

How to dismantle a (ticking) time bomb? Policy solutions for a volatile South Africa

by Hannah Dawson, Senior Researcher, SPII



Poverty, unemployment and growing inequality remain South Africa's greatest challenges in undoing the legacy of Apartheid. The "triple challenge" has revealed itself increasingly in ongoing protest and strike action. This unrest is significant in that those without work and workers who bear the economic and social burden of the unemployed are taking to the streets. The situation has been described as a "ticking time bomb" by many. How, given the structural nature of the inequalities in South Africa, should we best go about dismantling this time bomb?

The broader unemployment rate in South Africa that includes "discouraged work-seekers" is 37%. The employment challenge facing South Africa's young people is even greater. The unemployment rate among those under the age of 25 years is about 50%, accounting for 30% of the total unemployed. Many young people have never worked and come from families of multigenerational unemployment.

The positive correlation between growth and employment in South Africa has



weakened since the 1970s as a result of a complex array of factors. A robust debate exists on the causes and solutions of this “jobless growth” and accompanying employment crisis. Certain views emphasise that the post-apartheid period has seen growing financialisation and the internationalisation of the economy, a declining wage share of Gross Domestic Product (GDP) and the absence of any serious reinvestment in the economy (Ashman & Fine 2013). Neo-classical economists, however, argue that productivity is falling and labour costs are increasing which in turn makes investors avoid South Africa. Other factors that have been identified include competition from cheap imports in the post-1994 liberalisation of the economy, and economic and regulatory pressures



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pushing employers towards industries which are increasingly mechanised and require skilled over unskilled labour (CDE 2010).

50% of South Africa’s work force earned less than R3 030 per month in 2011. As demonstrated by the striking mineworkers on the platinum belt demanding R12 500 – the social and economic burden of mass joblessness is falling on the shoulders of the working poor. Jonny Steinberg describes this situation as “redistributing from the poor to the very poor”!

There is no silver bullet to bring about more equitable economic growth to solve the triple challenge. We need to stop pretending that we will achieve full employment and rather accept that the private economy is going to have to better support the unemployed. Economic growth and the creation of more and better formal sector jobs are essential but must occur alongside other strategies. Recent research by SPII is exploring a combination of the setting of a national “living” minimum wage, providing a basic income grant to all adults and strengthening the informal sector as strategies for ensuring more equitable economic growth and boosting the economy.

The setting of a national minimum wage tied to a decent living level will protect all low-paid workers. It will also aid a reduction in wage inequality which has risen in the post-apartheid period, as shown in Brazil (Reddy 2014).

South Africa’s social grant system prioritises the elderly, disabled and children. There is significant evidence to show that the current levels of poverty would have been starkly worse in the absence of such a roll-out of cash grants (Liebbrandt et al. 2010). The current system excludes all unemployed working-age people. A universal basic income grant would not only lessen the burden on those who have jobs, but help kickstart bottom-up economic activity. Evidence from across the world has shown that cash circulating from social grants is able to stimulate economic inclusion from below.

Steven Friedman argues that the debate over creating jobs often expresses a prejudice that “real work” only happens in the formal economy, while in fact the majority of South Africans are active in the informal economy selling fruit, fixing cars and running hair salons.² These activities (alongside social grants) are the dominant survival strategy for the poor. Instead of criminalising this sector, as witnessed in the confiscation of informal traders’ goods in Johannesburg (despite a court order preventing such confiscation), we need to support and strengthen it to develop pathways to link people who are marginalised from the mainstream economy into sustainable livelihoods.

With the deep social and economic crises facing South Africa, more social and political unrest can be expected. A national minimum wage, a basic income grant and strengthening the informal economy are all strategies which, when combined with appropriate macroeconomic and industrial policy, can bring about more inclusive growth.

To contribute as a guest author on SPII TALK please contact brian@spii.org.za

¹ See <http://www.bdlive.co.za/opinion/columnists/2013/07/26/idea-of-jobs-for-all-blinds-us-to-need-for-welfare>.

² See <http://www.bdlive.co.za/opinion/columnists/2014/01/22/parties-trot-out-the-same-old-jobs-fantasy>.





