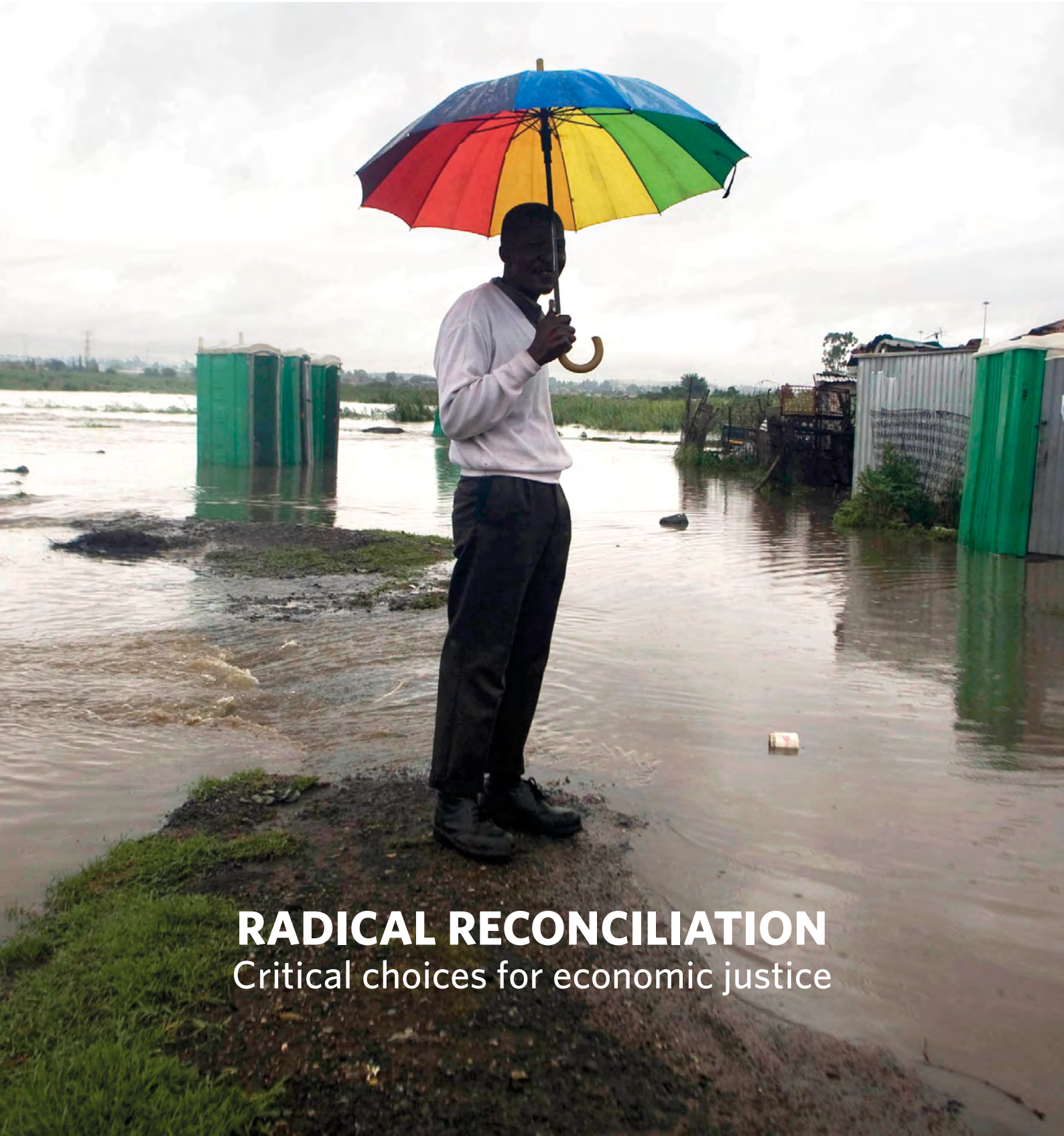


Transformation Audit

TA 2015



RADICAL RECONCILIATION
Critical choices for economic justice

RADICAL RECONCILIATION

Critical choices for economic justice

Edited by
Andries Du Toit, Ingrid Woolard and Ayanda Nyoka




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VII/

ACRONYMS AND ABBREVIATIONS

ANC	African National Congress
COSATU	Congress of South African Trade Unions
CPF	Community Policing Forum
CSG	Child Support Grant
DRDLR	Department of Rural Development and Land Reform
ECC	Employment Conditions Commission
GDP	Gross domestic product
ILO	International Labour Organisation
LRAD	Land Redistribution for Agricultural Development
MLAR	Market-led agrarian reform
MSD	Multi-stakeholder dialogue
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PLAS	Proactive Land Acquisition Strategy
QLFS	Quarterly Labour Force Survey
RADP	Recapitalisation and Development Programme
RDLR	Rural Development and Land Reform
RDP	Reconstruction and Development Programme
SACTWU	Southern African Clothing and Textiles Workers' Union
SALGA	South African Local Government Association
SARB	South African Reconciliation Barometer
SLAG	Settlement and Land Acquisition Grant
UIF	Unemployment Insurance Fund

VIII/ PREFACE

With this edition of the *Transformation Audit* report, the IJR presents a brand new format, which I trust you will find refreshing. Instead of the four focal areas (economic governance, skills and education, labour market, and poverty and inequality) that have been a feature of the publication since its inception in 2003, this edition explores the theme of economic justice with in-depth analysis of pertinent issues such as minimum wage-setting and social protection, women in the labour market, landlessness, and the role of dialogue and social pacts. The title of the report, *Radical reconciliation: Critical choices for economic justice*, builds on the IJR's reconciliation work in recent years, which has placed stronger emphasis on the important linkages between reconciliation and economic justice.

In the South African context, calls for economic justice encompass both universal claims for socio-economic rights and victims' claims for historical redress. Addressing and prioritising such claims is a complex undertaking that requires sustained dialogue between key stakeholders and society at large about the South Africa we envision for ourselves and future generations. As a society, we have not scored well on this front, especially when it pertains to those issues that we are divided about. Our inability to engage effectively in dialogue has led to increased polarisation and a stalemate as to how we move South Africa forward in a manner that creates a more inclusive and equitable society. This does not bode well for national reconciliation. Issues of land redistribution and minimum wage-setting, which are

discussed in this publication, remain contentious and at times have a polarising effect on society. Yet they are critical to our national conversation about economic justice.

South Africa continues to be marred by political turmoil, wage strikes and violent protests, and unless a culture of dialogue is cultivated, we can expect greater instability ahead. It is in this context that the final part of this report pays due attention to the role of social pacts and dialogue in creating an inclusive and equitable society. Inequality, driven mainly by disparities in earnings and high unemployment, remains our country's most pressing development challenge. South Africa's wage structure is historically rooted in discriminatory labour laws, which enforced cheap black labour and a high premium for skilled white workers. Although the labour market has been deracialised since then, the class structure has remained the same, reproducing higher wages at the top and low wages at the bottom. Thus, the South African economy is characterised as a high-wage economy, with the relatively affluent skilled middle class enjoying a high level of income. The Marikana massacre, which will always be etched in our collective memory, beckons us to act collectively to address the enduring injustices of inequality and their damning effects on our society.

With rising global inequality, state intervention in wage regulation has become a trend in European and Latin American countries attempting to curb the effects of inequality. It is against this background that the debate on a national minimum wage to replace sectoral determinations has gained traction in South Africa. The first section of this report aims to contribute to the debate with an in-depth discussion about the implications of a national minimum wage, particularly in respect of employment, which continues to be a major concern for the business sector. At the same time, given that economic growth remains elusive, social policy options to address the plight of the unemployed in South Africa have been given precedence and are explored in this report.

Furthermore, in thinking about economic justice, it is imperative to give special attention to the plight of vulnerable groups in our society such as women and young people. Youth exclusion remains a major challenge and has been given considerable policy priority in recent years. The economic plight of women, on the other hand, is less understood. Since the mid-1990s, women's labour

participation rates have grown with more South African women joining the labour force. However, most women in South Africa face major barriers to making a decent living, in addition to having to maintain increasingly single-headed households. Hence, in this report we provide a data-driven analysis of women's labour market status in a bid to contribute to the economic inclusion of women.

For the IJR's reconciliation work, addressing the legacies of economic injustice is paramount to lasting national reconciliation. Certainly for the majority of South Africans, inequality is a major source of division. It is in this context that the IJR has called for a radical notion of reconciliation, urging us all to work towards creating an inclusive and equitable society to heal the wounds of our past. I trust that you will enjoy reading this edition of the *Transformation Audit* and that the issues raised here will encourage further dialogue toward building a more just and reconciled society.

Dr Fanie du Toit

Executive Director: Institute for Justice and Reconciliation



EXECUTIVE SUMMARY

The *Transformation Audit* report explores the theme of economic justice with in-depth analysis of pertinent issues such as minimum wage-setting and social protection, women in the labour market, landlessness, and the role of dialogue and social pacts. The title of the report, *Radical reconciliation: Critical choices for economic justice*, builds on the IJR's reconciliation work in recent years, which has placed stronger emphasis on the important linkages between reconciliation and economic justice.

Minimum wage-setting, social assistance and poverty

This section of the report begins with a comparative analysis of the apartheid distribution regime and the current regime under the democratically elected ANC government. Some degree of continuity is observed, in that while the racial underpinning of the previous economy was completely dismantled, the class structure remains. Thus, South Africa's economy is characterised as a high-wage economy, with high incomes for the top echelon and skilled workers, and low earnings for the less skilled, with disastrous effects on unemployment, poverty and inequality. However, due to the expansive social wage, some improvements in poverty levels are observed. In South Africa, the debate over a national minimum wage to address income inequality has been at the forefront of the policy agenda, with COSATU, **country's largest trade union**, proposing globally unprecedented minimum wage levels that are likely to lead to job destruction. The authors here review the domestic

implications for employment of various minimum wage levels currently on the table, drawing on international experience. They test assertions regarding low wages in South Africa and show with international benchmarks that South Africa's existing minima are not out of line with international practice. A strong case is made for focusing on the stimulation of employment, even if initially the wages are too low to help poor households rise out of poverty. The authors argue that while there is no publicly available analysis of precisely how different national minima would affect employment patterns and, hence, poverty and inequality, the existing evidence suggests that policy-makers should proceed with caution. A national minimum, set at an appropriate level through appropriate procedures with attention paid to employment effects, would probably enhance equity and social justice.

This section further considers alternative strategies for poverty reduction in a low growth economy with high unemployment. The effects of social assistance programmes, public employment programmes and wage subsidies are evaluated for their impact on poverty reduction. Cash transfers for the unemployed is an option that has been practised historically, particularly in European countries during times of economic crisis. In South Africa, however, the proposal of a basic income grant for the unemployed does not enjoy mass appeal, mainly because of the structural nature of unemployment in the country. Instead, the government has chosen to invest in public employment programmes. Wage subsidies, which have become popular with governments across the world, are also discussed as an option to stimulate pro-poor growth. The authors conclude by stating that beyond these strategies more effective and better funded land reform policies and other programmes that expand non-waged livelihoods would also help to address the challenges of poverty.

Women in the labour market: Vulnerability and opportunity

This section of the report provides a special focus on gender inequality in South Africa's labour market, concentrating on the vulnerability of women. Since the end of apartheid, more women have joined the labour force; however, in comparison to their male counterparts, women have had a much more difficult time in finding employment. Not only do women earn less,


their employment tends to be precarious. This paper is data-driven, using labour force surveys to analyse women's vulnerability in the labour market. An important observation from this analysis is that an increase in women's education levels has not necessarily led to improved labour market outcomes – one-third of women working in the informal sector and 38 per cent of women who are unemployed have a matric or higher qualification. The author, thus, argues that the quality of education seems to be an important indicator in determining labour market outcomes. This paper offers a **broad and** detailed analysis of the sources of vulnerability for women in South Africa's labour market, looking into, for example, the effects of variables such as age and race. The author concludes with a set of key policy proposals, focusing particularly on the role of informal sector employment and small-scale agricultural businesses for women.

Towards an inclusive poverty-alleviation policy agenda

In the previous sections of the report, the role of land and agrarian reform to support livelihoods is touched on briefly. Thus, we have dedicated this section to unpacking the topic of land and agrarian reform in South Africa and its role in poverty alleviation. The authors here provide an in-depth review of the land and agrarian reform policy landscape. There is certainly scholarly consensus that South Africa's market-based land and agrarian reforms have failed; however, there is much debate about the course of action that the government should take to produce better results. This section of the report is particularly concerned with the rural poor and the contribution that land and agrarian reform can make to reducing poverty in the countryside. A key point made by the authors is that South Africa's market-based land reforms have largely failed to restructure agrarian relations more equitably, and this failure is linked to ongoing poverty. The authors argue strongly that for land reform to have an impact on poverty alleviation, large farms should be dismantled in favour of a democratic structure, which would allow a diverse group of small-scale farmers to engage in productive agriculture. While a few large estates could be retained, they might be reduced in size to facilitate equity and efficiency in the agrarian sector. This would also depend largely on the degree to which the government is willing to support

and build the capacity of small farmers to become more productive and to diversify livelihoods beyond the farm.

Searching for social or developmental pacts at the local level

All matters of policy require consensus, and it has often been said that South Africa is not short of ideas on how to take this country forward. However, reaching consensus between social partners (government, business, trade unions) and increasingly with citizens is a major stumbling block for progress. This section of the report interrogates the nature of relations in South African society from the high-level policy players to the ordinary citizens, and the extent to which the quality of our interaction creates a foundation for productive and cooperative relations. The high-level interactions between social partners in the form of social pacts are considered, and the pitfalls that contribute to deadlock in institutions such as NEDLAC are discussed. At least three conditions for pacts are established. Firstly, there must be a willingness to compromise; secondly, the costs of not compromising must outweigh the perceived gains of standing firm; and, thirdly, there must be organisations that are able to mobilise and restrain their followers in accordance with a strategic and tactical vision. The report proceeds to evaluate the processes of pact-making in South Africa against these three conditions, and **a**  evidence suggests that they have not been met.

The report also provides a comparative view of social pacts by considering the cases of Germany and the United States and assesses the conditions that enabled these countries, during challenging times in their histories, to forge lasting and transformative pacts.

A multi-stakeholder dialogue model for building trust at the local level

The final section of the report examines the nature of relations across society by exploring public perceptions of trust between citizens, and towards state institutions and public leaders. The evidence presented indicates low citizen confidence levels, particularly towards local government institutions and authorities. The role of dialogue in trust building at a community level and how this might contribute towards creating cohesive and flourishing communities is discussed.

XII/ INTRODUCTION

Reconciliation is only in the vocabulary of those who can afford it. It is non-existent to a person whose self-respect has been stripped away and poverty is a festering wound that consumes his soul. (B Claasen, extract from TRC Youth Hearings 22 May 2007)

In the early years of South Africa's political transition, the concept of reconciliation championed by former president Nelson Mandela became the driving force for disarming warring factions, uniting a divided nation and laying the foundation for democracy. During the Truth and Reconciliation Commission (TRC) proceedings, Archbishop Desmond Tutu reminded South Africa that the:

TRC is expected to promote, not to achieve, reconciliation. Reconciliation has to be the responsibility of all South Africans, a national project...we all have been deeply wounded and traumatized and it will take long to undo centuries of the alienation and animosity that were deliberate state policy. (In Barry 2006: 693)

Reconciliation is, indeed, an ongoing process, and usually a complex one that requires post-conflict states to effectively address the root causes of conflict in the reconstruction of their societies (Hecht & Michalowski n.d.). The concept of reconciliation is contested and has different meanings for different people, which makes it difficult to arrive at a single definition of the word (Gibson 2004). The Institute for Justice and Reconciliation

has attempted to provide an all-encompassing measure of national reconciliation, which outlines six dimensions of reconciliation (Wale 2013). These are: the extent to which citizens feel secure (physically, culturally and economically); the existence of a democratic political culture; the acceptance of cross-cutting political relations; the extent of historical confrontations; improved race relations; and a commitment to dialogue.

The reconciliation objectives outlined above do not follow a linear process (IDEA 2003), but are the essential ingredients that need to work together for lasting reconciliation. Elements advocating radical economic justice often erroneously perpetuate the notion of sequencing reconciliation by giving primacy to economic justice at the expense of other objectives. At the other extreme, sections of society that oppose material redress prefer to limit the notion of reconciliation to forgiveness and a complete departure from the past without any real engagement with how the legacies of the past continue to impact on the lives of black South Africans, in particular. Both positions convey an incorrect view of what reconciliation is. Reconciliation should be understood as a complex process that requires continuous dialogue to better comprehend and address the sources of division that threaten peaceful coexistence (see Du Toit & Doxtader 2010).

Some 20 years since the TRC was established under the Promotion of National Unity and Reconciliation Act 87 of 1995, its legacy (and now that of former president Mandela) is contested and has come under scrutiny, predominantly among the youth of South Africa, who have taken on the new struggle for decolonisation and economic justice. Much of the criticism levelled against the TRC relates to its narrow terms of reference and inadequate redress for the structural violations of apartheid that led to the material dispossession and underdevelopment of black South Africans (Sharp 2012; see also De Waal 2013). However, the efficacy of truth commission mechanisms in addressing the complexity of structural violence (which, in some contexts, can be traced as far back as the colonial era) is disputed. A major difficulty in attempting to address economic violations by way of such instruments is the challenge of assigning responsibility and establishing accountability for prosecutions, as well as the financial burden this may place on a new government (Drumbl 2009). Truth commissions are more suited to diagnosing past human rights violations, including socio-economic dimensions

of conflict, and setting the agenda for long-term policies of the new government (ICTJ 2009).

Embedding claims for historical redress in new national constitutions provides greater assurance to past victims than does retrospective indictment in terms of such rights (Drumbl 2009). Post-apartheid South Africa offers many lessons in this regard, having developed a constitution that mandates the state to heal divisions of the past through restorative justice mechanisms. Furthermore, socio-economic rights are recognised in the country's constitution as fundamental rights, giving them justiciable standing alongside political and civil rights (UN 2014). Thus, to a large degree, the trajectory of South Africa's development and policies has expressed this redistributive intent. The various economic strategies adopted in the past 21 years of democracy have reflected the imperative of redistribution, although more recent policies have been criticised for their neo-liberal characteristics.¹

Since the short-lived Reconstruction and Development Programme (RDP), strongly favoured by labour affiliates of the ANC and other left-leaning groupings, the debate has remained largely unresolved about the appropriate economic strategy for a country engulfed by vast, particularly racial inequalities (Bhorat et al. 2013). Although public policy has been significantly redistributive, with 60 per cent of government spending going to the social wage and doubling in real terms in the past decade, income poverty levels and inequality remain exceptionally high (Phillip, Tsedu & Zwane 2014).² The social wage expenditure has been instrumental in reducing multi-dimensional poverty (Finn, Leibbrandt & Woolard 2013). However, with a highly constrained economy, marked by an unemployment rate above 20 per cent since 2000, income poverty remains a key developmental constraint.

These policy issues have existed alongside the government's transformation agenda, which encompasses legislated programmes of affirmative action, employment equity and black economic empowerment to redress historical imbalances.³ This illustrates the complex nature of development in post-conflict countries as they simultaneously address both the needs of victims and the imperatives of economic development, which is a difficult balancing act that can polarise a society, re-establishing old fault lines, with the emergence of new ones in the process. These dynamics certainly have characterised South Africa's transition. This is evident in the tension and contestation surrounding, for example,

land reform *vis-à-vis* food security, and transformation *vis-à-vis* economic growth, and the polarising effects of these discourses. A consequence of South Africa's economic policies since 1994 has been the emergence of class inequality as a new fault line,⁴ while, given the continued intersection of race and class, the old fault lines of race have resurfaced in recent years.⁵

The political turbulence of 2015, stirred up by the Rhodes Must Fall movement, which began at the University of Cape Town and later spread to other historically white universities in the country, gave impetus to a national debate on reconciliation and inclusion. The student-led movement in many ways exposed the fragility of South Africa's race relations and the many layers of our past that we are yet to confront. Moreover, what began as a struggle for identity and belonging expanded to include material claims against financial exclusion from higher education. The Fees Must Fall national student protests were unprecedented in many ways. It was the first time in the post-apartheid context that students were able to mobilise solidarity across race, class and political affiliation to demand a zero per cent increase in tuition fees for the 2016 academic year. The merging of student and worker issues demonstrated unparalleled solidarity, with students taking on the plight of outsourced workers at universities and demanding that they be given full employment status.

Violent confrontations between students and police at two 'national key points', Parliament and the Union Buildings, marked a turning point that resulted in President Zuma accepting the students' demands. These events, including the prospect of an economic recession and an ardent public outcry following the reshuffle in the finance ministry, which led to a crash in value of the rand, combined to further weaken public confidence in the government. Infighting between the country's political elites of the ANC has not helped to allay fears about the declining state of leadership and governance in South Africa. Measures to overcome the economic stalemate seem to bedevil South Africa's leaders.

Given that a central tenet of reconciliation is to deter the recurrence of conflict, in the context of deep economic inequality, South Africa needs to advance a more radical notion of reconciliation (Wale 2013). According to the Institute for Democracy and Electoral Assistance (IDEA 2003: 22), the country's failure to adequately address economic injustices has generated discontent with reconciliation, particularly among black

South Africans who feel that the 'discourse on reconciliation has pressured them towards a premature closure with the past'. Although South Africans remain committed to the ideal of a united South Africa and a great majority still believe that reconciliation is necessary, most are of the view that reconciliation is not possible without redressing socio-economic injustices (Hofmeyr & Govender 2015). The need to redress unequal economic and social power relations between black and white South Africans has permeated the national discourse on reconciliation much more strongly than in the past. A legacy of poverty and marginalisation tends to weaken the ability of people to access institutions to enforce their rights as citizens, which results in the eruption of violent protest and creates mistrust of other social groups (ICTJ 2009). In this context, it is unsurprising that South Africa ranks very low in terms of its stock of social capital, especially bridging capital.

According to the latest Reconciliation Barometer, the majority of South Africans do not trust their political representatives in government and governance institutions, and of great concern is that 67.3 per cent do not trust people from other racial groups (Hofmeyr & Govender 2015). This does not bode well for reconciliation, in that a condition thereof is 'not to make enemies love each other, by any means, but to engender a minimum basis of trust so that there can be a degree of cooperation and mutual reliance' (Bloomfield 2003: 11). South Africa can no longer afford to postpone the critical questions of economic justice that pertain to income inequality, poverty, unemployment and landlessness. This requires more than just policy measures; the nature of the relationships between social partners who have to implement solutions and with citizens as stakeholders has to be given serious attention.

This report explores critical choices for economic justice in South Africa in contributing towards lasting reconciliation. Part 1 engages with the fault lines of wage inequality and unemployment, discusses the implications of a national minimum wage and explores social policy options to address the plight of the unemployed, given the structural constraints to employment. It also applies a gender lens in exploring women's vulnerability in the labour market, and considers opportunities for more effective inclusion. In South Africa, locality is a key variable that drives inequality of opportunity and poverty. Thus, Part 2 of the report addresses the issue of landlessness and explores the extent to which a redistributive

land reform programme could reduce poverty and support the livelihoods of the rural poor. Part 3 considers the extent to which trust deficits between stakeholders present as key constraints to economic justice. It places special emphasis on the role of dialogue, which is often overlooked in building resilient and flourishing communities.

ENDNOTES

- 1 An extensive literature on the Growth Employment and Redistribution policy, the New Growth Path and the latest National Development Plan details these debates.
- 2 According to Stats SA (2013: 21) 'Social wages in South Africa are packaged in different targeted forms...free primary health care; no-fee paying schools; social grants (such as old age pensions, and child support grants) and RDP housing; provision of free basic services in the form of reticulated water; electricity; sanitation and sewerage as well as solid waste management to households and in particular those categorised as indigent.'
- 3 Designated groups that benefit from these programmes include black people, women and individuals living with disability.
- 4 According to the 2015 Reconciliation Barometer report, since 2003 the majority of South Africans have identified class inequality as the biggest source of division in South Africa (Hofmeyr & Govender (2015)).
- 5 In 2015, race as a source of division moved up to second place from third place (Hofmeyr & Govender 2015).

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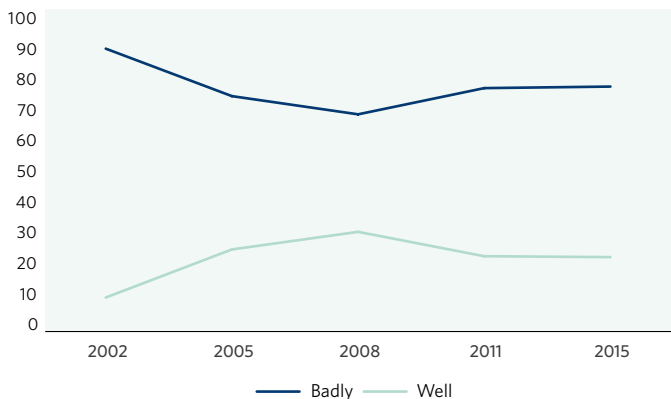
PART ONE

REDISTRIBUTION AND LABOUR MARKET TRANSFORMATION



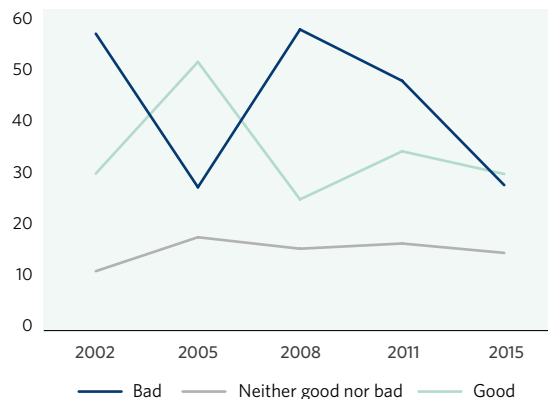
According to Statistics South Africa, in the third quarter of 2015, South Africa's economy narrowly escaped a technical recession with a marginal growth of 0.7 per cent following a 1.3 per cent contraction in the second quarter. The labour force continued to grow; however, the unemployment rate soared to 25.5 per cent in the third quarter of 2015, having been on a steady upward trend since 2012. In 2015, public sentiment was mostly pessimistic about the government's performance in creating jobs and narrowing the gap between the rich and poor. However, in 2015, the government received overwhelmingly positive feedback on the distribution of welfare payments.

