From welfare state to development state: an introduction to the debates on the labour market and social security in South Africa

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Introduction
We begin this introduction to the debates on the labour market and social security in South Africa by examining the work of Esping Andersen on the origins and nature of the European welfare state. We argue that his work has limited relevance to our topic as it takes for granted the existence of a modern industrial economy. We show how the debate has evolved in South Africa from the nature of the welfare state to the need for a development state. We then go on to locate this debate in the context of the transition in South Africa and the constraints this imposes on any strategy of redistribution.

We identify six key issues that shape the debate around the labour market and social security in South Africa.

1. The nature of changes in the structure of the economy
2. Problems in conceptualising and measuring employment and unemployment
3. Defining the concept of informality
4. The fragmentation of the South African labour market
5. The nature of the South African welfare regime
6. The unsustainability of current social expenditure
7. The challenge of constructing a counter movement
From welfare to development

Esping-Andersen, the leading scholar of the welfare state, identifies three different welfare regimes in Europe as advanced capitalist countries. He distinguishes between welfare regimes according to the way in which the state effects distribution using a combination of social policies (including the public provision of welfare by social insurance and social assistance) and labour market policies. (Esping-Andersen: 1990 and 1996)¹ There are the three welfare regimes:

- The ‘liberal welfare regime’ entails modest welfare provision to targeted individuals. Public provision is residual in that the state only fills gaps left by the market. This is the Anglo-Saxon model best exemplified by the United States.
- The social democratic welfare regime is a more generous and universal model which aspires to cover, i.e. socialize, all risks. The result is that it is much more redistributive and egalitarian. This is best described as the Scandinavian model.
- The conservative welfare regime of Europe, in particular Germany, shares some of the features of the other two kinds, but is distinctive in its emphasis on the family as a source of welfare.

These three types are captured in the typology below.

**Table 1: Esping-Andersen’s typology of welfare regimes**

<table>
<thead>
<tr>
<th>Type</th>
<th>Liberal</th>
<th>Social Democratic</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of the family</td>
<td>Marginal</td>
<td>Marginal</td>
<td>Central</td>
</tr>
<tr>
<td>Role of the market</td>
<td>Central</td>
<td>Marginal</td>
<td>Marginal</td>
</tr>
<tr>
<td>Role of the state</td>
<td>Marginal</td>
<td>Central</td>
<td>Subsidiary</td>
</tr>
<tr>
<td>Dominant mode of solidarity</td>
<td>Individual</td>
<td>Universal</td>
<td>Kinship and corporatism</td>
</tr>
<tr>
<td>Dominant locus of solidarity</td>
<td>Market</td>
<td>State</td>
<td>Family</td>
</tr>
<tr>
<td>Degree of decommodification</td>
<td>Minimal</td>
<td>Maximum</td>
<td>High (for breadwinner)</td>
</tr>
<tr>
<td>Extent of redistribution</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
</tr>
</tbody>
</table>

¹ The use of the term regime is to emphasize the inter-relationship between social policies, employment policies and the social structure (Esping-Anderson 1990)
Castles has suggested a fourth type, a ‘wage earners welfare state’, i.e. a welfare state which seeks through a labor friendly industrial relations system and a strong trade union movement to ensure a certain standard of living for male wage earners, as wage earners, rather than as citizens. The introduction of market reforms in Australia has substantially eroded this model by individualizing the employment relationship and seriously weakening the trade union movement. (Webster, et al 2008: 174-181)

These four types of regimes fit reasonably well into the advanced industrial countries of Europe, North America and Australasia. However, when Esping-Andersen turns to late industrialized countries, such as Korea in South East Asia, or post-communist countries in Central and Eastern Europe, he makes no reference to welfare regimes (1996). Instead he discusses the economic trajectories these countries are following. Most are following a liberal, market-oriented strategy (Chile) while others are taking steps towards social democracy (Brazil). A third group in East Asia put greater emphasis on the family and employment based welfare. Interestingly he makes no mention in his work of South Africa, or Africa in general, or India and South Asia in general.

The crucial point in Esping-Andersen’s writings is that his concern is with industrialized countries and, as a result, he takes economic growth and social development for granted. In these advanced industrialized societies, welfare states are concerned with redistribution although, in recent decades in the context of neo-liberalism, the debate has shifted to the idea of a workfare state. (Peck 1999) However as Leila Patel argued in her comment on Peck’s paper in a seminar in 1999 in COSATU House, some of South Africa’s social policies sound like workfare “as they have been reframed in a developmental and employment absorbing economic growth strategy to boost job creation. Our employment strategy states that ‘We need to get South Africa working…’” (Patel 1999: 38) COSATU’s response at the seminar was to argue for the establishment of a comprehensive social security system in South Africa although they were also campaigning at the time for a Basic Income Grant (BIG) (Coleman, 1999)

