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**Equity in the age of informality: labour markets and  
redistributive politics in South Africa**

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## **Summary**

In established democracies, the extension of the franchise to all prompted significant reductions in inequality as working people and the poor used their ballot to elect coalitions which implemented programmes to reduce social inequality. The current wave of democratisation in the South has not, however, triggered a sustained assault on inequality – on the contrary, democracy and inequality seem to coexist comfortably.

This paper analyses this problem in post-apartheid South Africa. It notes that the limits and possibilities of democratic redistributive politics are framed by an identity-based coalition in which the demands of black professional and business classes for greater racial equity compete with those of a coalition of trade unions and other civil society organisations who champion the poor. While poverty is not ignored, the preoccupations of the more affluent black groups tend to take precedence. It is argued that this is not a result of the workings of globalisation and the purported inability of the state to implement pro-poor policies which contradict the dominant international consensus. Rather, in South Africa (SA) as in many other Southern countries, it lies in the reality that most of the poor no longer work in easily organisable settings such as factories. As a result, they are not organised and their concerns and demands are not voiced – by “pro poor organisations” or their opponents. Instead, they are increasingly found in informal economic and social arrangements which may be inimical to democratic organisation. An understanding of prospects for a new democratic egalitarian coalition therefore lies in greater understanding of the politics of informality and its implications for organisation by the poor.



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## 1 Introduction

Democracy, like tradition in the old joke, is not what it used to be.

Once, the prospect of universal franchise inspired revolutionaries and horrified plutocrats, since both saw votes for all as a threat to social inequality. Once the right to decide was claimed by most citizens, those at the bottom of the pile would, it was assumed, use their power to demand a greater share of society's resources. This view was widespread enough for Marx to propose the notion of a democratic legislated revolution, in which the politically empowered proletariat use their majority in parliament to abolish private ownership and its attendant inequalities.<sup>1</sup>

In reality, democracy offered inequality's "victims" a way into the market economy, not a means to abolish it. But economic elites offered more to secure this incorporation (and head off the perceived threat of revolution) than the right to be free – in many societies, as the franchise was broadened, those who acquired it employed it to elect governments which used law and policy to reduce inequalities. The welfare state, underpinned by the notion that democratic governments owed their citizens social and economic entitlements as well as the protection of their persons and rights, was largely a product of the extension of the vote to all. If liberal democracy made an unlikely vehicle for revolution, it did seem strongly inimical to social inequality.

This apparent property of representative democracy was described, analysed – and advocated – in T.H. Marshall's seminal *Citizenship and Social Class* (Marshall 1964). Marshall was writing in immediate post-World War Two Britain, when a Labour government was implementing the welfare state consensus forged during the war. In essence, he argued that political citizenship would inevitably become a vehicle for its social equivalent; the tension between granting the formal rights of citizenship to all but restricting economic benefits to a few could not endure and the recognition that all should enjoy political rights would inexorably lead to the extension of social rights and a reduction in inequality as the poor used their franchise to erode it. A theoretical account of how this comes to pass is offered by Przeworski's analysis of the way in which the emergence and growth of labour parties in democracies produce a series of strategic calculations and consequent bargains which do not threaten the survival of the market economy but ensure rising living standards for the working class (Przeworski 1987).

Yet, while this may describe the emergence of the welfare state in the liberal democracies of Western Europe, it does not appear to characterise the current wave of democratisation in the "South" or "developing world". Elites are less fearful today and democratisation a far less contentious issue, comfortably consistent with transitions to free market economics.

While, therefore, the liberal democracy which Marshall expected to confer the means to achieve "social citizenship" is now more evident than ever before, it rarely if ever ensures narrowing inequality – greater

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<sup>1</sup> Much of Marx's writing expresses deep scepticism of using the franchise to achieve socialism. But he did consider an electoral route possible (Marx 1852).

enfranchisement and widening or stable inequality is the norm.<sup>2</sup> On the surface this suggests either that, *à la* current economic orthodoxy, citizens have come to realise that there is no alternative to inequality, or that democratic systems have somehow lost that ability, which Marshall observed, to translate public preferences into social policy.

