

Leubolt, Bernhard

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# Social policies and redistribution in South Africa

Bernhard Leubolt

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#### **Contact Address**

Hochschule für Wirtschaft und Recht Berlin

IMB - Prof. Hansjörg Herr

Badensche Str. 52

D-10825 Berlin

E-mail: [glu.workingpapers@global-labour-university.org](mailto:glu.workingpapers@global-labour-university.org)

<http://www.global-labour-university.org>

**Layout:** Harald Kröck

**Editing:** Barbara Schmitz

# SOCIAL POLICIES AND REDISTRIBUTION IN SOUTH AFRICA

Bernhard Leubolt

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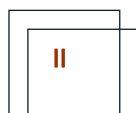
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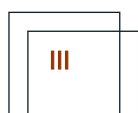
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## ABSTRACT

This paper aims at analyzing the effects of social policies on income inequalities in South Africa since the 1990s. Based on a framework of historical institutionalism, the heritage of a distributional regime based on institutional racism is highlighted. This had lasting effects on social policies which also had both liberal and conservative characteristics. Democratisation at the beginning of the 1990s led to the abolishing of institutional racism and conservative features, while the new framework tended to be of a more liberal nature than before. The Post-Apartheid transformation is marked by many contradictions: Concerning social policies, adverse effects of the ambitious affirmative action programme “Black Economic Empowerment” are diagnosed, as it creates incentives for highly-skilled public sector workers to work in the better-paid private sector. Apart from the resulting skills shortages, a tendency of cash transfers to replace public social services and infrastructure provision is diagnosed. In addition to this liberal characteristic of social policies, employment policies were not very successful, despite workfare tendencies in the approach towards welfare. As a result, overall income inequalities stagnated at very high levels after Apartheid, even with the rise of a black bourgeoisie and middle class.



## TABLE OF CONTENTS

1.	INTRODUCTION .....	1
2.	COLONIAL HISTORY, RACIAL CAPITALISM AND THE DEVELOPMENT OF SOCIAL POLICIES.....	2
3.	THE POST-APARTHEID DISTRIBUTIONAL REGIME: END OF..... INSTITUTIONAL RACISM AND THE CONTRADICTIONARY MOVEMENT ... OF UNIVERSALISING BENEFITS AND STAGNATING STATE .....	7
3.1	Social services: transformation with limited financial means.....	8
3.2	Cash Transfers as the most effective anti-poverty tool.....	11
3.3	Expanding cash transfers – stagnating social services .....	13
	and infrastructure .....	
4.	ACTORS AND DISCOURSE CONCERNING THE .....	14
	DISTRIBUTIONAL REGIME.....	
5.	CONCLUDING REFLECTIONS.....	15
	REFERENCES .....	17

## LIST OF GRAPHS AND TABLES

Graph 1:	Maximum pensions paid to Africans and 'whites', .....	6
	1925-2000 .....	
Graph 2:	State revenue and expenditure, 1990-2011 .....	8
Table 1:	Gini Coefficient, according to 'race', 1995, 2000, and .....	1
	2005/06.....	
Table 2:	Public spending in % of GDP, 1995-2007 .....	9
Table 3:	Composition of social spending (in % of total .....	10
	social spending), 2000 and 2006.....	

## 1. INTRODUCTION

South Africa’s transition from Apartheid to Democracy based on majority rule, which took place between 1990 und 1994, has been covered extensively in academic and non-academic media. The subsequent election of the African National Congress (ANC) together with its alliance partners, the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP), led to high expectations regarding the reduction of inequalities. Given these high expectations and the discourse on redistribution of the newly elected government, it comes as a surprise that official statistics indicate rising income inequality (cf. table 1).<sup>1</sup>

**Table 1: Gini Coefficient, according to ‘race’, 1995, 2000, and 2005/06**

Racial group	Gini 1995	Gini 2000	Gini 2005/06
All	0.56	0.57	0.72
African	0.50	0.49	0.63
Coloured	0.46	0.48	0.59
Indian	0.43	0.41	0.57
White	0.44	0.45	0.56

Sources: SSA 2002: 48; 2008: 35

Table 1 does not only show rising income inequality in the South African population in general, but also depicts rising inter-racial<sup>2</sup> inequalities. This suggests that inequalities are nowadays less influenced by racism than in 1995 (shortly after the end of Apartheid). This case study will highlight the influences of social policies on the development of inequalities. It is conducted within the framework of a strategic-relational approach (Jessop 2007) towards historical

<sup>1</sup> There are unusually intense controversies on South African statistics of inequality and poverty. The data by the official public agency ‘Statistics South Africa’ is not undisputed, especially after publishing the report on the years 2005/06, which reported a considerable rise of the Gini index. Alternative data has been collected by a market research agency and been used by Servaas van der Berg and his colleagues (van der Berg/Louw 2004; van der Berg et al. 2005; 2007c; Van der Berg et al. 2007a; van der Berg et al. 2007b; van der Berg et al. 2008), who worked closely connected to the South African government. Their findings pointed out diminishing, rather than rising inequalities. Charles Meth (2007; 2008) engaged in a debate with them, questioning the validity of their data. This contribution does not intend to participate in this debate. Instead, the presented data has to be dealt with cautiously. A general conclusion to be drawn from data analysis is that income inequalities did not significantly diminish after the end of Apartheid.

