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Master of Philosophy in Public Policy

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Thesis Topic

A critical examination of the concept of welfare dependency: its assumptions, underlying values and manifestation in social policy, internationally and in South Africa.

February, 2006

Declaration

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Abstract

Concern over “welfare dependency” has featured prominently in the public discourse around social assistance programmes in numerous countries for many years. The notion that social assistance payments tend to sap the recipient’s initiative, independence and propensity for securing paid employment is widespread and is often assumed to be an objective fact (rather than a concept) by public officials, social commentators and the media. Consequently, charges of “welfare dependency” have often been used as the basis for cutting social assistance expenditure, restricting eligibility or preventing new initiatives. In South Africa, for example, the concept has been used in opposition to developing a universal Basic Income Grant (BIG).

With the aid of case studies focusing on recent social welfare developments in South Africa, Australia and Brazil, this study attempts to critically analyse the term “welfare dependency” to determine which social values and assumptions inform the concept. In addition, the study aims to determine how “welfare dependency” manifests in contemporary social welfare policy and, most importantly, determine if the utilisation of the concept is related to other socio-economic agendas.

Adrian Di Lollo

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Glossary of acronyms and non-English terms

ACCESS	Alliance for Children's Entitlement to Social Security
ACOSS	Australian Council of Social Service
Auxílio-Gás	"Cooking Gas Allowance"
BIG	Basic Income Grant
Bolsa Alimentação	"Health Bursary"
Bolsa Escola	"School Bursary"
Bolsa Família	"Family Bursary" or "Family Endowment"
BSA	Business South Africa
CBI	Citizen's Basic Income
CBPWP	Community-based Public Works Programme
CDE	Centre for Development and Enterprise
Cartão-Alimentação	"Food Allowance" (literally "food card")
CSG	Child Support Grant
DBSA	Development Bank of Southern Africa
DoSD	Department of Social Development
EPRI	Economic Policy Research Institute
EPWP	Expanded Public Works Programme
NEDLAC	National Economic and Labour Commission
NDPW	National Department of Public Works
PPASA	Planned Parenthood Association of South Africa
PWP	Public Works Programme
RDP	Reconstruction and Development Programme
Real	Currency of Brazil

Chapter One

Outline of the study

1.1 Introduction

The notions of a comprehensive social security system and of a guaranteed basic income did not by any means originate in recent years. The American and French revolutionary, Thomas Paine, for example, advocated for a broad social security system for the new United States in 1796. In 1792, Maximilien Robespierre, one of the fathers of the French Revolution, noted:

“What is the primary aim of society? It is to maintain the inalienable rights of man. What is the foremost of these rights? The right to exist. Therefore, the first social law is that which guarantees all members of society the means of existence; all others are subordinate to that.”¹

In 1848, Belgian lawyer-philosopher, Joseph Charlier, developed a proposal for a minimum basic income (Suplicy, 2004:44). In 1905, George Bernard Shaw called for a system of “universal pensions for life” (Shaw, 2000:18). Yet, in history, in contrast to notions such as these which support comprehensive social security provision, are others that have served to deny the right to income support, often casting welfare recipients as dishonest, lazy or inclined to “dependency.” Historical novelist Robert Graves (1935), for example, recounts the Roman Emperor Claudius’ indignation at the poor of Rome supposedly coming to see their food rations as their right rather than their privilege. In arguing against implementation of the sort of measures to support the poor used in some catholic countries, Benjamin Franklin, (a luminary of the American War of Independence) wrote in 1753:

“If we provide encouragements for Laziness, and supports for Folly, may it not be found fighting against the order of God and Nature, which perhaps has appointed Want and Misery as the proper Punishments for, and Cautions against as well as necessary consequences of Idleness and Extravagancy.”²

¹ Quoted in Labica, (1990:53-54).

² Franklin (1773)

While the use of the term “dependency” in the context of social welfare is a recent phenomenon historically speaking, the values and sentiments that underline its current understanding have clearly been inherited from a long tradition of marginalising the poor. In the present day, the charge of “welfare dependency” (and other notions denoting anti-social traits) are often utilised as a means to either prevent the development of a comprehensive social security system or to dismantle what currently exists.

Using case studies from South Africa, Australia and Brazil, this paper will investigate the extent to which notions of “welfare dependency” have been part of the political dialogue in those countries and attempt to determine if the notion has been used to shape social welfare policy. The term “welfare dependency” will be examined in detail in the context in which it is used and analysed to determine if it is an empirical social phenomena that can be shown to exist, or merely an ideological construct used to mask a broader socioeconomic agenda. In situations where “welfare dependency” does not figure in the public dialogue or manifest in public policy, the study will attempt to determine which values *do* inform the development of social assistance programmes.

1.2 Research problem and conceptual framework

This study will address the issue of “dependency” in relation to “social grants” (direct on-going income support provided by government to qualifying persons) and poses the following questions:

- What are the underlying social assumptions of the concept of “welfare dependency”?
- Is the use of the term linked with broader socioeconomic agendas?
- Can it be demonstrated that when social security entitlements are cut or restricted, people’s socioeconomic situations improve, particularly in terms of greater labour market participation?

- What can South Africa learn from national social welfare policy as it is currently applied in Australia?
- What can South Africa learn from national social welfare policy as it is currently applied in Brazil?

The study will examine arguments along the lines that “welfare dependency” is a smokescreen to mask a broader socioeconomic agenda, as well as arguments that “welfare dependency” is a very real problem that threatens a country’s social and economic development. The latter position, often ideologically aligned with a residual approach to social welfare, generally sees social grants as potentially creating “dependency.” The study will, in part, examine how real such concerns are when examined against empirical evidence.

Finally the study will attempt to determine if there is any basis to believe that the expansion of the social security system in South Africa would in any way develop a “culture of dependency” or impede any other socioeconomic goals. Most importantly, the study will also attempt to determine if the current policy of restricting the expansion of social security entitlements is consistent with the national government’s constitutional obligations, specifically chapter II (the Bill of Rights), to comprehensively address poverty.

It needs to be emphasised that the researcher comes from the ideological perspective that the concept of “welfare dependency” is predominantly used in such a way as to make it pejorative and disrespectful of human rights and dignity. A basic assumption of the study is that “welfare dependency” is a term whose implications tend to stand in opposition to the implementation of the researcher’s ideal of a comprehensive system of social welfare entitlements. The concept will be critically examined from this viewpoint.

Using case studies from Australia and Brazil (See Research design and methodology – 1.4) the study will draw analogies between those two countries and South Africa. Key elements to be examined in all three countries include:

- The historical background and development of the current system of social security grants;
- Some of the socio-political conditions that led to change;
- Some of the results of these changes on society;
- The extent to which concerns over welfare dependency have characterised the public dialogue on the issue and how this has manifested in policy.

This study will repeatedly use key terms which can be understood in various ways. The terms *social security*, *social assistance*, *welfare dependency* and *poverty* are used differently depending on the international context, ideological stance or even discipline of study. It is therefore necessary to define these terms in detail for the purposes of this study.

1.3 Definitions of key terms

1.3.1 Social Security and Social Assistance

As long ago as 1944, the International Labour Conference defined social security as the (right of a) “basic income for all in need of such protection and comprehensive medical care” (International Labour Organisation, 2001:56). The term *social security* can cover a range of income support measures including privately provided pensions, contributory systems administered by government, or general tax-funded social assistance payments. Other definitions go further and include such factors as nutritional, housing or even educational security. Such definitions are too broad for this study which focuses almost exclusively on programmes of income support.

In many countries, most notably the United States, there is a distinction between the implication of the term “social security” and “welfare”. In that context, “social security” implies utilising benefits from a public scheme toward which the claimant has contributed, while “welfare” implies public benefits for people who have not contributed sufficiently to a benefits fund (or do not qualify to claim from such a fund). Most

countries of the industrialised north have two-tiered public benefit systems loosely based on this concept. The South African social security system includes private social insurance schemes and a highly targeted non-contributory, publicly-funded system of social grants. This study primarily focuses on the range of public income support programmes provided by government to individuals and households to prevent poverty. The terms “social grants” “social welfare payments” or “social welfare benefits” will be used when referring to such programmes.

1.3.2 Welfare dependency

“Welfare dependency” is a highly loaded term and its application brings with it the danger of stigmatising or stereotyping social security recipients. The subjective nature of this term, imbued as it is with varying ideological perspectives, means that there is no universally accepted definition.

Many of the literature sources do not define “welfare dependency” and simply assume the reader will understand what is meant by the term. The difficulty is that the term is often used through a highly subjective ideological lens, a perspective that is by no means shared by all. Almost universally, however, the term is used with the implication that it is a negative or undesirable condition both for society and the individual/family concerned. In its most simple form, it could be extrapolated from some of the literature that “welfare dependence” refers to a situation in which a person in receipt of a social security benefit have great difficulty transitioning off the payment. I would ask, however, why dependency thus defined would necessarily be a negative thing (as is a common assumption) if the alternative to receiving the benefit is utter destitution.

For the purposes of this paper, it is important to find a definition that is highly practicable, applicable to real situations and relatively free of ideology and rhetoric. Another understanding of “welfare dependency” present in some of the literature is that of the payment of, or the lure of payments of, social security benefits acting as a disincentive for the recipient to seek or undertake paid employment. This is a highly

Conversely, *relative poverty* refers to a social condition in which people's means are so significantly below those of the average individual or family that they are effectively excluded from the living patterns, customs and activities prevalent in the society (Townsend Centre, 2005). This approach, also known as the *relative deprivation theory of poverty*, can also be used to consider an individual or family's resources in relation to others in that society. The concept of relative deprivation is closely linked with that of *social exclusion* which refers to the ways in which people are excluded from participation in economic, political, social or cultural spheres per the accepted norms within a society. The relative deprivation definition of poverty also encourages an examination of the critical factor of wealth distribution and concentration. In this paper, therefore, the researcher is defining poverty in terms of Townsend's relative deprivation theory of poverty.

1.4 Research design and methodology

The study's research design has elements of at least four of the 22 models described in detail by Mouton (2001) but primarily conforms to *ethnographic research supported by case studies*. Mouton defines ethnographic case study research as qualitative in nature and notes that such studies are usually small in number and try to provide in-depth descriptions and analysis.

There are, however, elements of other models of research design described by Mouton (2001) which are relevant. A critical aspect of the study conforms to a *content analysis* research design in which texts and documents are studied to analyse words, meanings and symbols. Public documents are analysed in this manner to try and identify underlying assumptions, ideologies and obscured agendas, particularly surrounding notions of "welfare dependency." Such documents include speeches by ministers of state or heads of department, official media statements, government reports, policy documents such as white or green papers, and official statistics.

Part of the study conforms to a *philosophical analysis* design in which arguments, often of a normative or value-laden type, are analysed. From this perspective, the study will examine different aspects of the socio-philosophical argument around “welfare dependency.” Finally, the study could be said to partially conform to the *literature review* model of research design in which an overview of trends and debates in a particular discipline are analysed (Mouton, 2001). The researcher will draw from a range of journal articles concerning recent debates around “welfare dependency.”

A case study of the South African social security debate will be presented. The South African government’s constitutional obligations to develop a comprehensive social security system will be explored as will the recent political pressure to halt the growth of the system. The arguments, both overt and less obvious, for restraining the growth of social security will be outlined and analysed. This case study will attempt to identify if concepts of “welfare dependency” have been injected into the political and public discourse around social security as a means, in part, to provide justification for restricting social security growth. Broader socio-economic factors affecting South African social security policy will also be examined, including the effect of globalisation and international economic policy. Two international case studies will also be presented, one each from Australia and Brazil. These will be important for the purposes of “compare and contrast” with South Africa.

The case study from Australia will focus on how public discourse around notions of “welfare dependency” in the last decade have manifested in the contraction of social security entitlements in that country. The Brazilian case study will focus on the expansion of social security entitlements in recent years, the motivations behind this development and will examine any early empirical data about the impact of the expansion. While there will not be a specific case study of the United States, material from that country will be included where appropriate to underline important points around concepts of welfare dependency manifesting in social welfare policy. Material from the United States is relevant because “welfare dependency” notions have been

utilised to profoundly change the social welfare system in that country, and underlined the passage of the landmark Personal Responsibility Act of 1996.

Drawing from the Australian case study, the researcher will attempt to determine if any of the identified notions of “welfare dependency” that have manifested in policy change in that country are also, in any way, informing South African policy or at least the discourse around the issues of social grants. Information from the Brazilian case study will be applied quite differently. Brazil is comparable with South Africa in many ways. Both are middle-income developing countries and have among the world’s greatest disparity between rich and poor. Both have experienced totalitarian governments and now have reformist governments attempting to comprehensively address poverty. Although Brazil never had a formalised system of apartheid, poverty is much greater among people of African and Amerindian origin than those of European origin. The case study will compare the social security entitlement efforts of the Brazilian government with those of the South African government.

Each of the three country-focused case studies (chapters two, three and four) will contain empirical information, draw extensively on the literature and feature ongoing analysis by the researcher. Chapter five will focus on a broader overall analysis of the information in the case studies and will draw on social welfare theory and research. Finally, chapter six will summarise the overall findings of the study under the headings of the five research questions posed on page two (part 1.2) of this introductory chapter.

To promote a well-structured and valid analysis, and to help ensure a consistent approach across all three case studies, the researcher will draw from elements of Taylor’s *Framework to Analyse and Formulate Social Policy* as appropriate. This framework includes the following areas of investigation and analysis:

- 1) The social need/social problem;
- 2) The social policy;
- 3) Side effects within the society;

- 4) Side effects outside the society;
- 5) Possible alternative approaches;
- 6) Implementation, monitoring and evaluation of the policy.

The main information source for the study is secondary data. This includes:

- Journal articles, most of which were published post-1994. The journals mainly specialise in economics, social welfare or public policy.
- Books with a social welfare theme not restricted to any publication period.
- Newspaper articles.
- Research studies which address aspects of the topic.
- South African national government publications (including speeches by elected officials and civil servants), the majority of which will be post-1999. Such material will be used to ascertain current South African social welfare policy and also to identify some of the motivations and assumptions that underline such policies.

The range of literature addressing the topic is very broad and a relatively small study of this type cannot possibly cover all or even most of it. Literature sources have been selected, wherever possible, for their direct relevance to the thesis topic but it is highly likely that many pertinent sources have not been included. As day to day developments in social welfare (particularly in South Africa) have a profound bearing on the topic, many contemporary news sources from newspapers, radio and on-line news sites, in addition to the literature summarised below, have also been utilised.

The researcher has also conducted direct interviews with experts in the field of social welfare or public policy to cross check and enhance the data collected from the sources listed above. Rather than providing a primary source of information, these interviews have served to clarify and enrich material obtained from the sources outlined above. Five interviews have taken place, three from South Africa and one each from Brazil and Australia. One of the South African interviews was with a senior staff member of the

Centre for Development and Enterprise, an organisation that has broadly opposed the expansion of social security in South Africa.

The second South African interview was with Patricia Martin, Managing Director of the Alliance for Children's Entitlement to Social Security (ACCESS), an organisation that has campaigned vigorously for the expansion of social grant entitlements. The third South African interview was with Anna McCord, visiting research fellow at the Centre for Social Science Research at the University of Cape Town, who has extensively researched the impact of public works programmes. The Australian interview was Nola Kunnen, Deputy Director of the Alcoa Research Centre for Better Communities at the Curtin University of Technology. The Brazilian interview was with Beatriz Leandro, a policy officer of the International Branch of the Office of the President of the Republic of Brazil.

1.5 Limitations

As noted by Mouton (2001), using case studies in ethnographic research is limited by generalisability of results. This study has not involved collecting data directly from population groups in order to validate generalisations about such groups and cannot draw its own scientifically-sound conclusions about "welfare dependency." Similarly, to the extent that it is a literature review, the study can summarise and synthesise existing scholarship (Mouton, 2001) but cannot produce new empirical insights. Most importantly, however, the study can produce new *theoretical* insights.

Mouton (2001) points out the documents in question in content analysis research may not necessarily be representative of the formal institutional position and that this would limit the validity of the findings. A speech by a minister of state or a press release from a government department, for example, may contain a policy slant that is not representative of the government as a whole and it would be a significant error to generalise it as such. I would argue, however, that examples of official government documents from different

sources which appear to have differing perspectives on social welfare may be highly significant to this study as they may indicate conflicting views and an ideological struggle within the government on the issue.

1.6 Literature review summary

Dean (1996) examines the work of sociologist T. H. Marshall who noted that the development of social rights (sometimes called “third generation rights”) was the unique achievement of the 20th century. Marshall argued that the right to welfare is no less valid or fundamental than civil or political freedoms. Yet, he also noted that the subordination of social rights seems to be inherent in capitalist societies. The Basic Income Grant (BIG) Financing Reference Group (2004), note that some of the discussion around BIG has been cast in terms of Social Security versus dependency. The group identified that an often voiced opposition to the implementation of BIG is that it would create dependency amongst South Africa’s poor and remove the incentive for the able-bodied poor to search for work.

Martin (2004b & 2005a) examines some of the underlying assumptions of what she sees as an increasingly proliferated notion that the poor are responsible for their own circumstances, and finds them to be baseless. Two of several of these assumptions are that: 1) employment guarantees sufficient income to cover basic needs, and 2) the unemployed generally have sufficient skills to be absorbed into the labour market. Martin (2005a) also identifies that in South Africa the last few years has seen a groundswell in the school of thought that social grants are being abused and contribute to a culture of dependency. Seekings (2002) notes that across much of the world, welfare states have experienced a period of significant retraction and that this has been indicative of the increasing dominance of neoliberal economic policy. Matisonn and Seekings (2003) also probe the history of social assistance in South Africa and find that there is a strong foundation in that country to build a comprehensive social security system.

Anna McCord (2003, 2004), probes the effectiveness of the South African government's main anti-poverty strategy: public works programmes (PWPs). Among her range of findings are that public works programmes, while possibly effective in economies where unemployment tends to be cyclical, have little poverty-alleviation impact in a macro environment where unemployment is mass and chronic. Coleman (2003) and Meth (2004) also probe the effectiveness of public works programmes in South Africa and find that, while mooted as such, they are not in any way an effective alternative to a comprehensive social security system. Casting "welfare dependency" as a misnomer, Coleman (2003) examines some of the social and economic implications of the term.

Noting that neoliberal states have increasingly come to use anti-welfare rhetoric, Hartman (2005), explores the depth and implications of this phenomenon in Australia. Everingham (2003), examines developments in Australian social policy and notes the influence of globalisation on social policy development. In noting the trend to "devolve" social welfare services in Australia, Sanders (2005) examines the capacity of non-government organisations to provide such services and concludes they are ill prepared. Noting the extent of the fiscal resources of the Australian government, Saunders (2005) also argues that there is no reason why income-poverty in Australia cannot be eliminated. Mendez (2004) analyses the actions of the Australian government to influence the public discourse around social welfare, attempting to integrate its own neoliberal perspective with mainstream values. Lukes (1974) examines nature of power and the ways in which governments may exercise power at different levels to control the political agenda.

In examining the recent popularity of the rhetoric of "welfare dependency" in Australia, O'Connor (2001) traces the origin of the term and finds that its use borrows heavily from a conservative American interpretation and understanding. He notes that this is despite the highly questionable appropriateness of American conservative welfare critiques and reforms in the Australian context adding that evidence of alleged "dependency" in Australia is anecdotal and patchy. Hassim (2004) notes that, in regard to social security, developing countries face a number of challenges that are different to advanced welfare states. Among such challenges are exceedingly high levels of poverty, underdeveloped

state infrastructure and a global environment that is hostile to state provision of social security. She argues that it is critical that social security entitlements be understood as *rights of citizenship* rather than merely a more general right of access.

In arguing that poverty is essentially gendered, Francine Lund (2004) argues for the need for further gender analysis of the South African social security system. She strongly challenges increasingly pervasive notions that cash benefits will cause permissive behaviour and more teenage pregnancies. In examining the interface of social assistance grants with social development strategies, Leila Patel (2004) notes that it is often argued that government expenditure should be focused on increasing people's productive capacity rather than on grants. She notes that this argument is often used to oppose the expansion of social grants, once again on the grounds of supposedly creating dependency.

The South African trade union research group NALEDI has voiced its concern over the productionist direction of social welfare arguing that such an approach embeds notions of the "undeserving poor" and promotes the stigmatising argument that the poor must "pull themselves up by their boot straps" (Hassim, 2004:37). Quite a different argument is made by the Centre for Development and Enterprise (2005) which, in part, argues that what are seen as the logic and solutions of the marketplace be applied to state funded social security programmes.

A study by the Economic Policy Research Institute (EPRI, 2004), provides evidence that households receiving social grants have a higher success rate of its members finding employment and also have higher labour productivity. These findings are supported in a study by Posel et al (2006) that correlates household receipt of a social pension with the increased ability of prime-age household members to look for work. The findings of the EPRI report are quoted extensively by Sewpaul (2005) in his critique of the Draft National Family Policy. Sewpaul argues that South African social policy, as evidenced by this document, is increasingly becoming subject to the influence of neoliberal economics which makes use of social stigmatism.

Suplicy (2004) builds a multi-faceted case for the introduction of a universal income grant in Brazil. His issues include human rights, economic well being, and the sustaining of democracy and social responsibility. Suplicy (2004) and Ozanira da Silva e Silva (2004) discuss many of the motivations and practicalities of greatly extending the social safety net in Brazil. Pero and Szerman (2005), examine the politics of welfare economics in Brazil and the development of a national consensus regarding the need to expand the welfare state. da Rocha Roquete (2004) examines the broader social and political significance of the Brazilian government's commitment to a universal basic income. Wainwright and Branford (2005) interview leaders of Brazilian social movements and other prominent activists. These interviews shed light on how Brazil has come to accept the need for a comprehensive social security system.

Giddens (2001) and Esping-Anderson (2001) articulate the "Third Way" approach to social welfare, an approach they claim rejects both the traditional socialist/social democratic approach of "heavy" public spending and the neoliberal approach of severe welfare state retraction. Zorn and Hicks (2005) investigate the possible linkage between a country's move to globalise its economy (defined as deregulation of trade and freeing up the flow of international capital in and out of the country) and the retraction of that country's welfare state. Fraser and Gordon (1994) analyse the evolution of the concept of "welfare dependency" from a historical perspective, probe the economic and psycho-social implications and examine the social relations constructed by the term.

