

2. Historical background and present economic context

2.1 Introduction

This section seeks to provide historical background as context within which to place the more specific discussion of chronic poverty that follows. The presentation is necessarily cursory. It aims to capture two main themes. First, South Africa's historical circumstances have shaped the present configuration of poverty and opportunities along racial lines. Disadvantaged groups were systematically left with relatively little in the way of land and other resources, were not afforded education of a quality comparable to that of whites, and were compelled to adopt coping strategies - such as spatially divided households - which have left a complicated and painful social legacy.

Second, developments in the six years since the first racially-inclusive democratic elections in 1994, have not augured well for poverty reduction. The calculated adoption by the ANC-led government of fiscally conservative market-oriented economic strategy, has failed to halt the decline in formal sector employment that began in the early 1990s. Government's commitment to fiscal stringency and downsizing of the public service have arguably exacerbated the situation of the poor, notwithstanding the importance of more long-term considerations. Improved provision of infrastructure and services has been the main positive development for which the post-1994 government can take credit.

2.2 The legacies of colonialism and apartheid

The single most significant factor distinguishing South Africa from other African countries is its experience of colonialism and apartheid. This holds no less for the causes and incidence of its poverty. European colonisation began in the 17th century with Dutch and Huguenot settlement in the Cape. Initially, the impact of white settlement was mainly limited to the Cape, and mainly at the expense of Khoikhoi pastoralists (Ross, 1999). With the expansion of white settlement north and east, plus the arrival of British settlers in Xhosaland and Natal as an outgrowth of British imperialism, pressure on Bantu-speaking African groups became increasingly intense. The most direct aspect of this pressure was the dispossession of land by whites, through which African farmers were forced to either retreat to other areas such as Basutoland, become sharecroppers (especially on land owned by whites of British descent), or farm labourers (especially on land owned by farmers of Dutch descent). While African agriculture continued to thrive for a time and indeed pose a highly resented source of direct competition to white farmers, it was gradually reduced by further land conquests, as well as efforts to curb sharecropping (Keegan, 1986; Trapido, 1986).

In much of the eastern third of the country, the late 18th and early 19th centuries witnessed social and geographic upheaval due to wars between competing African polities. Livestock diseases of European origin had enormous implications for African populations, for whom livestock formed a critical source of sustenance. A lung-sickness epizootic hit in the mid-19th century, and foot-and-mouth disease and rinderpest hit with particular force in the 1890s, the latter wiping out 90% of the region's livestock (Ross, 1999).

In the latter half of the 19th century, the discovery first of diamonds, and then of gold, changed the situation completely. One aspect of the new situation was the rapidly growing demand for black mineworkers to work the mines of the Transvaal. Various white governments introduced laws and policies to facilitate the supply of this labour. The Natives Land Act dating from 1913, in particular, formalised the distinction between the African Reserves and white farming areas, prohibiting Africans from acquiring, owning, and renting land in the latter. This had the effect of limiting their economic options so severely as to compel many to sell their labour to the mines and white farms (Hendricks, 1990; Davenport, 1987; Bundy, 1979). Around that same time, there were some 180 000 African mineworkers in the country, of whom around half were from South Africa, and half from Lesotho, Swaziland, Mozambique and elsewhere.

Control of Africans' mobility remained a high priority for government through most of the 20th century. The government sought to balance the 'legitimate' demand for African workers for mines and unskilled and semi-skilled work in urban areas, with the desire to keep white settlements insulated from 'surplus' Africans. Since at least the late 19th century, a pattern emerged whereby Africans or coloureds were relegated to 'townships' adjacent to white towns. In 1950, as Minister of Native Affairs, H. F. Verwoerd (who later became Prime Minister) introduced the Urban Labour Preference Policy, along the same sentiments as - but more draconian than - the Natives Urban Areas Act of 1923. Among the more destructive effects of the system was to force many families to be split for long periods, with men working on the mines or in the cities, and women remaining in the rural reserves. Meanwhile, conditions in the reserves deteriorated as more and more people were forced to settle there. Between 1955 and 1969, population density in the reserves increased from 60 to 110 persons per square mile (Simkins, 1983, cited in Delius and Schirmer, 2000). Effectively, many households in so-called rural areas were and remain landless, while many others were left with tiny amounts of land.