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2 Leila Patel, the leading scholar of social development in South Africa, argues that the South African “welfare system does not fit neatly into Esping-Anderson’s conservative, liberal and social democratic welfare state regimes. Instead she argues that South Africa has a diversity of development strategies that combines features of corporatism, market-based strategies and social investment emphasising productivist elements, which includes redistributive strategies. (Patel 2009: 13)
This debate on strategies of redistribution that emerged in the nineties had been preceded by a much earlier tradition in neo-classical development economics that emphasized the ‘dualistic’ nature of the economies of developing societies. Drawing on the distinction between ‘modern’ and ‘traditional’, early writings took as their point of departure Arthur Lewis’s model of economic growth which assumes that there is an unlimited supply of labour in developing countries as workers move from agriculture to industry (Lewis 1954). This is captured in the diagram below.

Diagram 1: Diagrammatic presentation of the Lewis model

During the seventies a new school of radical historiography emerged in South Africa that challenged the neo-classical assumptions that underlie this model by demonstrating that the conditions of unlimited supplies of labour did not hold in sub-Saharan Africa. (Leggasick, 1974) Easy access to land governed by communal tenure arrangements and low population density, meant that those who wanted to farm could do so. The South African state responded to this ‘labour shortage’ by destroying the African peasantry and coercing Africans into waged labour
by means of taxation and restricting access to land. In other words, a surplus of labour was created through a process of forced proletarianisation. Hart has described this as a process of `racialised dispossession” to illustrate how African households were deprived of land through successive racial land and labour policies of the colonial and apartheid governments( Hart 2002)³ This created a class of women and men who have been proletarianised `but without any possibility of functioning in capitalist production.

It thus creates a relative surplus population: a social category of dispossessed and broken individuals, superfluous to and discarded by the system which created them. These agents are not incorporated in capitalist production relations (not even part of the reserve army of labour – those on stand-by for capital). They exist as a type of rural lumpenproletariat on the margins of capitalism, close to starvation and dependent for subsistence on hand-outs, scrounging, theft, prostitution etc. (Innes and O’Meara 1976: 75-6).

This process of land dispossession and forced labour led to the growth of a large marginalized section of the labour force where the supply of labour outstripped the demand and the peasant and subsistence farming too weak to provide an alternative means of earning a living. `The result’, as Seekings and Nattrass suggest, `was massive unemployment from the mid 1970s, continuing, indeed worsening, in the post-apartheid period. The roots of post-apartheid’s unemployment problem thus lie firmly in the development model pursued by the apartheid state. .Undoing this legacy”, they conclude of the past, “entails far more than addressing racial imbalances. It requires a fundamental reorientation of the growth strategy and role of the state in shaping distribution” (Seekings and Nattrass, 2006:17).

³ Arrighi (2007) has drawn a comparison of the racialised dispossession of South Africa with the fact that Chinese peasants were able to hold onto their land, either as an alternative or supplement to waged labour.
Diagram 2: Turning Lewins on his head

Turning Lewis on his head

This raises questions of what kind of development and what is the role of the state. Peter Evans, a central theorist of the development state, puts it simply when he argues “no development state, no development”. In his more recent work he suggests that the 21st century development state must create state-society linkages by co-producing capability services with its “recipients” in the community. (Evans 2009) Following Amartya Sen’s definition of development he argues that the goal of development is to increase the possibilities for more people to realize their potential as human beings through the expansion of their capabilities. (Sen 1999) The capability approach contains three elements:

- Increase in life expectancy
- Increase in educational attainment
- Income security
The South African Transition: the opportunity for implementation

The opportunity to embark an alternative employment-led developmental growth path arrived in 1994 with the election of South Africa’s first democratic government. However South Africa was to embark on a transition under difficult circumstances as it was faced by enormous economic, political and social challenges. South Africa, it has been argued, was faced by a triple transition; a transition to a globally competitive economy towards political democracy and towards racial equity. The economic transition led to pressures to restructure work. Central to the second transition - the consolidation of democracy - is the idea of social citizenship. The third transition – the removal of apartheid structures and practices – is central to the changes taking place in the workplace and society. Although significant progress has been made over the past 20 years towards these goals, features of the apartheid past persist in the labour market.

Since 1994, when South Africa held its first democratic elections, there has been a systematic removal of apartheid legislation and the introduction of laws and policies designed to promote equal opportunity in society. This has resulted in the introduction of a new labour relations regime made up of 6 core statutes

- The National Economic Development and Labour Council Act of 1994,
- The Labour Relations Act of 1995 (LRA)
- The Basic Conditions of Employment Act of 1997 (BCEA)
- The Skills Development Act of 1998
- The Employment Equity Act of 1998
- The Social Plan Act of 1998

These innovations were designed to position South Africa on a high road – a route that emphasizes skills through training and high wages, through effective collective bargaining, rewards and incentive schemes. The aim was to transform the South African labour market towards equity, efficiency and productivity.
The relationship between these three transitions is a contradictory one and in the process of attempting to reconcile the transformation of the labour market with social security six key issues are identified.