There is, however, another approach. Following Przeworski, it suggests that preferences do not automatically translate into policy, law or action in democratic societies. They do so only if they are expressed in organisation: citizens must be capable of combining into parties or associations or both if their preferences are to influence policy. And, because social differentiation in complex societies ensures that no group with sufficient commonality of interest to be capable of collective social action constitutes a majority, preference only becomes policy when social coalitions or alliances are established which are capable of shaping the agenda. The difference between the democracy described by Marshall and Przeworski and that we observe today, therefore, lies not in the triumph of a particular economic recipe or the mysterious mutation of democracy's properties, but in a change in the nature of social organisation and the alliances it produces. Marshall's "social citizenship" was less the outcome of an inexorable liberal democratic logic as of a particular moment in history, when those with an interest in egalitarianism – workers – also enjoyed the capacity to organise. And the consequence is that democracy's current coexistence with inequality stems from the absence of effective organisation for greater equality.

Redistributive politics in democratic conditions was historically the consequence of an alliance between organised labour and other social strata – a coalition which labour, by virtue of its numbers and capacity for organisation, invariably led. In new democracies, this is not possible. In some, organised labour has never been large enough to lead a redistributive coalition. In others, labour influence has declined as changes in the workplace have reduced employer reliance on it. South Africa is in the latter category. It is now widely agreed that changes in production processes, and the increasing mismatch between the labour market's requirements and the skills profiles of economically active citizens, will ensure that, for the foreseeable future, the bulk of the workforce will be engaged in informal economic activity.

This has potentially profound implications for redistributive politics, since it means that the bulk of those with an interest in redistribution do not enjoy the same potential for organisation as that which was available to the labour movement. It suggests that redistributive politics will require the emergence of a new coalition in which labour may play a role, but not the dominant one of previous decades. This paper proposes a framework for examining the politics of labour market change and makes some initial suggestions for a research agenda aimed at broadening our understanding of the politics of informality and its relationship to redistributive alliances. It is based on a recently completed analytical project in four countries, including South Africa.<sup>3</sup>

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<sup>2</sup> See country study findings in Friedman (2001).

<sup>3</sup> The others are Argentina, Brazil and Uganda.



It will, firstly, examine and reject the view that redistributive democratic politics is constrained by the workings of globalisation and the restrictions it is said to impose on state sovereignty. It will propose, instead, an approach which identifies changes in the production process, and the constraints they impose on opportunities for organisation of the poor, as the chief obstacle to effective egalitarian politics. It will then discuss the origins of interest coalitions in South Africa and their implications for egalitarian politics and use this analysis to attempt an explanation of current constraints on and opportunities for democratic egalitarian politics. It will conclude by examining the policy implications and research agenda suggested by its principle argument – that, despite an apparent contest for influence between “pro-poor” interests and their opponents, the poor are unrepresented in South Africa’s new democracy and will remain so until they are organised for democratic politics and able to gain access to political institutions.

## **2 Globalisation: the opiate of the intellectuals?**

Prevailing orthodoxy finds a simple explanation for democracy’s predicament – globalisation.

The term has become pervasive: ‘Politicians and scholars, active citizens and passive spectators . . . all invoke its omnipresence and omnipotence when trying to make sense of the multitude of uncertainties which surround them’ (Schmitter 1999). It may be used, depending on the perspective of the user, as a bogeyman to scare childlike interventionist states away from violating the *laissez-faire* natural order, or as a left-wing expletive to explain any and every frustration of the socialist project. But, across the political spectrum, there is wide agreement both that it exists – and that it has sharply narrowed the options of states, bringing in its train the contradiction noted earlier: because the state’s room to move has narrowed or (in the view of some students of globalisation) collapsed entirely, authoritarianism is a less attractive option – but, for the same reason, democracy means an absence of overt coercion, not an opportunity to shape the public destiny.

But what is globalisation and what are its implications for the state? Clearly, changes in communications technology, and the relative ease with which cultural artefacts now travel across national boundaries, have important effects on intellectual life and popular culture. This has inevitable political and economic consequences. But there are strong grounds for suggesting that “globalisation” is far more of an intellectual or cultural phenomenon than an economic process – the flow of ideas and symbols across borders may be more significant than the journeys of goods and capital and “globalisation”’s potency in thought (and, therefore, in policy-making) may be more real than its salience in economic and political life.

As Schmitter points out, this does not necessarily minimise its effects: ‘. . . globalisation may not even exist in any material sense, but if enough people (and, especially, enough highly placed and resourceful people) believe that it is present and potent, then it will produce a significant effect by anticipated reaction’ (ibid). There is little doubt that the pervasive perception of globalisation shapes economic and political responses across the planet. But if the phenomenon indeed does not “exist in any material sense” or if its existence is far less significant than

current orthodoxy suggests, the assumptions and policy decisions which it produces are, at least in principle, capable of reversal.

