

UPROOTING OR RE - ROOTING POVERTY
IN POST-APARTHEID SOUTH AFRICA?

A LITERATURE REVIEW

By: DR ASHWIN DESAI

Prepared for SANPAD
Poverty Reduction Thematic Workshop:
24 & 25 May 2005

Uprooting or re-rooting poverty in post-apartheid South Africa?

A Literature Review

...freedom translates into having a supply of clean water; having electricity on tap; being able to live in a decent home, and having a good job; to have accessible healthcare. I mean, what's the point of having made this transition if the quality of life of these people is not enhanced and improved? If not, the vote is useless! Desmond Tutu, 1999¹

Past and Present

"In South Africa we can regard (black) poverty as the carcass left over from (white) acquisition".²

In 1989 Francis Wilson and Mamphela Ramphele published a book entitled Uprooting Poverty.³ The book reflected on the research conducted under the auspices of the Second Carnegie Report into poverty. This was the first comprehensive study of black poverty in South Africa. For the authors there were "three interlocking factors which, taken together, justify the assertion that poverty in South Africa is unique. First is the width of the gulf between rich and poor, the degree of inequality. Second...is the extent to which the poverty that exists is a consequence of deliberate policy. The third aspect has to do with the way in which material poverty in South Africa is reinforced by racist policies that are an assault on people's

¹ Tutu, D quoted in Gumede, W (2005) Thabo Mbeki And The Battle For The Soul of the ANC, Zebra Press, Cape Town, 67

² Terreblanche, S paraphrasing Kurien, C., (1978), Poverty, planning and transformation, Bombay, in Terreblanche, S (2002) A History of Inequality in South Africa 1652-2002, University of Natal Press, Pietermaritzburg, 413

³ Wilson, F and Ramphele, M. (1989) Uprooting Poverty, David Philip, Cape Town and Johannesburg. The first Carnegie enquiry was conducted in the 1920's and dealt almost exclusively with the problems of urban poverty emanating out of the Great Depression, with the emphasis on the large numbers of poor white people who were forced from the land. As an aside while noting the issue of Black poverty the Commission argued that it was not their mandate and would require a separate study. For details of other studies and conferences see Annexure 1.

humanity.”⁴ In chapter after chapter, statistics - from the high rate of black infant mortality to lack of access to basic services to unemployment figures - reveal the horrific macro impact of apartheid. For example in 1980 while Africans made up 73% of the population, they only garnered 24.9% of income. Whites had 64.9% of income while making up 15% of the population. In terms of the Gini coefficient, South Africa had the highest measure of inequality of the 57 countries for which data was available. Infant mortality rates among whites was 12 deaths per 1000 births while among Africans the rate ranged from 94 to 124 deaths per 1000 births. While 1 per cent of white households were without electricity, some 80 per cent of African households were without electricity⁵ However stark these statistics are, it is in the personal stories that one gets a real insight into the devastation and hopes of those who lived under apartheid.

“When you are out of a job, you realize that the boss and the government have the power to condemn you to death. If they send you back home (and back home now there’s a drought) and you realize you can’t get any job, it’s a death sentence. The countryside is pushing you to the cities to survive, the cities are pushing you into the countryside to die.” (Migrant worker)⁶

A description of the condition of old people in rural Ciskei noted:

“old people ... past fending and fighting for their rights. They may be found in dark rooms, and ragged beds. Mostly hungry, often filthy. Their hunger makes them confused and even less able to manage, and if you visit their homes you may find:

- An emaciated old woman, dignified and uncomplaining, until she becomes confused from her hunger and cries out again and again, ‘I am hungry, I am hungry’.

⁴ Ibid., 4

⁵ Ibid. Interestingly, whites share of income was down from 72.9% in 1960, while African share increased from 19.7% to 24.9% in 1980.

⁶ Wilson, F and Ramphele, M., op.cit. 96

- A thorough search of the room and cupboards reveal only some salt, and her primus and pot are shining bright as if waiting for food to cook.
- Or a paralysed old woman, persistently scraping the bottom of an empty pot and putting her claw-like hand into her mouth in a despairing imitation of eating.
- This week, I saw an old man bludgeoned by poverty into...vacant apathy, alive only because he was not dead; who only said when asked what was wrong, 'I am hungry.'"⁷

The on-going complicity and gratuitousness of government in creating poverty and suffering is evidenced in the story of Mzolisi Fani, who four years earlier had had a good job and a secure home on the white owned farm where he was born.

"Then ownership of the farm changed hands. That simple transaction set off a chain of personal disasters, turning Mr Fani and his family from comparatively prosperous farm workers into penniless vagrants living in squalor on a patch of scrubland near the Eastern Cape port of East London...It is a problem that has not drawn much sympathy from municipal authorities in East London, whose black townships rank among the most blighted in this country. Last November, the bush hovels of Mr Fani and nine other families living in similar poverty were inexplicably burned down after a police raid. Since then, most of the 81 squatters whose shacks were destroyed have been living in misery in eight small tents loaned by the South African Red Cross. Winter is approaching but they have yet to be offered permanent homes. Mr Fani, 28, says his problems began four years ago when the new owners of the Sunweather Farm, near Beacon's Bay, sacked the previous workforce. The South African employment laws offer no protection to farm workers or domestic servants. When Mr Fani lost his job, he also lost the farm cottage he had lived all his life. The family traveled to East London; they had relatives living in Cambridge, a tiny township tucked out of sight behind the city's abattoir. Mr Fani joined a small group of other squatters living in rudimentary

⁷ Ibid, 103

shacks among the bushes on the edge of the township. They had no water. For toilets they used the bush.

For four years they managed undisturbed. Then, at 3:30 a.m. on 8 November last year, a group of municipal policemen accompanied by South African police *kitskonstabels* (auxiliary special constables) raided the camp. They said they were looking for marijuana. All the men were arrested and charged with illegally squatting. When they were released, they found all their shacks burnt down. Mr Fani's wife, Numzi, who had been left at the camp with her baby, said she had seen blue-uniformed *kitskonstabels* throw something burning into their home".⁸

At the end of the book Wilson and Ramphela posed the following issues: "Will political liberation necessarily be accompanied by a significant improvement in the material conditions and the quality of life of the very poor? The fact that the answer to the latter question could be and has been 'no' for a number of African countries is a measure of the extent of the challenge in South Africa. There is nothing inevitable about the economic consequences of redistributing political power. Everything will depend on the capacity of the new society, not least of its leadership and of the variety of organizational structures available at the time, to move in that the right direction within the limits of what is feasible. It is not impossible, as the recent history of Latin America makes all too plain, that the hard won-gains of a long political struggle be lost in a few months or years either by provocation (for example through unnecessary hyperinflation) or a revolutionary counter-coup or by the sacrifice of the claims of the poor to the selfishness of a new elite."⁹

Ten years after the coming of democracy, we can rule out either right-wing coups or hyperinflation as the cause for the non-materialisation at an economic level of the hard-won political gains mentioned above. That the poor remain as large a group as ever and that their experience of poverty is as suffused with suffering as in the past, seems to be an intractable feature of post-liberation South Africa. The United Nations

⁸ Ibid, 225

⁹ Ibid., 355

Development (UNDP) revealed in its 2004 report that the poverty rate in South Africa stood at 48%.¹⁰ The Taylor Commission reported a poverty rate of between 45 and 55%. Charles Meth holds that there were some 19.5 million people living below the poverty line in 2002, up from the 1997 figure of 17.2 million. Of these people somewhere between 7 and 15 million are living in utter destitution.¹¹ A government agency Statistics South Africa reports that households with less than R670 a month increased from 20% of the population in 1995 to 28% in 2000.¹²

Given the above one would expect a vibrant and insightful debate to be taking place within various academic disciplines on how to tackle and eradicate poverty. Instead, with a few notable exceptions, there exists a relative paucity to the depth of literature on poverty in South Africa. This is surprising given the scale of the problem this literature identifies¹³ as well as the fact that addressing poverty and inequality, though coded in nationalist terms, forms the very basis of the present government's claims to moral, political and electoral standing. The literature that does exist is marked by repetition, with chunks of articles published elsewhere often regurgitated in other journals; the same few primary sources of data tabulated over and over and the same hobby-horses taken out for a trot. The academic work on poverty is further largely descriptive, easy points being scored in decrying the apartheid and colonial era causes and state of poverty - but with precious little in-depth critique or conceptual engagement with present government policy. It is not unusual for an article to be so qualified and technocratic that, after ten pages of analysis, a conclusion as vague and timid as the following is reached: "On the balance, it is likely that poverty has worsened as well".¹⁴

¹⁰ UNDP 27 November 2004 South Africa Human Development Report 2003

¹¹ Meth, C (2004) Ideology and Social Policy, Transformation 56, 9

¹² Statistics South Africa (2002) Earning and Spending in South Africa, Pretoria, Statistics South Africa

¹³ Perhaps the most upsetting statistic deals with levels of child poverty. Using a poverty line of R430 a month, 74% of children between 0 – 17 years are poor. This is the equivalent of more than 13million children. Using R215 per month poverty line, 54.34% of children in the same category are ultra poor; translating into 9.7 million children. (E Coetzee, J Streek, Monitoring child socio-economic rights : Achievements and challenges, 2004, 17-18.)

¹⁴ Simkins, C., "What happened to the distribution of income in South Africa between 1995 and 2001?"

What I propose to do below is first to give an overview of key issues and debates taking place on the question of poverty in South Africa. Second, I will be making suggestions as to areas within the general poverty discourse that may benefit from having the spotlight of an international conference shone on them and, as important, those fields of knowledge that have been farmed to exhaustion and irrelevance. Papers addressing the former issues could be solicited and aired while those that exhibit the latter characteristics can be avoided. For example, surveying the literature, it is apparent that there is a need to achieve consensus, speedily, on what is meant by poverty in the South African situation so that the debate can move on from discussions that seek to describe poverty to those that seek to address it. Of course the definition of poverty may remain a contested area and one would fully expect interest groups in society, such as political parties, to trumpet data in whose reception they have an interest. However, it appears to be high time that serious academics reach some form of fixed understanding of what they are studying, even if it is to describe divergent but settled schools of thought on the subject. At the moment however, one is tempted to agree with Maxwell when he complains about the “bewildering ambiguity with which the term ‘poverty’ is used, and by the many different indicators proposed to monitor poverty”¹⁵. While describing and debating the extent of poverty (whether defined by income, consumption, relative deprivation, basic needs or ‘powerlessness’) was certainly an important exercise, the figures are mostly trite by now with quibbles between rival researchers being confined to methodological and analytical details that, at best, add or extract 10% of South Africa’s population from being defined as poor. The problem is still huge. It seems unnecessary for academics to further burden civil-society, their peers or government with further discriminations, subtle enough to earn another academic publication perhaps, but practically worthless as knowledge.

¹⁵ Maxwell, S., “The Meaning and measurement of poverty”, ODI Poverty Briefing (1999), quoted in Everatt,D (2003) ‘The Politics of Poverty’ in Everatt,D and Maphai, V (eds) *The Real State of the Nation*, 2004, 87.

The tendency to elevate form above substance is evident in other discussions that may even seem to be 'hotly-contested' and thus at the 'cutting edge' of grappling with poverty in this country. An example is the wealth of effort put in to show, contrary to the accusations of growing unemployment put forward by organized labour and other left-wing critics, that the ANC government's GEAR policy has 'created' a few more jobs than it has shed. When researchers producing these results then go on to concede that the labour market has not grown nearly enough to absorb new entrants, one gets the impression that hairs are being split. Surely social development expertise ought to be devoted to the question of how - or indeed whether - this set of government policies (Gear) can meaningfully make a dent in the huge and growing backlog of unemployment that remains. This is the *substance* of the problem, perhaps overwhelming in scope, but that seems largely disavowed by the many researchers who pour their energies into – and make careers out of - quibbles.

It has been remarked that universities are receding as sites of ideological production compared to the role they played in the 1950 to 1980's in this regard. With a plethora of private institutes, organisations and consultants at the direct service of various social actors, it might be tempting to look for guidance from their intellectual production. Unfortunately, there is little to be derived from the non-academic discourse of poverty which is so over-determined by interest and spin that it is hardly useful for serious policy formulation at all. The words 'development' and 'transformation', as supposed antidotes to poverty, have become "near meaningless" catch-phrases often trundled out quite defensively by politicians and other interest groups to justify all range of decisions and policies¹⁶. Hunter et.al., et al, note in this regard in particular, government's extreme sensitivity to the computation or release of adverse economic data. "The Government Communication and Information System sees the need to correct 'mistaken views' about increases in poverty and calls for a social wage"¹⁷ at every turn. As we have seen during the HIV/Aids denial debacle, facts and figures government has been content to put out to the public have often been so questionable as to have hardly been based on any science at all.

¹⁶ Everatt,D (2003) 'The Politics of Poverty', in *The Real State of the Nation*, Everatt, D and Maphai, V (eds), Development Update, Special Edition, Interfund, Johannesburg, p 86

¹⁷ Hunter,N, May,J Padayachee,V (2003), "Lessons for the PRSP from Poverty Reduction Strategies in South Africa",Centre for Development Studies, UKZN, Working Paper No.39, p18

While I do not wish to suggest the exclusion of intellectuals not associated with a tertiary institution (far from it), care should be taken that those to whom a platform is given have some sort of reputation and/or expertise upon which to base the ideas they propose. The debate on poverty is awash with what journalists refer to as ‘spin’ and ‘advertorial’ and it would be a pity if the conference was used to these ends.

I also do not wish to suggest that inputs which are political in nature are to be discouraged in favour of technicist ones. I have already indicated that much of the literature is irrelevantly technicist. Everatt provides a useful way of dividing the inputs made on the subject of poverty between politicians and programme managers.

“The latter require specificity, while the former prioritise political above technical considerations and prefer opacity to a definition of poverty eradication that ‘implies someone else will have to forgo those resources’. In a sense these two groups talk past each other; the one insufficiently attuned to art of staying in power and the other inattentive to the “specific programmatic needs of anti-poverty interventions”¹⁸

While both opaque political and irrelevant technicist inputs ought to be avoided, serious interventions within these modes of grappling with poverty ought to be grouped together within the structure of the conference so that participants do not ‘talk past each other’.

In surveying the literature in more detail hereunder, I will, from time to time, make further suggestions for the conduct of the conference.