Developing Indicators to Measure Progressive Realisation of the Right of Access to Adequate Housing

by Daniel McLaren, Researcher

The inclusion of socioeconomic rights in our constitution reflected a broad understanding across South African society that until access to the basic goods and services necessary for a life of dignity and freedom – adequate food, education, healthcare and housing, among others – was enjoyed by everyone, the struggle for democracy and social justice would remain incomplete. Justiciable socioeconomic rights make it a constitutional imperative for the state to undertake transformative programmes and policies informed by the core values of human dignity, equality and social justice, and empower citizens to hold the state to account on its implementation of these goals. Universal enjoyment of socioeconomic rights, including the right

of everyone to have access to adequate housing, is, however, not expected to happen overnight. Rather, these rights are expected to be realised progressively (i.e. over time) and within the resources available to the state. This “internal limitation” raises important questions for all those concerned with the continued prevalence of poverty and inequality twenty years after South Africa’s first democratic election. High among these is: To what extent is the state fulfilling its obligations to achieve social and economic justice for all?

SPII’s Socioeconomic Rights Monitoring Project uses a three-stage methodology developed in collaboration with international and local human-rights experts to grapple with this question. This “monitoring tool” combines analysis

of the content and implementation of government policies and budgets with an assessment of their outcomes on the ground. A crucial part of this process is the development of performance and impact indicators relevant to each of the rights concerned that can be tracked and monitored over time. Since the last issue of SPII Talk, we have undertaken a comprehensive review of international and local perspectives on the core content of the right to adequate housing. This included looking at current efforts to monitor the right to housing both at home and abroad through engagement with key stakeholders and housing experts in this area. This process was then consolidated into a set of indicators that reflect three key dimensions of the right to housing: access, adequacy and quality.

Access indicators look at both the availability of housing as well as to physical and economic access to housing. This includes the outcomes of government housing programmes and subsidies, the affordability of the housing market, and access to finance. Adequacy indicators include tenure security, service delivery and the adequacy of the house itself in terms of basic norms and standards and protection

DID YOU KNOW!

NATIONAL

ANC won by 62.15%,
DA 22.23% • EFF 6.35%
IFP 2.40% • NFP 1.57%
UDM 1.00% • VF Plus 0.90%
COPE 0.67%
ACDP 0.57%

from the elements. Quality indicators measure the location and impact of housing on one's quality of life and can be described as broader wellbeing indicators. This includes proximity to work opportunities, access to and affordability of transport, health and education services, and physical security.

Meetings with housing experts confirmed the view that government's commitment to progressively realise the rights of all households to adequate housing meant that the indicators must not only focus on the needs of the poor in relation to housing development but also the needs of the working and lower-middle class. This broadened focus reflects the complexity of the challenge to overcome centuries of unequal and distorted access to housing by requiring us to look beyond government programmes to the provision of housing from a broader housing sector or systems framework. As a result, the indicators cover a multiplicity of housing needs for different groups of people across a variety of localities: from the availability of home loans to lower-middle income groups in the major municipalities (the "GAP market"), to the upgrading of informal settlements and the provision of fully subsidised housing to the poorest members of society.

Once a potential list of indicators was decided upon, a thorough scoping of data sources was undertaken. The final set of indicators would have to use data from a reliable source which is available at least annually and which should be possible to disaggregate by geographic area, income group and gender; be easy to understand by the general public; and meet SMART criteria: Specific, Measurable, Attainable, Relevant and Time-framed.



There are inherent challenges involved in developing and assessing indicators for any right, and housing is no exception. Among these is the difficulty of defining exactly what constitutes improvements in adequate housing given the various housing typologies (informal settlements, traditional dwellings, modern-furnished and serviced houses) as well as the differences between urban, peri-urban and rural areas. One must also have an appreciation for the choices and trade-offs that people make in relation to their housing needs. For example, in the search for a decent income, many people choose to live closer to economic activity in order to save time and money on transport and increase their economic opportunities, but in doing so sacrifice their access to adequate sanitation and other services by moving into slum-like conditions.

A roundtable was jointly hosted by SPII and the Department of Performance, Monitoring and Evaluation (DPME) at the Presidency in early 2014 in which issues around the availability and accuracy of data were deliberated and the requirements for an appropriate performance monitoring

