Working Paper 9

Social protection, citizenship and the employment relationship

March 2009

by Francie Lund

Senior Research Associate
School of Development Studies
University of Kwa-Zulu Natal
and
Co-ordinator of the Social Protection Programme
WIEGO (Women in Informal Employment: Globalizing and Organizing)

PLAAS
Institute for Poverty, Land and Agrarian Studies

Contents

Prologue: Where is this coming from?

In the course of my work, I travel in different policy domains, with different hats on. Within South Africa, I have an abiding interest in the role of state spending in addressing poverty and inequality. Especially, I am interested in and am an advocate of cash transfers (non-contributory pensions and grants). WIEGO is a global research and advocacy organisation, seeking to address and improve the working conditions of informal workers, especially poorer women workers. My work in the Social Protection Programme takes me to the homes and informal workplaces of very poor working people in many countries, people who work hard all their lives but never get enough income to get out of poverty. We try and figure out what sorts of social policy interventions could make a difference to workers' abilities to be more secure, and to accumulate assets, and get a more secure future for their children. The WIEGO work also takes me to international policy platforms in the ILO, the World Bank and regional banks, UNRISD, UNIFEM and some of the international donor agencies. While I have been part of the Africa-wide 'Livingstone Call for Action' promoting cash transfers in more African countries, I am at the same time exposed to these different policy places. I have a conundrum. I think that the very single-minded current focus on cash transfers is making numbers of people and agencies blind to the way that international capital is escaping more and more from what were its taken-for-granted responsibilities to workers – responsibilities that came with the formal employer-employee relationship, in the form of for example, pensions schemes, health insurance, and compensation for work-related disability. In this paper I try to put together how this focus on people as 'citizens' and their welfare is at the exclusion of a continuing 'worker'-focused system of welfare provision, and what the implications of this might be. The paper is as yet very rough and unformed, and I look forward to the chance presented by 'Working on the Margins' to get comments on this draft, and will re-work it afterwards.

Introduction

This paper addresses the issues of social protection, citizenship and the employment relationship through the lens of South Africa. All ideologies of welfare have at their heart assumptions both about the nature of the relationship between the state and citizens, and about the role of employment in contributing to lifelong security for workers and their families. Beveridge's model of the welfare state was introduced in Britain in the late 1940s at the same time as the National Government came to power in South Africa. The model was built on assumptions about family life and the role of employment in meeting families' needs: that most people would be married, that men would be head of household, that wages earned would be enough to cover the family, and that work would be the chief source of economic security over the lifetime. The wage would be enough to meet present needs, and the family was covered if the main breadwinner had an accident (workers compensation covered costs of accident and wage) or died (widow's allowance).

In the heyday of welfare states in industrialised countries, there was a clear understanding of the importance of investment in social spending. Social policy interventions were seen as not just responding to poverty, but as building the human capital of the future. Then, under structural adjustment, social policy came to be once again interpreted and positioned as residual to economic policy, as ex post interventions to mitigate the worst effects – the unequalising effects – of markets in unregulated capitalism.

There is a new movement now in which social policy and protection have more traction, and are migrating to a more central place in the development agenda. This movement has been described as 'the return of social policy' (Razavi, 2007). Some are especially concerned with enabling 'escape' from poverty, others with breaking the long term transmission of poverty, hoping that social spending might result in more poor children being able to escape poverty in future. The focus of yet others is social policy's role in addressing inequality, and the redistributive possibilities of social spending.

In this new social policy climate, the predominant policy debates focus around the state and *citizens*. In the aftermath of Bretton Woods, there has been a new emphasis on a more active role for the state, rather than seeing the market as the sole allocative mechanism. The contemporary global financial crisis has ironically and cynically demonstrated how fast central governments will act to bail out rich institutions and people when 'markets fail'. Be that as it may, employment, and the roles and responsibilities of employers and workers, are not very salient in social policy debates in either north or south. A central argument of this paper is that we should not now substitute the state as the sole allocative and distributive mechanism in the place of the market. Especially, the paper will argue that employers and owners of capital should be held responsible for contributing to social benefits, and that the current popularity of cash transfers as a social policy intervention unwittingly detracts from this additional policy focus.

The diminishing place of employers, and workers, in social policy is linked to changes in the nature of the labour market itself. The existence and permanence of a growing informal economy in most developing countries has come to be recognised. Now, too, there is growing awareness of the changes in employment in very industrialised countries. There has been an increase in 'non-standard' or 'atypical' employment, in temporary and part-time work. Such work may still be covered by formal contract, and be regulated under labour laws, but in general the pay is less, there are fewer measures of social protection attached, and the work is more vulnerable. Indeed, such work is now described in the north as 'precarious employment'.

