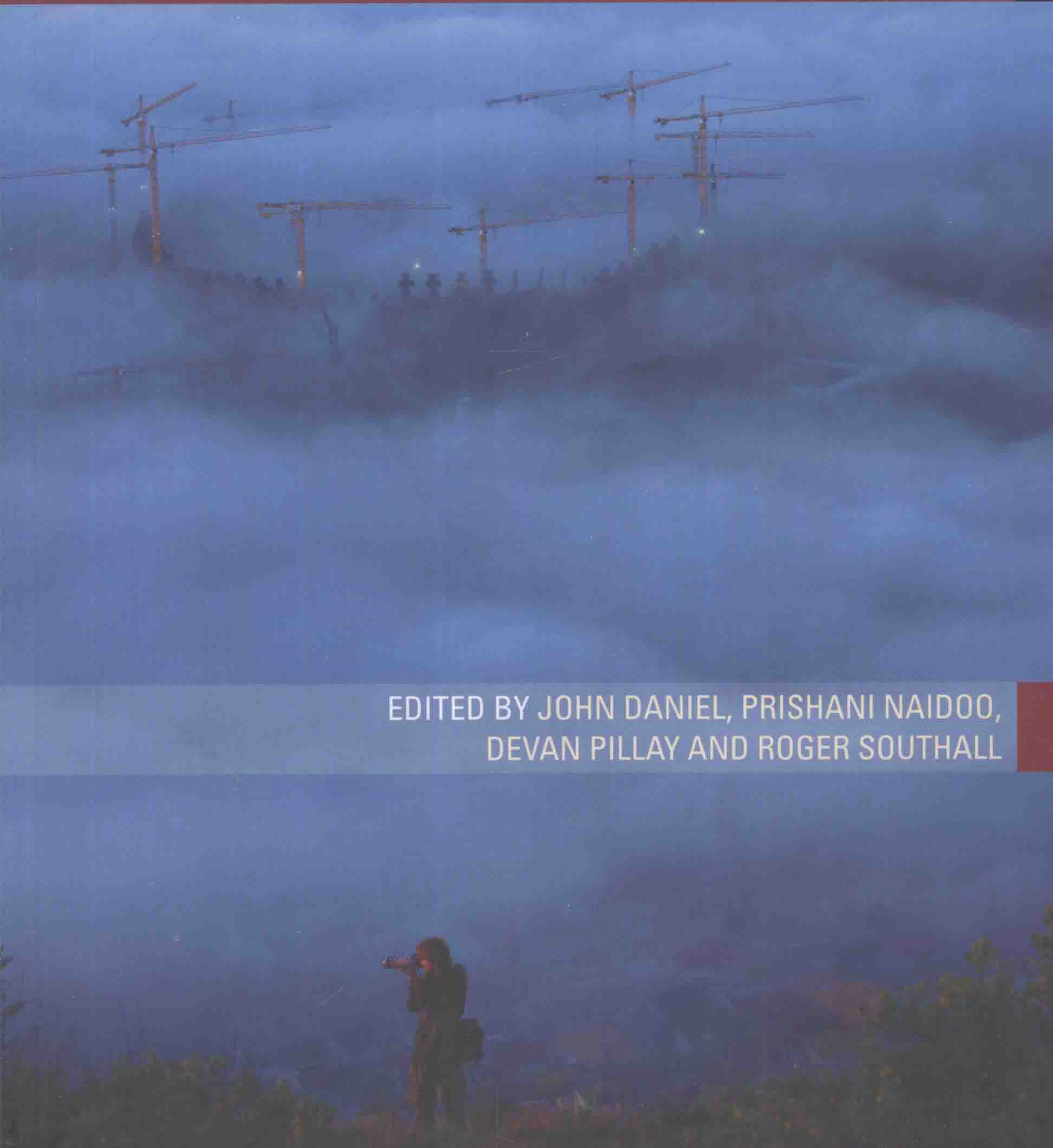
NEW SOUTH AFRICAN REVIEW 1

2010: DEVELOPMENT OR DECLINE?