The macro-economic project

My government’s commitment to create a people-centred society of liberty binds us to the pursuit of the goals of freedom from want, freedom from

¹⁸ Everatt, D (2003), page 89

hunger, freedom from ignorance, freedom from suppression and freedom from fear. Nelson Mandela¹⁹

The platform of the political parties usually consist in a blend of vague slogans and cynical promises. The slogans illustrate a rhetoric of feeling...What the platforms most conspicuously lack are, precisely, large-scale proposals for reordering major aspects of the institutional structure of society.²⁰

A worthwhile starting point into 'poverty studies' is Francis Wilson. In a recent article, some 26 years after *Uprooting Poverty* was published, Wilson, now retired professor of economics at the University of Cape Town pointed to the achievements and challenges facing South Africa in the aftermath of the defeat of apartheid. In looking at the challenges, Wilson almost exclusively reflected on issues of poverty and inequality:

- “Unemployment. In the years between 1993 and 2002 the average rate of unemployment, whether using the broader (more accurate) or narrower definition, has risen to levels that are not only intolerable for those who want to work and cannot find it, but also unsustainable for any society in the long term. Moreover, breaking down the average figure, using the 1993 data for example, the rate of unemployment rate varies from 2% for the older whites to 65% for black woman and men under the age of 25. People in the same country are living in different universes as far as economic security is concerned.
- Poverty. At least 50% of the population has monthly incomes whose level is too low to sustain a decent life. Nor is it only a matter of income. Millions of people, especially in the urban areas, live in shacks that are woefully inadequate, while in the rural areas, millions more live miles from clean drinking water. The government has done much in the past 10 years to remedy the lack of basic needs, but the situation remains chronic.

¹⁹ Mandela, N (1994. Address to joint session of both houses of parliament. First session, first parliament, RSA.

²⁰ Unger, R (2002) *False Necessity* Vol 1, Verso, London, 442-443

- Widening inequality and a spirit of greed. A story reported in the press last year from Vanderbijl Park said it all. While employees were laid-off by the thousand as the result of globalisation and the loss of tariff protection for steel, Iscor directors were reported to be walking away with sums of R6-million or more. In terms of measured statistics, using the Gini Coefficient, Southern Africa remains one of the top to all the most unequal countries for which data is available. And if the gap continues to widen while poverty remains endemic, the political economy will become inherently unstable.
- Weak local government, collapsing hospitals and large numbers of dysfunctional schools plus significant levels of public corruption in some areas. The problems are well-known. But how to solve them? First, by acknowledging that corruption is not a new phenomenon in a country that endured half a century of singularly corrupt apartheid government, and second, by not using this as an excuse but setting our own new high standards and then monitoring, regularly, the extent to which we live up to them.
- HIV/Aids. The pandemic continues to ravage the region and the roll out of anti-retrovirals -- which have been shown to make a real difference to people's lives -- remains painfully, even criminally, slow."²¹

Any discussion of poverty has to take into account both Wilson's injunctions as well as the promised response by government to this extremely dire situation. These are contained in the ANC plans for the second decade of democracy, entitled Vision 2014. Central to the 'Vision' is the halving of unemployment, halving poverty and winning the fight against HIV/AIDS.²²

²¹ Francis Wilson – Mail & Guardian 18 – 23 March 2005

²² ANC(2004) Manifesto 2004: A people's contract to create work and fight poverty. Johannesburg: ANC

The birth of a democratic system in 1994 for the first time allowed for macro-economic policies that would begin to redress the colonial and apartheid legacy. How has the government fared?

Interestingly, Wilson in looking at the achievements over the last 10 years is particularly praiseworthy of the way in which the economy has been managed.

- Macroeconomic management has been more professional, more people orientated and generally better than any other time in the country's history. This is not to say it has been perfect, but to have controlled what many feared would become runaway inflation to single digits, to have guided the economy from persistently negative to consistently positive growth, and to have engaged in a process of significant restructuring of the Budget to increase the scope of the social security net under the poor is a singular achievement.²³

This view has been 'received wisdom' in South Africa. Allister Sparks the doyen of liberal journalism has written in biblical terms of how:

"We have resuscitated an economy that was on its deathbed, restored fiscal discipline, cutting the budget deficit, reducing the national debt, bringing inflation down from double figures to within a target range of 3% to 6% , slashing interest rates from a high of 24% under apartheid to 14% prime; lifting trade barriers, removing a maze of tariffs and import duties, and generally winning universal praise for establishing a sound macroeconomic base from which hopefully to build future prosperity. It is indeed another country."²⁴

In similar vein to Wilson, Sparks then goes on to enunciate the costs in term of unemployment.

"The brute fact is that in nine years since it came to power with the declared intention of delivering a better life for all, and especially for the black majority

²³ Wilson, 2005, op.cit.

²⁴ Sparks, 2003, 4

who had suffered all those years of degradation and exploitation, the ANC government has seen more than half a million jobs lost...As the economy has changed, the demand for labour has shifted away from the primary sectors-mining and agriculture-to the manufacturing and particularly the service sectors, and is for people with skills...”²⁵

For Sparks there can be no New Deal response that took place in the United States after the Great Depression, involving huge public works programmes because

“in the new world of neo-liberalism, or what is called the ‘Washington Consensus’, such state interventionism is considered a heresy and is difficult to swim against the current of approved economic behaviour if you wish to attract the foreign direct investment that all developing countries need...The ANC was elected to free its people from generations of oppression and exploitation, yet it finds itself having to undertake a radical reconstruction of the economy that is inflicting even greater hardship on many of its people. It is doing so in the hope that there will be long-term pay-off for the painful reforms it is making. But there can be no certainty about this. Investors in this hard new world go where they think they can make the greatest profits...Meanwhile the tough macroeconomic reforms go on swelling the ranks of the unemployed, and the government waits for the theory to turn into reality.”²⁶

Government’s macro-economic policy came to be codified in a programme entitled Growth, Employment and Redistribution (GEAR). According to Natrass GEAR “aims to reduce government debt by spending less than is received in the form of tax revenue (i.e. running a primary budget surplus); and by privatising state assets. This, together with loosely specified labour market changes, is assumed to result in growth rising to an average of 4,2% between 1996 and 2000. Keynesian economists would say that running a budget surplus causes economic growth to slow down because spending power is withdrawn from the economy rather than injected into it. Yet the

²⁵ Ibid., 27

²⁶ Ibid., 27-28

government's projections suggest the opposite: economic growth picks up as a result of this restrictive fiscal policy. GEAR's economic logic is as follows:

- By cutting 'wasteful consumption spending' whilst improving the efficiency of the public service and maintaining government investment spending, the negative impact of lower government spending will be minimised.
- Reducing government debt will allow interest rates to fall, which in turn will boost private investment;
- Reducing the deficit will send 'positive signals' to international investors who will increase investment as a result."²⁷

Natras holds that "(T)he architects of Growth, Employment and Redistribution (GEAR) tend to present the strategy in "There Is No Alternative" terms, and this has served to stifle debate. They claim that the strategy is 'technically sound' and that all alternatives are simply incorrect, dangerous or impossible. Yet the fact of the matter is that our economic policy makers have chosen to gamble on an assumed investment response which is far from self-evident. A careful eye should be kept on macroeconomic trends - and policy makers should be held to account for the success or failure of their judgments."²⁸

However debate was not stifled. Perhaps the most eloquent and empirically grounded of left commentators (although there are times when he is criticized for substituting conspiracy for analysis) is Patrick Bond. Contrary to Sparks' position that the ANC had limited choices in developing a macro-economic policy, left writers have pointed that the ANC made some deliberate choices and had the space to make others.

²⁷ Natrass , N (1997) ECONOMIC JUSTICE IN SOUTH AFRICA: Going beyond GEAR, 2 August 1997

²⁸ Ibid.

“Flashing back, it is tempting to point out that neoliberalism was promoted by the IMF in December 1993 before being codified in *Gear*. But four prior decisions were also crucial: to formally drop ‘nationalisation’ from ANC rhetoric (April 1992, although within four months of Mandela’s February 1990 release the decision was already taken); to endorse the apartheid regime’s agreement to join the General Agreement on Tariffs and Trade (June 1993); to repay the \$25 billion of inherited apartheid-era foreign debt (October 1993); and to grant the SA Reserve Bank formal independence in an interim constitution (November 1993).

Various other international economic incidents should be mentioned. In January 1995, privatisation began in earnest, notwithstanding the fruitless attempt by the ANC’s labour allies to lock Pretoria into a restrictive National Framework Agreement, which was often violated by the government. Abolition of the financial rand occurred in March 1995, in the immediate wake of Mexican capital flight that destroyed the peso’s value... Reserve Bank governor Chris Stals removed the country’s exchange-control condom so wealthy white people – beneficiaries of apartheid-era looting – could skip the country... South Africa’s only protection was to raise interest rates to a record high, where they have remained ever since, which further weakened the economy’s immune system. Later, during two episodes of rampant currency devaluation from 1998-2001, Manuel inexplicably granted permission to South Africa’s biggest companies to flee with their financial headquarters and primary stock market listings to London...

Failure to achieve progress against global apartheid can be attributed, in part, to prevailing international power relations, and to Pretoria’s own Africa’s erratic positioning. The bottom line is that Mbeki, Erwin, Manuel and other ANC elites were actively engaged in the international centers of managerial power: but not *breaking* the chains of global apartheid, instead *polishing* them.”²⁹

Not all the criticism came from the left. The UNDP *Human Development Report* notes:

²⁹ Bond, P (2004) From racial to class apartheid, A critical appraisal of South Africa’s transition, Paper Presented to, AIDC’s 10 Years of Democracy Conference, Cape Town,

The economic and social policy approach of the new government was formulated under strong pressure from the corporate sector and its global partners, and was based on several contentious premises: a) South Africa has a high economic growth potential; b) integration into the benign global economy will enhance economic growth; c) a high economic growth will unlock the labour-absorption capacity of the economy; d) the benefits of a high economic growth rate will 'trickle down' to the poor; e) the restructuring of the economy should be entrusted to market-led economic growth. With the benefit of hindsight, we have good reason to reject all five of these premises. All five are either false, or do not apply under South African circumstances. All five have their roots in the naive optimism of the managerial elite of the corporate sector and its global partners about the benefits of the free market. All five are propagated by the corporate sector and its global partners in order to protect their vested interests, enhance their position of power and privilege, and promote their sectional and short-term financial interests. All five premises incorrectly regard economic growth, neo-liberalism, and globalisation as the panacea for South Africa's social crisis. Those responsible for these premises and the government's approach were highly unrealistic.³⁰

At the heart of this debate, of course, is whether the state in these neo-liberal times has the 'space' and 'capacity' to prioritise redistribute wealth, create jobs, provide social safety nets or does it have to prioritise creating a good investment climate and at best hope to use this as a 'take-off' period before launching on policies of redress? Or as the eminent historian Jeff Guy put it: "was the adoption of neo-liberal macroeconomic policy in 1996 an example of the capacity of global forces to undermine the autonomy of the nation-state and to make irrelevant the power of the people? Is it an example of the impotent essence of post-national democracy-in this case demonstrating that a courageous mass democratic movement, which had brought to its knees a violent racist state, could have its dearly-bought achievements negated by global forces-even before they had found their mode of political expression? Does the acceptance of macroeconomic policies associated with GEAR

³⁰. United Nations Development Programme (2003), South Africa Human Development

indicate that power lies not with the people at all, but with faceless corporate bankers, financial speculators, and their bureaucratic allies in the treasury departments, or even perhaps an automaton, a computer programme seeking-out profit by endlessly shifting capital resources across regional boundaries?"³¹

Responding to the Legacy

*History is not merely what happened: It is what happened in the context of what might have happened.*³²

For Sparks the central problem "is that South Africa has a double-decker economy - its First World sector and its Third World sector - and what is working for those on the upper deck of this economic bus is not working for those on the lower deck. So unemployment is increasing and the wealth gap is widening. It is a question of skills...those on the upper deck are prospering, growing numbers of those below are unemployed and rapidly becoming unemployable - and if nothing is done about it South Africa faces the socially dangerous prospect of this unemployment becoming generationally repetitive...There is a further troubling feature to this double-decker bus. Those on the top deck are a multiracial group...They are all getting on pretty well...But those down below are nearly all black...there is no stairway from the lower deck to the upper one."³³

For Sparks the neo-liberal macro-economic policy works for the skilled sector but not for the unskilled. For the latter the challenge is to "draw them into the economy from which they are now excluded so that they can begin to contribute their huge numbers to its growth and also build a stairway to the top."³⁴

Report 2003, Oxford University Press, Oxford, 64

³¹ Guy, J 2004 Somewhere over the rainbow: the nation-state, democracy and race in a globalizing South Africa, *Transformation*, no.56 77

³² Trevor-Roper, H. (1981) 'History and Imagination' in *History and Imagination: Essays in honour of H.R. Trevor-roper* (eds.) Pearl, V, Worden, B. and Lloyd-Jones, H. London, Duckworth.

³³ Sparks, 2003, op. cit., 332-333

³⁴ Ibid., 333

President Thabo Mbeki makes a similar analysis. He divides the economy into first world and third world components. The former “is the modern industrial, mining, agricultural, financial, and services sector of our economy that, everyday, become ever more integrated in the global economy. Many of the major interventions made by our government over the years have sought to address this ‘first world economy’, to ensure that it develops in the right direction, at the right pace. It is clear that this sector of our economy has responded and continues to respond very well to all these interventions. This is very important because it is this sector of our economy that produces the wealth we need to address the many challenges we face as a country. Central among these, as we all known, is the urgent challenge of poverty that continues to afflict millions of our people. A stronger ‘first world economy’ also gives us the possibility the better to confront the task of reducing the racial and gender inequalities in standards of living and the quality of life, that continue to characterise our country.

