that exaggerated claims for what EPWP can achieve are inhibiting the debate on alternative larger scale government responses to unemployment and poverty. McCord noted that it is important to separate a realistic assessment of the political impacts of the programme from the rhetoric in order to re-open policy space to address this critical problem. Furthermore, it is important to challenge the assumption inherent in the EPWP, that unemployment is a transient problem. 'Failure to recognize the fallacy of this assumption might lead to the adoption of a policy response appropriate for transient rather than chronic unemployment'.¹⁴⁴ Finally, Meth argued that EPWP is 'definitely' not affordable and that they also cause 'dependency'.¹⁴⁵

Finally, EPWP have an unintended consequence of displacing long-term employment with short-term, lower paid employment but this can be avoided by carrying out PWP in sectors of the economy which are growing.¹⁴⁶

As Phillips argued, the EPWP has the potential to make a modest contribution to employment creation, poverty alleviation and skills development¹⁴⁷ and that the programme may impact positively on human and social capital if appropriately targeted. Therefore, it is apparent that spending 43% or more on social service (with health and education having leading rates) is a positive feature of the government's spending with an objective of changing the structure of the labour market (economy). It is also fundamental to note that the government does not talk of EPWP as the sole solution but it is rather one of an array of its strategies aimed at addressing unemployment. In order to make the EPWP initiative work there are mistakes to be avoided: lack of political support, attempting too much too quickly as this normally results in not providing the best quality

¹⁴⁴ McCord, 2004:13

¹⁴⁵ Meth, 2004b:1, 24

¹⁴⁶ Phillips, 2004

¹⁴⁷ Phillips, 2004:13 quoted in McCord, 2004:16

services. Instead, high priority should be given to effective systems of monitoring and evaluation.¹⁴⁸

3.1.9 Social Grants as a method of alleviating poverty

The Minister of Social Development, Dr. Zola Skweyiya, has in terms of Social Assistance Act, 1992 (Act No. 59 of 1992) with the concurrence of the Minister of Finance, announced an increase in the social grants. The increase came into effect on the 1st April 2004. SOAP is now at the rate of R740. War Veterans' Grant (WVG) is at the rate of R758. Care Dependency Grant (CDG) is at the rate of R740. Foster Child Grant (FCG) is at the rate of R530. Grant-in-aid (GLA) is at the rate of R160, and the CSG is at the rate of R170.¹⁴⁹

Henceforth, it has been acknowledged that social grants in South Africa play a critical role in reducing poverty and promoting social development. Recently a study, commissioned by the Economics and Finance Directorate and the department of Social Development has been conducted and it evaluated the social and economic impact of the social grants. "Specifically, the research findings indicated that social grants reduce poverty and contribute to social cohesion, and that they also have positive impact on the economic opportunities of household receiving grants. The provision of social grants translates relatively quickly into enduring positive impacts on labour market participation, employment success, and realized wages. In addition, social grants have positive indirect effects of economic growth through improved education".¹⁵⁰

Interestingly, according to the study, social grants reduce poverty by 66.6% when the destitution poverty line is used as a benchmark, whereas, Standing and Samson reported

¹⁴⁸ Phillips, 2004

¹⁴⁹ <http://www.welfare.gov.za/services/ugrant.htm> accessed on 03 February 2005

¹⁵⁰ Skweyiya, 2004:2- Opening Remarks at the launch of the Report on the Economic and Social impact of social grants in South Africa

that 'South Africa's social security grants [only] reduce the average poverty by approximately 23%'.¹⁵¹

In addition, the study also proved that social grants improve school attendance and promote job searching. However, I am of the understanding that job search does not mean being employed and it also does not guarantee a job as there are a lot of people who have given up searching for a job (discouraged unemployed) after tirelessly trying and not being successful. On the other hand, I strongly believe that investing on education [and health] mainly towards the previously disadvantaged population will have fruitful results in a long-run. The issue of health, more specifically HIV/AIDS inevitably comes up because it does not help to educate people who then expire at the most productive stage of their lives. Moreover, HIV/AIDS has been realized as one of the four interlocking challenges facing South Africa and mostly concentrated among the Black population. Indeed, Kohl rightly argued that globalization cannot be entirely blamed for increased poverty and inequality in Africa since the 1990s but social and economic afflictions and diseases including HIV/AIDS bare some of the blame for the low level of social achievement.