EDITED BY JOHN DANIEL, PRISHANI NAIDOO,
DEVAN PILLAY AND ROGER SOUTHALL

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Preface

In producing this, the first edition of the *New South African Review*, its editors seek to follow that tradition of critical scholarship established so firmly by the seven volumes of the *South African Review* which appeared in the 1980s and 1990s. They provided invaluable insights into the apartheid state's strategies and the popular responses and struggles of those troubled and difficult years. Now, fifteen years into the making of South Africa's democracy, the issues which face our society are very different, albeit bearing the heavy imprint of the country's divided and unequal past. Since 1994, the successive governments headed by ANC presidents Mandela, Mbeki, Motlanthe and Zuma have not only had to assume the normal burdens of state but also to confront massive challenges of transformation across the political, economic, social and international spheres.

In retrospect, there have been considerable achievements. Yet, again, there have been many wrong moves, many downright failures and many disappointments, even though we should, perhaps, be humble enough to recognise that, with its particular legacies, South Africa is not an easy country to govern. Thus it is that the objective of the *New South African Review* is to provide a forum for reflection upon achievements, problems and challenges, and to stimulate debate between divergent positions held upon a wide range of issues. It is intended to be accessible to a wide range of readership, and to draw upon authors from well beyond academia. Its objective is to be informative, discursive and, at times, to be downright provocative. It is not intended to be an annual review of events, although it will seek to provide contemporary comment, and it will engage with (indeed, seek out) current controversies.

The *New South African Review* is housed in the Department of Sociology at the University of the Witwatersrand. We should like to acknowledge, with thanks, financial support from the Konrad Adenauer Foundation and from the Faculty Research Committee of the Faculty of Humanities at Wits. Neither of those bodies is responsible for any of the views expressed in any chapters of this volume, but both have kindly provided the material means whereby workshops and editorial meetings have been held, and peer review of all chapters conducted. Without their encouragement and backing this project would never have got going. Our thanks must also go to our authors for having more or less behaved themselves in submitting and revising chapters more or less according to a tight schedule, and for accepting

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INTRODUCTION

South Africa 2010: From short-term success to long-term decline?

Roger Southall

For a decade and a half following the arrival of democracy, South Africa enjoyed its longest period of uninterrupted economic growth since the mid-1960s, 'the golden age of apartheid'. Even if it is going far too far to suggest that the fifteen odd years after 1994 amounted to a 'second golden age' (Abedian 2009), crude economic indicators demonstrate positive annual growth throughout the period, an increase in per capita incomes (at year 2000 prices) from R20 214 in 1994 to R25 897 in 2008, and a decline in the proportion of people living in absolute poverty[1] from 4.2 per cent in 1996 to 1.4 per cent in 2008 (SAIRR 2008-09: 92 and 302).

Further, even though the fruits of growth were highly unevenly shared and public service provision in key areas seriously attenuated, the extent of poverty was leavened by a substantial increase in transfer payments made by the state to the old, disabled, unemployed, for child support, and so on. Although these gains left much to be desired, it is nonetheless wise to locate them against the background of South Africa's overall economic decline from around 1980 until 1994 and a period of near calamitous collapse during the uncertain years of the political transition. Meanwhile, this extended period of growth was accompanied by South Africa's movement from racial authoritarianism to a democracy which, whilst incomplete, has provided a framework for political stability. Compared to the grim picture which the country projected in 1990, South Africa in 2010 is 'another country'. Only a democratic South Africa, and one with a relatively advanced and stable economy, would have won the dubious honour of the right to host soccer's World Cup in 2010 (Cornellison below).