<sup>2</sup> The racial groups here correspond to the groups as they are used by ‘Statistics South Africa’, which still uses the Apartheid regime’s racial categories. ‘African’ replaced the Apartheid category of ‘black’ and refers to people who are predominantly or solely of African descent, ‘white’ refers to people of European descent (Caucasian), ‘Indian’ refers to the ethnic minority of Indian descent and ‘coloured’ refers to people who are of mixed descent and therefore not classified within the other groups.



institutionalism (Hall/Taylor 1996) to examine the above-mentioned paradox.<sup>3</sup> Strategic-relational institutionalism pays attention to the consequences of historical development and emphasises the involved social agents, their strategies and their achievements under institutionally mediated structural constraints and possibilities. In doing so, the 'class mobilisation thesis' of Esping-Andersen's (1990: 16ff.) earlier work will be adapted. Institutionalization is understood as an outcome of the struggle (and as a structural condition for further conflicts) between different groups in society. Concerning the institutional dimension, the concept of the distributional regime (Seekings/Nattrass 2005) will be employed. It can be applied to a wider range of policies than Esping-Andersen's concept, as it rests on historical analysis and considers the interplay of the social situation with the political economy. Furthermore, the distributional regime approach has already been used to understand the distinct realities of South Africa and the 'Global South' in a more general sense (Seekings 2008b). To understand the process of institutionalization, a historical analysis will form the basis for the study of current distributional policies in South Africa.

## 2. COLONIAL HISTORY, RACIAL CAPITALISM AND THE DEVELOPMENT OF SOCIAL POLICIES

The development of racism and colonialism tend to be deeply intertwined (Back/Solomos 2000), and so it is also in the case of South Africa. Racism was the legitimising discourse for the unequal treatment of European colonisers and the indigenous African population, which had served as a cheap workforce for the Europeans. South Africa was mainly colonised by the Dutch and the British. Dutch colonisers had majority and established a system of settler colonialism, which was based on agriculture (Terreblanche 2002). At the end of the 19<sup>th</sup> century, gold was discovered and British mining capital began to invest in the mining business. The development of this industry transformed the political economy and changed patterns of labour. The migrant labour system was established by restricting the access to land in combination with the introduction of new taxes (making it necessary to earn money through wage labour) and restrictive regulations on migration. For example, male Africans had to migrate to the mines while women had to stay and carry out subsistence labour without the collaboration of men. This increased exploitation of female labour made it possible to pay the mineworkers wages below the subsistence level of a family (Wolpe 1980; Terreblanche 2002: 239ff.).

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<sup>3</sup> This article builds upon the findings of previous publications and partly includes them: Leubolt 2009; 2013.

Land conflicts between British and Dutch colonisers led to the 'Anglo-Boer Wars' (1880-1881; 1899-1902), which were won by the British. Despite their victory, British politicians had to form a political alliance with representatives of the Dutch as the conflicts between the colonisers threatened their colonial rule and racial capitalism. Not only Africans, but also the Dutch were increasingly forced to become proletarian. Dutch workers launched a series of strikes, culminating in the 'Rand Revolt' in 1921/22, which ran under the slogan of 'Workers of the world, unite and fight for a white South Africa!' They fought for better living conditions and to avoid being 'downgraded' to the status of Africans. An anti-British ideology developed in the course of the protests and thereby threatened British rule. The political alliance between the British and the Dutch began in 1924, when Dutch nationalists and the Dutch Labour Party joined the government. During the course of these events, the so-called 'poor white problem' entered the political agenda (van der Merwe 1997; Louw 2004). Liberal British *laissez-faire* politics was transformed and got an increasingly state-interventionist character with investments in industrial and social policies. While Africans should remain as cheap labour, Dutch workers should enjoy social 'upgrading'. For this sake, state-run companies (e.g. railways) and a considerable expansion of the bureaucracy and the public school system provided jobs for an emerging Dutch middle class. 'Pass laws' were issued in the growing cities to prevent from intra-racial cohabitation and solidarity (Louw 2004: 21ff.). As a result, the decisive political alliance in South Africa was forged on the basis of 'race', which thereby became the central axis of identity.

The racial and racist alliance between the British and the Dutch has also left its imprints on South African social policies (cf. Kruger 1992; van der Merwe 1997), which were shaped by four different ideologies: (1) Racism, (2) the Central European (*Bismarckian*) belief that government intervention was necessary (mainly advocated by the Dutch), which was in contradiction to (3) British *laissez-faire* liberalism, along with (4) the 'British *Poor Law* tradition which viewed unemployment mainly as a moral problem' (van der Merwe 1997: 101).<sup>4</sup> The South African welfare system was introduced comparably early. Already in the 19<sup>th</sup> century, state support for the 'deserving poor' existed in areas such as education and social assistance – mostly on ethnic grounds. During the 20<sup>th</sup> century, the racial alliance led to a position change towards racism, while social policies were considerably amplified. Besides public works programmes, the major invention were pensions for poor 'whites', which were introduced in 1928 (Pelham 2007). The associated pension scheme was non-contributory, but strictly targeted the poor, who had to prove themselves through a means test as 'deserving' – meaning that they and their families were unable to care for themselves. Only 'whites' and 'coloureds' were eligible. This racist regulation was