1. **Changes in the Structure of the Economy**

Bhorat and Hodge (1999) have captured the dramatic broad sectoral changes that have occurred in the economy between 1970 and 1996. The *primary sector* has seen its share of GDP drop 6.7 percentage points, from 18.6 per cent in 1970 to 11.9 per cent in 1997. In agriculture this reflects the diminishing opportunities for increasing output after the rapid mechanisation and increasing land usage in the 1970s. Mining output growth has stagnated following drops in commodity prices and a dwindling stock of extractable resources.
The mature secondary sector has seen its share of GDP remain relatively unchanged, decreasing only 1.5 percentage points from 31.1 per cent in 1970 to 29.6 per cent in 1997. The core of the economy, manufacturing, has more or less maintained its share of GDP around 23 per cent to 24 per cent. After strong growth in the 1970s, the sector stagnated after it struck diminishing opportunities for further import replacement and failed to enter the export market due to a lack of effective incentives and sanctions.

The decline in the primary sector has been compensated for by the rise of the service sectors. The bulk of the employment expansion between 1995 and 2002 occurred in the tertiary section which added more than 1.1 million jobs. (Bhorat and Oosthuizen 2006: 182) Services as a whole have increased their share of GDP by 8.4 percentage points from 50.2 per cent in 1970 to 58.6 per cent in 1997. The largest group is producer services (transport, communication, financial and business services), which increased its share of GDP by 4.3 per cent from 1970 to its current level of 24.6 per cent.

The primary driver of this shift has been information technology. IT has brought about enormous productivity growth in the handling of information and has been a spur to significant product innovation from new financial instruments to mobile communications and the Internet. This in turn has created significant demand from both industrial and household consumers. Another significant component of the service sector is final demand social services (SIC 9) with a share of 18.6 per cent, an increase of 3.8 per cent from its level in 1970. Growth in this sector reflects increased government spending and increased demand for social services. Finally, the demand for personal services (SIC 6) is mostly a reflection of consumer demand and so is expected to closely track GDP growth.

In summary, it is noticeable that an important structural shift has taken place in the South African economy since 1970 from a primary sector-based economy to a service sector economy.
2. Conceptualising and Measuring Employment and Unemployment

In the literature on employment there is a sharp boundary between employment and unemployment, which emerges out of the attempts to conceptualise and measure the labour force. This binary approach to employment separates the working age population into two groups: the economically active population and the economically inactive population. The economically inactive population consists of people who, of their own accord, do not work for pay or product and hence do not contribute to the formal economic product. (Clogg 1979)

Studies of working life in developing countries argue that this binary distinction obscures the fact that people rotate between different forms of work in a context where there is sometimes, intermittent, and sometimes sustained shortage of work. They use the concept of underemployment to illustrate their argument that employment glosses over significant differences within the concept of work. (Ceruti and Mudau 2006)
This is captured well in the comment by the well-known economist Paul Streeten,

‘Employment as interpreted in industrial countries is not the appropriate concept. The International Labour Organisation (ILO) employment missions discovered or rediscovered this, and they also discovered that, to afford to be unemployed, a worker has to be fairly well off. To survive, an unemployed person must have an income from another source. The root problem is poverty, or low-productive employment, not unemployment. Indeed the very poor are not unemployed but work very hard and long hours in unremunerative, unproductive forms of activity”. (Streeten, et al. 1981:13)

It is important to make the distinction between work and employment, where the latter is paid, whereas the former includes “any social activity where an individual or group puts in effort during a specific time and space, sometimes with the expectation of monetary (or other kinds of) rewards, or with no expectation of reward but with a sense of obligation to others”. (Webster, Buhlungu and Bezuidenhout, 2003:7)

Sarah Mosoetsa, in an original study on poverty in South Africa, shows how households cope with economic stress and how economic stress impacts on intra-household relations. She extends the notion of work and arrives at a broader and context-specific definition of work that includes all household activities done by both men and women. Her conceptualisation of work builds on an understanding of households as social units of production and reproduction. She argues that the work that takes place in the household is not only deemed important for the livelihood of household members, but also for the broader economy. Hence, households are often referred to as the “real hidden abode” of production. (Mosoetsa forthcoming)

In an attempt to develop a more inclusive concept Sabyasachi Bhattacharya suggest that we refer to those belonging to these non-wage and informal sectors as the ‘labouring poor’. He concedes that it may be “a fuzzy concept. But possibly, he suggests,

