

1 EXECUTIVE SUMMARY: KEY CHALLENGES AND PROPOSALS

In 2002 the Committee of Inquiry into a Comprehensive Social Security System (Taylor Committee) made several recommendations for improving South Africa's social security system. Among others, this resulted in the extension of child support grants and the introduction of SASSA as the primary institution for the implementation of the social assistance programme.

Despite progress in some areas, significant gaps remain in our social security system. The current Covid-19 crisis amplified existing structural gaps, thus calling for Government to review and take drastic measures to accelerate the required comprehensive response.

This Green Paper on comprehensive social security and retirement reform addresses the following key gaps and proposals:

- **Absence of a mandatory system for social security pension provision for retirement, death and disability benefits for all workers.** This results in the exclusion of millions of workers from lifestyle preserving pension coverage, who are unable to access existing private sector options due to the structural complexity and high costs of the private system. This contributes to significant reductions in income at retirement, which results in old age poverty and reliance on the social grant system as the only source of income in old age. There is consensus that this gap must be addressed by introducing a mandatory retirement, death and disability insurance for all workers. These mandatory benefits should be provided through a publicly offered National Social Security Fund (NSSF); operated on the principles of risk pooling and social solidarity.
- **Systemic weaknesses in the private retirement system** exclude millions of workers due to voluntary participation resulting in poor risk pooling and low levels of income replacement. In addition to mandatory contributions for retirement, death and disability benefits, it is proposed that supplementary benefits should be offered by accredited private providers chosen by contributors, to enable those who wish to supplement their benefits and those in the informal sector to have access. To promote consumer protection, it is proposed that the private sector be subject to more proactive supervision through an approved funds framework.
- Although social assistance provisions provide much relief to millions of beneficiaries, there is **incomplete coverage**, where millions of vulnerable people continue to be excluded. In view of the continuing challenges of poverty, inclusion and exclusion errors, and the high costs of means testing, consideration is given to universal benefits for older persons, children and persons with disability.
- In addition, there are **no provisions to address the plight of individuals who have no income but do not meet the means test criteria to receive social grants (the 18 – 59 age group challenge)**. The expectation that this group would derive their income primarily from selling their labour has proven to be ineffective in the context of persistent, long-term and structural unemployment. This gap also falls short of the constitutional mandate and the social protection floor envisaged in the NDP, and this led to the proposal to investigate the feasibility of a basic income grant. The Covid-19 crisis and the fallout has further galvanised the calls for a basic income grant. To address the fiscal space concerns,

consideration should be given to reconfigure the tax regime to promote equity while ensuring sustainability.

- Although it provides a myriad of benefits, **the current social security system is fragmented both at policymaking and implementation levels**, resulting in high cost, exclusion, duplication and complexity. To address this, this green paper proposes that the institutional framework for social security provision should be overhauled to improve coherence, efficiency and responsiveness through alignment of the benefits and administration systems. It is further proposed that social security policy development should be consolidated in a single Department of Social Security which will take primary responsibility for social security related policy development. This department would have the authority to drive and coordinate policy in cooperation with key departmental partners such as National Treasury, Employment and Labour, and Health.
- The paper acknowledges the improvements to the **UIF benefits** that includes the extension of benefit periods for unemployment insurance to twelve months, while the Road Accident Fund benefits are proposed to be converted from the **current fault-based system** to a social security paradigm of minimum benefits and social solidarity. In the intervening years between 2012, when the initial policy proposals were made and the present, these proposals have been advanced through the development of draft legislation initiated by the relevant departments.
- To address related **institutional fragmentation**, this paper makes significant proposals to enhance service delivery access and quality for all social security benefits. It is proposed that government should set up a single social security public interface platform, a single master social security registry and a more consolidated appeals adjudication arrangement for all social security provisions. This is expected to improve institutional performance of the social security system and enhance coherence and responsiveness.
- The paper also identifies some **governance weaknesses and inconsistencies among the different social security institutions**. To address this, a uniform governance approach is also proposed for all social security delivery agencies. In line with international good practice, it is proposed that we should have a “*social partner model*” for the supervision of social security generally to improve institutional responsiveness to affected stakeholders and promote accountability.

In light of the current Covid-19 crisis, global and domestic experiences have demonstrated the importance of mandatory social security coverage, large risk pools, high quality and accessible benefits, simplified administrative procedures (that harness digital technology), unified and coordinated systems, integrated policy frameworks, and the maintenance of broad social dialogue.

This crisis has also shown us that everyone is vulnerable, and we need a responsive social security system that can mitigate shocks as well as prevent and mitigate routine and predictable social harms that sustain inequality, poverty and unemployment. There is need to accelerate the implementation of a social security system that is centred on universal coverage, adequacy, affordability, efficiency, long-term sustainability and comprehensiveness.

This paper aims to present a long-term reform agenda aimed at a more comprehensive system of social security. There are several factors that will affect the prioritisation, sequencing, pace and scale of the reform programme.