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<sup>4</sup> The British *Poor Law* tradition has been comprehensively analysed by Dean (1991) who shows in his 'genealogy of liberal governance' that it is traditionally linked to the distinction between 'deserving' and 'non-deserving poor'. The former were unable to participate in the labour market due to physical handicaps or other reasons such as age, while the latter were classified as 'idle' and therefore sent to workhouses.

officially legitimised by the agricultural background of Africans, who were thought of as being able to reproduce themselves within the enlarged family and therefore were treated as 'non-deserving' considering the non-contributory pension. Migrant workers therefore had to return to the 'native reserves' in the countryside if they were unable to continue their jobs in or near the cities. Hence, migrant labour not only resulted in increased exploitation but also legitimised racist discourse and the exclusion of Africans from the emerging social policies. Other social programmes had a similar logic, so that Seekings and Natrass came to the conclusion that 'the state promoted the model of a household headed by a male breadwinner among white citizens and the model of a familial, peasant-based household among its African subjects' (Seekings/Natrass 2005: 83).

Gelb (1991) characterizes the South African modes of accumulation and regulation since the 1920s as an emergent 'racial Fordism'. Contrary to European and US-American experiences, it was not a considerable part (or the majority) of the population which was gradually included into capitalism as clients, but mainly the minority of European descendants, who mostly enjoyed comparably high possibilities for social uplifting and standards of living. Racism prevented the emergence of a mass market, as mass consumption was impossible to arise from these grounds. Mining, as the dominant industry, was compatible with racial Fordism, as it has always been primarily export-oriented and does not need a mass market to flourish. Instead, the low wages paid to Africans were functional for this system (Fine/Rustomjee 1996; Terreblanche 2002).<sup>5</sup>

By the end of the 1930s the racial alliance between the British and the Dutch came under threat, especially after South Africa participated in World War II supporting the British. Dutch nationalists left government due to their commitment to the Germans. Besides this political opposition, socio-economic reasons also contributed to rising discomfort among the Dutch. The war industry was booming, leading to labour shortage. This shortage was mostly met by the migration of Africans to the cities and looser restrictions via pass laws. Some Africans even succeeded in professional advancement and were thereby viewed as competitors of the Dutch. Furthermore, these trends were also reflected in social policy reforms. The government began to extend social rights to Africans, which meant lowering the discrepancies in treatment rather than abolishing racist regulations. Concerning the biggest programme – the non-contributory Old Age Grant – in 1948, 'coloureds' and 'Indians' received 50 percent and 'blacks' received only 25 percent of the amounts of their 'white' counterparts. Despite this apparent continuation of institutional racism, tendencies towards de-racialisation could be observed. The growing concerns and criticism among the Dutch were

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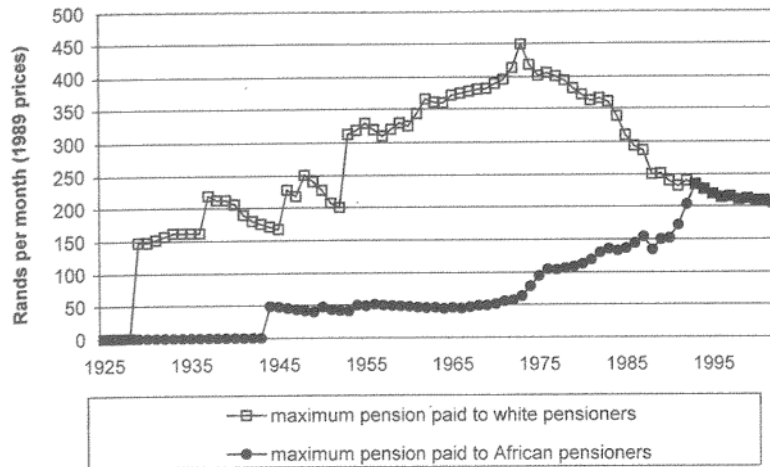
<sup>5</sup> There has been a debate on race and class between liberal and Marxist historians which centred on the functionality of racism for South African capitalism. Marxists have argued for its functionality while liberals have stressed the opposite. The author of this paper cannot go into further details. In line with Wolpe (1990), the relationship is seen as contingent: While racism was functional for a long period of history, it became increasingly dysfunctional from the 1970s onwards, as education and skill demands for workers increased.

finally reflected in the victory of the National Party in the elections of 1948 and the subsequent introduction of Apartheid.

Under Apartheid, racial capitalism had been re-oriented towards its racist characteristics. The liberal British traditions of the distributional regime weakened while state dirigisme and racism strengthened. Public investments were primarily channelled into education for *Afrikaans* and affirmative action programmes to benefit the Dutch. These new investments were primarily financed by taxation of (at that times predominantly British) capital. As a result, the majority of Dutch working class enjoyed considerable improvements and joined the middle class, while conditions for the 'blacks' deteriorated considerably. 'Blacks' were forced into the low-skills sectors. Education policies were geared towards this goal, as 'Bantu education' for the 'black' majority was designed to provide basic education for the designated unskilled or semi-skilled and badly paid jobs (Mgobozi 2004). The worsening of the conditions for the majority of the population went along with increasing state repression against the marginalised groups and their organisations.

