

COUNTRY STUDY

SOUTH AFRICA

Social Protection Monitoring

Main recommendations

- The EU should ensure that in its trade relations with South Africa, labour rights and international labour standards are respected and promoted.
- In terms of the EU's focus on employment creation, more emphasis should be put on the effective implementation, enforcement and control of labour laws and workers' rights, especially for vulnerable workers.
- The EU should enhance efforts to strengthen CSOs' monitoring role as well as provide support to opening channels of communication between the Government and civil society to enable a real and meaningful dialogue and consultation process.
- The Government, with EU support, must put in place an adequate funding and a resourcing strategy for a universal social protection scheme.
- More effort should be made to promote stronger and more coordinated inter-governmental action on social protection.
- Stronger focus should be put on addressing structural inequalities to ensure that all residents of South Africa have access to high quality services, and ensure that people can exercise their rights to demand better living and working conditions.





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INTRODUCTION

The National Development Plan (NDP) of South Africa, adopted in 2012, aims to unite all citizens in a programme to eliminate poverty and reduce inequality by 2030. The three key priorities are: raising employment through faster economic growth, improving the quality of education, skills development and innovation, and building the capability of the state to play a developmental and transformative role. The NDP contains a chapter on social protection, which sets out the vision of achieving a high standard of living and high employment levels for all South Africans through a combination of social security and employment creation measures. The country is expected to have a comprehensive social protection system in place by 2030, in line with the ILO Recommendation on National Floors of Social Protection (R 202). However, according to SOLIDAR members' partners in the country, the main focus of the NDP is on economic growth and very pro-business.

In the framework of the 11th European Development Fund (EDF), the EU's development cooperation priorities with South Africa are defined in the Multiannual Indicative Programme (MIP) 2014-2020¹. The three priority areas for cooperation were agreed jointly by the EU and Government of South Africa, in consultation with other donors and civil society. These are: **1) employment creation, 2) education, training and innovation, and 3) building a capable and developmental state, in line with the NDP priorities.**

Given South Africa's strategic position as a key economy in the region, another important aspect of EU relations with the country relates to trade: the Trade, Development and Cooperation Agreement (TDCA) has been in force since 1999, and establishes regular political dialogue between the EU and South Africa.

¹ https://ec.europa.eu/europeaid/sites/devco/files/mip-south-africa-edf11-2014_en.pdf

The following report provides the views of SOLIDAR members FOS and SOLIDAR Suisse and their partners in the field: the International Labour Research and Information Group (ILRIG) and the People's Health Movement-South Africa (PHM-SA)² on issues the MIP could tackle to better support the achievement of decent work and social protection for all in the country. This would be in line with the EU's commitments enshrined in the 2012 Communication on Social Protection in Development Cooperation, the EU Action Plan on Human Rights and Democracy and the objectives and targets of Agenda 2030 adopted in September 2015. In this respect, the forthcoming MIP Mid-Term Review could provide the space for these commitments to be better reflected in the 11th European Development Fund programmes.

² Hereinafter referred to as the partners



SOUTH AFRICA

SOUTH AFRICA AT A GLANCE³

Population

54 million

Gross Domestic Product (GDP)

US \$349.8 billion

Human Development Index (HDI) and ranking

0.666 (116th out of 188 countries)

Public spending on social protection including health

9.79% of GDP

Total envelope of Multiannual Indicative Programme (MIP)

EUR 241 million

MAIN ISSUES TO BE TACKLED

- South Africa remains a **very unequal country** as the benefits of economic growth are not being fairly redistributed among the population. There is a growing class divide as inequality between the top 1%, which now also includes an elite black section, and the rest of South Africa - mainly black working class - has grown. Inequalities are also widening within the white population.
- The legacy of apartheid remains in terms of the persistent **racial inequalities** that manifest in lower human development outcomes, lower access to public goods and fewer economic opportunities for black South Africans.