Nonetheless, I personally found it interesting that after the long and useful report on the positive benefits of the social grants, Dr. Zola Skweyiya concluded his opening remarks by saying that "this report confirms our strategy of using social assistance to fight poverty but underlies the need to make sure that *only eligible* beneficiaries receive grants". He emphasized that the government planned to make sure that a smaller proportion of the society relied on the social grants for survival.¹⁵² Basically this implies that we cannot initiate anything that will promote more reliance or dependency to the government for social security.

¹⁵¹ Standing and Samson, 2003:21

¹⁵² Skweyiya, 2004:5

In summary, the results of this study provided evidence that the household impact of South Africa's social grants is developmental in nature.¹⁵³ Additionally, Harman also conducted an interesting study about the "Social Grants and their Social Circulation". The intention was to find out how social grants are used in everyday life and how relationships are built, organized and enhanced around the recipient(s) of the social grant(s), how the provision of the SOAP (taken as an example) to one individual can end up maintaining the family of six or more members. Unsurprisingly, she found out that this is a reality for a lot of households dominated by children who are over the age of seven (which means they are not eligible to receive CSG, or SOAP, etc.). These are normally the working age adults who find it a struggle to get a job because of some of the reasons that have been mentioned above. When the members of the family are not employed and they can also don not qualify to be awarded a particular social grant out of the seven already existing grants, then life becomes difficult for this vulnerable group of people.

Thus it has been proven that the available social grants are not only used by the eligible recipients and they tend to be for multi-purposes, e.g., paying school fees for the school going learners, buying grocery to be consumed by the whole family, transport fare for parents, paying electricity bills, etc.

3.1.9 Basic Income Debate

Vanderborcht argued that the BI debate is normally too far dependent on research departments, intellectuals, economists and academics and this somehow conveys that political effectiveness does not always sit easily with intellectual consistency. He went on to say that BI is controversial, but not for financial or economic reasons. He argued that there is always an ideological debate, which relates to the fact that the link between work and income is broken. According to the BI proponents, citizens have the right to an

¹⁵³ Samson, 2004:17

income without an obligation to search for work¹⁵⁴ and to some people this does not sound positive for the well-being of the country.

Welfare without work is seen as a disease and 'benefit dependency' has gained increasing credibility in Europe. It seems to have spread to all spheres of discussion on social policies across the whole political spectrum. In particular, unemployment benefits and minimum income schemes are being targeted. Those programmes are said to discourage 'self-sufficiency' and therefore would have to be transformed by actively linking benefits to work requirements.¹⁵⁵ In Europe, slowly but surely a new balance between duties and rights is being established. New obligations are being imposed on the beneficiaries, while eligibility criteria have been tightened and sanctions applied more strictly. In this respect, one can argue that the pattern is shifting from welfare.¹⁵⁶

Contemporary social security programmes should not only provide income security, but also increase opportunities to participate in social life so that the number of economically active citizens in the society increases. The role of the 'active welfare state' should essentially consist of fostering participation, in various ways. It has to address questions of *individual responsibility*.¹⁵⁷

Some activation programmes are focused on education, training and job counseling of people on benefit. According to social policy expert Jan Vranken, the shift from passive to active social assistance is one of the most important developments. The social right to an income in case of need has been progressively replaced by a social right to integration through work and training. As it clearly appears, the next form of social integration will take the form of paid work.¹⁵⁸

The BI opponents mainly focus on institutional, sociological and above all ideological factors. Some say indeed, the most important obstacle has been a moral one. Since BI

¹⁵⁴ van Empe], 1994 quoted in Vanderborgh, 2004

¹⁵⁵ Vanderborgh, 2004:7

¹⁵⁶ Ibid.