When illness strikes a self-employed person running, for example, a small repair shop, it may be impossible for the enterprise to continue operating. Home-based workers (sometimes called industrial outworkers) work from their own homes, often on a piece rate basis, for example being paid according to a certain number of tasks such as shoes stitched, or shirts sleeves fitted. Some become dependent on a limited number of suppliers. They usually have unreliable incomes, and in cases of ill health, they may lose their 'contracts' altogether. In addition, if injured while working, they are responsible for their own 'occupational health and safety'.

South Africa has extreme levels of poverty, inequality and unemployment, which continue to be patterned on racial and gendered lines. People work in both extremely formal and well-protected work, and in extremely informal and totally unprotected work – and with a growing number joining the contractualising and informalising and casualised segments of the labour force, where they become their own employers, while clearly working for others. While labour legislation reforms have moved in a progressive and inclusive direction, increasing numbers of workers work with insecure contracts, losing their former right to social security benefits. While there is relatively extensive non-contributory social assistance, there is little coverage for workers *as workers*.

In South Africa, social security – in both the labour regime and in state social assistance – was introduced by the colonial power in the early 1900s, developed under the Union government, greatly enlarged through the 1980s, and subsequently reformed, expanded and deracialised under the 1994 ANC government. The origin of the present welfare in the British welfare tradition is still clearly evident. The non-contributory pensions and grants for children, for people with disabilities and for elderly people are cited frequently as 'good practice', and as evidence for the efficacy of expanding state social assistance generally, and in particular to its role as a poverty alleviating and redistributive measure. Yet this focus on the role of the state as primary provider for greater numbers of citizens (and permanent residents) detracts attention from the eroding contributions and responsibilities to workers of the owners of capital, who drive the production processes in which workers do not get sufficient returns to their labour, in terms of either wages or social benefits.

The paper is structured as follows. Section 2 sketches the changing dynamics of the labour regime and the labour market in South Africa. It presents definitions of informal employment, as well as the processes through which increasing numbers of jobs are being informalised; it focuses on access to and exclusion from various measures of work-related social security. Section 3 discusses 'contractualisation' in the context of the welfare state, and how rights and responsibilities are dealt with, in particular in the 'new welfare contractualism'. In Section 4, I identify particular policy spaces – especially those concerned with addressing poverty – in which separately and jointly, the idea of work-related social security is being eroded. Responsibilities towards those who own firms are being decreased, and the result is an increased focus on the state-citizen axis, and a decline in visibility of the worker-employer axis. Section 5 considers what all of this might mean for potential policy intervention in South Africa.

South Africa: changing dynamics of employment and social security through employment

Historically, South African work-related social benefits for whites in formal employment were modelled closely on those in Great Britain, and extended in racially discriminatory forms (in type of grant, conditions of access, rates set, and types of work covered) to others in formal employment.

South Africa's labour law is 'constructed primarily on a foundation of the conventional employment relationship' (Benjamin, 2006: 53). Organised labour played a key role in the liberation struggle in South Africa, and since then as part of the tripartite alliance in the first democratic government in 1994. Labour lawyers had worked closely with unions in forging new and much more inclusive labour legislation. Signal pieces of legislation were the Labour Relations Act of 1995 (LRA), the Basic Conditions of Employment Act of 1997 (BCEA), the Employment Equity Act of 1998 (EEA), and the Skills Development Act of 1999 (SDA). Prior to the transition, there had been substantial reform, also, of the occupational health and safety legislation, especially that covering compensation for industrial diseases and accidents. Furthermore, a new system of labour courts was set up which promised to resolve labour disputes more easily, underpinned by the CCMA – Council for Conciliation, Mediation and Arbitration.

Legislative reforms around the political transformation included, for the first time, significant occupational groups – agricultural and domestic workers, and some seasonal workers – who accounted between them for a large part of the low-paid labour force.

All of these measures promised more security and less vulnerability for those who were in formal employment, who had some measures of social security. Still excluded were those in informal employment; joining the ranks of the informal workers are those in new forms of contractualised work.

With regard to the informal economy, there has been recent wide acceptance of its existence (even though misleadingly called 'the second economy') as well as recognition of the problems of accurate measurement of informal work. In 2002 and 2003, the International Labour Organisation (ILO) working together with the International Conference of Labour Statisticians and the Expert Working Group on Statistics on the Informal Economy made clear the distinction between the informal sector and the informal economy. (Informal sector is an enterprise-based approach that counts the numbers of firms that are not registered or do not accord with certain criteria. The informal economy is a work-based or employment-based approach, focusing on the numbers of people – self-employed or waged – who work informally.) The informal economy is diverse and people work in different statuses of employment. These affect the degree of workers' control over their work and their place of work, the risks that they face, and their access to social protection.

