



## Looking beyond South Africa: the urgency of addressing inequality in BRICS

There is broad agreement among economists of differing persuasions that socioeconomic disparities and inequalities impact on the material, physical and psychological quality of life and capabilities of individuals and the communities in which they live. *Jaya Josie* looks at how inequality manifests itself in the five BRICS countries.

It is well established that economic inequality and disparity can become a permanent structure of the political economy of society. From an economic perspective, inequality and disparity in society have been concerns for political economists since the writings of Adam Smith in his famous 1776 treatise, the *Wealth of Nations*.

Structural inequality is accompanied by a plethora of myths that keeps it in place, for example that the victims of inequality have themselves to blame for their status

in society. Such myths follow a circular and cumulative process that generates a cycle of evolving consciousness and practice, reflecting attitudes and roles of inferiority and superiority among victims and perpetrators respectively.

The negative socioeconomic impacts of this process on the capabilities and functioning of human beings have been extensively documented in literature. From an economic perspective the systemic relationship between inequality, poverty and deprivation has devastating consequences for society as a whole.

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### Structural inequality in South Africa

The consolidation of evolving patterns of unequal labour and socioeconomic relations under apartheid since the 1960s has been characterised by the increasing unemployment and poverty of black workers in general and African workers in particular. The systemic exclusion of black people from the mainstream of the economy combined with low levels of direct investment and low levels of skills have marginalised African workers in particular and have made them ineligible for employment in the formal sectors of the economy – a feature that distinguishes South Africa from countries such as Brazil and India.

The patterns of unequal labour relationships have become structurally entrenched as a result of the laws that forcibly relegated African and coloured workers to remote rural areas far from the cities and access to infrastructure and public services, and persists despite 20 years of post-apartheid democracy.

One reason for the persistence of such inequality is the structural disjuncture between the intended policy objectives of the post-apartheid state based on the constitution, and the entrenched existence of socioeconomic, political and institutional arrangements that have their roots in the political economy of colonialism and apartheid.

While inequality in South Africa emerged in the specific historic context of colonialism and apartheid, the consequences of inequality across Brazil, Russia, India, China and South Africa (BRICS) are the same, and many of the other BRICS countries are faced with the same challenges.

## BRICS member states continue to experience levels of poverty, inequality and unemployment.

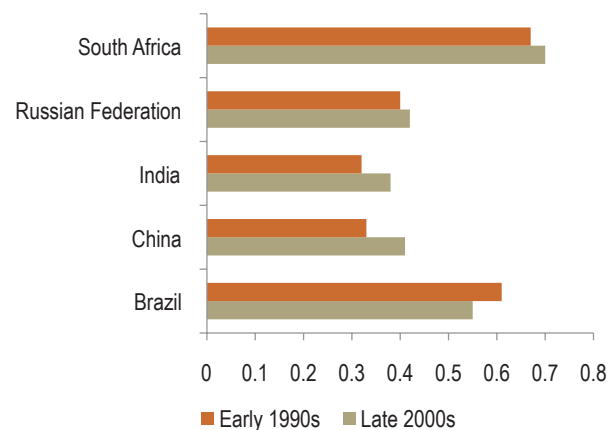
### Looking beyond South Africa

While BRICS has managed to sustain considerable economic growth, it continues to face significant challenges to ensure social and economic justice at national and regional levels. The presence of high rates of entrenched inequality is a unifying factor across the diverse political and economic contexts of the BRICS countries.

Despite rapid economic growth, BRICS member states, like many developing countries, continue to experience levels of poverty, inequality and unemployment that collectively undermine the rights of their citizens to social justice and a better quality of life. For example, Russia, India, China and South Africa saw increasing levels of inequality over the

last two decades (Figure 1). It is noteworthy that while the inequality level decreased in Brazil, it is still significantly high. South Africa features the highest level of income inequality with a Gini coefficient of almost 0.7.

Figure 1: Inequality levels (Gini coefficient of household income) BRICS, early 1990s and late 2000s



Source: OECD (2010b), *Economic Policy reforms 2010: Going for growth*.

Table 1 shows the levels of poverty in BRICS countries. The extreme poverty headcount ratio is the percentage population in poverty (PPP) living below \$1.25 per day at 2005 international prices. The data is not consistent but nevertheless paints a picture of poverty in these countries.

## Decreasing levels of extreme poverty can be partly attributed to the introduction of social protection policies.

What is worth noticing is that there has been a general trend towards decreasing levels of extreme poverty from 2000 to 2009, which can partly be attributed to the introduction of comprehensive social protection policies across BRICS countries.

Table 1: Extreme poverty headcount ratio (%), US\$ PPP 1.25 per day

Country	Poverty headcount ratio (%)		
	Circa 2000	Circa 2005	Circa 2009
Brazil (a)	14.0	8.1	4.8
Russia	1.1	0.2	0.0 (d)
India	No data	41.6	32.7 (e)
China (b)	28.4	16.3	11.8
South Africa	26.2	17.4 (c)	13.8

Source: World Bank, *World Development Indicators* (accessed May 2013). (1) Brazil, IV National MDG Monitoring Report, 2010; (2) Russia, National Human Development Report, 2010. (a) 2001; (b) 2002; (c) 2006; (d) 2008; (e) 2010

### Social protection against inequality

In line with the BRICS agenda to progressively advance a better life for all, BRICS countries have increasingly adopted social protection as the key response to unemployment and poverty.

