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Political and Institutional Drivers of Social Security Policy in South Africa

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New Directions in Social Policy:
Alternatives from and for the Global South

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This paper is part of a series of outputs from the research project New Directions in Social Policy: Alternatives from and for the Global South.

The project examines the emergence, nature and effectiveness of recent developments in social policy in emerging economies and developing countries. The purpose is to understand whether these are fundamentally new approaches to social policy or welfare systems which could offer alternative solutions to the critical development challenges facing low- and middle-income countries in the 21st century. This research aims to shed light on the policy options and choices of emerging/developing countries; how economic, social, political and institutional arrangements can be designed to achieve better social outcomes given the challenges of the contemporary development context; how the values and norms of human rights, equity, sustainability and social justice can be operationalized through "new" social policies; and how experiences, knowledge and learning about innovative approaches can be shared among countries in the South. For further information on the project visit www.unrisd.org/ndsp.

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Acronyms

ANC	African National Congress
BIG	Basic Income Grant
BRICS	Brazil, Russia, India, China and South Africa
COSATU	Congress of South African Trade Unions
CSG	Child Support Grant
ECD	Early childhood development
GEMS	Government Employees Medical Scheme
NEHAWU	National Education Health and Allied Workers Union
NHI	National Health Insurance
SASSA	South African Social Security Agency
SMG	State Maintenance Grant
UIF	Unemployment Insurance Fund
UNRISD	United Nations Research Institute for Social Development
ZAR	South African Rand

Abstract

This paper provides an analysis of political and institutional drivers that shape social policy in South Africa with a specific focus on social security. As elsewhere in the Global South, South Africa has a quite extensive social assistance framework, whereas social insurance is limited and inadequate. This is contrary to the experiences of the Global North, where social insurance has been the primary social security mechanism with social assistance playing a more marginal role. In order to explore the contrasting developments within social security policy, we focus our analysis on two case studies with varying policy outcomes: 1) the social cash transfer system, which is well established; and 2) the National Health Insurance (NHI) scheme, a recent policy, which has suffered several delays.

Building on the power resource and historical institutionalism approaches, we explore how different actors seek to assert their policy preferences, and how current institutional arrangements shape actors' interests and their ability to influence policy reforms. The two cases reveal interesting differences that can explain the success of social cash transfer expansion and the sluggish progress (to date) to introduce national health insurance. While the latter has strong vested interests against reform, even though there is consensus on the need for a national health insurance scheme, the former has had no strong opponents and subsequent incremental expansions have benefited from well-established institutional arrangements, positive research evidence and civil society advocacy and litigation. Moreover, the introduction of a health insurance scheme is relatively more complex (politically, institutionally and technically), compared to expanding an already existing social cash transfer programme. In our analysis, we also explore the different ideational narratives related to the two types of policies. Social cash transfers have legitimacy as a policy addressing the needs of the most vulnerable, which are defined to be the elderly, young and people living with disabilities, but not able-bodied adults. In the case of health insurance, ideological narratives are pitted against each other: the concept of health as a common good against health as a commodity, and market-oriented strategies for delivery against state-centric approaches.

1. Introduction

This paper contributes to the South African case study in the UNRISD research project New Directions in Social Policy: Alternatives from and for the Global South, through an analysis of political and institutional drivers that shape social policy with a specific focus on social security. As elsewhere in the Global South, South Africa has a quite extensive social assistance framework, whereas social insurance is limited and inadequate. This is contrary to the experiences of the Global North, where social insurance has been the primary social security mechanism with social assistance playing a more marginal role. In order to explore the contrasting developments within social security policy, we focus our analysis on two case studies with varying policy outcomes: 1) the social cash transfer system, which is well established; and 2) the National Health Insurance (NHI) scheme, a recent policy, which has suffered several delays.

Building on the power resource and historical institutionalism approaches, we explore how different actors seek to assert their policy preferences, and how current institutional arrangements shape actors' interests and their ability to influence policy reforms. The two cases reveal interesting differences that can explain the success of social cash transfer expansion and the sluggish progress (to date) to introduce national health insurance. While the latter has strong vested interests against reform, even though there is consensus on the need for a national health insurance scheme, the former has had no strong opponents and subsequent incremental expansions have benefited from well-established institutional arrangements, positive research evidence and civil society advocacy and litigation. Moreover, the introduction of a health insurance scheme is relatively more complex (politically, institutionally and technically), compared to expanding an already existing social cash transfer programme. In our analysis, we also explore the different ideational narratives related to the two types of policies. Social cash transfers have legitimacy as a policy addressing the needs of the most vulnerable, which are defined to be the elderly, young and people living with disabilities, but not able-bodied adults. In the case of health insurance, ideological narratives are pitted against each other: the concept of health as a common good against health as a commodity, and market-oriented strategies for delivery against state-centric approaches.

The paper is structured as follows: in the next section, we outline the theoretical framework and our approach to the analysis. In Section 3, we provide an overview of the social security system in South Africa. Sections 4 and 5 include the analyses of the social cash transfer system and the health insurance scheme respectively. Section 6 concludes by way of comparing the two cases.

2. Theoretical Framework and Methods

In this paper, we are interested in exploring the causes underlying the diverging experiences of social security reforms in South Africa. In the social policy literature, scholars often refer to the five I's in order to explain social policy development across countries. These are industrialization, international influence, interests, institutions and ideas (Gough and Therborn 2010). Industrialization is a structural explanation; it refers to the changes in economic production that cause the population to move from (subsistence) farming to wage labour and how consequently an increased pressure for public social security measures is created. Countries in the Global South have not experienced the path of industrialization that led to the early welfare policy initiatives in the Global North. Hence, although economic structural conditions certainly shape social policy demands (Haggard and Kaufman 2008), industrialization as an explanatory factor has limited relevance for our purposes.

In contrast to industrialization, international influence on social policy has been a strong determining factor in specifying the social policy paths taken in many countries in the South, where international organizations have played prominent roles in defining policy priorities and designs (Deacon et al. 1997; O'Brien 2002). South Africa is an exception in this regard, as the international influence has been much more limited. During apartheid, South Africa was isolated internationally and even with the transformation to democracy in 1994, the international community has had a relatively limited influence on policymaking. Of course, South Africa's international standing and economic credibility affect policymakers, but international agencies assert little direct influence—donor funding only accounts for a very small part of South Africa's national budget and policymaking continues to be a predominantly domestic affair.[1]

Thus, in this paper we focus on interests, institutions and ideas. We understand these three explanatory factors to be endogenous and to be interrelated in the way they shape a specific social policy path. In order to structure our analysis of social security policy development in South Africa, we outline a theoretical framework in the following, which specifically draws from—and builds on—the power resource approach and historical institutionalism, both established theories within the social policy literature.

2.1 Interests: Policy preferences and power resources

In the classical power resource approach, the emphasis was on the specific interests and bargaining power of labour unions vis-à-vis the capitalist business sector and their respective political parties (Korpi 1983). The argument is that actors' policy preferences are shaped by their socioeconomic interests. Low-income groups and the organizations representing them (trade unions, civil society organizations) tend to prefer redistributive social policies, whereas the wealthy and the business sector prefer social policy frameworks that are the least costly to them. The position of the government in turn depends on which social and economic actors are their primary constituencies.

Although the power resource approach has its roots in the Northern welfare regime literature, a power resource analysis is also applicable in the Global South and relevant actors can as well include other domestic stakeholders such as the rural population and civil society (Haggard and Kaufman 2008; Ulriksen 2012). Thus, to understand the role