How well or badly would you say the current government is handling creating jobs*



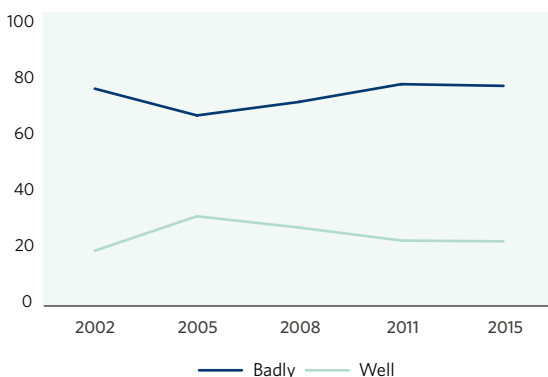
*Source: Afrobarometer surveys for South Africa

In general, how would you describe the present economic conditions in South Africa*



South Africa's vital labour statistics			
	2000	2008	2015
Labour force	16 078 000	18 808 000	21 246 000
Not economically active	10 930 000	12 736 000	14 867 000
Unemployment rate (official)	23.3%	21.4%	25.5%
Labour force participation rate	59.5%	59.6%	58.8%
Labour absorption rate	45.7%	45.8%	43.8%

How well or badly would you say the current government is handling narrowing the gaps between rich and poor*



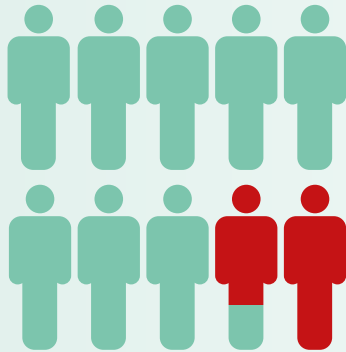
Unemployment rate



Source: Stats SA, Labour force survey, Historical revision September series 2000 to 2007; Source data for 2008-2013: own calculations based on Revised Quarterly Labour Force Surveys (2008-2014), Quarter 4 for 2008-2013; Source data for 2014-2015: Stats SA, Quarterly Labour Force Survey, Quarter 3, 2015

TOTAL GRANT RECIPIENTS

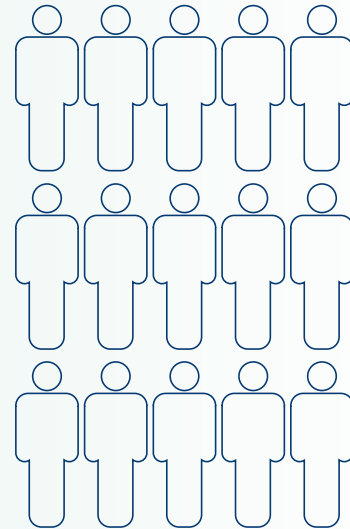
ACTUAL 2014/2015
16.5 million
PEOPLE



How did government perform in distributing your welfare payment?

● WELL ● BADLY

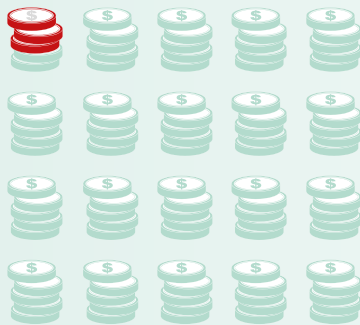
FORECAST 2017/2018
17.5 million
PEOPLE



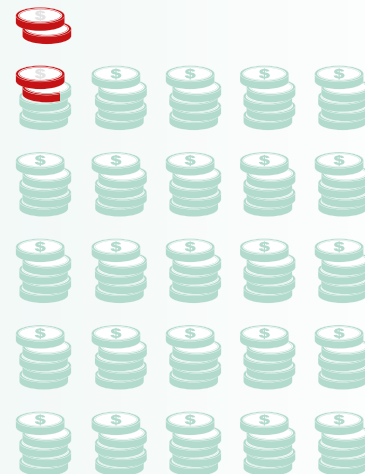
6%

PERCENTAGE OF GDP SPENT ON SOCIAL GRANTS

ACTUAL 2014/2015
3.1% of GDP



FORECAST 2017/2018
3.0% of GDP



-0.1%



ESTIMATED GRANT EXPENDITURE GROWTH

2015/2016	2018/2019
R154 billion	R195.7 billion

Sources: Grant expenditure figures, Medium Term Budget Policy Statement 2015; Grant and pension recipients, Budget review 2015 (National Treasury); Afrobarometer surveys for South Africa



Minimum wage-setting, social assistance and poverty

This section examines debates around minimum wages and social protection, and assesses the conditions under which these might help to mitigate poverty on a sustainable basis, and the conditions that might worsen the problems of poverty and inequality.

6/

KEY INSIGHTS

- ❑ While some of the benefits of post-apartheid economic growth probably have trickled down to the poor, primarily through redistributive pensions and grants financed by taxes on the rich, poverty remains much higher in South Africa than in other economies with a similar GDP per capita.
- ❑ COSATU seems to want a highly centralised procedure in which decision-making power is vested in government officials susceptible to political pressure from COSATU itself, without any requirement that unemployment be taken into account.
- ❑ In the context of full employment in formal sectors, minimum wages have obvious appeal as a mechanism for ensuring that economic growth is inclusive.
- ❑ In contemporary South Africa, and Africa more generally, the challenge of addressing poverty requires going beyond social-security cash transfers aimed at selected categories of the 'deserving' poor.
- ❑ Without fundamental restructuring, the social assistance system cannot eliminate the poverty that is rooted in mass unemployment, because it makes only modest provision for unemployed, working-age adults.
- ❑ More effective (and better-funded) land reform policies and other programmes that expand non-waged livelihoods would also help to address the challenges of poverty.
- ❑ Both minimum wages and social protection assume a growth path that ensures a high level of employment, such that people who are able to work do so, supporting themselves and contributing through taxes to financing redistributive social and economic programmes.
- ❑ Public policy is only weakly pro-poor because the poor are politically weak, while the politically powerful non-poor hold to visions of development and growth that are only minimally inclusive.

Introduction: the challenge of persistent poverty

Poverty existed alongside prosperity in South Africa before democratisation and has persisted thereafter. The democratically elected African National Congress (ANC)-led government inherited scandalously widespread poverty in 1994. By the 1980s, the life expectancy for African and coloured South Africans had reached the level attained by white South Africans about 50 years earlier, but continued to compare unfavourably with countries such as Sri Lanka that had a very much lower average GDP per capita. In the early 1990s, even before AIDS swept across South Africa, one in six South Africans was not expected to survive to the age of 40. Income poverty was not as high in South Africa as it was in most other countries in sub-Saharan Africa, as apologists for apartheid often pointed out. However, the South African income poverty rate was much higher than in other middle-income countries elsewhere in the world, and was falling at a much slower rate. In South Africa, in 1994, as many as one in four people had an income below US\$1 per day (taking into account local purchasing power). By comparison, the income poverty rates in Chile, Mexico and Indonesia were about 15 per cent, and in Jamaica, Malaysia and Tunisia they were about 5 per cent. Only Brazil matched South Africa in terms of income poverty (UNDP 1999: Table 4; see also Seekings & Nattrass 2015a).

Income poverty was especially offensive in South Africa because it coexisted with great affluence, because it correlated with race and because it was (at least in part) a consequence of the systematic racial discrimination that defined apartheid. Despite some African people having enjoyed rapid upward income and class mobility in the last years of apartheid, most of the formerly disenfranchised African majority was poor, while the small white minority that had held power was conspicuously rich. The average income per capita within the white South African minority was about 12 times the average within the African majority, and life expectancy at birth was approximately one decade longer for white people than for African or coloured people. The coexistence of poverty and affluence meant that the 'poverty gap' was quite small. The poverty gap is defined as the aggregate amount by which poor peoples' incomes are below a selected poverty line, as a proportion of the total income in society. Using a poverty line set at close to US\$3 per person per day (taking into account purchasing

power), almost half of the South African population lived in poverty in 1993, but the poverty gap was only 5 per cent (Whiteford, Posel & Kelatwang 1995).² In other words, although about half of the population was poor, a perfectly targeted transfer of only 5 per cent of national income from rich to poor would have sufficed to eliminate income poverty. Given that the richest 10 per cent of households earned at least half of the national income, they would have had to forsake at most one-tenth of their aggregate income to have eliminated poverty.

Eliminating poverty was a feasible objective. In 1994, the ANC promised the electorate 'a better life for all', and its Reconstruction and Development Programme promised that 'attacking poverty and deprivation' would be 'the first priority of the democratic government' (ANC 1994). Since 1994, however, income poverty has declined only modestly (see Seekings & Nattrass 2015a).³ While some of the benefits of post-apartheid economic growth probably have trickled down to the poor, primarily through redistributive pensions and grants financed by taxes on the rich, poverty remains much higher in South Africa than in other economies with similar GDP per capita (and higher even than in some countries with lower GDP per capita) (UNDP 2013). After two decades of democracy, South Africa remains an outlier in terms of poverty.

The high level of poverty in 1994 was largely a consequence of the apartheid 'distributional regime' – in other words, the combination of growth path and public policies that shaped 'who got what' (Seekings & Nattrass 2005). In many rural areas, people had been dispossessed of or had lost access to land. Inadequate expenditure on public education, especially in rural areas, meant that many African people entered the labour market with neither skills nor credentials. Perhaps most importantly of all, the apartheid state steered the economy down a growth path that generated a specific pattern of employment opportunities and earnings. The apartheid growth path ensured high earnings for the owners of capital, managers and professionals, and skilled workers, while reducing the demand for unskilled labour, resulting in a wide and racialised 'wage gap' between high and low earners, and (from the 1970s) rising unemployment. Although racial discrimination determined who was poor, and exacerbated both poverty rates and inter-racial inequality, it was the apartheid growth path that had the most enduring overall effect on poverty and

inequality. Not only did few of the benefits of economic growth trickle down to the poor, but the growth rate itself was consistently mediocre under apartheid, with GDP per capita actually declining in the 1980s and early 1990s.

The ANC-led government completed the deracialisation of public policy, and some policies were reformed significantly, but the overall distributional regime after 1994 retained the basic form of its apartheid predecessor (Seekings & Nattrass 2005, 2015a). Statutory racial discrimination was abolished, resulting in improved opportunities for employment and business for many more skilled black South Africans, and substantial redistribution to poor black households through social assistance programmes. However, the government continued to steer the economy down a growth path that ensured better opportunities and higher earnings for people with skills, while reducing even further the opportunities open to the less skilled. This had striking effects on unemployment, poverty and inequality.

Firstly, unemployment rose. South Africa's unemployment rate rose steadily in the late 1990s and early 2000s, before declining briefly in the mid-2000s, only to rise again after 2009. The actual number of unemployed people doubled over this period, from less than 4 million in 1994 to almost 8 million in the first quarter of 2015 (using the broad definition of unemployment). As many as one in three households have no members doing any remunerative work.⁴

Secondly, the 'wage gap' and overall inequality have grown. The growth of black middle classes and elites, as well as the more modest real increase in the earnings of most formally employed, more skilled workers, has resulted in declining *inter-racial* inequality but rising *intra-racial* inequality within the black population. The growing affluence of the rich – black and white – at the same time as persistent unemployment and low wages for less-skilled workers has resulted in an increase in overall inequality (Leibbrandt, Finn & Woolard 2012). The 'wage gap' between high and low earners has widened (Wittenberg 2014). While more skilled, professional and managerial employees have enjoyed rising real earnings, the pay of top executives seems to have grown especially rapidly, and far beyond what most working people regard as legitimate.

Unsurprisingly, the persistence of poverty and inequality (of 'wages', or earnings, as well as incomes) has led to calls for the further reform of public policy. Some

THE GROWTH OF BLACK MIDDLE CLASSES AND ELITES HAS RESULTED IN DECLINING *INTER-RACIAL* INEQUALITY BUT RISING *INTRA-RACIAL* INEQUALITY WITHIN THE BLACK POPULATION.

proposals focus on unemployment and poverty, others on the ‘wage gap’ and inequality. Strong calls by the Congress of South African Trade Unions (COSATU) for a high national minimum wage suggest that COSATU is concerned more with the ‘wage gap’ than with poverty and unemployment (although COSATU supplements this focus with muted calls for the expansion of social protection). COSATU claims that international experience and local South African evidence support its contention that a high national minimum wage would reduce both poverty and inequality. This section re-examines the international and local experience, and concludes that, in fact, the COSATU proposals are likely to result in massive job destruction and a worsening of poverty and inequality. We then turn to international and domestic evidence on an alternative set of reforms that target poverty more directly, while also reducing inequality: the expansion of social assistance and public employment programmes, as well as wage subsidies to promote employment opportunities for the less skilled, all financed through progressive taxation – together with minor reforms of South Africa’s existing institutions for sectoral wage-regulation.

The regulation of wages⁵

South Africa’s existing minimum wage-setting system was established in the late 1990s by the democratically elected ANC-led government, but its institutional foundations date back to the 1920s. A system long used primarily to protect the interests of white workers was deracialised, providing for the regulation of the wages of all – or, at least, potentially all – low- and even medium-waged workers, regardless of race, sector or geographical location. The two new legislative pillars of wage regulation were the Labour Relations Act 66 of 1995 (LRA) and the Basic Conditions of Employment Act 75 of 1997 (BCEA).

The LRA provided for minimum wages to be set by way of sectoral collective agreements, between trade unions and employers’ associations in registered bargaining councils, which were then almost always ‘extended’ by the minister of labour to all employers and workers in the sector or industry concerned. As of late 2014, there were 30 bargaining councils in South Africa setting wages for an estimated 2.2 million workers (DoL 2014); however, this figure probably excluded workers affected by extensions as well as workers in sectors (including gold- and coal-mining, and automobile manufacturing)

that had comparably institutionalised collective bargaining outside the bargaining council system. Collective agreements often provide detailed schedules of wages for different occupations, experience and even locations (although trade unions, sometimes with the support of major employers, have long pushed for the reduction of regional differentiation). In the clothing sector, for example, the lowest minimum wage gazetted by the minister of labour in 2014 was R565 per week, for inexperienced machinists in selected non-metropolitan areas (although new employees could be paid 20 per cent less, or R452 per week, subject to certain conditions).

The BCEA provides for minimum wage-setting and the regulation of conditions of employment in sectors where trade unions and employers’ associations are weak or non-existent, and where workers are considered to be ‘vulnerable’. Under the BCEA, the minister of labour instructs the Employment Conditions Commission (ECC) to investigate a sector and recommend a sectoral determination, which sets out minimum wages and conditions of employment. The BCEA explicitly requires the ECC to take into account the affordability of wage increases and the risk of negative effects on employment, as well as the cost of living – in other words, to find a balance between preventing the exploitation of vulnerable workers, on the one hand, and destroying their jobs, on the other. The Department of Labour estimated that, at the end of 2014, a total of between 3 and 5 million workers were covered by the ten sectoral determinations (DoL 2014). The lowest minimum wage at that time, set under a sectoral determination, was R1 813 per month, for domestic workers in some parts of South Africa.⁶

There are two important differences between the mechanisms for wage regulation in the LRA and in the BCEA. Firstly, whereas the LRA provides for bipartite (employer/union) negotiations, and extensions by the minister of labour, the ECC includes independent experts appointed by the minister alongside representatives of organised business and labour. Secondly, the ECC is required to take into account potential job destruction, but there is no such requirement in the LRA. In practice, however, these differences have hitherto been somewhat muted. Bargaining councils have generally been much less sensitive than the ECC in respect of employment effects, but cannot disregard them entirely, both because trade union members might be affected and because of potential negative publicity. Furthermore,

many of the sectoral determinations recommended by the ECC are linked to agreements reached by employers and unions in informal bargaining forums. Occasionally, the wage minima set in collective agreements under the LRA, covering parts of South Africa, have been lower than the minima set through a sectoral determination under the BCEA in the same sector but elsewhere in the country. The fundamental similarity between the LRA and the BCEA is that both have enshrined a system of sectoral wage regulation, rather than setting a uniform national minimum wage across all sectors, and have also allowed (and often practised) regional differentiation.

This system of sectoral wage regulation was endorsed by COSATU. In the early 1990s, COSATU decided against demanding a uniform national minimum wage in the face of opposition from some of its affiliated unions. The Southern African Clothing and Textile Workers' Union (SACTWU) argued strongly against a uniform national minimum that did not take into account conditions (including profitability) in low-wage sectors. Even most advocates of a national minimum proposed that some sectors – notably agriculture – should be exempt. COSATU, thus, went along with the re-institutionalisation of sectoral minimum wage-setting through the BCEA and the LRA (Seekings 2015a). For about 15 years, without evident objection, COSATU used these sectoral wage-setting mechanisms. Trade unions and their representatives were successful in raising the real value of minimum wages in most sectors, but were generally cautious when increases might have resulted in job destruction. Minimum wage increases did destroy jobs in clothing and agriculture but, in both cases, few of the affected workers were members of a trade union. In general, COSATU and its representatives on the ECC were attentive to the threat of job destruction (see Seekings 2015b). The result was a set of minima that varied not only between occupations and regions, but also between sectors, reflecting differences in the perceived affordability of labour costs.

In the 2000s, COSATU shifted to the view that this system of wage regulation, which it had played a part in creating, was deficient. In the words of COSATU strategist Neil Coleman, the 'apartheid wage structure' had barely changed: most sectoral determinations under the BCEA and some collective agreements under the LRA provided for minimum wages that left workers in poverty, while many low-paid workers were not covered at all, according to Coleman. The ECC had allegedly been

'captured' by 'technocrats' and (unidentified) 'powerful interests', while trade unions were 'blackmailed' by employers in bargaining councils. The 'entire wage-fixing system...needs to be re-evaluated', with the adoption of 'effective, large-scale state intervention in the wage structure', as in Brazil (Coleman 2012a, 2012b, 2013a, 2013b). In calling for South Africa to follow the Brazilian example – setting and raising aggressively a national minimum wage, doing away with the existing 'voluntarist' collective bargaining system and the 'technocratic' system of sectoral determinations – Coleman and COSATU were not simply calling for a national minimum wage. A *de facto* national minimum could be implemented through the existing system. Instead, Coleman and COSATU were calling for an entirely new, centralised system of wage determination that would empower trade union leaders.

The initial proposals for a national minimum wage suggested that it be set between R4 800 and R6 000 per month in 2011 prices (equivalent to between R5 800 and R7 300 per month in 2015), perhaps with a lower minimum during a transitional phase-in period (Coleman 2012b). COSATU did not propose a precise figure officially, but reportedly suggested that a slightly lower national minimum, of about R5 000 per month in 2015 prices, would be 'a useful benchmark, because it approximates the minimum living level and is about 40% of the average national wage' (Coleman 2014). In early 2015, COSATU's Gauteng leaders told the Parliamentary Portfolio Committee on Labour that the minimum wage should be set at R7 000 per month, while the COSATU-affiliated South African Communication Union called for a minimum wage as high as R12 500 per month (Gernetzky 2015). Even the lowest of these minima would double, in real terms, the lowest existing sectoral minima (in sectors such as clothing, regulated under the LRA, and domestic work, regulated under the BCEA), while a national minimum of R7 000 per month would more than treble these existing sectoral minima. Increases in minimum wages on this scale are probably unprecedented globally.

COSATU's preferred minimum seems to have been based primarily on the cost of living. Recent research confirms that many workers are living in households with incomes below the poverty line (Finn 2015). Increasing wages, however, is not the only way of lifting households out of poverty. COSATU's vision of households supported by a single breadwinner is anachronistic in

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OUT OF POVERTY.

a world that has moved beyond the model of well-paid male breadwinners providing for their wives and children. Households rise out of poverty when job creation results in households having more than one wage, even if the wages are low. Amidst high unemployment, low-wage job creation raises households out of poverty as effectively as higher wages.

'International benchmarks' provide a second possible basis for a high national minimum wage. Coleman selects the supposed ratio of minimum to average wages as his preferred means of international comparison. In South Africa, he suggests, this ratio is 20 per cent, compared to 40–50 per cent in OECD countries (and, after large increases, Brazil) (Coleman 2012b). However, other data and benchmarks suggest that South Africa's existing minima are not out of line with international practices. For example, South Africa's lowest sectoral minima are not especially low in comparison with countries such as Brazil when the cost of living is taken into account. In Brazil, the minimum wage in 2014 was R\$724 per month, which in terms of purchasing power was worth about R2 200 per month. In 2015, this was raised to R\$788 per month, the equivalent of just under R2 400 per month. These minima were higher than the minimum wage for domestic workers in poorer parts of South Africa (R1 813 per month from December 2014), but were lower than the minimum in agriculture (R2 606 per month from March 2015) or clothing manufacturing (R2 638 per month). The Brazilian minimum in 2014 was lower than the average of the minima set by either the ECC (R2 362 per month) or bargaining councils (R2 732 per month). Comparing minimum wages to GDP per capita also suggests that South Africa's existing minima are not out of line with international benchmarks. The ratio of lowest minimum (for domestic work) to GDP per capita is almost the same (at about 31 per cent) as the ratio of national minimum to GDP per capita in Brazil. Minimum wages at Coleman's target band of R4 800–6 000 per month (in 2011, i.e. R5 650–7 060 in 2014 prices) would correspond to a massive 96–121 per cent of GDP per capita, which is three to four times higher than the ratio in Brazil. International Labour Organisation (ILO) data indicate that minimum wages in South Africa are higher relative to average wages than Coleman suggests (see Seekings & Natrass 2015b). Compared to other, similar countries, South Africa's existing sectoral minima are either higher than or in line with the cost of living, wages or GDP per capita.

COSATU asserts that a high national minimum wage would reduce poverty not only by raising the working poor out of poverty but also because it would result in an increase in employment. In COSATU's view, not only would there be no direct job destruction, but wage-led growth would result in job creation. These claims are not supported by international experience. It is true that even conservative governments in countries like the UK and Germany have endorsed national minimum wages, and the Brazilian model – of rising minimum wages, social protection and employment – was widely lauded for a while. Minimum wages had widespread appeal in the face of the grossly inflated incomes of national and global elites, but it is incorrect to suggest (as South African advocates of a high national minimum wage have done) that there is scholarly consensus over the merits of minimum wages. Neumark and Wascher (2008), in their magisterial book, *Minimum Wages*, conclude that most of the evidence from the USA suggests that minimum wages are not an effective social policy for helping the poor, because they reduce employment for low-skilled workers (especially young entrants to the labour market), they discourage young workers from investing in skills, they raise prices on goods and services consumed by the poor, and they do little to increase the incomes of poor and near-poor families (see also Neumark, Silas & Wascher 2014). Several recent studies in the USA argue that negative employment effects in that country have often been underestimated because studies have focused too narrowly on short-term changes in employment (Sorkin 2015; Meer & West 2015; Aaronson, French & Sorkin 2015).

Evidence from developing countries is even more worrying. The ILO (2013: 49) acknowledges that employment effects in developing countries depend on the economic context, the level of the minimum wage, enforcement, and the 'labour market peculiarities and institutions prevailing in each country'. A World Bank study goes further:

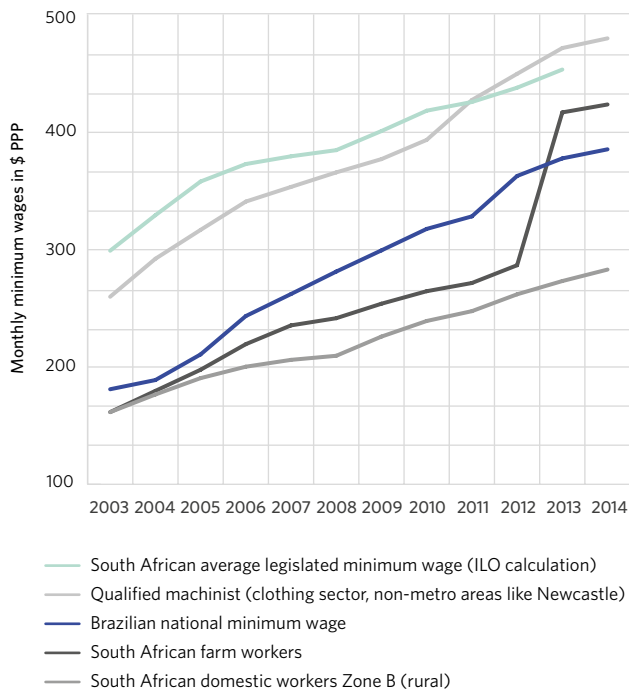
The clear majority of developing-country studies find some adverse employment effects, but this is not always the case...Not surprisingly, researchers tend to find that employment effects are generally more significant at the segment of the wage distribution where the minimum wage actually "bites"...A negative employment effect can extend beyond workers earning around the minimum

wage, but it tends to dissipate as one moves up the wage distribution. (Betcherman 2014: 8)

The primary losers in developing (as in developed) countries are, therefore, young workers and women, the less skilled and workers in small firms. In practice, minimum wages generally have a modest negative effect on employment in developing countries, because the minima take into account likely job destruction (Freeman 2010; ILO 2013; Betcherman 2014). The modest level of the national minimum wage in Brazil, which was very similar in terms of purchasing power to the lowest sectoral minima in South Africa throughout the 2000s, is one reason why it could be raised without any negative effect on employment.

South African evidence on the relationship between minimum wages and employment over the past 15 years broadly concurs with the global evidence. Econometric studies of South Africa conducted by Bhorat et al. (2013, 2014) suggest that the demand for labour in most non-tradable sectors is only weakly wage-elastic at the wage levels at which minima have been set hitherto, while the demand in tradable sectors is more obviously wage-elastic.⁷ This is hardly surprising. The demand for domestic work has remained buoyant, in part because the rising real earnings of the rich have meant that many employers have been able to pay their domestic employees higher wages. The demand for farmworkers, in contrast, fell dramatically following the first sectoral determination (in 2002), with the minimum wage explaining most of the 200 000 jobs lost over one year (Bhorat et al. 2014). Anecdotal evidence suggests that the huge increase in the minimum wage in agriculture in 2013 resulted in further job destruction (affecting women in particular) even over the short term.⁸ The econometric findings accord with the predictions of the 50-odd investigations of low-wage sectors conducted by the ECC over the past 15 years. Every time the minister instructed the ECC to recommend new minima, the Department of Labour and ECC would investigate how high minima could be set without significant job destruction. In sectors such as farming, forestry and the wholesale and retail trade, minima were approximately doubled (in real terms) between the early 2000s and 2015.⁹ In some other sectors – notably domestic work and private security – the Department of Labour and ECC were of the view that the risk of job destruction was high, and that minima should be raised more modestly.