Numerous critics have decried these achievements as seriously flawed: economically as failing to provide for socially just and sustainable development; politically by providing for a hollowed out democracy in which the constitution is under constant threat from the ruling African National Congress (ANC); and socially for a marked failure to ground aspirations towards collective welfare in an efficiently functioning state. Indeed, in this volume, we present a series of chapters which query the logic and performance of the present trajectory, outlining variously how its pursuit has led to deindustrialisation (Mohamed), persistent and unremittingly high levels of unemployment (Makgetla), and how it is running up against underlying resource constraints (Pillay, Swilling, Muller). Certainly, it is in the nature of the social sciences to provide critiques of the existing world against the imagination of utopias (even if, as Vale argues below, current state policies discourage such unbounded thinking). However, the role of the social sciences is also to compare existing reality against what might have been, whether for better or for worse. From this perspective, post-apartheid South Africa can lay claim to having been something of a success during the first two decades of democracy. The present outcome was by no means an historical inevitability, and accordingly critics of an imperfect present need to recognise that matters might have turned out a lot worse. Even so, it would seem that the foundations of this success over the short-term are today under threat; that this may be heralding a long-term decline; and that there is serious reason for South Africans to be worried about the direction in which their country is headed. This volume is devoted to exploring key dimensions of this possibility; and this introduction to sketching out its dynamics.

THE FOUNDATION OF SOUTH AFRICA'S SHORT-TERM SUCCESS

There is a substantial literature which has sought to address the nature of South Africa's democratisation, ranging from celebrations of a 'miracle' through to sharp criticisms of an 'elite transition'. Suffice it to say here that what, in retrospect, needs emphasising is how the political transition (an agreement by the then white controlled government to concede a non-racial democracy backed up by assurances of the entrenchment of a 'constitutional state') was complemented by an economic deal, largely forged behind the scenes, in which business built political and economic alliances with elements of the incoming ANC elite (later to be formalised as Black Economic Empowerment or BEE), while the ANC committed itself to market economics and abandoned plans for nationalisation. This had the makings of what Scott Taylor (2007) terms a 'reform coalition'.

Taylor refers to reform coalitions as alliances of public and private sector interests that are found in developed and developing contexts and which take joint action to exploit a complementarity of interest via economic reform. They are best institutionally organised in forums which bring business and the state together, and are sites of negotiation and bargaining in which private and public partners may be of highly unequal strength. Where they work, they require give and take, for just as the state is not necessarily capable of taking wise decisions about the economy, business is likely to be more concerned with its immediate interests than the general welfare of society. Reform coalitions thus occur when the interests of business and state converge to enact, modify or implement growth-promoting policies that both parties expect will foster investment and increases in productivity, exemplifying what Peter Evans has referred to as the 'embeddedness' of state and society. By contrast, business-state relationships that privilege either a bureaucratic state bourgeoisie and/or particular corporate elites at the expense of growth-producing policies fall outside the definition of a reform coalition. For instance, where state power is relatively unconstrained, policies and practices may be implemented that negate the conditions which business requires for investment; or where business backs budget deficits which drastically reduce social welfare expenditure without making provision for alternative safety nets, the outcome can be debilitating in economic as well as social and moral terms.

Taylor and others argue that these characteristics have been substantially lacking in most sub-Saharan African countries (Brautigam *et al* 2002). Typically, the private sector has remained weak due to colonial inheritance, post-colonial policy and an outsized economic role for the state; business associations have been weak; and personalised rule has resulted in state predation, facade-like bureaucracies, clientelism and corruption. In post-apartheid South Africa, however, a reform coalition underpinned the political transition. Critically, fearing nationalisation, key business actors (notably from the mining and financial sectors) combined to convince leading elements of the ANC to adopt a liberalising economic framework which, they argued, was the only sure way to attract investment, spur growth and create jobs. This culminated in the ANC leadership's adoption of the Growth, Employment and Redistribution (GEAR) strategy even though it was contrary to the party's election manifesto (the Redistribution and Development Programme), and even though it was at cost of the exclusion from policy-making of both smaller business interests and the party's partners, the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP) (Bassett 2008). Although this clearly privileged the interests of big business, Taylor (2007: 189) opines that 'it is not at all clear that alternative coalitions would have produced wider social and economic benefit for South Africa and prevented wider political instability during a very fragile period ... Business and the emergent ANC-state *needed* each other; each conferred legitimacy upon the other'. Broadly, the coalition that emerged endured because it continued to provide utility to either side: 'profitability, new trade opportunities, public-private partnerships, the preservation of ANC political dominance, and not insignificantly, the enrichment of erstwhile ANC elites through BEE' (Taylor 2007: 190).