It is trite to point out that technological change has opened unprecedented possibilities for the movement of information and capital across national borders. But it has had no similar effect on the movement of goods since the volume of international trade today is no greater than at the turn of the century (Rodrik 1997). Nor, in purely numerical terms, has it generated cross-border movements of people greater than those at the beginning of the 20th century (Krugman 1998) – although cross-border migration, particularly by people culturally or racially different from the host country majority, has increased enough in the past few decades to demand a reassessment of Marshall's link between citizenship and entitlement. Opportunities for the mobility of people with particular skills – inevitably to the advantage of the North at the expense of the South – may also have been enhanced, although this does hold some advantages for Southern countries in, for example, repatriated remittances.

To deny that capital flows across borders hold implications for governments would be foolish since they appear to provide a far more accessible exit option for investors than in the past, constraining the latitude for state intervention to impose undesired outcomes on businesses. But whether, as enthusiastic management consultants regularly insist or left analysts repeatedly bemoan, this has reduced the nation-state to a quaint irrelevance<sup>4</sup> is another matter entirely.

Several important qualifications must be imposed on the image of a world in which footloose capitalists move their resources across boundaries in response to every real or imagined slight from the state. First, the size of capital flows, while substantial for small Southern economies, is often grossly exaggerated: in 1993, the peak year of “emerging market” investment, only about 3 per cent of Northern investment was diverted from domestic use – the entire post-1990 “boom” in this investment has diverted only about 0.5 per cent of the north's capital to the south (Krugman 1998). Even in the era of electronic capital movements, most investable resources stay at home or circulate in the North.

Second, the overblown claims of “pop internationalists” (ibid) that the nation state is fragmenting under the weight of globalisation into myriad statelets is belied by the fact that the emergence of smaller political units out of nation states has not happened outside Eastern Europe, where the trend is limited and, in most cases, related to the collapse of the Soviet Union rather than the activities of hedge funds. In Africa, where the weakness of the state is surely most pronounced, and in which the proposition that state boundaries are merely colonial administrative creations is decades-old, there has only been one successful secession – Eritrea. However dysfunctional states may be, their elites or citizens or both seem to cling to them tenaciously, if only for want of alternatives. Indeed, as Dahl suggests ‘Today, people in democratic countries may want more governmental action, not less, simply in order to counter the adverse effects of international markets’ (Dahl 1999).

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<sup>4</sup> See for example Ohmae (1990; 1996); Strange (1996). This prognosis has also recently been endorsed by no less an international icon than Vaclav Havel (1999).

Third, inequities in capital accumulation between states preceded cross-border capital flows and are not caused by them. Common sense suggests that, before countries can become vulnerable to capital exports, they need private businesses with significant capital to move abroad. The oft-lamented “marginalisation” of sections of the globe – Africa primary among them – is, therefore, a consequence not of excessive penetration by global capital but of its opposite – the tendency for capital to avoid these regions and of a lack of a domestic capital base sufficient to spur growth. Poor countries do, therefore, retain the option of seeking to build their domestic capital stocks and, if “globalisation” has any economic effect, it lies in a denial of opportunity, not sovereignty. Indeed, in some cases, the ability to move capital across boundaries can be a net plus for Southern countries, enabling them to benefit from the resources accumulated in their diasporas. While the role of expatriate Chinese investment in China’s growth spurt is perhaps the best-known example, African and Caribbean diasporas also play a significant role in transferring resources from the North to the South. And their propensity to do this stems not from the global cost-benefit calculations which the management consultants stress, but from intangibles such as family loyalties, and continued identification with nation and state. Even in a “globalised” world – and across great distances – the call of kin and country continues to influence economic behaviour.

To attribute to globalisation the current flight from egalitarianism is thus to ignore the considerable latitude which nation states still enjoy. Another factor is required to explain why democratic rights do not translate into social policy gains. Given a significant decline in trade union membership in the North (UNDP 1996: 59) and a concomitant drop in egalitarian collective action, an analysis which locates the problem in changes in the production process (Esping-Andersen 1996) is far better able to provide that explanation.

### **3 South Africa: pressures for and against egalitarianism**

South Africa is, as noted above, not immune to these trends. But here they are perhaps more interesting than in some other societies since conditions would seem to favour the sorts of egalitarian alliances which produced the outcomes Marshall analysed.