In the mid-1970s the Apartheid system of 'racial Fordism' (Gelb 1991) began to show symptoms of political and economic crises. Resistance against racist laws grew both nationally and internationally. The liberation movement got more active and economic sanctions began to weaken the economy. Furthermore, the labour market dynamics changed as technological advancements demanded more skilled labour, while cheap unskilled labour lost its importance. Therefore, the racist characteristics, which had been largely functional for 'racial Fordism', as they secured the cheap supply of unskilled labour, became more dysfunctional for the political economy of South Africa because the demand for more semi-skilled and skilled labour grew at the expense of unskilled labour (Wolpe 1990: 71ff.). Due to this capital and political pressure increased so that the Apartheid government began to loosen racist regulations in responds. This relaxation also included social policies, which is best expressed by the rising maximum amounts of the non-contributory Old Age Grant for Africans compared to their 'white' counterparts since the mid-1970s (cf. graph 1).

Graph 1: Maximum pensions paid to Africans and 'whites', 1925-2000



Source: Seekings/Nattrass 2005: 131

As a result of these reforms, a 'black' middle class slowly emerged. The majority of the Dutch was now part of the middle class. In the restructuring labour market, their 'skills premium' enabled them to compete on the market. Therefore, state support was no longer necessary to them to outcompete their 'black' competitors on the labour market. State dirigisme was loosened along with racist laws and gave way to a more liberal political strategy. Privatisations took hold in the industries of the 'minerals-energy complex' (MEC; cf. Fine/Rustomjee 1996) and in the social policy sector. A particularly important area was the public pension system, which was privatised in the 1980s. This prevented politicians to interfere in legislating pension rights at a later stage (Hendricks 2009). Another area that was particularly affected was health, where the percentage of state investments fell from 50-60 percent throughout the 1970s and the beginning of the 1980s to 30 percent in 1992/93 (Seekings/Nattrass 2005: 155f.).

### 3. THE POST-APARTHEID DISTRIBUTIONAL REGIME: END OF INSTITUTIONAL RACISM AND THE CONTRADICTIONARY MOVEMENT OF UNIVERSALISING BENEFITS AND STAGNATING STATE REVENUES

Democratisation in South Africa focused on the political realm, while socio-economic transformations were much less institutionalised, despite being prominent in political discourse (Webster/Adler 1999; Marais 2001; Bond 2005). Economic restructuring continued on the track laid out in the 1970s: shortages of skilled labour began to grow while unskilled labour was made more and more redundant (Buhlungu/Webster 2006). Therefore, skilled 'white' workers continued to have an advantage in the labour market. Only some of the formerly disadvantaged groups had the necessary skills to move upwards, while many (predominantly 'black') lower skilled workers lost their jobs (Webster 2005; Webster/von Holdt 2005).

The Post-Apartheid government's main focus in recent years has been on an ambitious affirmative action programme<sup>6</sup> (Broad-Based Black Economic Empowerment; cf. Mangcu et al. 2007) and job creation programmes oriented towards workfare (McCord/Meth 2008; on the concept cf.: Peck 2001). These programmes will be thoroughly presented in different papers of this research project and, therefore, will not be covered in detail here.

Distributional politics do not only cover social and employment policies, but also policies geared towards reproduction. The most prominent form of such policies have been land reforms, which were designed to help the poor to care for themselves and their offspring (Seekings 2008b). Contrary to other African countries, land reform has not been promoted as extensively in South Africa as a result of the constitutional reforms (Hamilton 2006). The promoted land reform was market-driven in so far as it was centred on a 'willing buyer, willing seller'-model, which explicitly demanded that the current holder of the land is willing to sell it (Lahiff 2007). This model stands in apparent contrast to the land reforms enacted during and before Apartheid, when they were based on forced removals of the African population. Therefore, socio-economic transformation was not expected to occur through land reforms (Bernstein 2003). Considering the limited contribution of labour market policies to the reduction of inequalities, social policies can be seen as a crucial field.