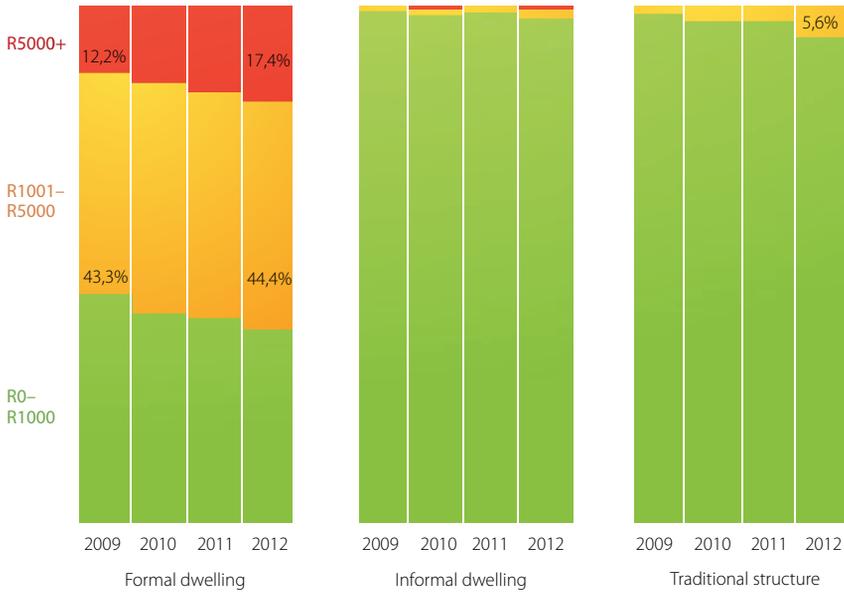
framework were discussed in relation to a rapidly changing housing context. The final list of indicators was agreed upon soon after and these have now been populated with administrative and household level data from various nationally representative surveys conducted by Statistics South Africa (StatsSA). A further source of data for the lower-middle housing market was obtained from City Mark, part of the Centre for Affordable Housing Finance in Africa.

We are currently in the process of receiving feedback from partners on our preliminary analysis of what the populated indicators tell us. Although our final report on housing will be published in July, we are very happy to present three of our indicators in this edition of SPII Talk in order to give readers a taste of what is to come! The first looks at the access dimension of housing, and the second two at adequacy. Look out for our upcoming publication next month for our complete policy review, budget analysis and evaluation of indicators for the progressive realisation of the right of access to adequate housing.

DID YOU KNOW!
PROVINCIAL
 Gauteng – ANC 53.59%
 DA 30.78% • EFF 10.30%
 IFP 0.78% • NFP 0.47%
 UDM 0.44% • VF Plus 1.20%
 COPE 0.49%
 ACDP 0.62%

ACCESS (Affordability)

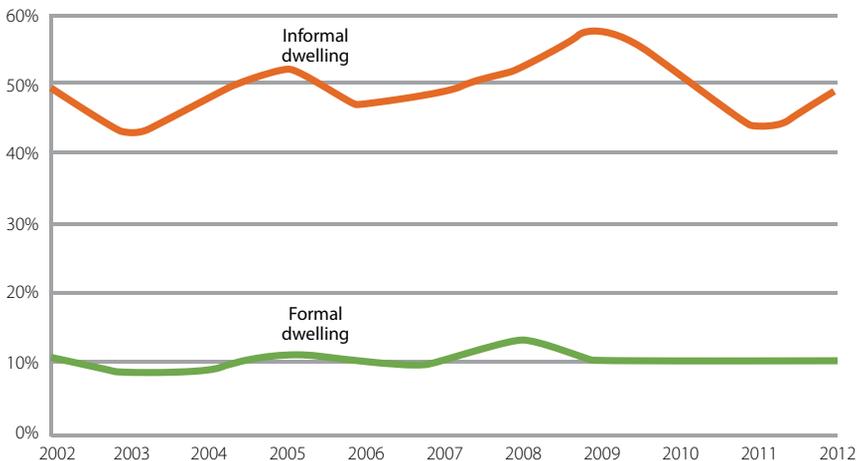
Rent/mortgage cost per month for different dwelling types, 2009-2012



The vast majority (over 90%) of households living in informal or traditional dwellings still spend R1 000 or less per month in rent/mortgage costs. This is indicative of the broader socioeconomic context in which 50% of South Africa's work force were earning less than R3 030 per month in 2011, and of the continued high demand for low-cost rental housing. However, the percentage of South African's paying more than R1 000 or R5 000 per month in rent or mortgage costs has increased across dwelling types between 2009-2012, with the biggest increases occurring in the formal sector.

