



## Towards a minimum living level

**D**espite the political transition in 1994 from an exclusionary, racial, capitalist state under Apartheid, and notwithstanding having one of the most progressive constitutions globally, South Africa continues to face the destructive and corrosive dynamics inherent in being a country with one of the most unequal levels of income ranging from exceedingly high levels of income to asset poverty in both the developed and developing worlds.

Broad unanimity exists that these dynamics pose a potentially insurmountable obstacle to building the levels of social cohesion necessary to complete the transformation of our society into a vibrant, inclusive and productive nation. High levels of income inequality have been found to reduce the potential of economic growth to reduce poverty levels<sup>1</sup> in any significant way, which effectively questions the underlying assumptions in the principle of 'redistribution through growth'.

However, the pertinent questions that emerge are: In an upper-middle-income country, to what extent do these figures correlate to people's own views of what constitutes an acceptable living level, and what would these views entail?

Over a century of literature exists that documents trends in poverty-related studies. In South Africa we have a documented past that sought to use 'scientific' studies to justify absolute, survivalist wages paid to black African workers under Apartheid. Since 1994, a number of studies have been undertaken that seek to expand policy makers' appreciation of the nature, extent and impact of poverty in South Africa.

For SPII, it is important to place such enquiries firmly within a human rights-based framework. This translates into an understanding of what would constitute a socially acceptable 'minimum social floor' – a standard of living below which no one should fall, and that would constitute an unmistakable trigger for the state to intervene to lift those people above the floor. As set out in the National Development Plan,<sup>3</sup> this would include income and livelihood security, food, water, sanitation, electricity, health care and education. However, if we seek a nation that thrives,

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The status of an 'official' poverty line is unclear. Statistics South Africa has been using three poverty lines since 2009; however, the process for formally adopting these at the National Economic Development and Labour Council (NEDLAC) imploded due to an inability for the four constituencies to reach consensus on what it was that needed to be measured and tracked.

These three poverty lines include a food poverty line of R305 per person per month, a 'lower-bound' poverty line of R416 per person per month, and an 'upper bound' poverty line of R577 per person per month, in 2009 prices.<sup>2</sup>

## DID YOU KNOW!

The retail sector showed a 123% increase in profit from 2011 to 2012 (R2 billion to R4.4 billion).

In 2012, the median wage increase for all industries was recorded to be 8%.

rather than one that just survives, there are clearly a number of things that need to be added to the above in order to ensure that a minimum floor also meets the Constitutional guarantee of a life of dignity to all who live in South Africa.

SPII and a number of collaborative partners produced an extensive although not exhaustive scoping in 2006 of current approaches that could be used to define, measure and track poverty over time.<sup>4</sup>

<sup>1</sup> World Bank. 2006. *World Development Report 2006. Equity and Development*. Washington DC: World Bank. p. 86.

<sup>2</sup> Statistics South Africa. 2012. *Subjective Poverty in South Africa. Findings of the Living Conditions Survey 2008/09*.

<sup>3</sup> South Africa. National Planning Commission, the Presidency. *National Development Plan 2030. Our future – make it work*. p. 357.

<sup>4</sup> SPII. *The Measurement of Poverty in South Africa Project: Key Issues*. Working Paper No 1. www.spil.org.za.

<sup>5</sup> United Kingdom. Department of Social Development. 2005. *Methodology for the Qualitative Stage of the Indicators of Poverty and Social Exclusion Project. Key Report 2*. <http://www.casasp.org.za/docs/IPSE%20Key%20Report%202%20DSD-CASASP.pdf>



What we seek to spearhead over the next six months is a series of engagements that establish what ordinary people in South Africa believe should constitute a full basic needs basket that should be available to every South African.

### Cometh the time ....

This enquiry we believe is critical in our current socioeconomic and political climate. The Congress of South African Trade Unions (COSATU), the largest trade union federation, has recently called for the introduction of a national minimum wage of R3 500 per worker per month. The tragic events of Marikana last August and the subsequent De Doorns agricultural workers' strike demonstrate the desperation that people whose basic needs are not met, find themselves in.