¹⁵⁷ Vandenbroucke and Van Puyenbroek, 2000:87 quoted in Vanderborgh, 2004:7

¹⁵⁸ Vranken 1999:181 quoted in Vanderborgh, 2004:9

would be paid regardless of willingness to work, some believe that it would allow able-bodied persons to receive benefits without 'contributing' to common wealth. Therefore it would contradict the reciprocity principle lying at the basis of social cooperation. As it was convincingly argued by Dutch scholars, "ideological developments are as important as economic circumstances in understanding this specific strand of welfare reform".¹⁵⁹

3.1.11 Basic Income through backdoor

One preferable suggestion made by Vanderborght is that BI be transformed into 'participation insurance', aimed to foster unpaid activities. This can be seen as a valid approach since it does not make sense to say BI would value unpaid activities when it is not only people who engage in unpaid work that would be receiving this grant. So at least in this case one would be getting people to be active (work), as a result one would not have to worry about promoting parasitism or laziness. I believe it would also make sense to say this route encourages job search, with the hope that the job would pay more than R100 because either way the person would be 'working'.

Atkinson believes that the major reason for the opposition to BI lies in its lack of conditionality, therefore he argued that "in order to secure political support, it may be necessary for the proponents of BI to compromise, not on the principle of no test of means, nor on the principle of independence but on the unconditional payment". In his view, they should support BI- conditional of participation, in the broad sense.¹⁶⁰ From this, Vanderborght then concluded that this is the most plausible way of implementing BI through the backdoor. Nevertheless he acknowledged that "the back door strategy lacks the grandness of the front gate. For sure, if there are good reasons to believe that the front gate will remain tightly locked, it might make some sense for the BI supporters to keep knocking- but not at the expense of the careful exploration of less pretentious accesses to the mansion, ...".¹⁶¹

¹⁵⁹ Spies and van Berkel 2000:107 quoted in Vanderborght, 2004:7

¹⁶⁰ Atkinson, 1998:147-8 quoted in Vanderborght, 2004:32

¹⁶¹ Vanderborght, 2004:34

Webster and Adler argued that it does little good to develop a checklist of features South Africa shares with other democratizing countries. There are just too many differences and complications that make this country different to the others. Most important is the past system of governance which largely directs the way of the present system of governance.

In summary, “the overall picture indicates that less progress has been made in terms of alleviating poverty as well as creating secure employment for those who seek it as was initially hoped for. While somewhere between 1.4 million and 2 million new jobs were created, greater increases in labour supply mean that the overall unemployment rate also increased”.¹⁶² It is also apparent that the current package of measures intended to tackle unemployment and poverty are not enough.¹⁶³

¹⁶² Casale *et al.*, 2004 quoted in du Toit, 2004

¹⁶³ Meth, 2004b:1

CHAPTER FOUR

4.1 CONCLUSION

Unlike most of the BIG opponents, I do not dismiss it as an idea that is ‘disconnected from social realities’.¹⁶⁴ I admit that BIG is a good idea, but I am sure that Archbishop Njongonkulu Ndungane will agree with me that ‘there is a way which seemeth right unto a man, but the end thereof are ways of death’.¹⁶⁵ Basically by this I mean BIG sounds good to my ears, especially being part of the previously disadvantaged community. It also seems good, just as much as all other social grants that indeed reach some of my eligible brothers and sisters, parents, as well as my grandparents. It is an undisputed fact that the social grants play a significant role in this society by redistributing income, reducing inequality and reducing poverty. But, because it is such a small amount and it is also universal, it will not bridge the inequality gap. Even after a long period of time, African people would still be at the *bottom* because R100 does not give more chances for development and progress.

I believe, this (South African) society does not desire the social grants’ recipients (especially the able-bodied) to depend on the state for the rest of their lives for social security, it would rather capacitate them with whatever skills and resources they need so to be able to live their decent lives independently. It would not like to do anything to encourage and promote the *culture of dependency* hence the *culture of poverty*, for both the present generations as well as the next generations. In line with my stance, “development experience internationally has demonstrated consistently that top-down development is characterized by failure to improve the living conditions of the poor”,¹⁶⁶ as much as Ekins and Hercules *et al.*, argued that the poor people need to form an active part of the development process.¹⁶⁷

¹⁶⁴ Vanderborght, 2004:28

¹⁶⁵ Proverbs chapter 14 verse 12, Holy Bible in the King James Version.