Chapter Two

Case study on South Africa

2.1 Introduction

In the early 1980s the then United States President Ronald Reagan disparagingly made reference to a Chicago "Welfare Queen" who allegedly drove around town in a shiny Cadillac she had supposedly bought by defrauding the government's welfare system for approximately \$150,000 (Baldenegro, 2004). Public outrage followed and journalists scoured Chicago and its surrounds to find the fraudster. She was never found because she did not exist. Reagan had made the story up as political fodder to support his major cuts in national welfare programmes. Railing against "welfare cheats," decrying "welfare dependency" and demanding "personal responsibility" (Johnson, 1997:1), Reagan was able to develop and exploit a false stereotype in support of a social agenda aimed at greatly diminishing public responsibility to provide for the poor. Ulbrich (2003) notes that this myth was synonymous with the notion that young women get pregnant to obtain welfare cheques.

Fast-forwarding to July, 2005, South African National Social Development Minister Zola Skweyiya states to the media: "I have heard of some cases where a mother who drives a BMW comes to fetch a grant and then uses it to have her hair done. It is illegal to do that. We will arrest people." (Mail & Guardian 2005b). Two years earlier the Minister also claimed that people had *told him* that women were getting pregnant just to access Child Support Grant (ACCESS, 2003). The parallels with the creation of dubious stereotypes in United States by public officials twenty five years earlier are remarkable.

In this chapter I will demonstrate that some of the notions that have been used to support large social security retrenchments in the industrialised north, and some of the concepts that form the basis of the belief in "welfare dependency" have, in recent years, surfaced in the public discourse in South Africa. I will show how these have been used in part as political fodder against the establishment of a comprehensive social security system.

2.2 South African demographics

As of mid-2005 the population of the Republic of South Africa was estimated to be 46,9 million (Statistics South Africa, 2006a). Approximately fifty seven percent of the population live under the poverty line (Human Science Research Council, 2004). Described as a middle-income developing country, South Africa's Gross Domestic Product (GDP) per capita is comparable to nations such as Poland, Chile and Costa Rica (Butler, 2004). However, income per head says very little about the quality of human life in any one country. The extent of unemployment and poverty are more appropriate indicators of quality of life.

As noted by McCord (2003), structural unemployment and poverty are persistent and growing problems in South Africa. As of September 2005, unemployment stood at approximately 26,7 percent (up slightly on 26,2 percent in September 2004) according to the "official" definition of unemployment (Statistics South Africa, 2006a). This definition, however, enumerates only those who have actively sought work in the seven day period prior to the survey. A more realistic measure of unemployment includes *all* those who are available for work but have been too discouraged to look for it in the previous seven days, in which case the rate would be at least 40 percent (Statistics South Africa, 2006b:xvi). As noted by Butler (2004) South Africa rates very poorly on the *Human Development Index* (HDI). Indeed, the 2005 HDI report calculated that South Africa had fallen 35 places, now being ranked at 120 - lower than the occupied Palestinian Territories (Mercury, 2005).

While much of the drop is related to the AIDS epidemic, these results at least suggest that poverty related to income, assets and services has not improved in South Africa. In fact, Butler (2004) notes that the share of the poorest half of households in national income fell from 11,4 percent in 1995 to 9,7 percent in 2002. He further notes that unequal access to public services such as public education, health, water, sanitation and transport, contributes greatly to South Africa's poor HDI rating. It should also be noted, however, the policy of restraining social security growth notwithstanding, that there has been a

significantly expanded uptake of grants in recent years which has helped to relieve extreme poverty. More than 10 million South Africans now access social grants, 6,2 million of them children (Manuel, 2006).

2.3 Contemporary social welfare policy in South Africa

Since 1994, the South African government has bucked international social policy trends and has modestly expanded rather than contracted its social security system. Social grants have increased in real value in addition to higher rates of uptake. The government's draft ten-year review document affirmed the effectiveness of social grants in reducing poverty, particularly extreme poverty (Basic Income Grant Financing Reference Group, 2004). At the same time, however, the report notes that roughly one-third of households live below the poverty line. A full 39% of the adult population, who do not qualify for any social grants, continue to have no access to a sustainable livelihood (ACCESS, 2005b).

Yet, in the President's State of the Nation address in February 2005, it was made sufficiently clear that there would be no further expansion in the social security system (Mbeki, 2005). In October 2004, Finance Minister Trevor Manuel had issued a stern warning that the country cannot sustain its spending on welfare and social security over the next three financial years. Noting that spending in these areas was forecasted to be R308 billion over the following three years, Manuel added: "People must learn to work instead of living on handouts" (Cape Times 2005a). The National Treasury was particularly concerned about the rise in the number of disability grants and foster care grants. This may have indicated some conflicting views in government as the treasury did not seem to consider that the reason more social grants have been claimed may be due, in part, to an effort on the part of Department of Social Development (DoSD) to encourage utilisation of social grant eligibility. Nor did the treasury seem to consider that an uptake in these two grants in particular may be partially due to: 1) more adults

becoming disabled as a result of AIDS-related illnesses, and 2) more children becoming orphaned as a result of AIDS deaths.

The National Treasury's concerns, however, were addressed in a 2005 review of the Government's Programme of Action (Presidency, 2005) which, apart from setting up many other task-orientated interdepartmental partnerships, mandated the DoSD to work with the National Treasury toward:

- 1) Examining the continued sustainability of the social security system and budgets (16.2), and
- 2) Reviewing and determining the targeting of all social security grant types, while enhancing rules and regulations for each type (16.3).

This is a significant move in that it reflects a process that has been occurring in many western countries for some years where governments have acted to: 1) restrain the budgetary growth of the social assistance programmes, and 2) review and often tighten eligibility criteria in various categories of social grants. Mishra (1999) sees this international shift very much in terms of the result of the increasing influence of globalisation which effectively deprives nation states of viable alternatives to neoliberal policies. He claims that political parties of the left and centre are increasingly embracing policies that differ only in degree from the parties of the political right.

Closely reflecting the expressed concerns of the National Treasury, the DoSD is also mandated by the National Programme of Action to work with the National Treasury and the Office of the President to deal with "issues of dependency, perverse incentives and sustainability of the social grant system" (Presidency: 2005:16.1). Again, this reflects a strong trend evident in several western countries, notable in the last three years in Germany, the United Kingdom and currently in Australia. The longer term tendency in those countries has been to make welfare payments less appealing, narrow the eligibility and more closely monitor recipient obligations. An unfortunate consequence of this tendency, however, is often increasing stigmatisation of welfare recipients.

A further directive under the Programme of Action mandates the DoSD to work with the National Treasury (and also the Department of Labour) to ensure that social grants are linked with “reducing poverty and unemployment (Presidency, 2005:16.2).” While this sounds like a progressive policy, the May, 2005 progress report on this action reveals more about its intent. A survey of 14 000 households was in progress with the hope that the information will give the government a more focused assessment of “potential perverse incentives and dependency” (Presidency: 2005:16.1). The aim of this large information gathering effort, which was completed by the end of 2005, seems to be to provide grounds to help curb the rate of claims for reasons other than the originally stated claim to “reduce poverty and unemployment.”

Hassim (2004:36) notes the difficult challenges for the South Africa government in creating “an inclusive, equitable and developmentally effective system of social security.” In some ways, the government has responded to this challenge. It needs to be reemphasised that, against international trends, the South African government has in recent years: 1) broadened social security eligibility through the expansion of Child Support Grant, and 2) significantly increased social security/social welfare expenditure, now representing nearly 20% of the total national budget (Mail & Guardian, 2005b). As previously emphasised, however, the government has made it clear that social grants entitlements will *not* be further expanded. Consequently, working age, able-bodied persons, regardless of the extent of their needs, will continue to be excluded.

2.4 International social welfare context

In examining international trends of welfare reform, Jeremy Seekings (2002) notes that across much of the world the welfare state has experienced a significant period of retrenchment. He argues that welfare systems in many countries have been subject to fierce ideological and political attacks and that governments of all political persuasions have faced numerous pressures, both domestic and global, to rein in social security expenditure. This is clearly the case in numerous countries in Western Europe, as well as Canada and Australia. In the United States, the abolition of the Aid to Families with

Dependent Children (AFDC) programme, not only “reined in” expenditure but abolished a national entitlement to income support. Seekings (2002:2) notes that many of the “mature” welfare states have entered an era of austerity which is likely to remain permanent as economic pressures intensify. In the three years since Seekings published this article this prediction seems to have been borne out as evidenced by greater restrictions on welfare rights and expenditure in the United Kingdom, Germany, Australia and other countries of the industrialised north.

A notable common strand of welfare reform in many of these countries, according to Seekings (2002), has been the stated intention to strengthen incentives to work. This underlines a belief that jobs are readily available for those who are sufficiently motivated to seek them and that by making social security options less attractive and its obligations more onerous, recipients will be pushed to access these supposedly available positions. Emphasising the power of global forces on the shaping of domestic policy Seekings (2004:3) notes that the World Bank has served as a powerful proponent of this neoliberal approach to welfare reform.

In examining the intellectual origins of the notion of “welfare dependency,” O’Connor (2001) notes that a critical common belief that has underpinned welfare retraction internationally is that welfare itself *causes* dependency – and consequently causes unemployment and poverty. O’Connor (2001) implies that policy makers sharing this concept are inclined to believe that welfare reform needs to focus on changing the *behaviour* of welfare recipients. Tracing the rise of the welfare state in the United States in the great depression under President Roosevelt, O’Conner notes the concern and fear of government of the day that people may develop a mindset which divorces work from income. As a result, the government favoured massive public work schemes rather than programmes to guarantee a basic income. (This theme continues in the United States today through the so-called “workfare program”).

2.5 South African social welfare context

In making a case for the introduction of a universal basic income grant, Matisonn and Seekings (2003) note that what makes such fundamental welfare reform in South Africa possible is the fact that, since the 1940s, the country has been exceptional in terms of its social welfare system. By the end of the 1930s, a combination of the power of white workers and concern over the “poor white problem” had led to a range of social welfare benefits for white and also so-called “coloured” South Africans. Most significant, however, was the introduction of old aged pensions for black South Africans in 1944, albeit at substantially lower rates than for whites and “coloureds.” By 1993 parity had been reached and the real value of pensions paid to African elderly had doubled. Matisonn and Seekings (2003:57) argue, therefore, that the first democratic government inherited in 1994 “a welfare system that was exceptional both in terms of its coverage and generosity.” This provided a firm foundation to significantly expand the social security system.

The South African Constitution, adopted in 1996, mandates the right of access to health care, food water and social security under Chapter 2, the Bill of Rights. Specifically, Section 27 (1) (c) states that everyone has the right of access to social security, including, if they are unable to support themselves and their dependents, “appropriate social assistance.” The immediately following subsection 27 (2) states that: “The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights” (South African Constitution, 1996).

Matisonn and Seekings (2003) argue that the constitution provides symbolic support for extending the social security system. A political mandate also exists for the extension of social security. In 1994 the ANC campaigned for government under an election manifesto that included “welfare rights for all.” The Reconstruction and Development Programme policy framework of the ANC launched that same year (RDP, 1994) identified a main goal of a developmental social welfare programme as:

“the attainment of basic social welfare rights for all South Africans, irrespective of race, colour, religion, gender and physical disability, through the establishment

of a democratically-determined, just and effective social delivery system” (RDP, 1994: 2.13.4.1).

As a signatory to the Universal Declaration of Human Rights (1948), South Africa is obliged to afford social security rights to its citizens. Article 22 reads:

“ Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his (sic) dignity and the free development of his (sic) personality.”

The South African government clearly has the firm historical base, the political mandate, and the constitutional and normative imperatives to significantly expand the social security system.

2.6 Responses to “dependency” belief

In examining socio-political barriers to achieving a comprehensive social security system in South Africa, Patricia Martin (2004b) argues that the last few years in South Africa have seen a groundswell in the belief that social security grants (especially Child Support Grant) are being abused and are contributing to a culture of grants dependency. Similarly, Charles Meth (2004) argues that the idea of welfare dependency is increasingly becoming part of the language of the African National Congress (ANC) and the South African government. In opposing the introduction of a Basic Income Grant (BIG), for example, ANC MP Ben Turok (quoted in Desai 2004:7) wrote that BIG “contains the risk of fostering a culture of dependency and entitlement”.

This attitude is further emphasised by a quote (provided by Desai, 2005:10) in July 2002 by an official government spokesperson describing the philosophical opposition the government holds to a BIG:

“It is the kind of approach that motivates against an income grant. We would rather create work opportunities....Job creation proposals to be considered include a massive public works programme, which would include partnerships with the

private sector.....only people who were ill or disabled should get handouts” (in Desai, 2005:10).

This statement evinces some critical aspects (or assumptions) of the government’s stance on social welfare. These include:

- 1) Faith in the role of public work programmes to provide ample employment;
- 2) Faith in the ability of public-private partnerships to do the same;
- 3) An ideological commitment to a residual welfare system as underlined by the statement “*only people who were ill or disabled should get handouts,*” rather than a viewing access to social security as a right of citizenship.

These three assumptions need to be examined in greater detail.

2.6.1 Public works programmes

The Community-based Public Works Programme (CBPWP) embodies the South African government’s philosophical approach of providing (or at least attempting to provide) work opportunities rather than so-called “handouts.” The National Department of Public Works (NDPW) describes the CBPWP in terms of a poverty alleviation programme targeted primarily at the rural poor (NDPW, 2005). The objectives, according to the NDPW, include: 1) creating short term employment opportunities for community members through the construction of public assets, and 2) creating sustainable employment opportunities by facilitating micro-business opportunities. Originally created by the Government of National Unity in 1994, the CBPWP was re-aligned in 1997 to place emphasis on projects which create ‘productive assets,’ in order for ongoing job opportunities to be created (NDPW, 2005:1).

In a detailed investigation into public works programmes, Anna Mc Cord (2003) found that the success of the CBPWP in creating jobs was extremely limited. She notes that the CBPWP, as the major national employment creation instrument, managed to create an estimated 1.5 to 4.5 million work days per annum between 1996 and 2001. This amounted to merely 0.2 percent to 0.5 percent of the total unemployed labour days. McCord notes that the programme as it stands is not likely to achieve the wider set of

social development and economic objectives. A critical finding of her study was that the short-term nature of employment offered under public works programmes means that wages tend to function as “short term income shock” (McCord 2004:1), rather than leading to longer-term sustained benefits and livelihoods.

A more recent public works programme initiative is the Expanded Public Works Programme (EPWP) which was launched in 2004 (DBSA, 2005). The EPWP attempts to move beyond the traditional public works focus on infrastructure toward social, environmental and economic work activities. The faith of the national government in the EPWP as a job creation mechanism is underlined by the fact that the programme currently amounts to the only reference to job creation in the National Government’s Programme of Action (Mail & Guardian, 2005c).

President Mbeki’s confidence in the EPWP to act not only as major generator of jobs but as an alternative to dependency on social grants is illustrated by his comments as reported by the ThisDay Business newspaper (2003):

“A million people will get jobs over the next five years because of dramatically expanded public works programme....” “The programme will help people move off social grants and into public employment” (ThisDay, 12/11/2003).

McCord (quoted in the Mail & Guardian, 2005c) notes that there is a major split between the reality of the EPWP and the way it is perceived in the public discourse. She argues that exaggerated claims over what the EPWP can realistically achieve inhibits public discussion on alternative national, large-scale responses to poverty and unemployment. In a report on the EPWP, the Development Bank of Southern Africa (DBSA, 2005) notes that this programme offers short term employment and training on the premise that supply-side interventions are an appropriate and effective response to transitional unemployment.

The DBSA (2005) report further notes that, internationally, public works programmes are used in situations where unemployment is cyclical or results from a particular economic shock. As noted by McCord (2003) unemployment in South Africa is structural, chronic and mass. She notes that demand for unskilled labour has been falling steadily since the

1970s due largely to a decline in the importance of primary industry sectors, trade technological advances, trade liberalisation and South Africa's entry into the global economy. In fact, as the DBSA (2005) report noted, the South African agricultural sector shed 29 percent of its jobs from 1985 to 2005. The report also notes that part of the source of the problem of the enormous oversupply of unskilled labour is the legacy of apartheid and the severity of the underinvestment in the education of black people. The 2001 census noted that, 22 percent of Black South Africans are completely illiterate, while only 5 per cent have some form of tertiary education (DBSA, 2005).

McCord (2004) notes that only sustained employment, rather than the intermittent and temporary kind offered by PWPs, is likely to have any significant anti-poverty impact. She recommends that skills training be afforded to PWP participants appropriate with local labour demand. The respondents to McCord's survey overwhelmingly indicated that the programme had not improved their economic standing (McCord 2004:74) as the labour market has few jobs matching their limited skills. The government's lack of interest in transforming the EPWP into an effective skills-enhancing labour market programme possibly indicates that a prime purpose of EPWP is to lessen social grant claim rates. From this perspective, EPWP could be seen more as part of a strategy to contain growth of social grant receipt rather than a serious attempt to develop marketable skills.

The South African government is implementing an approach which could only possibly be effective in economies of developed countries where unemployment tends to be cyclical. In a developing country, public policy should not address unskilled unemployment as if it were a transitory problem. Public works programmes, as they are currently envisaged in South Africa, are utterly unsuited to an economy characterised by chronic structural unemployment. Furthermore, President Mbeki's comment that the EPWP will "help people move off social grants," is confusing as he almost seems to make the incorrect assumption that South Africa has a social security system similar to most developed countries.

In most countries of the industrial north an unemployed person who is actively seeking work but has no other means to support him or herself (for example, when his or her unemployment insurance runs out) is usually able to claim a basic income-benefit. No such public benefit is part of the South African national social grant system which targets living allowances only to poor people who are either orphans, under 16 years of age, elderly or incapacitated for work.

There is also a note of contradiction and confusion in the government's assertion regarding the effectiveness of public works programmes to effectively address poverty. Meth (2004), notes that public works programmes have been put forward as a partial substitute for social grants despite acknowledgement of the short-term and palliative nature of the former. He points to a passage in the government's Ten Year Review which acknowledges that public works are not as efficient as social grants in alleviating poverty. The same review, however, identifies a key challenge over the second decade of democracy as *reducing* the number of people dependent on grants.

How such dependency manifests and what it entails never seems to be elaborated by the government. The identification of a policy goal to actually reduce the number of people supposedly dependent on grants creates a blatantly false impression that benefits are available as an alternative to work. It also serves to shift the public debate away from expansion of social security to one of having to defend the limited system that already exists. Such an approach could also serve to entrench the misconception that public works programmes are an adequate alternative to social grants.

Coleman (2003:126) decries the use of public works programmes as an "ideological tool" against the expansion of the social security system which necessarily involves "extolling the dignity of labour" and the need for "poor to pull themselves up by the bootstraps." Again, I would note this theme is extremely reminiscent of the discourse in the United States around welfare reform and a possible example of the South African government adopting an approach used by a government of the industrialised north that is entirely unsuited to this country.

The irony of the government's attempt to promote public works programmes as an alternative to "welfare dependency" is further underlined by Meth (2004). He argues that, apart from being beset by severe problems of job rationing, public works programmes create dependency in and of themselves. While the notion that people develop skills through public works programmes may be valid, once the particular project ends there will not necessarily be any jobs available for the workers to utilise those skills. Removing the source of income generated from the public works programmes could have devastating consequences for the workers and their families. Supporting this assertion, the National Economic and Labour Council's Commission on Social Security found that:

"Public Works Programmes have created dependency and when the programmes are terminated, it creates misery for the people who are dependent on them" (NEDLAC, 2005:1).

As public works programmes are the primary means to provide assistance to the unemployed, it is critical to ask who is being reached by, and is benefiting from, such programmes. Are they, for example, reaching the poorest quintile of the population? Anna McCord (2006) notes that there has been very little if any information generated by government to determine if the very poor are participating and/or benefiting from public works programmes. A study by McCord completed in 2004, however, revealed some startling insights. One of these was that participation in public works programmes did not move participants out of poverty. Another was that short-term periods of employment, which are generally all that is offered in the programme, are very unlikely to have any significant social protection outcome. It is important to note that the supposed value of public works programmes as a means for social protection is a central justification for their existence.

Public works programmes cannot in any way serve a substitute for the expansion of the social security system as they clearly cannot contribute significantly toward reducing poverty or providing sustainable employment. The EPWP is based on the residual notion that any work is better than social security support, rather than the notion that the work and social security support can and should co-exist to prevent poverty. Ironically, however, the EPWP has only delivered between 100,000 and 200,000 short-term jobs per

year (McCord, 2004). Proportionally speaking, the programmes have very few opportunities for the millions of South Africans who require jobs and have also failed to move those relatively few who have participated out of poverty. Justification for public works programme expenditure as a means to “reduce social grant dependency” is a false one in the South African context, given this country’s non-existent social grant support for able bodied, prime aged adults.

2.6.2 Public-Private partnerships

Matisonn and Seekings (2003) note that organised business has consistently emphasised job creation through economic growth rather than poverty alleviation through state action. As a case in point, in an October 1998 business summit, representatives from Business South Africa (BSA), despite acknowledging the need to make meaningful and long lasting impacts on the South African unemployment crisis, made no mention whatsoever of a social security system or even of social assistance policies. Rather, the BSA emphasised the need to increase the rate of privatisation and “the appropriate function of labour market policy” to help develop a coherent agenda for growth and job creation (Matisonn and Seekings, 2003:69).

In 1999, the BSA stated that it was fundamentally opposed to a national social security fund which would meet needs usually associated with social security provision (Matisonn and Seekings, 2003:69). The BSA saw the development of such a fund as a “major inhibitor to economic growth and job creation.” This perspective increasingly seems to have increasingly informed the government’s policy and rhetoric.

Coleman (2003:125) argues that the ideology of what he terms a “slim state” (that of fiscal conservatism) has combined with the notion that the private sector is inherently more efficient and effective than the public sector. This has led to an increasing number of public-private partnerships and the contracting of state duties to private companies. Pheko (2005) argues that the increasing tendency to outsource basic services has been intensified by the government’s globalist approach which aims to secure foreign

investment and appease the international business community, often at the expense of the national interest.