It is also impossible to measure whether the current values of the social assistance social grants go anywhere near providing recipients with the means to meet their basic needs in the absence of such an articulated basket.

### Methodology

Poverty is defined and measured in a myriad ways. Elegant and complicated equations exist that seek to delineate the basic needs of children, grown men and women, and of manual or executive workers. Questions of weighting for household size also need attention, and on the one hand this is

important given the far higher dependency ratio in poor households (that is, larger size of households dependent on far fewer income earners). In our experience, the complicated steps involved in these enquiries generally alienate ordinary people from being able to identify with the outcomes, and hence this undermines the societal commitment we believe exists among the majority of people living in South Africa to ensure that such basic needs are met. Instead, we are seeking to find out if there is consensus about what should constitute a basic basket of necessities.

A detailed study undertaken by the Centre for the Analysis of South African Social Policy (CASAP)<sup>5</sup> around 2004, which included over 50 focus group studies across geographic spread, class and race in South Africa found that there was a very high correlation among all participants about what constitutes a basic basket of necessities, and also that the majority of participants were not able to afford these items.

That study did not, however, seek to quantify the goods, or identify quality thresholds or cost out such a basket. In SPII's current project, which is being undertaken through the Community Constituency at NEDLAC and with the support of the Friedrich Ebert Stiftung and collaboration of COSATU, we shall seek to undertake, on an indicative rather than representative level at this stage, precisely such an enquiry.

The point of departure for such a study will begin with a nutritionally sufficient basket of food that is required to meet people's nutritional needs, preventing ill health and developmental deficits. This basket will be verified through focus groups that will also explore what other goods and services are deemed necessary to live an integrated life. Questions of clothing, transport costs, access to mobile phones and internet connectivity are crucial if we want to begin to provide the means for the subsequent costed detail. The findings of these focus groups will then be shared at various seminars, finally costed up, and then broadly disseminated by mid-2014.

One of the objectives of this study is also to begin to ask the question of how these costs should be met in a society with as high income inequalities as ours. Should the poor bear the brunt of poverty, or should there be a societal commitment to easing the multi-generational consequences of apartheid wages and alienation from the means of production?

We hope that you will follow this debate and participate in it as much as possible. All information will be available on [www.spil.org.za](http://www.spil.org.za).

# SOCIAL PROTECTION AND LOCAL ECONOMIC DEVELOPMENT (LED): GRADUATION PILOT PROJECT

**I**n the last six months, SPII with the assistance of international experts on the concept of 'graduation' or 'graduating out of poverty' and local experts in development have been planning the 'Social Protection and Local Economic Development (LED): Graduation Pilot Project'. The concept of graduation was born out of the achievements of the Bangladesh Rural Advancement Committee (BRAC). Through sequenced interventions, BRAC's 'graduation' model aims to create pathways for the poorest to move out of extreme poverty. The 'graduation' model focuses on carefully sequenced safety nets, livelihood strategies and access to finance. Currently, the term 'graduation' has become synonymous with providing ongoing support over a specific period of time, with the purpose of moving people from extreme/ultra-poverty.

Given the achievements of the 'graduation' model in moving people out of extreme/ultra-poverty, SPII aims to leverage on the success of this project by adopting it in the South African context. Here SPII aims to build on

an internationally lauded social welfare (social grants) programme with over 16 million recipients for the adaptation of the 'graduation' model. Conditional cash is seen as providing a better base for the poor than the provision of microcredit systems that

are currently being endorsed internally, as they provide a consistent and predictable source of income and have an excellent record of getting small sums of cash to those in need.

Impact studies conducted on the graduation pilot project also show that in order to sustain the achievements or impact post-graduation programme, access to a long-term social security system is needed, as it will enable participants to sustain a higher income.