...the successes we have scored with regard to the ‘first world economy’ also give us the possibility to attend to the problems posed by the ‘third world economy’, which exists side by side with the modern "first world economy"...Of central and strategic importance is the fact that they are structurally disconnected from our country's ‘first world economy’. Accordingly, the interventions we make with regard to this latter economy do not necessarily impact on these areas, the "third world economy", in a beneficial manner. This structural disjuncture is manifested in a variety of ways. One of these is that many of the unemployed in these areas have either no skills or very low skills levels. As the economy of our country has developed, it has tended to require people with higher levels of appropriate education and training.”³⁵

Like Sparks Mbeki argues that the solution lies in a tweaking of the neo-liberal approach. “It is sometimes argued that higher rates of economic growth, of 6 percent and above, would, on their own, lead to the reduction of the levels of unemployment in our country. This is part of a proposition about an automatic so-called trickle-down effect that would allegedly impact on the ‘third world economy’ as a result of a stronger ‘first world economy’. None of this is true. The reality is that those who would be affected positively, as projected by these theories, would be those who,

³⁵ Mbeki, T., 2003

essentially because of their skills, can be defined as already belonging to the 'first world economy'. The task we face therefore is to devise and implement a strategy to intervene in the 'third world economy' and not assume that the interventions we make with regard to the 'first world economy' are necessarily relevant to the former. The purpose of our actions to impact on the 'third world economy' must be so to transform this economy so that we end its underdevelopment and marginalisation. Thus we will be able to attend to the challenge of poverty eradication in a sustainable manner, while developing the 'third world economy' so that it becomes part of the 'first world economy'. This means that those who benefit from the growth and development of the 'first world economy' will benefit even more from its expansion, resulting from the development of the 'third world economy' to the point that it loses its 'third world' character and become part of the 'first world economy'. To get to this point will require sustained government intervention. This is because, given the structural disjuncture that separates the 'first world' and 'third world' economies, we cannot and should not expect that there would be any mechanism inherent within the 'first world' economy that would result in the latter transferring the required resources to the former, to enable it to outgrow its "third world" nature. We mention resource transfers because this is exactly what the 'third world economy' requires to enable it to break out of its underdevelopment. These resources include education and training, capital for business development and the construction of the necessary social and economic infrastructure, marketing information and appropriate technology, and the ways and means to ensure higher levels of safety and security for both persons and property."³⁶

This approach has now become the prevailing discourse in government circles, codified into the idea of the first and second economy and is seen as the central plank in addressing poverty and inequality. This approach is, at times, even presented as being a radical divergence from classic neo-liberal or trickle down economics in that it provides for state intervention. The idea is that the first economy can get on with the business of following the global pattern of integration into the global economy, becoming increasingly capital intensive, with high technology and

³⁶ Ibid.

high skills while “the second economy must be targeted by government intervention directly”³⁷ so that it can enter the domain of the first economy.

This two-economy thesis-as-solution has been challenged by a number of researchers and academics. Lukano Mnyanda questioned the idea of the divide between the First and Second Economies: “The SA that used to have an economy characterized by massive inequalities largely mirroring racial and ethnic differences, has been transformed overnight into two distinct economies, co-existing side by side. When were they separated, and who gains from this separation? Who belongs to which economy? Is the second economy simply a separate entity that needs to be pulled up by the first as an act of charity or are the linkages more profound? One can’t help but be suspicious that the talk of two economies could turn out to be nothing more profound than a politically convenient excuse for the failure so far to deliver on the country’s greatest challenges-to reduce poverty and unemployment.”³⁸

Economist Sampie Terreblanche holds that Mbeki’s admission that there was no staircase between the first and second economy grants “that the ‘trickle down’ effect is nothing but a myth...The acknowledgement that the government will have to play an entrepreneurial role in the ‘second economy’ is rather promising. Unfortunately, the government’s ability to intervene in the ‘second economy’ is very much hampered by the lack of capacity in the public sector. But what is perhaps of greater importance, is that it will become contra-productive to intervene in the ‘second economy’ while the ‘structure’, the macroeconomic policy and the neo-liberal privileges granted to the corporate sector remain intact in the ‘first economy’. It is highly necessary to move towards a *truly developmental state system* in South Africa. But this cannot be created in the second economy only. It will have to be created in the South African economy as an undivided entity.”³⁹

Adam Habib makes a similar intervention arguing “that the entire analogy of two economies is itself misleading for it assumes the existence of a Chinese wall between the two...This then enables the state elites to suggest that the formal

³⁷ Turok, B., 2004. Overcoming Underdevelopment, *New Agenda*, Issue 16, 7

³⁸ Mnyanda, L. (2004) *Shifting Gear in the Government’s Great Game of Macro-Semantics*. quoted in Hart, G (2005) *Beyond Neoliberalism? Post-Apartheid Developments in Historical&Comparative Perspective* in Padayachee, V (ed) *The Development Decade? Social and Economic Change in South Africa 1994-2004*, HSRC, Pretoria.

³⁹ Terreblanche, S (2005) *An Evaluation of Macroeconomic Policy in the Democratic Era*, Paper read at the Cosatu Conference on Ten Years of Democracy, 10

economy is doing well and should be left untouched for it is modern, efficient, and internationally competitive. The second economy is seen to be deficient, and requires both policy reform and social assistance for its inhabitants. But what if, to stick with the analogy, the policy reforms and interventions of the first economy are what create the poverty and immiserization of the second?...Current initiatives to increase the social expenditure components of the budget are unlikely to resolve the problem...so long as South Africa's industrial, trade, monetary and fiscal policies retain their neo-liberal flavour..."⁴⁰

For Andries du Toit the idea of two economies existing alongside each other but structurally disconnected "represents an important advance. It recognizes the limitations of trickle-down approaches to poverty reduction. But the notion of 'structural disconnection' does not capture the complex actual relationships that do exist between the wealthy core of the South African economy and its underdeveloped and impoverished periphery. Shack dwellers in Khayelitsha, seasonal workers in Ceres and villagers in Mount Frere cannot be meaningfully described as being 'disconnected' from the South African economy. Their impoverishment, on the contrary, is directly related to the dynamics of 150 or more years of forcible incorporation into racialised capitalism; on disadvantageous terms. Indeed, it may well be that many of the obstacles to accumulation from below among poor people are at present linked to the depth of corporate penetration of the South African economy as a whole. The issue is not that there are 'not enough linkages' but the nature of those linkages, and the extent to which they serve either to empower poor people or simply to allow money to be squeezed out of them."⁴¹

Du Toit's research in the Ceres valley, the heart of wine and food production illustrates the consequences of new global competitive pressures and the effects of being all too well sutured into the first economy. Employers responded by restructuring the labour market. "For many, this meant the restructuring of their businesses to reduce their exposure to the risks, costs and administrative burden of employing permanent labour...temporary and seasonal workers were supplanting

⁴⁰ Habib, A (2004) The politics of economic policy-making, Transformation 56, 96

⁴¹ Du Toit, A (2004) Why Poor People Stay Poor: The Challenge Of Chronic Poverty, New Agenda, Issue 16, 29-30

permanent workers, and large numbers of farmers...were opting to use third-party labour contractors. In addition, there was a significant move away from the provision of tied housing to farm workers...."⁴² Du Toit presents the heretical position that "what poor people dependent on insecure and poorly paid jobs may require is not more integration, but less - strategies and resources that may help them become more independent of systems and networks in which they have little power."⁴³

Inscribed in the idea of the second economy being absorbed by the first economy, or to develop, in the words of Thabo Mbeki, "the "third world economy" to the point that it loses its "third world" character and become part of the "first world economy"⁴⁴ is the return of modernization theory. The task is to complete the modernization process. However, writers point to the contradictions in this idea of the informal economy. As Serge Latouche put it: "The normalization of the informal tends to destroy the social ties existing at infra-national levels, on which the informal's dynamism rests. It introduces, indeed, the most destructive ingredients of outdated modernity: egoism, individualism and unchecked competition, which actually eat away at the social underpinnings of endogenous creativity, the tissues of social solidarity and networks with clients...the informal is already a synthesis of modernity and tradition. It becomes a question of somehow conserving the dynamic and original quality of this creative activity while simultaneously coming to take the form of mimetic development. These are rather long odds!...Formalising the informal boils down to asphyxiating it."⁴⁵

Gill Hart adds another angle to the debate arguing that Mbeki's shift should be seen as part of "an effort to contain the pressures emanating from the rise of oppositional movements protesting the inadequacies of service provision, the snail's pace of land redistribution, failures to provide anti-retrovirals, and the absence of secure jobs-as well as pressures from within the Alliance...The operative question,

⁴² Du Toit, A (2004) 'Social Exclusion' Discourse and Chronic Poverty: A South African Case Study, *Development and Change* 35(5): 994

⁴³ Ibid., 1003

⁴⁴ Mbeki, T (2003)

⁴⁵ Latouche, S (1993) *In the Wake of the Affluent Society*, Zed Books, London, 151-158

then is not whether the First/Second Economy is an accurate portrayal of reality, but rather how it is being constructed and deployed to do political-or perhaps more accurately, depoliticizing work. What is significant about this discourse is the way it defines a segment of society that is superfluous to the 'modern' economy, and in need of paternal guidance...they are deserving of a modicum of social security, but on tightly disciplined and conditional terms."⁴⁶

An article in ANC Today, entitled Transform the Second Economy, repeats the argument of the 'Ten Year Review' that government intervention in the Second Economy is designed to "set the preconditions for market-led economic growth". This also throws up a whole number of issues that if not thought through can exacerbate poverty rather than ameliorate it. Latouche points out that often in the informal economy "the economic is set within the *social*, the coherence of the whole-or social reason-takes priority over market reason. Putting such a system into competition with the techno-economic model poses a severe challenge. Although informal structures are almost indestructible on their own ground, they are weak and vulnerable when they venture into outside territory."⁴⁷ Similarly Latouche points out "technologies introduced from outside present several dangers. First, they can discourage local creativity and reintroduce technological dependence. Secondly, they may bring about a rise in capital intensity to the detriment of job creation. They can also lead to over-capitalisation. Pressured by manufacturers and salesman, and often badly advised, the budding artisans may choose over-sophisticated equipment. Cabinet-makers, for example, buy machines capable of six distinct operations when in practice they only need two."⁴⁸

One of the ways to think through this issue is to propose alternatives to development. This usually emanates from organs of civil society but is very undeveloped in South Africa, a continuing residue of the belief that all planning needs to have its origins in

⁴⁶ Hart, G (2005) Beyond Neoliberalism? Post-Apartheid Developments in Historical&Comparative Perspective in Padayachee, V (ed) The Development Decade? Social and Economic Change in South Africa 1994-2004, HSRC, Pretoria.

⁴⁷ Ibid, 154

⁴⁸ Ibid., 155-156

the state. It may do well to explicitly challenge civil-society critics of current micro-economic policies to propose alternative programmes and policies.

While income and resource transfers to the second economy remains an important and fashionable debating point, at the heart of any discussion on poverty alleviation and at the forefront of most plans to do so in South Africa is the creation of jobs in the first economy. This necessitates discussion of the labour market.

The Labour Market

***“The prospects for a recovery in employment in manufacturing are strong”
Trevor Manuel, 1998⁴⁹***

“government, labour and business can pontificate and collectively lament the absence of jobs, but they aren’t capable of creating jobs” Trevor Manuel in 2000⁵⁰

Most writers and researchers identify joblessness as an attribute most closely associated with individuals and households that are poor, particularly the ultra-poor. “Inequality and poverty decompositions by income sources reveal that household wage income is a dominant factor determining the poverty status of a household in the distribution of total income”⁵¹. The reasons for this are obvious. In a country that does not have and perhaps cannot afford a comprehensive social security safety net for all its citizens, having a job is often the only source of direct income. There is literally no way, other than through crime and charity, to obtain the resources necessary to reproduce life for millions of South Africans other than to sell their labour.

⁴⁹ Address to Societe Generale Frankel Pollak 21st Annual Investment Conference, Johannesburg, quoted in Marais, H (2001) *Limits to Change*, Zed Books, London and New York, 177

⁵⁰ Ibid., 177

⁵¹ Leibbrandt, M, van der Berg, S and Borat, H (2001) Introduction in *Fighting Poverty: Labour markets and inequality in South Africa*, 2001, eds Borat, H, Leibbrandt, M, Maziya, M, van der Berg, S, Woolard, I UCT Press, Cape Town, 17

The level of general consensus around the centrality of job creation as a way to eradicate poverty is hard to stress too much. Internationally, the Director-General of the ILO, Juan Somavia, stated that: “Job creation should be put at the centre of global efforts to halve extreme poverty by 2015”.⁵² While business interests and political parties such as the DA, would seem to have notions of appropriate wage rates that differ significantly from Cosatu’s, it is notable that the left and the right agree on centrality of jobs creation to poverty alleviation with Cosatu general secretary, Zwelinzima Vavi going so far as to announce, “Everything starts with a quality job”⁵³.

The literature on poverty is awash with descriptions of the state of unemployment in South Africa and scraps over definitional issues. Government for example has made extravagant claims that that anything between 1.6 million net new ‘jobs’ created between 1995 and 2002, and 2.1 million in February 2004. These gains some have argued are almost exclusively in the precarious informal sector and are also the result of some ingenious ‘accounting’: ‘Homemakers who help sustain themselves and their families out of backyard vegetable plots or who keep a few chickens are part of the new employed class. In fact, that vast army of the barely hidden jobless who stand forlornly on street corners for hire or who sell coat hangers, rubbish bags or handful of sweets at traffic lights or railway stations in the hope of making a few rand all add to this two million jobs figure. According to the latest statistics, in September 2001, 367,000 workers earned nothing for their labour, while a further 718,000 were paid between R1 and R200 a month.”⁵⁴

There is the official definition of 30% which tallies active job-seekers who cannot find work. On an expanded definition that also counts those who have given up seeking employment, the figure hovers around 46%. The South African Reserve bank puts the unemployed (expanded) at 46,6 for males and 53, 4% for females. The number

⁵² Financial Times, 9 June 2003 quoted in Landman, J (2003) “Breaking the Grip of Poverty and Inequality in South Africa 2004 – 2014”, p8.

⁵³ Business Day, 2 December 2003, quoted in Landman, J (2003) “Breaking the Grip of Poverty and Inequality in South Africa 2004 – 2014”, p8.

⁵⁴ Bell, T. (2004), ‘How “Non Jobs” come to the Aid of Government Election Propaganda,’ *Sunday Independent*, 15 February.

unemployed for over three years is placed at an incredible 43%. As sources of income some 79,2% relied on persons in household.⁵⁵

Whatever figure is used, there is no denying the extent of joblessness in South Africa and that job losses continue to mount. The following advert in a weekly newspaper taken by the South African Textile and Clothing Workers Union (SACTWU) makes for chilling reading.

- Every hour a clothing or textile factory loses a job.
- Every hour a family loses a breadwinner who worked in a clothing or textile factory.
- Every day a community loses 35 clothing and textile jobs.
- In 2004 South Africa lost 16 547 jobs in the clothing and textile sector.
- Between 1996 and 2004, South Africa lost 75 000 clothing and textile jobs.⁵⁶

The economic effects are devastating. "Given that black workers' wage packets tend to be shared extensively within the family and kin circles, each job lost diminishes consumer demand-hitting sales of semi-durable goods (especially furniture and appliances), groceries, shoes and clothing...low income families spend up to 75 per cent of income on these categories...the sacking of an average semi-skilled miner costs the economy R83 000 a year: for a skilled miner the figure climbs to R132 000. The calculations measure the social burden created by the loss of the miner's consumption expenditure (that supports businesses and creates demand through a multiplier effect), as well as lost tax payments and the disappearance of remittances that support dependants."⁵⁷

A key area of disagreement, which flows as much from ideology as from spin-doctoring, is how to understand the informal economy as a provider of sustenance to the unemployed. Are people selling sweets behind a table or who farm for subsistence even to be considered (self) employed? There are those who argue that

⁵⁵ South African Reserve Bank (2003) Labour Markets and Social Frontiers, No.4, 28

⁵⁶ Mail&Guardian 18 to 23 2005

⁵⁷ Marais (2001) op.cit. 176

much of what is described as the informal economy consists of very poor and desperate people engaging in essentially survivalist strategies to eke out some sort of existence⁵⁸. Consequently, to regard those estimated to subsist in the informal economy as being essentially non-poor - or to present this sector as a viable repository for people “restructured” out of the formal economy - is misleading. A significant body of thought says that “jobs created in the informal sector are not through the expansion of economic opportunity but through the expansion of survivalist strategies”⁵⁹.