There are two broad categories of informal workers – the self-employed, and those in wage employment. According to the ILO definitions of status of employment, informal *self-employment* includes:

- employers: owner operators who hire others;
- own account workers: owner operators of single-person units or with unpaid family workers;
- unpaid contributing family workers: family members who work for the family business without getting payment; and
- members of informal producers' cooperatives

Informal *wage employment* includes employees without formal contracts or social protection. They may be employed by formal or informal enterprises or by households. The main sub-categories of informal wage workers are:

- informal employees: unprotected employees with a known employer (either an informal enterprise, a formal enterprise, or a household);
- casual or day labourers: wage workers with no fixed employer who sell their labour on a daily or seasonal basis; and
- industrial outworkers: sub-contracted workers who produce for a piece-rate from small workshops or from their homes. This category is sometimes called homeworkers

The economic contribution is significant. It has been estimated that the informal economy accounts for about 10 per cent of GDP in South Africa. It is known that the poor spend large amounts of money in it, and that it is a huge convenience factor for poorer people – either as commuters on the way to and from work, or in the small neighbourhood outlets where they live. However, the spatial patterning of apartheid meant that townships with poorer people were located far from commercial centres, and this inheritance is still present: it is hard to make a profit from a small spaza shop in a poor township, because there is not enough wealth in the township (Du Toit and Neves, 2006).

The new, more precise definitions of informal employment are a real improvement. There remain many workers, however, whose status of employment is difficult to define. This may be because their situation is objectively ambiguous. For example, many homeworkers (industrial outworkers) are self-employed, but are heavily dependent on one or two firms as sources for their piece-rate work. In other situations, the ambiguity is intentional, where employers deliberately attempt to conceal the fact there is an employment relationship in order to evade their responsibility towards workers. In yet other situations, workers themselves may not know who they are producing for. Industrial outworkers, for example, may come into contact only with the labour broker, the person who supplies and fetches the commodities.

Paul Benjamin (2006) usefully distinguishes between three processes which are serving to make conditions of work less secure:

- Casualisation – the displacement of standard employment by temporary or part-time employment (or both);
- Externalisation – the restructuring process by which employment comes to be regulated by a commercial contract rather than a contract of employment; and
- Informalisation – the process by which employment comes to be increasingly unregulated and workers not protected by labour law (Benjamin, 2006: 36)

A stylized presentation of the process of informalisation is: a set of tasks in a firm is done at one moment by a full-time employee of a firm. The job is under formal contract, and carries a range of social benefits such as access to health care, pension plan, and is covered by workers compensation. The next moment, and in the process of informalisation, the set of tasks continues to be done for the firm, but the person doing the work becomes his or her own contractor, under a commercial contract, not an employment contract. Alternatively, the firm hires a labour broker or employment agency to supply workers, with the agency managing the employment contract, which is typically with extremely reduced benefits, and which may operate outside the field of labour law. (Theron and Godfrey, 2000, give powerful descriptions of these processes in practice.) In all the above three processes, the tendency is that 'The burden of employment security and maintaining employability is shifted onto the employee alone' (Benjamin, 2006: 35).

Formal workers in South Africa get a range of work-related occupational benefits, the main ones of which are medical aid/ health insurance, retirement schemes, and workers compensation (for occupational injuries, disease and death). Additional benefits enjoyed by some are housing subsidies, educational subsidies for children, and child care. At the other extreme, of informal work, unregistered self-employed and informal wage workers get no social protection as workers, in addition to getting low and unreliable incomes. Few informal workers are entitled to paid leave or sick leave. There is no contribution by the employer or the worker to social benefits such as health insurance or pension funds. There is limited or no recourse to labour legislation. Wealthier and professional workers may be able to afford to purchase some of these benefits, such as private insurance. The vast majority in the informal economy, however, cannot afford or choose not to purchase private insurance against work-related risk (and nor do formal insurance houses develop such insurance products for poorer working people). The poorer workers are likely to live in communities which cannot co-insure against risk. The unemployed, who leave formal jobs where they had contributed to the unemployment fund, receive unemployment insurance for six months.

In between are the growing numbers of casualised or contractualised workers, typically on short-term contracts, and with none of the social protection attached to the job before it was contractualised. There is a move away from a labour contractual regime, which sets out rights and responsibilities of both employers and workers, towards a commercial contractual regime in which the individual worker takes on more of the responsibility and loses many of the rights that went along with being in an employment relationship (Theron and Godfrey, 2000).

Some poor workers, whether formal or informal, are able to rely as citizens on means-tested state social assistance when work-related benefits fail, run out, or do not exist. Poor women and men may qualify for the pension for elderly citizens, for women at age 60 and men at age 65 (soon to be equalised to 60 for both sexes). Poor South Africans who have disabilities can get access, as citizens, to the disability grant. Women in informal work get no maternity benefits through work, but as citizens have access to free reproductive health services. While more people have access to state assistance as a citizen's entitlement, proportionately fewer South African workers are contributing as workers to health insurance, disability insurance (workers compensation) and retirement savings schemes, because of changes in the labour market (though the million or so domestic workers are now eligible for the unemployment insurance fund).