ADEQUACY (dwelling unit)

Percentage of households who describe the condition of the walls of their dwelling as weak or very weak, 2002-2012



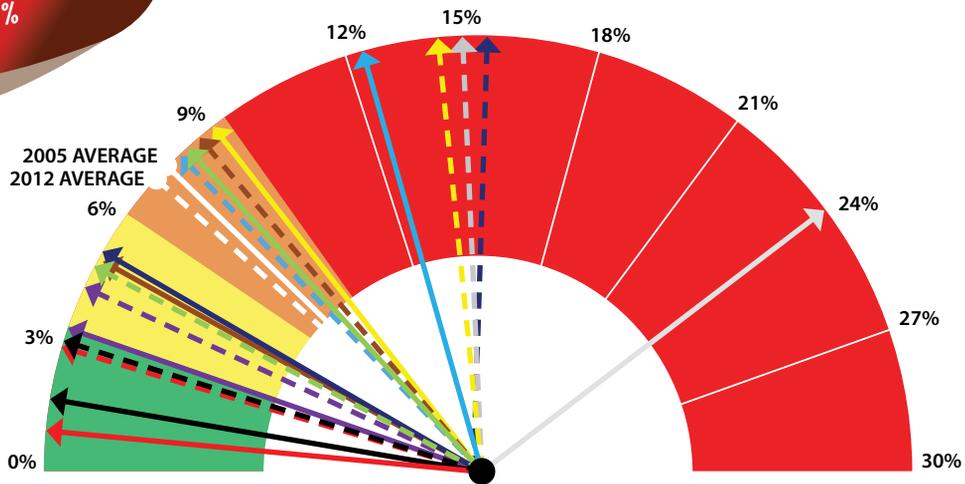
Nearly half of all households living in informal dwellings described the condition of their walls as weak or very weak in 2012, a percentage that has not improved since 2002. In 2012, this equated to around 1 million households. The percentage of households living in formal dwellings with weak or very weak walls has remained relatively constant at around 10%, a figure five times lower than for informal dwellings and four times lower than for traditional structures.

DID YOU KNOW!

FREE STATE -
 ANC 69.85% • DA 16.23%
 EFF 8.15% • IFP 0.11%
 NFP 0.11% • UDM 0.21%
 VF Plus 2.10%
 COPE 1.63%
 ACDP 0.51%

ADEQUACY (service availability)

Percentage of households who describe their main source of drinking water as not safe to drink, by province, 2005-2012



	2005	2012	%Change
Eastern Cape	23.9%	14.7%	-9.2%
KwaZulu-Natal	12.9%	7.7%	-5.2%
Limpopo	8.0%	5.2%	-2.8%
Western Cape	1.8%	2.9%	1.1%
North West	3.0%	4.6%	1.6%
Gauteng	0.9%	2.8%	1.9%
Northern Cape	5.3%	8.2%	2.9%
Mpumalanga	8.6%	14.4%	5.8%
Free State	5.4%	15.1%	9.7%
National average	7.7%	7.0%	-0.7%

There was a 0.7% decrease nationally in the percentage of households who described their main source of drinking water as not safe to drink between 2005 and 2012. However, there has also been great variance in performance for this indicator across provinces. The Eastern Cape has seen the most positive change, dropping from 23.9% in 2005 to 14.7% in 2012. KwaZulu-Natal and Limpopo are the only other provinces

that have seen positive change on this indicator since 2005. All other provinces have seen the percentage of households who describe their main source of drinking water as not safe to drink increase between 2005 and 2012. In the Western Cape, 50% more households made this description, and in Gauteng and Free State, three times more households made this description in 2012 as in 2005. Despite improvements since

2005, in the Eastern Cape, as well as in Mpumalanga and Free State (which have regressed on this indicator) around one in seven households described their main source of drinking water as not safe to drink in 2012.

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NATIONAL PLANNING COMMISSION ON DECENT STANDARD OF LIVING

by Isobel Frye, Director

On 3 June 2014 the National Planning Commission (NPC) convened its first meeting to consider the possible options that it might adopt to pursue a national discussion around what constitutes a decent standard of living that the National Development Plan 2030 calls for. The meeting was attended by a mixture of commissioners and resource people who had been requested to prepare inputs for the Commission. These submissions fell into three main areas: (a) submissions on the constitutional imperatives on the state to provide for people's basic socioeconomic needs subject to the limitation of "progressive realisation", (b) a synopsis on current levels of poverty and inequality in South Africa as well as the various initiatives that exist to measure and track changes in these over time, and finally (c) options for rolling out inclusive national consultations to gauge what people (across diverse geographic regions, gender, racial and class divides) believe should constitute the basic goods and services that everybody in South Africa should be entitled to have access to, and under which institutional arrangements such discussions could be held.