Taylor acknowledges that investment and employment levels and overall economic performance ('low but positive') were to fall far short of neoliberal expectations, and admits the need for a wider dialogue between business and the state which would lead to adoption of a more comprehensive range of strategies productive of more socially inclusive growth. Nonetheless, he insists that business remains 'indispensable to South Africa's future', and argues that as long as the state can 'placate labour and the left, it will continue its relationship with predominantly white capital while witnessing the steady expansion of black empowerment companies' (Taylor 2007: 191).

An immediate critique of Taylor is that he systematically underplays the important role which organised labour (Cosatu) played in facilitating the forging and functioning of the reform coalition. Nonetheless, his overall projection of South Africa's 'low but positive' growth as an outcome of balance between business and the state after 1994 is broadly convincing, not least because the counterfactual cannot be determined. However, although it is also arguable that the conditions for the viability of the reform coalition are changing for the worse, to argue this is to necessitate an exploration of the wider context of any such coalition. This, it is proposed, was constituted in South Africa of three major dimensions.

The first aspect of this wider context was agreement not only that the government would pursue market economics, but that the capital market would be progressively internationalised. The key literature places heavy emphasis upon the manner in which successful 'growth coalitions' have centred around business-government relations which cohere around reform projects embracing trade liberalisation, export-friendly policies, engagement with the global economy and macroeconomic policies which will attract foreign capital and backing by international financial institutions such as the International Monetary Fund (IMF) and World Bank (WB). This has been replicated in most surveys of the reform project in South Africa. Thus although it is recognised that, given its racial profile, direct pressure by business had contradictory effects, the ANC leadership became exposed to a wide variety of international and domestic influences which pushed it towards the adoption of conservative measures designed to shore up local and international business confidence. It was not just that the ANC elite became convinced of the need to accommodate the international investment market, but also that it had to do so in the face of the 'dismal record of economic governance' elsewhere on the continent. 'In a post-Cold War world, there appeared to be few alternatives to the fiscal rectitude and other policies endorsed by Washington' (Handley 2005: 222).

The second dimension was the ANC's determination, expressed at its Mopani summit with black business in October 1993, that its assumption of control over the state would be complemented by processes of BEE. At the time of the transition, big business was uncomfortably aware of the need to narrow the huge political gulf that was separating it from the incoming government by indicating a willingness to alter its racial profile. The South Africa Foundation (SAF) – the grouping of the sixty-plus largest and most influential companies, domestic and international, whose principal purpose was to represent the interests of the private sector to government – was a 'bastion of traditional white capital', and was urgently aware of the need for firms to recruit black executives, and for business as a whole to show itself 'proactive on the issues of particular political importance to the ANC, such as black empowerment and, more narrowly, jobs and wealth creation' (Taylor 2007: 171–2). Initially, BEE was unprogrammatic and took the form of the direct recruitment of individuals, usually with strong links to the ANC, to high positions in large firms or on to boards of directors as well as the sale of aspects of their operations to black entrepreneurs. Subsequently, after the delivery of the Black Economic Empowerment Commission (which was largely driven by the demands of black business) to government in 2001, BEE became a major plank in the Mbeki administration's programme, culminating in the passage of the BEE Act of 2003 (Southall 2003).

Less noticed, but perhaps more important, was the use made by the ANC of the parastatals as avenues for black advancement. Overall, by 1999, the parastatals – dominated by the big four (Transnet, Eskom, Telkom and Denel) – accounted for around 15 per cent of GDP, 86 per cent of state-owned enterprise (SOE) turnover, 94 per cent of SOE income, and 77 per cent of SOE employment. Historically, they had been used by the NP to promote Afrikaner empowerment, and now they were to become platforms for black empowerment; first, as a means for increasing direct black control over the economy; second, as a training ground for blacks who were later to shift to the private sector. In retrospect, it is scarcely surprising that although GEAR formally espoused neoliberal mantras, the privatisation that took place concerned largely 'non-core' assets of the parastatals (with their sale being used to promote empowerment ventures). There was, to be sure, a rather disastrous exception in the form of the partial privatisation of Telkom in 1997, which by 2003 had led to a major empowerment group losing substantial amounts of capital after a collapse in the share price. But overall, despite the undoubted commitment of the government to commercialising the public sector, its enthusiasm for selling it off was distinctly muted. Indeed, by the time of the 2004 election, the government had drawn back from any serious talk about privatisation, and had committed itself rather to the 'restructuring' of the major SOEs so that they could serve 'developmental' purposes (Cassim 2006; Southall 2007).