¹⁶⁶ Hercules *et al.*, 1997:6

¹⁶⁷ Ekins, 1992, Hercules *et al.*, 1997

Moreover, there is one important point that BIG proponents seem to largely disregard when referring to BIG recipients receiving this grant and then searching for jobs. The point is: employment might not be [or is not] available, which is why I argue for employment creation, (EPWP and ALMP). I do not believe that approximately 40% of the society is unemployed because they are lazy and they do not search for employment. Rather I believe that they try and fail, they are unsuccessful in finding employment. This is a result of a number of reasons that have been mentioned above and I believe tackling those challenges should be the priority of the government and the society. If they successfully deal with the reasons for high unemployment, then I optimistically assume the percentage of the poor will be drastically reduced at which time it would be favourable to deliver a means-tested BIG.

For the successful '*future of the capitalist state*', there is a strong case for the recognition of the need for the change in the state intervention. Jessop argued that developmental states should replace welfare states and developing countries do not have to follow the welfare-European path. Developing countries should enhance labour market flexibility and therefore reduce costs, giving more emphasis to the ALMP and increased coordination of the unemployed to restore the notion that 'work pays'. He argued that there should be reorganization of social policy to lower the pressure of social wage¹⁶⁸ and not to increase the pressure (as it is happening in South Africa).

Moreover, he mentioned four crucial set of factors related to changes in economic and social policy-formulation. Firstly, it is the reorganization of the labour process- already it has been mentioned above that the apartheid past labour market system was one of the hindrances to socio-economic prosperity of the previously disadvantaged communities in South Africa. Secondly, it is the institutionalized compromise based on the development of new social forces. Thirdly, it is the re-emergence of liberalism in the guise of neo-liberalism, a well-known response to the neo-liberalism policies was the implementation of GEAR in 1996. Finally, it is the rise of new socio-economic problems and new social movements that demanded new ways of dealing with old and new problems. This can be

¹⁶⁸ Jessop, 2002:152-154

seen from the fact that the majority of the organizations forming the BIG Coalition are newly formed social movements attempting to address the new and the old problems existing in this country.¹⁶⁹ The challenge for the government is to allow the society to shift their mental framework beyond the '*welfare mentality*' 'without losing critical electoral and more general support or undermining the legitimacy of the national state'.¹⁷⁰

In summary, what I have done above was to introduce the BIG debate, whereby there is a BIG Coalition which believes that extreme poverty can only be tackled by the provision of a minimum income to everybody. The controversy is: it is impossible to live a decent life with only R100 per month, although it would make a difference but it is not enough. Another point of debate is the issue of the means-test. BIG proponents argue that it would be too expensive to have a means-test and normally means-tested grants fail to reach the targets. But my contention is that, BIG would not be for the poor because we all understand that it is not everybody who is poor, so I argue that it would not be appropriately targeted.

One common argument in favour of the BIG consists of asserting that a universal minimum income would help at valuing useful and non-market activities which are not yet recognized.¹⁷¹ But this is a problem in my understanding because BIG is universal; it is still not only for the people who are involved in the non-market activities. So how can one say it is valuing them when they are not the only ones who enjoy the benefit? I therefore conclude that this is a fragile excuse to deliver this income grant.

Furthermore and most significantly was the highly contested issue of *welfare dependency*. I argued that BIG would promote the *culture of dependency* and the *culture of poverty*, but Standing and Samson asked: how dependent a poor person can be, because without BIG s/he is still dependent on relatives or neighbours? In contention, van Donselaar argued that BIG would generate parasitism, since the lazy would be better off

¹⁶⁹ Jessop, 2002:140

¹⁷⁰ Ibid.