Coleman (2003) maintains that this approach has had a disastrous effect on the ability of government to deliver on its development goals in an era requiring massive expansion of state capacity. He notes that this has created a vicious cycle in which the running down of state instrumentalities leads to an over-reliance on the private sector. Using the example of the Basic Income Grant (BIG), Coleman notes the irony of detractors who say that the state does not have the capacity to implement such a programme. He argues that many of those same detractors have an ideological or fiscal interest in increasing reliance on the private sector to the detriment of government instrumentalities.

The move towards outsourcing is strongly supported by the Centre for Development and Enterprise (CDE 2005), a conservative South African think tank. In a report entitled *Rethinking the Welfare State*, CDE makes the case for “incorporating the logic and the institutions of the market into state financed welfare programmes (CDE 2005:6). In addition the report casts aspersions on the very notion of social assistance. Claiming that cash assistance discourages beneficiaries to work and save, CDE advocates a system of work incentives and tax benefits. How such a policy package can be helpful in a country with close to 40 percent unemployment and where a significant percentage of the working population earn below the taxable threshold is not explained. The CDE report (2005:20) also argues that “there is evidence that points to the risk of creating dependency among welfare recipients” but does not reference any such “evidence.” Several of the guiding principles CDE promotes in the report, including that of targeted rather than universal benefits, are disturbingly reflective of government policy (or at least rhetoric and practice) in South Africa.

I maintain that the utilisation of public-private initiatives must be designed and regulated in such a way that primarily benefits those most in need of work and services rather than the profit-driven agenda of the private sector. McCord (2006), however, notes that in the context of public works programmes (a major source of public-private partnerships), incentives to use labour-based methods rather than mechanised methods are very weak.

Most critically, however, there are no incentives whatsoever for private companies to target the poor and they are not required to show any evidence of this in the reporting format. It is evident that, as they currently operate, the structure of public-private partnerships in South Africa reflect the needs, policy stance and ideology of the private sector rather than the needs of poorer South Africans.

2.6.3 Ideological preference for a residual-based welfare system

In the 1960s, Richard Titmuss codified a system of welfare approaches which reflected a debate at the time, one which is still highly relevant today (Hewitt, 1992). Among his classifications is the residual model. Embracing many of the principles of the classical economic theory, the residual model of social welfare is coercive in its approach to welfare consumers, highly selective in its targeting of services and minimalist in its actual level of support. The South African social grant system mirrors some aspects of the residual approach. More significantly, however, statements by government representatives concerning the need to “move people off” social grants and sentiments emphasising the clear distinction between “work” and social grants, indicate an ideological preference for the residual approach.

An increasing coercive approach characteristic of the residual perspective has been demonstrated by a 2005 multi-departmental investigation into “potential perverse incentives and dependency” of social grants (Presidency, 2005:1.5.1). Considerable resources have been put into this study with at least 14,000 households surveyed. The surveys are part of an investigation into of allegations of planned pregnancies in order to be able to claim social grants (Department of Social Development. 2006). This is a further indication of a shift to a more coercive approach. The sentiment of Finance Minister Trevor Manuel’s comment that “people must learn to work instead of living on handouts” (Cape Times, 2005a) is highly indicative of a value that underlines a residual approach to social welfare.

This comment by the Finance Minister again creates a false impression that there exists in South Africa a social assistance system that would enable people to choose between

social grants and work. The sentiment also creates an equally false impression that jobs are available to anyone who wants them. It is difficult to ascertain what “learn to work” means in an economic environment where the supply of unskilled and semi-skilled labour so vastly outstrips demand. One could be excused for thinking, given the minister’s comments, that unskilled positions go unfilled for lack of any applicants in South Africa (as is sometimes the case in areas of high employment in the industrialised north).

As of early 2006, the Department of Social Development (DoSD) was attempting to establish a committee of professionals for the second phase of its investigation into perverse incentives and dependency. The investigation is being conducted by the Social Security Branch of the department and involves considerable staff resources including researchers and field staff (Department of Social Development: 2006). The brief of the investigation includes labour issues in relation to dependency, behavioural issues and the survey of CSG claimants detailed above. The fact that considerable resources and energy are being put into this investigation, rather than, say, into more effective means to target eligible populations and to alleviate poverty, is indicative of increasing coerciveness and residualism in the government’s social welfare practice.

Coleman (2003:134) argues that the ANC’s commitment to a “comprehensive social security system” has been interpreted by technocrats to mean a consolidation of the existing highly selective and limited system, rather than an overhaul. He questions how this view could possibly be sustained in the face of such “massive shortfalls” in the current system. I would suggest that from the perspective of the residual approach to social welfare, *there is no shortfall*. From this perspective is sufficient enough that the South African social grant system targets poor elderly and disabled, and provides modest support to very poor children. The residual approach would see support for the unemployed or low-income working families as tantamount to undermining labour force participation.

A residual approach is inherently inappropriate for the situation in South Africa because it assumes, among other things that: 1) unemployment is a transient phenomena, 2) a full-time worker’s earnings are sufficient to support a family, and 3) most people will be able

to make private provision (such as taking out insurance policies) for eventualities such as sudden unemployment, illness or disability. None of these assumptions can be sustained in South Africa.

2.7 The role of social grants in promoting remunerative work

A study conducted by the Economic Policy Research Institute (EPRI) (2004) challenges the residual model notion, at least in the South African context, that social grants undermine labour force participation. In its examination of the impact of social grants on participation in the labour force the study found that: 1) social grants provide potential workers with resources necessary for higher risk job search activities, 2) living in a household which receives social grants is correlated with a higher success rate in finding employment, and 3) wage earners living in households receiving social grants are better able to increase their productivity and ultimately their income. These findings stand in stark contrast to the government rhetoric that social grants somehow inhibit the ability or the will to look for work.

A study by Posel, Lund and Fairburn (2006) reexamines econometric data from a former study by Bertrand et al (2003). Using data collected from an extensive 1993 survey, Bertrand et al (2003) found that receipt of a social pension had a negative impact on the working hours and employment rates of prime-age individuals who live with pensioners. Posel et al (2006) note that the Bertrand study defined “household members” as only those who had been residing in the home for more than half a month before the survey. Arguing that the reality of working life constructs families in South Africa very differently, Posel et al note that the practice of working away from home has a very long history in this country. The authors note that in 1993 more than 60 percent of prime age labour migrants were non-residents of households eligible for aged pension (Posel et al, 2006).

Noting that the findings of the Bertrand et al (2003) could be used to reinforce the concept of “welfare dependency”, Posel et al reexamined the data of the former study taking into account the structure of the *actual* family systems (rather than an imposed

one). Their findings strongly point to a situation in which social pensions actually *increase* the labour supply, thus supporting the findings of the EPRI (2004) study. Posel et al (2006) conclude that receipt of a social pension in a household facilitates the migration of woman to either undertake paid work or look for the same. The authors also found claims of the Bertrand et al (2003) study that receipt of a pension inhibits male members of that household entering the workforce to be “neither robust or reliable” (Posel et al, 2006:3). Posel et al postulate that reasons for the positive affect household pension receipt has on the ability of woman to look for work may include: 1) that migration for work purposes, which would otherwise inhibited by a lack of income, is made possible by the pension money, and 2) that the resident pensioner (usually a grandmother) has the financial ability care for the children freeing the mother to look for and undertake paid work.

As noted by Coleman (2003) the notion that poor people will somehow become passive and not wish to work because they are receiving a grant is utterly unsubstantiated and a distortion of the reality of the South African situation. Further supporting the conclusions of EPRI (2004) and Posel et al (2006), Coleman points to international findings that social grants can help act as a bridge to jobs and other economic activity. The irony of the widespread belief that social grants inhibit job search is shown by both the EPRI and Posel et al studies to be baseless. Yet it is this very belief that informs “welfare dependency” stereotyping and the rhetoric surrounding the government’s refusal to significantly expand the safety net.

Beyond merely alleviating poverty, it is clear that receipts of social grants in a household boosts a prime-age family member capacity to enter the workforce and thus improve its overall socioeconomic condition. A truly effective anti-poverty strategy in South Africa would afford all people a Basic Income Grant (BIG) to help them improve their access to the labour market. A BIG would help ensure that: 1) unemployed persons could undertake intensive skills training or education to improve their chances of securing work without worrying about their family’s survival for the duration, 2) people could undertake higher risk job search involving expenditure, and 3) people’s overall health improves

(through better nutrition and the ability to access health services) which would enhance their ability to undertake demanding full-time work and undertake intensive job search.

2.8 “Dependency” and the Basic Income Grant (BIG)

The increasing public discourse around “welfare dependency” identified by O’Connor (2001) became even more apparent with the release of the Report of the Committee of Enquiry into Comprehensive Social Security for South Africa in 2002. A core recommendation of the report was the establishment of a Basic Income Grant (BIG) for all South Africans (Taylor et al, 2002).

In opposing BIG, Land Affairs Minister Thoka Didzia made the comment that “the possibility of such a grant creating dependency should be considered” (Meth, 2004:12). But perhaps the most illustrative response, as recounted by Matisonn and Seekings (2003:65), came from government spokesperson Joel Netshitenzhe in July 2002. Netshitenzhe noted that the government was moving towards “a rather different philosophy” to that underlying the Committee of Enquiry’s report and noted that able bodied adults “should enjoy the dignity of work” rather than having to rely on social grants. A notion evinced by this statement is that receiving a social benefit is somehow “undignified.” This kind of aspersion contributes significantly to the development of the dependency stereotype and other negative stereotypes.

Coleman (2003:122) argues that the use of the term “dignity of work” in this context is “pure ideology.” He notes that the reality of the South African situation is that the millions of poor people have access neither to a social security safety net nor to the prospect of steady, formal employment. For them, the rhetoric of “enjoy(ing) the dignity of work” is meaningless and even cruel. The belief that social grants cause dependency is further emphasised by the government treating social grants and employment options as if they are (or at least should be) mutually exclusive. An underlying notion, implied in this supposed dichotomy, is that if someone is undertaking paid work they will earn enough to protect themselves from poverty and not require any social assistance.

Yet, a reality for millions of South Africans, particularly those working in the informal sector, is that being engaged in full-time income generating activity is not enough to guarantee a decent living. In fact, according to Business Report magazine (Pela, 2005), the average income of a worker in the informal sector is approximately *one-sixth* of the average income of a formal sector worker.

Most concerning about the “dignity of work” notion, however, is that it constructs the receipt of social grants as the problem rather than existence of the recipient’s poverty itself. This suggests a notion that *any* work at *any* pay is preferable to receipt of a social grant. The logical social policy goal that this value gives rise to is to shift people off social grants (or discourage application) rather than developing measures to combat poverty, both working and non-working forms.

Patricia Martin (2004a) traces a number of what she sees as myths and allegations that have arisen around social security, particularly in the light of the public debate around the Basic Income Grant (BIG). One of these, a comment Martin attributes to a European Union consultant to the South African government on social welfare spending, was that expanded social security “creates a dependency syndrome breeding laziness among young men and woman who should go out and make a living” (Martin 2004a:1). Martin also identifies other prevalent myths which she believes inform this school of thought. These include: 1) that employment guarantees sufficient income to cover the cost of a family’s basic needs, and 2) that the unemployed have the skills and capacity to be readily absorbed into the job market.

I hypothesise that an analysis contrasting: 1) the average wage levels of unskilled jobs with the level of income required for a family to move out of poverty³, and 2) the labour demands of sectors of job growth with the predominant skill set of the unemployed, would utterly confirm Martin’s casting of the above-mentioned contentions as myths. Yet, it is such contentions that continue to subtly inform public policy as demonstrated

³ For the purposes of this study, “poverty” is defined per Townsend’s definition of “relative poverty” (see Definitions, chapter 1 pp 5-7).

by the means tested exclusion of most working families from receiving CSG and a lack of a mass national effort to develop relevant skills among the unemployed.

Commenting on a 2002 paper entitled “Social Transformation” presented at the 2002 ANC conference, Meth (2004) suggests as naïve the concept that if the appropriate enabling structures can be established most of the poor would be able to simply lift themselves out of their poverty. This notion would cast social welfare grants as socially undesirable. The paper strongly pushes the notion of “self reliance” and after underlining the importance of “mobilizing people to lend a hand” states that:

“Any discussion of social security that does not bear this in mind is likely to reduce our people to victims that must wait for handouts from the state in order to survive.” (ANC 2002:62)

In a similar vein, Matisonn and Seekings (2003) note that a support for BIG was tempered by a profound paradigm shift in the national Department of Social Development (DoSD) away from “hand-outs” (which supposedly promote dependency) towards promoting “self sufficiency” and sustainable development. The shift had been evident as early as January 2000 when the Minister for Social Development stated, in reference to building a new social security system:

“Such a system must reduce dependency on non-contributory cash payments and give consideration to food security.” (Ministry of Social Development, 2000:63).

Matisonn and Seekings (2003:63) charge that the department’s Ten Point Plan reflected both a “deserving poor mentality” and the idea that “the destitute are incapable of managing money responsibly and will drink the BIG and fail to seek work.”

Matisonn and Seekings (2004:64) also note the extreme opposition by the Department of Finance to BIG on the basis of what it labelled “economic populism” that would supposedly deter investors and erode economic growth. The same authors had previously identified, however, that critics accused the department of using broad stroke fiscal arguments such as these to mask ideological positions on developmental priorities which

2.9 Detraction from critical goals

In addition to inhibiting the development of a much-needed more comprehensive social security system, the promulgation of “dependency” and other negative stereotypes in South Africa may seriously undermine, or at least detract attention away from, the urgent need to ensure higher uptakes of social grants by those who are entitled to them. A critical case in point is the Child Support Grant (CSG).

Regulations of the Social Assistance Act stipulate that in order to qualify for Child Support Grant, the caregiver must provide their own identity document as well as the birth certificate of the child. Such documents are only obtainable through the Department of Home Affairs. In many parts of the country, but particularly in remote rural areas, Home Affairs has a severe lack of capacity to produce ID documents. According to the Alliance for Children’s Access for Social Security (ACCESS, 2005), many new mothers are also unable to obtain birth certificates through Home Affairs.

The following chart demonstrates the extent of the problem. Children are admitted to hospital suffering from malnutrition but, in many instances, hospital and DoSD social workers cannot assist the caregiver to obtain the Child Support Grant because (in this instance) Home Affairs has not issued a birth certificate.

**Table 1: Malnutrition admissions without birth certificate- 2004
Former region E hospitals**

Hospital	Malnutrition Admissions	Without Birth Certificates	Percentage
Sipetu	81	52	64%
Holy Cross	40	24	60%
St. Patrick’s	72	35	49%
Bambisana	79	37	47%
Taylor Bequest	35	25	71%

(Source: University of the Western Cape, School of Public Health, 2004)

It should be a top national priority to ensure that such applicants, many of whom are literally facing the possibility of starvation, are afforded their basic constitutional right to social security. Allegations concerning, and pre-occupation with, young woman becoming pregnant to receive the grant can only detract from this critical goal. The DoSD's "perverse incentives and dependency" investigation (Presidency, 2005) further entrenches this trend in thinking away from ensuring fulfilment of rights towards coerciveness and stigma. The Alliance for Children's Entitlement to Social Security (ACCESS, 2006) note that, while there has been steady progress in extending CSG to children over seven years of age, there are still an estimated further four million eligible children (out of an approximate eligible total of 11 million) that are still not receiving the grant. Yet, precious resources are being used to investigate the allegation of deliberate pregnancies, resources which that would be far better utilised to help target the estimated eligible four million children in need of CSG.

The very fact that poor unemployed young woman in South Africa are not able to secure any income for themselves may drive many into forming partnerships with older men in which they grant sexual favours in return for money or goods. Others may turn to a life of prostitution. This has extremely dire implications for public health and in particular the spread of HIV/AIDS. The Treatment Action Campaign (TAC) believes that the implementation of Basic Income Grant (BIG) may be an effective HIV/AIDS preventative measure (Geffen, 2006). Goldblatt (2004) also challenges the increasing stereotyping of teenage girls who are accused of becoming pregnant to obtain child support grant (CSG). She notes that many in society, including people in government, churches and the media seem to take this unsubstantiated link for granted.

If the Cabinet and the DoSD wish to examine empirical evidence on the issue of planned pregnancies to facilitate CSG claims, they need look no further than a 2003 comprehensive survey of adolescents and teen parents undertaken by the Planned Parenthood Association of South Africa (PPASA, 2003). More than half of the female survey participants had been pregnant. The survey found, inter alia, that only 9,2 percent of these pregnancies were planned. Of these, less than half were found to have become pregnant in order to claim Child Support Grant (PPASA, 2003:16). Even more recently,

Case et al (2005:3) found that only 3.7% of children in the CSG system have teenaged mothers as compared to 8.7% of children not in the system. The authors note that older mothers claim CSG in disproportionately higher numbers than teenagers.

To the extent that the practice of deliberately becoming pregnant to facilitate claiming CSG does actually occur, I would suggest that the policy question should not be one of “how do we discourage such behaviour among young woman” but one of “why do some young woman feel that this is the only viable option to obtain a miniscule income.” I would also suggest that rather than being so concerned about the intention of some teenagers to have a child in order to claim CSG, the government should be much more concerned over the fact that these women are having unsafe sex and are therefore placing themselves and their children at risk of HIV-infection.

The preoccupation with the pregnancy-CSG issue, and with issues of “dependency” generally, also serves to shift DoSD’s attention and resources away from the growing incidence in South Africa of child-headed households. This growing social phenomenon, caused largely through the AIDS pandemic, calls for a policy to deliver urgent income support. The Alliance for Children’s Entitlement to Social Security (ACCESS 2005b) has noted the difficulties experienced by many child-headed households in securing social grants for reasons ranging from the lack of acceptable documentation to an inability to secure required adult sponsors. In the context of the urgent and critical need of these families, notions of “dependency” are absurd. In addition to a range of other critical social services, such families need immediate and ongoing income support to ensure their basic sustenance.

2.10 Economic policy and the affordability of a BIG

Concerns over “dependency”, in the United States and now increasingly in South Africa, are synonymous with the promotion of a free market economy with faith in “trickle down economics.” The concept of “dependency” and other negative stereotyping of welfare recipients by the Reagan Administration in the 1980s (taken up with expanded vigour in

the mid-1990s) were the “other side of the coin” of the notion that policies benefiting the wealthy will somehow ultimately “trickle down” and benefit the poor. It is necessary to create notions of “welfare dependency” as a tool of political rhetoric to help further a laissez-faire economic agenda

Desai (2005) points out that classic economics would have it that there is a corresponding job growth with an increasing GDP. Yet, an economic growth rate of 5 percent in 2005 (Manuel, 2006) did not prevent an increase in the official (narrowly defined unemployment) rate to 26,7 percent from 26,2 percent (Statistics South Africa, 2006a). Desai (2005) notes that, even for many of those who are employed, the labour market does not come even close to providing the necessary opportunities for a decent life for millions of South Africans.

Van Ginneken (2003) warns of the danger in applying classic economics notions to developing countries. He notes that classical economic theory traditionally anticipated that all workers (worldwide) would ultimately find themselves in permanent, formal sector employment as long as economies continued to grow. He further notes, however, that in developing countries in particular, experience has proven the exact opposite. The stark reality is that steady employment will be out of reach for millions of South Africans for the foreseeable future. Protecting such people from extreme poverty should be a top national priority and the development of a Basic Income Grant (BIG) would be a significant step toward that goal. The continued efforts to grow the economy and to stimulate business through tax cuts (consistent with the “trickle down theory”) has not the effect of relieving poverty.

Consistent with the government’s economic approach, however, is the claim that a BIG would be unaffordable. In his 2006 budget speech, Trevor Manuel (2006) noted a surplus of revenue collection of R42,1 billion (largely brought about by greater efficiencies in tax collection efforts). At the same time, he announced a package of tax cuts to the value of R19,1 billion. These cuts will apply to personal income tax, capital gains, estate duties, inheritance taxes and a range of corporate taxes.

Revenue increases in South Africa in recent years have been staggering. From R299,43 billion in 2003/04, collection increased to R349,2-billion in 2004/05 to R411,1 billion in 2005/06 (Business iafrica 2005, Manuel 2006). The conservative revenue estimate for 2006 is R446.4 billion. Combining the 2005 surplus with the 2006 tax cuts would make a total of R67,3 billion. In the hypothetical situation of this amount being divided into a monthly income for all 46,9 million South Africans over one year, the amount of that monthly income would be approximately R109., slightly more than the R100 amount recommended for a BIG by the Taylor Report (Taylor et al, 2002) .

In August 1999, Trevor Manuel stated that “there is a South African reality that we are a poor country” (Cape Times, 1999), a theme he was to repeat in the years to follow. This belief is also sometimes reflected by key corporate figures. In 2002, Dawie Roodt, an economist for a financial services corporation, in warning of what he saw as the negative economic effects of increased government expenditure, stated:

“...we have to realise that South Africa is a poor country and that the State cannot be everything for everybody” (SA FM transcript, 2002).

In November 2004, private sector economist Mike Shussler (South Africa.info, 2004) challenged the widespread notion in business and government that South Africa is “a poor country.” Quoting World Bank figures based on purchasing power parity that puts the country 19th in the world economic top twenty, Kramer commented: “If you still think this is a poor country, you need your head read” (South Africa.info 2004:1). In the more than two years since he made this statement government revenue intake has increased very substantially. I contend that rather than being related to an objective lack of affordability, the refusal to create a BIG, or indeed to substantially expand the social grant system, is a *policy choice* regarding the priority use of available public funds.

2.11 Conclusion

The dawn of democracy in South Africa in 1994 brought with it the hopes of many that political transformation would lead to a substantial alleviation of poverty. Twelve years

after this historical transition, millions of South Africans in dire need are still not afforded income support by the national government despite a political and constitutional mandate to implement a comprehensive social security system and the financial ability to do so.