A redistributive class compromise is not unknown to South Africa. From the 1920s, a nationalist alliance between Afrikaner intellectuals, professionals, farmers and workers sought not only to constrain the power of English-speaking business and to suppress the black majority more harshly; it also used welfare measures against acute white poverty. Successive versions of the Industrial Conciliation Act also extended statutorily-recognised bargaining rights to non-black workers. The difference between this and some other social democratic or welfare states was that it was racially exclusive: severe intra-white class conflict in the early twentieth century was defused by the fact that whites could make common cause against a black majority and monopolise power and resources at its expense. The white welfare state could be generous because its benefits were extended to only about a fifth of the population – and business resentment at conceding prerogatives and resources to a government run by an alien linguistic and cultural group was leavened by access to cheap labour and, except for periodic resurgences of

black union activity, a quiescent workforce. The result was a substantial incentive for compromise within the white group, whose outcome produced high white living standards and, for decades, the highest recorded level of inequality in the world, much of it racially-based.

This largely successful exercise in class compromise and cross-class alliance vindicated the proposition that a broad coalition between social strata can make significant redistributive gains – inequality in white society was substantially reduced by state action. But, as noted above, the spur was not so much the capacity of social actors to use democracy – although throughout this period whites did participate in a formally democratic, multi-party, polity – but the existence of a common racial “other” which could be denied entitlements and used as a plentiful source of labour for the white economy. For Afrikaner business, there was no need to compromise with government-imposed control, for it received substantial benefits in the form of ethnic preference. For its English-speaking counterparts, it had elements of a classic class compromise in the sense that the constraints imposed by ethnic patronage were, at least initially, outweighed by the benefits: during the 1960s, extremely high growth rates – among the healthiest in the world – were recorded.

For decades, therefore, white interests derived material benefit from racial domination; this made generous social protection for whites the subject of a fairly stable consensus in white society. While English-speaking business may have seen the approach as an economically inefficient exercise in ethnic patronage, it bestowed legitimacy on the arrangement by meticulously meeting its tax obligations (Lieberman 2002). While it was to come under some pressure from the consequences of the 1973 oil shock, skilled labour shortages and then unrest in the mid-1970s, it proved fairly resilient and a significant measure of white protection remained when racial domination was replaced by non-racial democracy in the 1990s. But, given that the compromise was as much a product of racial solidarity as of interest calculations, it was perhaps inevitable that inequality within the white group would grow as apartheid, and the racial protectionism it enforced, eroded – as, indeed it did (McGrath and Whiteford 1994).

Resistance to racial exclusion also took on at least the superficial character of an identity-based class alliance. In contrast to the hopes of socialists who stressed class mobilisation, the major resistance movements sought to mobilise black people, not particular classes in black society. ANC unity was achieved not by negotiated class compromise. Rather, its “glue” was a common identity; interest differences within its constituency were ignored as it sought to portray itself, not merely as one among many parties, but the sole voice of black society (Shubane 1997). Thus, when the prospect of winning power began to prompt it to devise detailed policy (Simkins 1988), it generally sought to do this by “fudging” interest differences rather than by encouraging their clear expression by competing interests. The resultant policy was thus often vague and general, giving something to everyone and leaving considerable latitude for interpretation to its implementers when the ANC became the government in 1994.

Actual or aspirant class-based parties and associations have played a key role in the alliance which the ANC leads. Besides the role of the SA Communist Party (SACP)<sup>5</sup> and SA Congress of Trade Unions (SACTU), the resurgence of black trade unionism in the 1970s also prompted the formation of the Congress of SA Trade Unions (Cosatu) in the mid-1980s which later became a formal ANC ally (Friedman 1987; Baskin 1991). The effect of this component of the alliance was, however, limited. Before the ANC's banning and exile, it may have had some effect on ANC rhetoric, but was never enough to steer it away from its role as an articulator of identity towards a more overtly class-based position – SACTU was far more a vehicle of African nationalism than working class interests (Friedman 1987), while the SACP's pursuit of socialist goals was constrained by its adoption of a strategy of “national democratic revolution”, which held that the defeat of the white minority state would have to enjoy precedence over working class control (Hudson 1986). As later events were to show, these groups did far more to mobilise a class constituency in support of African nationalism than to mould the latter to a class-based agenda.

Analyses of South Africa which reduce identity issues purely to a material or structural determinant usually over-simplify reality. However, the weakness of the labour component of the liberation alliance could be largely explained by the nature of the labour market of the time. First, racial restrictions on job mobility initially ensured that virtually all black African workers were reduced to manual labour and were therefore easily replaceable. Second, while Marxist analyses which explained apartheid purely in terms of the effect of the system of “black reserves” in maintaining a pool of cheap reserve labour (Legassick and Wolpe 1976) may have been overly reductionist, the workings of influx control certainly constrained labour organisation. Labour had very limited influence on the agenda of the liberation movement, therefore, because it was too weak to exert decisive influence.