There are others who insist that government’s macro-economic strategy, Gear, has facilitated job-creation. The problem is that the number of new entrants to the job-market has simply increased and that there was a huge backlog of unemployment inherited from the past to take care of⁶⁰. Most others take the view that Gear has failed to provide real growth in the labour market (in fact, for some, it played a key role in causing job-losses between 1996 and 2000⁶¹). While these contentions may be further interrogated, it is nevertheless in a context of massive unemployment that the informal economy has, particularly by government officials, been held up as the zone which would provide much of the amelioration for the absence or loss of wages that South Africa’s macro-economic policies have either facilitated or failed to address. For some proponents of the benefits of the informal economy, it was even envisaged that some workers, newly freed from the yoke of wage-labour, might actually prefer the challenges of entrepreneurship in cottage industries, small businesses and the like. While no-one adopting attitudes towards the informal economy that credit it with providing significant relief to those displaced from formal jobs sees this sector as replacing the need for an expanding job-market in the formal economy, it does seem to be high time that the various claims made about this sector are properly interrogated. For, if it is a viable source of alternative income

⁵⁸ Naledi, Global Poverty Network Workforce Development Study, March 2004, p 61

⁵⁹ *ibid*

⁶⁰ Landman, “Breaking the Grip of Poverty and Inequality in South Africa 2004 – 2014”, p 9.

⁶¹ See David Everatt, “The Politics of Poverty”, in *The Real State of the Nation*, Development Update, Vol 4 No. 3, page 84 who repeats the statistic that 1 million formal sector jobs were lost between the advent of Gear in 1996 and 2000.

generation, then the burden of poverty eradication becomes significantly lighter. If it is not, then South Africa may well be sitting on a social time-bomb of desperation and suffering with the informal economy being held out as a cruel and false beacon of hope.

Complicating debating both of these positions is the difficulty in measuring the size and nature of the informal economy. It is by nature unregistered, informal and generates relatively few official documents such as tax, and VAT returns, PAYE, licenses and registrations from which reliable estimates may be derived. It is thus open to either be too easily discounted or too easily vaunted. Papers that address the need for reliable data or provide these in respect of the informal economy, could be solicited.

Many writers reflecting on the exclusion from the formal labour market as a marker of poverty have remarked on the phenomena of growth without a corresponding impact on the ability to bring down unemployment. When economic activity in a country markedly increases, as seen from signs associated with an expanding economy such as:-

- an increasing GDP;
- increasing consumption of goods and services;
- a rise in property prices;
- an expanding private sector;
- low inflation,
- decreasing interest rates;
- a generally positive international investment rating;
- a currency neither dramatically undervalued nor overvalued; and
- a stable political climate⁶²,

⁶² Taken from May, “Constructing the Social Policy Agenda: Conceptual Debates around Poverty and Inequality”, paper presented to the 50th anniversary conference, School of Development Studies, Durban, October 2004.

classical economics would have it that there is a corresponding growth in jobs, certainly in the non-agricultural sector. Despite the above conditions being present in South Africa, the expected and promised fruits of macro-economic stabilisation achieved between 1996 and 2000 have not filtered through to an expansion, it is generally agreed, in the labour market. It thus follows that if lack of employment in the formal economy is the factor most closely associated with poverty, then the fact that employment levels are not increasing much (or even decreasing) while there seems to be promising signs and prospects of economic growth creates a conundrum that needs to be unpacked by any discussion on poverty reduction.

Writers on this subject present a range of reasons for growth without a concomitant ability to impact on unemployment.

- Many see the problem as being an economy that is structured in such a way that inequalities are constantly increasing. Because of monopolisation of resources in the upper quintiles of the population, resources and opportunities available in the economy are spread so thin below. While still deeply embedded in race, inequality is increasingly between a deracialising, professional, urban, well-educated elite and, on the other hand, a semi or unskilled, largely African, unemployed, rural and township-based mass⁶³. Indeed some compute South Africa's Gini co-efficient as second only in inequality to Brazil. While one might expect those noting South Africa's inequalities to focus on income transfers from the rich to the poor via social security rather than the job market as a corrective, it is also true that exorbitant profit and salary expectations, driven by the desire to maintain an elite lifestyle, cause immense economic inefficiencies. For example, the wage gap between top and senior management in both the private and public sector is massive, with significant potentially job-creating value being absorbed by executive salary bills.
- A related issue explored by some theorists is whether the pressing social issue in South Africa is one of addressing poverty or inequality. They point out

⁶³ Everatt, *ibid*, p 79, see also Standing, p 3

that many countries are far poorer than South Africa. However, since the inequalities between the rich and the poor are far less pronounced both in terms of the actual wealth gap as well as in the levels of social, spatial and racial separation, poverty per se is far less of a potential disruptor of those societies. They further point out that strategies that may promote poverty-alleviation for a few (such as access to the labour market through economic growth) may in fact sponsor further inequalities between the old and newly empowered on the one hand and those who are left behind. As argued by some: “The largest share of new growth goes to those who are already economically, educationally and logistically advantaged ... So Gear inadvertently favours the status quo, with some incremental moves to poverty relief.”⁶⁴. While this phenomenon is decried by left-wing commentators, others see it as an inevitable fact of a growing economy. Growth does cause inequality but will also drag some of the population up from out of poverty too as the economy as a whole gradually takes off.

“A society in economic take-off will, whilst in the transition from poor to less poor, experience rising inequality. This is as inevitable as the night following the day. Whilst progress is being made with poverty reduction, inequality may be worsening”⁶⁵

- Some go so far to argue that strategies that may in fact inhibit growth in the short term (such as wealth taxation or an increased government deficit) but would address inequalities ought to be preferred. Space may well be created for these ideas to be aired and debated at the conference.
- One can hardly overlook the legacy of apartheid. It spawned a skewed education system, deliberate barring of Blacks from either acquiring the skills necessary for – as well as participation in - entire sectors of the economy. The apartheid economy was further structured in such a way to create hyper-demand for goods and services in a small racially exclusive middle-class.

⁶⁴ Naledi, March 2004, p 23

⁶⁵ Landman, J (2003) Breaking the Grip of Poverty and Inequality in South Africa 2004-2014, p 5

Huge amounts of public funds were spent on a wasteful Bantustan system coupled with excessive military and security spending. While some of apartheid's infrastructure - physical, institutional and economic - is now available to a democratic state, writers consistently identify the skewed apartheid labour market as part of the problem the country now has in positioning itself as a foreign direct investment destination.

- The skills shortage also deters domestic investment. Various measures, including a levy from employers for further education and training of employees through various sectoral education and training associations (SETA'S) have, with varying success, been created. The policy-making difficulty being that several government policies to address this issue can only really be judged some years down the line.
- Other researchers go beyond the structural problems caused by apartheid. They focus on the fact that globalisation makes the movement of capital and production processes increasingly easy while technological advances increasingly de-intensify the labour component of most production processes. As such, jobs tend to be created in those zones where labour is cheapest, labour laws astringent and where the introduction of new technologies can be quickly adapted to. The South African labour market is not structured to compete internationally and even were it to compete with China, Mexico and India, there are questions about whether this is desirable. These jobs are also seldom high paying jobs. Nonetheless, 'labour market deregulation', previously a swearword in the ANC led Alliance, is now being cautiously touted by the party. Perhaps the logic of 'a low paying job is better than no job at all' is slowly being embraced.
- Recently micro-economic strategies to alleviate poverty such as an expanded public works programme have been flighted. While some see these as more in the way of election promises that a seriously intended economic intervention, many writers treat the provision of short-term casual jobs on public works projects to be instances of social security rather than genuine job-creation. This seems to be the better view and we will look at the EPWP in

a later section. Of relevance here is simply the idea that participation in these programmes might provide skills upgrades and necessary work experience for absorption into the formal waged economy.

Social Security as a Poverty Reduction Measure

“I try everything I can to feed my children but it is never enough. I have nothing. Now my pain is double because I have lost my beloved child. And I cannot even afford to bury her.”⁶⁶

The labour market does not even come close to providing the resources necessary for a decent life for millions of South Africans. While there is some debate about the most appropriate level of income beneath which a person is considered to be poor⁶⁷, figures for the number of persons living in poverty range from 35.8%⁶⁸ to 50%⁶⁹. Up to 25% of South Africans are ultra poor, or earning less than half the income constituting the poverty datum line. Because of joblessness as well as lack of access to productive land, millions of South Africans are dependent on some sort of direct or indirect transfer of resources to survive. The principal mechanisms for delivering social security are:-

- A state old-age pension for citizens over 60/65 years;
- A child care grant for children under 14;
- Disability grants for those who cannot work because of physical or medical illness;

⁶⁶ Sunday Times, 24th February 2002.

⁶⁷ see Hunter, May, Padayachee, Lessons for the PRSP from Poverty Reduction Strategies in South Africa, November 2003, p 5. The latest poverty figures from Statistics SA uses the figure of R800 per household per month as the maximum amount legally necessary to qualify for social security grants. Such an approach is rather circular because it is not based on food intake or special needs, nor the size of the household.

⁶⁸ World Bank, *World Development Report*, 2000/2001, Attacking Poverty, Oxford University Press, New York, p 64

⁶⁹ Woolard, I and Leibbrandt, M (2001) Measuring Poverty in South Africa in *Fighting Poverty: Labour Markets and Inequality in South Africa*, (eds), Bhorat, et.al., University of Cape Town Press, Cape Town.

Indirect state support comes mainly in the way of:-

- Infrastructure, specifically free clinics and transport services. While schooling is theoretically free to the indigent there are numerous associated costs that deprive learners from poor families of education;
- 6 kilolitres of free water per household per month in certain municipalities;
- presidential poverty alleviation programmes in certain limited areas;
- a primary school nutrition programme (in the process of being re-evaluated in favour of notions of self-help such as community food gardens)
- an expanded public works programme, providing temporary jobs and pay as well as work experience again to a relatively small number of job-seekers;
- a once-off capital subsidy for disadvantaged South Africans who pass a means test in terms of the National Housing Subsidy Scheme;
- land restitution to qualified claimants as well as land redistribution in the form of subsidies and preferential loans for black farmers.
- an HIV-Aids anti-retro-viral roll-out programme nowhere nearly adequate enough to address infection levels in the country, which is further bedevilled by seeming government resistance to the idea of its necessity and/or efficacy.
- Seekings and Natrass make the point that in keeping with the apartheid distributional regime the present “public welfare system makes no provision for the many people who are not old enough for the pension nor young enough to qualify for child support. Despite the limited reform of unemployment insurance (which extended coverage to workers in previously excluded sectors, such as domestic labour, and provided higher proportional benefits for low-income workers than high income workers) there is still no provision for the long-term unemployed, nor for the people who have never been employed.”⁷⁰ In this context Steven Friedman writes that “Social Pensions are the most effective current instrument for poverty alleviation: in many poor households they operate as a form of general income support. And yet, not only have pension increases since 1994

⁷⁰ Seekings, J and Natrass, N (2002) Class, Redistribution and Redistribution in Post-Apartheid SA, Transformation 50, 10

failed to keep up with inflation: government representatives assumed that they serve the aged only and real pension cuts encountered little opposition from interests pressing for redistribution.”⁷¹

- An important debate among development theorists is to what extent government can pursue redistributive and welfarist policies (higher taxes and a larger budget deficit) before these have so negative an effect on the economy as a whole that, with capital flight, high inflation, a run on the rand and the other threats to the fiscus that are assumed will be realised, the bad comes to outweigh the good. Writers of this persuasion seem to prefer trying to sponsor what Julian May calls good growth; growth that essentially does trickle down in the form of taxes and job-creation but only if capital is not unduly inhibited in its making of profits.

Key Debates

(A) The Basic Income Grant

Mbeki, Manuel and other centrist managers continue to disdainfully dismiss calls for extended basic income grants as populist and fiscally unsustainable. Manuel says the country cannot afford to finance a culture of dependency or entitlement, to which Archbishop Desmond Tutu responds that one can hardly speak of entitlement when a minority becomes disproportionately rich through black economic empowerment.”⁷²

A policy intervention that encapsulates this debate concerns the Basic Income Grant. A coalition of civil society organisations, churches and trade unions have, since the publication of the Taylor Report (Committee of Inquiry into Comprehensive Social Security in South Africa), been pressing for a universal social grant of between R100 – R200 per person per month.⁷³ Government has resisted this idea. In the wake of

⁷¹ Friedman, S (2002) Labour markets and redistributive politics in SA, Transformation 50, 41

⁷²Gumede, W (2005) Thabo Mbeki And The Battle For The Soul of the ANC, Zebra Press, Cape Town,120

⁷³ Transforming the Present, Protecting the Future: Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa (Pretoria: Government Printer, 2002)

the 2003 *lekgotla* Mbeki was reported in the media as saying: “We discussed BIG some time ago and we have said our approach should evolve through a comprehensive social system that includes old age pensions, disability grants and a free public health system. If you give everybody a R100 a month it will not make a difference. The notion that one single intervention will help is wrong. To introduce a system which indiscriminately gives R100 to a millionaire and a pensioner will not work.”⁷⁴

The idea behind the grant is that although, when viewed individually, R100 would not go far, households and communities would collectively be receiving significant infusions of cash each month which, if spent wisely, could make a difference in pulling significant numbers of the ultra-poor into the poor and some of the poor into the category of the non-poor. The fact that the rich received such an amount as well (which makes administrative sense, preventing the hassle and expense of means-testing) would be off-set by the fact that they would have to ‘suffer’ higher taxation to fund this measure. The R100 they receive would be more than off-set by the rise in personal income tax or company tax needed to fund this social transfer. Critics such as Trevor Manuel have raised numerous counter arguments such as:

- cost. This includes the claim that raising of taxes might spark disinvestment and thus a smaller tax-base for other redistributive policies. At the same time, ironically, questions are raised about what good such a small infusion will do;
- the lack of specific targeting of the poor and needy;
- the risk that it rises to uncontrollable levels, perhaps due to political expediencies in the future;
- that it would be a disincentive to find work and enter the labour market, a form of anti-dependency argument;
- that it could trigger wage squeezes;

