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Social Justice and Social Security

Sidney Kgara

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Definitions

Social security: is the protection that **society** provides for its members, through **a series of public measures**, against the economic and social distress that otherwise will be caused by the stoppage or substantial reduction of earnings resulting from **sickness, maternity, employment injury, unemployment, invalidity, old age, and death; the provision of medical care;** and the provision of subsidies for families and children.

(ILO Social Security (Minimum Standards) Convention 102 of 1952)

Definitions

- **Social Security proper is based on the pooling of resources based on the principle of solidarity: For example:**
  - **In retirement insurance, the young and working funding the needs of the aged and infirm**
  - **In health insurance, the healthy funding the needs of the sick**

- **Social Security is intended to cover risks, for example: disability, old age, death, sickness, workplace injuries/diseases, as well as unemployment, ageing, inflation, recession, financial crisis, etc.**

Definitions

- **Social Security is divided into two components:**

1. Social Insurance (e.g. NHI, UIF, etc.)

- Occupational or based on employment
- Compulsory or voluntary
- Universal or exclusive
- Co-payment (employer and employees)

2. Social Assistance (e.g. CSG, BIG, etc.)

- Non-contributory
- From the government revenue
- Substantial/comprehensive or residual
- Generally meant to alleviate poverty

International background and context

- Social security originates from 1889, when the German Chancellor Otto von Bismarck introduced the old-age social insurance program
- Following the inter-war economic depression years and after the Second World War there was social and economic devastation, widespread poverty and rising ill-health
- In response to the endemic social crisis the British government published the Beveridge Report (1942). It recommended a comprehensive social security system.

International background and context

- In addition, the threat posed by the rise of socialism in the west – led to social contracts for full-employment, productivity linked wage increases, social security, social wage, etc.

- The Beveridge Report became influential across the world - placing social security and social policies in general at the centre – even in countries that were economically weakened and impoverished by the World War II.

International background and context

- Social security system vary or differ according to the roles and contributions assigned between the state, market and households
- They tend to reflect the influences exerted by social, political forces and cultural contexts
- Internationally, social security systems evolved around three broad types, namely liberal, corporatist and social democratic models - *Gosta Esping-Andersen: The Three Worlds of Welfare Capitalism (1990)*
- Countries in the global-south introduced varying and uneven versions of these ideal-type social security systems

International background and context

- **The Liberal model tends towards lower levels of state intervention and fiscal support, leaving market-forces to establish a level of social security. The state tends to focus on residual provisions often targeted to the vulnerable sections of the populations, (United States, Britain and Australia).**

- **The Conservative-corporatist model provide relatively more generous benefits based upon principles of insurance contributions, based on incomes. Tends to have multi-funds segmented according to occupations (Italy, France and Germany)**

- **The Social-democratic model is the most interventionist end of the spectrum, guaranteeing universal benefits at more generous levels. Not only based on contributions but also substantial state support. Tends to be based on single large funds** (Scandinavian - Sweden, Norway and Denmark)

International background and context

Social security model	De-commodification	Class base or stratification	Dominant provider	Institutional design
Liberal	Low	High	Market	Means-testing, limited social insurances and company-based
Conservative-corporatist	Medium	Medium	Family	Bismarckian social insurance & NGOs welfare programmes
Social	High	Low	State	Universal

South African background and context

- Retirement insurance in South Africa began after the Pension Funds Act of 1928 was passed. Typically, intended to cover whites, the poor-whites in particular.
- First medical aid scheme – De Beers Mines Benefit Society established in 1889. Private health insurance also emerged in occupational or employment settings.
- But these were based on racial job-reservation, wage-gap and discrimination of the Apartheid labour market.
- Social Assistance – mainly for "vulnerable" white groups, those considered the citizens of the country
- Whereas black cheap-labour and typically weekly paid workers were excluded, confirmed by the Pensions Funds Act of 1956

South African background and context

- Despite international trends, South Africa stuck to fully privatized social insurance system (retirement and health insurance) covering whites
- But there were public sector pension funds - the current "Official Funds" supervised by the Treasury and those established by parastatals.
- The 1970s saw the rise of black trade unions, fighting super-exploitation and for social insurance benefits
- These struggles led to the Riekert Commission – proposing a range of de-racialising reforms in the Apartheid labour market, to perpetuate exclusions through the market-forces

South African background and context

- In the 1980s and 1980s, the South African retirement fund industry shifted away from defined benefit (DB) funds to defined contribution (DC) funds.
- Today, only a handful of employers offer DB fund membership to new employees, and notably in the public sector, e.g. GEPF, etc.
- This is part of global-Neoliberalisation: in 1994, the World Bank published a report entitled *'Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth'*.
- It promoted the market-based "multi-pillar" model in which the private, fully-funded individual account system was at the centre.
- Similarly, through labour market flexibility (casualisation), employers rolled back provision of medical aid insurance in South Africa