'Contract' obligations and reciprocity in social justice, work and employment

In this section I want to draw links between the 'contractualisation' going on in the workplace, described in the previous section, and 'the new welfare contractualism' which has emerged within welfare and social policy within the United Kingdom and the USA in particular, but in other northern countries as well. Contractualism in the welfare and social policy field applies to two different processes. The first is in connection with those who provide services – where governments (national and local) outsource or contractualise to the private or NGO sector tasks that government previously provided directly itself (such as care, health and nutrition services). The second process pertains to changed or improved behaviour a citizen has to agree to in order to access and continue to receive a benefit. The unemployed, for example, must agree to re-training and to regularly and actively seek work, in a 'welfare contract' with government, most often executed through a private employment agency.

Social rights and welfare contractualism

Embedded in social policy are questions of moral philosophy and social justice, about the nature of the relationship between the state and citizens. *Simply put, what do citizens need to do to expect to receive assistance from the state?* T.H. Marshall was fundamentally influential in setting out a framework for social rights, and for egalitarian social justice. As with Beveridge who was designing the welfare state to come in the United

Kingdom, Marshall assumed that people (mostly men) would be in employment, that citizens had duties as well as rights, and that the majority of the population would make a productive contribution to society, through work.

Many countries have withdrawn from aspects of commitments to comprehensive welfare provision. There has emerged a 'new welfare contractualism', and new framing of the obligations of citizens, the conditions for their receiving state support (and this is mirrored later in the 'conditionalities' that we see in cash transfer programmes in the south). Stuart White (White, 2000; 2003), writing half a century after Marshall, refers to a part of Marshall's writings that deal with a contractualist conception of citizen's rights, and about egalitarian justice.

> *Contractualism might be defended as a requirement of economic fairness or distributive justice: more precisely, as a way of ensuring that those who willingly share in the social product satisfy a corresponding obligation to make a productive contribution back to the community in return and do not 'free-ride' on the productive efforts of (and so exploit) their fellow citizens. (White, 2000: 508)*

White asks, what are the intuitive conditions of fair reciprocity that follow from the egalitarian conception of social justice? He holds that there should be, first, a share of the social product for those meeting a minimum standard of productive participation. In other words, if you work or contribute somehow, then you get a share. For this to happen, there have to be, second, decent opportunities for and in productive participation. He suggests that the state is the employer of last resort, and that the state has the responsibility to provide, or make accessible, training for productive participation. Third, White says there has to be equitable treatment of different forms of productive participation, and this should not be tied only to market-related work. He holds that we have to see unpaid care workers, for example, as providing productive services, and thus allows the care economy in (in a way that Atkinson did, and that Esping-Anderson did not). Fourth, and finally, there has to be a system of enforcement of minimum standards of productive participation.

It appears here that White makes no distinction between workers and owners of the means of production. He does deal with the affluent, under the fourth condition of fair reciprocity, but he does this in terms of their being inheritors – the idle rich – rather than the exploiters of the labour of others. He is here seeing citizens as workers only, not as employers. He does not address employer responsibility in the changed world of work. This feeds into the tendency in the 'welfare to work' movement, and the new welfare contractualism, to focus on the 'responsibility to work' of the worker only. What is missing is the 'responsibility of the employer/ owner'. 'The market' is seen as a thing, a metaphor, a structure, with no articulation of the presence of both labour and capital, of workers and employers, in specific power relationships, and with rights and responsibilities between them.

In the following section, I want to show how this lack of focus on the responsibility of owners of capital of firms, within one strand of social policy and thought in the north, is happening alongside the growing campaigns for cash transfers in other policy arenas, and this has implications for how responsibility for social policy provisioning is defined.

Employment and the state in poverty and social policy agendas

Different agencies promote different approaches to social protection and poverty reduction. In this section I want to suggest that, at this time, a combination of influences is at work that has the effect of focusing on citizen and state, downplaying further the responsibilities of capital. They lead to policy prescriptions that do not pay enough attention to work and employment and result in policies (or lack of policies) that serve further to undermine the possibility of poorer working people being able to cover risks through work, or achieve security through work.

