



# SOCIAL POLICY HAS A CRITICAL ROLE

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The 2022 [State of the Nation address](#) (Sona) demonstrated just how desperate the government has become. The socioeconomic and political situation has deteriorated so badly that [the president](#) finds himself between a rock and a hard place.

The government is largely to blame. Since the late 2000s, the economy has been allowed to fall apart. It is not surprising that [unemployment has increased to intolerable levels](#). The [coronavirus pandemic](#) hit at a time the South Africa economy was effectively in recession. It was to be expected that poverty and other hardships would intensify. We are all to blame. The private sector and organised labour must also play their parts.

The economy is going to take a long time to recover, even if all that is recommended is done or even when everything that Sona commits is implemented. Poverty and other forms of hardship will continue unabated. The [Presidential Economic Advisory Council](#) argues that “We cannot feasibly grow our way out of poverty in any reasonable timeframe, and mass employment creation will, realistically, not happen overnight.”

So, the government must try all that is feasible to cushion the most vulnerable. If loans are accessible at reasonable repayment terms, government debt could be one of the temporary interventions to ameliorate the plight of vulnerable people in our society.

The Ramaphosa administration keeps borrowing: [it borrowed from the International Monetary Fund in 2020](#), from the Brics Development Bank (now called the New Development Bank) in 2021, and it [borrowed from the World Bank just last month](#).

There are many analysts who view borrowing as dangerous. They are right, to some extent. However, arguably, it should matter more as to what the loan is used for or what government debt is advancing. Over and above financing economic recovery, some of the borrowed funds should go to ensuring that South Africa has a robust social-policy intervention that will contribute to growing the economy. Social policy, if designed properly and efficiently implemented, can play a big role in economic recovery.

To be sure, social policy has to do with policy interventions in the public sector aimed at directly improving wellbeing in a society. Social policy can, therefore, be thought of as a series of public policies that ensure that the quality of life in a society improves.

This involves ensuring that there is social cohesion (that the society is functional and there are decent levels of trust, and social networks and social capital are effective);

hence social policy also has a role in nation building. Leading scholars of social policy emphasise its transformative role, hence an argument for a transformative social policy rather than just social policy broadly.

On the other hand, social protection involves improvements in critical social services such as education, healthcare and housing. Social security has to do with income protection. Indeed, a sustainable social-policy regime entails financing social protection through taxes and social insurance. This requires employment. South Africa's unemployment rate has continued to increase sharply. South Africa should pay attention to both productive and distributive sides of social policy.

Given the state of the fiscus, the government has been left with little room, if not forced to borrow. Debt as a share of GDP had declined from almost 50% in 1996 to 26% in 2008. It has since increased to about 85%. Although both the domestic and foreign components of debt have increased, the share of foreign debt increased from about 4% in 2008 to about 9% in 2021.

As indicated earlier, debt itself is not a major problem. Brazil's debt to GDP ratio is about 90%. For Malaysia, it is about 70%. For the US, it is well above 100%; for Japan, it is far above 200%. So, what matters is what debt is doing and the ability to service it and or pay it back. This is not to say debt cannot have negative effects on the economy and society. Undoubtedly, it is a cost to future generations.

There is consensus that it is going to take a long time for the economy to function optimally and create jobs. The challenges confronting the South African economy are deep, historical and profound. The structural transformation that has become a new buzz phrase will only scratch the surface, even if properly implemented. That which is proposed as part of structural transformation is what should have been done or should now be done to ensure that the economy doesn't fall apart.

At the risk of sounding like a broken record, some of us have been emphasising that the answer to the South African economy and society lies in the "[profound restructuring of state-capital relations](#)" and that "[a new vision for South Africa's political economy is critical](#)." This would require that we are honest about what is entailed in [restructuring an economy](#), as argued in 2015.

In the meantime, let us ensure that there is a comprehensive social policy. The restructuring of the economy would realistically, because of many missed opportunities, occur only after the full effects of Covid-19 have run their course. That is if we are serious about dealing with unemployment, poverty and inequality.

The argument for a comprehensive social policy does not mean that we must choose between grants and growth; nor is it a choice between employment and grants. South Africa must produce its way out of poverty ultimately. Poverty rates are too high in South Africa and poverty is worsening. There is no welfare state that can accommodate high unemployment rates for an extended period of time. We must get the economy right.