Social protection can be grouped under two main categories: social security (contributory schemes that protect income earners and their dependants against temporary or permanent involuntary loss of income as a result of exposure to contingencies that impair earning capacity) and social assistance, which refers to non-contributory assistance or benefits provided to poor and needy groups in a population.

The provision of social protection in all the BRICS countries is enshrined in explicit legislations and regulations. In Brazil and South Africa, these countries’ constitutions serve as the legislative foundation while in India, the Russian Federation and China, social protection programmes and policies are linked to the promulgation of various government labour regulations.

Virtually all BRICS countries provide workers with various forms of social security.

It is largely due to this enabling legislative and regulatory framework that virtually all BRICS countries provide workers with various forms of social security (Table 2). It is noteworthy, however, that since social security is typically financed by three sources (a percentage of covered wages or salaries paid by the worker, a percentage of covered payroll paid by the employer, and a government contribution) the benefits are only available to salaried workers in the formal sector who are able to contribute to social security.

Informal sector workers, accounting for a notable proportion of the employed in BRICS, do not have access to the benefits.

Table 2 : Types of social security programmes, BRICS, 2013/14

Country	Old age, disability and survivors	Sickness and maternity		Work injury	Unemployment	Family allowances
		Cash benefits for both	Cash benefits plus medical care			
Brazil	YES	YES	YES	YES	YES	YES
Russia	YES	YES	YES	YES	YES	YES
India	YES	YES	YES	YES	YES	A
China	YES	YES	YES	YES	YES	YES
South Africa	YES	B	B	YES	YES	YES

Source: International Social Security Association (2014). *Social Security Programs, Throughout the World*. Washington, DC: Social Security Administration.

Notes: A: Programme/information not available; B: Coverage provided under other programmes or through social assistance



## Social assistance

**Brazil** is increasingly not seen as a model for BRICS, and for developing countries as a whole. Since the mid-1990s, the country's social assistance policies have largely hinged on education and health reforms that also include the provision of conditional transfers to poor families. Numerous evaluations of the Brazilian system have consistently shown that it has resulted in significant declines in poverty (from 16.4% in 1995 to 4.7% in 2009) and reduced equality by more than 10% in the same period. Critics of the Brazilian social protection system suggest that the country created a dual society where one is covered by social security and the other by social protection.

**South Africa:** With just more than 16 million recipients at the end of January 2013 out of an estimated population of more than 50 million people (Statistics South Africa, 2011), the social assistance system in this country is one of the most comprehensive in the developing world. It is wholly made up of social assistance and it comprises a menu of grants that provides monthly cash payments to targeted individuals, essentially children, the old and the disabled. Thus, while comprehensive, it has been argued that the system only caters for those who are not meant to work, excluding other socially marginalised populations such as young adults.

**India** has a number of large national social assistance programmes implemented at both the central and state levels. There are three distinct types of programmes: labour market/microcredit programmes designed to provide food for work and generate employment for able-bodied people, especially in rural areas; food-for-work programmes, and employment assurance schemes. There are also welfare programmes for specific vulnerable groups such as the elderly, people with disabilities and pregnant or lactating mothers. These include a food distribution system providing subsidised rice to the poor, a mother and child protection scheme, and a programme providing housing for the poor.

**China** has a social assistance system that comprises a minimum livelihood guarantee system that covers urban residents with a per capita income lower than the local urban minimum living standard and rural households where annual per capita net income is below the local minimum living standard in rural areas; a type of welfare scheme for the widowed, disabled and orphans in rural areas that provides basic livelihood and funeral expenses; and a medical assistance system for rural families with members suffering from serious illnesses. In urban areas, the medical assistance system covers family members suffering from serious illnesses that affect their basic livelihood, and the assistance method combines direct relief aid payments where some of the medical costs are waived.

Unlike the other four countries, Russia does not have a social assistance system with an explicit poverty benefit per se. Rather, there are numerous categorical benefits and privileges in cash and kind. Overall, the formal system of social protection includes labour pensions, unemployment compensation, family allowances, sickness and maternity benefits, and housing allowances.



## Concluding remarks

The post-2015 agenda for BRICS is informed by the UN's sustainable development goals and is captured in the five pillars of the BRICS long-term strategy. The pillars include promoting co-operation for economic growth and development; peace and security; social justice, sustainable development and quality of life; political and economic governance, and progress through knowledge and innovation sharing.

Of the five pillars, social justice, sustainable development and quality of life speak directly to the way BRICS countries wish to address inequality, poverty and unemployment. The last BRICS heads of state summit in Brazil in 2014 committed the countries to co-operate and learn from each other in addressing inequality and poverty. ■

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