'Flexicurity' in the north

We start in industrialised countries, where a new model is being introduced which deregulates formerly taken-for-granted rules of the formal employment contract. In the 1990s, Denmark, worried about its declining growth rate and a growing rate of unemployment, initiated the move to a 'flexicurity' model. Hiring and firing of workers becomes easier, in acknowledgement of the rapid changes in skills required for competitive markets. In exchange, as it were, retrenched workers are guaranteed generous unemployment benefits. This exchange is (supposed to be) accompanied by an active labour market policy in which unemployed people have access to ongoing training and re-skilling, and have continually to seek such training or other employment in order to qualify for full unemployment benefits. It requires a high degree of taxation on the higher income earners, and it requires a tax system that is institutionally strong.

Though this model applies to and is being adopted only by selected European countries, it marks a shift to accepting deregulation of the labour market, a fundamental change in one element of the labour contract, and rights and obligations of employers and workers. It marks a significant shift away from the idea of job security, to employment security.

The place of work and employment in poverty agendas

Poverty has been placed centre stage as a global development problem in the Millennium Development Goals (MDGs) and in the World Bank's Poverty Reduction Strategy Papers (PRSPs). What place does employment have in these arenas? The MDGs emerged from the 2000 Millennium Summit, at which national leaders acknowledged poverty and gender inequality to be persistent global problems, and committed themselves to concerted action to reduce poverty, according to certain criteria, by 2015. Remarkably, employment creation was not one of the eight MDGs (Chen et al., 2005), nor was it a target or indicator for measurement of reduction of poverty, and it appeared only tangentially as an indicator under reduction of gender inequality (Goal 3), and in relationship to youth unemployment. A more robust indicator for women's employment has subsequently been integrated under Goal 3. With regard to the PRSPs, Chen (2008) holds that 'Although employment features prominently in PSRP diagnosis of the poverty problem, the prescriptive policy content is weaker', with specially little attention going to employment creation.

Informal employment, social protection and the World Bank

Though there are different schools of thought about the informal sector and informal employment, mainstream economists on the whole, and those influencing the World Bank's economic policies, have seen the informal sector and informal employment as temporary, residual, and undesirable. They stress the tax-avoidance motives of informal workers, and stress the element of choice in entering informal employment. Less attention is given to the high costs to registering formal enterprises, or to the lack of availability of formal wage employment.

On the social policy side, Holzmann and Jorgenson (1999) introduced the Social Risk Management framework within the World Bank. Social protection is defined as public interventions designed to assist individuals, households and communities to manage risk, and also as providing support to critically poor people. Their approach marked a change within the Bank towards seeing social spending not just as a cost, but also as an investment in human capital. They accept that there are risks attached to informal work, and that insecurity makes people 'risk averse'. However, it is not clear how their policy recommendations could 'help the poor bounce out of poverty'. Unwilling to recommend significant and enduring state support, their risk management approach ultimately places the burden of responsibility for getting out of poverty on the poor themselves.

The World Bank's 2005 World Development Report marked what appeared to be a genuine attempt to move towards seeing the informal sector and informal economy as permanent, 'normal', and a sector in which small enterprises had many of the same needs as more formal enterprises – 'A Better Investment Climate for All' (World Bank, 2005).

In another part of the Bank, rigorous evaluations were being done of the burgeoning conditional cash transfer programmes being promoted in Latin America, the largest being Mexico's Progresa/Oportunidades and Brazil's Bolsa Familias. These programmes reach millions of poor households.

Mothers of young children receive a regular cash transfer, on condition that young children go to school, and in many programmes, on condition also that family members go to the health services. This is not the place to go into detail about these well-documented interventions. What is important for our purpose is the influence that these programmes are having worldwide on development thinking, showing as they do that giving poor people money can be a sensible and effective thing to do.

From two different and influential Bank sources – Francois Bourguignon (2005) and Perry and his colleagues (2007) – comes the idea of 'delinking' or 'decoupling' social protection altogether from the employment relationship. Bourguignon wants to find ways of eliminating the distinction and the gap between 'good jobs' and 'bad jobs'. The assumption is that 'good jobs' are expensive to provide because they come with so many additional labour costs in order to provide the social benefits, though he also conceded that the impact of labour market regulations on formal employment is 'empirically ambiguous' (Bourguignon, 2005: 13). He advocates the delinking so that more people may have good jobs – but he himself casts doubt on whether this will be successful. Bourguignon specifies it would then be up to states to provide a minimum coverage of sorts.