The logical conclusion of this process came in the 1960s and 1970s, when the apartheid government 'elevated' the status of the African Reserves to ten putatively self-governing homelands, of which some were declared independent states. These homelands were thus set up with their own assemblies, government departments, rights to confer citizenship, etc. The idea of "separate development" was that they would also have their own economies. However, given that these reserves comprised only 13% of the country's land area, were often geographically isolated, and had terrible infrastructure, this was not very plausible. Poorly conceptualised investments in agricultural irrigation schemes benefited mainly a few score white development experts and consulting firms. The industrial decentralisation policy made only some inroads, but disintegrated rather quickly once the wage subsidies were removed after 1994. The main source of employment within the homelands was no doubt the public service itself. The homelands thus had virtually no tax base, and so had to rely almost entirely on transfers from the apartheid government. Poor health care services and vastly inferior 'Bantu education' were among the results. Those few Africans that did receive a decent education or health care, usually did so at mission schools and hospitals. Because of the dearth of meaningful income-earning opportunities within the homelands, the migrant labour system remained one of the most important survival strategies for African households, notwithstanding its high personal costs. As of the early 1970s, 54% of all Africans lived outside of the homelands in the 'white areas' (Butler *et al.*, 1977).

Coloureds and Indians faced similar but different forms of discrimination and economic oppression. Both groups were also subject to forced removals, restrictions on movement and settlement, were denied the right to vote (except on a limited basis in the Cape Colony and then again, briefly, through the bogus tricameral parliament established in the 1980s). Per capita spending on education, housing, and services was marginally higher for coloureds and Indians than for Africans, but still significantly inferior to that provided for whites. A large fraction of coloureds, concentrated in the Cape, relied on unskilled and semi-skilled farm work for sustenance, under conditions somewhat better than those of their African counterparts elsewhere in the country. Over the course of the 20th century, Indians, most of whose forebears originally came to South Africa in the late 1800s as indentured labourers to work on the sugar plantations of Natal, diversified into a number of different economic niches, including trading, manufacturing, and professions.

Poverty among whites was also not unknown, though it was on a different scale than that of other groups. During the 19th century, most white poverty was associated with agricultural crises brought on by epizootics, drought, fluctuating commodity prices, as well as direct competition from better capitalised farmers (Bundy, 1986). At the turn of the century, the effects of rinderpest and drought were compounded by the South African (Anglo-Boer) War of 1899-1902. White tenant farmers, squatters on Crown land, and indebted landowners were especially vulnerable, and contributed to the influx of whites to mining areas and cities looking for employment immediately after the war. However, because of the semi-official policy of maintaining a wage differential between whites and blacks on the mines, only a limited number of unskilled whites were absorbed. Those that remained in the countryside became ever more dependent upon African tenants to resuscitate or maintain production, an indignity which did much to shape future policy with respect to the 'poor white problem' (Keegan, 1986). The main motivation behind the founding in 1909 of what is now the Land and Agriculture Bank, was to restore poor whites to the land. Much of Nationalist Party rule from 1948 on, can be interpreted as an effort to deal with the poor white problem, from the rapid expansion of the public service, to ever more generous subsidies to white farmers, and even provisions against the subdivision of farm land to so-called sub-economic units.

Generally speaking, women's economic and social status in South Africa, both black and white, has been largely determined in relation to men, i.e. fathers and husbands (see e.g. Govender, 2000). In some African societies, being widowed or failing to bear children could lead to a precipitous drop in one's welfare, depending in large measure on the forbearance of the (late) husband's relatives. In modern times, African women have struggled under the dual oppression of racism and sexism, as poignantly captured in the first-person accounts compiled in Bozzoli (1991) and Barrett *et al.* (1985). Influx controls and the migrant labour system in particular contributed to African women's burden, as will be discussed in more detail in a later section. Women farm workers are paid on average well below their male counterparts, and are often preferred over men particularly because of their vulnerability (Marcus, 1989). Among white women, a gradual increase in political inclusion and workforce participation paralleled but lagged behind those of Europe and North America.