Increasingly, and in particular following the release of the Taylor Report in 2002, notions of “welfare dependency” have been introduced into the public discourse around social grant policy, predominantly by figures in government. This has contributed to a groundswell in the belief that social grants somehow inhibit and sap the will of people to undertake or search for paid work. As demonstrated by studies undertaken by the Economic Policy Research Institute (2004) and Posel, Lund and Fairburn (2006), however, the reality is precisely the opposite: social grants receipt in a household facilitates the ability of members of that household to look for and secure paid work.

Notions of “welfare dependency” are often synonymous with other stigmatising labels suggesting a tendency to laziness, promiscuity, dishonesty or other anti-social behaviour. Such notions undermine the dignity and the rights of poor South Africans, go against the spirit of the constitution and also inhibit the development of much needed macro-measures, such as the guarantee of a basic income, which would substantially alleviate income-poverty in this country.

Behind such rhetoric by the government, however, lies a commitment to free market economics and a determination to ensure that South Africa retains and enhances its status as a magnet for foreign investment. The government perceives that to ensure this it must restrain government expenditure, minimise budget deficits and reduce corporate taxes. The government concurrently refuses to expand the scope of the social welfare system to meet the critical needs of all. Far from an inability to afford such an expansion, the government has simply made a policy choice that its fiscal priorities lay elsewhere. This policy choice is, in turn, informed by values which: 1) champion the role of the private market in addressing socioeconomic problems, and 2) support the creation of “ideal” economic environment for international capital which includes low corporate taxes, and 3) support a minimalist and residual social welfare system.

Rather than taking decisive action to relieve mass poverty, government priorities lie in encouraging continued rates of high economic growth in the vague hope that the market will ultimately provide jobs for the unemployed. Interventions to facilitate this, such as public works programmes, are utterly unsuited to the chronic, mass and structural characteristics of unemployment in South Africa.

Despite discernable progress in recent years in areas such as infrastructure development and education, the failure to comprehensively address the basic material needs of the poor is an unfortunate aspect of contemporary South African social policy. The promotion of a dialogue which maligns those in need, which promulgates false stereotypes and utterly misrepresents the value of comprehensive social security with the goal of supposedly enhancing South Africa's participation in the global economy for the benefit of a wealthy few, can only undermine this nation's democratic transition. I strongly maintain that the implementation of a Basic Income Grant for all citizens would broaden the scope and deepen the significance of South Africa's democratic revolution.

Chapter Three

Case study on Australia

“...we can’t abolish poverty because poverty is in part a function of individual behaviour⁴.” (Former Australian Minister for Employment, Tony Abbot).

3.1 Introduction

In the first half of the twentieth century, Australia earned a reputation for being the “social workshop of the world” (Leigh 2001). From the 1940s to the mid-1970s, the nation progressively developed a comprehensive social security system. This was underlined by a broad consensus that all Australians had the right to basic material security and that an affluent society had a fundamental responsibility to support the well-being of all its members. The dismantling of that consensus and the concomitant demise of the welfare state has been characteristic of Australian social policy since the late 1970s and in particular from 1996 when the conservative Howard government was elected.

As argued by Hartman (2005), neoliberal states increasingly employ anti-welfare rhetoric to facilitate the achievement of a critical component of neoliberal governmentality: the abolition of as many welfare entitlement provisions as possible. In this chapter I aim to demonstrate that the concept of “welfare dependency,” which has increasingly become part of the Australian public discourse on social security, is predominantly a construction of the government and other proponents of neoliberalism. I will argue that the goal of this social construction is the decimation of the Australian welfare state and the social rights on which it was based. This, in turn, is part of an attempt to minimise the scope and spending of government, reduce tax burdens for corporations and force people into low wage jobs thus making Australia as attractive as possible for global capital.

⁴ Quoted in Hartman 2005:1

3.2 Historical background and context

In terms of political rights, Australia was the first country to introduce the secret ballot and the second to grant women the vote. The country was also among the first to secure social rights and the entitlement to a fair and reasonable wage was enshrined by a landmark court decision in 1908. Also in 1908, the commonwealth government introduced means-tested old age and invalid pensions superseding existing state-based schemes (Commonwealth of Australia, 1986). These pensions were funded through general revenue, not through contributions to a separate fund, a model that continues in Australia to this day. In 1912 the Commonwealth introduced a maternal allowance, a one time cash benefit paid directly to a mother on the birth of a child.

It was only in the 1940s, however, that a comprehensive national social security system was developed. Non-means tested ongoing child endowment payments were introduced in 1941 and widow's pensions in 1942. Funeral benefits and pensions for the wives of incapacitated men followed in 1943. In 1946, the Commonwealth (following the passage of a national referendum on the matter) assumed responsibility for all unemployment and sickness benefit payments. These benefits, like pensions, were funded through general revenue (Commonwealth of Australia, 1986).

Australia's multi-faceted experience in World War II (being deeply involved in both the western and eastern theatres from beginning to end) including its vulnerability to invasion, the deprivations this necessitated and the social cohesiveness that resulted, helped create a socio-political environment in which expanded social security measures were demanded. As in the UK, the experience of the war in which so many had suffered created a sense of greater social responsibility to make the ensuing peace more meaningful to all. This strengthening of social solidarity helped create recognition of the prime importance of social security as a national issue and contributed greatly to the development of a more comprehensive social security system. This coincided with the tenure of a reformist labour government (1940 to 1949) with a platform that included major social security reform.

The necessities of war had led to a much stronger role by the federal government and this also challenged Australia's decentralised, state-dominated system of government. A greater acceptance of a role by the federal government was combined with a sense that all Australians, after the experience of the 1930s depression and the war, had the right to have their basic needs met. Mindful of the proposed changes to social security on the agenda of the labour government, Australians voted in 1946 to amend the constitution to give the federal government power over social services (Carr, 2005). This was a very rare amendment of the constitution. Australia's historical egalitarian approach to social class and industrial democracy issues provided a firm foundation for the broadening of the social contract to develop a comprehensive and national social security system.

Some further liberalisation and modest expansion of eligibility continued throughout the 1950s and 1960s. In 1973 pensions were introduced for single non-working mothers and this right was extended to single fathers in 1977. In 1975 the means test for the old age pension was abolished and all pensions were increased to, and pegged at, 25% of national average earnings. Other targeted non-means tested benefits such as payments for people caring for disabled relatives or orphaned children were introduced. Ongoing rental assistance subsidies were introduced which were eventually extended to all pensioners, unemployment and sickness benefit recipients, and low-income working families. Universal health coverage was introduced in 1975, the same year that all fees for higher education were abolished. Many of the reforms in this period were implemented by the highly reformist Whitlam labor government which governed from 1972 to 1975. The Whitlam government, elected on a platform of far-reaching social change, saw the expansion of social security entitlement as central to its goals of achieving greater social equality and eliminating poverty in Australia.

It must be noted that access to social security cannot be viewed as "universal" until 1967 because Australia's indigenous people were excluded from these benefits, and indeed from most social and political rights afforded to the rest of the population. The Australian constitution specifically excluded indigenous people from the privileges of citizenship. The lack of civil and political rights aside, this left virtually all indigenous

communities in a state of poverty or destitution. State-based departments of “native welfare” were responsible for material support for indigenous people – invariably at lower levels than national social security. In 1967, a national referendum gave the indigenous people rights of citizenship, which included national social security rights. In practice, however, these were not fully afforded for many years.

Following three decades of solid post-war growth and an abundance of jobs in primary industry, Australia’s fortunes began to wane in the mid-1970s. A dip in mineral and agricultural markets, sectors which firmly underpinned Australia’s prosperity, reduced Australia’s export earnings as did the loss of the favoured UK export market after that country joined the European Common Market in 1974. By the early 1980s these factors greatly contributed an unprecedented trade imbalance and a large national debt. Having achieved full-employment in 1973, unemployment began to plague the Australian job market by the mid-1970s and by 1983 had reached over 10 percent, a rate not seen since the great depression of the 1930s.

Beginning in the late 1970s the social security system, along with other public entitlements, began to be rolled back. In the mid-1980s universal family payments were abolished and a means test introduced. A means-test for aged pension was reintroduced and, by the early 1990s, sickness and unemployment benefit eligibility had been significantly tightened. Universal free education had also been abolished by 1990. The election of the conservative Howard government in 1996, however, resulted in a more full-frontal assault on the social security system. A much more coercive approach began to characterise social security policy affecting recipients (and deterring potential recipients) in almost every class of benefit and pension.

In 2002, as one of many examples of similar actions, the government cut the rate of disability pension by \$52 per fortnight. Also beginning in 2002, all persons between the ages of 18 and 49 in receipt of unemployment benefits for more than 6 months were forced into the “Work for the Dole” scheme (Australian Broadcasting Corporation, 2002b). Highly reminiscent of the United States’ “workfare” which had been introduced

some years earlier, the “Work for the Dole” scheme pays significantly less than the legal minimum wage. Pension eligibility for sole parents and for people with disabilities was also increasingly restricted.

The government’s coercive approach to social security became more evident in 2005 with the introduction of: 1) even harsher obligations and penalties for the unemployed, 2) the introduction of penalties and obligations for single parents and disability pensions to force them into the workforce, and 3) further restrictions on eligibility (ACOSS, 2005). The Australian welfare state, so many decades in the making, had been largely reduced to a residual rump. The extent to which the Australian social welfare system has ceased to be in any way an effective means for reducing inequality is illustrated by the fact that, aside from the United States, it is the only highly developed country in which public income transfer programmes do *not* reduce the Gini coefficient⁵ by more than one-third (da Rocha Roquete, 2004).

3.3 Analysis of historical background

I contend that that the demise in the Australian welfare state was related to misperceptions concerning the shift of the country’s economic fortunes. Until the 1970s, successive Australian governments had largely failed to adequately invest in developing secondary and tertiary industries and the country consequently became extremely dependant on its primary industries. When the markets for these products began to crash much of the blame for the negative economic consequences became focused not so much on the narrow and inadequate development policies of various governments, or even on international macroeconomic factors, but on the country’s systems that were in place to ensure decent standards of living. Over time, the long-standing policy of a “fair and reasonable wage” came to be framed as a luxury the country could not afford. And, more and more, the social security system came to be seen as not only an unaffordable drain on

⁵ A Gini coefficient of 0 would indicate a situation where everyone has the same income and owns assets of the same value while a Gini coefficient of 1 would indicate that all resources are owned by a single person.

precious public resources but somehow partially responsible for the country's economic woes by providing an incentive to not be economically "industrious."

In describing the institutional model of social welfare, Mishra (1999:116) argues that the philosophical underpinning of the post World War II welfare state has been that of "the social rights of citizenship in a modern democratic state." Until at least the 1980s I would argue that this description was highly apt for the Australian social security system. In addition the country, a mixed economy in which both the role of government and private enterprise were encouraged, had strict centralised wage fixation and an extremely accessible education system (free at all levels from 1975 to 1988).

Consistent with the perspective described by T.H Marshall (cited in Mishra, 1999), Australia's social rights followed the establishment of political and civil rights and reached their full extent a few years after the emancipation of the country's indigenous people. By the 1970s, social rights in Australia had been almost elevated to be on a par with civil and political rights. This was illustrated by universal entitlement to family payments, near-universal old age pension and a broad array of other payments supporting many categories of people with a range of different needs.

The history of the Australian welfare state, particularly from the 1940s, was one of a gradual shift towards an institutional model that, by the mid-1970s, was supported by an underlying socio-political consensus that the right to social security should be an integral part of citizenship and should serve a wide range of needs. The concept of "welfare dependency" would be an anathema to the institutional model which necessarily embraces social rights as inseparable from the rights of citizenship. Yet, increasingly, the charge of "welfare dependency," and a range of other stigmatising notions that accompany it, have been used to undermine what was once broadly a solid right to social security.

The shattering of what remained of the public consensus concerning social security has largely been achieved by the reinventing and strengthening of such notions by the

Howard government. The image of the “dole bludger” (a slang term for one who receives unemployment benefits with supposedly no intention of finding work) is well established in the vernacular of Australian folklore. In 2002, the Minister for Employment Services, Mal Brough, declared that at least one in six persons receiving unemployment benefits did not wish to work and labelled them “quintessential dole bludgers” (Australian Broadcasting Corporation, 2002b). Minister Tony Abbot stated that unemployment was primarily an “attitude problem,” a moral failure to cultivate a proper work ethic (Everingham, 2003:50). From 2003 the government implemented its “Mutual Obligation” scheme which made the unemployed work for their benefits along with other coercive, stigmatising and burdensome measures. In 2005 sole parent and disability pensioners were, for the first time, subjected to similar onerous conditions.

Everingham (2003) notes that the Mutual Obligation scheme indicates in Australia a shift in policy away from the inclusive discourse of the rights of all citizens toward the obligations of particular citizens. Concurring with Mishra (1999), Moss (2005) argues that the shift from a system of entitlement to one of increased conditionality has been accompanied by a shift in the moral and political assumptions underpinning those welfare systems. In Australia this ideological shift has been accompanied by the introduction of progressively harsher requirements which recipients have to fulfil pursuant to the ethos that they 'give something back' to the community that supports them (Department of Training Education and Youth Affairs, 2005:1). This process has been supposedly justified by the obligation generated merely by the act of receiving income support.

Hartman (2005) notes that welfare reform in Australia has been driven by the discourse of welfare dependency and the detachment from society it is alleged to produce. Accepting that “welfare dependency” is the mantra used to drive the shift in Australian social welfare policy, it is important to address two corollary questions:

- 1) How have governments and other stakeholders managed to shatter the post-war institutional welfare consensus?
- 2) What are the underlying assumptions and motivations that have led to the progressive dismantling of the Australian welfare state?

3.4 Downward Envy

Throughout social and political history governments have often sought to divide their constituents, setting one group against another, to promote agendas that would be impossible to implement should such groups be united. To achieve such division it is necessary to cast one group as the proverbial “other” that has unfair advantages over the original group. Furthermore, the “unfairly advantaged” group must be assigned character defects, such as (in this case) laziness, a propensity to dependency and even moral corruption. In Australia, I note that economically marginalised groups have been increasingly singled out for the expression of popular prejudices and political opportunism. But most significant is the manner in which much of the working population have come to hold negative views of welfare recipients, including the view that social security payments cause dependency.

Everingham (2003) argues that working class and lower-middle class Australians are particularly vulnerable to the negative effects of globalisation and are disillusioned with the inability of their political leadership to address their insecurities. In fact, Lloyd et al (2004) found that a full 16 percent of those in poverty are full-time wages earners. This is, in part, attributed to the increasing casualisation of labour. Many find that their employment status is tenuous, some find that their small businesses may be losing out to large corporations and others have seen real declines in their wages. Virtually all working class and lower-middle class Australians have witnessed a significant decline in their social wage (e.g. the demise of the national health insurance system) and a reduction in public services.

Arising from such insecurity and resentment is a tendency to see any group that receives direct assistance, such as most categories of social security recipients, as a special interest group. Spurred by government and media rhetoric, this results in what Everingham (2003:42) terms “downward envy,” in which people direct their hostility to the most marginalised groups. Prime Minister Howard’s rhetoric over what he terms the “forgotten people” (i.e. working Australians who do not claim social security benefits) is intended to

The rate of child poverty currently stands at 16.2 percent (Saunders, 2005) up nearly four points from the mid-1980s. Another notable shift that occurred between 1995 and 2005 was a decline in the income share of the lowest quintile of the population and an increase in the top decile (McCrossin, 2005). While this indicates that “downward envy” is utterly illogical, the phenomenon continues to create resentment against the poorest.

3.5 Devolution of social welfare

An important underlying motivation behind the Australian government’s attacks on the welfare state, and the negative stereotyping of recipients that accompanies it, is a general desire to reduce the overall scope and responsibilities of government. In this sense the supposed “devolution” of welfare and other services to private organisations, both for-profit and non-profit, is largely a means to help achieve not only the reduction of expenditure but also of the service function of government.

Ideologically, this represents a belief, highly characteristic of the residual approach to social welfare, that government should not itself administer services to meet basic needs. Strongly linked to this concept is the notion which Zeylmans (1999:1) terms “moral individualism.” Every individual is seen to have a responsibility toward the “truly needy” and is encouraged to become involved in civic or religious organisations which assist the poor, rather than delegate his responsibility to the government. The process of devolution of welfare services greatly complements this notion which provides a smokescreen to help the government justify its abandonment of social responsibility.

Saunders (2005) notes that the Australian government has in recent years increasingly relied on competitive bidding between non-government agencies to deliver its social programmes. Such organisations are often collectively referred to as the “the community.” This “community,” however, is largely composed of business organisations and charitable organisations primarily run by churches. Everingham (2003) notes that this model is highly reminiscent of the charity model of the welfare system of 19th

century Britain and Australia. I would add that a much more recent comparative example is that of the Bush Administration's "faith-based initiative" in the United States which critics claim has inadequate protections against proselytising and discrimination in hiring and in providing services (Public Broadcasting Service, 2005a).

Saunders (2005) argues that Australia's non-government welfare institutions are too fragile and under-capacitated to withstand current pressures being foisted on them. The Australian Association of Social Workers (2003) notes that while the government has shifted costs and responsibilities to the non-government welfare sector there has been no corresponding effort to build that sector's capacity. The government's action in reducing welfare expenditure, eliminating services and infrastructure has placed further pressure on a sector already under considerable stress.

I contend that the rhetoric behind devolution, extolling as it does the efficiency and effectiveness of the non-government sector, is part of an attempt by to undermine the whole concept and role of government in ensuring social rights. Devolution of services is socially irresponsible because it is clear that the non-government social service sector in Australia simply does not have the capacity to meet the enormous range of needs of the poor. Nor is there any national programme (or funding) to build such capacity.

Giddens (2001) argues that voluntary groups do not offer a substitute for accountable government in the delivery of social services and notes that democracy and the rule of law are necessary for controls over the civil sphere. While thoroughly acknowledging that there should be a significant role for community-based organisations in the provision of social services, I maintain that these cannot replace the role of government. Decisions concerning the basic livelihood of the population should not be left up to private agencies or businesses which can too often make their decisions (and orientate their services generally) on the basis of their own subjective interpretation of the person's rights. Such organisations lack the mechanisms to help ensure public accountability, tend to be less transparent and are much more difficult to monitor and audit than a single government department.

3.6 “Corporate welfare”

While notions of “welfare dependency” have increasingly become part of the Australian political discourse there appears to be a great deal less discussion of dependency of corporations on tax-payer funded subsidies. Such subsidies have increased since the 1980s. Journalist Gerald Tooth (Australian Broadcasting Corporation, 2002b) calculated that in 2002 alone, approximately 14 billion dollars were spent in direct subsidies to private enterprise. Tooth notes:

How do you explain to someone who's facing having their disability pension reduced, or their access to pharmaceutical benefits limited, that this government's welfare crackdown doesn't extend to the corporate sector? (Australian Broadcasting Corporation, 2002b:3).

Federal Industry Minister Ian MacFarlane claimed that such expenditure (which included large subsidies to multi-national companies) should not be seen as corporate welfare but rather as business investment (Australian Broadcasting Corporation, 2002b). The minister argued that most of this money would be recouped through the taxation system as corporate productivity increased. Mishra (1999:44), however, points to evidence uncovered by Australian taxation authorities that in Financial Year 1993-94, sixty percent of multinational corporations paid no taxes whatsoever. In 1998, News Weekly magazine corroborated that 60% of the transnationals operating in Australia pay no taxes and that the remaining 40% pay relatively little (University of New South Wales, 2005).

The opposition spokesperson for industry noted that in a political climate where individual welfare dependency is seen as the eighth deadly sin, there is a deafening silence when it comes to corporate welfare. Despite this recognition of the problem, Tooth notes that subsidies to multinationals have increasingly enjoyed bi-partisan support in Australia (Australian Broadcasting Corporation, 2002b). The acceptability of corporate welfare has helped facilitate a shift in the political discourse from “welfare rights” to what Bedggood (1999:1) calls “market rights.” The free market has been held

up more and more as the only solution to social ills including unemployment. Conversely, the social security system has been increasingly attacked as a drain on public resources which causes dependency and inhibits participation in that otherwise panacea-like market. Corporate welfare, therefore, is justified on the basis that it supposedly enables corporations to do their part to help break the imagined “welfare dependency” cycle. On another level, the provision of corporate welfare underlines a belief that what is good for corporations is good for the people. Considering the predominance of “trickle down” theory in the contemporary Australian economic discourse (McCrossin, 2005), it would follow that corporate welfare would also be justified on this basis.

3.7 Ideology over need

The notion that the scaling back of social spending is made necessary by genuine financial concerns is attacked by economist Peter Saunders (2005). In a thorough study of Australian public finance capacity, Saunders goes as far as to argue that not only are attacks on welfare spending unwarranted, but that the nation can afford to entirely eliminate financial poverty. He contends that the fact that there is no commitment to do so is a matter of choice and not affordability. This position supports the contention that the attack on the Australian welfare state is based on ideology rather than genuine financial concern.

The promulgation of the “welfare dependency” stereotype in Australia helps prevent the development of policies to address critical issues such as the economic marginalisation of the low-skilled and increasing child poverty. Demonstrating the falseness of the contention that more people are “dependant” on welfare, a report by the Australian Council of Social Services (ACOSS, 2005) notes that reliance on income support benefits had been steadily falling for seven years. The report further notes that the real challenge is the fact that one and a half million social security recipients are unemployed after years of strong economic growth. To seriously address this challenge, the government would have to concede the ideologically unthinkable, namely, that 1) economic growth alone

does not necessarily produce jobs, and; 2) far-reaching and decisive government intervention (including the maintenance of a comprehensive social security system) is essential to ensure the well-being of a significant portion of the Australian population.

The ideology of the current Australian government, and even of the supposedly more progressive opposition, is that the market has the capacity to absorb most of the unemployed and that to access these jobs is predominantly a question of effort. Such an ideological stance flies in direct contradiction to the current realities of the Australian labour market. Henman and Perry (2002) argue that, far from any decline in the work ethic, the number of people without jobs has been falling and the proportion of people actively seeking work has been rising. They note that what has occurred in Australia is a *redistribution* of jobs in recent decades. People who lose jobs in periodic cycles of recessions do not necessarily obtain new jobs once the economy recovers. In fact, the Australian Council of Social Service argues that those unemployed in an economic boom are the most disadvantaged as they lack the skills that the new job market requires (ACOSS, 2005).

