Role of Social Security

Prof Alex van den Heever
Chair in the Field of Social Security

Alex.vandenheever@wits.ac.za
South Africa comparison: percentage of total income earned by the top 10% of income earners

South Africa comparison: percentage of total income earned by the top 5% of income earners

Source: World top incomes database: http://topincomes.g-mond.parisschoolofeconomics.eu/ (adjusted)
South Africa comparison: percentage of total income earned by the top 1% of income earners

Protection of permanent workers against individual and collective dismissals, 2013

Protection of temporary workers against individual and collective dismissals, 2013

Changes in remuneration by sector

Index 1993 = 100

- Construction
- Finance, real estate and business services
- General government services
- Personal services
- Total compensation of employees
- Mining and quarrying
- Manufacturing
Changes in remuneration by sector

Index 1993 = 100

- General government services
- Total compensation of employees
Employment changes by economic sector from 2001 to 2014

Source: Statistics South Africa, Labour Force Surveys March 2007 and 2\textsuperscript{nd} quarter 2014
Employment and compensation of employees, changes from 2001 to 2013 (percentage)

Institutional maternal mortality ratios per 100,000 live births by province from 2000 to 2012

Province: EC, FS, GP, KZN, LP, MP, NC, NW, WC

Source: National Committee for Confidential Enquiries into Maternal Deaths. Saving Mothers [http://www.hst.org.za/content/health-indicators]
# Poverty headcounts in 2006, 2009 and 2011

<table>
<thead>
<tr>
<th>Poverty headcounts</th>
<th>2006</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the population that is poor</td>
<td>57.2%</td>
<td>56.8%</td>
<td>45.5%</td>
</tr>
<tr>
<td>Number of poor persons (millions)</td>
<td>27.1</td>
<td>27.8</td>
<td>23.0</td>
</tr>
<tr>
<td>Percentage of the population living in extreme poverty</td>
<td>26.6%</td>
<td>32.4%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Number of extremely poor persons (millions)</td>
<td>12.6</td>
<td>15.8</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Social protection restructures the relationship between households and economic production.
Market-related work/employment

- Subsistence work
- Unremunerated work
- Leisure

Observed GDP

Unobserved GDP

Total Welfare
Market-related work/employment

- Subsistence work
- Unremunerated work
- Leisure

Observed GDP

Unobserved GDP

Total Welfare
Market-related work/employment

Unremunerated work
Leisure

Observed GDP
Unobserved GDP

Total Welfare
Lorenz curve

- Structural increase in social risks
- Structural decrease in social risks
Economic returns to SP

- Reduced social investments
- Inequality
- Capabilities
  - Structure of consumption
  - Vulnerable to social risks
- De-industrialisation
  - Poverty

Income/production cycle narrows based on very high income earners
Social protection pays for itself by reversing the negative externalities of biased economic accumulation.
Policy nexus

Labour market flexibility
- Mobility (skills development)
- Job placement
- Return to work
- Hire / fire

Industrial policy

Special employment

Earnings-related income protection

Social Assistance

Low household income

High household income

Retirement provision
Loss of support protection
Disability protection
Unemployment protection
Paternity benefits

Pregnancy support
Early childhood support
Child support
Caregiver support
Unemployment support
Disability support
Old age support
What does – “who pays” mean?

Correct through both **primary (1)** and **secondary (2)** distributions of income

- (1) Structure of employment
- (2) Explicit income redistribution
Social protection seeks to maximise welfare...

- No trade-off between well-designed social protection and employment/GDP growth
  - SP protects the distribution of income
  - SP protects the distribution of capabilities
- Inequality will increase structurally in the absence of social protection
- Economic development will proceed more normally if overall welfare is seen as integral to the growth process

The distribution of income does not reflect the distribution of capabilities/contribution to output.
Impacts on

- Structure of consumption
- Industrial development
- Distribution of human capabilities
- Distribution of welfare/wellbeing
- Political stability

Under normal circumstances the quality of overall social wellbeing is a policy choice and not a function of factors outside the control of governments.
South Africa’s Social Security System
Balanced Social Security System

High income

Tier 4

Tier 3

Tier 2

Tier 1

Low income

System

Social outcomes

System features

Low risk

Low risk

Low risk

Low risk

Risk pooling

Income transfers

Accountability framework

Integrated and coordinated policy platform

Schemes

Centralised

Universal protection

Universal protection

Integrated and coordinated policy platform

Schemes
Policy framework

Social security
- Pensions (Contributory, Non-contributory)
- Disability
- Healthcare
- Early childhood development
- Welfare services
- Basic family incomes
- Loss of employment

Capabilities
- Education
- Training and skills development
- Industrial policy
- Tax regime
- Regulatory governance

Labour market
- Active labour market policy
- Conditions of service determination policy
- Special employment programmes

Economy
- Economic growth