³ World Bank: <http://www.worldbank.org/en/country/southafrica>, UNDP Human Development Report 2015: <http://hdr.undp.org/en/countries>, ILO World Social Protection Report 2014/15, South Africa Multiannual Indicative Programme 2014-2020

- The **health system is in crisis**, suffering from a hugely unequal division between public and private sectors, inequalities in coverage and access to health care, government underfunding, and weak management.
- There are a number of **decent work-related issues of concern**, including a **youth unemployment** rate that is alarmingly high, particularly for young black South Africans. Additionally, the increasing precariousness and flexibilisation of work, particularly in low-skill jobs, the growth of labour brokers and outsourcing, and the lack of effective implementation of labour laws are increasing job insecurity and putting workers at risk.
- Currently there is a **significant lack of adequate resources** and no financing strategy in place to sustainably fund a comprehensive and universal social protection system.

RECOMMENDATIONS

- The EU should ensure that in its trade relations with South Africa, **labour rights and international labour standards** are respected and promoted.
- In terms of the EU's focus on employment creation, more emphasis should be put on the **effective implementation, enforcement and control of labour laws and workers' rights**, especially for vulnerable workers. The increase in labour market flexibility and flexible jobs should be brought under control and the implementation of laws in this regard should be enforced.
- The EU should enhance efforts to **strengthen CSOs' monitoring role** as well as provide support to opening channels of communication between the Government and civil society to enable a real and meaningful dialogue and consultation process.
- The Government, with EU support, must put in place an **adequate funding and a resourcing strategy** for a universal social protection scheme that includes informal and precarious workers, pays specific attention to the social situation of women and youth and also includes the



unemployed, the retired and migrant workers. Revenue should be raised through a **fair taxation system** that does not disproportionately punish the poor and allows for the establishment of a comprehensive social protection system, including high quality public services.

- More effort should be made to promote **stronger and more coordinated inter-governmental action on social protection**. The EU should provide technical support to support this process.
- Stronger focus should be put on **addressing structural inequalities** to ensure that all residents of South Africa, including citizens and (documented and undocumented) immigrants, have access to high quality services as well as water and land, and ensure that people can exercise their rights to demand better living and working conditions.

REPORT

1. Improving access to essential services

As the partners point out, **health care** is in crisis in South Africa, as it is chronically underfunded, understaffed and overburdened. According to the National Development Plan (NDP), a top-down approach has fractured the health system, leading to poor authority and accountability, weak institutional links between different levels of services, inequitable distribution of resources and low staff morale. Additional problems include high levels of commercialisation and structural issues in the health sector human resource strategy. There is also a lack of focus on prevention, through the tackling of social determinants of health and community level involvement and participation.

As the supply of quality health services has declined in South Africa, demand has escalated, with the explosion of the HIV rate, alcohol abuse, violence and other health issues. Many health professionals, particularly nurses, have left the public system to work for agencies, which has had a negative impact

on quality and continuity of care. Private health care, which caters for around 20% of the population, is increasingly unaffordable. Spending on health declined in real terms after an initial rise with the ending of apartheid in 1994. Although expenditure has increased in recent years, it has only just reached the level of post-1994 spending in real terms. However, 50% of spending (through taxation, direct funding, out-of-pocket payments and private insurance) goes to the private sector, creating a huge imbalance between the private and public sectors.

The NDP reflects the Department of Health's policy of linking primary, specialist and super-specialist care within an integrated District health system. It states that authority and administration of health care should be decentralised, primary health care teams should be established throughout the country, and community health workers should be made available to all households. Additional measures include training more health professionals and establishing universal health care coverage.⁴

The partners are particularly concerned about the privatisation of health insurance and the inadequacy of public health services. The government, as an employer, is one of the largest clients of private medical insurance. This privatisation is increasing inequality, and putting poor people's health at risk, as the quality of public health services declines. In addition, the partners believe that cooperation with the EU in the pharmaceutical field (under the Trade, Development and Cooperation Agreement) has not increased access to medicines, which continues to be a major issue, particularly as regards drug development for tuberculosis. Although the inefficiency of the health system is partly to blame for the limited availability of drugs, a significant part of the problem is the barrier posed by Intellectual Property Rights and patents, according to the partners.