The third major support of the 'reform coalition' was the assumption that the ANC as government would provide for the social and political conditions in which private capital could operate. After all, it was the steady erosion of the capacity of the NP government to maintain control over the subordinated black majority of the population from the mid-1970s which had led to the equally steady withdrawal of the support of large-scale capital for continued white rule from the early 1980s (as indicated *inter alia* by the succession of meetings, some of them clandestine, between business leaders and the exiled ANC in a variety of foreign locations). In broad terms, large-scale business underwrote the political transition because it came to recognise that only the ANC (which during the 1980s had called for South Africa to be rendered 'ungovernable') had the popular legitimacy which could provide for a restoration of political stability; and only a democratic settlement could provide that political stability, which by the early 1990s, had itself become a pre-condition for economic liberalisation. This is not to say that large-scale business had much faith in the ability of the ANC to run the affairs of state extending beyond economic policy through to the running of the education, health, legal, policing and defence systems *et cetera* efficiently. (This was to be indicated by the extent to which better off whites – notably the corporate community – withdrew into privatised spheres of social life, from private healthcare through to gated communities). Nonetheless, there was overall recognition by large scale business that political stability could only be attained by the prospect of a 'triple transition', that is, the formal extension of social as well as economic and political citizenship rights to blacks as well as to whites (Webster and Omar 2003).

In sum, the 'reform bargain' which facilitated South Africa's success was underpinned by the new government's commitment to providing the opportunity for large-scale business to internationalise; by capital accepting, at least rhetorically, the social and economic imperative of black empowerment; and by the widespread recognition of the necessity of a 'triple transition'. However, it can be argued that, even if the superstructure of the reform bargain still largely holds, its support system is beginning to give way.

THE CONTRADICTIONS OF INTERNATIONALISATION

The central argument of domestic business, foreign investors, the international financial institutions and the major foreign governments (notably the US and UK) backing the political transition was that the level of economic growth required by post-apartheid South Africa could only be attained through engagement with the global economy and the access this would give to continually advancing high technology (Habib *et al* 1998: 106). Yet the reality is that the opening up of the economy has had highly contradictory outcomes; first, the economy has become far more subject to short-term global financial influences without; second, an accompanying level of diversification; third, while access to new technology has improved, South Africa's technological advance is shaky; and fourth, critically, the disappointingly low level of economic growth which has been achieved has been grossly insufficient in providing for the employment needs of the country while being accompanied by high levels of inequality. These are all in themselves huge topics, but briefly:

The internationalisation and financialisation of South African capital

It is well-known that the apartheid era provided the conditions for the concentration and consolidation of capital, as the major mining houses diversified into manufacturing, as finance capital diversified into both, and as English-speaking and Afrikaner capital steadily merged their interests with each other and foreign capital. A further development was a greater interpenetration of private capital and the parastatals. By 1981, over 70 per cent of the total assets of the top 138 companies in South Africa were controlled by state corporations and eight private conglomerates spanning mining, manufacturing, construction, transport, agriculture and finance (Davies *et al* 1984: 58). Yet greater concentration was to come as, with the mounting political crisis, foreign companies disinvested and sold their assets locally. By 1990, just three conglomerates – Anglo-American, Sanlam and Old Mutual – controlled a massive 75 per cent (R425bn) of the total capitalisation (R567bn) of the Johannesburg Stock Exchange (JSE) (McGregor *et al* 2009). However, a dramatic change was to sweep through the capital market thereafter. First, the conglomerates chose to 'realise shareholder value' by an extensive process of 'unbundling'; second, the opening up of the economy encouraged major South African corporations to go global alongside a (limited) inflow of foreign capital (see Mohamed below).