Figure 1.1.1: The Brazilian national minimum wage compared with South African minima, 2003-2014



Source: ILO and South African Government Gazette, compiled by authors

In agriculture, the ECC seems to have got it wrong, but the 2013 hike in the minimum wage for farmworkers was effectively imposed on the ECC by the minister of labour, for political reasons. Even then, the minister herself resisted the much larger increase demanded by striking farmworkers, and the Department of Labour and ECC decided against replicating the actual increase in most other low-wage sectors (especially domestic work) (Seekings 2015b).

Increases in minimum wages through the extension of collective agreements under the LRA have also resulted in job destruction in tradable sectors such as clothing, especially in the most labour-intensive firms in places such as Newcastle in northern KwaZulu-Natal and Phuthaditjhaba in the southern Free State (Nattrass & Seekings 2014). It is likely that the entire clothing industry would be wiped out if a national minimum wage anywhere close to R5 000 per month were imposed. Unsurprisingly, SACTWU has been shy to comment publicly on COSATU's demand for a high minimum wage.

Figure 1.1.1 shows the real value of the national minimum wage in Brazil compared with selected minima in South Africa. The Brazilian national minimum has risen in real value, but remains lower in terms of purchasing power than the average minimum wage in South Africa (as calculated by the ILO). Its value has risen faster than the lowest minimum for domestic workers in South Africa, but the minimum wage for farmworkers overtook it in 2013. Minimum wages in the clothing industry remain higher in value than the Brazilian national minimum.

Advocates of a high national minimum wage have one final argument – that massive increases in minimum wages would generate the kind of wage-led growth that fuelled economic growth in Brazil (until 2014). Zwelinzima Vavi, then COSATU's general-secretary, argued that manufacturing jobs had been lost because of insufficient demand, which was due, in turn, to the low wages paid to workers: 'We must pay higher wages that will stimulate the demand for locally produced goods' (Zwane 2014; see also Isaacs & Fine 2015). COSATU has also suggested that the German experience offers a model for South Africa, in that increased minima drive productivity increases. Unfortunately, these arguments reflect a misunderstanding of the possibilities for and constraints on economic growth in both Brazil and South Africa.

Wage-led growth is possible if employers are compen-

sated for higher labour costs through higher domestic sales, thereby maintaining profitability and encouraging investment. If aggregate demand expands fast enough, then employment and wages can rise together. However, this happy scenario is possible only if factories have spare capacity and remain competitive with imports, and if employers expand production through increased employment rather than increased productivity. Wage-led growth is most likely if there is an exogenous source of demand, as in Brazil in the 2000s when Chinese demand for Brazilian commodity exports soared. In such conditions, higher minimum wages and social security payments to pensioners and the poor (which boosted demand without raising production costs) served both to fuel growth and to ensure that the benefits were shared by the working and non-working poor – especially during and after the 2008 global financial crisis (ILO 2011; Serrano & Suma 2011). As is now very evident, Brazil's demand-led growth could not be sustained. By 2013, the country was running a large current account deficit, with demand fuelling imports while exports stagnated. The government's deepening fiscal deficit reduced the space for further increases in either social security or the national minimum wage, leading to conflict with organised labour (Blount 2015). In 2015 the Brazilian economy collapsed.

Household consumption and the balance of payments deficit in relation to GDP in South Africa are very similar to the pre-slump Brazilian scenario. The high share of household consumption reflects the fact that South Africa has already experienced demand-led growth, as rising earnings (enjoyed by above-median earners) and debt fuelled demand. The balance of payments deficit indicates that domestic demand leaked into imports, that South African producers are not internationally competitive, and that any further attempt to boost demand would necessitate devaluation, eroding the real value of South Africans' earnings and fuelling inflation. For traded goods (such as clothing), higher wages translate into expanded imports and higher costs for South African producers. The result will inevitably be serious job losses. This would be even more devastating in South Africa than it has been in Brazil. As of 2013, South Africa's official unemployment rate was 25 per cent, compared to 6 per cent in Brazil, while South Africa's employment rate (i.e. the proportion of the working-age population in employment) was a meagre 39 per cent, compared to 66 per cent in Brazil. Any further rise in

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KEEP THEIR JOBS.

unemployment in South Africa would increase poverty and inequality beyond their current high levels.

The effect of minimum wages on poverty and inequality depends on whose wages are raised, whose jobs are destroyed and who can access any new jobs that are created. In the USA, even if the aggregate impact of minimum wages on employment is modest, the costs might be borne disproportionately by vulnerable groups – the young, women and the less skilled (Neumark & Wascher 2008). In developing countries, the effects of minimum wages on poverty appear to be mixed (Betcherman 2014). In South Africa, higher wages result in higher household incomes only if workers in poor households keep their jobs. If they lose their jobs, then they are left worse off. It is, therefore, crucial to understand how minimum wages affect employment. While there is no publicly available analysis of precisely how different national minima would affect employment patterns and, hence, poverty and inequality, the existing evidence suggests that policy-makers should proceed with caution.

Suppose that a national minimum wage were set in South Africa at the same value in terms of local purchasing power as the national minimum wage in Brazil. In 2014, this would mean a national minimum wage in South Africa of about R2 200. This minimum would also ensure that the South African minimum wage was higher in relation to GDP per capita than the Brazilian minimum. Such a national minimum in South Africa would be slightly higher than the existing minimum for domestic workers in poorer parts of South Africa, but would be lower than the existing minima for farmworkers or security guards in the private security sector. It might be slightly higher than some minima set by bargaining councils and extensions, including the discounted minimum nominally permitted for new employees in otherwise compliant clothing manufacturing firms in places such as Newcastle, but it would be lower than the minimum wage applicable in practice to almost all clothing workers across South Africa. The major sector not covered by either a collective agreement or sectoral determination is the construction sector, where few workers are paid less than this minimum. The minimum would not affect the self-employed, many of whom earn modest earnings in ‘survivalist’ activities. In practice, therefore, the workers who would be affected by this national minimum are probably those already covered by one or other

minimum, but not currently compliant, for example workers in spaza shops or those doing care work in townships and rural areas across the country. The state is unlikely to be able easily to enforce minima on employers, but the existence of a national minimum wage might improve employees’ bargaining position *vis-à-vis* their employers. The effects on both employment and poverty are likely to be modest.

If a national minimum wage were set at a much higher level, the effects would be more marked. Suppose that a national minimum is set at about R5 000 per month, as proposed by COSATU. The result would certainly be considerable job destruction, not only in tradable sectors such as agriculture and clothing manufacturing, but also in non-tradable sectors such as private security and retail (which would utilise more skill- and capital-intensive technologies), and even domestic work. More worryingly, the pattern of job destruction would disadvantage the very poor and the poor more than the non-poor. Domestic workers and security guards already earning close to R5 000 per month, working for rich households, would be more likely to keep their jobs (and take home higher earnings), while domestic workers and security guards working in low-income urban and rural areas would be more likely to lose their jobs. The result would probably be even greater polarisation between the poor and non-poor, and between rural and metropolitan areas.

The goal of a national minimum wage could be achieved in South Africa without any reform of the existing wage-setting institutions. Not only are the wages of most low-wage workers already regulated, with the minister of labour having the authority to instruct the ECC to recommend minima in any unregulated sectors, but an amendment to the BCEA, which came into effect in September 2014, explicitly provides that the minister may ‘publish a sectoral determination that applies to employers and employees who are not covered by any other sectoral determination’ or bargaining council collective agreement¹⁰ – ensuring, in other words, that every South African worker is subject to minimum wage-regulation. Given the statutory obligation on the ECC to take into account job-destruction (a concern shared by bargaining councils with respect to union members at least), the existing institutions would presumably set a national minimum at or below the level imagined in the first scenario above.

This is precisely what COSATU rejects. For COSATU, the issue is not the principle of countrywide wage

regulation or even setting a national floor; it is, rather, the procedure for setting the level of a national minimum. COSATU rejects the recommendation of the ILO that minima should be set by institutions structured like the ECC, with the participation of experts alert to the risks of job destruction. COSATU seems to want, instead, a highly centralised procedure in which decision-making power is vested in government officials susceptible to political pressure from COSATU itself, without any requirement that unemployment be taken into account. There is nothing in the experience of other countries to support this approach.

Rejecting the COSATU position does not mean rejecting wage regulation or defending every minimum set hitherto by the ECC or bargaining councils. A national minimum, set at an appropriate level through appropriate procedures with attention paid to employment effects, would probably enhance equity and social justice. The ECC might have been too conservative in assessing the potential for increased minima in some sectors. Most importantly, it does not preclude alternative approaches to tackling the challenges of poverty and inequality.

Alternative strategies for poverty reduction

For most of the twentieth century, the hegemonic approaches to poverty-reduction in the 'developed' as well as the 'developing' world all assumed that able-bodied, working-age adults would work and support their immediate or even an extended set of dependents. Mass and chronic unemployment in the global North during the interwar years had challenged this assumption, but the embrace of Keynesian macro-economic policies in the mid-1900s restored confidence in full employment. The welfare state would provide for adult people when they were unable to work, on the grounds of old age, disability, poor health or childcare, either through social insurance (funded largely through employment-linked contributions) or social assistance (funded out of general taxation, for people with weaker lifetime links to the labour market). While the more industrialised democracies got full employment and the welfare state, their colonies got 'development'. One version emphasised an agrarian route to development, based on smallholder or peasant agriculture. Another emphasised the expansion of formal employment in 'modern' economic sectors, especially industry. In both cases, as in the global North, poverty would be addressed

by ensuring that the poor were productive (as either peasants or workers). Across much of Africa, even urban and industrial 'workers' were rarely permanently proletarianised or urbanised: many worked for wages prior to returning to rural areas. States were under little pressure to insure workers against the risk of old age, poor health or disability through extensive social insurance programmes. States generally assumed that local-level redistribution between kin or neighbours meant that permanent 'welfare' programmes were neither necessary nor appropriate (except for specific social 'problems' such as 'delinquent' urban youth). The most important 'welfare' programmes in these primarily agrarian welfare regimes insured small farmers against the vicissitudes of weather (through emergency food and seed programmes) and global markets (through price stabilisation programmes).

In the context of full employment in formal sectors, minimum wages have obvious appeal as a mechanism for ensuring that economic growth is inclusive. In the context of abundant land but low productivity, more intensive and extensive agricultural production promises to ensure that development is inclusive. In the course of the twentieth century, however, rising unemployment and landlessness combined with other social and demographic changes to pose an entirely new set of challenges for poverty-reduction. 'Deagrarianisation' – encompassing both the economic and the social changes associated with access to land and cattle – transformed the policy agenda, first in settings where plantations or settlers monopolised access to land (for example, Mauritius and South Africa, in the mid-twentieth century), and only much later, at the end of the twentieth century, across most of the continent (Byrceson & Jamal 1997). By the early twenty-first century, rural landlessness was widespread and urbanisation was accelerating. Globalisation and high labour costs across most of Africa meant that labour-intensive employment expanded elsewhere – China, Bangladesh and so on – rather than in Africa itself. AIDS compounded the challenges. Even when economies did grow, few benefits from this growth trickled down to the poor. Meanwhile, democratisation and social change put more pressure on states to intervene, and the Millennium Development Goals contributed to increased demands on international agencies and aid donors, as well as governments, to demonstrate that they were making progress in reducing poverty.

IN CONTEMPORARY SOUTH AFRICA AND AFRICA MORE GENERALLY, THE CHALLENGE OF ADDRESSING POVERTY REQUIRES GOING BEYOND SOCIAL-SECURITY CASH TRANSFERS AIMED AT SELECTED CATEGORIES OF THE 'DESERVING' POOR.

This provided a strong impetus to rethink the kinds of public policy that might address the challenges of poverty. Across much of Africa, there was an explosion of interest in and experimentation with social-security cash transfers (Garcia & Moore 2012). Most social-security cash transfers targeted selected categories of poor people: the elderly, disabled and children (through grants to orphans and 'vulnerable' children, poor families with young children, or children themselves through school feeding programmes). Programmes aimed at poor households often prioritised those that were 'labour-constrained' (consisting only of the elderly, disabled or children). Few of these grant programmes targeted able-bodied adults directly. Able-bodied adults were generally targeted only during times of drought, when opportunities for production or work were limited, and then the assistance took the form of emergency-based food relief or public employment programmes (or 'workfare').

In contemporary South Africa and Africa more generally, the challenge of addressing poverty requires going beyond social-security cash transfers aimed at selected categories of the 'deserving' poor, defined by their inability to support themselves through productive employment (i.e. the elderly, disabled and sick, as well as children and their caregivers). Poverty-reduction also requires policies orientated towards landless, unemployed or underemployed adults of working age. This is a target group that has been overlooked historically, on the assumption that full employment or development policies cater for them, but there is international and local experience that can inform policy-making. Policy options fall into three main categories: social assistance programmes; public employment programmes; and policies designed to expand employment or self-employment (including, especially, wage subsidies, and land reform and related programmes).

Governments have often resorted to social assistance programmes when faced with political and social challenges arising from massive unemployment. In Britain (and elsewhere in Europe), in the 1920s and 1930s, unemployment 'insurance' schemes were repeatedly reformed and massively subsidised so as to provide modest financial support for unemployed people (through the so-called 'dole') (Gilbert 1970). Such programmes may be popular when unemployment is expected to be transient (or 'cyclical', during recessions), but almost always are unpopular when unemployment

is chronic (or 'structural').

South Africa, thus, is not obviously out of line with global experience in making little or no provision for the unemployed through cash grants. Since 1994, ANC-led governments have expanded South Africa's social assistance programmes, contributing substantially to the decline in poverty rates in the 2000s, but this expansion has not entailed direct provision for working-age adults. The most important component of the expanding social assistance system was the restructuring of cash support for poor families with children. In the late 1990s, the new Child Support Grant (CSG) replaced the apartheid-era State Maintenance Grant. The CSG was much more parsimonious than its predecessor, but was expanded to all poor South African families, whereas its predecessor had excluded almost all African South Africans and focused on single mothers rather than poor families *per se* (Lund 2008). With the gradual raising of the age threshold at which children cease to be eligible, the number of beneficiaries grew rapidly. The state also made it easier in the late 1990s for people to access a disability grant (before deciding that it had been made too easy, and restricting access) (Kelly 2013). Facing legal pressure, the government reduced the age threshold for men to access the old-age pension from 65 to 60 (i.e. to the same age as for women). The dramatic expansion of these programmes – costing 3.5 per cent of GDP and directly reaching about one-third of the population and most poor households – had a dramatic effect on both the poverty headcount and the poverty gap, although the effect was somewhat offset by the decline in private remittances from richer to poorer households (Leibbrandt et al. 2010; Devereux et al. 2011; World Bank 2014).

Without fundamental restructuring, however, this social assistance system cannot eliminate the poverty that is rooted in mass unemployment, because it makes only modest provision for unemployed, working-age adults. Some working-age adults receive benefits through disability grants. Others – mostly young women – receive CSGs on behalf of their children. Both programmes attract criticism because of the widespread perception that they are 'abused' by 'undeserving' working-age adults. State officials and ANC members of Parliament vociferously denounce 'fraudulent' disability grant claimants who are not really disabled and are capable of work, and the state tries to discipline doctors so that they do not certify the able-bodied as disabled (Kelly 2013). Officials, political leaders and members of the

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public express outrage at the idea that some women spend the CSG on themselves – especially for expenses such as airtime or drink – rather than on their children (see, for example, Devereux et al. 2010).¹¹ Survey data reveal clearly that South Africans, regardless of race, gender and class, distinguish between more and less deserving categories of people, and relegate unemployed, working-age adults to the least deserving end of the continuum (Seekings 2007).

In 2000, the government appointed the Committee of Inquiry into a Comprehensive System of Social Security, chaired by Vivienne Taylor. In its 2002 report, the Taylor Committee tentatively proposed, *inter alia*, a ‘basic income grant’ – a modest cash payment to every citizen not already receiving a grant (DSD 2002). At the time, the gross cost would have been about 4 per cent of GDP (Le Roux 2002). Modelling showed that it would close three-quarters of the poverty gap (Bhorat 2003). The government emphatically rejected the proposal, while repeatedly insisting on its commitment to an (undefined) comprehensive system. Ministers and spokespersons denounced ‘handouts’ and ‘dependency’ (on the state), and praised the ‘dignity of work’ (Matisonn & Seekings 2003; Seekings & Matisonn 2012).

The Department of Social Development did commission a study of possible forms of social assistance for 18- to 24-year-olds. Various options were costed in 2006 at between R5 billion and R22 billion per annum, that is up to about 1 per cent of GDP. However, the options would have had only modest effects on poverty among young people (see Altman, Mokomane & Wright 2014). In 2008, in a ‘discussion document’, Strategic Considerations for a Comprehensive System of Social Security, the Department of Social Development floated ideas aimed at expanding coverage of the poor. These included: increasing the age-limit on the CSG to 18 years; introducing a dedicated caregivers’ grant to all adults caring for children who received the CSG; removing the means-test on both the CSG and old-age pension; removing the time-limit on benefits paid to members of the Unemployment Insurance Fund; and introducing a new grant for unemployed young people between the ages of 18 and 24, conditional on their participation in training programmes. The department reported that these reforms would increase the social assistance budget by about 50 per cent, would reduce the poverty gap by about 37 per cent, and would reduce inequality (by 4 percentage points, using the Gini coefficient) (DSD

2008). While the age-limit of the CSG was raised, and the Treasury supported the removal of the means-test on the old-age pension, none of the other proposals seems to have received any support from outside the department. In 2009, the minister retired.

When the ANC and the government rejected proposals for a basic income grant, they emphasised that the priority should be public employment programmes. Public employment programmes have attracted widespread attention across the global South. Originally, they provided the means for governments to address temporary unemployment, whether due to recession or drought. Over time, they became institutionalised in a number of countries. In Botswana, public employment programmes were incorporated into development and financial planning in 1990–91 (Munemo 2012) and, more recently, were reinvigorated through strong support from President Ian Khama for the *Ipelegeng* Programme (Hamer 2015). In Ethiopia, the government manipulated aid donors into financing the Productive Safety Net Programme, which replaced earlier emergency food programmes. The largest public employment programme in the world is India’s Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), which guarantees low-wage employment for all rural households during the lean months.

In South Africa, the ANC initiated a series of grand-sounding public employment programmes: the National Public Works Programme, the Community-Based Public Works Programme, the Special Public Works Programme, the Extended Public Works Programme and (as Phase II of the last of these) the Community Work Programme. Over time, the design of these programmes improved, with a stronger emphasis on work that was both labour-intensive and useful, and with more ‘community’ and NGO involvement (Philip 2013). In 2012, the National Development Plan (NDP) proposed a massive expansion of public employment programmes, in effect providing a weak employment guarantee or right to work in the event that the economy failed to create the 11 million new jobs required by 2030. In its least optimistic scenario, the NDP speculated that half (that is more than 5 million) of these new jobs could be provided through public employment programmes, which would employ almost one-quarter of the working population (NPC 2012). In this vision, public employment programmes would provide an employment guarantee comparable to the MGNREGS in India (Philip 2012). In practice, however,

this was far beyond either the capacity or the will of the state. Even if the programme envisaged in the NDP provided the unemployed with only two days of employment per week, it would nonetheless need to be about 20 times larger than the Expanded Public Works Programme at the latter's peak in 2008–09. The cost would probably be prohibitive, not least because the total cost of existing workfare programmes is several times higher than the amounts actually disbursed to participants (Van der Berg & Siebrits 2010).

Of course, it would be much better if jobs were created by the private sector, without needing to be fully funded out of tax revenues. Wage subsidies might serve both to raise the employment elasticity of growth – the job creation associated with increased output – and to get jobseekers (especially young jobseekers) into employment in ways that improve their productivity and render them more attractive to employers. This was the thinking behind the Treasury-driven experimental (three-year) Employment Tax Incentive Programme, which introduced wage subsidies for the employment of low-waged workers. A randomised controlled trial had suggested that a youth wage subsidy might have enduring benefits in terms of getting young people into employment (Levinsohn et al. 2014). A static general equilibrium microsimulation model suggested that a tax-financed subsidy scheme targeted at less-skilled workers, costing almost R20 billion (in 2007 prices), would reduce the unemployment rate by about 3 percentage points. The benefits in terms of disposable household income vary according to the wage elasticity, with more benefits to the poor if the subsidy programme results in more job creation. Not all jobs go to people in poor households, however. Given reasonable estimates of the likely elasticity, the creation of about 500 000 new subsidised jobs would reduce the total number of people living in poverty by between approximately 500 000 and 800 000. Careful targeting of sectors such as clothing and construction would result in more pronounced poverty reduction (Burns, Edwards & Pauw 2013). Geographical targeting would also increase the poverty-reducing effects.

Ultimately, the rationale for wage subsidies is the need for a new and more pro-poor economic growth path. Since 1994, South Africa's economy continued to grow (slowly) along the existing path, resulting in the collapse of demand for less-skilled labour and a very high unemployment rate. A more pro-poor growth

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path would entail more labour-intensive employment for less-skilled workers, even if the jobs created paid low wages. The model here is not Brazil, but Mauritius in the 1980s. Acting on the recommendations of the progressive, Nobel Prize-winning economist James Meade, Mauritius prioritised low-wage job creation in the clothing and, later, tourism industries, resulting in a dramatic decline in the country's initially very high unemployment rate. Only when the labour market tightened were statutory minimum wages raised, ensuring that the benefits of growth were shared widely without job destruction (Dabee & Greenaway 2001). In the South African case, more effective (and better-funded) land reform policies and other programmes that expand non-waged livelihoods would also help to address the challenges of poverty.

Evidence-based policy-making with multiple objectives

The case of Mauritius provides an example of the ILO's general injunction that governments should worry about improving wages and conditions of employment, and job creation, and that the balance between these should reflect conditions within the country. The ILO's Minimum Wage Fixing Convention (No. 135, 1970) explicitly recommended that minimum wages be set at a level that takes into account both 'the needs of workers and their families' and 'economic factors, including... the desirability of attaining and maintaining a high level of employment'. In a high-unemployment economy (such as Mauritius in the 1970s and South Africa in the 2000s), the level at which minimum wages are set needs to ensure that labour-intensive firms and sectors remain viable. In the 2000s, the ILO rediscovered the importance of social protection, culminating in the adoption of the Social Protection Floors Recommendation (No. 202) in 2012 (ILO 2012).

Minimum wage regulation is intended primarily to limit the exploitation of vulnerable workers, although international evidence suggests that it is the most vulnerable workers who stand to lose as well as gain the most. Social protection is intended primarily to support the non-working poor, and generally neglects non-working, able-bodied adults of working age. Both minimum wages and social protection, therefore, assume a growth path that ensures a high level of employment, such that people who are able to work do so, supporting

themselves (and dependents) and (above a certain level of affluence) contributing through taxes to financing redistributive social and economic programmes. The state must, thus, strike a balance between minimum wage regulation, social protection and job creation. This requires careful attention being paid to available evidence and, especially, to country-specific conditions.

South African governments since 1994 have clearly not achieved the right balance. There has been a substantial expansion of wage regulation (under the BCEA and LRA), and the real value of the lowest minima set in different sectors has risen significantly over time. The expansion of social protection programmes has reduced the poverty gap and poverty rate. However, economic growth has been accompanied by job destruction in key labour-intensive sectors, and by very weak job creation overall. The number of unemployed people doubled over 20 years, and South Africa is still a global outlier in terms of the employment and unemployment rates. Yet, the poverty gap remains small, and eliminating it is feasible in technical terms.

COSATU proposes what amounts to a new growth path in which economic growth is driven by high wages for less-skilled workers, achieved through the imposition of a national minimum wage set through a centralised and essentially political process at a level that is very much higher than most existing sectoral minima. Neither international nor South African evidence suggests that this would achieve COSATU's stated goals of reducing poverty and inequality. The evidence suggests that greatly raised minimum wages would lead to considerable job loss among the less skilled, and, indeed, the destruction of entire labour-intensive sectors such as clothing manufacturing. Moreover, most of South Africa's existing sectoral minima are not out of line with national minima in countries like Brazil in terms of either purchasing power or in relation to GDP per capita. There is no evidence that South Africa would experience a wage-driven growth spurt that would compensate for higher labour costs.

The alternative is the further expansion of social protection – including social assistance and public employment programmes – as well as steering the economy down a more pro-poor growth path through wage subsidies for the unemployed (especially if these are concentrated in selected sectors and regions) and land reform. The existing system of setting minimum wages on a sectoral basis, taking into account employ-

ment effects, could be strengthened. Increased taxation of the rich, to finance these programmes, would also serve to reduce inequality in disposable income. None of these programmes is a panacea for poverty, but in combination they would probably achieve better outcomes in terms of reducing both poverty and inequality than would a high national minimum wage.

There is widespread support in South Africa for more effective policies to address unemployment and poverty, including by means of the expansion of social assistance for deserving poor and of employment opportunities for able-bodied, working-age adults. It seems that the extremely high incomes of the very rich are not widely regarded as legitimate. Citizens repeatedly identify job creation, alongside crime, as the top priority facing the government. One might think it would be easy to build a strong political coalition in support of effective, pro-poor reforms. In practice, this political challenge is not simple, and there are major obstacles to a pro-poor 'social pact'. The new black elite and middle classes are at least as opposed as their white peers are to either capping their earnings or paying higher taxes. COSATU is against any increase in taxation on its unions' members or to a policy of wage restraint. Support for redistributive programmes declines when bureaucrats absorb most of the expenditure and the programmes are ineffective. Pacts between business associations and trade unions tend to reflect the interests of big business and organised labour, and fail to take into account the concerns of small business, the working poor and the unemployed. Given the party and electoral systems, elections have not given poor voters an effective say over public policy. When the poor do resort to direct action, this typically focuses on service delivery by the state rather than the economic growth path and job creation. Public policy is only weakly pro-poor because the poor are politically weak, while the politically powerful non-poor hold to visions of development and growth that are only minimally inclusive.