¹⁷¹ Vanderborght, 2004 and Standing and Samson, 2003

in the absence of such scheme.¹⁷² Therefore, I still maintain that it does not make sense to have a no means-test grant in a developing country like South Africa.¹⁷³ Additionally the implementation of BIG generally brings into question the institutionalized relationship between work and welfare. Another point is that, BIG is not going to help in bridging the inequality gap and it also is not going to change the structural nature of the poverty and unemployment problem. Since it will not give the previously disadvantaged communities opportunities to develop and improve their lives.

Thereafter, I introduced labour flexibility theory and explained how labour market flexibility leads to unemployment which therefore leads to poverty. As according to Nativel, I provided a practical comparison of the BI and welfare. From there, I brought in state theory which briefly explained the difficulties faced by welfare states and also the debate of the 'end of the nation states', which justified why citizens should not be made to depend on the state for survival. Then I presented the self-reliance theory which is in total contrast to BI as it does not allow people to rely on themselves but the state, thereby creating the *dependency culture*.

That was followed by a discussion and assessment of the governmental initiatives since 1994, of addressing poverty as well as all other discrepancies created and left by the apartheid government. In this chapter I might have not been successful in covering every initiative by the government since 1994 but I attempted to convey a broader picture of the governmental efforts in addressing the issues of unemployment and poverty.

In conclusion I agree with Vande Lanotte that "we should eventually stop the discussion on basic income and opt for a discussion on guarantee of a basic job".¹⁷⁴

¹⁷² van Donselaar, 1997 in Vanderborght, 2004:29

¹⁷³ Van Parjis in Standing and Samson, 2003:39

¹⁷⁴ Vande Lanotte, 1995 quoted in Vanderborght, 2004:13

4.2 RECOMMENDATIONS

The reason why I choose to have alternative recommendations other than BIG as a poverty alleviating tool is because ‘everybody knows that quality jobs are better than social grants, we also know that fast, job-creating economic growth is required and we are all aware that the government’s existing policies are not working effectively enough to save the poor.’¹⁷⁵ So, the point is to improve the current conditions of the poor without having to deliver a social grant to the *undeserving*¹⁷⁶ people.

As has been noted even in the BIG debate, investment in education is one of the most crucial departure points into sustainable livelihoods and into slowly but surely changing the social and economic structure of this society, although this might be a long-term investment but it has proved to be a valid approach.¹⁷⁷ Venter also mentioned that education and training are the biggest challenges facing South Africa in the post-apartheid years in the upliftment and improvement of its skills-base, since racially segregated education was an important feature of apartheid policy.¹⁷⁸

However, Meth’s contention has been considered that investing in education might currently not be the best solution as a result of the high unemployment rate among youth who at least have finished high school education and/or more.¹⁷⁹ Nevertheless, it is recommended that the government increases the CSG from the seven years to eighteen years, as it seems legitimate that it does not make sense that the grant stops just when it is needed the most (the age of seven when the child starts going to school). The age of fourteen years also does not seem appropriate because that period does not mark the end of one’s schooling years. CSG is significant because it has been noted as playing a crucial role in the school-going children’s lives, sometimes even the whole family.

¹⁷⁵ Meth, 2004a:1

¹⁷⁶ The ‘undeserving’ poor people are ones who could find work but choose not to take it. They are undeserving because they fail to take up what the system provides, (Meth, 2004b:17).

¹⁷⁷ Professor Philippe van Parijs quoted in Suplicy, 2002 and Standing and Samson, 2003

¹⁷⁸ Venter, 2003:117

¹⁷⁹ Meth, 2003

In addition, the South African Communist Party (SACP) proposed that the school feeding scheme be revived.¹⁸⁰ This is also a significant contribution in maintaining the good health of the school-going children. The Human Development Report stated that the Primary School Nutrition Programme reaches about five million children, which implies that it reaches a reasonable number of poor children.¹⁸¹

From the age group of finishing high school education (which is normally eighteen years or more), the government (and hopefully business, just as Nevalainen maintained that business should also take into account social concerns) should make available bursaries, scholarships and loans for students, which are payable with low interest and increase in the number of learnerships. This is vital for the youth who cannot further their education because of financial constraints. On the same note, organizations like UYF should be encouraged and promoted for targeting the vulnerable youth. As much as Bhorat argued that youth should be a *job creation* issue and the *unemployable* can be a [*social grants*] *poverty alleviation* issue.¹⁸²