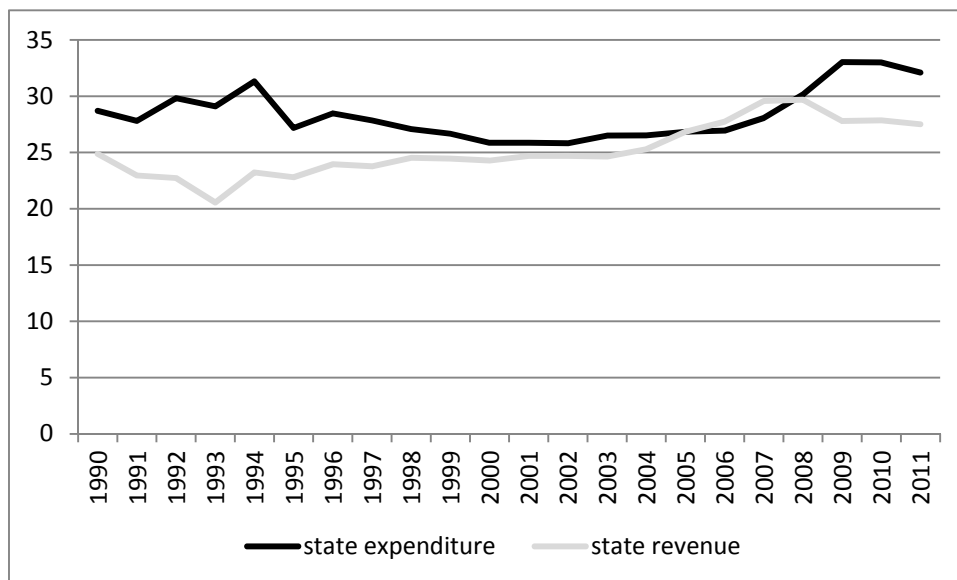
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<sup>6</sup> Broad-Based Black Economic Empowerment mainly works via rules for employment in the public sector and public procurement: The latter oblige companies to employ people from the formerly disadvantaged sectors of society on all hierarchy levels (including top- and middle-management, as well as ownership; cf. Jack/Harris 2007).

### 3.1 Social services: transformation with limited financial means

After Apartheid, social policies were crucially reformed. For example, institutional racism was completely abandoned and social rights no longer depended on racial categories. This step towards the de-racialisation of social rights can be interpreted as a step towards universalisation of South African social policies, which were stripped from racism as one of the four ideological pillars. Institutional racism was linked to the *Bismarckian* state interventionist approach, which had also lost importance in the course of the transformations from the 1970s onwards. The racist privileging of ‘whites’ had secured a rather generous welfare state to them, while other racial groups were discriminated. The universalisation of social rights in the course of de-racialising social policies was not accompanied by rising state expenditures and revenues (Lund 2001; see graph 2).

Graph 2: State revenue and expenditure, 1990-2011



Source: IMF 2013

As a result, liberal influences strengthened – especially regarding the perceived necessity of ‘targeted social policies’.<sup>7</sup> In addition to the ‘fiscal constraint’, Apartheid social policies were associated with unjust privileging based on racism. Therefore, the abolition of such privileges did not generate a big wave of protests. Although universalization was a central concern, it was mainly pursued by liberal rather than by social democratic strategies, i.e. the central concern was to render social policies more ‘pro poor’ and not to universalise former privileges. A multitude of reforms were enacted during the final decade of Apartheid: State

<sup>7</sup> An illustrative account for this perceived necessity of ‘targeting’ can be found in the work of Frances Lund, the name giving coordinator of the ‘Lund Committee on Child and Family Support’, who explicitly mentions the acceptance of a ‘fiscal constraint’, discursively imposed by the South African Treasury (finance department). Therefore, initial ideas to introduce a universalised benefit were abandoned (Lund 2008: 80ff.).

policies were universalised on a basic level, while the better-off were consigned to their own fates (i.e. the market). In some instances, this even included aggravating conditions for 'coloureds' and 'Indians', while the conditions for Africans only slightly improved.<sup>8</sup>

**Table 2: Public spending in % of GDP, 1995-2007**

Spending category	1995	2001	2007
General public services	4.2%	3.1%	5.5%
Protection services	5.3%	4.5%	4.8%
Social services	15.0%	14.8%	15.6%
Education	7.0%	6.2%	5.8%
Health	3.1%	3.1%	3.2%
Social Protection	3.2%	3.5%	4.5%
Other social services	1.7%	1.9%	2.2%
Economic services	5.2%	3.1%	3.2%
Public debt transactions	4.7%	4.9%	2.8%
<i>Total</i>	<i>34.4%</i>	<i>30.3%</i>	<i>32.1%</i>

Source: Van der Berg/Siebrits 2010: 11

Table 2 shows on which areas public spending concentrated between 1995 and 2007. While the government reduced expenditures on protection (including military spending) and economic services, it simultaneously raised social spending. General public services mainly comprised of the general costs of state administration, and rose considerably between 2001 and 2007. Additionally, payments for debt transactions were lowered substantially during the same period. This can be interpreted as a relative success of the comparably tight fiscal policies to lower regressive expenditure (which in turn, are expected to benefit financial investors).

The general pattern of state expenditure showed that the government succeeded in rendering it more 'pro poor' and progressiveness (Seekings/Nattrass 2005). Nevertheless, social spending was not substantially augmented, which reflects negative effects on the tight fiscal policies in place since the introduction of the 'Growth, Employment and Redistribution' (GEAR) strategy (Marais 2001; Padayachee 2005; Marais 2011). Concerning the different fields of social policies, it is surprising that investments in education dropped from 7 percent of GDP in 1995 to 5.8 percent of GDP in 2007. As the 'Bantu education' under Apartheid (Giliomee 2009; Junge 2014) explicitly aimed to provide only basic literacy to 'black' children as a preparation for semi-skilled jobs, it also contributed much to

<sup>8</sup> This was the case with many cash benefits, including the Old Age Grant and the Child Support Grant (Seekings/Nattrass 2005; Lund 2008).