The current project began in October 2013, and the key interventions for SPII's Social Protection and Local Economic Development (LED): Graduation Pilot Project over the 24-month period includes:

- Life skills training
- Basic business management skills training
- Basic financial literacy training
- Incentive scheme – savings component
- 24-month regular mentoring and coaching.

### Recent publication

Mathebula, B. 2013. *Scoping of small, micro and survivalist enterprises in Evaton Township: Social Protection and Local Economic Development (LED): Designing a Graduation Pilot Project. LED Brief*.

# Cost and Affordability of a SADC Basic Income Grant

### Objectives

The overall objective of the project is to build a case based on empirically derived economic models and the development of a campaign strategy to introduce and institutionalise a SADC-Wide Basic Income Grant (SADC BIG) that is funded through the extractive industries to promote economic justice and reduce poverty and inequality in the region.

### SADC BIG MODEL DESIGN

- Universal cash transfer for all residents of SADC
- Value of benefit to be between 33% - 60% of the International Labour Organisation

extreme poverty line of USD 1 per day;

- Benefit to be paid on a monthly basis;
- Benefit should form part of any other social benefits received (i.e. a person receiving a social grant will receive the maximum or either the universal cash transfer or the other grant, whichever is highest);
- All eligible members of a household are entitled to same amount due;
- Administration costs should be between 8% - 15% and no means testing required, qualification criteria based on citizenship and residency within a SADC country;
- Uptake rates of between 70% - 95% at inception;

**Data:** Cognisance of the limitations to data in Africa; the analysis uses data sourced from the International Monetary Fund (IMF) Economic Outlook Database. The dataset has available actual 2012; estimates of 2013 and projections up to 2018.

**Methodology:** A descriptive economic analysis is utilised, based on the following indicators (where data available);

- Population;
- Total Government Revenue (%GDP);
- Total Government Expenditure (%GDP);
- Unemployment;
- Gross Domestic Product purchasing power parity of evaluation of country's GDP (GDP – PPP).

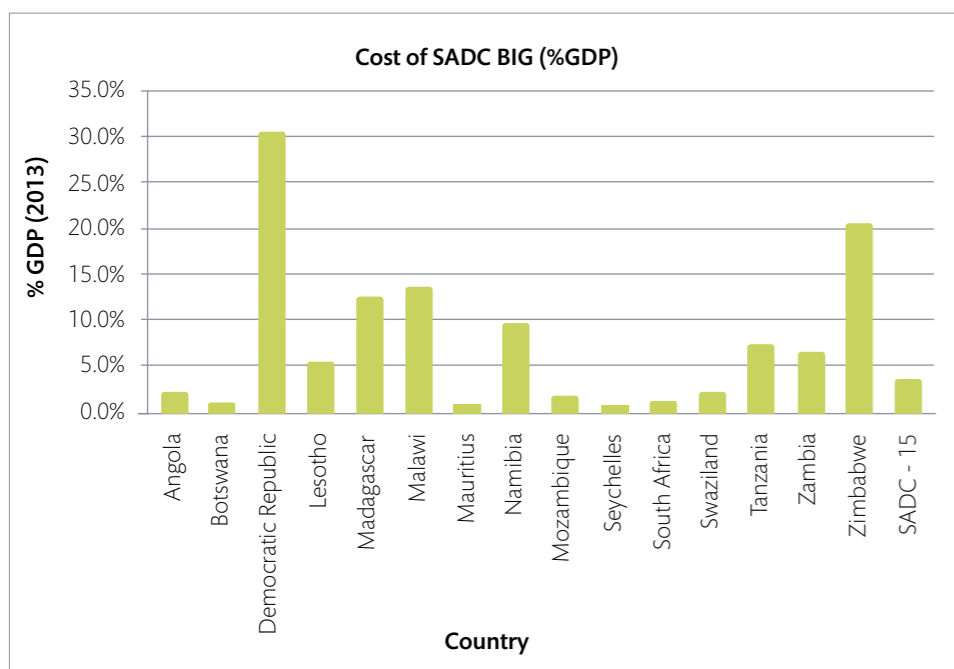
## DID YOU KNOW!