“a fuzzy concept like the “labouring poor” without sharply defined boundaries, is more appropriate to transitional economies in less developed countries where class boundaries are porous, where gradations shade into each other, where individuals and families are simultaneously located in more than one of the conventional class categories which counterpoise wage labour and non-wage labour. Where the transition to capitalist/wage-labour relationship is incomplete or is not sufficiently generalized, we have what is almost a permanently transitional situation which calls for concepts other than the clear-cut ones of advanced metropolitan economies”. (Battarcharya 2007: 11)
This is illustrated best through the presence of street vendors who are seen to be illegally encroaching on public space but are an integral part of the urban economy of the developing world (Bhowmik 2010). As Sharit Bhowmik evocatively shows these street vendors render services especially to the poorer sections of the population and subsidize their existence by providing cheap clothes and other items of daily need. (Bhowmik 2010)

3. Defining Informality

Originally the informal sector concept was applied to the self-employed urban poor in developing countries. In 2003 the International Conference of Statisticians expanded the definition of the informal economy from enterprises that are not legally regulated to employment relationships that are not legally regulated or protected. ‘Informal employment’ is now defined as being without formal contracts, worker benefits or social protection. This includes:

- self-employment in informal enterprises; workers in small unregistered or unincorporated enterprises, including employers, own-account operators, and unpaid family members;

- wage employment in informal jobs: workers without formal contracts, worker benefits or social protection for formal or informal firms, for households or with no fixed employer, including employees of informal enterprises and other informal wage workers such as casual or day labourers, domestic workers, unregistered or undeclared workers and temporary or part-time workers as well as industrial outworkers (also called home-workers) (Chen, 2005:7-8).

This broadening of the scope of the informal sector to include informal employment has led some to question the usefulness of the concept. Keith Hart (2007:5) argues in a recent retrospective article:

This extension of the scope of the concept of the ‘informal economy’ to embrace rich and poor countries, government and business, casual labour and the self-employed, corruption and crime – when taken with the wholesale devolution of central bureaucracies compared with forty years ago, leaves a question-mark over its continuing usefulness today.

But, as Hart goes on to argue, the value of the concept is that it allows one to understand how people devise their own means of survival in ways that are not “organised immediately as ruling elites would like” (Hart, 2007:5).
Similarly Bernstein and Woodhouse write of the “classes of labour” in Africa and the “growing numbers…. who now depend – directly and indirectly – on the sale of their labour power for their own daily reproduction.” They pursue their reproduction “typically through insecure and oppressive – and in many places increasingly scarce – wage employment, often combined with a range of likewise precarious small-scale farming and insecure informal sector (survival) activity” (Bernstein and Woodhouse, 2006:158).

This heterogeneity of work in the global South and the ambivalence in class positions that this leads to is not new to Southern scholars. “There is,” wrote Cohen (1982:279-80) nearly three decades ago, a large group of the population which is simultaneously and ambiguously semi-proletariat and semi-peasant… Equally within the favelas and shantytowns, large numbers of individuals who are sometimes described as unemployed or as sub or lumpen proletariat are in fact intermittently employed performing services or in small workshops employing a handful of workers and apprentices. In the case of this group, the ambiguity arises from the fact that it comprises people who can at the same time be considered self-employed or employees.

James Heinz (2006) has provided a useful way of overcoming the ambiguity over what differentiates a worker from a self-employed entrepreneur, by suggesting that the common denominator between the two is whether individuals earn income by selling their labour in some kind of a market – either directly on a wage-labour market, or indirectly through some form of product market. The dividing line between ‘worker’ and ‘entrepreneur’ may not be clear-cut, he concludes, but individuals who derive the vast majority of their income from their labour and are dependent on others for the realisation of these earnings can be considered workers.

This shift in views of the informal economy over the past three decades is captured in Table 2.

**Table 2: Old and new views of the informal economy**

<table>
<thead>
<tr>
<th>The old view</th>
<th>The new view</th>
</tr>
</thead>
<tbody>
<tr>
<td>The informal sector is the traditional economy that will wither away and die with modern, industrial growth.</td>
<td>The informal economy is here to stay, and is expanding with modern, industrial growth.</td>
</tr>
<tr>
<td>It is only marginally productive.</td>
<td>It is a major provider of employment, goods and services for lower-income groups. It contributes a significant share of GDP.</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>It exists separately from the formal economy.</td>
<td>It is linked to the formal economy – it produces for, trades with, distributes for and provides services to the formal economy.</td>
</tr>
<tr>
<td>It represents a reserve pool of surplus labour.</td>
<td>Much of the recent rise in informal employment is due to the decline in formal employment or to the formalisation of previously formal employment relationships.</td>
</tr>
<tr>
<td>It is comprised mostly of street traders and very small-scale producers.</td>
<td>It is made up of a wide range of informal occupations – both resilient old forms such as casual day labour in construction and agriculture, as well as emerging new ones such as temporary and part-time jobs plus homework for high-tech industries.</td>
</tr>
<tr>
<td>Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation.</td>
<td>It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulations. Most non-standard wage workers would welcome more stable jobs and workers’ rights.</td>
</tr>
<tr>
<td>Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy.</td>
<td>Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses. Informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.</td>
</tr>
</tbody>
</table>

