Social grants offer cash, but they aren't a magic bullet response to inequality in the Global South

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Over the last three decades, there has been a proliferation of social protection programs across the Global South in what some have dubbed a development revolution. International development agencies across the ideological spectrum have embraced social protection as an effective and efficient instrument to reduce poverty and inequality.

The advent of digital technologies has further strengthened support for social protection, including among development agencies skeptical of local state administration. Payments can be delivered electronically directly into the pockets of the poor. This seemingly circumvents networks of patronage and corruption.

This apparent counter-movement in development thinking reflects a growing consensus that economic growth does not invariably lead to a reduction in poverty and inequality. Social protection can play an important role in ensuring inclusive growth by providing income support along the life cycle.

However, measures tied to employment such as social insurance have limited reach given widespread unemployment and growing informality. Women, in particular, have been excluded due to gender discrimination. Therefore, publicly funded cash transfers are a key pillar of any strategy towards universal social protection. And studies show that they are affordable at all stages of economic development.

But cash transfers are not a magic bullet response to poverty and inequality.

Economist Thandika Mkandawire warned about the diminution of social policy to cash transfers. He said it would ultimately leave unchecked the structures of accumulation which dispossessed, exploited and excluded the working classes in the first place. It also threatened to reproduce highly stratified, segmented and segregated forms of social provisioning.

Take the example of South Africa. It has one of the most expansive cash transfer systems, buttressed by a progressive tax structure. It provides nearly half of the population with publicly funded cash transfers. Yet it remains the most unequal country in the world, both in terms of income and wealth, and along the lines of race, gender and geography.

So, what role can social protection play in reducing inequality?

In my view, social protection is fundamentally contradictory. On one hand, it reflects the relative surplus value which the working classes have been able to claw back from capital via the state.

On the other hand, it has historically served to preserve rather than disrupt exploitative processes of accumulation under capitalism. Ultimately, the impact of social protection on inequality depends on its terms, which in turn are shaped by the relative balance of power between social forces.

No guarantees

The objectives of social protection have varied across time and place. Its terms have been influenced by dominant conceptions of citizenship, underlying assumptions about the roots of poverty and inequality and ideological positions vis-a-vis the state.

To be sure, social protection has the potential to decommodify labor. It can enable people to pursue meaningful activities outside the labor market. It can reduce social stratification through the provision of universal, high quality benefits, complemented by other meaningful forms of public provisioning. However, as history shows, this is not guaranteed.

Across colonial Africa the majority were excluded from emerging forms of social protection by racist labor-citizenship regimes. In Mozambique, for instance, social insurance was only available to "skilled" and "semi-skilled" workers. Four fifths of these were white.

Meanwhile, "unskilled" workers, all of whom were black, were excluded. The official justification was that they did not have contributory capacity. Colonial officials further claimed that black workers could rely on the mythical rural family.

At independence, many postcolonial African states introduced expansive social policy measures. But the structural adjustment programs of the 1980s and 1990s resulted in the roll back of public provisioning.

Paradoxically, it was during this period that development agencies began to embrace cash transfers as a response to the fallout from structural adjustment. This led some scholars to argue that cash transfers were little more than a smokescreen to eliminate more radical forms of redistribution.

Since then, there has been a consolidation and expansion of social protection systems across Africa. But only 17.4% of Africans are effectively covered by at least one social protection program. Most cash transfers are short term, highly targeted, and insufficient to meet households' reproductive needs.

It is in this context one could argue that cash transfers have a limited impact on poverty and inequality.

From short term transfers to long term entitlements

The COVID-19 pandemic propelled governments across the globe to introduce unprecedented social protection measures. These included one-off universal payments, short term cash transfers for informal workers, and the extension of employer responsibility. However, the pandemic also exposed the fragility of social protection systems.

In Mozambique, for instance, the government approved a cash transfer of 1,500 meticais (about US$23.50) over a period of six months. This was provided to vulnerable households in urban and peri-urban areas. It also covered the province of Cabo Delgado under insurgency. But the transfer was entirely funded by development agencies.

The reliance on foreign funds subjected the state to the whims of World Bank conditionalities. These included the outsourcing of cash transfer payments to private service providers. Ultimately, the conditionalities proved impossible to implement. This undermined the pandemic response.

Globally, most COVID-19 measures have been short term. But civil society organizations in some countries have been mobilizing for them to be institutionalized and expanded through a universal basic income guarantee.

Proponents of the grant argue that it would fill the cracks of the social protection system. These largely exclude able-bodied adults of working age.

It would also enable people to pursue more meaningful activities outside the labor market, such as unpaid care work. Finally, it has the potential to boost economic activity and increase investment, all while promoting social cohesion.

However, critics point out that a universal basic income guarantee is only meaningful if set at a high enough level for recipients to be able to withdraw from the labor market. In addition, its impact can be easily eroded by other aspects of life such as the commodification of public services.

And finally, it can be unsustainable, if it ends up absolving employers of the responsibility to provide labor and social protection. In other words, it is important not to let capital off the hook.

Towards a transformative social policy

Social protection alone cannot fundamentally change the organization of production and the structure of accumulation, which lie at the heart of deepening inequality.

Nonetheless, social protection can play a transformative developmental role. What form social protection takes is a matter of political contestation between social forces.

For the International Labor Organization, a high road approach would involve universal, comprehensive, adequate and sustainable social protection systems. The Social Protection Floors Recommendation proposes the extension of coverage through publicly funded minimum guarantees along the life cycle, and higher quality benefits through many policy instruments, including social insurance.

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