ENDNOTES

- 1 We are grateful to Andries du Toit and Ingrid Woolard for comments on earlier drafts.
- 2 Whiteford et al. (1995) used a poverty line of R840 per month for an urban family comprising two adults and three children (and a slightly lower line in rural areas). Using the purchasing power parity exchange rate, this converted to just under PPP\$3 per person per day.
- 3 Recent research suggests that *extreme* poverty might have declined more sharply (Budlender, Leibbrandt & Woolard 2015).
- 4 PLSLD and Labour Force Surveys, own calculation.
- 5 This section summarises a separate, longer paper (Seekings & Natrass 2015b).
- 6 Minimum 'wages' were lower for participants on public works programmes.
- 7 Overall, Pauw and Leibbrandt (2012) find that minima have resulted in job destruction. Bhorat et al.'s methodology may underestimate the effect of minimum wages on employment, because of the difficulty in identifying a control group of less-skilled workers who were not affected by wage regulation. Bhorat et al. do not isolate the effects on vulnerable, less-skilled workers specifically.
- 8 See, for example, *Cape Times*, 3 December 2014.
- 9 This does not count the increase effected by the first sectoral determination in previously unregulated sectors.
- 10 Section 8(f), revising Section 50 of the original BCEA.
- 11 Survey data suggest that the benefits of the CSG for children are substantial (see, for example, Heinrich et al. 2012).

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Women in the labour market: Vulnerability and opportunity

This section discusses the extent of women's vulnerability in the labour market and provides profiles and analysis of economically vulnerable women in South Africa's labour market, and assesses opportunities for greater inclusion.

28/ KEY INSIGHTS

- ❑ While the unemployed are the most vulnerable, the employed face varying degrees of vulnerability, too, since their employment may be precarious, or they may not have access to social protection or leave.
- ❑ While vulnerability may be correlated with education levels, a large number of women with a matric qualification or better are unemployed or in the informal sector because they are unable to find work in the formal sector.
- ❑ Formal sector workers are least vulnerable, while the vulnerability of informal sector workers is most severe, with these workers having very little protection.
- ❑ In the agricultural sector, the levels of protection afforded to those who are more skilled are vastly different from what is provided for those doing more menial work.
- ❑ Increasing fiscal constraints in a low-growth economy with structural challenges means that the design and extent of any further labour market interventions need to be carefully considered.
- ❑ While there are labour market policies and an extensive social welfare system that help to reduce poverty and vulnerability, the level of unemployment and intensity of vulnerability remain high, particularly for certain groups of women.
- ❑ In an economy with significant unemployment, particularly among women and the youth, the government needs to consider more carefully its role in providing opportunities for employment in the informal sector.
- ❑ Given the level of vulnerability of women in rural areas, the possibility of providing government support to small-scale agricultural businesses to lift such women out of poverty should perhaps be considered more closely.

Introduction

The post-apartheid South African labour market has seen both gains and challenges for women. Employment equity legislation has placed greater focus on the representation and treatment of women in the labour market, resulting in their status taking on increased importance. However, labour market outcomes for women have been less than satisfactory.

One of the markers of the post-apartheid economy has been the feminisation of the labour force (Casale & Posel 2002). Put differently, there has been a significant increase in the number and proportion of working-age women looking for work. This is probably driven by the need for households to escape poverty; however, women's participation in the labour market is typically impacted on by household and child-caring responsibilities.¹

Between 1995 and 2007, the increase in labour force participation of women was accompanied by an increase in the share of women in employment (Posel 2011), but the large increase in labour force participation post-apartheid, particularly of African women, has resulted in many women taking up employment in low-paid, low-status and insecure jobs (LRS 2014). Furthermore, although women's share in employment has risen since 1994, women are more vulnerable to unemployment than men: the increase in unemployment for women between 1995 and 2007 was larger than the increase in unemployment for men (Posel 2011). Thus, even though more women are participating in the labour market in post-apartheid South Africa, they tend to find work in less secure employment and are more vulnerable to unemployment than men.

Furthermore, while the gender earnings gap has declined, a large and persistent difference in earnings remains (Goga 2008; Bhorat & Goga 2013; Posel 2011). In addition, between 1995 and 2007 there was an increase in the share of African women among the bottom earners (Posel 2011), and women are considerably more likely to be engaged in low-paid work than are men (Oosthuizen 2012).

Given this backdrop, this paper provides a profile and analysis of economically vulnerable women in the labour market, using the 2008 and 2014 third-quarter waves of the Quarterly Labour Force Survey (QLFS), a nationally representative household survey.² Furthermore, the paper provides some considerations regarding opportunities to reduce the vulnerability of women in the labour market.

Definition of labour market and economic vulnerability

Vulnerability is understood in many different ways. The concept of vulnerability is used in the poverty literature, and it may be defined as 'the exposure to uninsured risk leading to a socially unacceptable level of well-being' (Hoogeveen et al. 2005). Vulnerability is also implied by the characteristics of work (for example, informal work), since some characteristics represent more implicit economic risk than others.

The 'Decent Work Agenda' of the International Labour Organisation (ILO) consists of estimates of a variety of indicators for 'decent work', based on statistical and legal international standards. In addition, the ILO has created a 'vulnerable employment' indicator, which defines 'vulnerable employment' as the sum of own-account workers and unpaid family workers (ILO 2009). This definition has the drawback of excluding wage and salary earners entirely, even though wage/salary employment is likely to be vulnerable if it is in the informal sector or it is informal employment, and this is particularly true in South Africa. Other studies have measured the vulnerability of employment by using a composite index, consisting of the sum of dichotomous variables, which are related to employment status and are markers of vulnerability (Bocquier, Nordman & Vescovo 2010).

In our analysis of vulnerability for this report, we use a mix of approaches. Firstly, we provide a high-level overview of how both women and men have performed in the labour market in the period 2008–2014, in order to illustrate how women, in particular, are disadvantaged in the South African economy.³ We then consider how women's employment has shifted between 2008 and 2014, in terms of type of employment and occupation.

Thereafter, using the 2014 data, we provide an analysis of the potential sources of vulnerability (by considering characteristics such as education, age, race and location), before providing an analysis of the intensity of vulnerability. In looking at the intensity of vulnerability, we use Bocquier et al.'s (2010) approach, and construct a vulnerability index as a composite index based on a series of dichotomous variables that are markers of vulnerability. In creating the index, we consider three main sources of vulnerability (eight variables), as follows:

- *job security* – type of employment,⁴ existence of a written contract, type of contract;⁵
- *employment-related social protection* – employer contri-

- contribution to pension, medical aid, UIF; and
- access to leave – annual and sick leave, maternity leave.

Using this approach, the intensity of vulnerability is measured for each person as the sum of the criteria identified above, with a score of 0 indicating the highest level of vulnerability and a score of 8 indicating the lowest level. Using this method, the unemployed are the most vulnerable (since they score 0). The employed face varying degrees of vulnerability, too, since their employment may be precarious, or they may not have access to social protection or leave. Finally, we also consider vulnerability from the perspective of earnings.

Overview of women in the labour market

How have women and men fared in the labour market since the financial crisis of 2008?

This section provides a brief overview of how women and men performed in the labour market between 2008 and 2014. Table 2.1 shows a few interesting results. Firstly, using both the narrow and broad definition of the labour market, the labour force participation rate of women was lower than that of men in 2008. In the period 2008–2014, there was an increase in the broad participation rate, particularly for women. This was perhaps a result of the 2008 global financial crisis pushing more women into the labour market. Interestingly, in a recent study, Cichello, Leibbrandt and Woolard (2014) found that women exhibit greater mobility into and out of the workforce and employment, thus showing that labour market status is generally more dynamic for women than it is for men.

Secondly, employment grew for both women and men between 2008 and 2014, with around 600 000 more women and in excess of 700 000 more men finding employment over the period. However, (broad) unemployment grew for both women and men, as a result of faster growth in labour force participation than in employment. The (broad) unemployment rate increased more for men than it did for women over the period.

However, the (broad) unemployment rate for women in both 2008 and 2014 was significantly higher than it was for men. In 2014, almost 37 per cent of women willing and available to accept a job (but not necessarily actively looking for work) were not able to find work in the South African economy, while the (broad) unemployment rate for men stood at 31 per cent. Women, thus, are

WHILE A SIGNIFICANT PROPORTION OF WOMEN IN THE LABOUR MARKET ARE EMPLOYED IN THE FORMAL SECTOR, THE FORMAL SECTOR ITSELF SHOWS VARYING DEGREES OF VULNERABILITY FOR WOMEN.

Table 1.2.1: Overview of the South African labour force, 2008 and 2014

	2008		2014		2008-2014	
	Women '000s	Men '000s	Women '000s	Men '000s	Women	Men
					Percentage change	
Working age	16 173	15 044	18 164	17 565	12%*	17%*
Employment	6 005	7 834	6 591	8 566	10%*	9%*
Broad labour force						
Labour force	8 806	10 271	10 467	12 357	19%*	20%*
Broad LFP rate	54%	68%	58%	70%	4 pp	2 pp
Unemployment	2 802	2 437	3 876	3 791	38%*	56%*
Unemployment rate	32%	24%	37%	31%	5 pp	7 pp
Narrow labour force						
Labour force	8 155	9 841	9 128	11 181	12%*	14%*
Narrow LFP rate	50%	65%	50%	64%	0 pp	-1 pp
Unemployment	2 150	2 006	2 537	2 615	18%*	30%*
Unemployment rate	26%	20%	28%	23%	2 pp	3 pp

Source: Stats SA (2008, 2014)

Notes: The broad definition of the labour force includes discouraged work-seekers among the unemployed; pp = percentage points; asterisks signify that the changes are significant at the 5 per cent level of significance

significantly disadvantaged in the economy compared to men – in 2014, they exhibited an unemployment rate which was 6 percentage points higher than that of their male counterparts. Furthermore, the (broad) unemployment rate for women rose by 5 percentage points over the period.

Where do women work, and what kind of work do they do?

Table 1.2.2 shows that women in the labour market in South Africa are very vulnerable, in that a large proportion are unemployed (37 per cent in 2014), while significant numbers are employed in more precarious forms of employment, that is, in the informal sector (9 per cent in 2014),⁶ agriculture (2 per cent in 2014) and private households (9 per cent in 2014). Furthermore, women in the formal sector may also exhibit vulnerability due to the nature of their employment.

Over the period (2008–2014), the number of women in the formal sector rose from about 3.8 million to 4.5 million. However, given the increase in the labour force over the period, the proportion of women in the formal sector of the (broad) labour force remained the same at 43 per cent. While a significant proportion of women in the labour market are employed in the formal sector, the

formal sector itself shows varying degrees of vulnerability for women, as discussed below.

The number and proportion of women in the informal sector, agricultural sector and private households remained the same in the period between 2008 and 2014. This is surprising, since one would expect high unemployment rates to be accompanied, for example, by a larger informal sector. As a result of the poor performance of women in the informal, agricultural and private household sectors, the number and proportion of unemployed women in the (broad) labour market increased considerably from 32 per cent to 37 per cent between 2008 and 2014.

Looking more closely at women in employment in Table 1.2.3, we find that the majority of employed women in the labour market are in professional, semi-skilled and unskilled occupations, with professionals (20 per cent), elementary workers (20 per cent), clerical workers (17 per cent), domestic workers (around 15 per cent) and service workers (around 14–16 per cent) accounting for large proportions of women in employment in both 2008 and 2014.

In the period 2008–2014, there was growth in employment of highly skilled women and service workers,

Table 1.2.2: Sectoral distribution of women in the labour market, 2008 and 2014					
	2008		2014		2008-2014
	Number	Share	Number	Share	Percentage change
Unemployed	2 801 924	32%	3 875 932	37%	38%*
Formal sector	3 785 347	43%	4 486 091	43%	19%*
Informal sector	986 240	11%	941 803	9%	-5%
Agriculture	253 683	3%	206 786	2%	-18%
Private households	979 434	11%	956 231	9%	-2%
Total broad labour force	8 806 628	100%	10 466 843	100%	19%*

Source: Stats SA (2014); own calculations

Notes: The broad definition of the labour force includes discouraged work-seekers among the unemployed; asterisks signify that the changes are significant at the 5 per cent level of significance

Table 1.2.3: Occupation of women in employment, 2008 and 2014					
	2008		2014		2008-2014
	Number	Share	Number	Share	Percentage change
Highly skilled					
Managerial	316 373	5%	420 223	6%	33%*
Professional	1 185 307	20%	1 307 654	20%	10%
		25%		26%	
Semi-skilled					
Clerical	1 019 281	17%	1 103 280	17%	8%
Service	823 727	14%	1 068 826	16%	30%*
Semi-skilled agricultural workers	29 804	0%	26 283	0%	-12%
Craft and trade	275 286	5%	210 320	3%	-24%*
Operators and assemblers	185 120	3%	167 290	3%	-10%
		39%		39%	
Unskilled					
Elementary	1 189 919	20%	1 330 804	20%	12%
Domestic workers	979 434	16%	956 231	15%	-2%
		36%		35%	
Total	6 004 704	100%	6 590 911	100%	10%*

Source: Stats SA (2014); own calculations

Notes: Asterisks signify that the changes are significant at the 5 per cent level of significance

together with significant contractions in employment of women in craft and trade work (see Table 1.2.3). Thus, women's employment in the South African economy became more skills-intensive between 2008 and 2014.

A closer look at women in the labour market

Potential sources of vulnerability for women in the labour market

The discussion below focuses on the demographic characteristics of women in the various sectors of the labour market in 2014, in order to begin to tease out the potential sources of vulnerability. Table 1.2.4 shows that

the majority (70 per cent) of women working in the formal sector have either a matric or tertiary education. In contrast, around 80 per cent of women working in the agricultural sector and in private households have not completed matric. Interestingly, one-third of women working in the informal sector and 38 per cent of women who are unemployed have a matric or higher qualification, thus pointing to a large proportion of women with fairly good education levels who are struggling to find decent work or any work at all.

Thus, while vulnerability may be correlated with education levels, a large number of women with a matric qualification or better are unemployed or in the informal

Table 1.2.4: Demographic characteristics of women in the labour market, 2014

	Proportions within industries				
	Formal Share	Informal Share	Agriculture Share	Private households Share	Unemployed Share
Education level					
Less than matric	29.10	64.95	80.90	81.46	61.03
Matric and above	70.21	33.96	12.36	16.21	38.48
Total			100		
Age					
Less than 35 years	40.46	33.97	45.50	25.12	65.97
Above 35 years	59.54	66.03	54.50	74.89	34.04
Total			100		
Race					
African	66.66	86.60	71.38	91.44	88.77
Other	33.34	13.40	28.62	8.55	11.23
Total			100		
Urban/Rural					
Urban formal	77.27	50.64	20.71	57.83	54.58
Urban informal	6.43	11.47	6.92	15.86	10.61
Rural	14.08	35.87	39.46	20.88	31.69
Rural formal	2.22	2.02	32.91	5.43	3.13
Total			100		
Metro/Non-metro					
Non-metro	48.40	67.30	94.25	56.12	63.37
Johannesburg	12.98	6.93	0	13.04	10.00
Other metro	38.62	25.76	5.75	30.84	26.63
Total			100		
Total	4 486 091	941 803	206 786	956 231	3 875 932

Source: Stats SA (2014); own calculations

Note: The 'other' category has not been included in the table and, therefore, totals may not add up to 100

sector because they are unable to find work in the formal sector. This may be related to quality of education; for example, Acquah (2009) finds that quality of education contributes to differences in earnings and employment opportunities between black and white employees with the same tertiary qualifications. In the same vein, another study on graduate unemployment cites poor quality education, inappropriate qualifications and poor soft skills as causing firms to hire fewer graduates than they would have, and notes that reforms, including the employment of better quality teachers, have to begin at the primary and secondary school level (DPRU 2006). However, other studies, such as Branson and Leibbrandt (2013), find no significant relationship between school quality measures and employment.

On balance, it appears that while increasing education levels is necessary for a skills-intensive economy like South Africa's, other considerations, such as improving the quality of education (particularly in historically disadvantaged institutions and further education and training colleges) and growing the economy, are imperative in dealing with vulnerability in the labour market.

As far as age is concerned, the Table 1.2.4 shows that almost 66 per cent of women who are unemployed are younger than 35 years, thus pointing to the significant youth unemployment problem among women. In contrast, women working in the informal and agricultural sectors as well as in private households are likely to be older, and this is particularly true of the private household sector where three-quarters of women are older than 35 years. Thus, age appears to be a distinguishing characteristic of type of vulnerability, with older women more likely to be in vulnerable employment, while younger women are more likely to be vulnerable because they are unemployed. This is corroborated by Festus et al. (2015), who find that experienced older workers are more likely to be employed. They further posit that, in the short term, younger generations will have to deal with poverty, while, in the long term, social unrest is likely.

Race is an important marker of vulnerability, given that repression under apartheid left African workers in the economy most vulnerable. Unsurprisingly, African women are underrepresented in the formal sector (36 per cent compared to the total of 43 per cent), and overrepresented in private households (11 per cent compared to the total of 9 per cent). Furthermore, while the unemployment rate for all women stands at an extremely

high 37 per cent, the unemployment rate for African women stands 5 per cent higher at 42 per cent. Put differently, of the 8.3 million African women in the labour market, 42 per cent are unemployed. Vulnerability is thus much more pronounced for African women than for other race groups.

The location variable shows some interesting results. A significant proportion of unemployed women (32 per cent) and women in the informal sector (36 per cent) live in rural areas.⁷ In fact, of the almost 2.5 million women in rural areas, 50 per cent are unemployed, and a further 14 per cent are employed in the informal sector (own calculations).

In contrast, 77 per cent of women employed in the formal sector are in urban (formal) areas. Interestingly though, of all women working in urban formal areas, almost one-third are unemployed, thus pointing to the challenges of finding work in urban areas as well (own calculations). This is supported by Festus et al.'s (2015) finding that urban areas are increasingly unable to provide sufficient employment opportunities to their inhabitants.

Looking at location from the perspective of metros, we find that 63 per cent of unemployed women and 67 per cent of women in the informal sector are located in non-metros. This points to the difficulties with finding formal sector work outside of the metro areas in South Africa. Vulnerability, as far as location is concerned, is associated, thus, mainly with non-metros, urban formal areas and rural areas.

Intensity of vulnerability of women in employment

In the discussion that follows, we consider the intensity of vulnerability for women in the various sectors of the economy. Vulnerability for each woman is defined on the basis of dichotomous variables, with the intensity of vulnerability based on all the criteria taken together (i.e. on the sum of the various components). A higher score implies a lower vulnerability, while a lower score implies a higher vulnerability. The scores given below show the average for the group.

The vulnerability of unemployed women is highest, since they score zero for all of the indicators. For employed women, Table 1.2.5 shows that the intensity of vulnerability differs in the different sectors. Formal sector workers are least vulnerable, while the vulnerability of informal sector workers is most severe, with these workers having very little protection. Interestingly,

when using our markers of vulnerability, women working in the agricultural sector are, on average, less vulnerable than those working in the informal sector and in private households, probably due to the existence of permanent, written contracts, access to paid leave and social protection for some women working in the agricultural sector. However, when taken together with earnings vulnerability (discussed below), women agricultural workers are, on average, among the most vulnerable in the economy.

Furthermore, the table shows that for women within the formal sector, job security and access to leave are much better than social protection (in the form of employer contributions to pension, medical aid and UIF).

The relatively good score for women agricultural workers, too, is driven by job security-related variables, with social protection being poor.

In the discussion below, we consider the intensity of vulnerability in further detail by looking at overall intensity for various groups of workers within the identified sectors.⁸

The race data in Table 1.2.6 show that African workers are the most vulnerable within the different sectors, with African informal sector workers, in particular, having access to very little overall protection or security (when using our 8 variables as markers of vulnerability). This highlights the fact that the average total vulnerability score in Table 1.2.5 masks significant differences

Table 1.2.5: Intensity of vulnerability of women in the labour market, 2014

	Total	Job security	Social protection	Leave
	Average (out of 8)	Average (out of 3)	Average (out of 3)	Average (out of 2)
Formal sector	5.52	2.58	1.57	1.37
Informal sector	1.13	0.79	0.15	0.19
Agriculture	3.73	2.18	0.81	0.74
Private households	2.09	1.46	0.29	0.33
Total	4.34	2.15	1.16	1.03

Source: Stats SA (2014); own calculations

Table 1.2.6: Intensity of vulnerability of women in the labour market by demographic characteristics, 2014

	Formal	Informal	Agriculture	Private households
	Average (out of 8)	Average (out of 8)	Average (out of 8)	Average (out of 8)
Race				
African	5.31	1.04	3.50	2.05
Coloured	6.03	2.16	4.22	2.47
Asian	5.61	0.59		2.00
White	5.94	1.43	4.92	2.79
Age				
15-24	4.49	1.54	3.07	1.56
25-34	5.44	1.35	3.66	1.75
35-44	5.73	1.19	3.76	2.12
45-54	5.71	0.91	4.31	2.26
55-65	5.59	0.69	3.37	2.31
Location				
Non-metro	5.22	1.18	3.65	1.96
Total	5.52	1.13	3.73	2.09

Source: Stats SA (2014); own calculations

Note: There are no observations for Asians in agriculture

between groups of workers. Coloured workers coded in the informal sector, for instance, have a significantly higher degree of overall security than their African counterparts. In the agricultural sector, too, coloured and white workers have a fairly high degree of overall security compared to African workers.

As far as age is concerned, the table shows that in the formal sector 15–34 year olds (on average) have the least total protection, while those within the 35–65 age bracket are less vulnerable. Interestingly, vulnerability increases with age among informal sector workers, while among those working in private households, vulnerability decreases with age. Unsurprisingly, the oldest and youngest are the most vulnerable among agricultural workers. As far as location is concerned, those living in non-metros are generally less secure than the total, except for informal sector workers, who are more secure.

Table 1.2.7 shows that working for the government or a state-owned enterprise (parastatals, such as Eskom and Telkom) is associated with very good overall security,⁹ while working for a non-profit organisation offers much less overall security in the formal sector. In the informal sector, the security offered to those working in private enterprises (the majority of workers) is much less than it is for those in other types of organisation. Interestingly, for the agricultural sector, the overall vulnerability score is driven by those working in private enterprises and non-profit organisations, while agricultural workers in private households have very little overall protection.

As far as occupation is concerned, in the formal sector, high-skilled workers are generally more secure than medium- and low-skilled workers, with semi-skilled agricultural workers, elementary workers and craft and trade workers having particularly low levels of protection. In the agricultural sector, the levels of protection

Table 1.2.7: Intensity of vulnerability of women in the labour market by work characteristics, 2014

	Formal	Informal	Agriculture	Private households
Place of employment				
National/provincial/local government	5.99	2.74	3.43	
State-owned enterprise ¹⁰	6.55	2.71	4.06	
A private enterprise	5.35	1.00	3.78	1.00
Non-profit organisation (NGO/CBO)	3.80	3.12	3.51	
A private household	4.29	1.00	0.92	2.09
Occupation				
High-skilled				
Managerial	5.51	1.18	7.28	
Professional	6.32	1.58	5.41	
Medium-skilled				
Clerical	6.03	2.7	6.61	
Service	4.68	1.32	5.8	
Semi-skilled agricultural workers	3.64		2.57	
Craft and trade	4.74	0.66	3.39	
Operators and assemblers	5.23	1.19	4.7	
Low-skilled				
Elementary	4.65	0.72	3.71	
Domestic workers				2.09
Total	5.52	1.13	3.73	2.09

Stats SA (2014); own calculations

afforded to those who are more skilled are vastly different from what is provided for those doing more menial work. Among workers in the informal sector, the overall level of protection is generally quite low.

Earnings vulnerability

Table 1.2.8 shows the median earnings of men and women in the labour market in 2010. There are a few things to note from the table. Firstly, the median earnings levels for women are very low, with reported median earnings in 2010 standing at a mere R2 340 per month. The disaggregated data show that the median earnings of those with little education are particularly low for those with incomplete or no schooling – standing at R900 (for those with no schooling), R1 000 (for those with less than primary schooling), R1 100 (for those with primary schooling completed) and R1 500 (for those

with secondary schooling not completed) per month.

Furthermore, the median earnings for African women are the lowest of all the race groups (R1 733 per month). The median earnings for coloured women are also below the aggregate median. Of all the sectors, the informal (R1 300), agricultural (R1 192) and private household (R1 000) sectors show the lowest median earnings. The median earnings levels of those who do not receive benefits are significantly lower than they are for those who do receive benefits.¹¹

Secondly, women earn significantly less than their male counterparts. This is especially the case among those with little schooling, African and white workers, informal sector workers and when considering those working in jobs where they receive pay but no benefits. For all these groups of workers, the female to male earnings ratio is less than the aggregate of 77 per cent.

Table 1.2.8: Median monthly earnings in rands, 2010

	Women	Men	Female to male earnings ratio
Aggregate	2 340	3 033	77%
Education			
No schooling	900	1 350	67%
Less than primary schooling	1 000	1 517	66%
Primary completed	1 100	1 800	61%
Secondary not completed	1 500	2 400	63%
Secondary completed	3 000	3 900	77%
Tertiary	8 700	11 200	78%
Race			
African	1 733	2 500	69%
Coloured	2 383	3 050	78%
Asian	6 000	6 000	100%
White	7 640	11 500	66%
Sector			
Formal	3 500	3 796	92%
Informal	1 300	1 733	75%
Agriculture	1 192	1 300	92%
Private households	1 000	1 000	100%
Benefits			
Earning of those with benefits	4 384	4 500	97%
Earnings of those without benefits	1 200	1 733	69%

Source: Stats SA (2010)

Vulnerability and policy

Where have we landed with labour market policy?

There are various labour market interventions in South Africa at different points along the 'employment chain'. These do not specifically target women, but are intended to boost employment in the economy, particularly of youth. They include, for instance, the learnership/apprenticeship programme to upskill workers while giving them on-the-job training, the expanded public works programme run by the government, efforts to help job search and matching through the National Youth Development Agency, entrepreneurship schemes and incentives to help potential entrepreneurs, and unemployment insurance to provide relief and to aid job-searching during periods of unemployment (National Treasury 2011; DBSA 2011; Leibbrandt et al. 2010). In addition, South Africa has an extensive social grant system, which has helped reduce poverty and, thus, vulnerability in post-apartheid South Africa (Leibbrandt et al. 2010; Woolard, Harttgen & Klasen 2010).

These interventions have had varying rates of success, but unemployment levels, particularly among the youth and women, remain high. Furthermore, increasing fiscal constraints in a low-growth economy with structural challenges means that the design and extent of any further labour market interventions need to be carefully considered.

What are the opportunities?

The analysis above points to an economy within which growth has not been sufficient to create employment for a large number of semi-educated and some fairly well-educated women. In addition, while there are labour market policies and an extensive social welfare system that help to reduce poverty and vulnerability, the level of unemployment and intensity of vulnerability remain high, particularly for certain groups of women. Furthermore, the government has not been able to create an environment within which women can access employment opportunities outside the formal sector. Below, we briefly consider the role that the informal sector and small-scale agriculture could play as far as generating employment for women in South Africa is concerned.