⁷⁴ Mail&Guardian, August 1-7, 2003

Each of these counter arguments have to varying degrees been addressed by proponents of BIG, most notably Charles Meth and Guy Standing.⁷⁵ Meth has particularly taken issue with the idea of dependency, which he sees as increasingly becoming part of the language in the ANC and government. Recently for example an ANC MP Ben Turok wrote that BIG “contains the risk of fostering a culture of dependency and entitlement which could bring major social strains if the funding should not be available in future years.”⁷⁶

Charles Meth has countered this by pointing out that this argument could only be defended if:

- The state had a comprehensive social security net in place, one that at least staved off starvation, and,
- the well-meaning, but misguided ‘pinko’ liberals were pitching the demand for the universal grant at a level too close to the wage paid in any of a number of low-paying but fairly easily obtainable jobs, and
- there was some reasonable chance that South Africa’s existing anti-poverty package (combined with employment-creating growth) would ‘rescue’ the poor in the near future

None of these conditions is met in South Africa.”⁷⁷

Jeremy Seekings also takes on the issue of government ministers counterpoising a ‘developmental’ approach to welfare, which is considered good, with ‘handouts’, which is defined as bad. “Officials warn of a ‘culture of entitlement’ and stress instead the ‘dignity of work’. Does this mean that the government believes that the non-working, able-bodied adults are undeserving of assistance? Even the most

⁷⁵ Meth, C (2004) Ideology and Social Policy, *Transformation*, 56; Standing, (2004) The South African Solidarity Grant, Paper presented to 50th Anniversary Conference Reviewing the first Decade of Development and Democracy in South Africa, School of Development Studies, University of KwaZulu-Natal, 21st -22nd October, 2004

⁷⁶ Turok, B (2004) Overcoming Underdevelopment, *New Agenda*, issue16, 7

⁷⁷ Meth, 2004, 11-12

successful job creation strategy and the most ambitious public works programmes will not provide jobs for all who want them. Are the remaining unemployed to be cast aside? It is alarming that the ANC has appropriated not only the discourse of unaffordability that was championed by the National Party for so long, but also the National Party's discourse of the undeserving 'idle' poor."⁷⁸

An argument quite popular is that R100 could act as a (dis)incentive for people to look for work. Meth holds that it is difficult to countenance that R100 will act as a deterrent to the quest for self-improvement. "What cannot be called into question is the welfare improvement in, for example, workerless households, among whom the slightest risk (eg, job search requiring some expenditure) threatens an already precarious existence. Their menu of choices could be considerably expanded by the existence of a secure income source, be it ever so small."⁷⁹

In this context Standing points to the experience of the *bolsa escola*, the introduction of minimum income schemes in Brazil cities. This led to sharp increases in female participation rates because "it gave the women enough money to be able to afford clothing and travel to go in search of employment, and their children were more likely to be attending school."⁸⁰ Standing also points out that a solidarity grant like BIG recognises that "many forms of work are not (wage) labour, and many have greater use value for individuals, families and their local communities than many forms of wage labour. The work of caring for children, elderly relatives, people with impairments and victims of AIDS surely deserved just as much social protection as the labour of making tea for the boss."⁸¹

Gumede points to an additional rationale for BIG arguing that it "could be the basis of a new consensus, based on economic justice the TRC urged was needed if real reconciliation was ever to take place between black and white in South Africa. The

⁷⁸ Seekings, J (2003) Providing for the Poor: Welfare and Redistribution in South Africa, Departments of Political Studies and Sociology, University of Cape Town, Inaugural Lecture, 13

⁷⁹ Meth, 2004, 22

⁸⁰ Standing, op.cit. 12. There is an urgent need for comparative studies in South Africa especially with other countries of the South.

⁸¹ Ibid., 12

government needs to urgently provide interim social security for those waiting for economic growth to trickle down to them. Even if robust growth finally arrives, it is unlikely to significantly narrow the gap between rich and poor.⁸²

(B) Extended Public Works Programmes (EPWP)

“We don’t want communities to become dependent on handouts. They must be able to depend on themselves.” (Social Development Minister Zola Skweyiya)⁸³

“The eldest child cares for the family and often there is only one way to get money for food: sex. And if she contracts HIV and ultimately dies, she has at least secured a future for one or more of her siblings.”⁸⁴

Increasingly, those in government rejecting BIG have touted public works programmes as an alternative because they cut off dependency and rewards labour. A government spokesperson for example explained that the government’s approach had a different philosophical bent from the Taylor Report: “It is a kind of approach that motivates against an income grant. We would rather create work opportunities...Job creation proposals to be considered include a ‘massive expanded public works programme’, which would include partnerships with the private sector...only people who were disabled or ill should get handouts.”⁸⁵

The government has allocated some R15 billion for public works programmes for the next three years. “It is hoped that young work-seekers will gain experience of formal employment, and that older skilled men and women will have employment recourse in an economy where unskilled jobs are dwindling.”⁸⁶ The most successful of the programmes is run by the KwaZulu-Natal Department of Transport called Zibambele (doing it for ourselves). “There are currently over 17 000 Zibambele workers

⁸² Gumede, op.cit., 120

⁸³ The Star, 7th November 2002

⁸⁴ Mail&Guardian, 12th September 2002

⁸⁵ Sunday Times, July 28, 2002

⁸⁶ McCord, A (2004) The Zibambele Public Works Programme: Using Public Works to Address Poverty in Taking Power in the Economy, (eds) Brown, S and Fölscher, Institute for Justice and Reconciliation, Cape Town, 69

maintaining more than one-third of the KwaZulu-Natal rural road network. This programme is based on a simple principle, offering a wage of R334 per month to households in return for eight days of work maintaining a length of road near their homes".⁸⁷ McCord points out that "while participation in the programme does not pull the workers and their households out of poverty as measured in income, they have experienced significant improvements in their lives in terms of nutrition, education and social capital."⁸⁸ In general McCord points out "A public works programme cannot reduce the number of people living in poverty or ensure workers will find alternative formal-sector employment, but if designed sensitively, it can reduce the depth of poverty...In the context of mass poverty and unemployment that characterise South Africa in 2004, public works programmes are of limited impact, since the scale of such programmes is modest in relation to the size of the problem."⁸⁹ Picking up on this Meth makes the point that public works programmes have their own dependency effects. "The idea that once introduced, such programmes will create skills that can be turned to income generating activities on any substantial scale, once the PWP in that area is completed is delusional. It follows that once introduced, the withdrawal of an income source on which a community has come to depend, would be devastating. This, then is the strongest form of dependence of all...In short, empirical work is required to determine the extent to which PWPs can usefully be regarded as short-term solutions...PWPs are desirable, in and of themselves. Their drawbacks must, however, be acknowledged-not only will they create dependency, they cannot also solve the poverty problem."⁹⁰

In the broader context of skills development Gumede points out how business has failed to respond with any generosity at the Presidential jobs summit of 1998, promising a measly 72 000 internships. Quoting Standard Bank's former chief economist Iraj Abedian Gumede argues that if just 10 000 of South Africa's more than 200 000 registered companies took "on 50 interns on average, at least 500 000 positions would be created...The multiple impact on broad empowerment, economic

⁸⁷ McCord, *ibid.*, 70

⁸⁸ *Ibid.*, 71

⁸⁹ *Ibid.*, 71

⁹⁰ Meth, *op.cit.* 23

growth, poverty reduction and development would be phenomenal.”⁹¹ Cost would be minimal to business as government picks up all the financial costs incurred by participants.

(C) Inefficiency and Lack of Capacity in the Public Service

A neglected area of study, often touched upon only anecdotally, is the grave inefficiencies and lack of capacity that subsist in an often poorly trained, demotivated and, at times, corrupt civil service. President Mbeki put it this way: “We must be impatient with those in the public service who see themselves as pen-pushers and guardians of rubber stamps, thieves intent on self-enrichment, bureaucrats who think they have a right to ignore the vision of Batho Pele, who come to work as late as possible and knock off as early as possible.”⁹² Mbeki’s zealousness around corruption has its limits. In an address to Transparency International which criticised South Africa for its high levels of corruption, Mbeki took issue with their methodology and more importantly expressed concern that talk of corruption created a negative attitude from global investors wanting to do business in South Africa.⁹³ Corruption, often at the expense of the poor, remains a neglected but crucial area of study.

So does an analysis of the optimal use of resources. A researcher in child-care grant take-up, in the Umtata and Mt Ayliff areas reports that 14 different civil servants are involved in processing one single child care grant⁹⁴. While this is possibly good for job-creation, vast amount of money and energies go wasted in the public service bureaucracy.

The department of social welfare and provincial housing departments are also notorious for underspending.⁹⁵

⁹¹ Gumede (2005) op. cit., 118

⁹² Mbeki, T (2004) State of the Nation Address of the President of South Africa at the opening of parliament, Cape Town, 21.05.04

⁹³ Business Day, March 23, 2005

⁹⁴ personal communication, Solange Rosa, Childrens Institute.

⁹⁵ see Standing

The question of skilled personnel and targeted spending of money remains an issue and the drain to the private sector has exacerbated this problem. Figures point to a senior management vacancy rate in six national departments at 20% and at provincial and local government of 61%.⁹⁶ The question of capacity becomes even more crucial in the context of government's stated intention of becoming more interventionist, especially in relation to the 'second economy'. These kinds of capacity problems may well have a measurable effect on the lack of poverty-alleviation that is occurring, despite the many (and fragmented) initiatives to this end that government has launched. It may similarly be salutary to calculate estimated value lost to corruption and maladministration; an economists contribution to transparency and accountability.

The Political economy of Aids

There are undoubted technical problems of how to measure social and economic impact of excess death and illness...A poor household sells its animals, its implements and then the thatch from its roof in the hopeless quest for treatment. Then they cease to farm or to herd and go to the city. When those individual changes become communal and then social, history's trajectory has been irreversibly altered...It is hard to perceive or to measure very slow events...If it is hard to see these things, it is all the easier to deny them.⁹⁷

A topic that deserves consideration on its own terms is the effects of HIV-Aids in causing poverty.

Nicoli Natrass warns that "modeling the macroeconomic impact of AIDS in Southern Africa is highly sensitive to assumptions about the prevalence of HIV across skill bands and the proportion of health expenditure that is financed out of savings...One must be very cautious about all macroeconomic models of the impact of AIDS. At

⁹⁶ Business Day, March 23, 2005

⁹⁷ Barnett, T and Whiteside, A (2002) AIDS in the Twenty-First Century, Palgrave MacMillan, Hampshire and New York 6-7

best, they help us think through the dynamic economic impact of AIDS. At worst, they are a misleading house of cards.”⁹⁸

Notwithstanding this stricture some of the literature on the impact of AIDS is chilling.

“A wave of sickness and death is already sweeping through South Africa, and its impact will be felt throughout this decade and beyond by the millions of households that will be directly affected. Beyond the widespread personal and human costs created by the pandemic lies a second level of effects. South Africa’s economy, which has been struggling for two decades, is another indirect victim of the pandemic. HIV/AIDS adds one more ‘tax’ on South African firms trying to compete in a global market and burdens a government already facing pent-up demand for services that lie beyond its means. Just as society needs more resources to confront HIV/AIDS, the adverse impact of the epidemic on human capital, on productivity, and on government finances could impose a macroeconomic cost which would run as high as 1 per cent or more of the growth in GDP per capita, which is already too low to create enough jobs and alleviate widespread poverty.”⁹⁹

Discussion of the impact of AIDS on the economy has tended to be clouded by Mbeki’s alleged ‘denialism’ and spats about the number of people infected.

George Soros who sits on Mbeki’s economic advisory council told the South African Broadcasting Corporation (SABC) in April 2002 when asked about treating HIV-positive South Africans replied: “I think to provide treatment to the bulk of the people is just not feasible. I think to provide treatment for instance to qualified workers actually saves money, actually saves money for companies.”¹⁰⁰ Ex-Sunday Times editor and corporate organ-grinder Ken Owen provided an upbeat analysis: “I am sceptical about most doomsday economic scenarios generated by the AIDS

⁹⁸ Natrass, N (2004) *The Moral Economy of AIDS in South Africa*, Cambridge University Press, Cambridge 163

⁹⁹ Lewis, J (2004) *Assessing the Demographic and Economic Impact of HIV/AIDS in Africa* and South Africa Kauffman, K and Lindauer, D., New York, Palgrave Macmillan, 117

¹⁰⁰ quoted in Bond, 2002, 404

epidemic. I assume that in 10 years medical science will have found cheaper ways of lengthening the lives of Aids patients and that in the meantime, deaths will occur overwhelmingly among people (of all races) who have less than a matric. For the rest of the decade, at least, the lost workers will be quite easily replaceable from the millions of unemployed, and society will adjust in a myriad of ways to labour shortages. For example, a million domestic workers constitute a reserve pool of labour that can be drawn into industry...”.¹⁰¹

Soros and Owen were echoing the sentiments of Presidential spokesperson Parks Mankahlana in March 2000 justifying the refusal of anti-retroviral treatment to pregnant HIV-positive women: “That mother is going to die and the HIV-negative child will be an orphan. That child must be brought up. Who is going to bring the child up? It’s the State, the State. That’s resources, you see.”¹⁰²

Academic and popular writing appear to back this up. Allister Sparks writes that economic and other forecasters have not “taken sufficient account of the possible impact of this pandemic on the other doomsday scenario we hear so much only a few years ago - the population explosion...Well AIDS is not going to reduce South Africa’s overall population, but it is going to slow its growth rate...a smaller population can be better educated, and better education, especially of women who are then in a stronger position to determine their own choices, is by far the more effective method of birth control.”¹⁰³

Leading AIDS researchers Alan Whiteside and Clem Sunter write : “It’s a harsh *economic* reality that not all lives have equal value. If the majority of those infected are unemployed, subsistence farmers or unskilled workers, then the impact on the national economy will not be as great as if they are skilled and highly productive members of society... if the majority of people [who die] were unskilled and resources

¹⁰¹ quoted in Bond, 2002, 404-5

¹⁰² Mail & Guardian, 21 July 2001

¹⁰³ Sparks, A (2003) *Beyond the Miracle*, Jeppestown, Jonathan Ball, 302-303

were not taken from savings to fund provision of care, then in *pure economic terms* the survivors could be better off and per capita income could rise!”¹⁰⁴

In response to this Sparks makes the following comment: “Nasty but true. It depends who does the dying.”¹⁰⁵ Natrass holds that “Malthusian projections such as these may have contributed to the government’s reluctance to act more decisively against AIDS.”¹⁰⁶

The then Minister of Trade and Industry Alec Erwin was of the opinion in April 2002 that AIDS had “no impact on the South African economy or workforce.”¹⁰⁷ It was an analysis seemingly that business South Africa concurred with.