The post-1994 liberalisation of the economy was critical. By December 2008, although the market capitalisation of the big three had increased to R1.1 trillion, this represented no more than 24.4 per cent of the total capitalisation of the JSE. Unable to invest widely abroad under apartheid, the conglomerates had invested their excess capital by buying local assets which were often far distant from their core business. But from the early 1990s they had responded to lobbying by their own shareholders to unbundle by selling their non-core assets.

Their non-core assets were largely taken up by institutional investors, both public (for example the Public Investment Corporation) or private (pension funds), as well as by new BEE players who were, in turn, backed by the banks and the institutional investors themselves.[2] Meanwhile, unbundling had a major effect upon the big three (and the other former conglomerates) themselves. In 1990, Sanlam controlled sixty-four JSE listed companies with interests across food, clothing, mining and construction. By 2008, it had slimmed down to become a financial services company, having in excess of 25 per cent ownership in only four companies on the JSE. Similarly, whereas in 1990 Old Mutual had a controlling stake in seventy-four JSE-listed companies, by 2008 it had stakes exceeding 25 per cent in only two companies (Nedbank and Mutual & Federal). Yet the most remarkable transformation took place at Anglo-American. In 1992, Anglo controlled some eighty-six JSE-listed companies which had interests across the economy, yet by 2008 it had become a more focused miner with holdings of more than 25 per cent in only four JSE companies: AngloGold Ashanti, AngloPlatinum, Kumba and Tongaat Hulett (McGregor *et al* 2009).

Unbundling was accompanied by rapid internationalisation. Major South African corporations had invested overseas even under apartheid (through both legal and illegal means), yet they had faced myriad restrictions and controls in doing so. From 1994, however, the situation eased considerably, notably by the scrapping of the Financial Rand, the grant by government of exchange control exemptions to major corporations, and a reduction in controls on the outward flow of capital. Most particularly, from 1997, the government granted permission for some of the largest South African companies – notably Billiton, South African Breweries, Anglo-American, Old Mutual and Liberty Life – to move their primary listings from the JSE to London, thereby facilitating their evolution into major multinationals. This development was accompanied by a massive outflow of South African investment capital (McGregor *et al* 2009). In short, the transition provided the conditions under which significant segments of domestic capital could exit South Africa and foreign capital would come in, facilitated by Johannesburg's rapidly moving to become the continent's primary financial centre for global capital..

Much has been made of the extent to which South African capital has moved into the wider continent since the early 1990s, and indeed this is remarkable, not least because it has been a movement which has been so broad-based, across virtually every sector of industry, and because South Africa has become the foremost source of new foreign investment in Africa. Even so, in 2006, Africa absorbed only 6.4 per cent of South Africa's outward foreign investment, compared to Europe which took 66 per cent (R82.45bn) and the Americas 24 per cent (R29.62bn) respectively (Daniel and Bhengu 2009: 142). However, whilst domestic capital has moved out, foreign investors have moved in to purchase assets from the unbundling conglomerates: for instance, Toyota, First Bowring and SA Motor Corporation from Anglo, Trek Petroleum and Mobil Oil, Carlton Paper and Gencor (now BHP Billiton) and Blue Circle from Sanlam. Yet the group that has gained most from these unbundlings is composed of anonymous investors represented by institutional investors guided by fund managers. Indeed, by the end of 2007, foreign shareholders held 45 per cent of the JSE's issued shares, up from just 18.9 per cent a year earlier (Hasenfus 2009).

Overall, these various developments add up to the massively increased exposure of the economy to global market 'sentiment'. As argued by Adam *et al* (1997: 162-3):

> 'Defiance of global expectations that was possible with the relatively isolated semi-colonial outpost in 1948 is now immediately penalised by currency fluctuations, higher interest rates on loans or capital outflows and refusal of investments ... the ANC has to prove constantly that it is worthy of outside support ...'