Different South African communities had different social safety-nets, and these changed in different ways over the years. Among African households, the most significant safety-net was

traditionally the extended family and informal social networks of reciprocity. The extended family lent a degree of resilience in the face of calamities that, for example, allowed African households in the southern highveld to recover more quickly from the rinderpest and drought of the late 19th century (Keegan, 1986). Over the course of the 20th century, however, the growing dependence on urban-based incomes and the increasingly limited agricultural resources in rural areas, meant the decline "of reciprocal and redistributive rural relationships, within which poorer households could expect cattle loans, work opportunities and other forms of assistance from better-off neighbours" (Delius and Schirmer, 2000).

For whites, as already indicated, the state very early on assumed responsibility for addressing the problem of poverty. In addition, benevolent societies of various kinds were established in many towns, and the Dutch Reformed Church sponsored charitable programmes to help address the situation of poor whites.

2.3 Socio-economic policies since 1994

On the eve of the first racially-inclusive democratic elections in 1994, the ANC embarked on drafting its vision of how it would transform the country. This strategy was the Reconstruction and Development Programme (RDP), which was defined by its authors as follows:

The RDP is an integrated, coherent socio-economic policy framework. It seeks to mobilise all our people and our country's resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future (ANC, 1994).

The initial policy framework document spelled out the vast number of changes the future ANC-led government would seek to effect. The central theme was reducing the poverty of the majority of South Africans, and thereby redressing the inequalities and injustices of colonialism and apartheid. Access to water, jobs, land, education, and health care, were among the priorities highlighted. Apart from a massive investment in infrastructure, however, the document gave little indication what the new economic strategy would entail. Following the April elections, an RDP Office was established within the Office of the President, charged with the responsibility of coordinating RDP-related activities, including the spending of the initially modest RDP budget. In November 1994, the ANC-led government introduced the *RDP White Paper*, the content of which was not dissimilar to that of the earlier policy framework document, but arguably with a more 'business friendly' and fiscally conservative bent (Bond, 2000). In early 1996, after much public debate as to what the RDP meant for economic policy, the RDP Office was closed and its staff dispersed to various government departments.

The closure of the RDP office appeared to have been of a piece with the introduction by the Department of Finance in that year of the framework for Growth, Employment and Redistribution (GEAR). GEAR was a conventional neo-classical macroeconomic recipe for economic growth. While not intrinsically incompatible with the goals of either the RDP or the nascent National Growth and Development Strategy that complemented the RDP, GEAR eclipsed the latter as the central economic programme of the government. Business leaders applauded GEAR for its emphasis on fiscal restraint, the expressed commitment to controlling inflation and interest rates, as well as the promise of loosened foreign exchange controls. Among

the more controversial aspects of GEAR were the recommendations that the public service be down-sized and state-owned enterprises be "restructured", i.e. sold off. Not surprisingly, the adoption by government of GEAR as the blueprint for South Africa's economic policy, also outraged many observers and strained the tripartite alliance between the ANC, the South African Communist Party (SACP), and the Congress of South African Trade Unions (COSATU). Critics considered GEAR to be a neo-liberal sell-out by the ANC (e.g. Bond, 2000), as well as an inappropriate approach to solving the country's most pressing economic problems such as unemployment and poverty (Adelzadeh *et al.*, 1996). The RDP may have continued in name as an assortment of government activities broadly consistent with the aim of reducing poverty and hardship, but inside and outside of government, a common charge was that the RDP was dead.

Whatever the process of formulating GEAR may have lacked in transparency, the document that introduced it to the world made up for, complete with the results of the macro-model simulations running from 1996 through 2000. In the event, the only stated target that has been achieved is that of reducing the fiscal deficit. In terms of real GDP growth, the projected annual average was 4.2%, versus the actual average of around 2.3% (Department of Finance, 2000; SARB, 2000). In terms of formal sector employment growth, the projected cumulative increase over the 5 years was 1.3 million, versus an actual job loss of more than 800 000. Much hinged in the modelling - and arguably in the whole strategy - on the assumption that foreign direct investment would pick up substantially. The importance of foreign direct investment is particularly great in order to compensate for the low level of domestic savings. The modelling assumption that specifically informed the optimistic "Integrated Scenario Projections" of the GEAR document was that foreign direct investment would increase from the base scenario of no change by an annual average of \$509 million. However, in reality what has happened is that the easing of exchange restrictions has facilitated outward direct investment of South African companies wishing to diversify overseas. Contrary to the GEAR assumption, the net effect has been negative (i.e. outward direct investment has exceeded foreign direct investment into South Africa) for every year since 1994 (SARB, 2000). Of course, whether these unfortunate developments are the result of GEAR, or of the failure to implement GEAR fully, or whether the situation would have been worse in the absence of GEAR, is an involved debate which we will not enter into here.