Corporate South Africa aided by the huge army of labour has taken at best an ambivalent attitude. “The South African Business Coalition on HIV/AIDS surveyed 1 006 companies throughout the country on the impact of the disease in commerce and industry, and found that only 25 per cent of them had implemented a formal HIV/AIDS policy. Less than 20% had introduced voluntary counselling and testing programmes, or provided care, treatment and support to infected workers. Having previously announced with great fanfare that it would make ARVs available to employees free of charge, mining giant Anglo American subsequently withdrew the offer, saying it would be far too costly.”¹⁰⁸

Much more work is needed on the impact of AIDS on companies in different sectors –both direct and indirect. One significant attempt is that of Rosen et al., (2003) who try to discern the cost of worker getting infected today. The category of costs they

¹⁰⁴ Whiteside, A and Sunter, C (2000) *AIDS: The Challenge for South Africa*, Cape Town, p.85-86

¹⁰⁵ Sparks, A, op.cit., 304

¹⁰⁶ Natrass (2004) op.cit., 23

¹⁰⁷ Gumede, W (2005) *Thabo Mbeki And The Battle For The Soul of the ANC*, Zebra Press, Cape Town, 172

¹⁰⁸ Ibid.

look at centre around “morbidity-related costs (higher medical costs, absenteeism, productivity), termination-related costs (death and disability benefits, lower experience) and turnover costs (recruiting, training)...Many infected workers will remain symptom-free and fully productive for as long as ten years. To capture this feature, this research calculates the net present value of all current and future costs with the additional infection; in other words, the amount of money the firm would have to pay out *today* to compensate fully for all future expenses.”¹⁰⁹ Rosen et al. used this methodology to study six different firms, five in South Africa and one in Botswana. The HIV prevalence was markedly different across firms. Costs varied considerably. Those companies with end-of-service benefits faced greater costs. In those companies having the least costs, “many unskilled or semi-skilled workers served as day labourers or on renewable short-term contracts. These workers who tend to be at high risk of HIV infection, are not eligible for most of the benefits provided to permanent employees, nor do the companies invest substantial resources in training them.”¹¹⁰

The conclusions reached by Rosen et al. though are problematic. They argue that AIDS is increasing “the cost of labour in southern Africa and diminishing the competitiveness of African business in the global marketplace. Many of the continent’s economic development goals depend on its ability to diversify its industrial base, expand exports, and attract foreign investment. By making labour more expensive and reducing corporate profits, AIDS limits the ability of African countries to attract industries that depend on low-cost labour and makes investments in African businesses less desirable. It therefore threatens the foundations of economic development in Africa.”¹¹¹ As research has shown, poverty can be exacerbated by the greater integration into the global economy and that it is the export led economy with its capital intensive production and so on that threaten the foundations of economic development in southern Africa. Greater integration with the global economy for example has decimated the African clothing and textile industry.

¹⁰⁹ Quoted in Lewis, *ibid*, 106

¹¹⁰ Rosen, S et al. 2003 The cost of HIV/AIDS to businesses in southern Africa, 323

¹¹¹ *ibid.*, 323; see Natrass(2004) for a critique of Rosen et.al’s methodology.

Very little work has been done on the effect of AIDS on households. A seminal study is that of Booyesen et.al.(2002). That comprised a longitudinal study of 400 households, half in rural South Africa and the other half urban. Half of the households had at least one member who was known to have HIV/AIDS and the other half was drawn from unaffected households (which also in some cases might have included HIV positive members).

Booyesen et.al's. study was quite revealing of the impact of households affected by AIDS. Besides the increased prevalence of illness in affected households, the difference between affected and unaffected households had an impact on economic outcomes. "For affected households, the average household that utilised savings spent the equivalent of twenty-one months of savings, whereas unaffected households using savings spent only five months' worth. How affected households used their savings differed as well. For affected households, the largest uses were funeral expenses (40 per cent) and medical expenses (24 per cent). In other words, nearly two-thirds of savings went for AIDS (or at least illness) related costs. For unaffected households, the pattern is more' normal'. There was some spending for funerals (8 per cent), but the largest shares went to asset maintenance (31 per cent) and education (30 per cent), which did not appear at all in the affected households' spending."¹¹²

The study reveals the economic impact of HIV/AIDS on households. "Families with members who have AIDS may be less able to engage in human capital formation and asset accumulation. HIV/AIDS prevents families from pursuing investment strategies needed to ensure future economic well-being both by reducing the household's earnings potential and increasing income stability."¹¹³

In this context David Hemson makes the point "many poor households are unable to have access to service facilities such as clinics and hospitals as a result of distance from such facilities. It is estimated that people in the poorest quintile must travel almost two hours on average to obtain medical attention, compared to an average of 34 minutes for

¹¹² Lewis (2004) op.cit. 111.

¹¹³ Ibid, 111-112

the richest quintile. Time spent away from economic activity represents much greater private opportunity costs for the poor, who, unlike their salaried counterparts, have to forgo income in order to obtain medical care. These costs can dominate the decision to seek care. Services may also fail the poor as a result of their inability to pay for the cost of medical care due to low-income levels or no income arising from unemployment.”¹¹⁴

Gender and poverty

Despite the fact that race and class are the most frequently mentioned lines of inequality, and the urban/ rural divide a major structuring factor, there is another basic, ubiquitous, and deeply entrenched vector of historic inequality- and it runs through race, class, and regional imbalances. It is gender.¹¹⁵

Roberts points out that female headed households are over-represented among the poor: “some of the factors underpinning these gendered differentials include the greater probability that female-headed households are rural based, where poverty is concentrated, with fewer adults of working age in female-headed households, higher female employment rates, and persisting wage gap between male and female earnings.”¹¹⁶

Orr argues that, “Gender issues and household dynamics are almost completely invisible within the current macroeconomic strategy, contributing to the on-going marginalization of women. While GEAR might be called ‘gender blind’, it is certainly not gender neutral. For example, GEAR calls for greater labour market flexibility in order to attract foreign investment and to improve competitiveness. The implications of this are that the most vulnerable workers (that is, women) will remain unprotected

¹¹⁴ Hemson, D. and Owusu-Ampomah (2005) ‘A better life for all? Service delivery and poverty alleviation’ in State of the Nation 2004-2005, 9(eds), Daniel, J, Southall, R& Lutchman, J , Human Sciences Research Council Press, South Africa, 515-516

¹¹⁵ Bundy, C (1993) Development and inequality in historical perspective in Wealth or Poverty? Critical Choices for South Africa (ed) Schrire, R Oxford University Press, Oxford, 32-33

¹¹⁶ Roberts, B 2005. ‘ “Empty stomachs, empty pockets”: poverty and inequality in post-apartheid South Africa in State of the Nation 2004-2005, 9(eds), Daniel, J, Southall, R& Lutchman, J , Human Sciences Research Council Press, South Africa’ , 490

and discriminated against, and where jobs are created they will perpetuate poor working conditions. With greater labour market flexibility the position of women will actually worsen, since this implies decreased benefits (such as maternity benefits) and less working time and parental responsibilities.”¹¹⁷

The increasing casualisation of labour could also affect women in particular. As Orr points out “irregular and uncertain working hours have a particular impact for women with respect to safety and secure transport arrangements, and for mothers regarding child-care arrangements, childcare leave, and other household responsibilities. There are also problems with budgeting for household necessities when work is irregular. The fact that casual workers do not have access to benefits, such as maternity pay and leave and unemployment insurance have a major impact on the impoverishment of women in particular.”¹¹⁸

Migrant labour had a powerful impact on power relations in the household and women’s ability to enter the workforce. Wilson and Ramphela illustrate some of this impact: “We find our fathers with concubines yet our mothers are still starving...For our husbands we are just their old-age home or their hospitals. They really come back to us when they are too old to work or when they are sick.” The male migrants speak too: “We stay a full year without our wives. That makes us go beyond the bounds of the law and become adulterers...in towns we are split just like water on the ground.”¹¹⁹

Pointing to this apartheid legacy Bond argues that “in structural-economic terms, contemporary South Africa retains apartheid’s patriarchal modes of surplus extraction, thanks to both residual sex discrimination and the migrant (rural-urban) labour system, which is still subsidised by women stuck in the ex-Bantustan homelands. Aside from a small state grant to old-age pensioners, these women are still not paid for their role in social reproduction, which in a normal labour market would be handled by state schooling, health insurance and pensions. While remittances from urban workers and pensions remain the main form of support in rural areas, along with an expanded child

¹¹⁷ Orr, L (2000) Globalising poverty: The gender dimension to Job Losses, Casualisation and Poverty, Paper prepared for COSATU Gender Conference, Naledi, 11

¹¹⁸ Ibid., 22

¹¹⁹ Wilson, F and Ramphela, M. op.cit. 199

support grant, these are far below the levels required for a dignified life. Given the durability of migrant labour and the overall failure of rural development, it is fair to condemn the post-apartheid government for deepening the inherited, structured superexploitation.

This structured superexploitation is exacerbated by an apparent increase in domestic sexual violence associated with rising male unemployment and the feminisation of poverty. Women are also the main caregivers in the home, and this entails bearing the highest burden associated with degraded health. With the public healthcare services in decline due to underfunding and the increasing penetration of private providers, infectious diseases such as TB, cholera, malaria and AIDS are rife, all far higher than during apartheid.¹²⁰

Unemployment rates for women are higher than men, with unemployment of rural women in 2001 spiraling above 50%.¹²¹ While 43% of African men are in wage employment, the figure for African women stands at 17%.¹²²

It is recommended that special attention be given to this dimension of poverty at the conference.

Rural Poverty

“I have often said that the most profound challenges to South Africa’s development and democracy can be found in its rural hinterlands. These areas, systematically and intentionally deprived of the most basic resources under apartheid, continue to lag behind the rest of the country in the post-apartheid era Nelson Mandela¹²³ .

The Nelson Mandela Foundation Report represents an attempt to come to grips with the relationship between poverty and rural education in South Africa. It argues that rural education has been neglected by post-apartheid policy planners and they have

¹²⁰ Bond, 2004, op.cit.

¹²¹ Statistics SA (2002) South African Statistics, Pretoria

¹²² Bhorat, H, Liebbrandt,M, Maziya,M, van der Berg,S, Woolard,I (2001),(eds) *Fighting Poverty: Labour markets and inequality in South Africa*, UCT Press, Cape Town, 20

¹²³ Mandela, N (2005) *Emerging Voices: A Report on Education in South African Rural Communities*, Nelson Mandela Foundation, vii.

neglected to factor in the specificity of access to education of the rural poor in the context of South Africa's historical legacy. The Report tells the story of a young boy in Manyoni: "On Tuesday I woke up and went straight to the dipping tank. There were many people there. I waited in the queue and was very cold because I do not have Wellington boots so I walked barefoot. I took the cows to the field on the hill. And then I came back home. I washed, got dressed and ate. I was late for school so my teacher spanked me." The state is compelled by law to provide free transport for any child who lives more than 5km away from the closest school but this provision is largely non-existent.¹²⁴

The Report also provides a window into the broader dynamics of rural poverty in contemporary South Africa with communities emphasizing the "lack of basic infrastructure, water, electricity, roads, clinics, secondary schools and community halls." The Report found that "The rural poor in our study are mainly women living in households facing food insecurity on a daily basis...They live in those areas of the country with the highest levels of poverty and unemployment and rely on meager sources of income derived from pensions, social grants or migrant labour."

The question of land looms large in any discussion of rural poverty. As Wilson and Ramphela poignantly put it: "In South Africa one must never lose sight of the land...It is conflict over land, particularly between black and white, that has run like a seismic fault, through the body of South Africa..."¹²⁵

One way in which the ANC government has tried to deal with rural poverty is through a land reform programme. Initially, this involved an emphasis on poorer households earning less than R1 500 a month. The low grants saw an emergence of collective ownership facilitated by The Communal Property Associations Act of 1996 that allowed for communal ownership of land. The policy though ran into problems. "not only were the beneficiaries not trained or supported in carrying on economic activities once they were settled, but basic services like water, sanitation, health care, electricity and educational facilities were not provided...the apartheid pattern of dumping people in rural areas with no means of earning livelihoods was being replicated in many land redistribution projects."¹²⁶

Despite these problems many researchers pointed to the potential of the programme to reduce rural poverty and the need to enhance rather than abandon the programme.¹²⁷ However, in 2000 the Minister of Land Affairs and Agriculture indicated a major shift in emphasis. The shift heralded a bias towards commercial farmers who would have access to larger government subsidies reaching a maximum of R100 000. Those who could not come up with a minimum of R5000 would not be

¹²⁴ Ludman, B (2005) Fighting against the odds for a better life, Mail&Guardian February 11 to 17 2005.

