

## Parallel Changes in Russia and South Africa: Challenges in Social Development

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**Keywords:** Social Policy, Socio-economic Development, Neo-liberalism.

**Abstract.** The article is devoted to the comparison of sociopolitical and economic developments of Russia and South Africa. The key time periods taken into account for comparison are 2005, 2010, 2015/2017, and the key points, analyzed are the influence of shifting toward neo-liberal policy on social system in the two countries and adoption of a free-market movement to welfare state, conditioned by the fall of the Soviet Union and the demise of apartheid. The analysis is implemented through comparison of the development of economic indicators, data of poverty dynamics, inequality and social protection. Despite serious political, economic and social shocks and changes, both states have a potential for economic growth and development.

### Introduction

BRICS countries are predicted to play collectively an increasingly important role in the global economy [1]. In the last two decades, two developing BRICS countries Russia and South Africa have experienced significant changes in their political, economic and social spheres. These two countries, regardless of contrariety and idiosyncrasy, show noteworthy similarities in their sociopolitical and economic developments. The key time periods taken into consideration for comparison are 2005, 2010, 2015, the time when Russia started to recover from the fall of the Soviet Union in the adopted free-market economy up to the time of the USA and EU sanctions influence, and South Africa overcame apartheid and faced a new social reality with the neoliberal approach, which started in 2005, continuous in our days, but had the most challenges in 2005-2015. An advancing global adoption of a free-market orientation to welfare and social policy dynamics has resulted in an increase in experiences of social exclusion and poor cohesion for low-income communities and population groups, leading to an increased need for social advocacy and social services intervention [2]. The effect of shifts toward neoliberal policies in the two countries had a challenging reflection in welfare and social policy dynamics.

### Methodology and Data

The most popular statistical mechanisms used to compare countries in the social sphere in the last 10-15 years are the Human Development Index (HDI) and the Social Progress Index (SPI). Both have their advantages and disadvantages, but certain indicators hold potential for the purpose of comparison. These indicators will act as the foundation for further comparative discussion in this paper. Primary attention was given to the indexes that are connected with living conditions of everyday citizens, reflecting on indicators of poverty, inequality and social opportunity.

## Economy and Poverty

In Russia and South Africa, both Gross national income (GNI) and Gross domestic product (GDP) were growing gradually. At the same time, the population living below the income poverty line (at PPP \$1.25 a day) is still high in SA but the scope of the working poor (at PPP\$2 a day) shows a significant increase in numbers during the neoliberal escapade in both countries (2005 - 2015: R – 64.7%, SA – 84.7%). The SPI value of this indicator in South Africa for 2015 was 3.8 times higher, than in Russia.

*Russia.* From the beginning up to the end of 1990s, Russia experienced a transformational recession, moving toward a market economy, which resulted in the fall of GDP and GNI (up to 50%) [3]. During that time, wages and pensions were paid irregularly, and high numbers of industrial plants and factories were closed. A great number of people lost their jobs; families on a large scale had no, or minimal income; nutrition and population health deteriorated. In 1993 inflation in Russia was at 839.21% [4]. Population impoverishment resulted in mortality rate increase, which exceeded the birth rate up to 2013. Income inequality during this transition period increased tremendously. A new vulnerable segment of the population, which did not exist in the soviet time - the homeless - appeared in society. It was only during the first decade of 2000s that the Russian economy slowly started to recover. Inflation began to decrease gradually and by 2000 had reached the level of 20.13% [5]. The level of inflation in Russia for August 2016 was 6.90%, and for 2018 - 2.25% [6,7].

By 2005, the Russian economic situation had notably improved and living conditions for common people bettered. Social security and welfare programs started to provide modest support for most vulnerable groups of the population, which traditionally included the elderly, war veterans, children, expectant mothers, low income families with children, and people with disabilities. But in 2009 due to the oil prices downfall and capital outflow, caused by the world economic crisis, the Russian economy faced substantial challenges yet again. Introduction of the EU and the USA sanctions against Russia in 2014 with constant expansions, put the Russian economy into additional trouble – to withstand international pressure. According to the World Bank, GDP figures in Russia from 2013 to 2015 dropped by 40 percent [8]. In these circumstances Russia attempted to move its economy from oil and gas dependency toward further industrialization and renovation of the manufacturing industry trying to use the highest levels of technology. This process was very challenging due to deterioration of education, lack of budget and disinterest of oligarchs to contribute money.

*South Africa.* The ANC Government came into power in South Africa in 1994, following the demise of apartheid and a transition to a social democratic state. Certain social economic and welfare policies were implemented between 1994 and 2015, based on the premise of equitable social development and redistribution from a rights-based approach. The Constitution of the Republic of South Africa was commenced in 1997. It includes a Bill of Rights where it is stated that all South Africans have the right to dignity and the right to equality [9]. The two key economic policies that the post-apartheid ANC government introduced are the Redistribution and Development Programme, 1994 (RDP), and the Growth Development and Economic Redistribution Plan, 1996 (GEAR). RDP was implemented to address the socioeconomic problems of South Africa, such as violence, housing, lack of jobs, inadequate education and health care, and lack of democracy. The aim of the RDP was to implement a social security and welfare system for all people regardless of their race, gender or physical disability, to reduce poverty, and redistribute wealth more equally in five to ten years [10].