To be fair, South Africa avoided the immediate effects of the financial meltdown which afflicted the global economy, most noticeably in the West, from 2008. A fortuitous combination of the apartheid legacy of control and post-apartheid macroeconomic stringency had ensured that the financial sector had remained quite tightly regulated. Hence the excesses of deregulation and over-lending that brought many major financial institutions to their knees in the West were not repeated in South Africa. No banks collapsed. Unlike what happened in the United States, the United Kingdom and elsewhere, the financial sector received no sudden and major injection of public money to stave off a downward spiral. Nonetheless, as Mohamed indicates, South Africa has become dramatically exposed to international currency flows, as 'hot money' moves in or out of the economy. Rapid outflows of foreign currency (as in 2001) lead to depreciation of the rand against major global currencies, a rise in inflation, and hikes in interest rates; returning inflows of currency (as during 2004–2006) raise the value of the rand internationally, knock exports, increase imports and lead to current account deficits and balance of payments difficulties. In short, South Africa's increased global exposure has made government policy become increasingly responsive to the short-term demands of what Trevor Manuel once termed the 'amorphous market' rather than being able to pursue long-term strategies of development. This is in considerable part because internationalisation and financialisation have tended to reinforce the commodity basis of the economy.

Reinforcing the minerals-energy complex

South Africa's economic trajectory from the late nineteenth century saw a shift away from an agrarian to a minerals-exporting country. Even though the expansion of mining stimulated wider industrialisation from the beginning of this transformation; even though from the 1920s onwards, nationalist governments implemented protective strategies which encouraged manufacturing; and even though by the 1960s the major mining houses had moved beyond their base in gold, diamonds, coal or whatever to become huge conglomerates spanning finance and industry as well as minerals, the economy remained dominated by what Fine and Rustomjee (1996) have identified as the minerals-energy complex (MEC). To be sure, the direct contribution of mining to GDP declined from 12.1 per cent in 1951 to 9.5 per cent in 2008. In contrast, that of manufacturing remained static (18.1 per cent in 1951 to 18.8 per cent in 2008), whilst that of finance grew from 9.3 per cent to 21.7 per cent (SAIRR 2008-09: 139). Nonetheless, although South African industry has achieved considerable capacity and success, the economy continues to bear the heavy imprint of the MEC. Most importantly, broad sectors of manufacturing, energy supply, construction and transport remain intimately connected with, if not dependent upon, mining and servicing its needs: 'technical linkages between the two broad sectors have been significant and account for a substantial proportion of non-MEC manufacturing' (Fine and Rustomjee 1996: 245). Further, as Nattrass (1981: 269) remarked nearly three decades ago, 'South Africa remains heavily dependent upon the successful export of relatively few items and the composition of her exports largely reflects her natural resource endowment'. By 1990, manufacturing accounted for 80.2 per cent of exports and 96.7 per cent of imports, while mining accounted for 15.3 per cent of exports and just 1.64 per cent of imports. However, by 2008, manufacturing accounted for only 58.3 per cent of exports and 78.2 per cent of imports, while mining accounted for 37.9 per cent of exports and 20.3 per cent of imports (the latter figure obviously including oil) (SAIRR 2008/09: 139). Suffice it to say here that globalisation would seem to have enhanced South Africa's dependence upon the MEC rather than encouraged a wider diversification of the economy. This might not matter so much except that the long-term trend is for the MEC to become increasingly capital intensive and to provide declining opportunities for employment.

Meanwhile, the liberalisation of the economy may well have intensified dependence upon foreign knowledge production rather than advancing it domestically, for the internationalisation of South African industry has probably rendered it more feasible for firms to draw on knowledge and research from global supply chains (which may themselves often be embedded in multinational company structures) (Lorentzon 2006: 195). While there is nothing wrong with exploiting foreign sources of knowledge, there is plenty wrong if this is not built upon by a concerted national system for industrial innovation. Such a system in South Africa remains in its infancy, due in considerable part, according to some authors, to the country's lack of an integrated industrial policy (Morris *et al* 2006).