The emergence of a stronger and more organised trade union movement – which was also accorded legally-sanctioned bargaining rights – in the 1970s and 1980s may have been possible partly because of changes in the labour market, prompted initially by the scarcity of skilled white workers, and then speeded up as a result of political pressure to raise black wages and permit upward mobility. As Africans began to move up the job ladder, they became harder to replace and their bargaining power grew. One consequence was a propensity to stress worker interests rather than broadly “national” concerns. This has had its concrete effect in union opposition to liberalised economic policy after 1996. But the initial hope of left intellectuals and some unionists that it would produce an independent working class party or politics distinct from that of the ANC was dashed: while the need for working class political independence was a watchword of the largest union federation in the early 1980s,<sup>6</sup> the strength of identity politics proved far stronger than union strategists expected and, by the early 1990s, the largest union centre had again been absorbed into the nationalist ambit – many unionists who once proclaimed the need for independent working-class politics later held office as ANC representatives.

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<sup>5</sup> Operating from 1950 (when the SACP was banned) largely through the Congress of Democrats. See Roux (1964).

<sup>6</sup> The Federation of SA Trade Unions which later merged into Cosatu (Friedman 1987).

The ANC rules by virtue of its continued ability to maintain an alliance which guarantees it the electoral support of groups ranging from black business to the poor, who share an identity-based interest in dismantling racial privilege. In the opposition too, identities rather than economic interests determine allegiances. As implied above, however, this does not mean that SA has no class politics. In all these examples, however, class or interest politics occur within, not across, identity groups. This trend has largely persisted into the post-apartheid order.

More recently, there are tentative signs of spontaneous interest politics. Teachers might belong both to SADTU, the Cosatu-affiliated union, to express their political identity and to Naptosa, the more conservative professional association, because it has proven to deliver greater concrete gains. There are similar instances of such cooperation among the poor in Durban: members of different racial groups work together on social issues without losing their identities – racial name-calling continues. But it is far too early to be drawing conclusions about the emergence of a cross-racial interest or class politics – one test of these nascent alliances, which they have not yet faced, is whether they would survive attempts to label them disloyal to the identity groups to which their participants belong.

Given the role of white identity politics in ensuring a welfare state, it was assumed for much of the apartheid period that the “liberation” alliance which the ANC led would implement a similarly redistributive programme. Conventional wisdom asserts that it has not – that “neo liberalism” has replaced solidarity with the black poor in its priorities. It will be argued below that the reality is more complex. But the fact that the ANC is a diverse coalition may have ensured frustration for left hopes that in government it would pursue strongly redistributive policies. It may also, however, prevent it from becoming purely a vehicle for the rising black professional and business class at the expense of the poor. To assume that a cross-class coalition against apartheid will have a similar effect to the white alliance which governed ignores the very different conditions which attend majority rule – the far greater number of poor who require support from a limited resource pool, the retreat of left ideologies and the greater perceived need to accommodate world markets. We will see also that the constraints on job creation in the formal labour market ensure that unions are denied guaranteed access to the poor, ensuring that this group remains unrepresented in interest politics. Thus the first few years after the end of apartheid – if official statistics are believed – brought a slight narrowing of the Gini coefficient across the economy, but widening inequality within each race group, including the black majority. Calculations vary between economists, but there is wide agreement that the black Gini coefficient is as high or higher than that in the economy as a whole.<sup>7</sup> Later figures indicating a widening of inequality, across the society as well as within each

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<sup>7</sup> On inequality trends see van den Bergh and Borat (1999). See also Andrew Whiteford in *Business Day* 1/3/2000.

racial group between 1995 and 1998,<sup>8</sup> suggest that the current governing coalition is not favourable enough to the poor to prevent them falling further behind those at the top of the ladder.

What does widening inequality mean for the ANC coalition? Since identities retain their primacy over material interests, it is unlikely on its own to threaten its survival. It may, however, come increasingly to sharpen interest conflicts within it and to limit options for policies which deliver advantages to all elements of the alliance since measures designed to incorporate the black business and professional elite in the economic mainstream will not necessarily hold advantages for the poor and could increase intra-racial inequality. Nevertheless, for the ANC, promotion of a black business class is seen not only as a core component of its programme to deracialise society, but as a precondition for the government-business cooperation which is a precondition for growth – white business is seen to be at best ambivalent about majority rule and thus insufficiently committed to the fixed investment which is not only central to economic reconstruction but a signal of confidence in the new order (Mackay and Shubane 1999). Black ownership of assets is, therefore, seen partly as a means of ensuring a business class more sympathetic to cooperation with the government. (There are signs of a revision of this strategy which pays more attention to the need to encourage investment from domestic white business, but this is too embryonic to permit thorough analysis) (Mbeki 2000).