In the view of the partners, **health interventions are**

⁴ National Planning Commission (2011) National Development Plan, Vision for 2030



being undermined by vested interests, particularly private interests of specialists, retailers, trade representatives and pharmaceutical companies. For instance, according to them the liquor industry has been particularly active in influencing the Government on advertising regulations, blocking health messaging as to the dangers of alcohol abuse from being communicated to the public. The Government is exceptionally open to engaging with some stakeholders while it is lukewarm to engaging others. Those it engages are the elites of society who have very large corporations as their clients. The partners are concerned that they exercise an inordinate and unhealthy influence over policy adoption. For instance, as one of the most biodiverse countries in the world, South Africa is also one of the countries with the highest adoption of Genetically Modified (GM) technologies in agriculture because the GM industry and its supporters have a direct 'in' with key government departments. On the other hand, communities' and civil society concerns are disregarded.

As regards education, although access to education has increased and is nearly universal, the main challenge remains one of inequity. The quality of education attained by black children is significantly lower than that of white children, as literacy and numeracy test scores show.⁵ This is of particular concern to the partners, who highlight the vast division between former white schools, which remain predominantly white due to high fees, and schools in black townships, which are overcrowded and under-resourced. According to the MIP, teachers in South Africa are amongst the highest paid in the world (in terms of purchasing power parity), but this does not translate into higher quality teaching, as problems such as teacher absenteeism persist. In addition, there is a high rate of dropout amongst students (around 60% between grades 9 and 12) due to economic or family reasons, as well as a lack of belief in the utility of education. Girls in particular face access barriers such

⁵ Multiannual Indicative Programme between South Africa and the EU, 2014-2020

as poor sanitation in schools and high levels of gender-based violence.⁶ In addition, there are inadequate linkages between school and work-place training and the school curriculum is in need of reform.

The Government's policy commitments to the education sector are described in the NDP and include improving the quality of teaching and learning at all levels, including early childhood development, primary and secondary education, higher education and training and skills development. The MIP contains a comprehensive plan to support these policy commitments. The specific objectives are: to improve the teaching and learning outcomes at pre-school and primary level; to improve access to and quality of Technical and Vocational Education and Training (TVET) and Community Colleges; to increase the capacity and improve the research outputs of institutions of higher education; to strengthen the capacity of teacher education within higher education institutions; and to improve the functioning of a coordinated National System of Innovation.

The partners highlight the fact that access to essential services in South Africa has been significantly constricted due to budget limitations as a result of lowering tax rates for corporations and cuts in funds transferred from national to local government. This has had severe consequences for service delivery, particularly at the local government level, and has sparked commercialisation and outsourcing of services to the private sector. Many municipalities have introduced pre-paid water meters, for instance, which has increased the burden of poor families and shifted responsibility for service provision from the state to the individual. Cuts in water and electricity supply have sparked protests across the country. Moreover, there is a huge housing shortage in the country: in 1994 it was estimated at 1.5 Million units; today that shortage is double. According to the partners, Government language hides this because it uses the term "housing opportunities" to lump together

⁶ ibid



people who have received “free” houses under the Reconstruction and Development Programme, those who qualified for a state subsidy to assist with buying their houses (which today is the biggest source of debt amongst many), those living in the very small rental sector and those living in shacks on service land.