¹²⁵ Wilson, F and Ramphela, M (1989) op. cit. 34

¹²⁶ Greenberg, S (2003) Redistribution and access in a market driven economy in Piecemeal reforms and calls for action Greenberg, S (ed), *Development Update*, Vol. 4, No.2, 14

¹²⁷ Deininger, K and May, J (2000) 'Is there scope for growth and equity? The case of land reform in South Africa', Working Paper no.29, Centre for Social and Development Studies, University of Natal, Durban; Cousins, T and Hornby, D (2003) Communal Property Institutions: Adrift in the sea of land reform in Piecemeal reforms and calls for action Greenberg, S (ed), *Development Update*, Vol. 4, No.2,

able to qualify for a grant, effectively cutting off poor people from gaining access to land. Yet in the National Speak Out Hearings the rural poor who gave testimony saw land as crucial for survival: Paulina Machayi: "We need land that we and our children will be able to survive on it. We need land to produce our own food to survive." Zukwa Madlala: "The main problem is the problem of having no land-the problem of not being able to use our talents because we don't have opportunities."¹²⁸

The land restitution process which had as its aim the redressing of historical injustices, has seen the increasing focus on resolving claims through cash payments as opposed to the transfer of land. At the same time the programme has "created a category of claimants who identify themselves, and are identified by other stakeholders, as having a more legitimate right to land than other categories of landless people whose dispossession may have taken place earlier, or under different circumstances. seen "the creation of a hierarchy of rights among the country's poor and landless Some groups of elites who do not need land are favoured over the urgent land needs of landless people who do not qualify under the Act."¹²⁹

Meanwhile the liberalization and deregulation of commercial agriculture has continued apace. This has impacted on employment levels as agriculture moves from labour to capital intensive forms. "In the commercial farming areas, workers who have experienced a lifetime of heavy manual labour in conditions that did not permit them to keep aside any of their income for the future, are thrown out as agriculture is modernized. Once again, a small layer of workers may benefit from skills training as capitalist enterprises retool, but for the majority the door is shut tight. This is especially true for labour tenants who were the backbone of the workforce when capitalist agriculture was struggling to its feet, who were locked into semi-feudal social relations with their employers for nigh on a century now, and who are pushed out of the way as the agricultural economy consolidates and restructures on a modernized platform"¹³⁰ Greenburg has shown how in Wakkerstroom the turning of farms as a centre for eco-tourism and game farming has forced labour tenants like 78-year old Joseph Mavimbela off the land erasing a lifetime of work: "I was born on a farm just outside Wakkerstroom. I worked on farms since I was 15 years old, counting cattle and as a tractor driver. I moved between farms, and had some space for my own cattle and horses on the farms. After 1994, the farmer said I must stop running my cattle and goats. I refused, and the farmer harassed me. He burnt my house down. I was forced off the farm. My livestock is now with other people, I don't even know who they are with. Now I am living in the location at Dirkiesdorp."¹³¹

¹²⁸ Budlender, D (1998) *The People's Voices, National Speak Out on Poverty Hearings, March to June 1998*, convened by Commission for Gender Equality (CGE), South African Human Rights Commission, 22. (SAHRC) and South African NGO Coalition (SANGOCO),

¹²⁹ Hargreaves, S and Eveleth, A (2003) *The land restitution programme: Advancing real reform or delaying it?* in *Piecemeal reforms and calls for action* Greenberg, S (ed), *Development Update*, Vol. 4, No.2, 91

¹³⁰ Greenburg, S (2004) *Post-apartheid Development, Landlessness and the Reproduction of Exclusion in South Africa*, Centre for Civil Society Research Report No.17, 19.

¹³¹ *Ibid.* 17

All the time, unemployment spirals. In 1990 there were 1.2 million permanent and casual workers in the sector. By 1996 the figure stood at 900 000 and in 2000 one estimate put the permanent workforce at 580 000.¹³² And the disparities between urban and rural areas in relation to poverty and inequality persist and are being exacerbated. “In rural areas, 62% of the population is poor, compared with 13% in metropolitan areas and 25% in secondary cities.”¹³³

In thinking through the ‘rural’, Hart and Sitas correctly warn of not seeing the rural and urban as dichotomous. Rural-urban connections continue to be pervasive “with new and intensified forms of urban-rural entanglement emerging as the costs of increasing urban insecurity are being displaced to the countryside. In effect, impoverished rural regions in the former Bantustans appear to be taking on-or-extending- the function of social security of the last resort, with old-age pensions forming a crucial resource.”¹³⁴ By acknowledging the on-going but changing urban-rural connection, it allows us to track the nature of poverty and its changing locations by asking ‘new’ questions: “How are multiple sources of insecurity-including the decline of urban employment, escalating service costs, and ravages of HIV/AIDS-connected with one another, and with efforts by many urban residents to forge or maintain rural connections? How are these processes playing out in relations between genders and generations; and the cultural and political conditions of access to land and other resources? What are the key patterns of regional variation?”¹³⁵

By posing these kinds of questions as part of a research agenda it moves us beyond statistical measures and technocratic solutions from on high because they force us not “to homogenize communities and screen out aspects of human experience. Statistics often mask the enormous complexity of rural communities and may cast rural people as deficient. The latter is inaccurate and untrue. Withstanding poverty is difficult enough for poor people without being characterized as lacking resourcefulness and purpose in life.”¹³⁶ Research has begun to show how crucial local dynamics and specific histories are to the way communities respond to the challenge of poverty. This reinforces the call for “detailed historical and ethnographic studies” as “vantage points for illuminating processes of social and spatial interconnection, an a means for gaining a fuller understanding of the possibilities for social change.”¹³⁷

Privatisation, commodification and poverty

¹³² Aliber, M (2001) ‘Study of the Incidence and nature of Chronic Poverty and Development Policy in South Africa: An Overview.’ Programme for Land& Agrarian Studies/Chronic Poverty Research Centre, University of Western Cape/University of Manchester.

¹³³ Gelb, S (2003) *Inequality in South Africa: Nature, causes and responses*, The EDGE Institute, Johannesburg, 11

¹³⁴ Hart, G and Sitas, A (2004) *Beyond the urban-rural divide: linking land, labour and livelihoods*, *Transformation* 56, 33.

¹³⁵ *Ibid.*, 34

¹³⁶ Zafar, S (2005) *We need to hear rural voices*, *Mail&Guardian* February 11 to 17 2005

¹³⁷ Hart, G and Sitas, A (2004) *op.cit.* 37

“There has been concern that government’s cost recovery approach to service delivery has undermined the accessibility and quality of services to the poor. The large increase in the disconnections of recently provided services due to non-payment (such as electricity and telephones) has raised serious questions about whether free market pricing mechanisms are suitable when providing services to communities experiencing poverty.”¹³⁸

Government has made much of the delivery of basic services. A recent government publication highlighted the fact that “more than 10 million people have access to clean water since 1994. Free basic water reaches three-quarters of those in areas with water infrastructure. Two million housing subsidies have been allocated to the poor since 1994.”¹³⁹ It is figures like these that lie behind government claims “that increased social spending over the past decade has improved the effective income or quality of life of the poor in South Africa by over 40 per cent. In other words, since 1994 South African society has become more egalitarian through redistribution in the form of increased social grants, public works and access to infrastructural services such as housing, electricity, education, health, water and sanitation. This implies a substantial reduction in South Africa’s Gini coefficient....”¹⁴⁰ This was a position followed by Stellenbosch University professor Servaas van der Berg, who argued that between 1993 and 1997, social spending increased for the poorest 60% of households, especially the poorest 20% and especially the rural poor, and decreased for the 40% who were better off, leading to a one-third improvement in the Gini coefficient.¹⁴¹ Gelb on the other hand questions the effectiveness of government’s redistributive programmes “where a service has to be delivered in an ongoing fashion to build assets (such as in education) or an asset has to be transferred (such as housing or land reform)...addressing the unequal legacy of apartheid-and enabling

¹³⁸ United Nations Development Programme (2003), South Africa Human Development Report 2003, Oxford University Press, Oxford, 105.

¹³⁹ Government Communication & Information System 2005, Building a South Africa that belongs to all

¹⁴⁰ Hemson, op.cit., 527-528

¹⁴¹ Bond, 2005, op.cit.

more effective participation in, and returns from, factor markets-has been less extensive than would appear from an examination of expenditure only.”¹⁴² Pointing to the great strides in the delivery of housing Gelb following Rust argues that the government’s focus has been on quantitative aspects, yet subsidies are low compared to other developing countries “and housing quality undervalued, while diversity of housing demand is overlooked together with the need to locate housing development in the context of broader processes of community development. These points are strikingly similar to those made about education in the sense that apparently successful current expenditure programmes have not produced the sought-after improvement in outcomes, for reasons which may well lie in the inability (or unwillingness) of government to address the wider context of inequality”.¹⁴³

Hemson also challenges van der Berg’s prognosis, using Reserve Bank and Stats SA figures to show that inequality generally and income inequality are increasing, despite increase in social spending. So for example Stats SA figures show that while average income of an African household fell by 19 per cent between 1995 and 2002, average white household’s income rose by 16 per cent.¹⁴⁴ Hemson’s own research presents more sobering assessments on delivery. He points to the fact that in 1993 58.9 per cent of the national population had piped water connection to yard or house and this had risen to 63.7 per cent by 2004. “Progress is indicated, but is not stunning.”¹⁴⁵ Between 1995 and 2001 the provision of pit or flush toilets “has...not risen steadily... not a general indication of improvement.”¹⁴⁶

Delivery has also been overshadowed by the marketisation of basic service delivery, the institution of cost recovery mechanisms and a rash of disconnections and evictions. The number of disconnections have been the arena of dispute between researchers and government. But there is no doubt this occurs on an on-going basis

¹⁴² Gelb, S (2003) *Inequality in South Africa: Nature, causes and responses*, The EDGE Institute, Johannesburg, 57

¹⁴³ *Ibid.*, 58; Rust, K. (2003) *No shortcuts to progress: South Africa’s progress in implementing its housing policy, 1994-2002*. Institute for Housing in South Africa, Johannesburg.

¹⁴⁴ Hemson, *op.cit.*, 528

¹⁴⁵ *Ibid.* 517-518

¹⁴⁶ *Ibid.*, 521

and is a constant threat to poor people. According to Bond “(T)he reason for the disconnection epidemic was obvious. Notwithstanding deeper poverty, the South African government – ranging from municipalities to water catchment agencies to Eskom - raised water and electricity prices dramatically from the mid-1990s. By 2002, they accounted for 30% of the income of those households earning less than R400 per month. One cause of higher municipal utility prices was that central-local state subsidies designed to cover operating/maintenance expenses suffered dramatic declines during the 1990s (85% in real terms, according to the Finance and Fiscal Commission).”¹⁴⁷ The government responded to the wave of protests about water cut-offs with the introduction of a free basic minimum of water. “A very small lifeline (6000 litres per household per month), followed by very steep increases (along a convex tariff curve), such that the next consumption block became unaffordable. The free 6,000 litres represent just two toilet flushes a day for a household of eight, for those lucky enough to have flush toilets. It leaves no additional water to drink, to wash with, or to clean clothes or the house.”¹⁴⁸ The UNDP 2003 Report pointed to the issue of affordability: “Eskom’s full cost recovery approach has made access to electricity unaffordable to many Sowetans. The ‘free services’ policy has not been a particularly effective strategy for the urban poor because of the household density of many low-income households and their need for larger volumes of electricity. The number of electricity disconnections has increased drastically, especially since 1996: On average, disconnections increased from over 22 000 per month in 1996 to almost 100 000 by 2001.”¹⁴⁹

Hemson holds that while there has been progress in life-sustaining services, this development would have impacted on poverty alleviation “if there was a steady improvement in employment, earnings and income generally; in the absence of such progress, service delivery is retarded by anxieties about, and real difficulties in, ensuring the continuation of services over time.”¹⁵⁰ .

¹⁴⁷ Bond, 2005

¹⁴⁸ Ibid.

¹⁴⁹ United Nations Development Programme (2003), South Africa Human Development Report 2003, Oxford University Press, Oxford, 105.

¹⁵⁰ Hemson, op.cit. 532

The obverse of course is that some stand to gain fabulous wealth from privatization. The late Joe Modise [the first ANC government's defence minister] was a Director of Conlog Holdings, the company that manufactures the prepaid water meters that are currently being installed, (at gun-point), in Phiri, Soweto. And the Directors of Dynamic Cables, the company that supplies the cabling for prepaid electricity meters, include Keith Mokoape, former Deputy Head of ANC intelligence; Diliza Mji, former ANC treasurer general in KwaZulu-Natal; Ian Deetlefs and Ron Haywood who both held senior management positions in the apartheid state's arms industry and Richard Seabrooke, who was involved in smuggling to UNITA in violation of UN sanctions. When water and electricity are finally privatised, local elites stand to become very rich, as the ANC demands that multinationals partner with aspirant black capitalists.¹⁵¹

Black Economic Empowerment

...The NP policy of Afrikaner favouritism was even more advantageous to the upper layer of Afrikaners, whom it enriched and empowered in a spectacular manner. In a curious twist of fate, in the late 1950s the NP's emphasis shifted away from the ideological aim of uplifting poor Afrikaners towards helping richer farmers and emerging Afrikaner entrepreneurs. Through extraordinary generous types of favouritism, an Afrikaner haute bourgeoisie was quickly created which became the champion of a system of unbridled Afrikaner capitalism.¹⁵²

...Sadly, in country where the majority of blacks live their entire lives in abject poverty and drudgery, many of the nouveau noir rich shamelessly flaunt their wealth...Having stepped across the threshold into newfound wealth and social cachet, many former black politicians seem to forget the struggling masses with ease. When the TRC demanded that white

¹⁵¹ Desai, A. (2004), 'Mbeki Lashes Doomsayers,' <http://www.nu.ac.za>, February.

¹⁵² Terreblanche, S (2002) A history of Inequality in South Africa 1652-2002, University of Natal Press, Pietermaritzburg, 304

business should contribute towards reparations, their black counterparts were equally opposed to the idea.¹⁵³

In 1999 Thabo Mbeki argued: “As part of our continuing struggle to wipe out the legacy of racism, we must work to ensure that there emerges a black bourgeoisie, whose presence within our economy and society will be part of the process of the deracialisation of the economy and society.”¹⁵⁴ Seen in the light of Mbeki’s 1978 statement that in South Africa “black capitalism instead of being the antithesis is rather confirmation of parasitism with no redeeming features whatsoever, without any extenuating circumstances to excuse its existence” Mbeki’s 1999 position in many ways represents the touchstone that encapsulated the changing discourse and orientation of the ANC post-1990.¹⁵⁵

Gains were made, as reflected in market capitalisation on the Johannesburg Stock Exchange (JSE). In 1995 one per cent of market capitalisation was under black control. By 1999 this figure had risen to 5.5 per cent.¹⁵⁶ However, as the BEE deals went to a small coterie of individuals, Mbeki started to talk about an African bourgeoisie that is “progressive at a particular moment in time and an obstacle to the further development of the African revolution at another...Part of our continuing struggle must surely be that we fight the birth of a Caliban native bourgeoisie, with the native intelligentsia in its midst, that, in pursuit of well-being that has no object beyond itself, commits itself to be the foot-lickers of those that will secure the personal well-being of its members.”¹⁵⁷ In similar fashion Jacob Dlamini the political editor of Business Day asked: “What is good about the black bourgeoisie? What good is SA’s black capitalist class?...With the South African black bourgeoisie showing more interest in holidays in the south of France, expensive cigars and even

¹⁵³ Gumede, (2005), op.cit., 225

¹⁵⁴ Mbeki, T (1999) Speech at the National Conference of the Black Management Forum, Kempton Park, 2.