Thus far, compromises within the alliance ensure that an attempt is made to balance the interests of the black business and professional class with those of unions and the poor. But one recent policy choice suggests a trade-off between black business promotion and the reduction of inequality. A subsidy programme which aims to provide black people with seed capital to buy farm land has been revised to provide more generous subsidies to persons buying larger tracts; while officials continue to protest that the poor have not been abandoned,<sup>9</sup> subsidies for the landless poor will, in effect, be reduced by the stipulation that they contribute in cash or kind. And a stated reason for the change is an intention to support the creation of a black commercial farming class. (Schmitz 2000).

There is also evidence that current economic strategy has structural consequences which might increase inequality, regardless of the intentions of social actors. Thus one outcome appears to have been to enhance the demand for skilled labour in order to reduce it sharply for its unskilled equivalent. Those sectors of the economy which are growing (finance, the information sectors and services) require skills not possessed by the vast majority of South Africans – and which they are likely to continue to lack (Bhorat and Cassim 1999). Those which have historically used “unskilled” workers are stagnating, converting to technology or simply in decline. Economic deracialisation which leaves untouched these structural issues is unlikely to reduce inequality.

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<sup>8</sup> Statistics South Africa, *Measuring Poverty*, 7/9/00. Official statistics at present place the Gini efficient at around 0.80, a substantial increase on previous calculations in various countries which posited around 0.65 as the highest level of inequality on the planet. Whether this means that propensity towards inequality is far greater than we have hitherto assumed or that the calculations are inaccurate is unclear.

<sup>9</sup> Article by Land Affairs director-general Gilingwe Mayende *The Star* 11/7/00.

While the unemployed are unlikely to desert the ANC for one of the existing opposition parties, results from the 2000 local election may suggest that hostility to government policy manifests as disengagement from the political system. Although the ANC share of the vote did not decline, low levels of participation were consistent with surveys indicating decreasing satisfaction with government – one among several examples is a late 2000 Human Sciences Research Council poll claiming that satisfaction in how SA is being governed had dropped by 24 percentage points among blacks over a year (although among whites it was said to have grown).<sup>10</sup> It is far too early to read into this evidence that key elements of the ANC constituency are losing faith in politics (with potentially baleful consequences for stability). Nor is there evidence yet that the ANC alliance might split or even that the developments discussed here will reverse the fortunes of its nationalists. But it does suggest that a shared rejection of racial minority rule may not be enough to quell dissent within the alliance. This may ensure continued, albeit muted, redistributive pressure.

#### **4 Current political realities**

This background helps clarify and provide context for the political and policy challenges facing the new democratic order.

During much of the anti-apartheid struggle, ANC economic approaches were vague and general, but veered sharply towards a redistributive agenda, perhaps best expressed by the 1956 Freedom Charter, its manifesto until 1990, which called for the nationalisation of the mines and “monopoly industries” (Suttner and Cronin 1985). Between 1990, when the ban on the ANC and other liberation movements was lifted, and the 1994 elections, the first in which all citizens were permitted to vote, ANC policy was significantly modified, largely as a result of exchanges with international business.

But the change was relative: before the 1994 election, it adopted the Reconstruction and Development Programme (ANC 1994), the product of substantial debate within the ANC alliance. The RDP followed the patterns of policy-making noted above: it was often vague and in places internally contradictory as conflicting views and interests within the alliance were incorporated rather than negotiated (in other words, differences were not resolved and both perspectives were reflected). Nevertheless, it favoured substantial government intervention in the economy and included an ambitious redistributive programme. At the time the RDP was drafted, it reflected a balance of power in the ANC in which economic policy specialists, who had moved significantly towards a more market-friendly approach, had acquired some influence, but not enough to prevent the core alliance policy document on the economy and social policy from leaning towards reliance on government action to address the inequalities created by race domination (Gotz 2000).

It is of some importance to our theme that the RDP was initiated by the union movement which, with other “left” components of the alliance, was concerned that the ANC in government would abandon

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<sup>10</sup> *Business Day* 15/11/00.



redistribution – it was designed to forestall this by binding the movement to an egalitarian agenda (ibid). That it did become the alliance’s manifesto indicates that these sections wielded influence. But that its content was substantially diluted in response to ANC economic policy-makers shows that influence’s limits. The relative speed with which ANC economic policy shifted in the early 1990s from radicalism to market friendliness is testimony to the strength of interests within it who had no quarrel with the market provided it was deracialised. This is worth mentioning given the later left charge that a redistributive agenda was watered down by unaccountable government officials. In reality, reservations about key aspects of this agenda are deeply embedded in the ANC alliance. Reducing the issue to the failure of bureaucrats to heed the will of the governing alliance is to ignore how constrained redistributive features of that will are.