Current South African Social Security System

- In the first decade of democracy, government followed the liberal social security model, merely seeking to expand access
- Social insurance continued to be mainly based on private occupational and individual insurance schemes, because:
  - Entitlements based on employment or income and the market
  - Social assistance is limited and targeted to "disserving poor"
- For-profit private asset managers undertake administration and investment on behalf of pension funds, including some of the assets of the public funds.
- Not-for-profit medical aid schemes largely operated by for-profit administrators and managed care organisations

Current South African Social Security System

Pillar 1 **Social Assistance** (Non-contributory - poverty alleviation)	**Pillar 2** **Social Insurance** (Contributory - Mandatory)	**Pillar 3** **Voluntary** (Supplementary) Arrangements
Old Age	**Unemployment Insurance Fund (UIF)**	**Pension and Provident Funds**
Disability	**Compensation Funds**	**Retirement Annuities**
Child Support	**Road Accident Fund (RAF)**	**Group Life Schemes**
Foster Care	***National Health Insurance (NHI)**	**Collective Investment Funds; Long-term savings and endowment funds and other discretionary savings and insurance products**
Care Dependency	*National Social Security Fund (NSSF)	
War Veterans		
Social Relief of Distress		

Current South African Social Security System

PRIVATE RETIREMENT FUNDS IN 2016	
Number of funds	5 144
Membership (‘000)	16 644
Contributions (R’m)	227 024
Benefits paid (R’m)	325 918
Assets (R’m)	4 146 048

Current South African Social Security System

PRIVATE HEALTH INSURANCE	
Number of medical schemes	80
Number of beneficiaries	8.8 million
Risk contributions	R162.8 billion
Net expenditure	R144.5 billion
Reserves	R59.7 billion
Solvency	R33.2%

Social injustices in social security

- A very high proportion of the population lives on very low incomes: 50% of the population live on less than R32 (US$2.50) per day and 65% on less than R64 (US$5.00) per day.
- This means that still more people are going to rely on the SOAP in the future. SOAP covers more than 3.3 million people at a cost of R77 billon a year (2019), R65 billion is spent on CSG (2019)
- Social assistance remains targeted, but still no inclusion for the unemployed or people in working age (18-60 yrs)
- Retirement insurance members are supported by the state through the Tax Expenditure Subsidies (R19,6 billion in 2013)

Social injustices in social security

- There is no universal mandatory and contributory health insurance for all South Africans, leaving 7 million workers partially funded or self-funded
- About 9 million workers unfunded or without medical insurance.
- South Africa spends closer to 9% of GDP on health, in which the private sector healthcare, which provides for around 16% of the population spends about 4.2% of GDP, whilst the public sector which serves around 84% of the population spends around 4.4% of GDP
- Medical aid scheme members are subsidised - through tax expenditure subsidies - R18,5 billion (2017) or R12 000 per year for a family of four.

Social injustices in social security

- In private health patients are put through expensive treatments and hospitalised for long periods when it not clinically necessary.
- Doctors and specialists are given financial incentives to meet certain targets in their care of patients.
- Premiums escalate yearly driven by for-profit administrators and manage care organisations and the Fee-For-Service reimbursement mechanism.
- Hence, co-payments are frequent, benefits are deteriorating and running out before year end

Social injustices in social security

- **Health insurance**

- Vast spending inequality
- Misallocation of the resources
- Monopoly profiteering
- Only 1 in 6 have coverage, and not even adequate for those covered

- **Retirement insurance**

- Vast safety-net gap (unemployed 18-60 yrs.)
- Provident funds largely cashed-out - not as retirement insurance
- Define Contribution funds shift the risks completely to workers
- The working-poor do not have coverage

Conclusion

- **We have to create a social security system to meet our Constitutional mandates:**

  Section 27:

  "Everyone has the right to have access to health care services including reproductive health care……

  "Everyone has a right to have access to social security, including, if they are unable to support themselves and their dependants…"

- **The National Health Insurance, a 14 year project to achieve universal health coverage in 2030 is a step in the right direction.**

Conclusion

- Engagements at NEDLAC on the National Social Security Fund (NSSF) is a positive step. As a minimum, the outcome must meet the guiding principles of the ILO:
  1. The extension of coverage to all members of the population;
  2. Protection against poverty in old age, during disability or on death of the wage earner for all members of the population;
  3. Provision of an income, and replacement of lost earnings as a result of voluntary or involuntary retirement for all those who have contributed;
  4. Adjustment of this income to take account of inflation and, at least to some extent, of the general rise in living standards;
  5. Creation of an environment for the development of additional voluntary provisions for retirement income.