Employment, unemployment and inequality

There is little point in belabouring the well known fact that the post-apartheid economy is characterised by a crisis of unemployment. Debate continues about the contribution made towards this by the post-apartheid labour regime, which through the Labour Relations Act of 1995 and the Basic Conditions of Employment Act of 1997 provides significant protections for formally employed labour. Concession to this regime was crucial to incorporating Cosatu into the transitional deal, but a standard criticism of many commentators is that it has unduly privileged organised labour, acts as a major disincentive to employment creation (particularly by small business) and has encouraged employers to duck regulation by shifting towards 'flexible' employment patterns. Even so, deeper structural and technological changes have encouraged greater capital intensity which, in combination with the legacy of apartheid policies in education (and a failure to address it), has forged a labour market which remains heavily segmented along racial lines and which displays socially disastrous levels of unemployment. Unemployment is particularly high amongst the unskilled, and disproportionately affects the African population (McCord and Bhorat 2003: 113; Webster and von Holdt 2005). As explored by Makgetla below, these broad patterns have been exacerbated by the impact of the present global crisis upon the South African economy, which in 2009 resulted in the loss of nearly one million jobs.

Even if these job losses were to be reasonably rapidly reversed, this would be totally inadequate for addressing long-term employment needs. A study by a working group convened from representatives of government, business and labour, orchestrated by Miriam Altman of the Human Sciences Research Council, indicates that even if unemployment were to be halved to 13 per cent, by 2014 (the target set by the government), 35 per cent of the population would continue to live below the poverty line of R2 500 a month unless they were to be rescued by receipt of social grants. This reflects the fact that not only are wages for unskilled workers low, relative to the cost of living, but wage earners in poor households support, on average, six people. Yet even this scenario rests upon attainment of an average 6 per cent growth rate between 2004 and 2014, a goal which is highly unlikely to be achieved. More likely are lower growth scenarios which will see a rise in the proportion of the 'working poor' and those living in poverty.

In many African countries, the poor and unemployed can draw support from agriculture. In South Africa, however, African peasant production was long ago destroyed by the appetites of the mines for labour and of settler agriculture for land, and today the former homeland areas are agriculturally devastated, land reform has stalled[3] and rural African communities are heavily reliant on financial inputs from urban areas. In practice, this has substantially increased pressure on the post-apartheid state to expand its financial support not merely for the unemployed but for the poor generally through an array of social benefits ranging from old age pensions to disability grants. As a result, while the aspirations of South Africa to become a 'welfare state', inclusive of contemporary proposals for a national health system (Reynolds below), are morally commendable, there are numerous questions regarding the extent to which they are affordable over the long-term.[4] Critics point out that the growth in numbers of grant recipients (13.9 million in 2010 rising to sixteen million by 2013) is not matched by a similar increase in the number of direct taxpayers (six million) (*Business Report*, 22 February 2010).

The immediate answer to unemployment, argues Altman, is an expansion of the public service, recording a shift towards the hiring of teachers, nurses, and police as well as, importantly, entry level workers. Increasing the number of publicly funded low-skilled jobs would make the most immediate impact upon the level of unemployment, yet because low-skilled public sector workers earn twice to three times more than they are paid in the private sector, the government cannot afford to hire them at present pay levels, and it is not likely that public sector unions will easily accept the idea of a reduced wage, even for new job entrants. Even more problematic is the fact that, 'While the size of the public service has been growing in recent years, its capacity to do its job hasn't' (Paton 2007:43).

If the crisis of unemployment appears recalcitrant, its social impact is made worse by the extent and nature of social inequality. In 2008, while the richest 10 per cent of the population received 53.1 per cent of income and the richest 20 per cent received 70 per cent of total national incomes, the poorest 10 per cent received just 0.57 per cent and the poorest 20 per cent just1.6 per cent (RSA 2009: 22). These proportions have not changed significantly since the early 1990s, despite some modest shift of the overall proportion of national income going to blacks,[5] demonstrating the deeply structural nature not just of poverty but of the inequality of distribution. Politically, its impact is severely worsened by three features of the contemporary scene; first, the alacrity with which corporate executives in both the private and parastatal sectors have fastened on to global trends in 'top people's' remuneration, claiming massive benefits in terms of share options, retainers, bonuses and restraint of trade agreements on top of huge salaries; second, the apparently insatiable greed of elements of the new black elite, and the entrenchment of a culture of entitlement based upon corrupt access to state tenders; and third, the preference of South African elites for highly conspicuous consumption in terms of extravagant lifestyles, clothing, cars, mansions and 'bling' (all of which is stoked by the popular media's obsession with celebrity).