**Source:** Chen (2005:12)
4. **Fragmentation of the South African Labour Market**

There is a process of increasing differentiation in the labour market between three broad zones of work – the core, the non-core and the periphery. These three zones, we suggest, are asymmetrically interdependent, with the third zone increasingly marginalised under the impact of marketisation. This is illustrated in the figure below. While core workplaces are dependent on non-core workers and to a lesser extent on certain activities in the informalised periphery, non-core workers and intermediary employers are far more dependent on core enterprises, as is the periphery and its activities.

Liberalisation has polarised the labour market by increasing the resources to some of the 7.5 million people in the core while at the same time reducing the resources of the 2.4 million in the intermediate category of the non-core (or atypical work) and those in the periphery, consisting of the 2.1 million workers in informal work and the 5 million unemployed. (Statistics South Africa 2009)

Labour Force Surveys distinguish between discouraged work-seekers and the employed.

**Discouraged work-seeker** is a person who was not employed during the reference period, wanted to work, was available to work/start a business but did not take active steps to find work during the last four weeks, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work. **Employed** persons are those aged 15–64 years who, during the reference week: did any work for at least one hour; or had a job or business but were not at work (temporarily absent).

**Graph 1: Discouraged work seekers aged 15–64 years: 2001-2007**
The number of discouraged workers increased from 2.2 million in 1995 to 3.1 million in 2002. Disturbingly 60% of discouraged workers have some secondary education. However, 80% of discouraged workers have not completed school.

The three broad zones of work – the core, the non-core and the periphery – are illustrated in the diagram below.

**Diagram 5: Segmentation of the South African Labour Market**

The increase in jobs created between 1995 and the present is derived from adding non-core and peripheral work to full-time work. In other words street traders, car guards, home-workers and casual workers in retail are all counted as employed. There is a logic at play here where jobs in the core – decent jobs – are being outsourced to the non-core and periphery. We describe it below as a decent work deficit logic.

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The issue at stake here is whether these new jobs in the non-core and peripheral zones are ‘good jobs’ or bad jobs. The simultaneous destruction of stable formal-sector jobs and the creation of non-core and peripheral jobs suggests a redistribution of work from ‘good’ to ‘bad’ jobs. See Alec Erwin, ‘Light, not spin’ (*Financial Mail*, 27 February 2004: 11).
Corporate restructuring, the reorganisation of work and the differentiation of work into three distinct zones is creating new lines of social inclusion and exclusion in post-apartheid South Africa – a process which threatens to generate a new social crisis, what we call a crisis of reproduction. There is a deep connection, in other words, between the trends in the restructuring of work and broader questions of social reproduction.

In the first zone, that of the core workplace in the formal economy, the dominant trends are those of managerial authoritarianism and of stalemate over workplace change, leaving intact aspects of the apartheid workplace regime – most notably the racial organisation of power, racial tension and the racial division of skills – and undermining employment equity and skills development. The result is worker dissatisfaction and alienation, and in many cases high levels of contestation, resistance to authority and production inefficiency.\(^5\)

\(^5\) The virulence of the racial legacy in particular should not be underestimated. Recently, (black) Labour Department inspectors had to seek refuge in a police station from a farmer who chased after them, firing shots and shouting racial abuse; another was manhandled, racially insulted and chased out of a coffee shop when she tried to inspect basic working conditions \((The \ Star, 23 \ March \ 2004)\).
Although these workers are subject to socio-economic inclusion, earning wages and with access to legislative rights and a union voice, their experience at work translates into a contradictory experience of social citizenship in the newly democratic South Africa. This has broader consequences for social cohesion in the family, the community and the society. Furthermore, the rights of formally employed workers are increasingly under threat from those workers who are either outsourced into precarious and lower-paid jobs or are retrenched and become desperate jobseekers.6

In the second zone – the non-core – workers are subject to job insecurity, low wages and alienation at work. For the new working poor, trade union rights do not exist, they have little access to the rights established by the new labour relations system, and they tend to be excluded from skills development programmes. As they grapple with the flexible worlds of work, trade unions lose their capacity to provide a voice for the new working poor and face a crisis of representation. The growth of this zone pushes more and more workers to the edge of poverty, with a corresponding impact on household sustainability.