However, it was difficult to implement RDP for several reasons such as the lack of capacity in government [11], the delay in economic growth and unrepresentative open market commitments. The pressure to move away from the socialist RDP in order to favor open market principles was placed on the country [12]. Nevertheless, despite its short-lived implementation, RDP achieved results with regard to the development of a far-reaching social security system in line with the Constitution's expectation that all citizens have the right to social security. GEAR, which replaced RDP in 1996, was implemented to stimulate faster economic growth and had definite neoliberal features, which held less redistributive commitments and promises [12]. GEAR also did not bring about changes in the

economy as envisaged (1996-2001 the economy growth - 2.7% instead of announced 6%; the increase of unemployment, and abolition of more than a million jobs).

The Accelerated and Shared Growth Initiative for South Africa (ASGISA) has appeared in 2006 and recognized the fact that poverty was not reduced and that unemployment was too high [13]. The objective of the initiative was to stimulate the economy and to cut the poverty and unemployment rate by 50% by 2014 [14]. The worldwide recession in 2008 resulted in not meeting the targets of this initiative. The New Growth Path (NGP) was introduced in 2010 and acknowledged that inequality had deepened, that unemployment was still very high, and that the country continued to battle with severe poverty. In 2013 the National Development Plan (NDP) was developed as a further long term plan to address the country's socio-economic difficulties and was seen as a socio-economic development roadmap. Thereby, the desired economic growth and job creation in South Africa has not been realized as a result of inconsistencies and compromises between the social development and neoliberal approaches to economic growth dynamics.

## **Inequality**

Both countries had pretty high figures of inequality in 2005-2015 (Gini index 2015: R - 39.7; SA – 63.4). By 2015 the Gini index increased as in Russia (+8.7%), as in South Africa (+11.1%), and in South Africa it was 1.6 times higher than in Russia.

In *Russia*, the Gini index dropped in 2015 compared to 2010, but showed an increase from 2005 (31.0). In the 1990s, the decile coefficient in the USSR was 3.5-4.5. With the adoption of a neoliberal market economy, its value increased up to 16 by 2015 according to official statistics [15]. However, over one third of GDP is concentrated in the hands of Russian top business elite. In 1995, there was no single Russian who was worth one billion US dollars, yet according to Forbes this number was close to 40 in 2005 and over 100 in 2018 [16].

For *South Africa*, many of the post-apartheid fiscal policies were focused on eradicating poverty. Social security played a huge role in the poverty alleviation program between 1995 and 2005 [17]. The South African population can be divided into three income groups, with about 15 million people in each group: 1) an average of 4 million whites and 11 million blacks, receiving 88% of the total income; 2) mostly black people, receiving about 8%; 3) mainly black people receiving only 4% [18]. With an increase in inequality and poverty, the recipients of social grants in South Africa have increased from 4 million in 1994 to 16.9 million in 2015, a situation which could be difficult to sustain [19].

## **Social Security**

*Russia*. In the 1990s state social programs could not meet the social needs of the Russian population due to new political and economic circumstances. This was considered to be the time of establishing the elementary structures in the social sphere. In particular, it was challenging to change the mentality of people from paternalism to independence and self-responsibility in the areas of social services when previously social safety (including maternity leave, child allowances, pensions, housing, paid vacations, and medical care) had been provided by the state for 80 years. To encourage this shift in mentality, the state implemented a step by step strategy. In 2005 the state undertook a very unpopular welfare reform regarding vulnerable groups' privileges by their 'monetization' (free medication, resort treatment, transportation). Instead of services, previously called 'social packages', recipients got cash compensation, which they were able to use for other purposes. Nearly a half of eligible users accepted this but many Russians found themselves in difficult circumstances. In the first 10 hard years after the fall of the USSR Russia had to restructure its entire economy and fill the vacuum in the home market supply. The main state's antipoverty measures of this period were an increase of child support payments and one-time payments for mothering a second child. Following this, major strategic social programs were implemented in 2006. Over and above the provision of health care facilities, hospitals, and the technological upgrading of schools, the reformed programs stipulated the increase of wages in

medicine and education. The housing program aimed to renovate housing conditions in the old sector, improve communal services and housing maintenance governance, as well as increase affordable housing construction and its financing. A significant portion of residential property in housing was privatized by 2015 (private – 88.6%, state – 3.4%, municipal – 7.7%, other – 0.3% [15]).

The success of the social programs initiated in 2006 is evident now – the general quality of life of the Russian population has improved and is far removed from the conditions of the 1990s. In this period of Russia's transformation in the last decades, several laws, statements, acts, declarations, decrees, revisions and additions to laws were developed in social sphere at the Federal and local levels, declaring the rights of different groups of population for state insurance, such as children, disabled, elderly, veterans and others. One such example can be found in the shift from the 1995 Federal Law (FL) for social care and social services, FL-195 “On the Fundamentals of Social Services in the Russian Federation” (1995). The main objective of this policy was to help citizens who were unable to overcome the challenging life situations without support. Eligibility for such services was built on categories of vulnerability and citizenship, as well as the availability of services and the severity of the situation. In 2015 this law was replaced by FL-442, “On the bases of social services to citizens in the Russian Federation”, which opened the gates for social entrepreneurship. Similar transitions and conflicts in social protection can be witnessed in South Africa.