Perry *et al.* (2007) deal with Latin America, which is where most of the huge new cash transfers programmes are in place, and from which much of the evidence is being drawn that show these can be successful in mitigating poverty. Working from within the World Bank, their purpose is to 'align more effectively the objectives of better social risk management with those of higher productivity and growth' (2007: 210). Perry and colleagues are very concerned about the drop in formal employment. They are concerned that the social assistance programmes that are designed for people who are unemployed or informally employed may be working as an adverse incentive to formal employment, or as a constraint to economic growth. The programmes may be setting up incentives for people to choose informal employment rather than formal employment. Following Bourguignon, they advocate delinking social protection from the labour contract. They suggest a move back to a citizen-based rather than worker-based model of social protection:

> … given the high and persistent levels of informality in the [Latin American] region, it will be important to rethink the traditional Bismarckian model of social protection in which protection depends on the specific form of the labor contract. … A broader notion of who has access to basic risk instruments is needed – one based on assuring the basic protection and welfare of countries' citizens rather than of workers, as traditionally and narrowly defined. (Perry *et al.*, 2007: 199, their emphasis)

They argue that some forms of labour-contract related social benefits are expensive and inefficient and unfair to contributors, though their evidence for this is slim. They want to unbundle, shed or make voluntary those complex packages that do this (Perry et al., 2007: 208). They deal in particular with health and with old age security. They advocate delinking health cover from the labour contract, with governments then providing a general revenue-based minimum essential package of health care to all citizens, and those who can afford it, buying health insurance privately (Perry et al., 2007: 200). For elderly people, 'savings should be the mainstay for earnings in old age', there should be a poverty prevention pension, financed through general revenue, and not linked to the labour contract.

There are clear dangers to the poor and to the goal of equality or of reducing inequality, of the Bourguignon and of the Perry et al. position. Realistically speaking, this would lead to a minimum package of probably poor services. It completely exonerates the employers of labour, the owners of capital, from responsibilities towards those they employ. This leaves to 'the state' the main responsibility for social protection. Furthermore, what would this minimum essential coverage mean in countries where the state is weak and/or unreliable, and where there are seriously and genuinely binding fiscal constraints? Relying on international donor funding renders schemes vulnerable to changing fashions of donors – not a reliable or sustainable way forward.

Thus there are different development ideas within the World Bank. In the last ten years or so it has become more amenable to discussing issues of labour standards (which used to be defined as 'political'); it has set up dialogues with organised labour; it has acknowledged the role of the state in providing (conditional) cash transfers; it has suggested completely halting the role of employers as contributors to work-related social benefits.

The International Labour Organisation

The ILO sets international norms and standards regarding working conditions and the workplace. In 1952 the ILO expressed the hope that its labour standards could be applied across the world, in the north and south. Recognising that this was an unachievable goal, the ILO has retreated to promoting just the four core labour standards as the minimum that all countries should adhere to: no discrimination in employment and occupation, no forced labour, no child labour, and finally freedom of association and recognition of the right to collective bargaining. Notably, these do not include rights and principles about basic working conditions, or standards for health and safety at work.

The ILO has in the last decade or so promoted the Decent Work for All campaign, under the stewardship of Director General Juan Somavia. Part of this move has included the extension of social protection, and, in about 2005, an explicit acceptance that there should be 'social protection for all' – meaning for all people, not just for working people.

As in the World Bank, different parts of the social security terrain within the ILO are advocating different strategies. Some advocate micro-insurance for informal workers, and especially for women; others are exploring how to link formal and informal health insurance schemes. An influential coalition is pursuing the idea of an international basic income grant, starting with coverage for four groups. Three are for very young children, the elderly, and people with disabilities. The fourth is for people of working age, and there are various prescriptions for how widely this net would be cast. Some documents specify 'the unemployed poor'. Others say it would be for the unemployed and the working poor who earn erratic and unreliable incomes. These are very vague specifications, given that it is the ILO itself that has taken the lead in both identifying quite precisely different categories of workers, and in promoting how important it is, for policy design, to be so precise.

What is important to note here is that the ILO is going well beyond its 'normal' mandate of worker-focused programmes. This is itself partly in recognition of the growth of numbers of people who work in the informal economy, and will do so all their lives, with no hope of getting access to sustainable forms of social protection. But not only does it dilute its formerly reliable focus on workers, it also weakens the conception of 'the working poor', relegating them to public works programmes for assistance.

Possible directions for South Africa and elsewhere – principles and interventions

The advantages of cash transfers are clear and well documented, though ideally they need to be part of a comprehensive programme of support. Within South Africa, more attention needs to be given now to addressing inequality as well as poverty, and finding ways of holding the very wealthy owners of capital to better account for their responsibilities to workers, and to ensuring that poorer workers, formal and informal, get better returns for their labour. What are possible avenues for doing this?

I would start by assuming that most people want to work (rather than that a significant number will opt out if welfare benefits are good enough). I assume also that it is fair that people should get returns from their work such that there is a chance of working their way out of poverty, and be assured of better life chances for their children. Increasingly, the reality for more and more working people is that they do not get a wage large enough to support their families; although they work, they have no ability to cover against risks and contingencies; they may try to make their own work but find very high barriers to entry; they may want to work but job search is itself costly.