In the 2012 financial year, the average remuneration for chief operating officers (CEOs) in the technology and telecoms sector was R16.5 million – this includes salary, benefits and annual bonus.

← from pg 3

### Findings

- A monthly basic income of USD 10 paid to all residing in SADC (total population estimate) will have a net cost of USD 35.718 billion annually. This translates to about 3.4% of SADC GDP (PPP);
- Individually as countries, the DRC and Zimbabwe have the highest cost share of GDP (PPP) with the former having a 30.6% share and the latter 20.4%; The size of their GDP mainly attributes to this;
- Countries which have the lowest cost share of GDP (PPP) include Seychelles (0.5%); Botswana (0.7%) and Mauritius (0.7%). The net cost for South Africa is at 1% of GDP (See figure 1);
- Recipients of DRC (26%); South African (17%) and Tanzanian (16%) origin make up 59% share of SADC BIG. These are based on the size of their populations.



Source: Calculations based on IMF Economic Outlook database

### Conclusion

Substantial commitment of fiscal resources would be required to finance a SADC BIG estimated to have a net cost of BIG transfers would be USD 35.718 billion annually which is about 3.4% of SADC Gross Domestic Product (GDP). Given this financial resource requirements, we strongly believe that through a well-managed programme the SADC BIG is affordable and SADC's mineral wealth has the potential to finance the entire cost of the programme without recourse to deficit spending.

Let's all support the call for a SADC BIG – Our Right, Our Share, Our Wealth 

# SADC-WIDE BASIC INCOME GRANT CAMPAIGN:

## OUR RIGHT • OUR SHARE OUR WEALTH

**T**he Southern African Development Community (SADC) member states are characterised by high levels of poverty and some of the highest levels of inequality globally, albeit endowed with high levels of mineral resources. It is against this background that the SADC Basic Income Grant (BIG) network is calling for the introduction of a SADC-wide universal cash transfer in the form of BIG that will be funded by a tax on extractives and also other funding options.

The rationale for such a scheme is based on the notion of economic justice, namely broadening access to the proceeds of such activities beyond the current narrow circle of national and international beneficiaries and shareholders of mining companies and aligned elites, to each and every resident of the SADC sub region. Furthermore, the underlying principle behind this campaign is the broadening of social welfare schemes that already exist in most SADC member states through the SADC BIG; this is because current programmes exclude the majority of young unemployed people and of the unemployed working-age population.

The campaign entails forming a SADC-wide BIG coalition which will be responsible for galvanising support and mobilising

other civil society partners and communities around the institutionalisation of the basic income grant within their own countries. The campaign also entails a SADC-wide BIG Steering Committee made up of elected organisations from the coalition which will be responsible for conducting, monitoring and evaluating the campaign to determine whether the campaign is generating the expected impact and debates in the region.