By and large, the economy since 1994 has performed poorly relative to expectations, and the most glaring consequence has been the worsening of the already bad unemployment problem, even in the presence of modest growth. This scenario of 'jobless growth' became especially poignant in 2000, when growth reached a four-year high even while formal sector job losses accelerated.

Where there has been more cause for celebration, however, is in the delivery of services. While delivery of services has also been slow relative to expectations, it has nonetheless made a palpable change in many people's lives. Since 1994, the various government programmes and municipal infrastructure programmes, have improved access to safe water for 4 million people, improved sanitation services for over 3 million people, built 600 new clinics, 700 000 houses, had 1.5 million more households connected to the electrical grid, and so on. The study by CASE (2000) on behalf of the Human Rights Commission's "Second Economic and Social Rights Report", found that a substantial fraction of those surveyed reported some sort of development of infrastructure or services within the previous year.

2.4 Population profile and poverty statistics

Before proceeding to discuss the literature on chronic poverty, it may be useful for sake of reference to briefly record some basic statistics regarding the South African population and the incidence of poverty:

- The 1996 census undertaken by the government's statistical agency established that there were 40.6 million South Africans living in the country, of whom 31.2 million were African, 3.7 million were coloured, 1.2 million were Indian, and 4.5 million were white. Of the 9 million households in the country, 6.5 million were African, and 5.4 million were urban. Among African households, 51% were rural (Stats SA, 2000a; Stats SA, 2000b).
- The total fertility rate at the time of the census was around 3.0 to 3.2. The infant mortality rate was 0.051, and life expectancy at birth was 64.5 years (Stats SA, 2000a). The infant mortality rate is 8 to 10 times higher for blacks relative to whites.
- Based on a per adult equivalent poverty line of R352 per month, 71.6% of all poor people reside in rural areas, and 70.9% of all rural people are poor. With reference to the same poverty line, 61% of Africans are poor, 38% of coloureds, 5% of Indians, and 1% of whites (May *et al.*, 2000).
- Among households in the poorest quintile in 1995, 51% of all expenditure was on food (Budlender, 1999).
- Around 23% of children under 6 are stunted, indicating chronic under-nutrition. The most seriously affected children are those in rural areas whose mothers have relatively little education (Steyn, 2000).
- Income inequalities are extreme, with an individual-based (as opposed to household-based) Gini coefficient of 0.73 (Stats SA, 2000b).
- Access to services is highly skewed by income level, by location, and by race. For example, 18% of households within the poorest decile must travel more than one kilometre to access water, versus 1% of households in the top three deciles (Budlender, 1999).
- The adult illiteracy rate is 15% (UNDP, 2000).
- In terms of the United Nations Development Programme's Human Development Index published for 1998, South Africa ranks 103 out of 174 countries so ranked, just below Tunisia and Moldova, and just above El Salvadore and Cape Verde (UNDP, 2000).

2.5 Summary

South Africa's present-day configuration of poverty and inequality bears over-riding racial and gender dimensions resulting from the country's history. Land dispossession, followed by race-

based "separate development" policies together with influx controls, have left a legacy of maldistribution of wealth and marketable skills, spatially divided households, and inferior living conditions for the poor majority.

With the first all-race democratic elections in 1994, the ANC-led government inherited a more or less functioning social security system, but little in the way of programmes designed to directly assist poor people out of poverty. The principal strategy of the new government for poverty alleviation appears to have been to promote economic growth, which in turn would expand employment opportunities and raise incomes. However, real growth in the economy since 1994 has been modest, and has failed to reverse the trend of formal sector job losses that has been evident since the early 1990s. Meanwhile, the redistribution of productive assets has been very limited. The most tangible anti-poverty impact attributable to the post-apartheid government is the improved access to services and infrastructure in many areas, both urban and rural.