the current problems of skills shortages in the labour market and very high unemployment rates. Post-Apartheid reforms aimed to end racist regulations and succeeded in redirecting resources to the formerly disadvantaged people in the population (van der Berg 2007). Contrary to other policy fields, the intention of education policies was to universalise, so that classrooms could be of a mixed-race composition. To secure this aim while adhering to tight fiscal policies, private schools received public funding to provide cheaper schooling fees for the formerly disadvantaged people in the population. As a result, Chisholm (2004) described education reforms as having ‘favoured an expanding, racially-mixed middle class’ (Chisholm 2004), while the poor still suffer from considerable shortcomings in the provision of education facilities. ‘The issue of shortages is part of a wider problem in the recruitment, retention, education and deployment of teachers faced in the system as a whole.’ (Chisholm 2011: 52). This complex issue would need detailed explanation that go beyond the scope of this paper. It involves problems of skills shortages (Erasmus/Breier 2009), the introduction of school fees and private-public partnerships (Vally 2007) as well as negative impacts of the ‘outcomes-based qualifications framework’ on social inequalities (Allais 2007).

**Table 3: Composition of social spending (in % of total social spending), 2000 and 2006**

Social spending area	2000	2006
School education	42%	38%
Tertiary education	8%	6%
Grants	20%	30%
Public clinics	5%	5%
Public hospitals	21%	18%
Housing	4%	3%

Source: Van der Berg 2009: 11

Table 3 shows the evolution of core areas of social spending between 2000 and 2006. The above-mentioned trend of declining resources spent on the public education system is confirmed by the data in table 3, which also shows a similar trend for housing. The development of social spending on housing is remarkable since it was among the most important fields of government intervention under Apartheid. Even though budget incidence analyses showed that housing subsidies tended to have a ‘middle class bias’ (Van der Berg 2009), it is striking that relatively little resources have been spent to transform spatial inequalities that were created before and during Apartheid (Christopher 2005; Charlton/Kihato 2006). Despite promises of a comprehensive housing programme as a central part of South Africa’s ‘Reconstruction and Development Programme’ (RDP), which would entitle South Africans to own decent houses, relatively little progress has been made in this regard. For example, in 2008/09,

only 9.1 percent of all South Africans and 8.8 percent of poor South Africans owned such an RDP-house (SSA 2012). As a result, 75 percent of the South African population lived in formal dwellings, 73 percent had access to piped water, 81 percent had access to electricity for lighting (71 percent for cooking), and 60 percent had a chemical or flush toilet in their homes in 2008 (Bhorat et al. 2009: 2). Privatisation and the commodification of water supply, which decentralizes its administration to local authorities, aggravated those shortcomings further. Rising water prices led to restricted supply for the poor (Bond 2003; Muller 2007; Ruiters 2007; von Schnitzler 2008).

Health expenditure, which generally has remained stable (measured as a percentage of GDP; cf. table 2), slightly dropped regarding public hospitals (cf. table 3). Considering South Africa's social problems, this stagnation of investments is remarkable. As a result of the negative impacts of the HIV/AIDS and tuberculosis (TB) pandemics (cf. Nattrass 2007a; Marais 2011: 262ff.), South Africa's Human Development Index (HDI) stagnated during the 1990s and 2000s (cf. UNDP 2013: 149). The subsequent drop in the international HDI ranking highlights the importance of health policies. The post-Apartheid transformation was characterised by the consolidation of basic healthcare. The reduction in resources for the remaining health services made the private sector spending more important and was encouraged by the government in so far as expenses were deductible from taxation (Fonn et al. 2007). Meanwhile, the public health sector reported to be a victim of serious skills problems concerning their personnel. Underfunding resulted in underdeveloped wages and henceforth public health services became understaffed (especially compared to the private sector). These problems are not limited to single cases and can only be solved by structural reforms, as von Holdt and Murphy (2007) concluded in their paradigmatic case study. The impacts of the HIV/AIDS pandemic further aggravates the personnel and skills shortages.

### **3.2 Cash Transfers as the most effective anti-poverty tool**

Contrary to the policy areas described above, cash transfers (in South Africa referred to as government grants) have been the most dynamic social policies, as its rise from 20 percent of social spending in 2000 to 30 percent in 2006 clearly indicated (cf. table 3). Grants were means tested to distinguish the 'deserving poor' from the 'non-deserving citizens'. Thereby, they fit well into the liberal tradition of social policies. The most important grants are the Old Age Grant (a non-contributory social pension for the poor, in place since 1928; cf. HelpAge 2003; EPRI 2004), the Disability Grant (designed for disabled and chronically ill people; cf. EPRI 2004), and the Child Support Grant (a non-conditional cash transfer geared towards poor mothers to provide better care for their children; cf. Lund 2008). The South African Grant system was recognized as 'the single most effective anti-poverty tool deployed after 1994' (Marais 2011: 3, with reference to Charles Meth). Statistics of 2008/09 showed that government grants generated on average 47.5 percent of the income of the poor, while the proportion for the non-poor was only around 13.6 percent (SSA 2012: 46). For the poorest income

decile in South Africa, the average proportion of cash transfers in their total earnings was 73 percent in 2008 and thus had increased dramatically since 1993, when this proportion was only 15 percent (Leibbrandt et al. 2010: 26f.).