As in other countries rich in primary resources, Australia has experienced considerable shedding of jobs in the agricultural and mining industries and a growth in highly skilled jobs (Henman and Perry, 2002). Two trends are particularly notable: 1) a major fall in the employment levels of mature-age men; and 2) a steep fall in job opportunities for school leavers. Employment is therefore concentrated in the 25-55 age group. This phenomenon provides an opportunity for stereotyping income support recipients on the basis of age.

Indeed, conservative social analyst Peter Saunders (2004:3) (not to be confused with the previously referenced economist of the same name) derides the high rate of “depression” and “bad back” (author’s inverted commas) among older unemployed Australians who claim disability pension. Aside from over-generalising by referring to exceptions – most older unemployed do not claim disability pension – this view represents a profound lack of empathy. Having been gainfully employed for decades, facing long-term

unemployment through lack of skills would understandably make many depressed. Similarly, stereotyping young unemployed persons as lazy, prone to dependency or delinquency is much easier than addressing the chronic and growing problem of lack of jobs for inexperienced and/or under qualified young people. A recent national government report on youth leadership and skills transfer (Australian Institute of Family Studies: 2005b:14) liberally uses the term “passive welfare dependency” and, without drawing on any empirical evidence, equates this supposed phenomenon with a host of other social ills affecting young people in Australia.

The government’s “Work for the Dole” scheme, the main intervention to supposedly assist unemployed youth, is another example of ideology triumphing over measures to meet actual need. A longitudinal study by Borland and Tseng (2004) of Melbourne University found that there were “quite large significant adverse effects of participation in ‘Work for the Dole’” (Borland and Tseng 2004:20). The researchers found that 28.4 percent of participants in the programme had found employment six months after commencing “Work for the Dole” compared with 40.6 percent of people in the same age group who did not participate in the programme.

Borland and Tseng conclude that the stigma created by participation in the programme has a significantly negative effect on employment prospects. They also point out that the programme provides only minimalist intervention - work experience rather than training - and does not build human capital to suit market demands. This scheme, therefore, reinforces long-term unemployment, the very condition it seeks to remedy. This is the result of a programme based on an utterly incorrect assessment of the problem, the promulgation of stigma and an absence of skills development to meet the current demands of the labour market.

Contrary to the government’s rhetoric, income support for the unemployed is necessary due to a lack of jobs rather than an inclination dependency or a lack of motivation. Mendez (2004) notes that in Australia in the late 1970s there was an average of no more than five unemployed persons for every job vacancy. In recent years, however, this ratio

has increased (depending on the phase of the economic cycle) and is as high as one position for every 30 unemployed persons. Policies based on the assumption that “dependency” on social security payments is pervasive and that finding work is a matter of choice will be doomed to failure because such policies, among other deficits, do not take into account the shifting characteristics of the labour market and stand in stark contrast to labour market realities.

Why are such matters of empirical fact, along with other pertinent issues such as the previously discussed contradictions around corporate welfare, not much more a part of the public discourse around social welfare? To allow such matters to be comprehensively discussed, with access to all the relevant information, could raise public awareness to the extent that the government’s entire socioeconomic platform may be questioned by many more people. In turn, this may lead to a deeper understanding of the causes of poverty (both working and non-working forms), anger about socioeconomic inequality and the privileges of large companies, as well as an understanding of the detrimental effects of globalisation. This is precisely the level of informed debate that the government and the economically powerful in Australia wish to avoid becoming “mainstream.”

Ideologically speaking, the Australian government’s overall approach to social welfare, while embracing the residual model, could be more broadly defined as one typical of *neoliberalism*. In summing up the neoliberal approach to social welfare, Mendes (2004:3) notes that this perspective emphasises action by the state to motivate, discipline and coerce welfare recipients to reintegrate them with “mainstream social values” and “morality.” Inherent in this way of thinking is the contention that income support must shift from being seen as a right to being seen as a privilege. The general negative view of income support benefits is underlined and perhaps reinforced by the contention that mere receipt of them tends to make people “dependent.” This belief provides an important justification for the neoliberal approach to social welfare.

Concurrent with this attitude is one that, since the market and economic growth supposedly benefits all people, those who claim social security benefits must be

somehow “socially defective.” This leads to unfounded claims such as Cox’s contention that increased payments for low income families in Australia led to “an increased number of families without work” (Cox 2001:36). The underlying belief is that such families become dependent on a supposedly generous payment and cease to look for work. To those of a neoliberal persuasion this perspective is far preferable to a much more painful examination of how the market is failing low-income families. Again this underlines how, reinforced by the mantra of “dependency” and other stigmatising notions, ideology is triumphing over rational debate on social welfare in Australia. We now turn to a theoretical perspective of how such rational debate may be prevented.

3.8 Controlling the welfare debate

Stephen Lukes (1974) argues that power is exercised through three separate dimensions. At the most observable level (the first dimension), power is seen as an overt conflict resulting in one party or entity exercising power over another. In the second dimension power is more covert and involves the setting of agendas so that certain issues never even surface for discussion. At the third level, power involves the manipulation of wants, ideas and consciousness so that there is no sense of, or expression of, grievances. Regarding the third dimension, Lukes argues that power is often used to shape people’s collective perceptions, opinions and preferences even when such views may work against their own self interest.

The Australian government has achieved a considerable measure of success in exercising Luke’s second and third dimensions of power with the stereotyping of welfare recipients being used as a tool to this end. One example of how this may operate is the following scenario. Having done as the government advised in making private retirement provisions for themselves (even if relatively modest) people find that they are not eligible for social security retirement benefits. Spurred on by government and media rhetoric, they become resentful of those who are eligible and whose pensions are paid through one’s hard earned taxes. Their resentment is focused on social security recipients rather

than on government, which tightened eligibility for pensions, or large corporations whose tax minimisation means that social security funds have to be mainly levied through personal income tax.

The creation and promulgation of “dependency” and its accompanying stereotypes helps to keep the public as unconscious as possible about issues that the politically and economically powerful would prefer not to have comprehensively examined. Such issues include the gross maldistribution of wealth, corporate welfare, the effects of globalisation, unequal access to services and even discrimination and racism in Australian society. Henman and Perry (2005) note that the terms “welfare dependence” and “mutual obligation” serve to disregard the importance of structural realities for policy solutions. Such “structural realities,” I would argue, are precisely what the government wishes to avoid addressing in earnest.

Steven Kellman (1986:1) argues that achieving good public policy requires the presence of what he terms “a significant public spirit in the veins of the body politic.” He identifies that an important role of government is to provide people with a forum where they may display a concern for others. In Australia, however, such a public spirit has been stifled and virtually destroyed by the consistent re-orientation of the public debate to focus on stigmatisation of welfare recipients and redirected away from an earnest examination of macro-issues. Hartman (2005) confirms that scapegoating of welfare recipients has indeed occurred largely at the level of public debate. The promulgation of these negative stereotypes in the public arena not only destroys the “public spirit” of social concern but diverts public attention away from much more painful issues of the political and macroeconomic causes of the insecurity so many Australians experience.

3.9 Conclusion

There is nothing to indicate that the contraction of the Australian welfare state, which began in the late 1970s and intensified in the last decade, has in any way either improved the economic circumstances of the Australian people or encouraged greater participation

in the labour market. In fact, the attacks on the welfare state have been synonymous not only a demise of real income by those whose main income source is social security, but also among low-wage earners. The particularly stringent attacks on welfare since the mid-1990s have also been synonymous with a negative redistribution of income at the expense of the poorest quintile at the gain of the richest decile.

Rather than addressing the negative results of an economic system it has helped to perpetuate, the Australian government has shifted the blame to social security recipients themselves. Consequently, the unemployed and others, including single parents and disability pensioners, have seen their social rights undermined through the determined push to shatter the Australian welfare state and create a truly residual system informed by neoliberal principles. This is also illustrated by the push towards “devolution” of welfare services to organisations which lack sufficient capacity to provide them. Promulgating the concept of “dependency” as a personal character flaw enables the government to avoid addressing the massive challenges brought about by changes in the labour market. The continuance and expansion of “corporate welfare” shows that the concept of “dependency” is applied selectively and evinces both the political power of corporations and a belief that they serve the common good.

The concept of “welfare dependency” as it is used in Australia is based on a number of assumptions, some of which were never objectively true, while others have ceased to be so. Some of these assumptions are that the labour market can continually absorb non-skilled and semi-skilled workers, that people can return to similar jobs when the economy recovers after cyclical recessions, that all full-time wages are sufficient enough to support a family, that school leavers and older unemployed can be easily absorbed into the contemporary labour market, that economic growth in and of itself will lead to job growth, and that all Australians, regardless of age, race or culture, have equal opportunities accessing work. Such assumptions are patently false in 21st century Australia.

In Australia, the transition to an economy demanding high skills has had an extremely negative affect on several groups including older male workers, school leavers and families with unskilled parents. It is not surprising that such groups tend to rely more heavily on social security. Yet, efforts to retrain such groups, which would require a considerable output of public resources, have been minimal. The “Work for the Dole’ scheme for example, with its taint of stigma and its lack of skills training, has been found to lengthen unemployment periods of unemployment. To develop truly effective skill training programmes on the scale required would go against the government’s values of containing public costs and minimising government intervention. It may also call into question the notion that, through steady economic growth, the free market will provide jobs for all who care to seek them.

The trend in Australia over the last 25 years, and in particularly the last 10, has been to focus attention on welfare recipients themselves rather than on policy approaches to address structural realities. More and more this has entailed the use of stigmatising language and images in the public discourse around social welfare, in which the concept of “welfare dependency” has been central. A main motivation for the use of the rhetoric around dependency, and its related stigmatising notions, has been to help make the dismantling of the welfare state in Australia politically viable (i.e. acceptable to a majority of the voting public).

Dividing Australian society and fuelling resentment by the working against the non-working (“downward envy”) has been a successful political tactic used by the government. In turn, the purpose of the decimation of the welfare state has been to reduce public expenditure, reduce taxation for corporations, and create a labour force having to work for low wages in order to attract international capital and promote economic competition. The many who are marginalised by the increasing trend towards globalisation will be the very ones most harmed by the demise of the Australian welfare state.

Chapter Four

Case study on Brazil

“If at the end of my term every Brazilian person has three meals per day, I will have fulfilled my life’s mission.” President Luiz Inacio Lula da Silva, from inauguration speech⁶.

4.1 Introduction

The recognition of the right of citizens to the basic means to sustain themselves has gradually but increasingly helped to define and develop Brazilian social welfare policy following that nation’s return to democracy in 1985 and the adoption of its constitution in 1988. Since coming to power in 2002, the Workers Party government of President Luiz “Lula” da Silva has faced a range pressures created by globalisation, an unstable coalition, political scandal, a still large external debt, and having a minority of members in the national legislature. In spite of these obstacles the government has made significant progress towards what it sees as its political, constitutional and normative mandate to create a comprehensive and universal social security system.

Through a broad social consensus that extreme poverty must be eliminated, and by honestly and pragmatically examining what must be done to bring this about, the Brazilian nation has avoided the use of stigma in its public discourse around social welfare and is in the process of expanding the value and scope of income support programmes. In doing so it has deepened the meaning and impact of its return to democracy. This case study will briefly examine the current Brazilian welfare state, the values that underpin it and the roots of the discourse that has made change possible.

⁶ Quoted in Bassett (2003:1)

4.2 Background to the modern Brazilian welfare state

In 2004, Brazil's population stood at approximately 183.5 million (Suplicy, 2004:71). Approximately 11.4 million families, some 46 million individuals, lived in poverty. Rates of poverty are significantly higher in the Black and "mixed-race" communities which constitute approximately 45 percent of the population, than in the White community which constitutes 55 percent. Brazil's income distribution is one of most unequal in the world (and the most unequal in the Americas) with a Gini-coefficient of 0.591 (World Bank, 2004).

Pero and Szerman (2005) note that by the 1980s it was widely recognised in Brazil that a high level of economic growth (which was typical of the 1970s during the period of the military regime) did not, in and of itself, lead to a sustainable reduction in poverty. Poverty remained at higher per capita levels than other middle-income developing countries. Pero and Szerman (2005) argue that it was in this context that the idea of social safety nets emerged. Such ideas helped ultimately to lead to the development of a broader social security system and a commitment to universality of benefits. In 1988 a new ambitious constitution was adopted which stressed universality of social security coverage. This was very much in contrast with Brazil's historical pattern of providing social protection only to those who could afford to pay into a fund (da Rocha Roquete, 2004).

The roots of the mandate for comprehensive social security can be found in Article three of the constitution which outlines the fundamental objectives of the republic. These are:

1. to build a free, just and solidarity-based society;
2. to guarantee national development;
3. to eradicate poverty and substandard living conditions and to reduce social and regional inequalities;
4. to promote the well-being of all, without prejudice as to origin, race, sex, colour, age and any other forms of discrimination.

(Article 3, Constitution of the Federal Republic of Brazil, 1988)

It is important to note that the fulfilment of all four objectives of Article three would be greatly inhibited if the Brazilian social security system was predominantly residual in its characteristics and sought to provide minimal support in a paternalistic or coercive manner. Article three, which in essence provides the basis for the very purpose of the federal government, clearly mandates (as one of many factors) a social security system which promotes social justice, lifts people out of poverty, avoids stigmatisation and redresses different forms of inequality.

More specifically, Section 194 of the constitution, which deals with social security, provides for, *inter alia*, the universality of coverage and service; equivalence of benefits and services between urban and rural populations, and the irreducibility of the value of the benefits. The latter requirement makes it unconstitutional to cut the rate of social security benefits in Brazil, an action which (as outlined in the previous chapter) was undertaken by the Australian government. Section 194 has provided a powerful basis for far-reaching social security reforms which, coupled with the requirements of Article three, casts such reforms in terms of primary objectives of government rather than leaving such matters to the prerogative of whichever political forces happen to dominate congress or the presidency.

By the late-1990s the social democratic government of Fernando Cardoso had begun to give some effect to these sections of the constitution by implementing a range of cash transfer programmes which, according to Pero and Szerman (2005) were among the first of their kind in Latin America. These programmes included:

- School Bursary (Bolsa Escola): a monthly payment made to the primary caregivers of poor children on condition that such children attend school;
- Health Bursary (Bolsa Alimentação): a monthly payment made to the primary caregivers of poor children under seven years (or to pregnant women) on condition that the children attend a health clinic and receive inoculations;
- Food Allowance (Cartão-Alimentação): a monthly cash benefit to poor families aimed at enabling them to purchase sufficient food;

- Gas Allowance (Auxílio-Gás): a bi-monthly small cash transfer to very poor families to help them pay for cooking gas.

An important point is that both Bolsa Escola and Bolsa Alimentação were *conditional* payments, the former requiring school attendance and the latter requiring proof of child inoculations. I would strongly distinguish these types of conditions from the type required by the Workfare programmes in the United States or the “Work for the Dole” programme in Australia. Such programmes operate from the assumption that work, regardless of a lack of skill-building potential, must be undertaken by welfare recipients to pay something back to the community which supports them and to prevent “laziness.” The Brazilian income transfer programmes made no such assumptions but attempt to increase utilisation of public education and health services by the poor. Indeed, in 1997 the Cardoso government announced that school attendance rates had reached 97%, the highest ever in Brazil (Souza, 2004).

4.3 Bolsa Familia

In October 2003, the Workers Party government of President Lula Da Silva amalgamated the four above-mentioned income transfer programmes into one single programme called *Bolsa Familia* (“family endowment” or more literally “family basket”) to be administered by a single federal authority (Ozanira da Silva e Silva 2004). The new programme’s payment was greater than the sum of the previous four combined and the eligibility was widened. By October 2005 eight million families were receiving monthly payments of 65 Reals (approximately 175 Rand) through Bolsa Familia (Suplicy, 2005b).

Bolsa Familia, as with Bolsa Escola and Bolsa Alimentação before it, is always paid to the mother or primary female caregiver, a policy based on findings that a female caregiver is more likely to spend the money on the children. This is important in terms of giving poor women a source of independent income thereby lessening their often otherwise complete dependence on their spouses or partners. The policy also helps

ensure that poor women are not entirely dependent on an unstable and often greatly exploitative system of informal casual labour, a worldwide phenomena to which Brazil is by no means immune.

Leandro (2005) notes that the debate around Bolsa Familia's consolidation and expansion occurred with very little argument from the opposition that focused on negative stereotypes of welfare recipients and few concerns were publicly raised over "welfare dependency." Political scientist Juarez Guimaraes (Secretary General of the President, 2005) notes, however, that opposition to the Lula government's income transfer programmes by "neoliberals," presumably in the business community and conservative opposition parties, has largely been based on matters of cost. Opposition has also been raised regarding the consolidation of several highly targeted and specific programmes for specific purposes (gas, food, education, etc) into one broad general payment (Buarque, 2004). Such opponents favour a more paternalistic approach which directs precisely how anti-poverty funds are to be utilised rather than leaving such decisions to the recipients. da Rocha Roquete (2004) identifies that the Brazilian right has favoured limiting the value of Bolsa Familia and imposing greater conditionality. Yet, it is noteworthy that this has not manifested as the promulgation of negative stereotypes of recipients.

Bolsa Familia has nominally inherited the conditionality aspects of two of the programmes that preceded it in that the children of beneficiary families must continue to attend school and regularly visit a clinic. Such requirements, however, do not appear to be vigorously enforced as indicated in a statement by the Minister of Social Development that the government could not let a family go hungry simply because a child does not attend school (Buarque, 2004). Brazilian Senator Eduardo Suplicy (2003) believes that conditionality around Bolsa Familia will be eventually phased out. More importantly, Suplicy notes that the entire Bolsa Familia programme has become an initial phase of, and a critical step towards, the unconditional Citizen's Basic Income (CBI) programme.

Table 2 shows the rapid growth (and forecasted growth) in the number of recipients of Bolsa Familia since the previous four programmes were combined to create it in 2003.

The greatly expanded uptake and real value of the benefit has necessitated vastly increased budget outlays. da Rocha Roquete (2004) notes the total combined outlay for the four programmes which preceded Bolsa Familia in the 2001 budget was 689,6 million Reals. In the 2005 budget the outlay for Bolsa Familia was approximately 6,25 billion, representing a nine-fold increase (Brazilian Government, 2005). In 2002 the average value of the combined benefits of the four former programmes received by a family was the equivalent of \$US8,00 per month. By 2005, the value of Bolsa Familia had increased more than three fold to the equivalent of \$US26,00 per month (Secretary General of the President, 2005). A federal tax of 0.38 percent on all financial transactions pays for most of the increased outlays for Bolsa Familia (Suplicy, 2005).

Table 2: **Bolsa Familia Programme – Recipient numbers⁷**

Recipients	31/12/2003	31/12/2004	31/12/2005	Goal: 31/12/2006
Number of recipient families (in millions)	3,6	6,5	8,7	11,2
Total number of people (in millions to nearest .5 million)	15,5	28	38	48

It is very important to note that while “Bolsa Familia” is named for and targeted primarily to “families”, the payment is available to any person who qualifies financially whether or not she or he has dependent children (Leandro, 2005). This is a critical difference between Bolsa Familia and Child Support Grant in South Africa. It represents a recognition that the effects of extreme poverty are deleterious to all people whether or not they are responsible for the well being of children.

4.4 The rise of Citizen’s Basic Income (CBI)

In the 1980s many in the political left and centre in Brazil supported the idea of a negative income tax (Pero and Szerman, 2005). A negative income tax would replace the

⁷ Adapted from Brazilian Government, 2005.

progressive income tax system with a flat tax (everyone paying the same percentage of their income in tax) but each citizen would also be given a regular minimum income by the government. Support for such a scheme waned, however, as it came to be recognised that a negative income tax was unsuited to the Brazilian economy. Nearly 50% of the Brazilian workforce is engaged in the informal sector (Pero and Szerman, 2005) and it would be an almost impossible bureaucratic task to determine the “taxable” income of each.

While it can effectively guarantee a minimum income, a negative income tax has no redistributive value as it also institutes a flat tax, significantly reducing the tax rates of the wealthy. Massive disparity of wealth was already a major problem in Brazil and a flat tax would serve to widen rather than diminish this maldistribution. The realisation of the limited use of negative income tax schemes in Brazil helped shift the agenda toward support for direct income transfer payments and, in particular, for a universal payment.

By the late 1980s, the Brazilian political left had come to embrace the concept of a universal guaranteed basic income. The following clause was accepted at the 1988 Brazilian Worker’s Party national conference:

“The Government Program of (the Worker’s Party) will include a Guaranteed Minimum Income Program with the objective of assuring Brazilians a minimum level of income capable of providing their basic needs as a right to citizenship” (Suplicy, 2004:84).

In December 2003, an Act to authorise the gradual introduction of a universal, flat monthly basic income payment was passed by the Brazilian National Congress and assented to by President Lula da Silva early in 2004. The original bill was introduced by Senator Suplicy, an economist and academic, who had written extensively on the issue. The payment, named *Citizen’s Basic Income* (CBI), was to be payable to every Brazilian citizen and foreigners with five years residence, regardless of income or assets. The law commits the Brazilian government to the gradual implementation of the payment, as budgetary conditions allow. The first phase, seen as the most urgent, was the extension of Bolsa Familia to all poor families.