The meeting was chaired by Commissioner Ihron van Rensburg. Submissions were made by Commissioner Vivienne Taylor (chair of the 2002 ministerially appointed Committee of Inquiry into a Comprehensive Social Security System in South Africa), Professor Sandra Liebenberg, chair of Human Rights, University of Stellenbosch, Professor David Bilchitz, University of Johannesburg, Professor Julian May of the School of Government, UWC, Statistician General, Pali Lehola, Professor Murray Leibbrandt, SALDRU and School of Economics, UCT, Isobel Frye, Director of Studies in Poverty and Inequality Institute, Commissioner Bobby Godsell, and Neil Coleman, COSATU. Unfortunately Alistair Smith, Executive Director of NEDLAC, was unable to attend due to unforeseen health reasons.

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Professor Taylor framed the day's discussion. Chapter 11 of the National Development Plan (NDP) makes reference to the need to hold a national discussion on this issue. While the Constitution does make reference to the limitation of "progressive realisation" of the universal enjoyment of socioeconomic rights subject to available resources, this should not be seen to be an escape clause for the state to move towards universal enjoyment. This also has resonance for whether we look to adopting a living level that might not be available to everybody immediately, but rather is subject to progressive realisation, but what would this mean? The concept of the social wage as part of government's fulfilment of its obligations should not be seen by others to mitigate against the need to consider the values and principles that inform wage setting, especially for lower-income earners and the setting of minimum wages. She also cautioned against undertaking an open-ended process and advised that the current proposed work should be completed within one year.

The main points of discussion under these broad themes included the following:

1 Constitutional obligations

The state has an obligation to respect, protect, promote and fulfil the rights in the Constitution, including the socioeconomic rights.³ Progressive realisation should not be allowed to defer the full realisation. There is a huge chasm of people between the ages of 18 and 59 who are not covered by social security/ protection. For a transformative developmental state we also need to consider the role of the private sector which is also bound by the constitution. We should also anticipate that, with the ratification by the South African state of the International Covenant on Economic, Social and Cultural Rights (ICESCR), the right to work will be introduced into the lexicon of rights. The rights to dignity, life and equality are also relevant.

Is a minimum core a useful argument or would a two-threshold approach encourage the state to be satisfied just with having attained the lower threshold?



The rights to dignity, life and equality are also relevant



2 Poverty levels

Poverty and inequality are rampant in South Africa. Actual levels are masked by the grant system. The Expanded Public Works Programme (EPWP)/ Community Works Programme (CWP) that is meant to address the needs of poor working-age people does not begin to address the needs given the demand. Unemployment is still a main driver of poverty. Let us understand the nature of the problem and the full extent of need rather than sanitising the issue.

We should not let this process drag on for another 20 years, but have a time bound deliverable.

3 Proposed way forward

This discussion could very well be located in the National Economic Development and Labour Council (Nedlac). Currently SPII is undertaking an indicative number of focus groups to see whether there is sufficient consensus on a reasonable living level with resonance both regarding a living wage and a national minimum wage and the International Labour Organisation (ILO) Social Protection Floor. SPII is also working with South African Social Policy Research Institute (SASPRI) and Labour Research Service (LRS) and the Minimum Income Standard team at the University of Loughborough to test the feasibility of undertaking nationally representative focus groups towards constructing a decent living level using the Minimum Living Standards (MIS) methodology.

There was, however, a concern that the structure of the economy as set out in the NDP would not allow for the realisation of a Decent Living Level (DLL) for all in South Africa – that needs to be completely overhauled.

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³ Section 7(2) of the Constitution of South Africa.



THE BASIC NEEDS BASKET PROGRAMME

by Taku Fundira, Senior Economist

Against a background of high levels of existing poverty, the cost of living continues to increase as incomes, social services and opportunities have stagnated and even declined globally and in South Africa, creating a harsh situation where the majority of families cannot afford to lead decent lives, and food protests increase internationally.

The Basic Needs Basket It is in this context that SPII decided to launch its Basic Needs Basket (BNB) research programme. The BNB is a monthly survey of the cost of essential food and non-food items that comprise the minimum basket of goods needed for an average-sized family to survive with a decent and healthy standard of living.