Despite being the most effective tool for poverty reduction, the South African grant system strictly follows the liberal ideology of the poor laws, as the programmes are means tested to separate the 'deserving' from the 'non-deserving poor'. The most important aspect of this strategy is, that it is exclusively designed for people who are unable to search for work in the labour market, such as pensioners, family caretakers, and disabled and/or chronically ill people. Given the high unemployment rates, a considerable number of South Africans (and migrants) are non-eligible for the grant system, as they could theoretically provide a living for themselves. As unemployment rates have not gone down substantially during the recent decades, it seems to be at least questionable, whether it is feasible for the unemployed to find decent job opportunities. Studies on the use and intra-familial redistribution of Grants have pointed out that they tend to be redistributed within families – especially the Old Age Grant tends to be shared inter-generationally (Duflo 2003; EPRI 2004: 55ff.). Therefore, arguments were presented, that despite being focused on the 'deserving poor', the intra-household and inter-generational transfers can lead to the creation of a reservation wage. This has been presented, in neo-classical terms, as a negative incentive to search for employment in the labour market (Bertrand et al. 2003) and thus might influence the overall employment situation in South Africa (Klasen/Woolard 2009). The unemployed (who – by the South African definition – have to actively seek for employment) tend to reduce their financial risks by moving to households of family members, who receive cash transfers such as the Old Age Grant. This often involves migrating to the rural area of the country, so that the spatial relocation of employment seekers contradicts a successful search for employment opportunities. These findings have been challenged by a research team (Posel et al. 2006), which took the role of migration into account and showed that women tend to migrate more easily to cities to search for employment if their elderly family members were receiving the Old Age Grant. A recent survey concluded in regards to the reservation wage that there 'is no conclusive evidence on the deterrent effect of pension income on labour-market participation among prime-aged males' (van der Berg et al. 2010: 35). Also, studies of other grants and other groups in the population provide mixed evidence, so that it can be concluded that South African cash transfers do generally not tend to create or lift the reservation wage and are instead only targeted at the 'deserving poor'. Instead, intra-familial transfers tend to lead to an impoverishment of all family members who have to share the modest cash transfers (Klasen/Woolard 2009).

Reverse incentives have been reported on South African grants. The means test of the Old Age Grant can be a disincentive to provide for a private pension. The South African pension system is organised on the funding principle, so it is possible to receive the privately saved amount after the termination of a job. This will substantially lower future incomes after retirement. Furthermore, incentives

to voluntarily save money to boost their private pension tends to be diminished by the means test of the Old Age Grant. Therefore these incentives have been criticised by the lobby of the financial sector (Bester et al. 2008) and the National Treasury (NT 2004; 2007).

Another negative incentive of a means test concerns the Disability Grant. HIV/AIDS- and TB-infected people are only considered chronically ill if their antibodies (CD4 cells) exceed a certain quota. Successful medical treatment leads to an increase of CD4 cells. This augmentation can easily lead to the loss of the Disability Grant. Therefore, the means test is an incentive to not take necessary drugs for the immune system, as successful treatment will lead to the loss of the benefits. Given the spread of HIV/AIDS and TB, this problem is of particular significance and is likely to create negative impacts on the labour market in the medium and long run (Nattrass 2007b).

### **3.3 Expanding cash transfers – stagnating social services and infrastructure**

The general argument presented here is that South Africa's social policies have been marked by a radical transformation concerning the historical heritage of racism and – to a lesser extent – state interventionism in the *Bismarckian* tradition. The British liberal tradition has been strengthened, as targeting the 'deserving poor' enjoyed rising importance. This was accompanied by a considerable expansion of cash transfers, which became a very important instrument to fight poverty. The narrow focus of means tested cash transfers attracted most criticism because it excludes unemployed people, who then have to rely on intra-familial transfers instead. The extraordinary high crime rates in South Africa are sometimes related to this problem, as the poor generally view robbery as more dignified than begging, when they suffer financial hardships (Frye 2006; 2007). Nevertheless, liberal critics emphasize a 'culture of dependency' created by 'government hand outs', i.e. social grants (cf. Meth 2004).

Despite internal criticism, the South African government has held onto the liberal conception of social policies targeting the 'deserving poor' only, while the problem of unemployment has to be met by workfare policies. While conservative *Bismarckian* traditions lost ground, conservative liberalism seems to be on the rise. Universalism has been advanced through the complete abandoning of racism in social policies, but it has not been promoted the tradition of social democracy. Neither social services nor social infrastructure have been the prime targets of government intervention. Even the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) – the programme aiming to construct a 'developmental state' (for discussions, cf. Turok 2008) – did not include social investments on a grand scale (which were a prominent feature of the Brazilian counterpart).

Service provision instead suffers from unintended consequences of other government policies, most notably the ambitious affirmative action programme (Broad Based-) Black Economic Empowerment ((BB-)BEE). Private companies are forced to employ a considerable number of formerly disadvantaged people on all hierarchy levels and thus leads to a 'crowding out' of skilled state personnel (Picard 2005; Southall 2007a; 2007b). Additionally, increased mortality rates due to TB and HIV/AIDS also take their toll with people employed in the public sector and thereby decrease skilled personnel further. Therefore, it would be a difficult to substantially boost public service provision in the short to medium run.