Informal sector employment

Studies have found that the informal sector in South Africa is declining, and that there are barriers to entry

WHILE THERE ARE LABOUR MARKET POLICIES AND AN EXTENSIVE SOCIAL WELFARE SYSTEM THAT HELP TO REDUCE POVERTY AND VULNERABILITY, THE LEVEL OF UNEMPLOYMENT AND INTENSITY OF VULNERABILITY REMAIN HIGH.

and mobility in both the formal and informal sectors (see, for instance, Heintz & Posel 2008). The descriptive data provided above also point to stagnant or declining employment levels for women in the informal sector. In an economy with significant unemployment, particularly among women and the youth, the government needs to consider more carefully its role in providing opportunities for employment in the informal sector. Lund (2009), for instance, points out that local governments control the work space and conditions of work of thousands of informal workers, and that municipalities could begin to think more creatively about how they might assist in creating employment, for example, by using urban planning and zoning regulations to grant poorer workers access to the city in order to make a living in the informal sector (Lund 2009).

More recent studies note that it is important to take into account the differentiated nature of the informal sector when considering how to incentivise access to it. Makaluza (2013), for instance, finds that there are differing reasons for how and why workers enter the informal sector: active job-seekers are pulled into the upper tier of the informal sector when they have access to adequate levels of capital, while inactive job-seekers are pushed into the lower tier of the informal sector when access to capital is limited and unemployment becomes too costly. This is corroborated by Kay (2011), who finds that for many the informal sector provides a safety net that allows unskilled workers to eke out a living, while for others with the right combination of capital and skills the sector provides a means for growth and capital accumulation. Both of these studies imply that the motivations and incentives to join the informal sector differ across different types of individual, and that appropriate policies should be designed for specific sub-groups/sectors, although it would be important to accurately identify the sub-groups/sectors and their motivations and needs.

Considering the possibility of small-scale agricultural businesses for women

Studies show that women, in particular, play an integral role in small-scale agriculture in South Africa (Hart & Aliber 2012; Raidimi 2014). According to Hart and Aliber (2012), women account for almost two-thirds of those engaged in some form of agriculture, though they do it primarily as a main or extra source of household food. However, women receive almost no appropriate govern-

ment support (Seleti & Tlhompho 2014; Hart & Aliber 2012; Raidimi 2014), and most policy frameworks around support for small farmers are targeted at full-time, commercially driven male farmers.

Given this and the level of vulnerability of women in rural areas, the possibility of providing government support to small-scale agricultural businesses to lift such women out of poverty should perhaps be considered more closely. This is in line with recent policy, in terms of which the role of agriculture and food security seems to be taking on increased importance.¹²

However, without purposeful and targeted support and intervention by the government, small-scale agricultural businesses for rural women will not become a reality (Black et al. 2014; Cousins 2013; Armour 2014). Furthermore, overarching issues such as access to land, water and markets, and climate change constitute serious constraints that will need to be dealt with.

ENDNOTES

- 1 The decision on whether to participate in the labour market or not is a complex one with a number of supporting and deterring factors, including education, training, family and home-care responsibilities, illness, disability, HIV/Aids and welfare grants (Lehutso-Phooko 2004). In addition, though welfare grants are sometimes seen as having a deterring effect on participation, the evidence is not clear, that is, social grant receipts can also act as an incentive for job search where the additional income subsidises transport and other costs associated with job-searching (Lehutso-Phooko 2004). A recent study by Eyal and Woolard (2011) shows that African women who become recipients of child support grants in their twenties see an average increase in employment probability and labour force participation.
- 2 We used data from 2008, since the Labour Force Survey (LFS), which ran from 2000 to 2007, was replaced by the QLFS in 2008. In the cross-over from the LFS to the QLFS, a variety of changes were made rendering the comparison of the unemployment estimates under the broad definition between the two datasets particularly problematic (Yu 2013).
- 3 Importantly, in looking at vulnerability of women in the labour market in South Africa, we use a broad definition of the labour force; in other words, we consider all those who are working, searching for work or discouraged from looking for work (but want to work) as being a part of the labour force. The official definition of the labour force, in contrast, regards discouraged workers who are not actively looking for work as voluntarily unemployed and, therefore, outside of the labour force.
- 4 In looking at the type of employment, we assign a value of 1 if the person is working for someone else for pay or an employer, and a 0 if the person is an own-account worker or working without pay in a household business.
- 5 In looking at the type of contract, we assign a value of 1 if the person has a permanent contract, and 0 otherwise.
- 6 The formal sector variable used is derived by Statistics South Africa for the QLFS using questions regarding whom the person works for, whether income tax is deducted, whether the business is registered for VAT, whether the business is registered for income tax and the number of employees (Stats SA 2008).
- 7 We use the term 'rural areas' to denote what are called 'tribal areas' in the QLFS.
- 8 The discussion focuses on overall vulnerability based on eight dichotomous variables (i.e. including both job security and social protection).

- 9 UIF is not applicable to government workers, so security is even higher for government workers than is shown here.
- 10 This is referred to as government-controlled business in the QLFS.
- 11 'Benefits' are defined as having access to pension, medical aid or paid leave.
- 12 The National Development Plan (NDP) sets ambitious targets as far as employment creation within the agricultural sector is concerned, aiming for 643 000 primary jobs and 326 500 secondary jobs by 2030. Studies also highlight the importance of the agricultural sector in pursuing employment-intensive growth in South Africa, and particularly in providing employment through small-scale farming (Black, Conradie & Gerwel 2014).

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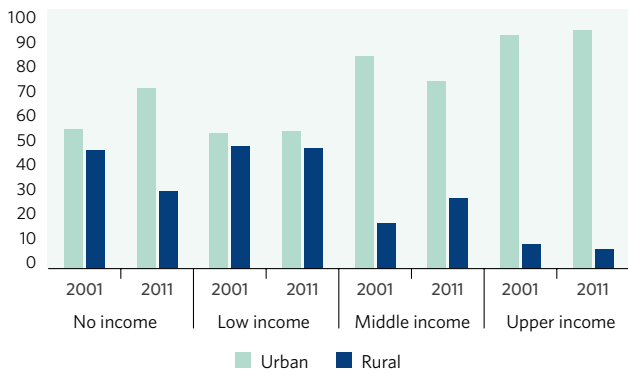
PART TWO

LAND AND AGRARIAN REFORM



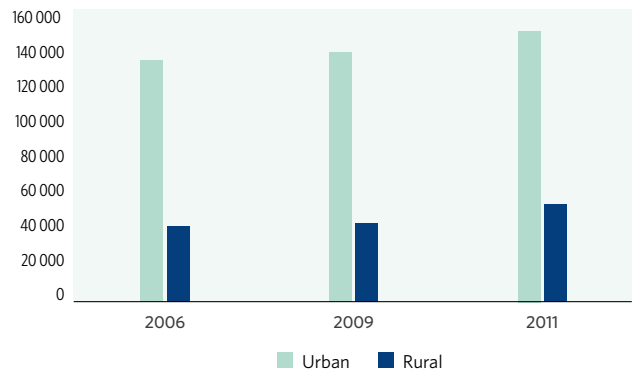
Census data for the period 2001–2011 show significant differences in household income between urban and rural households, particularly at the higher and middle income levels. The proportion of urban households without income is much higher than that of rural households. In 2011, there was a decline in the proportion of rural households without income. The average income of households in rural areas increased in 2011, recording a higher percentage increase than that of households in urban areas. At the same time, the share of agriculture in GDP has continued to decline. However, the sector showed positive employment growth in the third quarter of 2015, continuing on an upward trend from 2014.

Rural-Urban distribution of income categories (percentage)



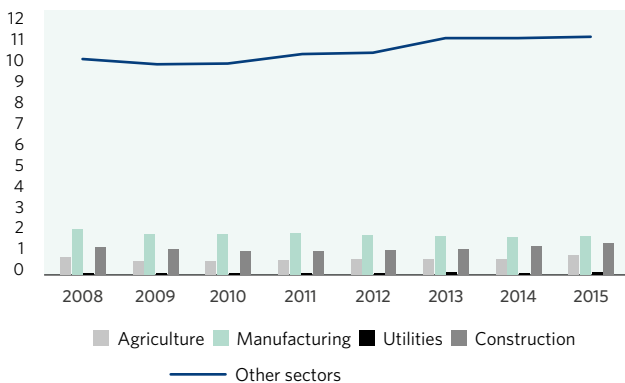
Source: Stats SA publications, Income dynamics and poverty status of households in South Africa

Rural-Urban: Average income, 2006–2011 (ZAR)



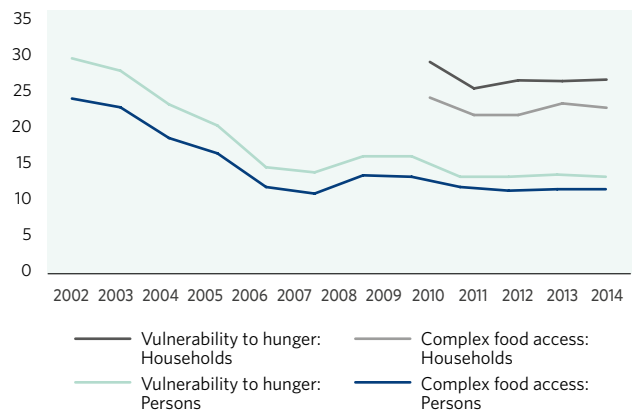
Source: Stats SA publications, Income dynamics and poverty status of households in South Africa

Employment by sector, 2008–2015 ('000)



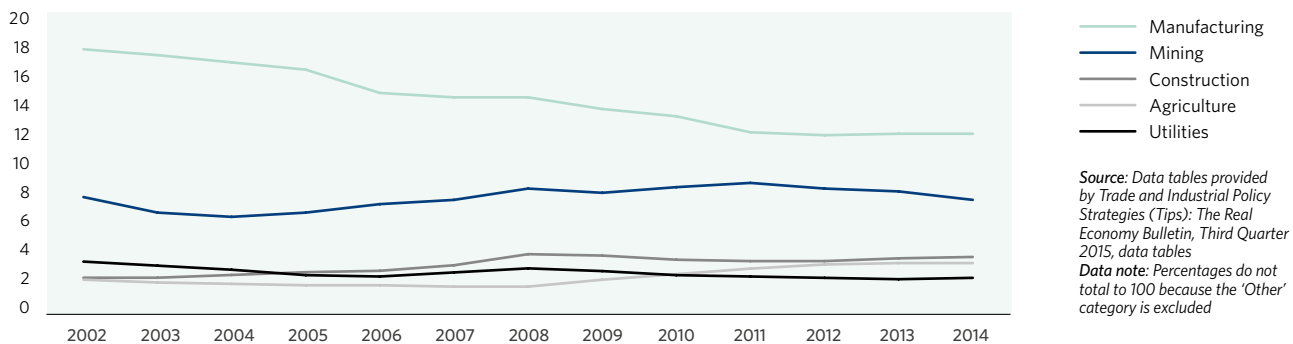
Source: Data tables provided by Trade and Industrial Policy Strategies (Tips): The Real Economy Bulletin, Third Quarter 2015, data tables
 Data note: Data displayed are quarter 4 employment figures and quarter 3 for 2015

Vulnerability to hunger and access to food, 2002–2014 (percentage)



Source: Stats SA, General Household Survey 2014 Report

Share of GDP by sector, 2002–2014 (percentage)



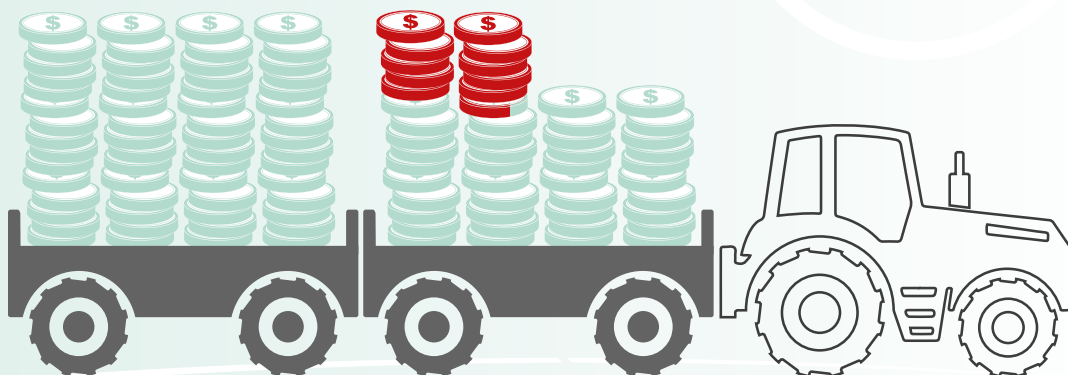
Source: Data tables provided by Trade and Industrial Policy Strategies (Tips): The Real Economy Bulletin, Third Quarter 2015, data tables
 Data note: Percentages do not total to 100 because the 'Other' category is excluded

TOTAL INCOME EARNED BY THE FARMING SECTOR, 2013 AND 2014

2013 income earned
R192 162 MILLION



2014 income earned
R212 998 MILLION



10.8%
GROWTH



Towards an inclusive poverty-alleviation policy agenda

This section assesses the outcomes of South Africa's land and agrarian reforms and their impact on rural poverty, and discusses policy options to bring about equity and efficiency in the agrarian sector.

48/ KEY INSIGHTS

- ❑ South Africa's market-based land reforms (comprising land restitution, tenure reform and land redistribution) have largely failed to restructure agrarian relations more equitably.
- ❑ For land reform projects to achieve their desired goal of addressing rural poverty, there is a need for the greater involvement of the beneficiaries thereof in both policy formulation and implementation.
- ❑ The emphasis on 'production' and 'commercial farming' popularised by the government shows that land reform policy gradually shifted from its earlier focus on redistributing land to the 'poorest of the poor' to the creation of 'black capitalist' farmers.
- ❑ Failure to subdivide farms has led to beneficiaries being forced into commercial farming projects, which are highly complex and dominated by well-established agribusiness, making it difficult for the new farmers to succeed.
- ❑ The problem with South Africa's land reform policies lies in their ambiguity. On the one hand, they seek to maintain the large farms inherited from apartheid; and, on the other, they seek to redistribute land and address historical injustices in the agrarian structure.
- ❑ Since the end of apartheid, the process of farm consolidation has been on the increase, with agribusinesses increasingly dominating the agricultural value chain from input manufacturing to production, processing, marketing and distribution.
- ❑ Given the inefficient utilisation of land symptomatic of large farms, and the relative advantage of smallholder farms, the South African government should consider dismantling the large farms in favour of a more democratic model.
- ❑ The South African government should promote the growth of the smallholder farming sector rather than the large farms it currently favours. The government should also support the development of technologies that suit small farmers, taking into consideration local and indigenous knowledge.

Introduction

In 1994, newly democratic South Africa inherited a bi-modal agrarian structure underpinned by a racialised pattern of landownership dating back to the infamous 1913 Land Act and successive apartheid policies. With the end of apartheid, it was anticipated that a key element of state-making would be, *inter alia*, the restoration of the land rights of black citizens denied under apartheid. However, after two decades of democracy, South Africa's market-based land and agrarian reforms have failed 'spectacularly' (Hall 2004). Very little land has been transferred to the historically marginalised black population. Rural poverty and unemployment have increased dramatically. Why South Africa has failed to redistribute land to the rural poor, and what can be done to redress land imbalances are major questions, which need to be addressed in the light of the fact that a large number of rural South Africans remain marginalised and without access to land.

This report examines the outcomes of South Africa's land and agrarian reforms and their impact on rural poverty. It discusses how South Africa's market-based land reforms (comprising land restitution, tenure reform and land redistribution) have largely failed to restructure agrarian relations more equitably, and suggests that this failure is linked to ongoing poverty. It is argued that a more redistributive land reform, which transcends the market, would better address historical injustices embedded in the landownership structures inherited from apartheid. The first section provides a broad review of literature on South Africa's land reforms. This review is by no means exhaustive of the large body of work on the subject (see, for example, Hall & Ntsebeza 2007; Van den Brink, Thomas & Binswanger 2007; Lahiff 2007a; Hall 2004; Cousins & Hebinck 2014; Cousins & Walker 2015; Mkodzongi & Brandt forthcoming). The second section utilises secondary and empirical data gathered in the Limpopo Province of South Africa to highlight some of the dynamics that have underpinned the implementation of land reform projects.¹ The report concludes by arguing that the bi-modal agrarian structure inherited from apartheid needs to be dismantled in favour of a more democratic tri-modal structure involving a diverse group of farmers (Moyo 2011). Furthermore, for land reform projects to achieve their desired goal of addressing rural poverty, there is a need for the greater involvement of the beneficiaries thereof in both policy formulation

and implementation, which would engender a sense of ownership among beneficiaries that is currently lacking.

South Africa's land and agrarian reforms at a glance

In 1994, South Africa inherited an agrarian structure in which:

white farms occupied 85.8 million hectares, 86 per cent of rural land [and] about 15 million people, roughly half of the African population, lived in the bantustans on some 14 million hectares, one-sixth of them fenced in by 60 000 white farms. (Bernstein 2013: 1)

By 2010, some four million hectares of land had been transferred under South Africa's three-pronged land reform programme of redistribution, restitution and tenure reform). By 2014, the figures had hardly changed, demonstrating the failure of South Africa's market-based land reforms.

Under South Africa's neo-liberal 'willing buyer, willing seller' land policy, it was anticipated that 30 per cent of white-owned land would be redistributed over a five-year period. According to Hall (2004: 214), 'World Bank advisors had proposed this target as feasible, noting that 6 per cent of agricultural land is transacted each year'. Thus, it was anticipated that 24.6 million hectares would be transferred to black ownership by 1999. This proposition was rather ambitious, given how events on the ground unfolded. We now know that by 1999, a paltry 1.2 per cent of land had been redistributed. The 30 per cent target cut-off has been shifted several times, to 2014 and then to 2025 (Lahiff 2007b; O'Laughlin et al. 2013). Moreover, the 30 per cent target was based on the problematic assumption that under 'perfect' market conditions, land would be transferred quickly from white landowners to the landless poor. Proponents of market-led agrarian reform (MLAR) believe that the removal of distortions in the land market, poor programme design and the excessive cost of acquiring land under state-led agrarian reforms make MLAR programmes a more efficient mode of land redistribution. However, these claims have proven contestable. Under South Africa's market-based land reforms, an insignificant amount of land has been transferred to the poor during a 20-year period. More importantly, the dualistic agrarian structure, dominated by a few white landowners, remains in place, while landlessness and rural poverty persist in the former

bantustans and the urban periphery. South Africa's land and agrarian reforms have failed the historically marginalised black citizenry.

One of the major objectives of South Africa's post-apartheid land reforms was to raise rural incomes and generate large-scale employment, by redistributing land to formerly disadvantaged groups (DLA 1997). The government initially targeted poor households earning less than R1 500 per month under the Settlement and Land Acquisition Grant (SLAG). Between 1994 and 1999, land was redistributed through SLAG, which provided a grant of R16 000 (initially R15 000) to poor households earning less than R1 500 per month (Ncapayi 2013). The SLAG programme encountered many challenges. According to Van den Brink et al. (2007: 175), a review of the SLAG programme concluded that the limited involvement of the Department of Agriculture undermined the success of 'redistribution projects which aimed to support agricultural production' and that 'projects undertaken by large groups had a high failure rate in terms of income generation'. The inability of the government to reverse apartheid-era laws, which did not permit the subdivision of large farms into smaller entities appropriate for smallholder farmers, exacerbated the problems experienced by SLAG. The continued existence of this restrictive policy 'in a democratic, non-racial South Africa...lacks any economic, let alone social, rationale. It restricts the land market and makes it difficult for small farmers to buy small farms' (Van den Brink et al. 2007: 171). As a result, those who could not afford the large farms available on the market, were forced 'to rent a crowd' in order to acquire land. This led to conflict, which, in turn, undermined the viability of agricultural projects. If small pieces of land were available on the market, some people would have preferred them rather than acquiring land as part of a group.

Apart from conflict associated with acquiring land as part of a group, beneficiaries faced other challenges, such as lack of government support and the agricultural expertise to operate large commercial farms. Moreover, they were discouraged from changing land-use patterns. A related problem was that of 'excessive centralisation' (Van Den Brink et al. 2007:176). During the land transfer process, bureaucrats tended to dictate how beneficiaries acquired land and used it, and prescribed the nature of the tenure. This resulted in lack of ownership among beneficiary households, which, in some places, undermined agricultural productivity (Rusenga 2015).

Eventually, SLAG was phased out in favour of the Land Redistribution for Agricultural Development (LRAD) programme in 2001. LRAD was introduced to address some of the challenges experienced under SLAG, including the 'lack of own contribution which made it difficult to screen applicants' and the exclusion of so-called emerging commercial farmers due to 'the means test required under SLAG' (Van den Brink et al. 2007: 175). LRAD was more focused on creating a class of black commercial farmers (Hall & Ntsebeza 2007). As a result, the screening and selection criteria of the applicants' farm plans tended to be biased towards commercial farming (Aliber et al. 2011). Moreover, unlike SLAG, LRAD favoured small groups based on households (Hall & Ntsebeza 2007). LRAD was replaced in 2009 by the Proactive Land Acquisition Strategy (PLAS).

According to the Department of Rural Development and Land Reform (DRDLR), the Recapitalisation and Development Programme (RADP) policy as at 2013:

seeks to provide black emerging farmers with the social and economic infrastructure and basic resources required to run successful agricultural business. It is the intention of the policy that black emerging farmers are deliberately ushered into the agricultural value-chain as quickly as is possible, through this state intervention. (DRDLR 2013a: 10)

Former Agriculture and Land Affairs Minister Lulu Xingwana (2009) states that the RADP aims to 'combat poverty, unemployment and income inequality and that such farmers need to graduate to commercial farming to feed the nation as well as export their agricultural produce'. The emphasis on 'production' and 'commercial farming' popularised by the government under LRAD and successive policies, shows that land reform policy gradually shifted from its earlier focus on redistributing land to the 'poorest of the poor' to the creation of 'black capitalist' farmers. In the words of current RDLR Minister Gugile Nkwinti, PLAS was adopted to 'ensure that we rekindle the class of black commercial farmers that was disrupted by the 1913 Natives Land Act'.² The department allocated R204 million to emerging farmers to upgrade the infrastructure on their land. Under PLAS, the state leased land to beneficiaries and the department facilitated strategic partnerships between white commercial farmers and land reform beneficiaries. The emphasis on commercial production rather than

THE PROMISE OF SUBSTANTIAL CASH INCOME, EMPLOYMENT AND TRAINING OPPORTUNITIES, AND THE PROSPECT OF CLAIMANTS EVENTUALLY OWNING AND RUNNING THEIR OWN SUCCESSFUL COMMERCIAL FARMING OPERATION, HAVE NOT BEEN FULFILLED.

‘redistribution’ is highlighted by Nkwinti’s (2010a) observation that the state loses revenue when beneficiaries fail to produce for the markets. Thus, those who failed in their agricultural enterprises risked repossession of their land under the ‘use it or lose it’ principle (DLA 2008). This shows how government policy has perpetuated tenure insecurity among land reform beneficiaries under PLAS. Rusenga’s (2015) research in Limpopo province shows that under the PLAS programme, the DRDLR sought to exercise control over beneficiaries’ land-use models and agricultural activities. This undermined agricultural investment and productivity, as the beneficiaries felt insecure with tenure arrangements under which the state exercised undue influence over their agricultural activities.

Empirical data gathered in Levubu, Limpopo Province, highlighted the challenges faced by the partnerships and joint ventures favoured by the government in land reform projects. For instance, a study by Greenberg (2009) shows that the rents and dividends paid to land reform beneficiaries were negligible, while white managers benefited from large salaries. Similarly, Lahiff, Davis and Manenzhe (2012) argue that strategic partnerships at the Levubu and Moletele projects (both in Limpopo) have failed to improve incomes or job creation. These challenges were confounded by the involvement of ‘relatively inexperienced community representatives in complex management issues’ (Lahiff et al. 2012).

The promise of substantial cash income, employment and training opportunities, and the prospect of claimants eventually owning and running their own successful commercial farming operation, have not been fulfilled (Davis & Lahiff 2011). An assessment of 39 land reform projects in Limpopo Province by Anseeuw and Mathebula (2008: 62) shows that such projects had ‘caused an 89.5 per cent decrease in production as well as many job losses’. Furthermore, they report that ‘only a few households currently benefiting from the land reform projects are able to effectively live on such income’.

However, not all land reform projects have failed. Empirical data gathered in the Eastern Cape showed that some land reform projects succeeded, especially where a strong sense of ownership and cohesion existed among the beneficiary group. On the basis of data gathered at the Chris Hani District Municipality, Chitonge and Ntsebeza (2012) report that land reform beneficiaries were successful despite having been offered land as a group. Their study showed that the beneficiaries had

more livestock and better access to food than did non-beneficiary households. In addition, beneficiary households had more monthly income than did non-beneficiary households. Their study shows how land reform can improve the livelihoods of rural households by helping historically marginalised communities to access the broader benefits of land, such as fuel wood, medicinal plants and other fauna and flora, which were previously inaccessible to them.

Similarly, Ncapayi's (2013) study undertaken at Delindlala (also in the Eastern Cape) showed that despite the challenges faced by land reform beneficiaries after acquiring land, their livelihoods gradually improved. For example, livestock ownership and crop production improved among land reform beneficiaries.

These studies show that in some places people who applied for land in groups did not always fail, especially where group cohesion and ownership of projects were strong. The problem seems to lie with centralisation of the land-transfer process, which marginalises beneficiaries from decision-making processes during project implementation. This undermines agricultural productivity. While technocrats and state-appointed 'experts' can play an important role in providing technical support to beneficiaries, their role can be problematic if they end up dictating how projects are implemented. Moreover, failure to subdivide farms has led to beneficiaries being forced into commercial farming projects, which are highly complex and dominated by well-established agribusiness, making it difficult for the new farmers to succeed.

While there is nothing wrong with mentorship of new farmers, imposing a regime of production based on commercial farming takes the initiative away from the land reform beneficiaries. The government's attitude towards emerging black farmers seems to be influenced by colonial-era stereotypes of African agriculture as backward and unproductive. While the expertise of white farmers can be deployed to support 'emerging farmers', some elements within this group have sought to profit from land reform projects. For example, some white farmers facing the prospect of bankruptcy of their farming enterprises have utilised the land reform programme to sell their farms to the government at a premium. Such farms are later redistributed to beneficiaries as viable entities, with the hidden financial risks having been transferred to them. Rusenga's (2015) study, conducted in the Limpopo Province, provides a clear example of such practices:

THE PROBLEM SEEMS TO LIE WITH CENTRALISATION OF THE LAND TRANSFER PROCESS, WHICH MARGINALISES BENEFICIARIES FROM DECISION-MAKING PROCESSES DURING PROJECT IMPLEMENTATION.