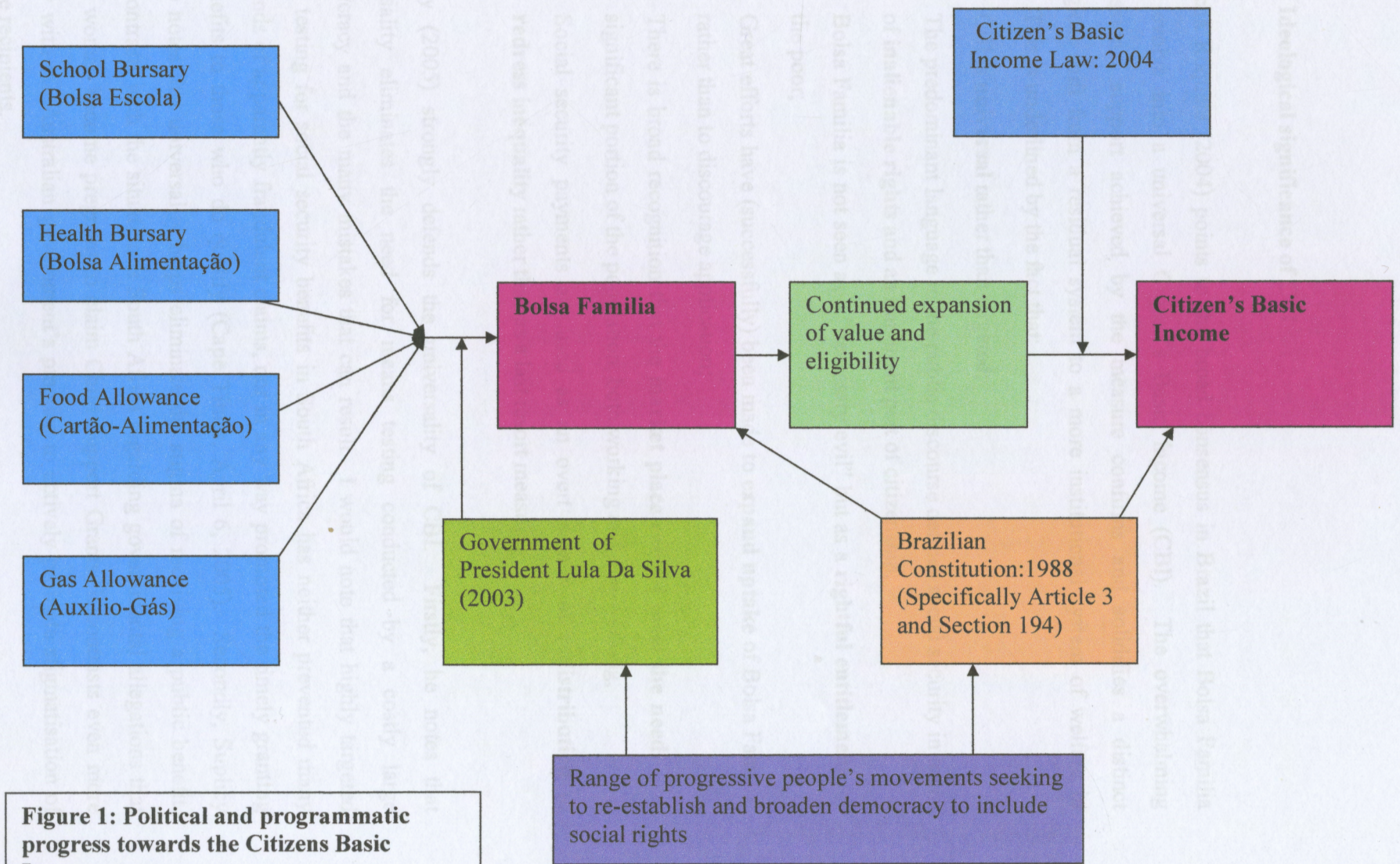


Figure 1: Political and programmatic progress towards the Citizens Basic Income

4.5 Ideological significance of CBI

da Rocha Roquete (2004) points to the broad consensus in Brazil that Bolsa Familia should evolve into a universal Citizen's Basic Income (CBI). The overwhelming congressional support achieved by the measure confirms and solidifies a distinct ideological shift from a residual system to a more institutional system of welfare in Brazil. This is underlined by the fact that:

- CBI is **universal** rather than targeted;
- The predominant language in the public discourse defines social security in terms of **inalienable rights** and an important part of citizenship;
- Bolsa Familia is not seen as a "necessary evil" but as a **rightful entitlement** for the poor;
- Great efforts have (successfully) been made to **expand uptake** of Bolsa Familia, rather than to discourage application;
- There is broad recognition that the **market place cannot meet the needs** of a significant portion of the population, both working and non-working;
- Social security payments are used as an overt **means of redistribution to redress inequality** rather than as a last resort measure.

Suplicy (2005) strongly defends the universality of CBI. Firstly, he notes that universality eliminates the need for means testing conducted by a costly large bureaucracy and the many mistakes that can result. I would note that highly targeted means testing for social security benefits in South Africa has neither prevented many thousands of apparently fraudulent claims, nor in any way promoted the timely granting of benefits to those who do qualify (Cape Times, April 6, 2005). Secondly, Suplicy (2005) notes that universality helps eliminate the stigma of receiving a public benefit. This contrasts with the situation in South Africa regarding governmental allegations that young women become pregnant to claim Child Support Grants. It contrasts even more starkly with the Australian government's practice to actively promote stigmatisation of welfare recipients.

Thirdly, Suplicy (2005) defends universality in terms of promoting dignity and freedom among recipients, the very qualities, I would note, that so-called welfare reforms in several countries, including the United States and Australia, have sought to reduce among welfare recipients.

Most significantly, however, Suplicy (2005) defends the non-means tested universality of CBI by promoting the fact that it eliminates any possibility of dependency and encourages participants to undertake new remunerative activity. He reasons that where a social security entitlement is not endangered by earning further income, any supposed tendency of the recipient making a rational choice not to seek paid work is removed. In fact, even means-tested programmes which allow a certain level of earnings can encourage greater labour force participation.

As noted by Standing (2004), evaluations of the means-tested School Bursary (Bolsa Escola) showed that what effectively amounted to a basic income for poor woman with young children led to an increase in labour force participation and a consequent reduction in female poverty. I would also reiterate the findings of the Economic Policy Research Institute (2004) as well as Posel et al (2006) in South Africa that correlate household receipt of a social grant with a much greater ability of working-age members of that household to undertake high risk job search and greater success in securing employment.

Contradicting the notion of the “deserving poor,” Suplicy (2004) argues that those who do not undertake paid work have the same right to share in the nation’s wealth as those who do. He argues that it is critical to note that those who are able to work but remain unemployed are often impeded from finding work. As discussed in previous chapters, major shifts in industry demands and shrinkage of entire sectors (such as agriculture and mining) leave many with no match of skills with available jobs. Major differences between poor and relatively wealthy provinces in terms of job availability, as well as a significant urban-rural divide, are evident in both Brazil and South Africa. The right to a basic income should not be compromised either on the basis of not having the skills to

meet contemporary job market requirements or not happening to live in a region of relatively high employment.

In addressing concerns over the possibility of CBI promoting a disinclination to work, Suplicy (2004:45) cites Joseph Charlier, who in 1848 proposed a basic minimum income which he later developed into a proposal for an unconditional right to a monthly payment. Charlier noted concerns over the possibility that such a payment might encourage “idleness” in some people. He responded to such concerns by emphasising that society’s duty does not extend further than ensuring a “fair share” of resources and that anything above a minimum income would have to be earned. Bolsa Familia/CBI provides nothing more than is necessary to buy sufficient food and to access health and education services. Indeed, proposals for a basic guaranteed income in other countries from the Nixon and Carter administration proposals in the United States in the 1960s and 1970s respectively and the more recent Basic Income Grant (BIG) proposal in South Africa offered nothing more than this. It is unlikely that any serious proposal for a guaranteed basic income would ensure a comfortable lifestyle for an individual with no other source of income.

The right to a basic income independent of a person’s participation in the labour market is defended by Suplicy (2004). He notes that the Brazilian constitution recognises the right to own private property and, therefore, the rights of a property owner to collect rents, gain interest and reap profit. Suplicy argues that if property owners can receive a *high* income without participating in the paid workforce, why should all people therefore not receive a *basic* income unconnected with their activity in the labour market? This approach also values and recognises the work of full-time homemakers and caregivers (the vast majority of whom are women) which, although unrecognised by the market, is critical to ensuring social and economic well-being.

This perspective contrasts starkly with that of the South African government which is eager to closely equate income with work, as demonstrated through its public works programmes. A similar attitude is adopted by the Australian government which is eager to do the same through its “Work for the Dole” programme. Suplicy (2004) further notes

that many activities necessary for the public good such as caring for children and elderly relatives (tasks mainly performed by woman) are not remunerated by the market. CBI and Bolsa Familia imply that this work is valuable and worthy of compensation.

4.6 CBI and conditionality

Pero and Szerman (2005) identify that conditionality in social security programmes is based on the idea that in order to “deserve” society’s aid, the individual must take certain actions. An important feature of the CBI, as explicitly outlined in the Act which authorises it, is the complete lack of any conditions that recipients must meet or modes of behaviour they must adopt in order to receive it. As with Bolsa Familia, CBI does not attempt to control or direct the expenditure by recipients. Suplicy notes:

“The basic income is paid in cash, not in goods or services, least of all as coupons or stamps which can only be spent on certain types of goods, such as food. It does not involve any restriction as to how a person is going to spend the funds, or as to the nature or rhythm of consumption or the investment it will help finance. It is a complementation, not a replacement, of existing transfers of goods and services, like public education and health.” (Suplicy, 2004: 224)

In this regard, the Citizen’s Basic Income (CBI) and Bolsa Familia stand in contrast to the food stamp and other voucher programmes typical of the United States and elsewhere. The Brazilian notion is that recipients should, as free citizens, have the choice of how to utilise the funds as they best see fit for themselves and their families. A 2005 audit of recipient use of Bolsa Familia funds showed that of the 65 Reals families receive from the programme, an average of 57,46 Reals (nearly 89 percent) is spent on the purchase of food (Secretary General of the President: 2005; Leandro: 2005).

4.7 Factors behind expansion of social security

Ozanira da Silva e Silva (2004) argues that the dramatic expansion of income transfer programmes (and particularly the commitment to CBI) in Brazil has been made possible

by widespread recognition of a number of socio-economic characteristics affecting that country. These include:

- Increased job insecurity (and unemployment) due to neoliberal economic policies and consequential structural economic adjustment;
- A rise in the rate of violent crime in major cities;
- Insufficient skills among many Brazilian workers to meet emerging labour market needs;
- A rise in the incidence of child labour;
- A general rise in poverty.

Some of these very factors, which were seen to necessitate the implementation of an expanded social security system in Brazil, are the same or similar to conditions that, in some countries in the industrial north, have been used politically to *diminish* social security entitlement. Hicks and Zorn (2004), for example, note that in developed countries welfare retraction tends to occur when unemployment is high. As outlined in chapter three, people in receipt of unemployment benefits in Australia who do not have the skills to participate in higher-growth industries have been subjected to greater benefit restrictions and coercive obligations rather than measures to help alleviate their poverty. Crime in Australia and the United States has often been falsely associated with supposed welfare generosity rather than its inadequacy. Similarly, chronic or increasing poverty in developed countries has been blamed by residualists on “welfare dependency” whose solution has often been to dismantle the welfare state.

In Brazil, however, it has been widely recognised that the chronic poverty wreaked by structural unemployment, made worse through the effects of globalisation, needs to be addressed by *greater* social security entitlement rather than less. Unlike Australia, the social security system in Brazil recognises the difficulties of workers whose lack of particular skills alienates them from a job market altered by economic, industrial and technical transition. It is recognised that the roots of crime are to be found in chronic poverty and the sense of hopelessness, frustration and anger this generates, not in

character defects of the poor. Poverty is not blamed on the personal behaviour of individuals. It is also recognised that the state has a duty to secure income for children to help prevent the evil of child labour exploitation (Suplicy, 2004). It is through a broad public and political consensus on these factors that it has become possible to pass the Citizen's Basic Income (CBI) Act.

It is noteworthy that, in addition to what it sees as its political and constitutional obligations, the Brazilian government also sees CBI as part of its normative responsibilities. Suplicy (2004) notes that Article three of the Universal Declaration of Human Rights, of which Brazil is a signatory, calls for the eradication of poverty and cites this as another important basis for CBI. This is significant because it can be extremely difficult for social movements to compel their governments to implement domestic social policies to fulfil obligations mandated by international treaties to which that government is a signatory. The Brazilian government's acceptance of its responsibilities under the Universal Declaration of Human Rights in this regard casts the goal of poverty eradication as an obligation of being part of a community of nations.

In examining the historical reason for the Brazilian Worker's Party's commitment to sweeping poverty reduction (as manifested in the current government's social programmes and its commitment to CBI), de Oliveira (in Wainwright and Branford, 2005) notes the different experience of the Brazilian political left in the 1980s and early 1990s to other socialist/social democratic movements elsewhere in the world. de Oliveira notes that a particularly aggressive form of capitalism had made such progress in Brazil by the 1990s, resulting in the utter devastation of basic services, that the left was prompted to refocus its orientation to focus on basic tangible, critical needs.

At a time when left-leaning parties across the world were abandoning policies to promote genuine economic justice and beginning to embrace "Third Way" policies (see chapter 5) that reflected many aspects of neoliberalism, the Brazilian left strengthened its ideological resolve. The extreme neoliberal policies of the government of Collor de Melo

from 1989, with their poverty-creating effects, further prompted the left to oppose, rather than co-opt such policies. As noted by de Oliveira:

“The crisis of legitimacy of neoliberalism made the left lose its sense of self-criticism.....The enemy was in crisis so we didn’t feel the need to explain anything.” (in Wainwright and Branford, 2005:20)

Yet, beyond the commitment of the Workers Party, one of the most remarkable features of the politics of welfare reform in Brazil in recent years has been the broad multi-partisan agreement on basic principles and aspects of programmes. The Senate Economic Affairs Committee gave unanimous approval to the CBI bill in 2003 even though there was some opposition later in the full Congress (Suplicy, 2004). Pero and Szerman (2005) note that by the new century, a clear political consensus had arisen that Brazil’s main problems stemmed from inadequate access to education and healthcare, high levels of poverty and income inequality. Programmes such as Bolsa Familia and the Citizen’s Basic Income are a rational and highly appropriate response to this consensus.

The role of grass-roots movements has been critical in securing expanded income rights in Brazil. The implementation of the income transfer programmes, firstly by the previous government, and now more rigorously by the current government, is part of the gradual fulfilment of a constitutional imperative per Article three and Section 194 (see pages 67 and 68). It is highly notable that a developing country still very much emerging from the effects of a long-term military dictatorship should enshrine goals of social equality and the elimination of poverty in its constitution and that the pursuit of these is defined as being core purposes of government. Ziegler (2003) notes the enormous contribution of social movements in Brazil in bringing issues such as the right to food and basic income to the political forefront. A United Nations (2005) Country Team report on Brazil also notes the fundamental role of social movements in securing the social rights enshrined in the 1988 constitution. Brazil’s vigorous social movements have helped develop a broad consensus to ensure that the new democracy must defend social rights and, therefore, be meaningful for *all* Brazilians.

the country's economic growth and development. This may help explain the absence of both stigmatising language and concerns over "welfare dependency" in the public discourse over income transfer.

da Rocha Roquete (2004) describes how the implementation of Bolsa Familia, although provided through a single federal department, has had an important positive affect on the delivery of services to the poor by other departments and other spheres of government. All public ministries are required by the federal government to take stock of Bolsa Familia recipients in terms of how that ministry's policies and programmes should impact on such recipients. This, according to da Rocha Roquete (2004), has helped affect a greatly improved effort by various federal departments, and also state and local government, to develop and deliver a range of services. This has included expanded and improved electrification, literacy, vocational training and urban/regional development.

It would be entirely fallacious to suggest, however, that the Lula government's socioeconomic agenda, as with progressive governments of most developing countries, has not been greatly compromised by the power of the banks, by international capital and powerful foreign governments. As well documented by Wainwright and Branford (2005), many key figures in the Worker's Party have become disillusioned with what they see as the Lula government's self-subordination to globalisation and its failure to pursue policies facilitating fundamental income redistribution. Economist and senior civil servant, Leda Palari, for example, notes that the left wants stronger redistribution policies than Bolsa Familia and CBI offer as well as a more progressive taxation policy. Francisco de Oliveira argues that the income transfer policies have not fundamentally changed the way income is distributed in Brazil (Wainwright and Branford, 2005:34, 41).

Even many of those disillusioned with what they see as the government's obsequiousness to the wealthy and international capital, however, note the progress made in social welfare. Sue Branford argues that while broader problems of social exclusion still remain, the Lula government's efforts amount to "the most powerful poverty alleviation drive in the country's history" (Wainwright and Branford, 2005:15). She notes that in

addition to Bolsa Familia, the government's system of micro credit for small businesses and greater outlay on subsidised credit for peasant farmers has yielded very positive economic development results for the poor. While conceding it is no panacea, former Director of the Department of Social Development, Claudio da Rocha Roquete (2004:3) (sometimes a critic of the government from the left) describes the government's commitment to the introduction of the Citizen's Basic Income (CBI) as "a qualitative jump in the history of the process of human civilisation" comparing it in magnitude with the right to vote or the emancipation of slaves (Wainwright and Branford, 2005:34, 41). Placing a strong onus on social activists, da Rocha Roquete (2004) concludes that it continues to be the responsibility of defenders of the CBI to demonstrate both its ongoing economic viability and its contribution to building a fair society.

It must be acknowledged that despite a range of obstacles including pressure from internal and external capital, key defections within its own ranks, and the massive burden of the repayment of external debt, the Brazilian government has made significant progress towards its constitutional mandate to develop a comprehensive social security system. Furthermore, it is doing so in such a way as to define recipients as citizens with fundamental rights that must be met and as true partners - contributors to the country's economic growth as well as recipients of its benefits.

4.9 Conclusion

In the Australian chapter and, to a certain extent in the South African chapter, it was discussed how the governments of those countries appear to regard social welfare expenditure as potentially inhibiting the achievement of more important economic goals. From this perspective, economic growth in and of itself tends to become the goal, rather than a means to the end of ensuring that all people benefit from increasing wealth. Conversely, Ozanira da Silva e Silva (2004) argues that social goals *must* be articulated in economic policy. President Lulu da Silva has argued that the challenge is to ensure that the expansion of production (i.e. economic growth) is utilised in such a way as to

ensure a more equitable distribution of income (Lula da Silva, 2004). It is notable that the Brazilian government has taken small but significant steps in this direction.

Nothing in the Brazilian experience of the welfare reforms of recent years remotely suggests that increasing the scope and value of social assistance benefits makes people less motivated to improve their economic circumstances. On the contrary, factors that have been discernibly synonymous with expanded welfare rights include higher rates of literacy and lower rates of hunger (Secretary General of the President: 2005; Leandro: 2005). These factors are more likely to enable people to pursue and engage in income generating activity than alienate them from the job market. Greater local economic development has also been synonymous with the expansion of the welfare state (Garcia in Wainwright and Branford, 2005, da Rocha Roquete 2004).

Pero and Szerman (2005:3) see the evolution of the modern Brazilian welfare state, culminating in the commitment to the Citizen's Basic Income, as the result of a learning process in social policy rather than as "a mere reflex of the neoliberal contour of the state." The authors further note that there has been a significant paradigm shift in Brazil regarding anti-poverty programmes from one of social assistance to one of social development. I would surmise that in terms of the defining those in receipt of public income support, this paradigm shift has consequently resulted in a change from people being portrayed as "welfare clients" to dignified citizens with a fundamental right to a basic income. Suplicy emphasises this point by noting that:

"Every resident in Brazil should have the clear notion that receiving an income sufficient for his vital needs.....constitutes a basic right, derived from living in this nation." (Suplicy, 2004:92)

Once a consensus is reached in earnest, as is the case in Brazil, that all citizens *must* be afforded the means to obtain adequate food and be able to access education and healthcare, stigmatising notions become far less acceptable in the public discourse on social welfare. Where no other socio-economic agenda (hidden or overt) is allowed to predominate in such a way as to work against this principle, stigmatisation of welfare recipients and allegations of "dependency" can play no part in shaping public policy.

When the message coming from national leaders casts the right to basic material well-being in terms of inalienable rights of citizenship, underlined by the national constitution and international obligations, the corollary is a social security system that makes adequate provision in a non-stigmatising, human rights-affirming mode for all its citizens.

The Brazilian experience shows that notions of “dependency” and other forms of stigmatisation of welfare recipients are superseded and made redundant when the public discourse focuses on the right of a basic income as one of the fundamental rights of citizenship. I maintain that giving full effect to this right develops and deepens the meaning of citizenship in a democracy. Once such a right is deeply engrained in the national consciousness, stigmatising notions are voided and cannot be used as political tools to promote policies that further ingrain poverty and serve the interests of a wealthy few.

Chapter Five

Analysis of case studies

“The example set by South Africa should be considered, because it is a rich country and a young democracy, whose characteristics of poverty and inequality are similar to those of Brazil.”⁸

5.1 Introduction

As noted in chapter one, and in the quote above, Brazil and South Africa have many similarities. Both are middle-income developing countries with high rates of poverty and particularly high income disparities between rich and poor and between races. Both are relatively new democracies with highly progressive constitutions which embrace social rights and both have reformist governments with a strong mandate for major social transformation. Yet, as demonstrated by the case studies presented in this paper, the South African government’s discourse and policy approach to social welfare policy has greater similarities with the neoliberal Australian approach than with the expansive, human-rights-based approach of Brazil.

In Brazil, for example, the “Bolsa Familia” programme, which targets needy adults as well as children, was seen as the first step to implementing a Citizen’s Basic Income (CBI). In South Africa, Child Support Grant (CSG), and its gradual expansion was specifically *not* framed as a first step to Basic Income Grant (BIG). In fact, by removing apartheid-era income provisions for the primary caregiver, the introduction of CSG *reinforced* the notion that working-age persons should not receive social grants. As noted in chapter two, the characteristics of South Africa’s social grant system resemble those of a residual system. More broadly, however, South Africa has come to embrace what might be termed a “Third Way” approach to social welfare, which, I will argue in this chapter, does not differ fundamentally from the neoliberal approach embraced by nations such as the United States and Australia. Both the “Third Way” and neoliberal approaches

⁸ (Suplicy, 2004:100)

tend to place the needs of the free market above the social rights of citizens and are prone to embrace the stigmatising concept of “welfare dependency.”

In this chapter I will also examine the possible connections between globalisation and policies related social welfare, drawing links from the three case studies. Using information from the case studies I will aim to identify the ideological roots of the belief in the term “welfare dependency.” Finally, I will analyse contemporary social welfare policy, particularly in South Africa, in the context of prevailing economic policy.