The growth of the third zone, a periphery of unemployment and informal subsistence activities, places households under even more devastating pressure. For many in this social group ‘work’ does not involve a regular income. In fact, for many there is no income at all but rather payment in kind. The result is social crisis which puts enormous strain on families, households and communities. A disturbingly large proportion of the unemployed, 63% of the broadly unemployed has never been employed. The problem is worst amongst the youngest of the unemployed, aged 15-24, where 85% have never been employed. (Bhorat and Oosthuizen 2006: 178) According to the most recent statistics 2.5 million young people between 18 and 24 are neither working nor in any kind of education and training. Most have dropped out of school early; only 46% stayed in school long enough to write matric, of whom about 60% passed. The result: only 28% of them have a matric certificate. (Paton, 2010:32)

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6 It is important to recognise that a paradox exists with regard to employment data. While the number of jobs has grown over the period 1995 to 2002 (by 1 600 633 if we include atypical work, according to the Labour Force Survey), the number of unemployed has grown at a faster rate (2 361 834). This is because the economically active population has increased, including older adults and African women, many of whom are recent migrants from the rural areas (The Presidency 2003: 96).
Thus the restructuring of the world of work has implications not only for managers, workers and trade unions, but also for the prospect of broader sustainable social development. Parts of the core workforce have been integrated into post-apartheid society through dynamic trade unionism, workplace participation, the extension of democratic rights, skills development, employment equity programmes, negotiated measures to reduce racial tension, economic incorporation through wages and various benefits, and so on. There has also been a partial integration of other parts of the core workforce, who continue to experience authoritarianism and racial domination. However, this contrasts with the variable socio-economic exclusion of large sectors of the non-core and peripheral workforce.

To the extent that a new authoritarian workplace order is secured through shifting core workers into the non-core zone, or by severing them from employment altogether and casting them onto the periphery, managers may be resolving the crisis of post-apartheid workplace order by displacing confrontation, antagonism and disorder into the family, the household and the community. This generates a broader social crisis whose symptoms are the breakdown of social solidarity, intra-household and community conflict, substance abuse, domestic violence, and the proliferation of other crimes. The shrinking of the core and the extension of the non-core and periphery has fractured labour solidarity and weakened the trade unions which are a primary vehicle not only for improving workplace conditions and protecting worker rights, but also for integrating workers into society.

5. The nature of the South African welfare regime

Social welfare in South Africa had been and remains categorised into two systems; the provision of direct welfare services or social services; and a system of public social assistance (also known as social security) incorporating cash transfers (also known as grants or pensions) to the elderly, disabled and some women and children. Social services include subsiding organisations and welfare workers in the fields of care – family, child, disabled and elderly – mental health, rehabilitation of offenders and programmes with substance abusers. During apartheid these services were racially skewed in favour of white South Africans, towards urban areas, biased
towards organisations linked to the Dutch Reformed Church, and actively promoted the ideal of nuclear families. (Lund 1992)

In the 1930s the State Maintenance Grant was introduced to protect white single-income families from destitution. This grant had two components – a parent and children’s allowance – and was available initially only to white mothers who were unmarried, divorced, widowed or married to men incarcerated in state institutions, or who were unable to work. By the 1960s the SMG was extended to coloured and Indian people and eventually included African people residing in the four urban provinces of South Africa.

By 1995, all South African citizens who qualified were entitled to Old Age Pensions (OAPs), Disability Grants (DGs), Foster Care Grants (FCGs) and Care Dependency Grants (CDGs). The SMG which incorporated between 80 and 100 per cent of social security was the most far-reaching of all the grants but because it was inconsistently applied in the bantustrans where the majority of African people officially resided, it was also the most racially-skewed form of social assistance.

At the end of apartheid, the social welfare system had a particular form. The welfare budget was skewed towards a small white minority; and towards means–tested social assistance over social services. That is, social services, or state provided care for the young, elderly or disabled was severely neglected and non-existent beyond the parameters of big urban settlements. Institutionalised care for the physically and mentally disabled people was the most neglected and care for such dependent people ended up as unpaid work of women in ill-equipped households and communities.

In 1995, the Lund Committee was convened with the broad remit of investigating the best way to provide (non-racial) support to family and children. This committee made two recommendations. Firstly, the SMG grant was reconstructed and became the Child Support Grant (CSG). An important difference between the SMG and the CSG is that the CSG does not include a parental allowance. This was a pragmatic decision made by the committee to ensure a grant for all needy children, rather than focus the grant on the notion of a nuclear family with a male breadwinner.
Currently, the CSG, like its predecessor the SMG, reaches the highest number of dependant people. The CSG of R250 per month is paid to 9.4 million recipients. The 2010 budgetary increase of R10 per month may seem insignificant. However, what has had greater budgetary and social impact is that the maximum age of recipients of this grant has increased from 14 to 18 years. The OAP of R1,080 goes to 2.5 million. The DG and Care Dependency Grant are also at R1,080 and are dispensed to 1.3 million and 120 000 people respectively. The FCG grant of R710 has 570 000 recipients. In 2008, the CSG comprised 68% of the total budget for social assistance (SASSA 2008). This significance is sure to increase with the extension of the CSG to children between 15 and 18 years old; an estimated increase of 2 million child recipients.