Portion 40 changed hands twice in 1998. First, it was bought by the Boet Booyesen Trust before being sold in the same year to Coastal and Inland Investment (Pty) Ltd for R380 000 (DRDLR 2013b). The latter did not keep it for long, as it sold the farm to the Aanbreek Beleggings Pty Ltd for R325 000 in 2000. The farm was then sold in 2007 to the Government of the Republic of South Africa for R2 150 000. In 2009, the farm was transferred to Elangeni Family Trust for R2 150 000, even though the Trust leased the farm between December 2007 and December 2009. The farm's price in 2000 (R325 000) constitutes only 15 percent of the price (R2 150 000) the DRDLR paid to Aanbreek Beleggings (Pty) Ltd in 2007. In 7 years, Aanbreek Beleggings (Pty) Ltd received a fee almost seven times what it paid for the farm in 2000. That fee excludes movable assets. Although it is not clear what improvements were made to the farm, the price hike tends to support the view that the government is charged higher prices for farms. (Rusenga 2015: 22)

This highlights some of the distortions that have accompanied the land transfer process under the land reform programme, and illustrates how MLAR policies have skewed the land market in favour of landowners. Such landowners have taken advantage of their privileged economic status and political connections to benefit financially from land reform. Under South Africa's land restitution programme, landowners have used their status as 'experts' to benefit from the process, with beneficiaries of land reform often being coerced by the government to enter into land management contracts with white former landowners (Somerville 2014). Such contracts favour landowners in the contradictory roles of selling land to the government and then being employed by the same government as 'experts' to advise land reform beneficiaries.

Furthermore, beneficiaries of land reform are not 'active participants' in the land market – they lack the necessary legal and technical skills to understand and comply with the often complicated and bureaucratic land transfer process. The case of South Africa shows that the landless face many hurdles to access land under the MLAR model. Ironically, landowners have been the major beneficiaries of land reform, as they have retained their landholdings with minimal transfer of land or have sold marginal lands to the government at a premium. This has undermined the democratisation of the South African agrarian structure in favour of

the historically marginalised black population (Mkodzongi forthcoming). Below, we explore in detail the problems embedded in South Africa's neo-liberal land reforms.

Problems with South Africa's neo-liberal land reforms

The problem with South Africa's land reform policies lies in their ambiguity. On the one hand, they seek to maintain the large farms inherited from apartheid; and, on the other, they seek to redistribute land and address historical injustices in the agrarian structure. This creates contradictions in the actual implementation of land reform. A problematic assumption underpinning government policy is that markets will facilitate the transfer of land rights from landowners to the landless poor. This has proven to be largely misleading as only a limited amount of land has been successfully transferred over a 20-year period. Given this unsuccessful experiment with market-based land reform, there is now a need for a serious rethink of land reform approaches, including looking beyond the market.

White landowners and transnational agribusinesses have exercised undue influence over the land reform policy-making process, adopting tactics of pessimism and alarm to delay the transformation of the agrarian structure in favour of the landless poor. Accepting a mentor or strategic partner became a *de facto* condition for receiving funding through the RADP (DRDLR 2010). To further complicate the situation, funding under the RADP was offered on the 'basis of a credible plan by the strategic partner per project' (DRDLR 2010: 11). Given the above, business planning duties became the responsibility of the strategic partners rather than the beneficiaries themselves. This was expected to ensure the entrenchment of the agribusiness model in the land reform projects. According to Hall (2009b), the government wanted to maintain the original production patterns and output levels. This is why beneficiaries were discouraged from changing land-use plans to better suit their own socio-economic circumstances. Many of these farmers were too poor to acquire the large farms available on the market; a better option would have been the sub-division of such farms into smaller, more appropriate entities.

The continued dominance of large farms, due to the post-apartheid consolidation of farms by transnational

agribusinesses (Hall 2007), presents barriers for new African entrants to farming who are expected to compete with these well-established agribusinesses without the benefit of prior state support. Historically, white farmers relied on state support for their survival until the agricultural sector was liberalised in the 1990s in anticipation of the end of apartheid (Bernstein 2013). The absence of post-apartheid state support has contributed to the failure of land reform projects, as the new farmers are expected to 'go it alone' with minimal state support. The failure to dismantle large farms in favour of a more diversified agrarian structure has contributed to rural poverty.

Most beneficiaries lack training in and knowledge of commercial agriculture, as well as the resources required for viable production (Anseeuw & Mathebula 2008; Davis & Lahiff 2011). Moreover, the agribusiness model promoted by the government in its land reforms has been reported to exclude resource-constrained farmers from lucrative markets. Rusenga (2015) finds that beneficiaries of land reform engaged in horticultural enterprises faced many challenges in accessing markets for their produce, which was deemed to be below the required standard. Such farmers failed to compete with their more established white counterparts who dominated the supply chain. Despite the wide range of difficulties besetting land reform beneficiaries, the 'agriculture department has remained biased in favour of commercial farming and unsupportive of smallholder farming and the production systems of the poor' (Hall 2009a: 2–3).³ The government wants beneficiaries to operate their projects as 'successful agricultural businesses' (DRDLR 2013: 10), yet it has not provided adequate financial resources and training to allow such farmers to gain access into the agro-food supply chain dominated by securely entrenched large farming businesses. In the face of these challenges, beneficiaries are expected to produce for markets in order to contribute to national food security and revenue (Xingwana 2009; Nkwinti 2010b).

It has been argued that to improve the competitiveness of smallholder farmers there is a need to 'strengthen forms of collective action...to promote equity and competitiveness' (Louw et al. 2007 in Baiphethi & Jacobs 2009: 465). This could 'facilitate co-ordinated efforts to train farmers in product quality and marketing to enable such farmers to comply with delivery schedules, overcome transport problems and access cheaper inputs'.

Without such intervention, it is unrealistic for the government to expect land reform beneficiaries to be successful in a situation where the odds are hugely stacked against them in terms of their preparedness to take advantage of market opportunities.

A study by Vermeulen, Kirsten and Sartorius (2008) on agribusiness procurement practices in South Africa shows that although small-scale farmers are contracted in many sectors, their supply is insignificant as a percentage of the total volume procured. For supermarkets, centralisation reduces transaction costs relating to coordination, inventory management and supervision (Berdegué et al. 2005). It also allows for the upgrading of their supplier base, as larger suppliers are attracted to supplying larger volumes to central areas rather than delivering to many stores spread out. Thus, 'buying in one place in bulk can mean economies of scale and better bargaining with suppliers' (Berdegué et al. 2005). For the suppliers, the advantages are reduced transaction costs relating to transport, as they no longer supply widely dispersed stores. Additionally, the suppliers can react quickly to quality control issues. However, the so-called advantages to suppliers, especially small farmers, depend on conditions such as the size of the country, which influences the distance travelled to deliver produce to distribution centres. Market proximity, among other factors, is a key determinant of market choice and has direct implications for the transaction costs incurred by farmers (Chikazunga 2013).

The deregulation of agricultural markets, which started in the 1980s and included the withdrawal of state subsidies, has negatively affected the beneficiaries of land reform who have received limited state support after being offered land. Since the end of apartheid, the process of farm consolidation has been on the increase, with agribusinesses increasingly dominating the agricultural value chain from input manufacturing to production, processing, marketing and distribution. Reardon et al. (2009) note that since the 1980s, there has been 'private-sector investment in and consolidation of processing and retail'. The retailers, together with other agribusinesses, emerged as major players dominating the agricultural output markets (Louw et al. 2007; Hellin, Lundy & Meijer 2009). Louw et al. (2008) observe that in Southern Africa 'agribusinesses are important stakeholders in the agricultural supply chain'. The south African food retail sector is dominated by four big retailers – Shoprite/Checkers, Pick n Pay, Spar and Woolworths – handling

about 50 to 60 per cent of all food retail in the country (Louw et al. 2007). Thus, the agricultural value chain is dominated by a few large companies, and this makes it difficult for smallholder farmers to access agricultural markets and the supply chain. Consequently, agribusiness prefers to procure from 'larger companies with the necessary capital to meet the supermarkets' procurement requirements' (Louw et al. 2007). However, Reardon et al. (2009) and Louw et al. (2007) demonstrate that where the sector is dominated by small farmers, such as with tomatoes in Guatemala and fresh produce in the case of Thohoyandou in Limpopo (Baiphethi & Jacobs 2009), smallholders become the major suppliers. This means that where large farmers dominate, the markets are structured to exclude small farmers, given that supermarkets' first priority is to reduce transaction costs by sourcing from larger suppliers. In order to qualify as a supplier to supermarket chains, 'smallholders need to comply with a host of standards, such as organic farming certificates, food quality and safety regulations and packaging criteria', and due to 'their failure to meet such standards and specifications, most smallholders fail to take advantage of opportunities offered by agro-food chains' (Baiphethi & Jacobs 2009: 465).

The situation is exacerbated by the fact that the government is generally biased against smallholder farmers. This favouring of large farms must be conceptualised within the context of the yet to be resolved 'farm size productivity' debate. Supporters of the large-farm model, such as Bernstein (2007), argue that since the agrarian question of capital has been resolved on a global scale, and capitalism dominates even in countries of the South, redistributive land reform will not increase 'agricultural productivity and rural employment and incomes on the basis of an egalitarian (and stable) agrarian structure of "family" farms' (Bernstein 2007: 38). Similarly, Byres (2004: 36, 37) argues that the adoption of superior technology by large farmers 'cuts at the basis for the inverse relationship...where the new technology has spread and, as part of that, mechanisation has been adopted, then the economies of scale associated with that have given large farmers a clear advantage'. Others, such as Dyer (2004), argue that under the small family-farm model, poor small farmers intensify the exploitation of their labour because their survival depends on it. Dyer (2004: 59) concludes that 'it is thus misguided to treat the inverse relationship as a sign of relative efficiency rather than of distress'. A counter-argument, however,

highlights the advantages of small farms, which are deemed to be more efficient than large farms, although this does not mean they produce higher yields. According to Platteau and Lipton (1993):

one reason for the link between relative equality in land-ownership and higher levels of growth in developing countries is the relative efficiency of farm production by large numbers of small producers, as opposed to small numbers of large ones – the so-called inverse relationship between farm size and productivity, a feature observed by economists since the 19th century. A large number of smaller farms can produce and earn more than a small number of large farms operating at the same level of technology. This in turn can be explained by the combined effects of low labour costs, where farming families work their own land and the desire to maximise returns to their scarce asset – land. Large farms depend on hired labour to a much greater extent, which has associated costs, such as supervision to ensure quality of effort. (In Toulmin & Quan 2000: 41)

Although large farms 'generally achieve higher yields than small farmers on the land they cultivate, they generally leave much arable land to pastures and forests which makes them inefficient compared to small farms' (Van den Brink et al. 2007: 155). Given the inefficient utilisation of land symptomatic of large farms, and the relative advantage of smallholder farms highlighted above, the South African government should consider dismantling the large farms in favour of a more democratic structure, which would allow a diverse group of farmers, beyond the racialised minority that currently dominates the sector, to engage in productive agriculture. It has been argued that the high productivity attributed to large farms 'is usually due to their privileged access to technology, credit and information, for instance in areas where green revolution technology dominates' (Toulmin & Quan 2000: 42). Furthermore, 'promoting labour intensive growth, including the encouragement of small farms and more egalitarian land relations, is likely to have a more significant impact on reducing poverty than more capital intensive growth which marginalises small producers and undermines their land rights' (Toulmin & Quan 2000: 42). A good example of this is Zimbabwe's recent experience with redistributive land reform. Under its controversial fast-track land reform programme, Zimbabwe dismantled

large farms inherited from colonialism and replaced them with small and medium-scale farms, while some large estates were retained at reduced sizes (Moyo 2011). This led to the democratisation of the agrarian sector. Since the land reforms, a new agrarian structure comprised of a more diverse group of farmers has replaced the minority of white farmers who previously owned most of the productive land. Additionally, Zimbabwe has witnessed an upward trajectory in agricultural production in certain sectors, although the agricultural sector as a whole is yet to fully recover (Scoones et al. 2010).

In general, evidence from countries where radical agrarian reforms have been implemented shows that productivity improves when large farms are divided up and allocated to poor households (Sobhan 1993).⁴ Furthermore, bias in favour of large farms that exercise undue influence over government policy undermines the political and social goal of land reform, which is to ensure justice through equitable land distribution. The purported efficiency of agribusinesses and their contribution to national foreign currency reserves cannot justify inequitable access to land, especially in the settler societies of southern Africa. Maintaining the *status quo* has dangerous political consequences, as recently witnessed in Zimbabwe where landless peasants were forced to 'invade' commercial farms owned by white landowners.

Resolution of the land question, equity and poverty reduction

laws and decrees...in land reform should be treated as weapons in the struggle against landlords. (Chinese official in Borras 2007: 64)

Since the former settler colonies of southern Africa inherited an unjust landownership structure underpinned by race, land and agrarian transformation should include the dismantling of this racialised structure in favour of a more democratic order involving a broader range of beneficiaries, beyond the advantaged minority white landowners who historically have controlled most of the productive land. This means that many large farms and agribusinesses should be targeted for redistribution to small-scale African producers. While a few large estates could be retained, they might be reduced in size to facilitate equity and efficiency in the agrarian sector. It has been argued that 'land reform involves interven-

EVIDENCE FROM COUNTRIES WHERE RADICAL AGRARIAN REFORMS HAVE BEEN IMPLEMENTED SHOWS THAT PRODUCTIVITY IMPROVES WHEN LARGE FARMS ARE DIVIDED UP AND ALLOCATED TO POOR HOUSEHOLDS.

tion in the prevailing pattern of landownership, control and usage in order to change the structure of holdings... and broaden the distribution of benefits' (World Bank 1975). According to Mafeje (2003: 23), poor peasants or small-scale producers (both women and men) 'are the inevitable objects of agrarian reform'. While some will need new land in areas previously reserved for large farms, others have access to land but suffer a plethora of challenges such as 'extractive state policies, lack of infrastructure, lack of proper marketing facilities, exploitation by middlemen and unscrupulous traders, all of which militate against accumulation from below' (Mafeje 2003: 23). Most of these challenges are products of the unjust agrarian structure maintained in the post-colonial era.

Historically, African producers have been discriminated against by colonial and apartheid governments. This contributed to their current state of low productivity. Agrarian reform should involve, inter alia, building the capacity of small farmers to become more productive and to diversify livelihoods beyond the farm. Importantly, agrarian reform can also open up access to natural resources, which is likely to complement the livelihood strategies of the landless poor and thereby reduce poverty.

It has been argued that 'land tenure problems are power problems, problems of disparity in economic, social, and political power' (Parsons in Borras 2007: 63) and, thus, cosmetic changes to the current agrarian structure will not bring about the desired change. 'If the government is dominated or strongly influenced by the landholding group...no one should expect effective legislation as an act of grace' (Parsons in Borras 2007: 63). This means that while it is important to maintain agricultural productivity during the land transfer process, redistributive land reform must fundamentally restructure agrarian relations in favour of the poor. In the South African case, this should inevitably involve dismantling the large farms, or reducing their size in favour of a more democratic tri-modal agrarian structure (Moyo 2011). In this way, redistributive land reform can address 'the interlinked political, economic and social dimensions which in turn have significant implications for development' (World Bank 1975: 5).

The marginal capital to output ratio has been said to be lower for small producers than for large-scale farmers. The International Fund for Agricultural Development (IFAD) has argued that the productivity of the rural poor can easily be raised by modest investment (in Mafeje

2003). IFAD has asserted, further, that 'one unit of resources invested in the peasant subsector would generate greater savings than if it were invested in the capital-intensive subsector'. This means that where the poor are in the majority, the diminishing return to capital would not be as significant in the poor sector as in the non-poor sector. Investing in poor producers helps to mobilise their labour and, hence, agricultural productivity.

In addition, there are more financial challenges to sustaining big farms than is the case for small producers, as evidenced by many bankruptcies facing white commercial farmers. Thus, the South African government should promote the growth of the smallholder farming sector rather than the large farms it currently favours. The government should also support the development of technologies that suit small farmers, taking into consideration local and indigenous knowledge (Mafeje 1988). Most imported technologies in the past favoured mass production of export crops by agribusiness, and contributed to land degradation and job shedding (Marcus 1989). Therefore, scientific research should support technologies that suit smallholder agriculture and complement broader livelihood strategies beyond the farm.

Rethinking land reform, equity and justice in the agrarian sector

In South Africa, the demand for land transcends the issue of agricultural productivity to encompass other diverse aspects, such as urban housing, identity and belonging, which have received limited attention in the literature (James 2007). Moreover, access to land by the rural and urban poor enhances their livelihoods, as they can utilise natural resources that are currently enjoyed by only a few (Mkodzongi 2013). Land reform, as part of a wider post-apartheid state-making process, must take these diverse needs into account. Experience elsewhere shows the benefits of dismantling large farms and redistributing them to a large number of smallholders (Toulmin & Quan 2000). It has been argued that 'once poor people are given good farmland they can lift themselves out of poverty permanently even without significant government support' (Van den Brink et al. 2007: 159), and that countries undergoing unsuccessful land reform (like South Africa) tend to have high levels of rural poverty.

In countries that have undertaken successful land

reform in favour of smallholders, such as China, Costa Rica, Indonesia, Malaysia, Taiwan and Thailand, rapid economic growth has been witnessed, which challenges the myth that smallholder farmers cannot farm productively. In the South African context, the failure to dismantle the colonial era bi-modal agrarian structure has undermined democratisation of the agrarian sector, simultaneously hampering economic growth. Empirical data gathered in Limpopo show that the government has failed to restructure agrarian relations in favour of the poor and landless; instead, its market-based land reforms have sought to gradually create a cohort of black capitalist farmers, rather than redistributing land to the poor as initially planned. Even these so-called 'emerging farmers' have not been adequately supported. Indeed, the government has set them up to fail, as the entire agricultural value chain remains dominated by agribusinesses. Penetrating this racialised agricultural value chain has been a challenge for many of the new black farmers. Given the above, without a radical transformation of the agrarian sector, the government's efforts to address historical injustices are likely to fail.

The large estates that dominate the agricultural sector need to be dismantled in favour of a more democratic and diversified farm sector. Supporters of the large farms that dominate South Africa's agrarian sector have sought to downplay the need for land among black inhabitants of the former bantustans by claiming that the agrarian question in South Africa was resolved under apartheid industrialisation, and that the poor no longer require land but need employment in cities (Bernstein 1996; Hendricks 2013). Yet, there is evidence to suggest that the so-called semi-proletarians resident in shanty towns on the urban periphery are mobile and continue to maintain links with their places of origin in former bantustans where they derive part of their livelihoods from the land (Chitonge & Ntsebeza 2012). Claims that such people do not need land are misleading in their underestimation of the role that land can play in the livelihoods of the rural and urban poor.

In some sectors, redistributive land reform has been opposed on the pretext that it leads to food insecurity. Yet, in many countries that have redistributed land rights to peasants, food production has risen, and local economies and employment have improved (Toulmin & Quan 2000). Even in Zimbabwe, with its controversial fast-track land reform, peasant farmers have made significant investments in their newly acquired land

and rural livelihoods have been diversified. According to Deininger (in Van den Brink et al. 2007: 158):

Equitable land distribution is also beneficial for non-agricultural and non-rural growth. Access to land provides a good social safety net, which induces more farmers to move into nonfarm businesses, given the higher risks associated with entrepreneurship. In China the broad based access to land allowed peasants to take increased risk, move into nonfarm activities and then produce the boom in small-scale entrepreneurs. This also explains why China spends significantly fewer fiscal resources on social security-type transfers than, say India where fewer have much more restricted access to land.

Redistributive land reform, thus, has the potential to address rural poverty by kick-starting rural economic activity that contributes to local employment creation. Additionally, land reform can allow some smallholder farmers to diversify into non-farm activities, which enhances rural livelihoods. In South Africa, this is likely to lessen the fiscal burden currently faced by the government because of the large numbers of rural households that are dependent on social grants for their livelihoods. Again, experience from Zimbabwe shows that smallholder farmers can take advantage of land reform to diversify livelihoods through engaging in activities such as artisanal mining and other natural resource extraction activities. Mining has also opened up opportunities for households to engage in petty commodity trading at mine sites; this has allowed women to participate in the rural economy. Revenue generated by such activities has been invested in agriculture, as these farmers receive no support from the government.

It has been argued that 'in countries with a highly unequal distribution of land, the case for...redistributing property rights from the rich to the poor is a strong one'. This is important for 'conflict prevention, equity, economic growth, jobs and poverty reduction' (Van den Brink et al. 2007: 154). Failure to redistribute land has contributed to increasing poverty and marginalisation, especially among South Africa's rural citizens. It is, thus, imperative for South Africa to rethink its land reform policies in order to address injustices that have persisted in the agrarian sector.

Conclusion

South Africa's land reforms have failed to restructure agrarian relations in favour of the landless poor. This is a direct cause of poverty and injustice. While it was anticipated that market-based land reforms would facilitate the speedy transfer of land from white landowners to historically marginalised black citizens, this has not happened in practice. An insignificant amount of land has been redistributed, and the dualistic agrarian structure inherited from apartheid remains unchanged. This has contributed to rising rural poverty. The government has relied largely on the expertise and influence of landowners to craft land and agrarian reform policy, while the beneficiaries of land reform have been sidelined in policy formulation and in the implementation of land reform projects. This has led to poor programme design and the failure of land reform projects. In terms of future policy, there is a need to rethink land reform approaches by considering a more redistributive process that could bring about the equity and efficiency for which the sector is long overdue.

ENDNOTES

- 1 The case study data were gathered by Clemence Rusenga in the course of doctoral studies at the University of Cape Town.
- 2 See <http://www.gov.za/speeches/rural-development-and-land-reform-approves-r206-million-rands-funding-emerging-farmers-8> [accessed 10 October 2015].
- 3 The DRDLR is responsible for land reform, while the Department of Agriculture, Forestry and Fisheries (DAFF) is responsible for agricultural support. From 1994 to 2009, the two departments were in one Ministry of Agriculture and Land Affairs. They now operate as separate departments. This separation of mandates has been credited as being behind the poor support provided to land reform projects, as the DAFF remains focused on large-scale commercial agriculture (Hall 2009a).
- 4 See Sobhan (1993) for detailed experiences of radical agrarian reform in countries such as China, North Korea, Cuba, South Korea, Vietnam and Taiwan.

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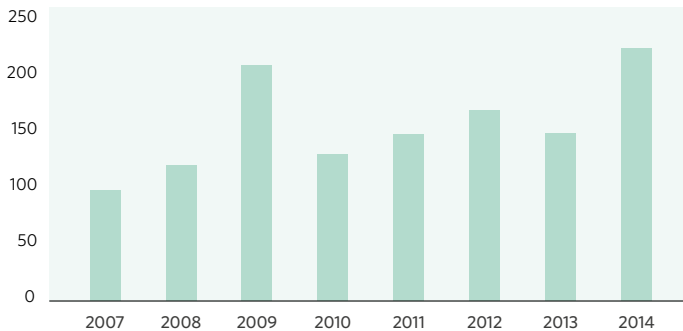
PART THREE

SOCIAL PACTS AND TRUST BUILDING FOR AN EQUITABLE AND INCLUSIVE ECONOMY

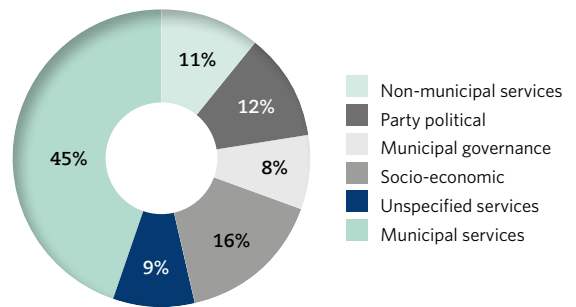


In 2015, 68 per cent of South Africans stated they had never contacted their local government councillor about a problem or to express their views. This is an improvement from 2002, when more than 80 per cent stated that they had never have made such contact. In 2015, more South Africans indicated a willingness to join protests. In 2014, the annual number of protests recorded was 218, an increase from 96 in 2007. In the same period, the number of violent protests increased significantly from 44 in 2007 to 174 in 2014. A major reason for protests related to dissatisfaction with municipal services.