5.2 The “Third Way”

In chapter two, parallels were drawn between social welfare policy and public discourse in the United Kingdom under the Blair government and that of the current government of South Africa. It was argued that the social welfare policies of the British government, as set out in its 1998 White Paper “The Third Way” (reviewed by McIntosh, 1998), was unsuitable for South Africa given its fundamentally different socioeconomic conditions. That paper was symbolic of the values of an international “Third Way” political movement which have come to be embraced by numerous centrist and social democratic-leaning governments across the world (Giddens, 2001). Rejecting: 1) the ideal of income redistribution embraced by many pre-1990s left-leaning governments as incompatible with the current macroeconomic reality of globalisation, and 2) the poverty and inequality-producing effects of neoliberal economic policy, advocates of the Third Way believe that poverty can be eliminated and inequality reduced within a free market macro-environment (Giddens, 2001) (Latham, 2001).

It is my contention that “Third Way” principles do not differ fundamentally from the neoliberal values that have lead to major welfare retraction in Australia (and the United States) as outlined in chapter three. I maintain that Third Way ideas: 1) can be easily used to inform and support notions of “welfare dependency”, 2) lack the value of the

right to income as part of citizenship, and 3) are unsuitable for achieving greater equity in developing countries.

Arguing from a “Third Way” perspective, Giddens (2001) attempts to shift the social welfare focus away from income support measures towards service provision. He argues that rather than addressing poverty through direct income transfers, governments should focus on expanding services. While this perspective may be effective in helping address service-related poverty, it does nothing to address the income and asset poverty so prevalent in South Africa and throughout much of the developing world.

The “Third Way” view, according to Giddens (2001) rejects traditional socialist ideals (both radical and reformist) as unrealistic given the perpetuation of a global economy and the triumph of capitalism. Giddens (2001) also attempts to draw clear distinctions between the “Third Way” and neoliberal positions on social welfare. He notes that while neoliberal policies suggest that it is up to individuals to fend for themselves in a world marked by technological change and insecurity, the “Third Way” view is that the action of government is necessary to “pursue the goals of social equality and protect the vulnerable” (Giddens, 2001:7-8).

Third Way solutions, however, can be informed by values almost as contrary to a social rights-based perspective as neoliberal solutions. This is typified by Giddens in his statement that:

“The welfare state has created entrenched interest groups, which have come to see benefits as natural rights” (Giddens, 2001:11).

While Giddens does not define “natural rights,” his statement strongly implies an underlying value which contrasts strongly with the notion of a basic income as a right of citizenship. The allegation that “entrenched interest groups” (presumably welfare recipients) have been “created” by the welfare state implies a belief that benefit programmes themselves create not only dependency among recipients but a sense of

entitlement to them. Such a view does not differ fundamentally from the neoliberal perspective or, in terms of specific paradigms on welfare, from the residual perspective.

Arguing that the classic analysis of T.H. Marshall stresses and spells out rights much more than responsibilities, Giddens (2001:8) states: “We need to construct a new social contract linking rights to responsibilities.” He argues that affording welfare rights without spelling out responsibilities creates “major problems of moral hazard in welfare systems.” Giddens does not, however, explain what these “responsibilities” actually are or should be, nor does he outline what constitutes “moral hazard.” I would question how the conferring of a social welfare benefit creates, or must be necessarily linked to, a “responsibility” for the welfare recipient that is not similarly created by the conferring of tax rebate or business subsidy to other recipients. Indeed, I ask what special set of “responsibilities” needs to be linked to people’s welfare rights that don’t exist for people not in receipt of benefits. Every citizen, for example, has a responsibility to obey laws created through a democratic process. Giddens (2001:14) argues that welfare systems that are not “integrated with obligations can produce a culture of deceit” and goes on to cite supposedly “high levels of welfare fraud” as evidence of this.

The notion that welfare rights must be connected to a set of responsibilities that are somehow different to or greater than the general responsibilities of citizens suggests that welfare rights are special privileges that require additional obligations. (Presumably such “responsibilities” would no longer exist for an individual once she or he is no longer in receipt of the income transfer benefit). This not only undermines the notion of basic social assistance as a right of citizenship but also implies that welfare recipients are prone to irresponsible behaviour. In turn, this makes allegations of “dependency” and other stigmatising notions easier to proclaim and sustain. Such notions go strongly against the perspective described by Plant (1985:4) in which the welfare state should afford a citizen “a status and a standing based upon need independent of his (sic) performance in the market.”

“Responsibility,” although only vaguely defined, is one of the “four key pillars” of the “Third Way” as described by Latham (2001:26). The other three are “interdependence”, “incentives” and “devolution.” The term “rights” or “respect” are conspicuously missing from this list of key pillars. As we have seen in Australia, the language of welfare rights has, over the last ten years of neoliberal social policy, been replaced by the language of “responsibility.” In this sense the values of the “Third Way” and neoliberalism do not fundamentally differ.

Hartman (2005:60) argues that neoliberalism, as an offspring of classical economic theory, privileges the notion of individual freedom over other collective mentalities. She notes, however, that in many circumstances subjects are “assisted” to practice their freedom only in ways in which the state has defined as acceptable. Neoliberal concepts of individual freedom pertain, in practice, much more to the freedom of those with substantial resources to invest with the added benefit of minimal regulation and taxation. As demonstrated in the Australian case study, however, the rights of a person in receipt of welfare benefits are much less respected. If “individual rights,” in effect, relate primarily to the right to pursue wealth and expand one’s resources, such “rights” are virtually meaningless for the poor.

The creation of services in the developing world, including health, education, vocational training, child care and housing, are at least as critical in redressing poverty as in the industrialised north. The difference in developing countries is that poverty tends to be so widespread and so extreme that many cannot even access these services. The creation of regional vocational training or education services, for example, are of no use to those unemployed who cannot afford transport to access them. In most cases, accessing services will require some outlay of money be it for transport, a co-payment or fee, basic materials, clothing or other hidden costs.

South Africa appears to have embraced the “Third Way” notion as described by Giddens (2001) in that the role of government in addressing poverty is to ensure the provision of services while de-emphasising the role of government in guaranteeing income. While the

South African government has made significant progress in providing improved school education, health services, housing and infrastructure (including electricity and running water) it has rejected implementing a universal basic income or even providing income support for working-aged unemployed. I would suggest that the government's programme of providing services would be greatly enhanced if the people these services are primarily targeted towards also had a guaranteed basic income.

As the South African experience has shown, providing housing to a person or family with no income can have unintended negative effects. Even if municipal charges are exempted, maintaining a house requires a basic income to address maintenance and other costs. Extending water and electricity services are of limited use once a household uses up its free quota and has no income to pay bills. It is of little wonder that some families upon being awarded an RDP house, recognising their inability to maintain it, rent it out and return to an informal settlement. This also reflects their great need for at least *some* income. Services may also be of limited use when problems exist that are directly related to a lack of income. If people suffer from malnutrition due to a lack of income to buy food, for example, the development of medical services at the local clinic can do little to solve this problem. To develop widespread services in developing countries, however critical, without addressing the issue of basic income, is to limit their effectiveness.

In Brazil, the express aim of the Citizen's Basic Income (CBI) is to not only provide enough money to purchase food but to enable citizens to access health and education services. In this sense, income poverty *in addition to* service poverty is alleviated. While a self-proclaimed left-leaning government in South Africa has embraced "Third Way" policy in regard to social welfare provision, Brazil has taken a stance on this issue much more closely aligned with a traditional socialist or social democratic perspective.

To reiterate de Oliveira (quoted in Wainwright and Branford, 2005), the Brazilian Workers party strengthened its traditionally leftist resolve in the 1980s and early 1990s. The party, which came to government in 2003, had been emboldened in its core beliefs by the socioeconomic havoc wreaked by neoliberal policies on Brazil, while left leaning

parties elsewhere (such as the British Labour Party) abandoned universalist welfare policies. The result of this is that the Brazilian government supports a comprehensive universal form of income transfer that is free of the negative and often stigmatising notions connected with income support to which the “Third Way” philosophy is prone.

Esping Anderson (2000:145) argues that the most effective social policy would be one that “guarantees citizens will not be trapped into social exclusion, poverty or marginality across their life course.” A social policy, however, that fails to provide for basic income and that further restricts access to income support effectively promotes the “social exclusion, poverty and marginality” which Esping Anderson identifies. Yet, Esping Anderson (2005:147) also identifies what he terms “a growing unease with the existing practice of compensating the losers of economic change with *passive income maintenance*” (my italics). The very use of the term “passive income maintenance” evinces a negative view of the very practice of using income measures to reduce poverty. It also informs and lends itself very strongly to notions of “welfare dependency” in its implication that welfare recipients are also “passive.”

The “Third Way” enthusiasm for the development of services for the poor while de-emphasising direct income transfer measures implies a notion that the poor are not capable of spending money wisely and that such decisions are best left to government. In the South African case study this was demonstrated by the Minister for Social Development’s statement that the new social security agency must reduce dependency of cash payments and focus on food security (Ministry of Social Development, 2000), suggesting that the poor are not capable of buying food. Matisonn and Seeking’s (2003:63) identification of the widespread attitude that the destitute will “drink the BIG” also underlines the notion of the fiscal irresponsibility of the poor. This, in turn, informs a more paternalistic and coercive approach to poverty alleviation.

Showing up such notions as baseless, a study by the Economic Policy Research Institute (EPRI, 2004) shows that households that receive social grants focus more on spending on food, fuel and housing costs, and less on tobacco and debt. Supporting these findings, the

Brazilian case study (chapter four) noted that a 2005 evaluation of Bolsa Familia showed that, on average, 89 percent of the grant is spent on purchasing food (Secretary General of the President: 2005; Leandro: 2005). A Basic Income Grant (BIG) would respect the ability of people to make their own decisions concerning their critical needs. As noted by Kunnemann (2004):

“Basic income creates a universal right and avoids exposing and stigmatising the hungry. The poor know what to spend their money (on)” Kunnemann (2004:1).

“Third Way” solutions do not deal with the reality of poverty as it manifests in developing countries. This perspective can offer little in terms of addressing the maldistribution of resources and the extreme income poverty so prevalent in the developing world. In essence the “Third Way” view on social welfare, with its acceptance of the inevitability of globalisation, its faith in the ability of the market to provide jobs if the right training and education and other services are provided, and its discomfort with the notion of income support as a central measure to reduce poverty, does not differ fundamentally from the neoliberal view.

5.3 Link between globalisation and welfare “retrenchment”

A comprehensive study by Hicks and Zorn (2005) demonstrates an indirect but clear link between a country’s move towards globalisation (i.e. the implementation of neoliberal macroeconomic policy) and the demise of its welfare state. The researchers defined *globalisation* as the deregulation of the flow of capital in and out of the country and the removal of restrictions of international trade. Welfare retraction was defined as any move by government to cut or restrict entitlement or spending, from relatively small measures to substantial dismantling of the welfare state (Hicks and Zorn, 2005:632-634). The authors observed patterns of welfare retrenchment in eighteen highly developed countries over the period of 1978 to 1994.

Contrary to several former studies on the issue, Hicks and Zorn (2005) found that globalisation, in and of itself, does not directly lead to welfare retraction. In fact, the researchers found that liberalisation of capital flows and trade contributed to delaying the onset of welfare retraction. Most significantly, however, Hicks and Zorn found that a major impact of globalisation was deindustrialisation and that deindustrialisation leads to increased unemployment. It was the very emergence of the social need caused through unemployment which the researchers conclusively linked with welfare retraction.

“In fact, not only do globalization, deindustrialisation and unemployment contribute to the incidence of welfare retrenchment, in addition our preliminary analyses indicate that globalization is a source of deindustrialization which generates unemployment” (Hicks and Zorn, 2005: 657).

In addition, Hicks and Zorn (2005:632) note that while financial liberalisation per se seems to have no major short-term effect on social welfare policy, it does dampen the social wage and gradually erodes what they term the “pillars of state spending, including welfare.” In other words, the push towards globalisation is ultimately synonymous not only with deindustrialisation and unemployment, but a gradual surrender of responsibility by government to maintain the social wage and with it reasonable levels of public spending to ensure that social welfare benefits are adequately maintained.

It is interesting to note that Australia was one of the countries observed in the study by Hicks and Zorn. Consistent with the discussion in chapter three, Hicks and Zorn (2005) noted that welfare retrenchment in Australia commenced in the late 1970s and continued throughout the time span of their study (up to 1994). As outlined in chapter three, the promulgation of neoliberal macroeconomic policy and concurrent welfare retrenchment has intensified considerably in Australia since that time. Probing the origin of the pattern of moves to deregulate money flow and liberalise trade, Hicks and Zorn (2005) identify that the governments of the countries observed believed that their nation’s entire future depended on their ability to be globally competitive. This necessitated not only tax/tariff cuts and trade/finance deregulation but also a drive to cut government spending and reduce the national budget deficits.

It must be noted, however, that such a drive often results in “selective” spending cuts usually targeted at social and infrastructure programmes, and often do no *not* result in a reduced budget deficit. In the United States for example, long term retraction of social welfare programmes has been synonymous with massive increases in defence spending, tax cuts and a dramatic increase in the national budget deficit which projected to reach a record R423 billion Fiscal Year 2006 (New York Times, 2006a).

5.4 The roots of the concept of “welfare dependency”

Fraser and Gordon (1994) caution that any response to the public discourse on “welfare dependency” will be limited if that response does not challenge the definition of the problem inherent in that very expression. In tracing the genealogy of the concept of dependence, Fraser and Gordon note that from a political perspective, the term “dependency” has shifted from denotation of a group status (appropriate for some classes of people but not for others) to a “highly stigmatised status of deviant and incompetent individuals” (Fraser and Gordon, 1994:331). From a moral/psychological perspective, the authors note that the term has come to denote a negative personality type (considered deviant) that contrasts sharply with the “ideal” of an independent personality. In either case the authors imply that the concept of “welfare dependency” is *hypostatized*, that is, treated as if it were an objective phenomenon rather than a highly subjective concept.

The modern political and psychological political implications of the term as identified by Fraser and Gordon (1994), are implicit, even if sometimes covertly so, in much of the language predominating in the public discourse around social welfare as documented in the South African case study and particularly the Australian case study. It is critical to realise that “welfare dependency” is a highly subjective concept that can only be understood in terms of the ideological context of those who use it.

In the context of an increasingly globalising economy, where gross domestic product is valued above all else, the term tends to be attributed to those who are seen to be inhibiting, rather than contributing to, the country’s relentless push for economic growth.

In South Africa, the government's reluctance to extend social protection might be partially understood in the context of not wishing to create a system by which people would supposedly have a "viable" alternative to participating in the workforce and thereby not helping to grow the economy. However factually baseless such a concern is, it suggests a way in which "welfare dependency" might be construed by government which values economic growth almost as a panacea to many socioeconomic problems.

Without deliberately aiming to, and without even specifically using the term, I believe that the research of Hicks and Zorn (2005) may help us understand the socioeconomic thinking which informs the belief in "welfare dependency" that we have observed in the case studies and why it has widely manifested in social policy in the last quarter century. Hicks and Zorn (2005) note that policymaker's perceptions of macroeconomics may lead them to believe that increased social need will invariably lead to greater pressure on social spending unless a proactive move is made to contain and cut spending. From this perspective, cuts in social spending might be regarded as an effective measure to *reduce* social need by removing any supposed incentives that are seen to be the cause of such need. It is important to identify the values underlying this "less is more" philosophy.

If the predominant values which underpin the decisions of policy makers include the following:

- social assistance income transfer programmes are unfortunate necessities (rather than a prime means to meet central goals of government or addressing poverty and reducing inequality);
- the market in and of itself will provide jobs for those willing to pursue them hard enough;
- "heavy" government expenditure on social programmes inhibits the natural tendency of the market to function well and provide such jobs,

then the rational policy response would be to contract or at least prevent the growth of social welfare programmes when greater social need arises (per Hicks and Zorn's observations).

Increasing social need is therefore construed not as a consequence of deindustrialisation and unemployment (and therefore the failure of neoliberal macroeconomic policy) but as a consequence of the social programmes themselves, and in particular, income support programmes. In order to secure public support for the ensuing attack on such programmes it is necessary to inject dialogue into the public debate concerning the danger of “dependency” and other stigmatising notions as described in the Australian and South African case studies. In Australia, the purpose of this dialogue was to assist in the substantial dismantling of the welfare state, while in South Africa the purpose was to guard against having to build a comprehensive welfare state in the first instance.

When financial and trade liberalisation policies, intended to make the country more competitive and attract more capital and jobs ultimately have the effect of promoting deindustrialisation, higher unemployment and greater social need, it is easy to transfer the blame not only to the country’s income transfer programmes but to the people who must utilise them to survive. I would suggest that the thinking and circular logic of the policy makers may take the form of something along the lines of the following:

“Trade is freer, much more money flows through the country and we have solid economic growth. We know that these factors create jobs and economic opportunity. So why do these increasing numbers of unemployed not take advantage of the opportunities of this situation? It must be because they are unmotivated and too dependant on the benefits of our generous social welfare system. At any rate, we cannot sustain the current level of social spending if we are to become more competitive, increase profit margins and attract foreign investment (the very factors that promote more economic growth and job development) because we must reduce the national debt and cut corporate taxes in order to do so.”

Applying aspects of the Hicks and Zorn (2005) findings, I suggest that attacks on welfare become a double-pronged process as demonstrated by figure 2 (following page). In both of these processes, allegations of “welfare dependency” and related stigma are used as rhetorical tools (currently in USA and Australia in particular) to facilitate and justify this cycle and to effect welfare retrenchment.

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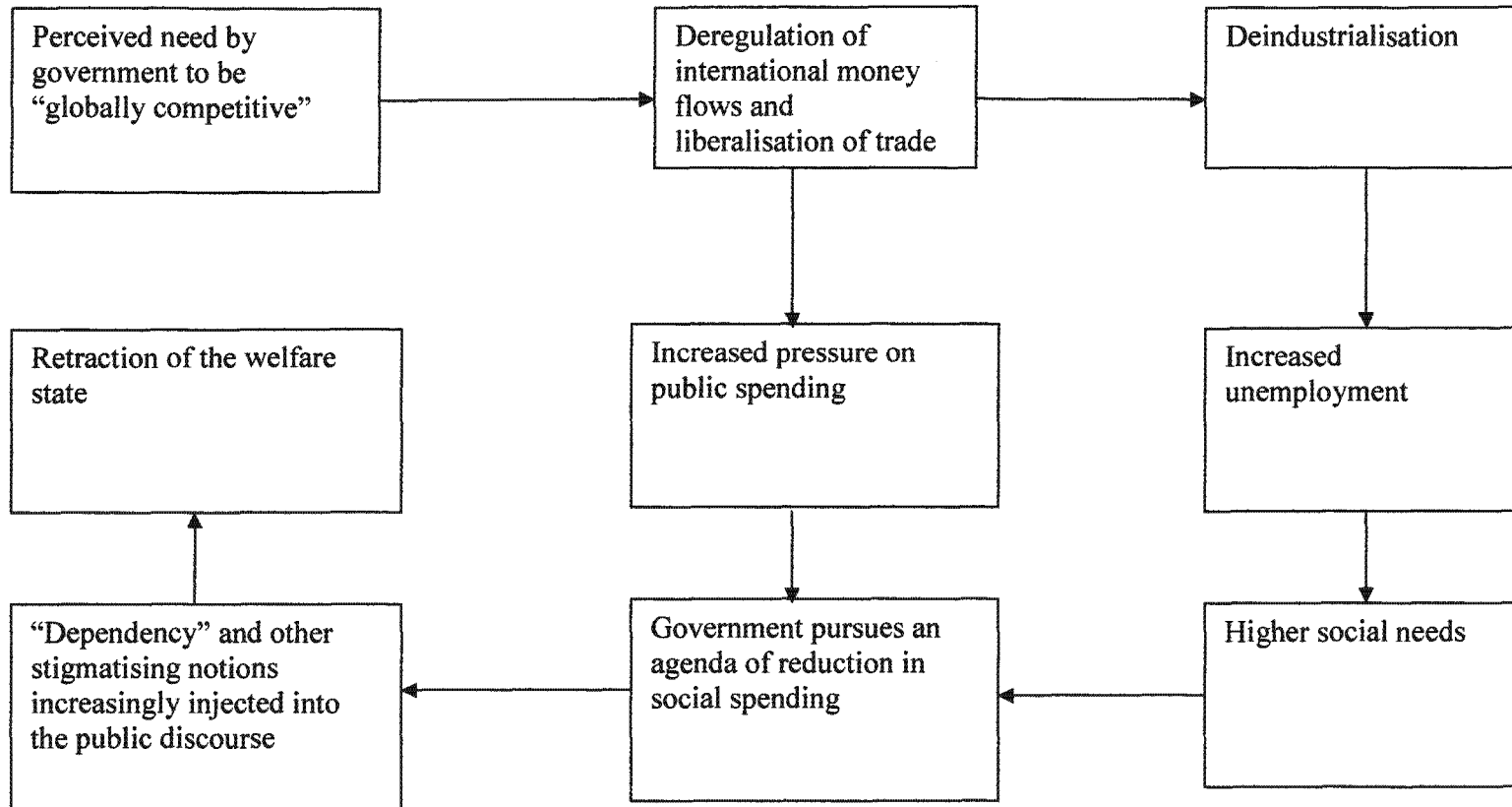


Figure 2: Links between globalisation and welfare retraction

Adapted from Hicks and Zorn (2005)

In one process demonstrated by the preceding figure, macroeconomic policies result in deindustrialisation which, as argued by Hicks and Zorn (2005:638), exerts “direct upward pressure on social spending.” This “necessitates” the government implementing an agenda of cutting social welfare programmes. In order to make such cuts politically feasible notions of “welfare dependency” are exploited and increasingly injected into the public discourse. In the other process, deindustrialisation causes unemployment leading to greater social need. For the reasons previously outlined, the increased social need is interpreted by government as a sign that the social welfare system is too generous and is being misused. The increased social need also places greater pressure on the social welfare budget, spurring government to restrict programmatic expenditure. Again, “dependency” and related stigmatising rhetoric are used to make welfare retraction publicly acceptable and therefore politically achievable.