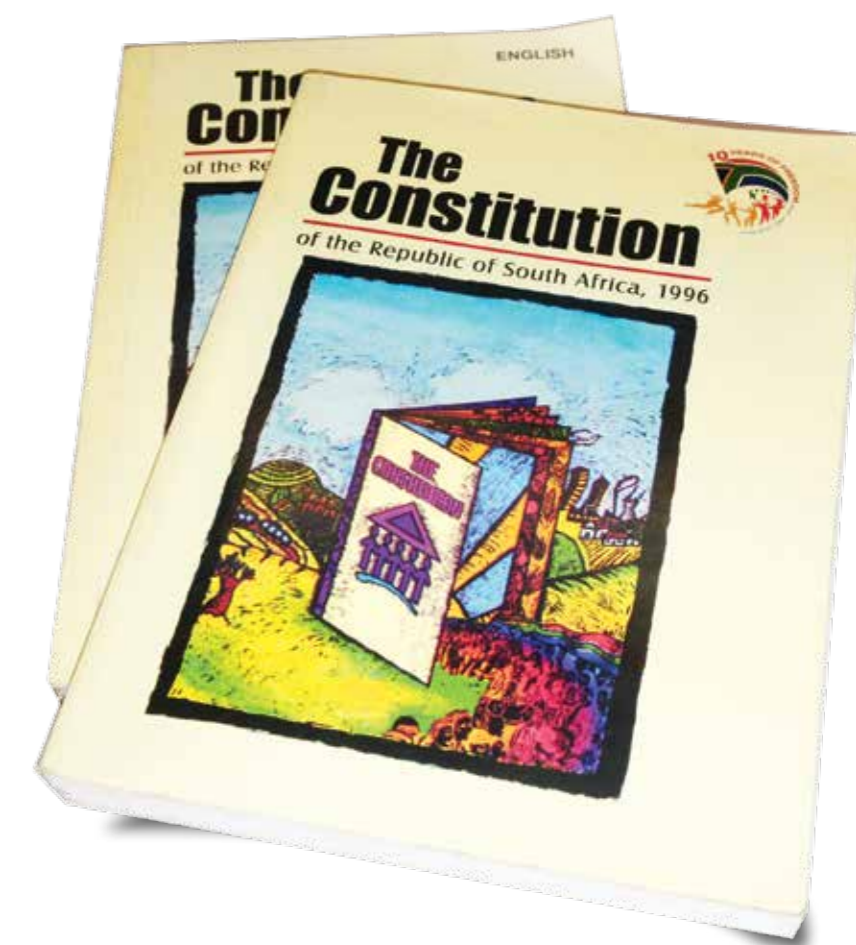
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”

Organisations interested in being part of this ground-breaking campaign and coalition would be required to agree to the principles that inform the campaign and to advocate for social transformation and a just economic redistribution of the region's wealth through the Basic Income Grant.

Organisations and individuals interested in being part of this campaign may contact:

Thabileng Mothabi: (27) 11 833 0161  
Email: thabileng@spii.org.za

# AN UPDATE ON THE MONITORING OF THE SOCIOECONOMIC RIGHTS PROJECT



**S**PII's monitoring tool which integrates budget and policy analysis with statistical indicators aims to advance evidence-based empirical debate on the implementation of socioeconomic rights. Having completed the development of indicators for the right to social security and health care earlier this year (see policy briefs at [www.spii.org.za](http://www.spii.org.za)), the project is currently working on the right to housing and food. In the process of unpacking and defining the content of these rights – the first step in developing a set of indicators – we are engaging with relevant, right-specific experts to ensure broader ownership and more immediate access to existing work. The formation of right-specific reference teams will also assist in leapfrogging some of the data challenges which persist in this work.

## DID YOU KNOW!

According to the Labour Resource Service, the median minimum wage in all sectors was R3 500 in 2012 compared to R3 170 in 2011.

The transport sector had the highest median minimum wages of R4 778 per month, in 2012.



← from pg 5

The project is committed to finding ways to include and accommodate monitoring information from ordinary people to ensure that the methods and outcomes meaningfully reflect the concerns and needs of people on the ground. SPII has been investigating various existing methodologies for community-based monitoring and exploring how these could be integrated into SPII's work, and vice versa. The Department of Performance, Monitoring and Evaluation's (DPME) community-based monitoring framework and recent workshop alongside the Democracy Development Programme (DDP) workshop on 'The politics of public participation' in October this year have both signposted the necessity to equip communities to monitor their own services at a community level.

The project has made a commitment to integrate budget analysis into all components of our work and to do more detailed budget analysis at a provincial, programme and project level for specific rights. We are pleased to announce that SPII has joined the steering committee for the Budget Expenditure and Monitoring Forum (BEMF) which brings together various

civil society actors involved in budget work from a human rights perspective. We hope to strengthen this relationship and ensure that BEMF plays an active and influential role at NEDLAC.

