

Poverty, politics and the BIG

time to mobilise support

by RAVI NAIDOO

The debate over a BIG threatens to be buried under a mountain of 'technical' objections.

The reality of mass poverty is inescapable in South Africa. To address this reality, trade unions and civil society formations want government to introduce a Basic Income Grant (BIG) as part of its comprehensive social security framework.

In March 2002, the government-appointed Taylor Committee found that the phased introduction of a BIG was "affordable and feasible".

Not surprisingly, however, many conservatives argue against a BIG, claiming that there are better alternatives.

'Alternatives'

What are the so-called 'alternatives to a BIG'?

Public works programmes – These programmes are important (see page 8). However, creating temporary jobs for the unemployed through public works programmes would cost R36 billion-R64 billion a year, and that is paying at below the poverty line. The current scale of public works programmes would have to be increased 30 times from its current 200 000 jobs a year. Given the serious project management problems currently experienced, this appears to be almost impossible. Other questions, such as how to use public works programmes to distribute income to those who cannot work, like AIDS orphans, remain unanswered.

Create quality jobs – The creation of millions of quality jobs is obviously first prize. Unfortunately, key formal sectors shed almost 600 000 jobs between 1996-2001. Some growth appears to have occurred in other sectors, but these have tended to be mainly low-paid, poor quality jobs. The reality is that unemployment/informal work covers approximately 50% of the total workforce.

Redistribution of income-generating assets – People are poor because they don't have the means to generate an income. The racial distribution of poverty is obviously linked to the racially skewed distribution of economic assets in South Africa. Fundamentally changing this underlying distribution is a necessary goal – but, like public works and quality job creation, the policy outcomes thus far have been dismal.

What does 'affordability' mean in a context where income and company taxes have been cut by R48 billion since 1996? This is more than three times the net cost of the BIG (approximately R15 billion).⁹

Use existing grants – South Africa's most effective grant is currently the State Old Age pension (SOAP), which is responsible for approximately 50% of rural income. So why don't we increase this grant instead of introducing a BIG? Because 81% of adults and 76% of children live in households without pensioners – so they would not gain from an increase in the SOAP.

In short, all these 'alternatives' are important to pursue as necessary strategies in their own right. None, however, can really claim to be serious alternatives to a BIG in terms of denting mass poverty in the foreseeable future.

Objections

What are the so-called 'technical' objections to a BIG?

Affordability – It is often argued that a BIG is unaffordable. 'Affordability' has been used throughout history as a reason not to implement radical social reforms. The "New Deal" in the United States (US) was opposed by US business for the same reason, until the seriousness of the national crisis was publicly recognised. Delaying necessary spending to save money is a false economy, because the cost gets

higher once the damage is done. Finally, what does 'affordability' mean in a context where income and company taxes have been cut by R48 billion since 1996? This is more than three times the net cost of the BIG (approximately R15 billion).

Economic growth – There is a growth and development strategy paper doing the rounds which

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disingenuously argues that “With growth, poverty decreases” – inferring an automatic relationship between economic growth (estimated at a low 2,6% of GDP for 2003) and poverty reduction. With South Africa’s extremely high levels of inequality you need extremely high levels of economic growth for there to be any meaningful trickle down to the poor.

Dependency – Some argue that a BIG of R100 will “create dependency”. One would think that a R100 grant is not going to make a destitute woman more dependent than she already is on others, possibly including an abusive relationship which she cannot afford to leave.

Rather than create dependency, the Taylor Committee argued that minimum income support “could encourage (positive) risk taking and self reliance...such an income grant could thus become a spring-board for development”.

Administrative capacity – This is a real issue. Any new social security system requires that a new administration system be developed to implement it. So it is disingenuous to argue that a proposed scheme is not viable because the administrative system doesn’t exist at the time that the scheme is proposed. It was for exactly that reason that the Taylor Committee recommended that the BIG is phased in, allowing time for the development of administrative capacity.

The politics of the BIG

There is a bigger obstacle facing the BIG than the need for further research and policy debate: politics and interests.

The BIG proposal, which requires more state intervention, flies in the face of ‘market-led’ solutions to poverty. Despite the blatant failure of these free market

policies, we must remember that they did not evolve in a vacuum. Important people championed these failed policies. These important economic policy makers stand to lose their status as the decisive influence in South African politics if their policy approach is reversed by a BIG.

A further obstacle is the manner in which the concept of the ‘Developmental State’ is misrepresented. It is widely acknowledged that the Developmental State must address issues of assets, services and incomes. Thus, the BIG is not a panacea that is an alternative to the Developmental State, but rather an essential income strategy of a Developmental State. However, some have attempted to distinguish a Developmental State from a so-called ‘Welfare State’. In this view, the Developmental State is about things and the Welfare State is about income security. Yet, in reality, all successful Developmental States adopted income strategies for their population (through public sector employment and full-employment industrial policies).

So what is to be done?

If the official stance opposes a BIG, there will be natural herding effect on those people who want to stay on the right side of officialdom. These people (including intellectuals) will want to bury the BIG under mountains of so-called ‘technical’ objections and misleading public statements.

Those in favour of a BIG will have to find ways to ensure that an evidence-based debate on the BIG goes ahead. In reality, this means going beyond just doing more research and actually mobilising support for a BIG. After all, the reality of policy-making is well-known: it is power that facilitates a real debate.

Scenario planners at the highest levels of government start with the baseline that poverty and inequality levels have not decreased meaningfully since 1994, and are unlikely to do so with our current economic policies. Of course, official public statements don’t usually acknowledge this reality. Rather, there is some vague talk that “life is getting better”, which in several respects, mainly procedural, it is. But it is not getting better in terms of poverty outcomes.

Mass poverty is taking a substantial toll on the country. Twenty five percent of all live births in 1999 were into households in extreme destitution. Such adverse circumstances increase the child’s chances of disability and illness, poor education, suffering violence and abuse, unemployment and so on. Poverty induces behaviour that increases vulnerability to HIV/AIDS. Poverty and inequality are heavily correlated to property and violent crimes. Finally, the investment study for the Office of the President highlighted that our levels of mass poverty represent a major constraint to investment, as investors regard the situation as unsustainable.

However, the politics of the debate stymies any evidence-based debate about ‘what is to be done?’. Not surprisingly, very few are prepared to own up to having made mistakes and taking the political flak for that. South Africa waits either for a second miracle or, more realistically, for a policy shift to be introduced through the ‘back door’.

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