The BNB project follows on baseline studies conducted by SPII wherein Household Expenditure Surveys were conducted between 2009 and 2011 in two independent peri-urban townships. The first was done in Vosloorus Township, on the East Rand, and the second in Evaton Township in the Vaal region of Gauteng. At the core of the survey was the need to develop an applied understanding of what constitutes basic needs towards a standard of living that enables people to live a life of dignity in line with the Constitution of the South Africa.

In the current South African context, what constitutes basic needs is not clearly articulated. Existing sources of information from government institutions and other research institutions have conducted broad and sometimes complex analyses which are too technical or are too simplified to speak to what is happening on the ground.

Specifically, in the spirit of exposing the plight of the poor and raising their concerns, SPII intends to produce a BNB which will be analysed across all nine provinces in South Africa. The reasons are the following:

- ▶ the fact that the average person is struggling to afford even the most basic of monthly commodities and the varying geometry in terms of poverty and inequality across different provinces
- ▶ that the BNB exposes this household struggle to meet basic needs by comparing the findings with average take-home wages and general household incomes
- ▶ by working in tandem with Community Based Organisations (CBOs), the vision that information from this BNB work will provide CBOs with easy access information

to inform their advocacy and campaign work and also address cross-cutting issues such as gender, HIV, malnutrition and health in general.

Causes of the problem that the project will address

Sound social and economic policies are empty without information. This was the challenge that the founding trustees of SPII observed having come from civil society and the trade union sector. They were concerned about the apparent absence of new data and knowledge that was being generated for use by campaigns and submissions. Therefore, through these types of innovative approaches and partnerships, SPII seeks to transform or deepen current approaches to advancing the well-being of people most affected by poverty and inequality, specifically by civil society and oversight bodies such as the South African Human Rights Commission and Parliament.

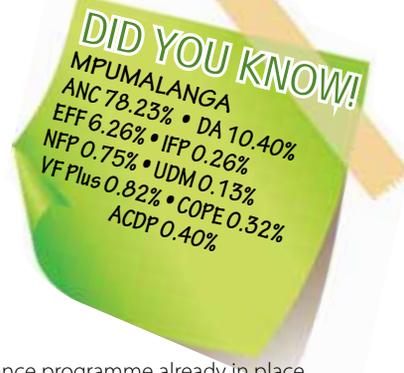
To find out more about the project please contact Taku Fundira at taku@spii.org.za.

SPII's participation at the International Conference on Graduation and Social Protection

by Matshidiso Motsoeneng, Researcher



On 6 to 8 May 2014, SPII participated at an international graduation pilot project's learning conference in Kigali, Rwanda. The Graduation and Social Protection Conference was co-hosted by the Centre for Social Protection (CSP) at the UK Institute of Development Studies (IDS) and the Ministry of Local Government of Rwanda. The conference sought to provide international experts, government officials and researchers an opportunity to engage on various themes that explore the contribution of social protection to poverty reduction. SPII presented a paper titled *Passage out of Poverty? Initial outcomes of Graduation Pilot Project in South Africa*.⁴ SPII's adaptation of the Bangladesh Rural Advancement Committee's (BRAC) graduation model, which builds on the social



assistance programme already in place, highlighted the importance of access to a long-term national security programme to ensure the sustainability of results post-graduation. There is recognition within the South African context that despite its extensive reach, there is household-wide reliance on cash transfers to sustain livelihoods rather than the grant being applied solely to the needs of the intended beneficiary, thus diluting the value and impact at an intended beneficiary level.

The central theme that emerged from the conference is the provision of a definition of the term graduation, both theoretically and in practice. Currently, graduation as a concept is understood as a point when people reach a certain threshold and manage to maintain and sustain a livelihood for a certain period after exiting. More importantly, since most of the graduation pilot projects internationally are carried out by donor organisations, there is emerging scrutiny over the sustainability of the model and highlights the need for integration of the model within a social protection system funded by governments. What also emerged strongly is the need to sustain livelihood strategies post-graduation through social protection schemes and the fact that social protection schemes themselves should not be seen as a substitute for growth policies, but rather as an enabling passage to dilute explicitness of poverty. Conference participants acknowledged that although people may graduate and exit programmes, there are some people that may never be able to exit social protection, such as children, the elderly and the disabled.

To find out more about the project please contact brian@spii.org.za.

⁴ Paper and presentation available on www.spii.org.za.