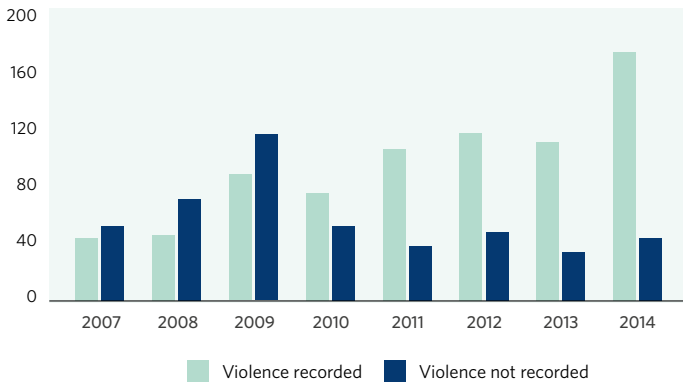
Annual number of protests, 2007-2014*



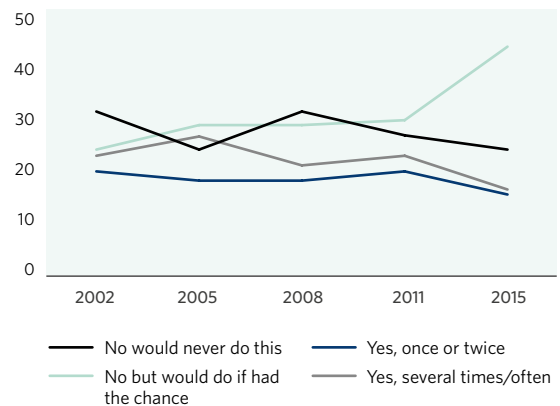
Grievance categories cited by protesters, 2012-2014*



Proportion of protests involving violence, 2007-2014* (percentage)



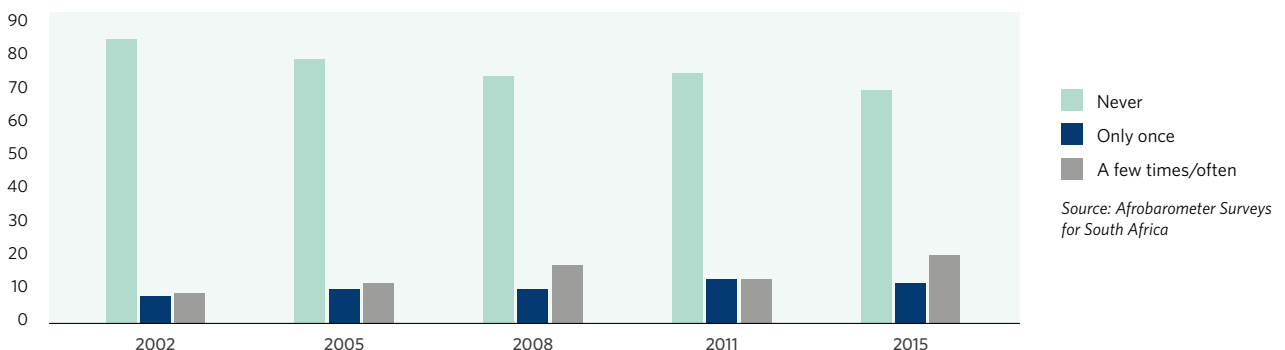
During the past year, have you joined others in your community to request action from government (percentage)



*Source: DM Powell, M O'Donovan, and J de Visser (2014) Civic Protests Barometer 2007-2014

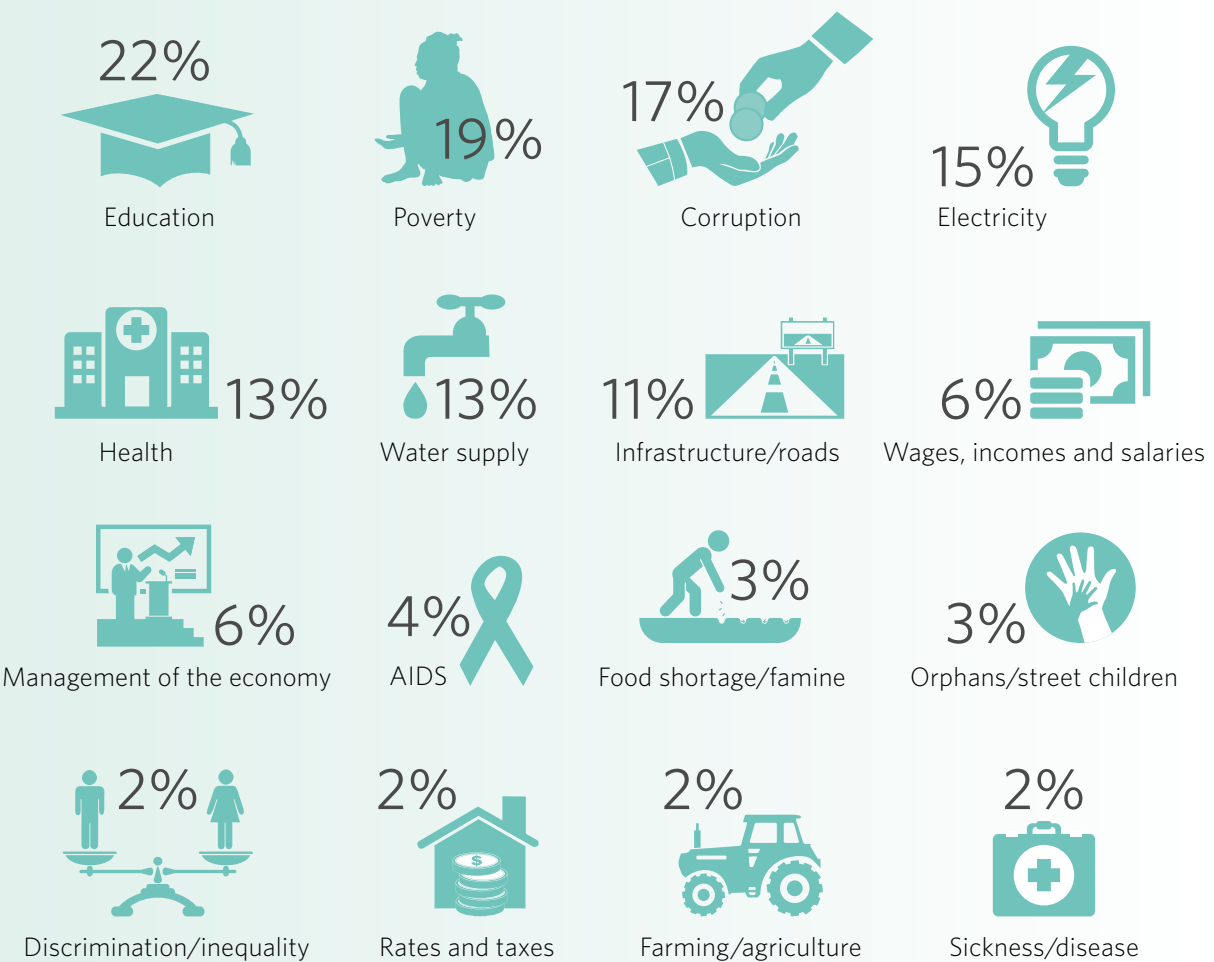
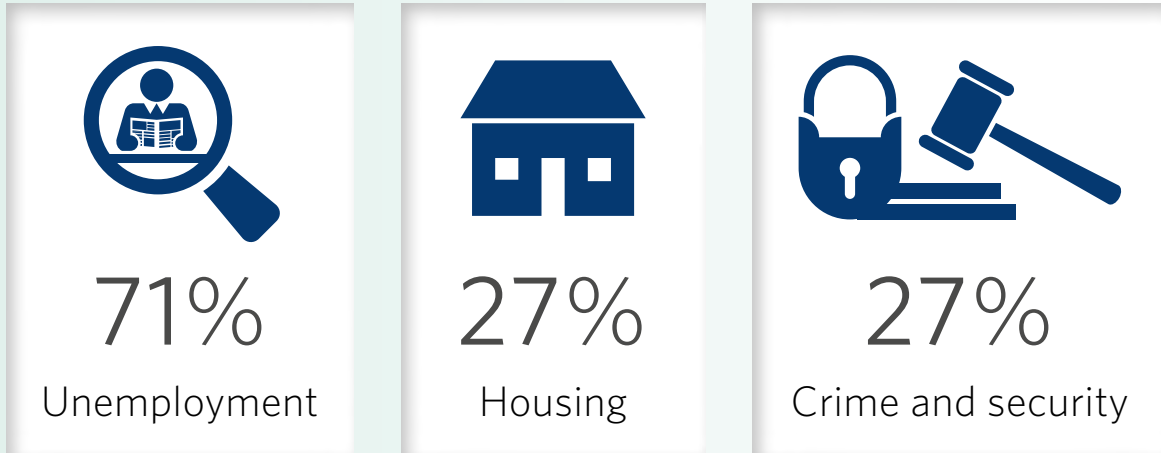
Source: Afrobarometer Surveys for South Africa

During the past year, how often have you contacted your local government councillor about an important problem or to give them your views? (percentage)



Source: Afrobarometer Surveys for South Africa

TOP 3 PROBLEMS FACING SOUTH AFRICA, 2015



Source: Afrobarometer Surveys for South Africa



Searching for social and developmental pacts at the local level¹

This section considers the role of social pacts in consensus-building to address the country's developmental challenges, and assesses the conditions under which successful and lasting pacts might be established.

68/ KEY INSIGHTS

- ❑ Service delivery and community protests increased in intensity and number, with the worst cases involving xenophobic violence, police brutality and attacks on local government offices and officials.
- ❑ The institutionalisation of industrial conflict is being eroded and the labour market is fragmenting society along new fault-lines.
- ❑ Innovative actors, institutions and policies are emerging and laying the foundations for a different approach to creating pacts.
- ❑ Union organisers have successfully drawn on the public arena with the aim of restoring the dignity of, and justice for, socially devalued and economically marginalised workers.
- ❑ The making of pacts should be seen as an objective to be realised over time by way of partnerships at the workplace and community levels.
- ❑ Civil society institutions, including religious institutions and the media (radio, television and newspapers), attract the greatest levels of trust.
- ❑ A key requirement of a good democracy is that its citizens trust one another, as well as the institutions and leaders that govern them.
- ❑ For trust to develop, effective communication is vital. This is best done through dialogue that has mutual understanding as its outcome.

The origin of pacts in South Africa

Social and developmental pacts date back to the origins of our transition. The first such pact, the Laboria Minute of 1990, signed by unions, employers and the government, prefigured the political transition that was to follow. In this pact, it was agreed that all future labour laws would be considered by employers and labour, before proceeding to Parliament. More importantly, the Laboria Minute was the first example of a major South African policy issue being addressed by way of a negotiated compromise (Webster & Sikwebu 2010).

In 1994, broad social consensus was reached through the multipartite Reconstruction and Development Programme (RDP), which was part of an organised pact to reconstruct society. In 1995, a top-level social dialogue body – the National Economic Development and Labour Council (NEDLAC) – was launched. This new institution was charged with the task of facilitating consensus on economic and social policy between organised labour, organised employers and other community-based interest groups. The third category was an important innovation as it gave voice to marginalised groups such as the unemployed, disabled, youth and women, thereby avoiding a narrow corporatism based on the ‘golden triangle’ of the government, labour and business (Webster & Adler 1999).

In 1996, the Presidential Labour Market Commission called for an accord for employment and growth. At the NEDLAC Annual summit three years later, Jacob Zuma, then Deputy President, called on social partners to conclude a ‘tough employment accord’. This sentiment was echoed by the then Overall Labour Convener at NEDLAC, Ebrahim Patel (in Webster & Sikwebu 2010: 206):

We need to forge a common vision on economic policy. Building a shared vision is a difficult process, with gains today and retreats tomorrow. However difficult, we need to achieve consensus, because this is at the heart of our jobs and equity challenge.

The idea of an all-encompassing pact re-emerged in the New Growth Path of 2010 and the National Development Plan of 2012. Co-chair of the National Development Commission, Cyril Ramaphosa, captured the rationale behind such a pact in an address to the Mapungubwe Institute for Strategic Reflection in October 2013:

We need to establish trust. This can only be achieved through greater engagement between the social partners on the issues of common concern. We need to accept each other’s bona fides. This may, in some instances, require a leap of faith, in much the same way that the initial talks between the ANC and apartheid government demanded a leap of faith. (Ramaphosa 2013: 9)

Why has the goal of achieving an effective social pact remained so elusive? Adam Habib (2013) argues that the preconditions for a successful social pact did not exist in the 1990s. They are, he suggests, two-fold: relative equality in the distribution of power between labour and business; and the development of the political will among all stakeholders to contain elite and popular expectations. The ousting of Mbeki in Polokwane in 2007, Habib argues, established the first precondition – a more even distribution of power – thereby enhancing the prospects of a pact. The second, however, he says, is yet to be attained.

While Habib is quite right about the second precondition, he is arguably incorrect about the first. A pact would have to meet at least three conditions. Firstly, the parties would have to be in a situation of stalemate, in which each is unable to achieve its objectives. We are a long way from satisfying this condition, as neither capital, nor labour nor the government shows any signs of willingness to compromise. Secondly, the stalemate must lead to a situation in which the costs of not compromising begin to outweigh the perceived gains of standing firm (such as increasing levels of disorder). Thirdly, there must be organisations that are able to mobilise and restrain their followers in accordance with a strategic and tactical vision. There are many examples that challenge the assertion that this condition has been met.

One such example is the rise that there has been in strike activity since 2006, with a dramatic increase in the levels of violence during protests. Service delivery and community protests increased in intensity and number, with the worst cases involving xenophobic violence, police brutality and attacks on local government offices and officials. Drawn-out industrial action was characterised by an increase in the number of working days lost and an unwillingness to compromise on the part of both employees and employers (Webster 2013). There has also been a considerable increase in the number of popular protests (both violent and peaceful). A turning point for South Africa was the Marikana Massacre in

August 2012, in which striking workers and the police clashed, resulting in 34 deaths – the largest number of civilians killed by security forces since the end of apartheid. From the outset, workers rejected representation by the recognised union and the formal collective-bargaining system. Indeed, for some years there had been an increase in violent, unprocedural strikes (Webster 2015).

Popular protest is not peculiar to South Africa; it is a global phenomenon in which the financialisation of capitalism has substantially altered the grammar of social conflict. From the Arab Spring to the ‘movement of the squares’ in southern Europe, the streets have become the site of massive demonstrations, strikes, occupations, riots, rebellions and revolutions. Popular uprisings have taken place in Tunisia, Egypt, Greece, Spain, Italy, Portugal, Brazil, Turkey and elsewhere. The institutionalisation of industrial conflict is being eroded and the labour market is fragmenting society along new fault-lines. Alongside the decline of traditional unions, new movements are emerging. The accompanying protests are class-specific, bread-and-butter conflicts in which protesters feel powerless in the face of the international financial institutions, and vent their anger in the destruction of property and militant action (Webster 2015).

How are the key actors responding to these challenges? The first reaction is to defend and attempt to strengthen the labour market institutions that underpin the economy. This involves the following: accepting industrial conflict and strong unions as necessary components of democracy; making better use of existing bargaining councils and creating new ones in terms of the Labour Relations Act; more effective use of NEDLAC; better use of existing conciliation, mediation and arbitration structures; and a department of labour that is more proactive in educating and building the capacity of all social partners. The ultimate prize, from the viewpoint of the architects of the South African labour regime, would be a social pact that:

cannot be limited to the top-tier actors; it must reach down to the workplace leadership as well. It should not be so much a compact in relation to wages, but on workplace culture, productivity and reform. (Cheadle, Le Roux & Thompson 2011: 1)

A second response, dominant in business and some sections of the government, is embodied in the view

THERE HAS BEEN
A CONSIDERABLE
INCREASE IN THE
NUMBER OF POPULAR
PROTESTS (BOTH
VIOLENT AND PEACEFUL).

that South Africa needs ‘a Thatcher’ to ‘tame’ the unions. Indeed, Margaret Thatcher’s death in 2013 prompted pleas from journalists for a Thatcher-like crackdown on unions. John Kane-Berman (2013: 9) wrote: ‘We need our own Thatcher to handle our toxic trade unions’. Similarly, columnist Justice Malala (2013: 8) wrote: ‘We could use an Iron Zulu’. This has been followed by a barrage of mainstream media attacks on the country’s key labour market institutions, including NEDLAC and the Bargaining Councils, and their extension of agreements to non-parties, the Congress of South African Trade Unions (COSATU) and unions, in general. Indeed, in what has been described as a ‘watershed moment for South African politics’, the government went ahead with its proposed amendments to labour legislation in Parliament, despite strong opposition from COSATU. It dismissed COSATU’s demand that the amendments be submitted to NEDLAC, asserting that ‘Parliament is the only supreme body here and it approves or rejects or amends bills’ (Ensor 2013: 1). Underlying this exchange is a deeper debate on the future of social dialogue, and of NEDLAC, in particular, in a context where labour has been seen to be playing a ‘spoiler role’ (Joffe 2013: 10).

A third, more reflective, response is grounded in deep scepticism regarding the possibility of institutionalising industrial conflict in a world with such widespread inequality. This response suggests that industrial relations will have to go beyond collective bargaining to address the inequality that has emerged in the age of globalisation. At the centre of this perspective is the growing social distance between union leaders and their members, a fact acknowledged by the Department of Labour in its 2012–2013 Annual Labour Market Bulletin:

During illegal strikes in the mining sector last year, many workers voiced dissatisfaction with their trade union leaders, accusing them of being too close to management and too willing to compromise on workers’ demands. (Sidimba 2013: 10)

A new industrial relations paradigm

What these three responses lack is any recognition that innovative actors, institutions and policies are emerging and laying the foundations for a different approach to creating pacts. In the wake of Marikana, COSATU held a Collective Bargaining, Organising and Campaigns Conference to reconnect with its members and overcome the

representational gap in respect of casual workers. At the same time, a new organisation was launched to give voice to street traders, the South African Informal Traders Alliance (SAITA), in response to the growing number of self-employed persons trading on the streets of South Africa’s cities (Webster 2015). It must be noted, however, that organising informal workers is not an easy task. Research amongst vulnerable immigrant clothing workers in the inner city of Johannesburg has found that these workers often operate in family-based micro-enterprises that blur the boundary between employer and employee (Joynt & Webster 2011). Instead of joining unions, they prefer faith-based organisations, such as the increasing number of Pentecostal churches, which often perform economic as well as spiritual functions. They assist their members in job searches, find accommodation for newcomers to the city, and even act as ‘bankers’ in the transfer of money to their home villages.

New sources of power are emerging – what Jennifer Chun, a leading labour scholar, has called ‘symbolic leverage’ or moral power – where union organisers have successfully drawn on the public arena with the aim of restoring the dignity of, and justice for, socially devalued and economically marginalised workers (Chun 2012). We saw this in the uprising amongst farm workers in the rural Western Cape in 2012, in the successful challenge to labour brokers in the South African Post Office strike, and in the 2014 five-month strike on the platinum belt.

Furthermore, innovative social policies have emerged across the global South, in what some have called a ‘quiet revolution’ (Hanlon, Barrientos & Hulme 2010). This concept highlights the innovative ways in which developing countries are attempting to provide social security to large numbers of precarious households. In 2012, the International Labour Organisation adopted the Social Protection Floors Recommendation No. 202 to provide policy guidance to its member states in terms of the rapid extension of social security coverage in the form of adequate basic income security guarantees and essential healthcare (see Hoffer 2013).

Concluding remarks

Organised labour has become detached from the struggles of vulnerable workers. Indeed, the established unions have had limited success in organising vulnerable workers other than those in standard employment relationships. The making of pacts should be seen as an

objective to be realised over time by way of partnerships at the workplace and community levels. The first step should be to build consensus among labour, employers, communities and government departments around the idea of social or developmental pacts at the local level. The challenge will be management of the trade-offs between the social partners. This requires patient negotiation with the innovative actors and organisations emerging at workplaces and in communities throughout the country.

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- 1 An earlier version of this section appeared in *Independent World of Work*, July 2015 under the title 'Searching for the Elusive Social Pact' by Edward Webster.

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SOCIAL PACTS: A COMPARATIVE VIEW OF GERMANY AND THE UNITED STATES

GERMANY

With the end of feudalism in 1848, German society underwent profound social and economic change. The traditional system of estates and guilds, which formed the basis of society disintegrated. Large-scale migration from villages to urban centres occurred; industrialisation, urbanisation and a new market for individual labour contracts developed in Germany (Ritter 1986). The upheavals and economic and social distress of the time were referred to by German social scientists as ‘the social question’ (Ritter 1986). The scepticism of German elites and bureaucrats towards the ability of market forces alone to address the social question resulted in an abiding view that the German state is the guarantor of social order, and obliged to take care of citizens in distress (Ritter 1986).

The importance of pacts, with their methods of exchange and compromise, in achieving economic goals in Germany, continued into the World War I (WWI) era. During WWI, political authority passed to the military leadership of the country. As it was wartime, the military placed great demands on German workers to increase output. So great were these demands that the military was compelled to establish grievance committees at factories and to implement consultation forums to deal with workers’ issues. Importantly, these measures went far beyond what German employers wished to concede. While, undoubtedly, the circumstances were exceptional, they illustrate a continuum of German labourers’ willingness to enter into pacts of ‘political exchange’, in terms of which working class cooperation is secured to meet national economic objectives. During this time, cooperation was given in exchange for labour attaining greater influence in the running of workplaces and the military-led government through consultative arrangements. The importance of these arrangements became apparent in the years following WWI, when the *Zentralarbeitsgemeinschaft* was introduced. This was a system of industrial relations with the aim of pre-empting the influence of radicalism advanced by the revolutionary parties that were politically ascendant in Europe at the time. The system involved private contractual agreements between the industrial leadership and the social democratic trade unions, in order to regulate wages and set production targets (Dimsdale, Horsewood & Riel 2004). This framework was kept in place until its demise in 1924 as a result of the great inflationary pressures that befell the German economy (Maier 1984).

The period following World War II (WWII) is important in understanding the enduring nature of social pacts in Germany. During the 1950s, in the period of reconstruction after WWII, Germany's economy experienced an annual growth rate of 7.4 per cent (Ryder 1973). This growth transformed the standard of living in the country; per capita consumption trebled and the hourly wage of German workers doubled (Ryder 1973). In the 1960s, German economists systematically assessed how this newly created wealth was distributed between different social groups. It was found to be unevenly distributed: 1.7 per cent of the population possessed 35 per cent of the wealth, while 16 per cent of all German households owned 47 per cent of the private wealth (Ryder 1973). This caused alarm, with economists and social scientists warning against a German society sharply divided into 'haves' and 'have-nots'. In response, schemes were implemented to promote profit-sharing, employee participation in workplace matters and increased shareholding by ordinary citizens.

In 1967, a tripartite consultative framework, the *Konzertierte Aktion* ('Concerted Action'), was established, under which the state, labour and capital established a cooperative relationship in the interests of a coordinated economic strategy for Germany (Ryder 1973). In 1971, the Bundestag ratified a revised version of the Works Council Law of 1952, which bestowed the right of employees to be informed and consulted about issues of personnel management (Ryder 1973). In 1976, a modified form of the *Mitbestimmung* ('Co-determination') became applicable to all joint stock companies with more than 2 000 employees (Ryder 1973). Such schemes and frameworks had the effect of preserving industrial peace, as well as moderating the militancy of trade unions.

Several key features of German society that can be distilled from the important period of 1965–1980 provide insights into the enduring nature of social pacts in Germany. First, almost one-third of the total labour force of the country was unionised (Cameron 1984); second, there was a very high level of organisational unity among labour; and, third, the power of confederations in collective bargaining was not very significant (Cameron 1984). Alongside these factors, there existed a total commitment from the German state and labour to worker councils and the concept of co-determination in setting wage levels (Cameron 1984).

THE UNITED STATES

A large stock market crash occurred in the United States in 1929, which resulted in the wider and deeper social and economic crisis known as the Great Depression. In response to the crisis, the newly elected Democratic administration of Franklin D Roosevelt offered American society a social pact labelled 'the New Deal'. The deal on offer rested on three pillars – relief, recovery and reform – often called the '3 Rs'.

The principal factor behind the creation of the New Deal was the realisation that America's economy was in deep crisis, the result of structural flaws (Brinkley 1996). The pact on offer involved a 'political exchange' – a central feature of social pacts. The exchange required the US government to assist citizens who could not take care of themselves in the crisis. The compromise required of society was to accept that this goal be achieved through programmes and legislation. During the Great Depression, unemployment was widespread. Among the institutions created under New Deal programmes was the Civilian Conservation Corps, which gave people jobs that protected the environment (Brinkley 1996). In addition, the Works Program Administration was created. It employed citizens to build bridges, roads and airports for a stipulated minimum salary (Brinkley 1996). Targeted efforts were made to stabilise particular sectors of the economy or regions of the country. The New Deal saw the US government invest heavily in infrastructure projects such as roads, bridges, dams, hydroelectric projects and rural electrification, which, in later years, formed the basis of economic growth in many remote regions of the country (Brinkley 1996).

The enduring significance of the New Deal derives from the many paternalistic statutes passed during that era to protect US citizens from suffering extreme hardship. The statutes continue to exist as pillars of US policy on citizen welfare. The Social Security Act of 1935 provides money to people with disabilities or who are over 65 years of age. The Federal Deposit Insurance Corporation, originally established in 1933 (Schwarz 1994), is designed to protect depositor savings in the event of a bank collapse. Both are New Deal statutes. The National Labour Relations Act of 1935, which finally guaranteed US workers the right to collective bargaining under a trade union of their choice, was passed during the New Deal (Schwarz 1994).

The US economy experienced a period of high inflation in the 1970s, as a result of the financing of the Vietnam War and developments in the oil markets. Richard Nixon, the US Republican president, introduced Phase II of his new economic policy in 1971 (Landauer 1971). The policy saw the US take the unusual step of adopting a system that allowed for the determination of wages and prices by a public authority (Landauer 1971). Consequently, special boards were created to establish ceilings on the price of labour and all important commodities in order to achieve a common goal for US society. The goal was to preserve the value of money during a period of extremely high inflation. Various boards were created, including one for the control of wages, which consisted of representatives of labour, management and the general public, and another for regulating dividends and interest rates, which consisted of public officials (Landauer 1971). The board on wages was seen as the most important because of the erosion of the value of money caused by wages. This, however, was only a temporary, *ad hoc* use of a version of the German-style social pact.

From the end of WWII until the mid-1970s, the wages of American workers almost doubled, increasing in parallel with growth in productivity. The United States benefited from an implicit social contract: by working hard and contributing to productivity, profits and growth, workers and their families could expect improved living standards and greater job security (Kochan 2007). This implicit agreement, however, broke down after 1980, when one of the key requirements for a viable social pact was eliminated – employees lost their bargaining power and, with that, their ability to affect distributive outcomes. Since then, productivity in the US has grown more than 70 per cent while compensation of non-managerial workers has stagnated (Kochan 2007). Wages for the lowest-paid American workers have collapsed even more than for average workers (Kochan 2007). This status quo that continues in the US has been described as ‘the low-wage social contract’.

CONCLUSION

From the comparison of the two nations above, it is possible to distil some factors that allowed for social pacts to endure in both countries, even with their vastly different philosophical underpinnings. In both Germany and the US, the impetus for the creation of social pacts arose in the context of significant economic crises – industrialisation and the Great Depression. During exceptional periods, both societies used *ad hoc* institutional arrangements that challenged accepted societal norms, but which were practical interventions that sought to maintain continuity in the conviction that labour, capital and government had to enter into new arrangements and make compromises to attain common goals.

In Germany, the key insight of labour and capital into creating prosperity was a realisation that the economy was export driven. A ‘wise men’ approach was adopted, in terms of which state officials determined a range of permissible wage levels for labour that could accommodate the common national objective of export competitiveness and, thereby, promote wider prosperity. In the US, the structural faults that led to the collapse of the industrial economy in 1923 required a social-democratic approach to fix the free-market economy with added paternalistic concern for citizens. The end of WWII put the US in a dominant economic position globally and the ‘political-exchange’ between labour and capital, the goal of which was to move more citizens into prosperity, involved a novel social pact – one that linked wage increases to productivity.