¹⁵⁵ Mbeki, T (1978) ‘Domestic and Foreign Policies of the a New South Africa’, Review of African Political Economy, 11:6-16

¹⁵⁶ BusinessMap (1999) Black Economic Empowerment 1999: a moving experience. Johannesburg: Business Map SA

¹⁵⁷ Mbeki, T (2000) Second Institute for Economic Policy (NIEP) Oliver Tambo Lecture.

more expensive cars than in starting productive businesses, it is time we asked these questions.”¹⁵⁸

In response to increasing criticism, the leading lights of BEE have been touting it as a mechanism for the alleviation of poverty. Tokyo Sexwale has written that BEE is about the creation of “job opportunities, it is about rural development, it is about educating people and training them. It’s about skills development. It’s particularly about developing the young and women. And yes, it’s about creating small businesses and large businesses.”¹⁵⁹ It according to Sexwale is also about redistribution to the poorest and *their* empowerment: “Another myth about empowerment is that the rich get richer and the poor stay poor. The Absa transaction that we concluded last year clearly debunks this myth. The beneficiaries and shareholders of the Absa Batho Bonke transaction are 1.1 million. That transaction has empowered more than a million people through community trusts, community-based organisations, cooperatives and other structures”. At the core of BEE is philanthropy according to Sexwale: “We give money to schools, we fight HIV/AIDS, we provide university fees, we build clinics, we build hospitals...”¹⁶⁰

Off course, this is a different kind of empowerment and redistribution. The huge bulk of money goes to the few, who also make the decisions for the many. What the emergence of Black millionaires and billionaires has done is released a belief in ‘millennial capitalism...invested with salvific force...epitomised by forms of money magic, ranging from pyramid schemes to prosperity cults, that pledge to deliver immense, immense wealth by largely inscrutable means...’.¹⁶¹ . Bauman makes the point that market seduction is at the same time equalizer and divider. “To be effective, the enticement to consume and consume more, must be transmitted in all directions and addressed indiscriminately to everybody who will listen...Those who cannot act on desires so induced are treated to a dazzling spectacle of those who

¹⁵⁸ Dlamini, J (2005) Business Day, March 15 2005

¹⁵⁹ Sexwale, T (2005) BEE is very simple-it’s about fixing up the mess, Sunday Times March 6 2005

¹⁶⁰ *ibid.*

¹⁶¹ Comaroff, J and Comaroff, J (2003) Alien-Nation: Zombies, Immigrants, and Millennial Capitalism, South Atlantic Quarterly, Vol.101, No.4, 785

can. Lavish consumption, they are told is a sign of success, a highway leading straight to public applause and fame. They also learn that possessing certain objects and practising certain lifestyles is the necessary precondition of happiness; perhaps even of human dignity.”¹⁶² In this context a study of emerging African middle class lifestyles in Gauteng conducted in 1998 revealed that they “had quite distinctive consumer choices. The product that was seen as conferring the highest status on people was the car-with men preferring BMWs or Mercedes, whilst women favoured VW Golfs or Jettas. Cell phones and clothing also conferred status.”¹⁶³

Jeremy Seabrook makes the point that because the poor live in the same world as the rich (in much more closer ways since the demise of apartheid), “their poverty is aggravated by economic growth, just as it is intensified by recession and non-growth.”¹⁶⁴ Picking up on this Bauman writing in the context of Britain, argues that it is ‘aggravated by economic growth’ in a double sense. “First, whatever is being referred to by the concept of ‘economic growth’ in its present phase, goes hand in hand with the replacement of jobs by ‘flexible labour’ and of job security by ‘rolling contracts’, fixed-term appointments and incidental hire of labour; with downsizing, restructuring and ‘rationalization’-all boiling down to the cutting of the volume of employment...Second, while the poor get poorer, the very rich-those paragons of consumer virtues-get richer still...The poorer are the poor, the higher and more whimsical are the patterns of life set in front of their eyes to adore, covet and wish to emulate. And so the ‘subjective sense of insufficiency’ with all the pain of stigma and humiliation which accompany that feeling, is accompanied by a double pressure of decreasing living standards and increasing (comparative) deprivation, both reinforced rather than mitigated by economic growth in its present, deregulated, *laissez-faire* form.”¹⁶⁵ South African ‘growth’ seems to confirm this global trend. As Kenny and Webster note: “...profound changes are taking place in the labour market: new winners and new losers are emerging. Above all, the resegmentation of the labour is entrenching the position of the ‘old losers’-the unemployed, informal sector, and

¹⁶² Bauman, Z (1998) *Work, consumerism and the new poor*, Open University Press, Buckingham, 74

¹⁶³ Seekings and Nattrass, *op.cit.* 14

¹⁶⁴ quoted in Bauman, *op.cit.* 40

¹⁶⁵ Bauman, *op.cit.*40-41

migrant workers. Flexibilization is creating an insecure, lower paid, and unprotected workforce.”¹⁶⁶ Statistics from differing sources confirm that inequality through the 1990s has grown. The Whiteford and van Seventer study using census data illustrate that the incomes of the richest 10 per cent of African households rose by 17 per cent, while the incomes of the poorest 40 per cent of African households fell by 21 per cent between 1991 and 1996.¹⁶⁷ The KIDS study revealed that the proportion of its panel with incomes below a fixed poverty line increased from 35 per cent in 1993 to 42 per cent in 1998, while the proportion with high incomes also grew.¹⁶⁸ Statistics South Africa figures released in 2000 show that average African household income declined 19 per cent from 1995 to 2000. Households with less than R670 monthly income increased from 20 per cent of the population in 1995 to 28 per cent in 2000. The poorest half of all South Africans earned 9.7 per cent of national income, down from 11.4 per cent in 1995.¹⁶⁹

Importantly, also the changing class structure of South African society also has the potential to impact on the kind of interventions that differing social groups are open to when it comes to poverty alleviation. Murray argues that the fostering of a black bourgeoisie “is not just a question of the deracialisation of South Africa, it is also a vital objective in providing the ANC Government with a firm social and political buffer against the demands of a restless black working class seeking comprehensive economic improvement of the type that it is unlikely to see under the restrictive GEAR programme.”¹⁷⁰ Thus, Seekings and Nattrass note that “The semi-privileged position of politically powerful African groups-including the urban, industrial working class, sections of the intermediate class and the semi-professional class (especially teachers)-gives them good reason to oppose a universal welfare system in that

¹⁶⁶ Kenny, B and Webster, E (1998) ‘Eroding the core: flexibility and resegmentation of the South African labour market’, *Critical Sociology* 24(3)

¹⁶⁷ Whiteford, A and van Seventer, D (2000) ‘Understanding contemporary household inequality in South Africa’, *Studies in Economics and Econometrics* 24(3)

¹⁶⁸ Carter, M and May J (1999) ‘Poverty, livelihood and class in rural South Africa’, *World Development* 27(1)

¹⁶⁹ Statistics South Africa (2002) *Earning and Spending in South Africa*, Pretoria, Statistics South Africa

¹⁷⁰ Murray, G (2003) *Black Empowerment: a Tripartite Engagement with Capitalism in Rethinking the labour movement in the ‘New South Africa’*, Bramble, T and Barchiesi, F (eds), Ashgate, England, 83.

radical reform would require increased taxation on them, making them subsidisers of the poor rather than beneficiaries of redistribution from the rich.”¹⁷¹

The changing class composition of South Africa is an area of major interest in ‘poverty studies’, because policies are not created in a vacuum, but often are predicated on the ability to exercise power. Yet this is an area sorely lacking with “remarkably little critical, sustained research and reflection on the changing power relations and processes of acquiescence and opposition that are emerging in the post-apartheid era.”¹⁷²

Conference themes?

The question posed by Francis and Ramphele at the head of this paper confront us again. Will the hard won gains of democracy be frustrated by economic policies that are designed to bolster the position of a new domestic post-apartheid elite or are the policies, as Jeff Guy suggested, perhaps the best we can come up with in order not to run foul of a new international post-communism elite? This off course raises the issue of the present phase of globalisation and the spaces it offers.

The issue of the first and second economy, especially planned ‘interventions in the latter are of crucial importance. The ruling party has signaled that it is to place great store by this, in its quest to alleviate poverty. Despite this, there has been no critical reflection of what constitutes the second economy, what are the mechanisms to ‘bring’ it up to the level of the first economy and what are the potential consequences for employment, redistribution and poverty alleviation.

The contest between BIG and Public Works Programmes is set to continue. Inscribed into this debate, is the language that is used to describe poverty alleviation programmes.

¹⁷¹ Seekings and Nattrass, op.cit. 10

¹⁷² Hart, G and Sitas, A (2004) Beyond the urban-rural divide: linking land, labour and livelihoods, Transformation 56, 31

Black Economic Empowerment as a mechanism to (re)distribute wealth and alleviate poverty.

The question of vulnerable groups. In this context female-headed households are over-represented among the poor. Child poverty is on the increase, exacerbated by the HIV/AIDS pandemic.

Labour market issues, especially around 'flexibility' will continue as an important focus. For the first time, Thabo Mbeki is signaling the government's intention to challenge unions head-on on this issue.

New 'alliances'? A focus on the attempts to configure a new trading bloc between South Africa, Brazil and India (IBSA) is also an important area for debate.

What are sorely lacking are comparative perspectives with other countries. Where there has been comparative work, like Gill Hart's ethnographic account of Taiwanese owned factories in northern KZN and mainland China, the insights into thinking about poverty has been extremely valuable.¹⁷³

Then there is the question of power and who will articulate the demands of the poor. Will the ANC take a 'left' turn, will COSATU break from the alliance, will community and social movements become an increasingly important player?

¹⁷³ Hart, G (2002) *Disabling Globalisation: places of power in post-apartheid South Africa*. Pietermaritzburg: University of Natal Press.

ANNEXURE 1.

CHRONOLOGY - SELECTED SURVEYS RELEVANT TO POVERTY IN SOUTH AFRICA

The tables below, adapted from De Satge¹⁷⁴ and May, provide details of selected surveys conducted during the last 25 years relevant to describing the nature and extent of poverty in South Africa. Key research findings are indicated below.

Year	Study	Research Body
1984	Second Carnegie Enquiry into Poverty and Development	SALDRU
1993	The project for statistics on living standards and development (PSLSD)	SALDRU/World Bank
1994	Health inequalities in South Africa	CASE for the Kaiser Family Foundation
1995	Income and expenditure survey	CSS

¹⁷⁴ De Satge, R (2002) The Dynamics of Urban Poverty in South Africa, paper prepared for the Urban Sector Network.

Year	Study	Research Body
1995	South African Participatory Poverty assessment (SA-PPA)	
1996	Census 96	CSS
1998	Demographic and Health Survey	Data still unavailable.
1998	Poverty and Inequality Report	Office of the Deputy President and ministerial committee for Poverty and Inequality
1998	Speak Out On Poverty Hearings	SANGOCO, CGE and SAHRC
1998	KwaZulu Natal Income Dynamics Study (KIDS) Longitudinal/panel survey that resurveys a subset of households in KZN originally surveyed in 1993 for PSLD	
1999	National Food Consumption survey	Department of Health
2000	State of South Africa's population report	Dept of Social Welfare and Development
2001	Census 2001 (data available in 2003)	CSS

Annual surveys	Research Body	Comments
October household survey ¹⁷⁵	CSS	This survey began in 1993. However, only in 1995 did it include information wider than income and expenditure, enabling better extrapolation about the nature and causes of poverty.
AMPS surveys	SA Advertising Research Foundation	Approximately 30000 persons are surveyed.

2. KEY FINDINGS

- Heinz and Conradie¹⁷⁶ cite 1995 findings by the HSRC¹⁷⁷ that estimated that 35.2% of all South African households - or 18 million people - were living in poverty.
- Extrapolating from the 1995 CSS income and expenditure survey they highlight the relationship between gender and income inequalities. Irrespective of race, 26% of female headed households are in the bottom income quintile as compared to 13% of male headed households.
- Recent analysis of the overall poverty distribution trends exposes a narrowing of the relative gap in income shares between whites and Africans. However

¹⁷⁵ This survey is conducted annually. However only surveys from 1995 on collected data suitable for poverty analysis

¹⁷⁶ Heintz, J. and Conradie, J 1998 *Poverty and economics in South Africa*. Background paper to the SANGOCO Poverty Hearings. SANGOCO Occasional Publications Series No 3. Johannesburg.

¹⁷⁷ HRSC, 1995: A profile of poverty, inequality and human development in South Africa.

Simkins¹⁷⁸ notes that this “may be accompanied by increasing relative inequality among Africans.” The Income and expenditure survey of 1995 and the most recent AMPS survey echo these findings in revealing exceptional levels of inequality within all population groups.

- Although many surveys are attentive to the rural-urban location of their respondents, according to May and Rogerson¹⁷⁹, “an analysis that proposes that the South African poverty challenge can be spatially demarcated into rural and urban components would be unacceptably crude.”
- According to the South African Participatory Poverty Assessment, poor individuals and households were those isolated or excluded from institutions of kinship and community. Old people, even if they had the financial security of a pension, were often characterised as poor if they lived without care of younger family members. Single mothers fell into the same category. Other key indicators were overcrowded living conditions and lack of jobs.
- The strongest theme to emerge from the Speak out on Poverty Hearings was unemployment. Complaints about poor governance in the form of unavailable, unresponsive and self-interested councillors and local government also emerged.
- The KIDS study found that 13% of the chronically poor lived in urban areas. The study also showed overall using an expenditure based definition of poverty that the proportion of poor households in the sample rose from 34% to 42% between 1993 and 1998¹⁸⁰. The study also highlighted an increase in the severity of poverty and the fact that although for some poverty was transitory, the majority of the poor were chronically poor.

¹⁷⁸ Simkins, C. 2000 Income inequality and unemployment in South Africa: Facts, causes and perspectives. In *Bridging the gap between rich and poor in South Africa*. Konrad Adenauer Stiftung Seminar Report. Johannesburg.

¹⁷⁹ May, J. and Rogerson, C 2000. *Livelihoods and Assets*, in May, J., *Poverty and Inequality in South Africa: Meeting the Challenge*, David Philip and Zed Press, Cape Town and London.

¹⁸⁰ Roberts, B. 2000 *Chronic and transitory poverty in post apartheid South Africa: Evidence from KwaZulu-Natal*. CSDS working paper No 28. School of Development Studies. University of Natal.

- Using the US1\$/day poverty line for international comparison, the PIR study revealed 21% of South Africans fell below the international absolute poverty line. The data from this survey also enabled the calculation of unequal distribution of income measured by Gini coefficient.
- Comparisons between the PWV, Cape Town, Durban and Port Elizabeth in the PIR survey reveal 'severe poverty problems in the Eastern Cape metropolitan area'; followed by Durban which both have higher poverty than population shares.
- Data from the 1995 October household survey is used in the PIR to reveal "acute poverty zones in shack settlements in secondary cities and small towns".
- The AMPS survey reveals the increasing number of African households living in poverty – 50% in 1989 as compared to 62% in 2001. However Schlemmer also notes the 'increasing stratification within the different groups'
- KIDS also draw the conclusion from the surveys above that "there are important gender dimensions to poverty. A disproportionately high percentage of households headed by single women are found within poor and chronically poor households".