The monitoring tool remains a work in progress with much scope for increased participation and input from the tools' ultimate users – including oversight bodies such as the South African Human Rights Commission (SAHRC), civil society and community activists – to ensure it enables effective implementation and enforcement of Socioeconomic Rights (SERs).

### Recent publications:

All available at [www.spii.org.za](http://www.spii.org.za)

- Brockerhoff, S. 2013. *A Review of the Development of Social Security Policy in South Africa*. Working Paper 6.
- Dawson, H. 2013. *Monitoring the progressive realisation of socio-economic rights in South Africa – the case for a comprehensive monitoring tool*. ESR Review, 14(2).
- Dawson, H. 2013. *Monitoring the right to social security in South Africa. An analysis of the policy gaps, resource allocation and enjoyment of the right*. SER Policy Brief 1.
- Lomahoza, K., Brockerhoff, S. and Frye, I. 2013. *A Review of National and Provincial Government Budgets in South Africa*. Working Paper 7.
- Lomahoza, K. 2013. *Monitoring the right to health care in South Africa. An analysis of the policy gaps, resource allocation and health outcomes*. SER Policy Brief 2.



## DID YOU KNOW!

The mining sector made a net profit before tax of 39 billion in 2011 and 31 billion in 2012. Although there was a fall in profit between the two years, the mining sector was still in the lead with regard to profits when compared to other sectors.

**SPII***Matters*

## FORTHCOMING EVENTS

### 1 Minimum Living Level Seminar

South Africa's Constitution guarantees certain socioeconomic rights to all; these include sufficient income, food, water, health care, education and housing. Yet we know that for millions of people living in South Africa, daily concerns are about survival rather than about sufficiency. Although we have a rich scholarship around issues of poverty measures and levels, it does at times appear as though this scholarship is very far removed from ordinary people across class and education levels.

SPII will be hosting a Minimum Living Level Seminar on 22 November 2013 at 10:00, at the Easy Hotel, 39 De Korte Street, Braamfontein. Please contact Fortunate Mabuza on 011 833 0161 or [fortunate@spii.org.za](mailto:fortunate@spii.org.za) for details.

### 2 SADC Basic Income Grant (BIG) Campaign Workshop 18-19 November 2013

The southern African region is characterised by high levels of poverty and some of the highest levels of inequality globally, albeit endowed with high levels of mineral resources. It is against this background that the SADC BIG coalition is calling for the introduction of a SADC-wide universal cash transfer in the form of a Basic Income Grant (BIG) that will be funded by a tax on extractives and also other funding options.

SPII will be hosting a SADC Basic Income Grant Campaign Workshop on 18-19 November 2013, at the Sunnyside Park Hotel, Princess of Wales Terrace, Parktown, Johannesburg. Please contact Ms Fortunate Mabuza on (27) 11 833 0161 or email [fortunate@spii.org.za](mailto:fortunate@spii.org.za).

Please contact Fortunate Mabuza at SPII should you wish to have any information about any of the announcement. Email: [fortunate@spii.org.za](mailto:fortunate@spii.org.za)



STUDIES IN POVERTY AND INEQUALITY INSTITUTE

[www.spii.org.za](http://www.spii.org.za)

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## SPII Services:

### SPII provides the following services:

- Bringing people together, "honest broker" at roundtables and seminars.
- Conference host, bringing together a variety of stakeholders to share new information.
- Basic Needs Basket research – a representative sample of poorest members of society
  - Research projects
  - Policy support & analysis
  - Training in research methodologies – on request.

*SPII is a not-for-profit Public Benefit Organisation.*

*Tax deductible donations and bequests are welcomed to enable us to build our sustainability and to continue to undertake these critical.*

## Current Partners who made the work in this Publication possible:

- Atlantic Philanthropies
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- Ford Foundation
- Friedrich Ebert Stiftung
- Open Society Initiative of Southern Africa

*Building up knowledge to break down Poverty*