The economy should be accepted as one indivisible whole, and I would reject the current South African official practice of relegating informal work and employment to something called ‘the second economy’. This introduces a segregated dualism, at precisely the time when policy and practical linkages are needed between the formal and informal enterprises and operators.

Ways of regulating the process of informalisation should be investigated. ‘Extending social protection to all’ is the call of the ILO at this time, and this should be welcomed. However, much more attention needs to be given to the continuing erosion of *existing* social benefits. This will only happen through negotiations in which government, capital and labour are all involved.

Institutions and programmes differ in their ability to support poorer people in the move to more secure work with more reliable incomes. Especially we don’t want, as a policy response, weak community development and weak social development. In the presence of huge and relatively stable (even given the financial crisis) financial and insurance institutions, we don’t generally want risky micro-finance and micro-insurance institutions that operate separately from the large formal institutions. The small schemes have high transaction costs for the poor (and especially women), seldom go to scale, and frequently fail. Home-based workers (industrial outworkers) in particular might benefit if their suppliers’ insurance schemes could be extended to cover the home-as-workplace, as suggested by Theron and Godfrey (2000).

Some would advocate extending the unemployment insurance fund (UIF) to cover more categories of worker and/or for longer periods of time. This has been the subject of a recent investigation (Charles Meth report). An inherent problem is that this would only ever reach those who have been in formal employment.

The South African government has for a long time been considering setting up a national health insurance scheme, and intends exploring ways of integrating informal workers into this scheme. This might realistically require a subsidy from government. It would also be a way of government being forced to confront the serious problem that it spends far more per capita – twelve times more in 2000 – on its work-related health insurance scheme for civil servants, than it does per capita for poor people who rely on state health services. Tax resources thus support the expensive private medical aids schemes (McIntyre and Thiede, 2007: 45).

Given South Africa's participation in global value chains, and in various free trade and ethical trade agreements, it might be worthwhile to pursue further ways of building social protection more forthrightly into ethical trade specifications. A recent assessment (Barrientos, 2008) of the impact of ethical trade initiatives found that the benefits to workers accrued to the more formally employed, however, and failed to reach the more vulnerable workers (contract and casual workers). Stephanie Barrientos suggests that civil society organisations could intervene more effectively to see that the benefits of codes reach the more vulnerable workers. In South Africa, however, most civil society organisations do not have a worker lens – they operate with a citizen lens – and this makes the formation of alliances with poorer workers, as workers, difficult.

Local government could play a greater role in contributing to employment security, in a number of realms. It could put brakes on the tendency to outsource and privatise many services it provides, thus keeping more workers in more secure and lasting employment. Going further, local government controls the work space, and the conditions of work, of thousands of informal workers who work on streets, pavements, at intersections, and who make a living from municipal garbage dumps.

Municipalities may be able to play a role in extending their own in-house insurance schemes to such informal workers.

More understanding is also needed of the ways in which local governments help or hinder the ability of citizens as workers to generate livelihoods, through municipal provision of infrastructure to people's homes and communities. Urban planning and zoning regulations can be either exclusive or inclusive of poorer people, can define the terms on which poorer workers get space in the city to make a living. Experience in Durban suggest strongly that privatisation of municipal facilities removed the discretionary power of the city to innovate in new ways (Skinner and Lund, 2005).

If they are to improve their employment security, informal workers need support and training. There is a gap between what private providers offer, and what informal workers need (Skinner, 2000). The South African government reports an enormous increase in employment training that is being provided overall. However, Devey et al. (2008) report that informal workers fall into the gap between programmes for SMMEs on the one hand, because they operate in firms smaller than SMMEs, and programmes for the unemployed on the other hand, presumably because they are not unemployed.

Conclusion

This paper has tried to bring together in one place some of the shifting terrain of social policy, at this time when there appears to be new space for social policy. Some of the space has opened up because of the urgency of addressing global poverty, given focus by the MDG initiative. In this context, the success of cash transfers in impacting on poverty gives them particular resonance as a policy intervention. The processes that are leading to the withdrawal of responsibility for the social wage, by employers, receive less attention, partly because the labour lobby is different to and disconnected from the citizens income lobby – even within the ILO.

Evidence from rigorous evaluations of cash transfer programmes, especially in Latin America, have led to the acceptance of cash transfers as a semi-permanent intervention, not as a short-term safety net – even though the World Bank insists on the importance of attaching conditionality. Louise Haagh suggests that this acceptance of cash as a form of support represents a 'new intellectual capitulation as to the structural inequalities of deregulated capitalism' (Haagh, 2007: 2). It is too early to tell whether this is too optimistic an interpretation, but it is certainly a significant change. It has led to new campaigns for more social spending in general – not least in the concerted campaign, within Africa, of the 'Livingstone Call for Action' under the auspices of the African Union – a campaign which has cash transfers as an important policy component. In South Africa, which is used by so many as a good example of an effective cash transfer system targeting particular groups, the idea of imposing conditionalities on the Child Support Grant is misguided and needs to be strongly resisted (Lund *et al.*, forthcoming).