2. Ensuring income security

Despite being an upper-middle income country, South Africa remains a deeply unequal society whose wealth is not evenly distributed. **More than half of the population was living below the national poverty line in 2010**⁷ and although there is no single national minimum wage, wage inequalities can be assessed by looking at the low-pay rate, which is the proportion of workers with monthly earnings less than two-thirds of the median. In 2012, 33% of non-agricultural workers were earning low-pay according to the ILO.⁸ It is important to highlight that there are significant race and gender-based income inequalities. As regards minimum wages, some sectors which are considered vulnerable are covered by Government wage legislation, accounting for around half of all employees. Another 20% are covered by bargaining council agreements. Women earn significantly less than men, particularly those that are self-employed. Approximately one-quarter of the labour force was working in the informal economy in 2012.⁹ The campaign for a basic income has thus far received no support from the Government.

The total **unemployment** rate was 25% in 2015 but if those discouraged from seeking work are included, the expanded rate stands at around 34%.¹⁰ This rate is much higher among the black population (38.8%) compared to the white population (7.3%) and is especially high among the youth, at 62% for 15-24 year-olds according to Government statistics.¹¹

According to Friedrich Ebert Stiftung, some of the [7 http://data.worldbank.org/indicator/SI.POV.NAHC/countries/ZA?display=graph](http://data.worldbank.org/indicator/SI.POV.NAHC/countries/ZA?display=graph). Although note that there is no agreed definition of a decent living level in South Africa.

8 ILO 2014, Decent work country profile: South Africa

9 ILO 2014, Decent work country profile: South Africa

10 Quarterly Labour Force Survey

11 *ibid*

structural causes of unemployment include financial and business sector-led growth, deindustrialisation, privatisation, a weak human resource strategy and unproductive short-term investment. The Unemployment Insurance Act (UIA) provides some protection for workers in the formal economy who are registered by their employers, as well as domestic and seasonal workers who are considered a part of the formal sector. However, a major drawback is that benefits are not available to those who have never been employed, which includes a large proportion of young people. Also, the support from UIF is limited in time until the funds, deducted from people’s salaries when still employed, are used up. The NDP contains plans to scale up public employment schemes which in 2011 reached just 3-6% of the unemployed.¹² The objective is to reach around 2 million people per year by 2020, in order to provide work opportunities for people who have never worked, or are out of work for long periods of time, to introduce them to the job market and ease their transition to full-time work.

The state provides support to vulnerable groups in the form of (small) social assistance grants to children, the disabled and older people. The Child Support Grant is the largest cash transfer programme and accounts for approximately 40% of household income in the poorest quintile.¹³ In terms of income security for pensioners, a means-tested, non-contributory old-age grant is paid to eligible people aged 60 and over, covering around half of the elderly population.¹⁴

The EU’s priority area on employment creation aims to support the Government in its goal to reduce unemployment from 25% to 14% by 2020. The specific objectives are: to support employment creation and active labour market policies, including scaling up ‘green jobs’ and green technology; to reduce the cost of doing business, especially for Small, Medium

12 National Planning Commission (2011) National Development Plan, Vision for 2030

13 National Planning Commission (2011) National Development Plan, Vision for 2030

14 The Child Support Grant is R330 a month for each child and the pensioners grant just over R1000 a month.



and Micro Enterprises (SMMEs); and to enhance skills development and placement assistance schemes. It is expected that access to finance and business support services for SMMEs will be improved, and employment incentives to reduce the cost of hiring will be introduced, especially for women and youth. In addition, initiatives to promote entrepreneurship, particularly for the unemployed, women and youth will be introduced, as well as labour matching and placement services.

The partners have a number of concerns relating to labour rights in South Africa, including the increasing precariousness and flexibilisation of work, particularly for women. Although the Government introduced a Youth Employment Tax Incentive (YETI) to employers in 2015, this has not had any impact on youth unemployment and has actually introduced a two-tier labour system, leaving young people very open to exploitation, according to the partners. Instead of creating a permanent position, companies use the YETI to hire young people for short periods at lower wages, meaning it is a form of contract work, to cover what would otherwise perhaps be a permanent position.