After the 1994 election installed the ANC at the head of a multi-party government, the influence of the economic policy-makers grew significantly, partly as engagement with business – particularly the international variety – increased, and partly as the RDP faced severe implementation challenges (Rapoo 1996) which ensured a fall in social spending in the first year of the first popularly-elected administration (Kabemba 2001). The result was not a renewed effort to implement it, but a change in course – the adoption of the Growth, Employment and Redistribution Strategy (GEAR) (DOF 1996) which has been repeatedly denounced by the left of the alliance as a “neo liberal” departure from the redistributive impulses of the RDP (Michie and Padayachee 1998; Habib and Padayachee 2000) and has consequently been seen as a reflection of the triumph of business influence on the government.

This judgement is overstated, since the government continues to implement a reasonably generous set of social programmes – according to the Minister of Finance, 57 per cent of its spending is allocated to the poorest 40 per cent, under 9 per cent to the wealthiest 20 per cent (Manuel 2000). The allocation of funds to provinces is bound by a formula which gives preference to those with higher poverty indices and social backlogs, despite the substantially lower absorptive capacity in poorer provinces. It has also remained committed to racial redistribution and has been willing to intervene in the market to achieve it. But GEAR clearly did signal a change of approach whose most obvious expression has been a vigorous attempt to reduce the budget deficit and a concomitant clamp on public spending.

Rather than label GEAR a complete conversion to “neo-liberalism”, it seems more appropriate to see it and the policy initiatives which have followed it as an expression of the balance between the interests which comprise the governing alliance. The leadership’s concern to promote market-friendly growth strategies, the need to create a black business class more sympathetic to the priorities of the new order than white business, and the continued presence in the ANC fold of a coalition which favours vigorous redistribution have prompted an attempt to harmonise growth, racial redistribution and poverty alleviation. And the constraints on labour organisation mentioned above have ensured that its concerns receive less attention than that of some of the other groups.

While GEAR was an immediate response to a severe decline in the currency’s value, it is also important to note that it followed a trend in which the ANC in government became increasingly inclined to replace the RDP

with a more market-friendly strategy (Rapoo 1996). But, while it may well be that the original shift which made GEAR possible was not directly a result of changes in the balance of power, but of official pragmatism, the government has remained committed to it for five years despite repeated labour complaints; clearly the balance of power does not favour labour and its allies sufficiently to allow them to shape the policy agenda. The politics of government macro-economic policy is an important illustration of the degree to which external constraints, power balances and the battle for intellectual and moral ascendancy combine subtly to produce an outcome which, while it may well have saved South Africa from the ravages which the Asian currency crisis was later to inflict on some economies, did not deliver the redistribution for which it claimed to provide a foundation. This may have less to do with GEAR itself than with the way in which redistributive opportunities which clearly exist within its constraints have been missed.

While the strength of those interests favouring market-friendly growth has grown since the day in February, 1990, when Nelson Mandela, newly released from prison, told a rally he remained committed to the Freedom Charter's promise to nationalise "monopoly industries", the redistributive interests in the coalition remain strong enough to ensure the persistence of an uneasy balance in which their concerns remain a factor in decision-making. One example is labour relations legislation: while some government planners would like to dismantle many of the labour and union rights which are seen to create an "inflexible" labour market,<sup>11</sup> actual changes are, despite indignant reaction from Cosatu, relatively minor (Mdlalana 2000) and are the result of a negotiated compromise between government, business and labour. A further sign of continuing redistributive impulses is President Mbeki's recent appeal to organised business and labour to discuss a "reconstruction bond" which might channel life offices' funds to social investment (*Business Day* 15/8/00).

The multi-class nature of the alliance, and the strong pressures from its business and professional elements for racial preference, do, however, limit the options of the ANC "left". A clear example is privatisation which – while implementation has been slow as the government seeks to defuse labour resistance – won a ready constituency in the governing alliance because it was justified as a means of transferring resources to emerging black business through stipulations that purchasers form joint ventures with black-owned companies. Nor has the union movement been immune to ambivalence on privatisation, since union investment companies are among its envisaged beneficiaries. This highlights another important dynamic: since one of apartheid's effects was to constrict black business opportunities, interest in a stake in the market economy is found in a wide spectrum of black society, including the unions themselves – or, at least, their investment companies. This reduces conflict potential but also weakens egalitarian impulses.<sup>12</sup>

Nor, importantly, is it possible to see the current contest as one between a redistributive section of the governing alliance in touch with the needs of the poor and an alliance of business people and technocrats who

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<sup>11</sup> See for example interview with Finance Minister Trevor Manuel *Sunday Independent* (9/1/2000).