## 4. ACTORS AND DISCOURSE CONCERNING THE DISTRIBUTIONAL REGIME

The dominant discourse regarding the distributional regime (cf. Seekings 2008a) could be called 'inclusive liberalism' (Porter/Craig 2004) or 'pauperist' (Seekings 2008b). It can be seen as a compromise between conservatives and neoliberals, who argue for a minimalist state, which should in no way foster a 'culture of dependency' (cf. Meth 2004). Proponents of this discourse include important parts of the 'white' upper and middle classes (represented by the party 'Democratic Alliance' – DA), as well as important parts of the aspiring 'BEE-elite' (Freund 2007). More or less conservative arguments on the 'culture of dependency' or 'idleness' are mostly framed within a liberal discourse separating so-called 'deserving' from the 'non-deserving poor'. Variations in how far the state should intervene or not exist. While some argue a general reduction of social policies including cash transfers is needed, the majority favours the current focus on cash transfers and some (e.g. Seekings/Nattrass 2005) even argue an amplification of the cash transfer system should include the unemployed. This variant of liberalism is most inclined towards social aims. It argues that wages generally tend to be too high in South Africa as a result of trade union power and hence are creating a sort of 'labour aristocracy'. Government interventions should therefore free the labour market from 'unnecessary interventions' and create possibilities to establish a 'basic income grant' via the expansion of taxes on consumption (Seekings/Nattrass 2005: 376ff.). Thereby government spending could be rendered more 'pro poor' while avoiding to support the 'labour aristocracy' and the introduction of new forms of income taxation.

The most important critiques against the liberal discourse are driven by the left-wing within the ANC, and, more importantly, by the trade union federation Cosatu, the communist party (SACP), and by a range of social movements. During the 2000s, they formed a national coalition for a universal income grant. Contrary to the arguments presented above, they do not blame the employed to form a 'labour aristocracy' and instead argue a more generous universal cash transfer that exercises pressure on capitalists to pay higher wages is preferred (cf. e.g. Marais 2011: 250ff.). The discourse linked to the powerful coalition for the universal income grant thereby differs more in the details about how the cash

transfer system should be organised and conforms with the general view of social policies.

Arguments favouring a qualitative shift of social policies away from cash transfers towards a more qualitative provision of social services and infrastructure are comparably weaker. They are mostly found in social movements (for an overview, cf. Ballard et al. 2006) and tend to be of a rather place-based, i.e. localised, nature. The most successful movement, which succeeded in both forming a national movement and in pushing their goals through the political agenda, was the 'Treatment Action Campaign', which fought for the introduction of affordable retroviral drugs and against the government's 'aids denialism' (cf. Marais 2010; Heywood 2011). Other movements are mostly more place-based and fight for issues such as free water provision and against its commodification (cf. Bond 2003; von Schnitzler 2008), or free electricity (Egan/Wafer 2006). The 'Anti-Privatisation Forum' (Buhlungu 2006) tries to integrate such different demands. Although representing marginalised positions, social movements such as the ones presented here are succeeding in challenging the dominant views on social policies and on the ANC-led government (Marais 2011: 434ff.). In a country where around 50 percent of the population passively supported such protests in the 2000s (IJR 2011: 16; in 2011 more than 20 percent participated actively in demonstrations, *ibid.*), social movements advocating amplified and better public social service provision, should not to be neglected, although they currently advocate a minority position.

## 5. CONCLUDING REFLECTIONS

In summary, post-Apartheid social reforms put an end to institutional racism and substantially weakened the *Bismarckian* heritage of social policies. In return, the liberal 'workfare' and 'pauperist' traditions have been strengthened. Contrary to other African experiences, reforms hardly had any agrarian focus, as land reforms strictly followed a market-driven 'willing buyer – willing seller' model. Reforms generally followed a trend of 'marketisation', as the significant expansion of cash transfers was accompanied by declining investments in social services and infrastructure. Especially in areas which were deeply connected with Apartheid politics such as housing and education, it is remarkable that government investment has stagnated or has even been lowered since 1995.

The rising (or stagnating) inequalities since the end of Apartheid can largely be attributed to changes in the political economy and the labour market. The main reaction by the government were 'workfare' programmes, which adhered to the 'pauperist' liberal consensus that the state should only give benefits to the 'deserving poor' and avoid to foster 'idleness' among the 'non deserving'. Nevertheless, the 'pauperist consensus' includes different views, as the debate on the amplification of the grant system to include the unemployed showed. Despite significant voices of protest within the social movements, the ANC-led government can still count on support by the vast majority of the (partly formerly) disadvantaged groups in society in the elections. As traditional

conservative voices are of marginal importance, the vital debate concerning social policies and the wider spectrum of the distributional regime is taking place between adherents of an 'inclusive liberalism' and supporters of a model which is closer to social democracy or socialism. So far, 'pauperist' views of 'inclusive liberals' have prevailed.

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## About the author

**Bernhard Leubolt** is a political economist working on issues of multi-scalar development and governance. He is currently employed at the Department Socio-Economics at the Vienna University of Economics and Business.

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