

# South Africa: Poverty Debate

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## Millions of South Africans still live in poverty

JOHANNESBURG, 23 Nov 2004 (IRIN) - Debate on the sustainability and suitability of a basic income grant (BIG) for all South Africans is raging, with government facing off against its traditional allies, labour unions, church and civil society groups.

The debate around BIG has been heating up as it became clear that economic growth alone could not address poverty in the country. "It's not going to happen in [the next] 10 years," Charles Meth of the School of Development Studies at the University of KwaZulu-Natal told IRIN on Tuesday.

A report titled 'Social Security Policy Reform in Post-Apartheid South Africa - A focus on the Basic Income Grant', published by the university's Centre for Civil Society, observed that the country was saddled with "huge socioeconomic inequality". [The report is available on the website of the Centre for Civil Society - <http://www.ukzn.ac.za/ccs>]

Reflecting the country's apartheid past, poverty was concentrated among blacks, particularly Africans. Sixty-one percent of Africans and 38 percent of mixed-race 'coloureds' were poor, compared with five percent of Indians and one percent of whites, according to the report.

Although the government has made poverty eradication its top priority, Meth noted that "they cannot solve the poverty problem - economic growth cannot happen fast enough. I would say about 4 million out of the 8 million unemployed are desperate, and they cannot be reached through strategies aimed at stimulating job growth".

The government has instituted a number of social grants - for pensioners, child support and disability, among others - that are all subject to a means test, given by the department of social development, before a beneficiary qualifies.

"However, 11.8 million of the poorest 23.8 million South Africans lived in households that received no social assistance in the same year [2002]... that the [government-appointed] Taylor Committee recommended the introduction of a basic income grant (BIG), i.e. a grant of R100 [US \$16.70] per person per month for every South African citizen, regardless of age or income level," the report noted.

While the government remains undecided on the matter, there has been increasing pressure by civil society, church and labour groups, which have united under the umbrella of the BIG Coalition.

The report pointed out that "in contrast to conventional social assistance subject to means tests, the BIG is paid to everyone irrespective of income". However, this "does not mean the introduction of a BIG would make the rich become richer, because the BIG must be funded somehow, and the rich would contribute more (relative to their numbers, not necessarily their incomes) to its funding than the relatively poor".

This could happen in a number of ways, including a progressive income tax "or even a regressive indirect tax", the report noted.

On Friday last week Finance Minister Trevor Manuel told members of the National Council of Provinces that the implementation of a BIG would "bankrupt the country".

News agency I-Net Bridge reported that Manuel was responding to questions in the National Council of Provinces - the upper chamber of parliament - when he said the BIG would have to go to every individual "as a right", and would cost the fiscus R83 billion (\$14 billion).

The government has also come under pressure from the official opposition, the Democratic Alliance, to institute a means-tested BIG, rather than the non-means-tested initiative currently advocated.

Manuel, who has been praised for tight fiscal discipline, added that he had major problems with the idea of BIG, as the state would "probably have to raise VAT [value added tax] by at least another 14 percent to fund the R83 billion".

However, in a letter on Tuesday to the influential national daily newspaper, Business Day, BIG Coalition treasurer Rev Edwin Arrison said it was unclear on which costings the minister had based his statement.

"The coalition released research findings on the financing of a BIG, done by four highly respected economists. They strongly concurred that a BIG for everyone in SA is affordable and sustainable, and would cost the government between R24 billion [\$4 billion] and R40 billion [\$6.6 billion], depending on how some of the costs were recouped through the tax system," Arrison said.

He also questioned why government had set up the Taylor Committee to investigate a comprehensive social security system for South Africa, which recommended a BIG for everyone, "if its guidance is not taken seriously".

The BIG Coalition would continue lobbying for a non-means-tested grant, as "it is our view that a people's contract should start with a BIG," Arrison concluded.

The coalition believes that the BIG would provide "everyone with a minimum level of income, enabling the nation's poorest households to better meet their basic needs".

Meth noted that there were various ways of costing a BIG, and estimates varied widely. "What we are talking about is redistribution from those who have to those who have not," he said. "The only way to do that is through the tax system ... this is essentially a political problem, rather than an ideological one."

Also on Tuesday, Archbishop Emeritus Desmond Tutu questioned the impact of black economic empowerment (BEE) on poverty, saying it seemed to benefit a small "recycled" elite, and argued that it was perhaps time to consider a BIG as "a viable way forward", SAPA reported.

Tutu was speaking at the Nelson Mandela Foundation in Houghton, Johannesburg, when he said too many people were living in "gruelling, demeaning, dehumanising poverty", and warned that South Africans "are sitting on a powder keg - we really must work like mad to eradicate poverty."

Just days after Manuel's statements, Tutu urged people not to be "browbeaten by pontificating decrees from on high" and added that "we cannot glibly on full stomachs speak about handouts to those who often go to bed hungry". In reference to recent BEE deals involving ruling party and former government officials, Tutu said it was "cynical in the extreme to speak about handouts [to the poor] when people can become very rich at the stroke of a pen".

Proponents of a BIG argue that welfare states cater for various risks related to ageing, unemployment and health, but assume full employment of the populace - that is, social assistance is intended only in exceptional circumstances.

The report, however, noted that "due to globalisation and post-industrialisation, full employment is becoming more difficult - chronic unemployment and underemployment have increased".

The government has focused its poverty alleviation efforts on extending the child support grant to a greater number of recipients and an expanded public works programme, but South Africa's "unemployment rate is so high that public works programmes would not be able to create enough jobs, however 'massive' they [public works programmes] would be", said the report.

Anna McCord, an analyst with the Centre for Social Science Research at the University of Cape Town, told IRIN that the government's expanded public works programme and the proposed BIG were "absolutely not policy alternatives".

"The expanded public works programme aims to create 200,000 jobs a year, but they are temporary jobs. Unemployment levels are between 5 million and 8 million, so the impact of the public works programme will be far more limited than the impact of a BIG - they're incomparable in terms of their scale," McCord said.

She added that the proposed BIG would be universal and, as such, it would have "large-scale [impact] and be a significant step in addressing poverty".

"The public works programme is excellent ... as, when government spends money on infrastructure, a greater proportion will be spent on labour, but 200,000 temporary jobs is in no way comparable to the impact [on poverty] of a basic income grant," McCord concluded.