This paper suggests that a substantive parallel and complementary policy arena needs to be opened up around how to secure more responsibilities from the owners of capital to the people who labour to generate the profits that accrue, though many of the workers are not directly employed by the owners themselves. Without this parallel action, the growing citizen-state axis of social policy is likely to result, in poorer and richer states, in further declining employment security for growing numbers of people.

References

Barrientos, S. 2008. 'Contract labour: the "Achilles Heel" of corporate codes in commercial value chains', in Bridget O'Laughlin (ed.) *Development and Change: Forum 2008.* Oxford: Wiley-Blackwell.

Benjamin, P. 2006. 'Beyond "lean" social democracy: labour law and the challenge of social protection', *Transformation 60*: 32–57.

Bourguignon, F. 2005. 'Development strategies for more and better jobs'. Paper presented at the conference 'Help Wanted: More and Better Jobs in a Globalised Economy', organised by the Carnegie Endowment for International Peace, Washington D.C., April 14.

Chen, M. 2008. 'Informality and social protection: theories and realities', *IDS Bulletin* 39(2): 18–27.

Chen, M., Vanek, J., Lund, F. and Heintz, J. with Jhabvala, R. and Bonner, C. 2005. *Progress of the World's Women: Women, Work and Poverty***.** New York: UNIFEM.

Devey, R., Lebani, L., Skinner, C. and Valodia, I. 2008. 'The informal economy', Chapter 6 in Kraak, A. and Press, K. (eds): *Human Resources Development Review 2008*. Cape Town: HSRC Press. Pages 111–133.

Du Toit, A. and Neves, D. 2006. *Vulnerability and social protection at the margins of the informal economy: case studies from Khayelitsha and the Eastern Cape.* PLAAS Working Paper. Bellville: University of the Western Cape.

Gough, I. 2004. 'Welfare regimes in development contexts: a global and regional analysis', Chapter 1 in Gough, I. and Wood, G. with Barrientos, A., Bevan, P., Davis, P. and Room, G.*: Insecurity and welfare regimes on Asia, Africa and Latin America*. Cambridge: Cambridge University Press. Pages 15–48.

Heintz, J. 2008. 'Revisiting labour markets: implications for macro-economics and social protection', *IDS Bulletin* 39(2): 11–17.

Holzmann, R. and Jorgensen, S. 1999. 'Social protection as social risk management: conceptual underpinnings for the Social Protection Sector Strategy Paper', *Journal of International Development*, 11(7): 1 005–1 027.

Lund, F., Noble, M., Barnes, H. and Wright, H. Forthcoming. 'Is there a rationale for conditional cash transfers for children in South Africa?', *Transformation*.

McIntyre, D. and Thiede, M. 2007. 'Health care financing and expenditure', Chapter 3 in Health Systems Trust: *South African Health Review 2007*. Durban: Health Systems Trust.

Mkandawire, T. 'Social policy in a development context: Introduction', in Mkandawire, T. (ed.): *Social policy in a developing context*. Basingstoke: Palgrave Macmillan. Pages 1–33.

Pascall, G. and Lewis, J. 2004. 'Emerging gender regimes and policies for gender equality in a wider Europe', *Journal of Social Policy* 33(3): 373–394.

Perry, G., Maloney, W., Arias, O., Fajnzilber, P., Mason, A. and Saavedra-Chanduvi, J. 2007. *Informality: exit and exclusion*. Washington D.C.: The World Bank.

Razavi, S. 2007. 'The return to social policy and the persistent neglect of unpaid care', *Development and Change* 38(3): 377–400.

Skinner, C. 2000. *Securing livelihoods: a gendered analysis of support interventions available to street traders in the Durban Metropolitan Area*. CSDS Research Report No. 34. Durban: University of Natal.

Skinner, C. and Lund, F. 2005. 'Creating a Positive Business Environment for the Informal Economy: Reflections from South Africa'. Paper prepared for the International Donor Conference 'Reforming the Business Environment', Cairo, 29 November to 1 December.

Theron, J. and Godfrey, S. 2000. *Protecting workers on the periphery*. Development and Labour Law Monographs 1/2000. Cape Town: Institute of Development and Labour Law, University of Cape Town.

White, S. 2000. 'Social rights and the social contract – political theory and the new welfare politics', *British Journal of Political Science* 30(3): 507–532.

White, S. 2003. *The civic minimum*. Oxford: Oxford University Press.

World Bank. 2005. *World Development Report 2005: A better investment climate for everyone.* Washington D.C.: The World Bank.