Despite the increase in budgeting for social assistance and the inclusion of all racial categories in the system, social welfare in South Africa remain biased towards privatised welfare as the greater proportion of the welfare budget is for social assistance, with little remaining for welfare services. In fact, between 2005 and 2010, the welfare budget dedicated 93 per cent of its resources to the payment of grants. In 2007, the Department of Social Development noted, “93 per cent of the department’s 2006/07 budget is for social assistance, with just under 7 per cent going to social assistance administration, leaving less than 1 per cent for other core activities.” (DosD 2007: 332)

In prioritising social grants over the direct care services which institutions such as old age homes, state créches and facilities for the mentally and physically disabled could provide, care for the needy remains predominantly a private household concern. The CDG, for instance, is a grant for “caregivers of profoundly physically or mentally impaired children to enable the children to be cared for at home rather than in residential institutions.” However, R1,080 is barely enough to feed and clothe a growing child, without even considering additional expenditure for special needs, while publicly provided assistance, such as physio – or occupational therapy and counseling, cannot be provided.

This is a move away from the notion of ‘developmental social welfare’ as proposed by Patel (1992). With this term Patel, suggested a welfare model for South Africa which focused on
building society with the help of social service and community organisations which had grown strong and been community anchors during the liberation struggle, rather than the negligible focus on ‘treatment’ which infused apartheid and, sadly, post-apartheid models of welfare.

Social grants figure large in the monthly incomes of most South African households. In working class households, social grants contribute to as much as 60 per cent of their income. In the households of the unemployed it is often the only income from household members who qualify for social grants. (Fakier 2010 and Mosoetsa forthcoming) **However, for those who are unemployed, there is no income.** While the effects of privatisation and the high cost of public services counteracts or at a minimum neutralises social transfers, many households would be unable to survive without social assistance. Yet, still the South African system of social assistance is under threat.

Increasingly the South African government has come to realise that a developmental and employment absorbing economic growth strategy is required and embarked on the Expanded Public Works Programme in 2006.

**6. The Unsustainability of Current Social Expenditure**

On 22 February 2010 the South African Minister of Social Development, Edna Molelwa found herself having to defend South Africa’s welfare budget from a powerful statement made by economist Mike Schussler that South Africa was now – if you take into account the ratio of social spending to tax⁷ - "the biggest welfare state in the world" and that the government's grant system was unsustainable. Schussler’s analysis followed the raising of the social grants budget from R80 billion in 2009 to R89 billion in 2010 by Finance Minister Pravin Gordhan⁸.

Schussler’s concern echoed that of the official opposition party, the Democratic Alliance, that social expenditure has risen from 1 to 4 per cent of the gross domestic product over the past 20 years. Molelwa responded that “It is difficult for the government to close its eyes when people are suffering and do not have anything to eat.” (Majavu 2010: 10)

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⁷ He uses the fact that for every taxpayer there are three welfare dependants.
⁸ 1 Euro= 10.2 South African Rand
There is no question that the social expenditure has expanded in post-apartheid South Africa. The inequity of apartheid spending levels is summarized by the fact that social spending per capita on whites was approximately 8.5 times more than that on Africans in 1975, when spending inequality peaked. Dealing with this inequity has meant an increase per capita from R2092 in 1982/3 to R2545 in 1992/3 and R3369 in 2002/03 (Van Der Berg, 2006: 204). In addition to the sustainability of this expansion in social expenditure, the fundamental question is whether it is translated into improved social outcomes. As van der Berg argues, the binding constraint is not only finances but the limited real resources available in the economy. “Competent teachers, nurses, doctors and community workers are scarce, as is the capacity to produce books, medical supplies, and building materials. So the growth and improved distribution of social services must be viewed as the growth and improved contribution of the inputs required for delivering these services”. (ibid: 227)

Servaas van der Berg concludes his fiscal incidence study by arguing that

- in education resources have been shifted to the poor, but the outcomes remain largely unchanged, particularly when measured in terms of high quality outcomes;
- in health the service provided by the public health sector is not highly rated by the population, with even the poor opting for higher quality and higher cost private health care;
- only in the case of social grants (where resources are shifted directly to the intended beneficiaries) and perhaps in the case of housing, physical infrastructure and water provision (where provision of service brings direct benefits) was there an unequivocal improvement. (ibid: 227)

Social policy experts fear that South Africa’s current system of social transfers may be under threat as public opinion that this system is unaffordable grows (Lund 2009 and Hassim 2008). The threat of reducing social expenditure looms worldwide as the global economic crisis puts strain on national budgets. (Judt 2009) However, as Minister Molelwa points out, high poverty levels make a reduction of welfare benefits in South Africa, nearly unthinkable.
7. **Constructing a Counter Movement**

The question raised by the rapid liberalisation of the economy is whether it is generating a counter-movement based on social regulation rather than market regulation. In his classic study of the disruptive social effects of rapid marketization, Polanyi (1944) speaks of a counter-movement for the ‘protection of society’ – what he called the double movement. In other words, as the pendulum swings towards the ‘commodification of labour’ it provokes strong counter-movements demanding protection. Indeed, a number of contemporary analysts have seen in the growth of an anti-globalisation movement the beginnings of such a counter-movement (Munck 2002).