For South Africa, there are some clear insights. Should social pacts return to a position closer to the centre of political discourse, decisions will have to be taken on the nature of the fundamental political exchange required of unions and employers. As the German and US examples show, the government will have to both facilitate

this exchange and participate in it. Given the structure of South African society, civic representatives cannot be discounted and must be included in the making of exchanges and setting of priorities. The exchange envisaged, as with the two examples considered, will require the parties to classify the type of national economy for policy-formulation purposes, and design an institutional framework for achieving economic growth that is cognisant of South Africa's position within the global economy. As with Germany and the US, the framework must incorporate instructions and limitations that treat redistribution and full employment as legitimate common goals for South African society.

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A multi-stakeholder dialogue model for building trust at the local level

This section explores the role of dialogue in trust-building and enhancing partnerships between local government and communities in order to address service delivery issues. It features public opinion data from the Reconciliation Barometer to examine trends on trust in South African society.

Introduction

This section considers the breakdown of trust between ordinary South Africans and the governance structures that serve them, particularly local government. Firstly, it explores how this lack of trust plays itself out at the grassroots level. Here, we look at examples of how people express their unhappiness. Then, we consider whether there are different ways of building trust. To this end, the value of dialogue and the viability of the multi-stakeholder dialogue (MSD) approach are explored as a potential vehicle to involve local communities in issues affecting their lives. Next, the Western Cape town of Doringbaai is considered as a case study. Thereafter, we explore how local MSD might be represented at sub-council level, with possible further escalation to council, municipal and, ultimately, national level. Municipality-level MSD could be accommodated in an existing facilitative structure, such as the South African Local Government Association (SALGA), which has a provincial and national competency and footprint. Finally, we consider the potential impact of institutionalised dialogue as a trust-building mechanism that is not a social pact, but rather is an organic, accountable and effective means by which the government and the people would have the opportunity to engage with each other in constructive and productive ways.

The status quo

One day everything will be well, that is our hope. Everything is fine today, that is our illusion – Voltaire

Project 'New South Africa' turned twenty-one in 2015. It was built on the promise of a better life for all embodied in the interim constitution and later entrenched in the Constitution of the Republic of South Africa. South Africans were promised a more equal and humane future in which all forms of exclusion would be challenged. There have been glimpses of togetherness over the last twenty-one years. We had moments of national euphoria when South Africa won the Rugby World Cup in 1995 and hosted the 2010 Soccer World Cup. Who can forget the outpouring of sorrow when we mourned the passing of Nelson Mandela? Sadly, such moments are overshadowed by the stark reality of a deeply wounded society. The cause of this 'woundedness' is an extremely troubled past, the ghosts of which have not yet been laid to rest.

South Africans who believe that their concerns are not being taken seriously have used strikes and direct protest action to vent their anger. Protests by local communities against their municipalities, which are typically related to service delivery, have become commonplace in the last decade. According to research undertaken by Dr Sethulego Matabesi of the University of the Free State, there has been a substantial increase in such protests, from 10 in 2004 to 111 in 2010 and peaking at 176 during 2014 (UFS 2015). The protests often are characterised by violent confrontations with the police, extensive damage to property and the looting of formal and informal businesses, and sometimes result in injury and death.

Ann Bernstein and Sandy Johnston (2007) used high-profile protests in Phumelela in the Free State and Khutsong near Carltonville as case studies. In Phumelela, the protest was about an inadequate and unhygienic water supply, poor management of the bucket sewage system, sewage spills, irregular electricity supply and the poor condition of roads. In addition, the municipality was accused of nepotism, corrupt practices, arrogance and indifference. In Khutsong, people were unhappy with the proposed incorporation of the Merefong Local Municipality into the North West Province. The Khutsong unrest, which generated in excess of 80 news reports, caused damage to the value of more than R70 million. Members of the Khutsong community further boycotted the 2006 municipal elections – a mere 232 out of 29 540 registered voters cast their ballots. While the reasons for the protests were very different in the two communities, they do speak to the stresses on local communities and small towns, the fragility of institutions, bad appointments, lack of accountability and poor responsiveness. They also show how communities are prepared to use their collective power as a last resort to make their voices heard.

Local political institutions: a breakdown of trust

Institutional trust

The South African Reconciliation Barometer (SARB) measures confidence in a range of political and social institutions by asking respondents to indicate their levels of confidence in them on a four-point scale.¹ Table 3.2.1 shows the means of popular trust or confidence in each of the institutions between 2006 and 2013, as well as percentage scores over the period.

The merged mean scores for all years show that South

Africans had greater confidence in their national political institutions than in their provincial or local political institutions. Civil society institutions, including religious institutions and the media (radio, television and newspapers), attracted the greatest levels of trust. Political parties were the least trusted bodies, eclipsing even the police, widely regarded by South Africans as corrupt, inefficient and ineffective. Trends between 2006 and 2013 reveal a pattern of decline in confidence levels in almost all of these institutions. Fluctuations are most noticeable around the 2010 period, when South Africa successfully hosted the 2010 Soccer World Cup. In that year, confidence levels improved for almost all institu-

tions (but not large companies, several of which in the construction sector were embroiled in a price-fixing scandal that may have affected attitudes towards the private sector). However, trust declined after the 2010 event, before rising again in 2012. It may be the case that the local government elections of 2011 and political infighting during this time contributed to the temporary decline in confidence. Civic institutions were less affected by a decline in confidence over time, with some, such as the legal system, Constitutional Court and the South African Human Rights Commission, displaying trendless fluctuations over time. Thus, it appears that political institutions, particularly in the local government sphere,

Table 3.2.1: Confidence or trust in civic and political institutions, percentages and average mean (a great deal or quite a lot), 2006–2013

Confidence in		2006	2007	2008	2009	2010	2011	2012	2013	Merged
Presidency	%	78	69	59	56	68	67	66	57	65
	Mean	1.86	2.10	2.36	2.40	2.15	2.18	2.16	2.35	2.20
National government	%	74	64	59	58	67	67	67	56	64
	Mean	1.97	2.23	2.36	2.38	2.16	2.18	2.15	2.38	2.23
Provincial government	%	67	58	51	50	59	58	63	53	57
	Mean	2.14	2.38	2.51	2.55	2.32	2.38	2.22	2.44	2.37
Local government	%	51	44	41	39	44	44	51	50	46
	Mean	2.45	2.66	2.71	2.77	2.64	2.65	2.46	2.53	2.61
Parliament	%	71	64	58	57	68	64	66	57	63
	Mean	2.05	2.25	2.38	2.41	2.17	2.24	2.18	2.37	2.26
Political parties	%	50	39	37	35	46	42	48	48	43
	Mean	2.49	2.71	2.76	2.82	2.58	2.67	2.52	2.55	2.63
Newspapers	%	69	63	66	66	72	66	70	67	68
	Mean	2.15	2.30	2.25	2.24	2.15	2.22	2.14	2.20	2.21
TV & radio	%	78	72	74	75	77	75	76	69	75
	Mean	1.97	2.13	2.09	2.05	2.05	2.07	2.00	2.15	2.06
Religious institutions	%	73	73	71	75	77	76	77	70	74
	Mean	2.04	2.05	2.14	2.03	2.02	2.02	1.96	2.09	2.04
Constitutional Court	%	71	66	60	63	69	71	73	62	67
	Mean	2.10	2.24	2.36	2.32	2.16	2.12	2.06	2.26	2.20
Legal system	%	66	60	54	55	65	67	71	60	62
	Mean	2.21	2.38	2.48	2.45	2.26	2.22	2.12	2.32	2.30
Police	%	-	-	-	52	60	64	62	49	58
	Mean	-	-	-	2.49	2.34	2.23	2.26	2.54	2.37
Human Rights Commission	%	74	69	65	68	73	71	-	-	70
	Mean	2.03	2.19	2.26	2.22	2.09	2.11	-	-	2.15

have experienced the greatest loss in public confidence.

With regard to low levels of public confidence in local government, the National Development Plan notes that:

municipalities have often found that expectations exceed their administrative and financial ability. This has led to a loss of confidence. To overcome these issues, a clear, long-term and consistent approach is required. This can be achieved through a shift in four critical areas:

- *An enabling framework for local government*
- *A proactive approach to improving intergovernmental relations*
- *A long-term approach to building capacity*
- *Mainstreaming citizen participation.* (NPC: 436)

The last point is the one that, over time, can change the confidence levels of the public in local government. The extent to which ordinary citizens feel that their voices are heard is an important indicator of the quality of democracy in any country. The increase in service delivery protests suggests that for the vast majority of citizens the vote alone is not enough, particularly if elected politicians are deemed to be unresponsive to their needs and aspirations. The result has been a breakdown of trust and a sense of betrayal, which undermines prospects for building developmental pacts at the local level.

Trust in national leaders

Levels of trust in national leaders are measured in the SARB by asking respondents to rank on a five-point scale their agreement or otherwise with the statement that most of the time they can trust the country's national leaders to do what is right.² It is clear that scepticism towards political actors has increased, with trust declining by 16 percentage points between 2006 and 2013. By 2013, more than half of the respondents (51 per cent) were either sceptical of or simply did not trust political actors

(see Table 3.2.2). The merged mean scores for all years (2.52) show that roughly half of the respondents trusted national leaders to do what is right. However, since 2006 the mean score has generally increased, indicating that trust is in decline.

Interracial distrust

Turning to trust among individuals and groups, the SARB has no specific questions addressing interpersonal trust between individuals, but the survey does repeatedly ask about trust towards 'other' racial groups. Given that race is a primary social division in South Africa, it is pertinent to establish the implications of interracial trust for social capital more generally. When asked whether people of races different to their own are untrustworthy, 39 per cent of all respondents agreed, while 31 per cent were uncertain and 30 per cent disagreed (see Table 3.2.3).³ Over a third of South Africans perceive that people of other racial groups are untrustworthy. However, the trends over time suggest that interracial distrust is decreasing. Between 2004 and 2013, the proportion who agreed dropped from 44 per cent to 31 per cent. Those who strongly disagreed increased over the same period.

In search of alternatives

Building trust

Trust may be defined as a belief in the reliability, goodness, honesty and effectiveness of someone or something. Lack of trust creates cynicism, doubt and anxiety. A key requirement of a good democracy is that its citizens trust one another, as well as the institutions and leaders that govern them. This should not be a blind trust, which would allow leaders to get away with undemocratic behaviour. In an interview with the *Daily Maverick* (7 June 2015), David Makhura, the premier of Gauteng, outlined his understanding of what is required of government:

	2006	2007	2008	2009	2010	2011	2012	2013	Merged
Strongly agree/agree (%)	65	58	50	50	59	53	51	49	57
Uncertain (%)	18	21	22	18	20	27	26	29	22
Disagree/Strongly disagree (%)	17	21	28	32	21	20	23	22	21
Average mean	2.33	2.55	2.75	2.77	2.50	2.57	2.64	2.64	2.52

Table 3.2.3: Interracial group trust, percentages, 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Merged
Strongly agree (%)	16	18	16	15	13	11	12	11	10	9	13
Agree (%)	28	26	28	32	25	26	26	28	23	22	26
Uncertain (%)	29	26	27	27	34	31	32	33	31	33	31
Disagree (%)	22	22	22	19	20	24	24	22	24	22	22
Strongly disagree (%)	5	8	7	7	8	8	6	6	13	14	8

It is about getting the basics right. It is about politicians doing what they are supposed to do – identifying the problems, finding the solutions, getting public servants in the right frame of mind to implement them and setting deadlines for results.

Makhura instituted a service delivery ‘war room’ to deal with lethargic government responses to problems, the intention being that no issue should be in the public domain for more than 24 hours without a response from the government. He stressed that:

we need to change the pace of dealing with issues and bring in urgency. Communities are edgy. We can’t respond like there’s no hurry.

He believes that the government needs to work hard and deliver in order to close the trust deficit between itself and the citizens.

Ken Blanchard (2010) refers to trust as a common language, and argues that the high cost of low trust creates an untenable situation for any organisation. He goes on to list eight things that can be done to build trust:

- demonstrate trust;
- share information;
- tell it straight;
- provide opportunities for everyone to win;
- provide feedback;
- resolve concerns head-on;
- admit mistakes; and
- walk the talk.

Makhura’s intentions would score high on Blanchard’s trust-building list, but it is important for intention to be translated into tangible action, not just in Gauteng but

throughout South Africa. While his strong emphasis on systemic intervention is to be applauded, there is a dialogical gap in his approach. Ideally, the systemic and dialogical (where people are not just reported to be, but feel that they are, partners with the government) should both feature in the type of effective and efficient government Makhura is trying to build. This would increase the likelihood of achieving the trust that is so elusive.

Dialogue

For trust to develop, effective communication is vital. This is best done through dialogue that has mutual understanding as its outcome, which is different from negotiation or debate. Negotiation takes place when there is a specific problem that has to be resolved, and aims to arrive at a decision that all parties accept. The aim of debate is to challenge the validity of arguments. Debate is very important because it is in the context of debate that the weaknesses of specific arguments can be uncovered – to the benefit of all concerned. The central purpose of dialogue is to improve mutual understanding. Dialogue seeks to answer the questions: Why are other people thinking and behaving as they do? What is it that we must understand about them that will help us to improve our relationship?

Multi-stakeholder dialogue

MSD is a methodology for designing and implementing consultation and cooperation in complex change processes that require the inclusion and integration of different interest groups. The intention is to get people from different walks of life and with different perspectives and needs into a conversation that results in a practical outcome. High-quality MSD has the potential to produce innovative outcomes that benefit all stakeholders. It can enhance trust-building, cooperation,

acceptance of decisions, ownership and collective responsibility. MSD can also bring about a qualitative improvement in how different stakeholders communicate with one another. MSD can be particularly effective if there is a longer-term orientation rather than a once-off engagement to deal with a difficult situation. MSD should have sustainability rather than crisis management as the objective.

The negotiated agreement that ushered in South Africa's democratic dispensation of 1994 was the result of MSD. The process, with all of its imperfections, engendered enough trust for the seemingly unthinkable outcome of universal franchise to be realised. A peaceful election was secured through the institution of the National Peace Accord, which saw potential conflict being resolved through stakeholder dialogue.

The 'dialogic model' has the potential to result in the following beneficial outcomes:

- improved quality of decision-making;
- enhanced creativity and innovation;
- decisions that enjoy greater credibility;
- increased likelihood of implementation;
- collaborative cross-section relationships;
- increased problem-solving capacity; and
- robust and sustainable results.

While there are different forms of MSD, all of them foster consultation, collaboration and implementation. It is an ideal platform to bring together the public sector, civil society and the private sector to explore common interests. The dialogic change model is a results-orientated approach that promotes the implementation of dialogue in four phases:

1. **Phase one:** exploring and engaging. In this phase, the focus is on understanding the context and the views of stakeholders, with a view to preparing them for the possibility of dialogue with people from a different perspective. This is also the stage where excitement is built, energy generated and the case for change is made.
2. **Phase two:** building and formalising. In this phase, commitment and buy-in from stakeholders is secured, formal agreements are created and the process is jointly planned.
3. **Phase three:** implementation and evaluation. Recommendations and activities that have been agreed upon

are implemented. Progress is constantly evaluated.

4. **Phase four:** developing further, replicating or institutionalising. During this phase, the dialogue is taken to the next level, with the focus on creating lasting structures for change. (Keunkel, Gerlach & Frieg 2011)

Each phase has the potential to yield both positive results and common difficulties, as is illustrated in Table 3.2.4.

MSD requires an approach to facilitation and leadership that is different from the traditional means. MSD facilitators are non-hierarchical; rather, they have the ability to work with others to convene, initiate, coordinate, facilitate and implement. They have the ability to work with difficult people in a constructive way to achieve a common goal. There is an understanding that the key to success lies in the collective intelligence of all the stakeholders and that any change in action is preceded by a change in thinking. They do not behave in a way that stifles the emergence of different points of view and they are not afraid of the truth, even if it is awkward. What is needed is to develop these competencies as part of deliberate capacity-building processes at local government level, with the inclusion of members of civil society.

If taken seriously, MSD has the potential to shift the way people communicate from uncontested statements to generative dialogue. One of the reasons for the breakdown in relations between many local government institutions and their constituents is a lack of meaningful communication. There is the unfortunate practice of engaging in serial monologues, often manifested in uncontested statements that leave no room for questions. When local government and the people do get together, communication is characterised by debate and verbal brawling based on the winner/loser paradigm. Here, the focus is on convincing others of the rightness of one's argument, in an attempt to control outcomes. Such interactions usually leave people frustrated and unhappy.

The next step should be to institute facilitated discussions that ensure more equal participation. This will open the door for reflective dialogue whereby different views and approaches are integrated, assumptions are clarified and deeper concerns are acknowledged. If this trajectory continues it should lead to generative dialogue, in which the focus is on fostering collective intelligence, insight and respect for differences and innovation. The more the members of a stakeholder system grow

Table 3.2.4: Phases of the dialogic change model

Phase	Potential results	Potential difficulties
1. Exploring and engaging	Trust among stakeholders Resonance for the dialogic process Credibility for implementation Participating stakeholders identified Context explored and understood	Lack of ownership Insufficient context analysis Excluding important stakeholders Hurrying into agreements Lack of understanding Absence of committed core group
2. Building and formalising	Clarity on use of stakeholder dialogue Agreements to collaborate Project/activity plans Agreements on implementation Formal structures	Rushing into signed agreements Absence of joint problem-solving Insufficient buy-in Too little focus on trust-building Not taking procedures, rules and regulations seriously
3. Implementing and evaluating	Showcase of success Achieved milestones Implementation reports Public communication Monitoring systems established	Uncoordinated implementation Insufficient communication Overambitious implementation plans Lack of transparency Loss of motivation
4. Developing further, replicating or institutionalising	Extending participation Institutionalising dialogue Replicating success	Insufficient institutionalisation Insufficient engagement Fragmented success stories Insufficient adjustments

together, the more likely the possibility of reaching the stages of reflective and generative dialogue.

Doringbaai: an MSD case study

An example of a successful MSD at local government level is to be found in the small fishing town of Doringbaai. With a population of less than 1 300 people, Doringbaai is typical of towns on the west coast of the Western Cape that once had vibrant local economies. It is part of the Matsikama Municipality, which, in turn, falls within the West Coast District Municipality. Historically, Doringbaai's main economic activities were fishing (done by local men), and the packaging and export of crayfish (which employed many women). Its harbour also once served as an anchorage for boats unloading provisions for onward transport inland. With the introduction of fishing quotas, as a result of declining fish and crayfish stocks, the local factory, which provided many jobs, fell silent and the infrastructure deteriorated. The prospect of employment opportunities looked (and remains) bleak, and a sense of hopelessness fuelled social ills. The community needed to rally together to do something about their situation. It is in this context that the MSD is discussed below.

An MSD platform can be an existing structure, rather than a new entity. In Doringbaai, the Community Policing Forum (CPF) is the platform. One advantage to using an existing platform is that a structure is already in place. The CPF in Doringbaai had been extended to include stakeholders such as the police, religious bodies, civic movements, NGOs and government departments. The Institute for Justice and Reconciliation's Community Healing Project had been working with some of the community leaders in Doringbaai who saw an ideal opportunity to use the CPF for MSD.

The following observations are based on attendance at a CPF meeting as invited guests. One of the first items on the agenda was a report by the police. After a comprehensive breakdown of the crime statistics, followed by a discussion on what could be done to improve the situation, other issues that affect the community were raised. What emerged was an encouraging insight into how effective a good MSD platform can be. The discussions were both respectful and robust, and it was clear that the participants had been able to build a rapport with one another over time. Issues under discussion included: an improved community response to fires, given that the fire station they depend on is in the nearest large town; what measures to put in place for

two offenders who were going to be released back into the community; how to lobby the Department of Social Development to secure a stronger presence in the town; how to engage the municipality with regard to housing challenges (which included a discussion about the absence of the local councillor); economic opportunities created by local farmers at the defunct fish factory; what to do with a mentally challenged young woman who the local clinic is unable to assist; the concern that so many fishermen are unable to swim; and the programme of action of the 'fatherhood group'.

What became evident is that the MSD platform created opportunities for the discussion of hard and soft issues, and we left the meeting with a sense of hope and a vision of what is possible if sufficient will and goodwill, coupled with an effective process, are present. The Doringbaai experience highlights the following insights:

- MSD can be built on existing platforms, which can be made more inclusive of broader community issues;
- the potential for members from different sectors of the same community, with different perspectives and different interests, to come together on one platform is enhanced through MSD;
- as more issues that affect the livelihood and welfare of locals are recognised and dealt with, the potential for increased agency is promoted;
- as processes become more transparent, trust is enhanced;
- with increased positive outcomes, higher degrees of ownership are experienced;
- high-quality MSD can improve the way people engage with each other and with authorities;
- increased levels of confidence in stakeholder processes are accompanied by commitment to deal with pressing social and economic challenges at the local level; and
- increased trust holds the potential for improved service delivery, as a result of stronger partnerships between the government, civil society and the private sector.

It is important to note that various dynamics play themselves out during MSD. Over time, as stakeholders become more comfortable with each other, there is greater appreciation of the different roles people play. In every process, there are people who are consistently present and who show a high degree of interest, while others are less consistent but bring high levels of

influence to bear on the process. Judging from the discussion regarding the absence of the local councillor at the CPF meeting, it was evident that the stakeholders recognised that they needed to respond in a way that would not alienate the councillor, and discussed rather how to keep him informed. There was a strong sense, too, that members of the community needed to be informed at all times, and stakeholders were urged to ensure that decisions made at the meeting were clearly communicated to all constituents.

Another dynamic that emerged was how different people played different roles and how all stakeholders had found ways to make sense of this. Higher levels of inclusiveness, ownership, credibility and cohesion increase the likelihood of acceptance of different styles of engagement. It is in the combination of the different roles that MSD finds direction, correction, perspective and completion.

The example of Doringbaai illustrates that it is possible to put in place MSD platforms that qualitatively can improve the way local government, other government departments, civil society and the private sector engage with one another in the areas of sponsorship or leadership, relationship management, goals and process clarity, credibility, inclusivity, ownership and delivering outcomes. In most communities, such quality of engagement is absent. However, if MSD were explored more widely, it could fundamentally change the landscape of local government as we know it. This is not a call for processes that compete with local government, but it is a call for an improvement in the way local government engages with people. It should also not be seen as a soft and unrealistic proposal; it is, rather, a viable, implementable contribution. Local government has been struggling with capacity, low trust and poor service delivery for far too long. Something needs to be done to prevent a total implosion and complete breakdown of confidence.

Potential for implementation

While the Doringbaai example presents us with interesting insights, it is not enough to have isolated examples championed by a few civil society actors. What Doringbaai illustrates is that there are effective ways in which communities can participate in the social welfare of their areas. Opportunities to address political and economic challenges are enhanced when dialogue is mainstreamed

OPPORTUNITIES TO ADDRESS POLITICAL AND ECONOMIC CHALLENGES ARE ENHANCED WHEN DIALOGUE IS MAINSTREAMED AND INCLUSIVELY IMPLEMENTED.

and inclusively implemented. What is needed is an integrated and widespread implementation strategy that can deliver sufficient positive outcomes nationally to enhance the state of local government.

Many communities across the country have vibrant structures that are driven by a combination of actors from the public and private sectors and civil society. Community policing forums enjoy variable success but are potential arenas for sustainable MSD processes. There might be many other structures with the potential to bring people together, and this level of MSD could create opportunities for local confidence-building engagements. However, it might be advisable to limit this level of MSD activity at municipal ward level.

Potentially, each ward could have an elected representative, other than the councillor, on an MSD platform at sub-council level in smaller towns. It is at this level where local concerns can be escalated. Officials from the municipality responsible for delivery of services, as well as representatives of local clinics, police stations, social service and other relevant government departments could interface with representatives from ward MSD initiatives. Not only would citizens be party to important strategic discussions, but they would also be able to go back to their wards armed with first-hand information.

MSD could be scaled up further to metro level in big cities, and regional council level in rural areas. If the principle of representation is followed, then each sub-council or small municipality would elect representatives, other than councillors, for the metro MSD. This could be similar to the service delivery 'war room' that exists in Gauteng. It is here that the systemic and the dialogic approaches can come together.

At the national level, an organisation like the South African Local Government Association (SALGA) has both the mandate and the ability to act as convenor or secretariat for a national MSD platform. At least two of SALGA's existing directorates – Community Development and Municipal Institutional Development – could take on such a function. SALGA, further, hosts other important events and entities, including:

- the National Municipal Managers Forum;
- the SALGA National Conference;
- Local Government Week; and
- workshops and training.

A national MSD would require a fundamental shift in the way different entities see each other. The only way the existing lack of trust can be dealt with is through active engagement, not on a once-off basis, but as a long-term investment in the future of South Africa.

This conceptualisation of a national MSD is far from the finished article, but it does have the potential to contribute towards the building of a better society. It would increase trust, transparency and service delivery, and significantly reduce the number of violent service delivery strikes. Admittedly, such a process might be vulnerable to political capture, gate-keeping, bureaucracy and the like; nevertheless, it remains a viable alternative to the status quo.

Conclusion

It is argued above that South Africa has stumbled through the last 21 years in its attempts to create a better life for all. Well-run MSD would increase the trust relations between the government and citizens, promote and increase accountability and stem toxic practices. It has the potential to create a vibrant state, in which the notion of social compacts is given a fresh interpretation. It can unblock some of the paralysis that besets municipalities and other spheres of government, as well as civil society, making the relationships between them collaborative rather than competitive.

ENDNOTES

- 1 The question is phrased as follows: Please indicate how much confidence you have in each of the following institutions. Would you say: a great deal (1); quite a lot (2); not very much (3); none at all (4)?
- 2 The question is phrased as follows: Most of the time I can trust the country's national leaders to do what is right. Would you say you strongly agree (1); agree (2); uncertain (3); disagree (4); strongly disagree (5)?
- 3 The question is phrased as follows: Please say whether you strongly agree, agree, are uncertain, disagree or strongly disagree that...[list of race groups other than the one the respondent belongs to] people are untrustworthy.

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2015 Transformation Audit

Radical reconciliation: Critical choices for economic justice

The persisting, vast inequality and poverty that engulfs South Africa has resulted in public dissatisfaction with reconciliation. At the current juncture, the need for economic justice permeates the national discourse on reconciliation more than ever. Although the majority of South Africans remain committed to the ideal of a united South Africa, they nevertheless are demanding a more material reflection of reconciliation. This report builds on the notion of radical reconciliation proposed by the IJR in 2013, which posits that economic justice needs to be central to the process of reconciliation. The report offers a provocative and compelling discussion on critical choices for a more just, equitable and inclusive economy.



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