This phenomenon could also be viewed from the perspective of what Hartman (2005:67) terms “perversity thesis.” Perversity thesis contends that that direct cash transfers to the poor by the state will harm recipients by substituting “perverse incentives” in the place of market mechanisms which supposedly teach the poor a good work ethic and to exercise sexual restraint. Echoes of perversity thesis are present in South Africa demonstrated by the refusal to extend social assistance to prime-age adults, the substitution of public works programmes for comprehensive anti-poverty interventions, and the preoccupation with the behaviour of young woman supposedly becoming pregnant to claim CSG. Perversity thesis could be seen to strongly inform notions of “welfare dependency.”

Fraser and Gorton (1994) offer a further perspective on an aspect of the findings of the case studies. As noted in the South African chapter, the notion of the “dignity of work” helps construct a social norm in which the undertaking of any type of work at any level of pay (no matter how undesirable or poorly remunerated) is more “dignified” than receiving a welfare benefit. Such a notion is implicit in Australian social welfare discourse reinforced by falling real wages and actual cuts in public benefits.

In examining the historical shift of the implication of the concept of “dependency,” Fraser and Gordon (1994:331) argue that the very act of undertaking paid labour has come to confer “independence” (as opposed to the degraded status of “dependence” conferred on non-working welfare recipients). I note that the “independent” status of the working person is conferred without regard to how appalling the pay and conditions may be. Unmasked, the concept of “dignity of work” has nothing to do with ensuring *dignity in paid work* but is rather a term used to stigmatise welfare recipients and reinforce the notion of “welfare dependency.”

5.5 Lingering effects of the “dependency” construct

Ingraining dependency stereotypes in the public consciousness can continue to provide fuel to reap damage to the social security system and further undermine social rights even after the initial goals of welfare retraction are supposedly met. Once welfare rights begin to be curtailed there is a tendency by governments to attempt to continue the process of retraction. They can do so with considerable public support because the accumulative effect of years of negative stereotyping continues to shape public opinion. In July 2006, the Howard government in Australia implemented its *Welfare to Work* package heralding in even more draconian social security measures, including increased waiting periods for benefits, harsher penalties, the removal of safeguards and increased obligations (National Association of Community Legal Centres, 2006).

In February, 2006 in the United States, the Bush Administration won its bid in Congress to cut a further \$39.5 billion from the federal social services budget (New York Times, 2006a). This represented the first major step since by Congress since 1997 to substantially cut welfare entitlement. The effects of the campaign to stigmatise welfare recipients began by President Reagan 25 years earlier (see introduction of chapter two) and the revival of the campaign to help ensure passage of the Personal Responsibility Act of 1996, linger to this day to make even deeper welfare retrenchments possible.

5.6 Political economy analysis

South African economist and author, Guy Lundy (2005) has warned by 2015 there may be up to one million more skilled positions in South Africa than skilled people available to fill them. Yet, as noted by McCord (2006), public works programmes (the government's main intervention to promote skills development for the unemployed) have no element of basic literacy or numeracy. The possession of such skills is highly necessary in order to access jobs in expanding sectors such as finance, trade and service industries.

Desai (2005) notes that through downsizing and restructuring, the South African private sector was able to increase profitability by approximately two thirds in the decade preceding 2001. He also notes that wages grew steadily for skilled workers in that same period. Desai (2005) points out, however, that these gains have been accompanied by increased unemployment and casualisation of labour. These concerns have been borne out. Despite the creation of over 600,000 jobs from September 2004 to September 2005, the official unemployment rate rose from 26,2 percent to 26,7 percent in the same period (Statistics SA, 2006a).

The growing gulf between the unionised and better skilled on the one hand and the more marginalised South Africans on the other is also noted by Desai (2005). There is no comprehensive plan of the South African government to target the very poor in large numbers to ensure that they gain the skills necessary for them to access emerging job opportunities over the next decade. Esping Anderson (2001:148) strongly advocates that governments accelerate and invest heavily in what he calls the emerging "knowledge- and skill-based economy." He acknowledges that this necessitates a considerable expansion in public expenditure for mass programmes of education and training but that the alternative is to have an ever expanding workforce without the skills to match available jobs.

As is the case with the developed countries of which Esping Anderson writes, South Africa must make much greater efforts to ensure the poor gain the skills to participate meaningfully in the emerging knowledge and skill-based economy. South Africa, however, must also ensure that people are not in such utter destitution so as to make such skills development initiatives meaningless or inaccessible. How can someone be trained properly if they are eating one meal per day? Will the necessity to eke out the most basic survival income by working long hours in unskilled “jobs” in the informal sector prevent many thousands from entering skills programmes? How will the very poor pay for the ancillary costs of the programmes (from transport to materials) that invariably arise and still support their families? These are practicalities that are far more pertinent in South Africa than in countries of the industrialised north where income support measures, even if for relatively short periods, are generally available. A guarantee of a basic income would play a critical role in, and would greatly boost the success of, a mass, long-term national effort to boost education and skills to meet the emerging demands of the job market.

Yet it should not even be necessary to have to make purely economic arguments in favour of significantly reducing poverty in a middle-income country with a strong political and constitutional mandate to do so. The public dialogue around the development of Citizen’s Basic Income (CBI) in Brazil does not attempt to primarily make macroeconomic justifications for the introduction of this benefit. Eliminating extreme poverty and affording rights of citizenship are justifications in themselves.

Contemporary policy in Brazil specifically aims to use social grants to help reduce or even eliminate poverty associated with gender and regional inequality. Social grants are being utilised as a means to help ensure that full rights of citizenship, as outlined in that country’s constitution, are afforded. In South Africa, contemporary social policy and practice do not, with the exception of children, frame social grants in this way despite having a similar constitutional mandate to do so. Indeed, as documented in chapter two, the messages from government in South Africa often seem to frame social grants as more of an unfortunate necessity than as a means to ensure social and economic justice.

Australian and South African social policy and practice has come to embrace the neoliberal principles that the market is the best source to meet people's needs and that through economic growth the market will provide jobs. Brazilian social policy recognises that economic growth in itself cannot guarantee job growth for all sectors of society let alone address poverty. Yet the central thrust of the "anti-poverty" strategy in Australia is to force the unemployment benefit recipients, and increasingly single parent and disabled pensioners, into sub-minimum wage casual work programmes that are not necessarily skill-building or relevant to emerging job markets.

Similarly in South Africa, the central thrust of the government's anti-poverty strategy is to offer limited-term public works positions that rarely target the most needy and do not provide either the education or the skills necessary for the participants to be able to access jobs in most sectors of employment growth. A R41,2 billion higher than expected tax revenue in 2005, and forecasts of substantial annual growth in tax revenues in 2006, resulted not primarily in policies that would substantially address poverty and inequality but proposed reductions in a range of taxes totalling some R19,1 billion (Manuel, 2006).

Tax cuts are welcome for low and moderate income earners but high income earners will also benefit substantially. It must be remembered that many workers in the informal sector and the 40% of unemployed South Africans will not directly benefit from these initiatives. In the 2006 budget, the government announced an array of new corporate tax breaks (Reuters, 2006) but no new substantial anti-poverty initiatives. The array of personal and corporate tax cuts over the last three budgets may reflect continuing faith in "trickle down" economic policies which have often been promulgated as an alternative to comprehensive social security.

In both Australia and South Africa, the use of social grants as a means to promote socio-economic upliftment and social equality is positively discouraged by government policy and practice. Having committed themselves to an economic agenda that dictates ensuring as low corporate taxes and national debt as possible, these governments feel compelled to restrain social grant spending spurred on by the belief that the market will provide. In the

case of Australia this has led to the substantial dismantling of that country's welfare state. In the case of South Africa it has led to a stubborn resistance to developing a comprehensive system of social security. In both cases the "dangers of dependency" have provided a supposed justification for the respective dismantling and resistance.

Does it have to be this way? The government of South Africa is at least ostensibly committed to the eradication of poverty and has rock-solid constitutional and political mandates to do so. This is backed up by substantial financial means with higher than expected taxation revenue for two years running and forecasted revenue increases of a staggering 9,6 percent per annum for the three year period following Financial Year 2005/2006 (NEDCOR, 2005). Fully accepting Pergher's (1999) contention that global economic forces limit states in their ability to independently determine economic and social policy, I question whether the South African government is so constrained, so powerless and so fearful of having its economic strategy compromised that it cannot build a comprehensive social security system.

Would initiatives aimed at reducing poverty such as a BIG, or even other smaller initiatives such as an ongoing private rental subsidy programme, really endanger the South African government's goal of continued economic growth? As noted by Hartman (2005), widespread poverty in no way contributes to ensuring economic growth. While significantly expanding the safety net would be a bold move, it would unlikely be one that would imperil an economy as robust as South Africa's.

5.7 Conclusion

In the final analysis, however, it comes down to choices based on values as fundamental as the very purpose of government. The Australian government has made policy choices related to social welfare based on the belief that the prime purpose of government is to ensure that the free market has every possible condition it requires to flourish, from being able to access cheaper sources of labour to being able to operate in the most unregulated

environment possible. The Brazilian government has made its social welfare choices based on the principle (outlined in its constitution) that the primary purpose of government is to build a fair and just society, eradicate poverty and promote the well-being of all. From the perspective of the values inherent in the Australian example, which defines the supposed well being of the economy as more important than the well being of people (or at least sees them as one and the same), the stigmatisation of social welfare recipients is acceptable or even necessary. This is because such recipients are seen as inhibiting the greater good of an optimally functioning free market by “choosing” not to participate in it and by placing pressure on public budgets (which in turn must be restrained for the good of the market).

From the perspective of the values inherent in the Brazilian example, the stigmatisation of welfare recipients would be utterly unacceptable. The absence of stigmatising language is most noticeably absent in the public discourse around social welfare in that country. Such notions would conflict with the social policy goals of restoring human dignity, building a solidarity-based society and encouraging maximum uptake of entitlements to help eradicate poverty. From this perspective, social welfare measures are not seen as conflicting with goals of economic development. Indeed, they are seen as complementary.

Given the vast resources at its disposal and the broad political mandate of its constituents, the South African government has a remarkable opportunity to fulfil its constitutional and normative obligations and dramatically reduce poverty and inequality in this country by developing a comprehensive social security system. As it liberated itself from the oppression of apartheid, the South African nation must now liberate itself from the short-sighted policies, which, while turning the nation into an economic powerhouse on one hand, keeps millions in dire poverty on the other.

Chapter 6

Summary of Findings

6.1 Introduction

This chapter summaries the main findings in relation to the five research questions posed in chapter one, namely:

- What are the underlying social assumptions of the concept of “welfare dependency”?
- Is the use of the term linked with broader socio-economic agendas?
- To what extent can it be demonstrated that when social security entitlements are cut or restricted, people’s socioeconomic situations improve, particularly in terms of greater labour market participation?
- What can South Africa learn from national social welfare policy as it is currently applied in Australia?
- What can South Africa learn from national social welfare policy as it is currently applied in Brazil?

As discussed in chapter one, the tendency to charge that recipients of public welfare are inclined to “dependency” has a long history in human society. In the context of the twenty first century, however, this study found that the term is primarily used as a political tool to mask both the failure of neoliberal economic policies and to help ensure that globalisation, with its devastating (if indirect) consequences for poor and low-income people, can continue unabated without massive popular opposition. In essence, the charge of “welfare dependency” displaces the blame for economic marginalisation to the most vulnerable. The construction of “welfare dependency” is also used as a means by which governments can effectively deny their responsibility to afford appropriate assistance to those in need.

6.2 What are the social assumptions underpinning the concept of “welfare dependency”?

This sub-section summaries many of the underlying social assumptions and values underling the concept of “welfare dependency” that were identified through the case studies. (The *basis* of these assumptions were analysed and challenged in the case studies themselves and in the preceding chapter).

The study revealed that the label “welfare dependency” is almost always used pejoratively and is often associated with the attribution of other negative terms and concepts, used overtly or implicitly, to individuals or groups. These include a propensity to sexual promiscuity, laziness, irresponsibility, lack of initiative or other anti-social behaviours. I conclude, therefore, that psycho-socially speaking, “welfare dependency” is best analysed and understood, not as an isolated concept, but in the context of more general theories concerning social stigma.

An assumption that poverty, partially or predominantly, is a result of behavioural or personality defects, rather than the result of socioeconomic structural factors, is discernable in some of the discourse around “welfare dependency.” Such an assumption would necessarily view a system of providing comprehensive social welfare benefits as tantamount to enabling such behaviour or defects. A lack of analysis of the phenomenon of poverty in general is also characteristic of this approach. At best, an approach to social welfare informed by the concept of “welfare dependency” would aim to provide transient support to relieve *absolute poverty*⁹ while making the assumption that *relative poverty*⁹ either does not warrant intervention by providing income support or should not be considered “poverty” at all.

The study has demonstrated that a consistent assumption underlining “welfare dependency” is that belief that the free market will provide jobs for people who work

⁹ See *Definition of key terms* heading in chapter one, pages 5-7.

hard enough to secure them. From an economic policy standpoint this means that the market must be freed of as many limiting factors as possible to help it achieve what is seen as its innate ability to create such jobs. Such an assumption lends strong support to ongoing corporate tax cuts, restraining wage growth and, as demonstrated in the Australian case study, widespread direct public subsidies to corporations (“corporate welfare”). A related assumption is that full-time paid work will provide sufficient resources for a family to survive.

In terms of theoretical approaches to social welfare, the concept of “welfare dependency” is strongly related to the residual model. With its ideological roots planted firmly in classical economic theory and neoliberalism, the residual approach embraces many of the beliefs connected with a belief in “welfare dependency” as detailed in the case studies. These include a coercive approach to service orientation, suspicion and anxiety over the role of a comprehensive welfare state, and an extremely selective principle of distribution. An assumption that social welfare payments cause “dependency” is a critical underpinning of the residual approach.

Most importantly, the study reveals that the value system informing the concept of “welfare dependency” is largely devoid of an appreciation of the right to a means to adequate sustenance as a basic human right. Such a fundamental right as this, I would argue, must not only inform social policy but be a central pillar of a democratic society. I would conclude therefore, that the values which inform “welfare dependency” are at odds with values promoting a society which looks to continually develop its democracy to and eliminate all forms of human oppression.

6.3 Is the use of the term linked with broader socio-economic agendas?

The charge of “welfare dependency” in Australia is part of an attempt by the current government to complete the transition from a mixed economy to a fully market-dominated economy. This necessarily entails a scaling back by government on the social

welfare front both in terms of interventions and expenditure. The push to devolve welfare services (to organisations with insufficient capacity) is indicative of this retraction as are the increased coercion of recipients, greater eligibility restrictions and actual cuts in real value of welfare benefits.

The neoliberal vision held by the Australian government must facilitate the process of globalisation making the nation as attractive as possible for domestic and particularly foreign investment. This process is seen to be best facilitated if it includes, inter alia;

- Tax minimisation for corporations;
- Actual direct public funding for corporations (“corporate welfare”);
- Minimisation of government expenditure;
- A pool of workers willing to work for minimal wages.

The first three prerequisites underline the government’s move to curtail social welfare expenditure. Lower corporate taxes must be paid for, as must corporate welfare, by restricting growth of, or cutting, other budgetary commitments. The ongoing injection of the “welfare dependency” stereotype into the political discourse helps make social welfare the easiest target for the need to restrain or reduce government expenditure overall. The increased social need ultimately created by the deindustrialisation caused through globalisation also causes “direct upward pressure” on social service budgets (Hicks and Zorn 2005:638). The Australian government’s dual policies of removing wage fixation and making social welfare payments as unattractive as possible help facilitate (in the government’s mode of thinking) greater desperation among the unemployed to accept any job at any wage (as per the fourth point above). Again, the coerciveness and the stigmatisation promulgated around receipt of benefits including charges of “welfare dependency” would be seen to facilitate this process.

In South Africa, the use of the term “welfare dependency” and similarly stigmatising terms by figures in the government is indicative of a clear policy choice to primarily rely on economic growth and the private sector generally to satisfy basic needs rather than significantly expand the scope of the social security system. This policy choice is at least

partially based on the fear that South Africa will be marginalised in the global market unless the government succeeds in making the country as attractive as possible for foreign capital. In the 2006 budget, for example, a range of other corporate tax cuts were necessitated by a cut in the general corporate tax rate (Business iafrica. 2006b). Significantly extending social grants, such as creating a BIG, would be viewed as reducing the scope for these tax cuts seen as necessary to encourage investment, particularly foreign investment.

Concessions such as the extension of Child Support Grant (CSG) and modest increases to the social pension help mollify public concern that the government is not doing enough to combat mass poverty. However, in order to defend policy choices to implement a predominantly neoliberal economic agenda and not significantly expand income transfers to help truly alleviate poverty, it is necessary for the government to promulgate a belief that expanding income support is tantamount to encouraging “dependency.”

6.4 Can it be demonstrated that when social security entitlements are reduced or restricted, people’s situations improve, particularly in terms of labour market participation?

Nothing in the Australian experience suggests that the ongoing retraction of the welfare state, and the increasingly coercive provisions that govern receipt of benefits, has in any way promoted a greater propensity for people to participate in the labour market. In fact, as demonstrated in the case study, the central programme to ensure that this occurs (the “Work for the Dole” scheme) has been conclusively shown to inhibit return to the labour market. Increasing working and non-working poverty (particularly child poverty) have also been synonymous with the decimation of the Australian welfare state.

The increasing socioeconomic isolation of many unemployed school leavers, older males, single parents, disability pensioners and families with unskilled parents has been made worse by a social welfare system which maligns them as unmotivated over-consumers of

public resources. Their alienation from the job market is caused not by dependency on a dwindling system of social entitlements imbued with greater coerciveness, but by an economic system that has left them behind and the refusal of the government to make the sort of massive investment necessary to begin to bridge this gap.

In South Africa, the continued refusal to expand the social grant system has in no way promoted a greater “work ethic” among the poor unemployed. This is because such an ethic was never absent. What is absent is an expansion of job opportunities for the unskilled and semi-skilled and a mass effort to ensure skills development (and the ability to participate in such skills development) for the unemployed to meet the labour demands of emerging and expanding industries. The government’s main means to provide work opportunities and build skills, namely, public works programmes, have been shown to: 1) provide relatively few opportunities, 2) not relieve long-term poverty and 3) only develop skills in one industry. The refusal to extend social grants for fear of providing a disincentive to work is utterly ungrounded. It has been conclusively shown by the EPRI (2004) and Posel et al (2006) studies (outlined in chapter two) that receipt of a social grant facilitates job search among household members.

The expansion of social welfare entitlement in Brazil (which has included poor, working aged adults) has been synonymous in that country not only with much greater food security but with significantly expanded local economic development. There is nothing to suggest that, even with the extension of means tested benefits, people are less inclined to take advantage of labour market opportunities.

6.5 What can South Africa learn from national social welfare policy as it is currently applied in Australia?

The broad consensus that all Australians should have their needs met through a comprehensive social security system was underlined by a sense of social solidarity many decades in the making. In the last decade in particular, this consensus has been shattered

as the Australian government moved towards the implementation of a complete market economy where economic growth and the free movement of capital became ends unto themselves. Building resentment towards those in receipt of social welfare benefits, fuelled by the ever-increasing economic insecurity caused by globalisation, the Australian government has managed to divide society through its promulgation of negative stereotypes and further denigrate and impoverish those in greatest need.

In South Africa the continued goal of pursuing economic growth without regard to ensuring a fair distribution of its benefits, the unswerving but unfounded faith in the ability of the market to provide solutions to social problems, and the dogged refusal to truly extend the scope of the income support safety net, bears much in common with the Australian approach. The deepening divisions and resentment in Australian society, increasing poverty and degradation of the poor should serve as a warning to South Africa that neoliberal economic policies, along with inadequate social welfare provisions for those in need, can seriously undermine social cohesion and goals of progressing toward poverty reduction. In this sense, contemporary social security policy in Australia can serve as a model for South Africa of what not to do if the latter country wishes to fulfil its political and constitutional obligations to enhance people's dignity, achieve social equality and advance human rights.

6.6 What can South Africa learn from national social welfare policy as it is currently applied in Brazil?

Since 2003 in particular, national social welfare policy in Brazil has aimed to gradually but steadily progress toward the fulfilment of a constitutional imperative to eradicate poverty and substandard living conditions, and to reduce social inequality. A greatly expanded system of income transfer payments has been a central intervention toward this goal. It is recognised that steady economic growth alone will simply not alleviate the extreme income-poverty of millions of Brazilians and that direct cash transfers to *all* persons experiencing such poverty must be implemented. The commitment to the

implementation of a Citizen's Basic Income (CBI) is indicative of the determination to not only eradicate poverty, but to fulfil the constitutional mandate to ensure national development and build a "free, just and solidarity-based" society (Brazilian Constitution, 1988, Article three).

South Africa has made less progress towards its similar constitutional obligations. The continued lack of income support from the national government for able-bodied, prime-age persons serves to keep many in extreme poverty in a macro-environment of continuing high levels of structural unemployment. Yet there are now clearly sufficient national resources to provide such support via the substantial extension of income transfers.

The South African government should note that Brazil has expanded its system of income transfers under much more challenging economic and political conditions, from a higher external debt per capita of the population to the governing party being a minority in the legislature. The fact that the Brazilian government has helped imbue the public dialogue around social welfare entitlement with notions of citizenship rights rather than with notions of "dependency" and other stigmatising concepts, should also be noted by South African policy makers.

da Rocha Roquete's (2004) urging of supporters of the CBI to continue promoting the initiative's economic viability and its contribution to building a fair society (as mentioned in chapter four) has great relevance to supporters of the BIG in South Africa. It is incumbent on we who support BIG to inform ourselves and constantly challenge arguments against the proposal in the media, in organised groups and in public forums.

As argued by Maximilien Robespierre (Labica, 1990), the right of members of a society to an adequate means of existence should be foremost among all inalienable rights. The social rights provisions of Brazil's constitution, and the decisive moves to fulfil them thereof, reflect a vision of what a true democracy must deliver to its people. For political freedom to be truly meaningful and sustainable, it must bring with it tangible social and

economic benefits. The guarantee of a basic income should be a key component of such benefits. South Africa should look to the Brazilian example and note that in the absence of a genuine and substantial commitment to meet the basic material needs of all citizens, political transformation is incomplete.

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