*South Africa.* Following the first democratic election in 1994, various social policy changes were made in the welfare field. The White Paper for Social Welfare (1997) is the best known and most important document advocating policy changes in social work service delivery. A developmental social welfare model was promoted in this document, stating that welfare service delivery must thus focus predominantly on prevention services to avoid unnecessary statutory services.

The fact that service delivery must focus on prevention to avoid statutory services was in contrast to the nature of welfare services delivered before 1994, which were based on the social treatment model. The purpose of developmental services is to develop the strengths of individuals, families, groups and communities so that their capacity can be improved. The social developmental approach to welfare includes services that are aimed at the people, are supportive, and that empower families to make use of community services that can supply their socio-economic needs. RDP and the White Paper for Social Welfare were compatible with the developmental approach with an emphasis on humanitarian and “people-centred values” [11].

With regard to social protection, the poverty alleviation programme of the Government has a strong emphasis on social security in the form of social grants. Certain groups of citizens have access to social grants or social security. These grants are a basic amount of money, which is paid to the citizen. There are currently no other benefits attached to the grant. Social assistance of this kind is divided into three sections, namely social old age pensions, disability grants and child and family grants. All are means tested to make sure that it is available to the poorest citizens [11]. The newly elected African National Congress introduced the *Child Support Grant* in 1999 to support caregivers of children below the age of 18. 39% of the South African population are under the age of 18 years. The extent of children living in the highest level of poverty and receiving the Child Support grant in 2015 was 64%. UNICEF indicated positive outcomes in terms of nutrition, education and health for children who were the recipients of this grant. The grant is utilised mainly to buy food for the entire household, and can be used for education, clothing, health and transportation. Families who are fostering a child receive the foster care grant [19].

In terms of social security, equality was achieved for the first time in South Africa in 1993 when eligible white and black pensioners over the age of 60 received the same amount for their social pensions [17]. In 2015 there were 3.1 million *elderly grant* recipients; 1.1 million of the disability grant recipients; 277 recipients of the War veterans grant (the Second World War/Korean War participants); and 126 thousand recipients of the *Grant in aid* (children caregivers). The amount of money paid by grants is only the equivalent of 24-114 dollars (USA) per month and only in case of recipients' low income [19].

## Discussion

The above comparative descriptions of indicators of social and economic shifts and developments in Russia and South Africa at the period of 2005-2015 allow to see how the socioeconomic landscape of the two countries have changed and what are the similarities in current challenges and successes these two societies face still. Although only referred to some slight examples in this paper, there is an evidence that social policies in both countries have increasingly promoted the market economy, encouraging competition between providers in areas that have been traditionally seen as the terrain of the state, in the apparent belief that business interests will generate enough investment to replace what has been withdrawn by the state. However, this does not happen in low-income communities struggling to attract investment while being hardest hit by the reduced state provision. Instead, what is created is 'socio-spatial inequality' where less economically and socially resilient communities struggle to secure scarce welfare resources [2,20]. If the state walks away from intervention into the economy at all, or reduces this process to a minimum, along with that the social security of citizens also reduces, this could mean that the whole social system gets reduced.

The radical reforms that have taken place in Russia and South Africa at the time of 1990s, had brought the transformation in the social sphere caused by the implementation of a market-based economy. Concerning welfare and social progress, it has resulted in partial privatization of social services; introduction of paid services and monetization of benefits; decentralization of social sphere management; and individualization of risks. The neoliberal model has been adopted as a framework for economic transformation in South African Social Services and later partially in Russian ones. According to neo-liberalism, the individual can achieve prosperity, if he/she uses entrepreneurial skills within the framework of the free market. And what if he/she doesn't have these abilities?

M. Friedman notes that you have to keep a demarcation line between capable and incapable individuals [21]. Paternalism is inevitable to those who are not responsible for their actions, or cannot get out of the difficult life situation on their own. When reflecting on the shifts both countries have made toward improved wellbeing for citizens post the Soviet Union and Apartheid. The potential contradictions of open market policies in achieving equitable economic growth and social development are evident and need to be more critically reflected upon and questioned.

## Summary

The data provided above demonstrates definite positive changes for both Russia and South Africa in social sphere at the discussed period of time, however there is still a long way to go toward the development of truly sustainable and equitable quality of life for a lot of segments of the population in both countries. As highlighted above, the main social challenges for both countries include inequality, poverty, corruption, homelessness, and more broadly an incoherence between democratic and neoliberal principles, and commitments. The two BRICS countries have great potential to be strong players in the global economy, yet in doing so, must ensure that the social wellbeing of citizens is not lost or compromised in this process.

## Acknowledgement

This research was financially supported by Saint-Petersburg State University, Russia.

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