In the view of the partners, the main causes of inequality and unemployment in South Africa are threefold: i) The state's **austerity policy** is resulting in a reduction of public sector employment through outsourcing and employment through labour brokers; ii) The **big private monopolies** which dominated South Africa's mining and industrial path have moved offshore and in effect have embarked on a programme of de-industrialisation and capital strike; and iii) The major private investors have shifted investment away from **real fixed investment and towards financialisation**. Today the "finance sector" accounts for more than 20% of GDP. South African big business has been sitting on cash and circulating cash as a result of government policies of deregulation and freeing up mobile capital. The partners point out that any attempt at combating unemployment and inequality will therefore have to involve increased regulation over

capital, re-introducing capital controls and expanding public sector employment in public services and infrastructure. This would require a fundamental political and policy shift.

In general, there is serious concern regarding the implementation and enforcement of labour laws, specifically for vulnerable and precarious workers. For example, the recent amendment to the Labour Relations Act (section 198) says that labour broker workers, part-time and contract workers should be made permanent and get the same benefits as permanent workers after having worked for the same company for more than three months.¹⁵ Although this amendment could be very important for improving the working conditions and income security of these types of precarious workers, the implementation, control and enforcement of the law has been lacking completely, resulting in a status quo or even in retrenchments for workers that have demanded their rights.

Additionally, the partners point out that given strong trade relations between the EU and South Africa, trade policy can and must be an engine for development, promoting the respect of international labour standards. A major concern is the way the economic value chain is structured, which is one of the main limitations to achieving decent work conditions in South Africa. 'Fair trade' initiatives have been proposed, but these are often of very limited reach. Even the EurepGAP standards, which are meant to promote high standards in export, are primarily about the integrity and quality of the product, and not about the health and safety of the workers producing the product.

¹⁵ <http://www.cwao.org.za/downloads/BIG%20NEW%20RIGHTS%20Feb%202015-summary.pdf>



3. Promoting a rights based approach to social protection

Section 27 of the South African Constitution recognizes citizens' basic right to social security and appropriate social assistance if they are unable to support themselves and their dependents. The National Development Plan states that "A human rights approach [to social protection] requires that an understanding is reached of what constitutes the 'social floor', or minimum social protection below which no one should fall."¹⁶ In the NDP, it is proposed that the social floor will be specified following technical analysis and public consultation.

The partners wish to make the argument for stronger and more coordinated inter-governmental action on social protection. For example, the Departments of Social Development and Health lead initiatives to combat alcohol abuse and its consequences, whilst the Treasury and the Department of Trade and Industry lead initiatives to make it easier to produce, retail and profit from alcohol production and distribution. The Departments dealing with social policies must be technically supported in order to increase Government coordination and promote universal social protection based on sound principles.

The partners are also concerned that the universality of social protection is being undermined by the lack of social cohesion in South Africa and the continued social exclusion of the black population, who are disproportionately represented amongst the country's poor and unemployed. South Africa is also home to a large number of refugees and economic migrants from other countries on the African continent, who face the possibility of xenophobic attacks by those who resent their presence in the country. Other groups, including informal and precarious workers, women, youth, the unemployed and the retired, are also not being adequately covered by the current social protection system.

