

FOREWORD

COSATU is excited about the publication of Dr. Claudia Haarmann's research on social security in South Africa. A comprehensive social security system is a key component of COSATU's programme of socio-economic transformation. Claudia's research has in the past greatly assisted COSATU in formulating our policy proposals around social security, as well as influencing the broader policy debates in this area. The publication of Monographs 21 and 22 is a crucial and timely intervention in the debate around the form such a system will take. We are confident that this work will have a strong impact in the struggle to put in place social security policies which ensure that no South African lives in absolute poverty but is empowered to reach their potential, and which has a positive impact on our economic growth and development.

As Claudia analyses in her research, Apartheid social security was specifically designed to exclude the majority of South Africans. Consequently, the social security system we inherited is inadequate both in terms of its breadth – the majority are not covered; and its depth – people receiving welfare are not brought out of poverty. COSATU's submission on the Social Welfare White Paper called on government to

“deepen its commitment to improving the co-ordination of the social security system in order to provide people, those who are working as well as those who are unemployed, with the knowledge that government is committed to putting into place a system which will ensure that no South Africans should live in poverty.”

COSATU subsequently commissioned research from Claudia and Dirk Haarmann during 1997-98 on the gaps and weaknesses in the present social security system, which also assessed the viability of a basic income grant, as an element of a more comprehensive social security system (CSSS). Monographs 21 and 22 draw on that commissioned research and develop it much further. The Haarmann's research, in particular proposals around the introduction of a universal Basic Income Grant, played an important role in supporting COSATU's inputs in the run-up to the Presidential Jobs Summit in 1998. The Summit finally agreed that:

“Parties to the Jobs Summit commit themselves to implementing a comprehensive social security system, aimed especially at those living in poverty and the unemployed. A basic income grant may be considered as part of such a system. The process to reach agreement on the elements of such a system should begin with an investigation.”

A process was put in place from the Job Summit to further investigate the restructuring of the social security system, and the current Committee of Inquiry into a Comprehensive System of Social Security was set up by the Minister of Welfare as a product of this process.

COSATU has also made several interventions in Parliament and other sites of engagement around social security. Shortly after the publication of its draft White Paper on Social Welfare, government began the implementation of reforms to the system of child maintenance grants. While COSATU supported the effort to bring greater equality to this aspect of the welfare system, we raised concerns, together with other civil society organisations, that these reforms should not have the regressive effect of reducing the overall amount of resources paid over to assist needy households. Although there was a marginal increase in the amount of the child support grant, predictions concerning weaknesses in the administrative machinery of the grant were confirmed. As at the beginning of 1999, this was evidenced by a very low take-up rate of new beneficiaries onto the child support system, effectively reducing the

overall amount actually spent by government for these purposes. These problems experienced heightened concerns about the implications of a piece-meal restructuring of the social security system.

Restructuring the Unemployment Insurance Fund (UIF) is an important element of broader social security reform. At the time of writing we are engaging intensively through Parliament on legislation which will *inter alia* institute a more progressive scale of UIF benefits, extend UIF coverage to groups who were previously excluded such as domestic workers, and extend the benefit period.

Retirement funds are the major source of income for working people in South Africa, who are no longer of working age. Although the scale of publicly and privately provided pensions in South Africa is very large, the structure, and depth of coverage of people, is fragmented, inadequate, and in need of substantial restructuring. A major problem facing workers and policy holders is that they have had little effective say over the operation of the retirement funds. COSATU's victory in securing the right of fund members to have at least 50% membership on the boards of funds, was therefore a major breakthrough.

The state old age pension, remains South Africa's largest and most redistributive income transfer, critical to the survival of the rural poor. COSATU's concern has been to increase the level of payment, given that the state old age pension has progressively declined in real terms over the last number of years, and to address concerns such as the method of payment, retirement age, eligibility age, and means testing. Some conservative forces have attempted to argue that a shift to social insurance (retirement funds), allows for the reduction or phasing out of social assistance (state old age pension), given that the latter is "unaffordable". This ignores the fact that only employed workers benefit from social insurance, and the continuing chronic levels of poverty in our society which require greater levels of social assistance not less.

At the time of writing COSATU is engaged in a process with the Committee of Inquiry into a Comprehensive System of Social Security, chaired by Professor Vivienne Taylor. In submissions to the Committee COSATU has put forward a range of proposals on various aspects of social security, including the Basic Income Grant, unemployment insurance, retirement funds, health care, meeting the specific challenges of HIV/AIDS, and infrastructure provision as part of the social wage. We have also proposed funding mechanisms to finance these proposed interventions, including a clawback from middle to high income recipients of the Basic Income Grant, increased taxation, reprioritisation of expenditure, and borrowing. Claudia's research has again played a vital role in supporting our interaction with the Committee. The recommendations from the Committee are set to guide an overhaul and extension of our current fragmented and inadequate social security system.

In conclusion, I would like to congratulate Claudia for this research. While on the one hand being rigorous and of a high academic standard, on the other hand it is directly relevant to current policy debates. If the ultimate test of research is its impact on people's lives, we are confident that this research will indeed contribute – as part of the overall social security policy process - to an upliftment in the conditions of the majority of South Africans.

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