The Financial and Fiscal Commission (FFC)¹⁸³ confirmed that conditional grants are the most appropriate mechanism for targeting spending, as this allows the government to respond to the changing needs and to more easily direct funding. Therefore using cash entitlements to crowd out basic services is not recommended. Rather the FFC recommended the development of a suitable data and information base, including long term projections as a priority of the country.¹⁸⁴

Furthermore, it is essential to mention that the Taylor Committee of Inquiry did not only recommend BIG, but it had a number of other useful considerations in terms of poverty alleviation which are for some reason being disregarded by mostly the BIG proponents, (this is understood from their emphasis of BIG as almost the only measure to successfully

¹⁸⁰ <http://blues.sabinet.co.za/WebZ/FETCH?sessionid=01-57650-1314328370&resultset=11&forma.../badfetch.html> accessed 04 August 2004

¹⁸¹ Human Development Report, 2000

¹⁸² Bhorat, 2002:26

¹⁸³ FFC is a constitutionally mandated body that advises the Treasury and Parliament on spending between national, provincial and local government.

¹⁸⁴ <http://blues.sabinet.co.za/WebZ/FETCH?sessionid=01-57650-1314328370&recno=35&resultset=11&forma.../badfetch.html> accessed 04 August 2004

ease poverty). Hence, it is recommended that a closer look is devoted to the other recommendations with an intention to implement. For example, it mentioned that maternity benefits for insecure employment as well as secure should be guaranteed. Domestic workers should be incorporated to the UIF system although the UIF in general remains vulnerable as it is only provided up to six months maximum. Basically this points accords with President Mbeki's argument that the Comprehensive Social Security has simply been turned into a 'BIG debate', which should not be the case.

Additionally, May recommended that the creation of formal jobs as most direct way in which growth assists the poor. Secondly, the poor can be assisted by creating better environment for the entrepreneurship and industry for the poor themselves. Thirdly, increased social spending and further improvements on infrastructure utilized by the poor for production and reproduction.¹⁸⁵

Finally and most importantly, is the contribution made by Borat in terms of alleviating poverty levels as well as providing a solution to the BIG debate. He recommended that the age restriction of SOAP be expanded. He wrote that this grant should rather be made available to women from the age of 40 and not 60 and for men it should be 45 and not 65 years. The age difference is in accordance with Sitas's argument of having to be 'double-sensitive to gender disparities'.¹⁸⁶ SOAP expansion is very important as it has been proven that the SOAP plays a major role in alleviating poverty and that even though it is meant for the individual, the whole family tends to benefit from it. He argued that there is probability that the additional operational costs of reducing the pensionable age would be lower than the setting up of an entirely new grant scheme. He admitted that a widening of the SOAP base would increase administrative costs, but would not require a creation of entirely new administrative machinery. "...[T]he lower pensionable age also may not suffer from the problem of a disincentive effect as the large universal grant in that one would be implicitly targeting those individuals that have a very low probability of ever

¹⁸⁵ May, 2004:4

¹⁸⁶ Sitas, 1999:33

finding employment in their lifetime”.¹⁸⁷ In this context, we can see that unemployed youth have chances of getting a job and furthering their education as well as getting some skills whereas the old, unemployed with low education level and no skills; almost have no chances of getting a job in the near or even in the long-term.

From here, I conclude that unemployed youth are a *job creation issue* while the other group (old, unskilled, uneducated, unemployed) can be directly regarded as a *poverty alleviation issue*. It is such (*unemployable*) people that social grants need to be directed towards. I therefore end with an agreement with Bhorat that the social grant scheme lose its appeal and indeed its effectiveness if it is used as poverty alleviation tool directed to the whole population (including able-bodied, youth, etc.).¹⁸⁸ especially in a developing country like South Africa.

¹⁸⁷ Bhorat, 2002:28

¹⁸⁸ Bhorat, 2002:26

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