¹⁶ *ibid*, p.328

4. Promoting Freedom of Association and CSO participation

According to SOLIDAR, Freedom of Association is not only a right per se but is also an essential precondition for the progressive realisation of Economic, Social and Cultural Rights (ESCRs) including social protection. With the end of apartheid in 1994 and the promulgation of a new Constitution, South Africa removed the legal obstacles to freedom of association, granted trade union rights and established forms of social dialogue, such as the National Economic Development and Labour Council (NEDLAC) which brings together representatives from government, organised labour, and organised business to consider all socio-economic and labour policy and legislation. However, as the partners point out, **organised labour only represents around 30% of the total work force**. There is no restrictive legislation preventing civil society organisations (CSOs) from operating. The country was given a rating of 1 in the International Trade Union Confederation Global Rights Index, on a par with many OECD countries.¹⁷ Workers can freely associate and defend their rights collectively with the government and/or companies and can improve their working conditions through collective bargaining. However, freedom of association is not granted to workers in vulnerable sectors, including those in domestic work and agriculture, and those with precarious contracts. As the partners highlight, farms and homes, being private property, are not easily accessible to trade unions and less than 5% of agricultural workers are organised in a trade union. The increase of precarious forms of work, including casual, part-time and agency work, is creating a growing group of workers that is excluded from traditional trade union organising and therefore also from formal bargaining institutions.

The third sector of EU-South Africa cooperation in the MIP is building a capable and developmental state. One of the specific objectives is to promote an active citizenry in policy design, implementation, monitoring

¹⁷ International Trade Union Confederation Global Rights Index 2014: The world's worst countries for workers



and evaluation. In addition, the MIP includes measures in favour of civil society to support the three priority areas and to address issues of democracy, human rights and other elements of good governance. Specific areas to be addressed include enhancement of service delivery and social partnerships, advocacy and policy dialogue.

According to the partners, despite the existence of policies supporting active citizenry, there is no real investment in creating spaces for effective citizen participation in health, for example. In addition, they point out that access to information legislation does not in fact facilitate easy access for CSOs, whose requests for information have been blocked, ignored or manipulated by Government departments. In health, most funding to civil society is directed to NGOs which provide supplementary services, 'shoring up' the health system, rather than to activities that would improve the system by increasing accountability, monitoring and community participation in the health care system.

5. Mobilising financial resources for social protection

South Africa has enjoyed steady economic growth since the democratic transition in the early 1990s, and joined the BRICS group of emerging economies in 2010. However, economic growth has been slow in recent years and the country is lagging behind its counterparts, due in part to the fall in demand for resource exports and frequent electricity shortages. Fiscal austerity measures, freeing up capital flows and ensuring that bond holders get the benefits of high real interest rates, have hit the poor hardest. Revenues collected from taxation are currently insufficient to meet the country's spending needs.¹⁸ As the partners point out, the state has been effectively reducing company tax from 48% of revenue in 1994 to the current level of 28%. This, together with the current high level of VAT, means that in effect the slack has been taken up by the most regressive tax form - consumption tax - which punishes the poor and the unemployed disproportionately.

¹⁸ OECD Economic Surveys, South Africa, July 2015

Public spending on social protection including health amounted to 9.79% of GDP in 2010, higher than the equivalent spending in India and China, but much lower than Brazil (21.29%) and the regional average for Western Europe (26.7%).¹⁹ The Medium Term Framework of the NDP recognizes the inadequacy of current funding for social protection and proposes that a resourcing strategy for social development services should be developed and published by 2019.

¹⁹ ILO, World Social Protection Report 2014/15

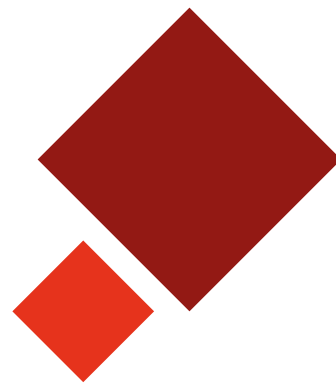






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The Social Protection Monitor is a tool developed by SOLIDAR, the Friedrich-Ebert-Stiftung and the Africa Platform for Social Protection to consult partner organisations on the priorities of the 11th European Development Fund's (EDF) National Indicative Programmes (NIPs).

SOLIDAR is a European network of membership based Civil Society Organisations who gather several millions of citizens throughout Europe and worldwide. SOLIDAR voices the values of its member organisations to the EU and international institutions across the three main policy sectors; social affairs, lifelong learning and international cooperation.



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