The SADC BIG Campaign Update

by Taku Fundira, Senior Economist



SPII continues to further develop existing research and advocacy work on the campaign for a Southern Africa Development Community (SADC)-wide universal cash transfer (Basic Income Grant – BIG) to all residents within SADC, funded predominantly by resources from the lucrative extractive industries within member states.

The rationale for such a call is based on the notion of economic justice, that is broadening access to the proceeds of such activities beyond the current narrow circle of national and international beneficiaries and shareholders of the mining companies and aligned elites, to each and every resident of the subregion. Furthermore, there is need to view social protection as a fundamental human right – a right that is justiciable and enforceable through courts. Human rights create legal obligations on states to implement social protection systems and establish standards for the design, implementation and evaluation of such systems.

By acknowledging social protection, and more specifically cash transfers such as a Basic Income Grant as a fundamental human right, the issue of universality becomes applicable. Everyone is eligible to protection, and under many international treaties as well as a growing number of national constitutions and bills of rights, people have a right to approach the courts if governments fail to provide social protection. It has been found that universal schemes ensure transparency and a greater even-handedness in the distribution of resources, reducing the

risk of capture by politicians to win political support for their own gain.

Therefore the call for a universal SADC BIG would provide a mechanism to alleviate the worst of the destitution currently faced by millions of poor people and to promote social solidarity through its universal nature by means of an avenue to reduce the critical and unsustainable levels of inequality through a claw-back mechanism for the middle-class recipients and the elite.

The SADC BIG Coalition, which is a civil society coalition with over 60 member civil society organisations, in November 2013 finalised the campaign strategy which will be domesticated and used at the national level. In this campaign strategy it was acknowledged that for the campaign to succeed, a critical path (roadmap) of events needs to occur during the course of the campaign. These include:

1. broad-based coalition of civil society action groups (Network Partners) established and working successfully together to advocate the introduction of social protection schemes in SADC in the form of a universal basic income grant

2. Regular nationwide and regional media publications to present positive news stories in newspapers and magazines
3. Network partners in their advocacy initiatives and programmes informing and educating people about their socioeconomic right to social protection and urging them to demand their socio-economic right.
4. people's awareness are aware of their socioeconomic rights and demands through their constituency representatives
5. national governments to pass legislation on a universal basic income grant
6. liberating the establishment of, and ratifying the Protocol on Social Protection that makes provision for a SADC BIG by heads of state
7. "harmonising national legislation to conform to the Protocol by national governments.

As the SADC BIG Campaign project is progressing, we have also noted that critical to the success of the campaign is a vibrant advocacy coalition that is supported by information. Good policy-making requires comprehensive information and data. Thus, our approach to this work lies in the ability of SPII and the SADC BIG Coalition to complement their advocacy initiatives with data. Therefore we continue the work on two fronts which comprise i) research and ii) the advocacy component.

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Reflections from the field: Social Protection and Local Economic Development: Graduation pilot project

by **Matshidiso Motsoeneng, Researcher**

In our roadmap, we are continually adding new coalition members who sign up to a platform and we inform interested stakeholders about the campaign. However, we would have anticipated that more work on the ground would have currently been underway at the national level by campaign members, to inform and educate people about their right to social protection and to develop a groundswell demand for the BIG. We have since identified and are implementing innovative ways to ensure that the initial work on the SADC BIG over the past two year is promoted through a number of initiatives. These include SPII launching its new website platform replacing the old version to allow for greater functionality, visibility and ease of use, which includes a blog on the website as well as SADC BIG newsletter.

The work on the economic analysis of the SADC BIG was finalised and a peer reviewed report is currently being published under the Open Society Initiative for Southern Africa (OSISA) Open Learning Platform which promotes dissemination of information to a wider audience and network. Cognisant of the fact that high level policy makers are difficult to bring together, SPII capitalised on the opportunities to present and disseminate information about the SADC BIG to high level policy makers on other platforms. The Harare African Platform for Social Protection (APSP) annual delegates' conference and the Malawi Social Protection Conference organised by the Southern Africa Social Protection Experts Network (SASPEN) and the Frederich Ebert Stiftung (FES) which were attended by ministers of social development, permanent secretaries and directors of social development, economic planning and labour for the respective countries provided a platform to engage in the SADC BIG.

To find out more about the project please contact Taku Fundira at taku@spii.org.za.