For Polanyi, the First Great Transformation of nineteenth-century Europe led to a counter-movement which, over a number of decades, resulted in a class compromise between capital and labour resting on full employment, strong trade unions and democratic societies. This ‘Northern class compromise’ (Webster & Adler 1999) is being undermined by the current phase of liberalisation, the Second Great Transformation.

As Table 3 indicates, rapid liberalisation in the advanced industrialised countries is leading to what Burawoy (1985) calls ‘hegemonic despotism’. This erosion of the workplace power of trade unions and of the benefits they had won for their members is matched by the erosion of the welfare state and the right to a social wage, accumulated through decades of working-class struggle. The sphere of the public and the social, which had been established by the counter-movement in response to the domination of the market during the First Great Transformation, is being rolled back by the forces of neoliberal globalisation unleashed in the Second Great Transformation. The challenge for the trade unions, social movements and progressive policy analysts of the North is how to form a new counter-movement through which society can re-establish the public and social domain on the new terrain created by neoliberal globalisation and the forces of marketisation and commodification it unleashes.
Table 3: The Northern class compromise

<table>
<thead>
<tr>
<th></th>
<th>Form of State</th>
<th>Work Restructuring</th>
<th>Social Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>The First Great Transformation</td>
<td>Democratic welfare state</td>
<td>Hegemonic – high wages, high employment</td>
<td>Social citizenship</td>
</tr>
<tr>
<td>The Second Great Transformation</td>
<td>Democratic, ‘hollowed-out’ state</td>
<td>Hegemonic despotism – flexible firm</td>
<td>Erosion of the welfare state</td>
</tr>
</tbody>
</table>

The case of South Africa is quite different, echoing the patterns of industrialisation and state form, and the dynamics of inclusion and exclusion, found in other countries of the global South such as India and Brazil. Of course, the historical patterns of inclusion and exclusion in Brazil or India differ from those in South Africa, deriving as they do from a different correlation between political processes of colonialism and independence, authoritarianism and democracy, and economic processes of transformation and liberalisation. Nonetheless, the broad challenge of constructing a counter-movement in the era of the Second Great Transformation remains similar. Our findings suggest that to understand the growing informalisation of work and the attendant social crisis in South Africa, it is necessary to locate the Second Great Transformation in the context of the colonial legacy of social under-development. This is illustrated in Table 4.

Table 4: The global South: the case of South Africa

<table>
<thead>
<tr>
<th></th>
<th>Form of State</th>
<th>Work Restructuring</th>
<th>Social Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>The First Great Transformation</td>
<td>Settler-colonial/apartheid state</td>
<td>Colonial despotism – low wages, migrant labour</td>
<td>Colonialism excluded the majority</td>
</tr>
<tr>
<td>The Second Great Transformation</td>
<td>Democratic post-colonial state</td>
<td>Growing differentiation and informalisation of work</td>
<td>Crisis of social reproduction – legacy of colonial under-development</td>
</tr>
</tbody>
</table>

During the First Great Transformation, rapid accumulation in South Africa was based on cheap non-free labour, benefiting specific sectors of white settler society as well as Northern
capital. These economic ends were secured by the formation of a state based in the white settler population, which was able to ensure the domination and suppression of the colonised black population. In contrast to the counter-movement in the North, through which society was able successfully to challenge the destructive tendencies of the market by constructing the welfare state, South Africa saw the forging of a despotic racial order based on migrant labour and the brutalities of racial segregation and apartheid, and the ruthless suppression of political dissent. The counter-movement took the form of a national liberation movement, which became increasingly powerful in the 1980s and was finally able to achieve a political breakthrough with a negotiated transition in the early 1990s – ironically (as the last apartheid president so astutely observed) at the same time as the forceful reassertion of market forces triumphed over communism.

Thus, in contrast to the North, a country of the South such as South Africa has never experienced the successful construction of a welfare state through the counter-movement of society in response to the market forces of the First Great Transformation. The task is to form a counter-movement for the construction of an integrated society and of a public domain against the market for the first time – and in the face of the even more powerful market forces of the Second Great Transformation.
Bibliography