SPII's Social Protection and Local Economic Development (LED): Graduation Pilot Project was recently featured in a 16 June Youth Day TV celebration programme on SABC. The focus of the programme was to showcase young people involved in business, mainly in disadvantaged areas. The programme presented two young entrepreneurs who are part of the pilot programme. The participants of the project were speaking about their involvement in the informal economy and what being part of the project has done for them. Project participants reflected on the interventions⁵ received during the course of the programme and how these had assisted them with the running of their enterprises.

The young entrepreneurs (a cell-phone repair shop owner and a dress maker) indicated that the training received during Basic Business Management and Financial Literacy Workshops had made a significant impact on how they operated their enterprises.

Key lessons were learned in the eight months since the inception of the pilot project with regard to the attitudes towards savings and informal savings platforms – which are consistent with the FinScope 2013 report – stated that the use of informal savings platforms had increased since 2012 from 3.8 million to 4.2 million. The primary reason for the increase in informal savings groups has been attributed to the increase in food and funeral costs. A significant number of project participants are engaged in informal savings schemes, commonly referred to as stockvels⁶. What we are also seeing is that project participants in most instances belong to more than one stockvel and contribute to these using profits from the enterprise. The lump sums received from the stockvels, usually after a period of six months (depending on terms of agreement), are usually used for consumption or reinvestment into the business in the form of an asset or increasing of stock for business growth. A recently formed "Monday Blues" stockvel by female participants had emerged out of conversations around saving at one of the interventions such as the Basic Business Management and Financial literacy workshop, and it was decided that members would contribute a sum of R30 every Monday towards one person for them to reinvest in or save for the

business.

One of the project's goals is to inculcate a savings culture amongst project participants, and in order to achieve this, project participants are incentivised through the "savings incentive scheme", which gives R100 airtime voucher to project participants who save consecutively over a period of three months in a bank. Participants are encouraged to save any amount through the "safer" formal-sector financial services for asset building.



"Tsatsi le leng le leng ke boloka R20.00, ere ha beke e fela ke e tsamaise bankeng ke e kenye bankeng ya kgwebo yaka, hobane ke batla ho reka motjhini o mong o rokang diaparao, ere ha ke se ke thotse airtime e tswang ho SPII ke tsebe ho letsetsa batho ba nkolotang."



Translation: "I put away R20 daily then take it to the bank at the end of the week, to deposit it into the business bank account; because I want to purchase another sewing machine and when I receive the airtime from SPII I will use it to contact the customers that owe me money" (Participant No.124).

Despite having the savings incentive scheme in place, what we are also seeing in the project is the reluctance to save through the formal-sector financial services. The design of the savings incentive is that a participant qualifies for the incentive only if he/she saves through the "safer" formal-sector financial services. Project participants highlight that stockvels are easily accessible and better suited to their needs, and that banks are costly in most instances. Project participants would rather save through a stockvel or burial scheme than a bank, and this was seen as more suited to their needs such as family emergencies. In one case study, an internet café and photography studio owner expressed to his enterprise coach that he had just recently had to use all his savings (including business savings) to pay for a family funeral and this had caused him a major financial setback.

To find out more about the project please contact brian@spii.org.za.



⁵ Life Skills Training, Basic Business Management Skills Training, Financial Literacy Training, regular visits from enterprise coaches to enforce lessons above and savings incentive scheme.

⁶ A stockvel is a form of an interest-free savings scheme or cooperative, in which individuals form groups to save money over a period of time and distribute the money again at a specified period, such as the end-of-the-year holiday season.



SPii

Matters



ANNUAL REPORT

Our annual report for 2013 is now available on our website www.spii.org.za

FORTHCOMING EVENT:

1. Seminar: Decent Living Level (DLL) Public Seminar

Venue: Parktonian Hotel, Braamfontein

Date: 30 July 2014, 10am to 15h00pm.

For enquiries email Fortunate: fortunate@spii.org.za.

2. Seminar: Topic 'The Cost of Hunger- Budgeting for the Right to Food'

Venue: Indaba room CIVICUS House

Date: 21 and 22 August 2014, 9am to 5pm

For enquiries email Hannah: hannah@spii.org.za

Please contact Fortunate Mabuza at SPii should you wish to have any information about any announcement or events partnering SPii.

Contact her on fortunate@spii.org.za.



SPii

STUDIES IN POVERTY AND INEQUALITY INSTITUTE

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:

- Bread for the World
 - Christian Aid
 - Church of Sweden
 - Ford Foundation
- Friedrich Ebert Stiftung
- Open Society Initiative of Southern Africa

Building up knowledge to break down Poverty