<sup>12</sup> For evidence that socialist rhetoric does not always express an egalitarian economic agenda among union activists, see Simkins (1988).

are not. It is open to serious question whether the redistributive elements are attuned to the interests of the poor. Social pensions are – admittedly in the absence of more generous alternatives – the most effective current instrument for poverty alleviation: while they are ostensibly designed for the elderly, they are used for many other purposes and, in many poor households and regions, operate as a form of general income support (May 2000). And yet, not only did pension increases fail to keep pace with inflation from 1994 until 2002; government representatives continued to assume that they serve the aged only (Manuel 1999 *Business Day* 1/3/99). Real pension cuts encountered little or no opposition from those interests usually pressing for redistribution, such as the unions, the SA National Civic Organisation or the SA National NGO Coalition. The fact that neither public representatives nor those sections of civil society who campaign against poverty seem aware of the role which pensions play in the household budgets of the poor indicates the degree to which grassroots social life and experience is not filtering through to the elite – and, therefore, the extent to which the poor remain without effective political representation.

For some commentators, this confirms that the labour movement is a “labour aristocracy”, protecting the interests of the relatively privileged employed at the expense of the jobless poor. But the explanation may lie less in “labour aristocrats” using anti-poverty rhetoric to drown out the concerns of the poor – if they were, why would Cosatu champion a basic income grant whose chief beneficiaries would be the unemployed – than in the failure of labour and other organised interests to develop a base among the poor. Thus, not only are the redistributive interests not strong enough to press home a coherent agenda which might redress inequality: even where they are able to place their stamp more firmly on policy, there is no guarantee that their concerns would reflect those at the bottom of the income pile because they appear often to speak on behalf of, rather than for, the poor. Labour market changes, which have enhanced the divide between the organised employed and the poor, have clearly made it more difficult for unions to speak for those worst affected by inequality.

There is no immediate sign that this political balance is likely to change. A politics favourable to concerted action against inequality is likely to emerge under one of two conditions. First, the development of a “social consciousness” among the elite which might make reductions in inequality the subject of a national elite consensus (de Swaan *et al.* 2000). As preliminary research findings from South Africa confirm, this is improbable (Kalati and Manor 1998). More generally, economic crisis might prompt a radical rethink by business elites of the sort which prompted the 1930s pact to which Swedish social democracy owes its provenance. GEAR may have been an immediate response to currency crisis and the technical limits on the RDP, but it was also an attempt to come to terms with the gravity of the economic crisis at the time of the transition. The RDP document paid little attention to the constraints placed on its programme by economic stagnation and the scale of the deficit incurred by the apartheid government during the 1980s. The solution chosen was also influenced by a desire to re-integrate SA into the world system after years of apartheid isolation – a reflection of the interest of the elite, new and old, in international approval. But, while GEAR’s insistence on deficit reduction may have been essential, its implied promise of growth and job creation through integration into the world economy was never realised. Is

there any prospect that business might come to see a domestic pact with strong redistributive features as a better guarantor of growth?

There is evidence that business was, during the apartheid era, willing, deliberately, to accommodate inflationary wage increases in the hope of achieving stability.<sup>13</sup> But that was during a period of isolation; now, large companies not only deploy capital accumulated during the sanctions years to invest in Australia, Canada and the US. Several have moved their primary stock exchange listings to London: as long as most business leadership is white, an economic nationalism shared between government and business seems unlikely. On the contrary, local white business people often use their foreign counterparts as a Trojan Horse; aware that racial identity cleavages limit their influence on the government, they seek to shape policy by warning that measures which they oppose will negatively affect international investor sentiment. While some key business economists have questioned GEAR, the more common response is to insist that its liberalising features have not been applied vigorously enough.

Far from being victims of negative foreign investor sentiment, much of domestic business may well be one of its causes since it seems likely that foreign businesses would derive their understanding of SA realities from their local counterparts. SA's presumed vulnerability to international market sentiment, then, may have a significant domestic dimension. This suggests that, in the SA context, the real significance of "globalisation" may not be the presumed ability of fund managers' whims to lay waste distant economies but the new mediums through which economic information is exchanged between domestic and foreign business. The practical implication is that domestic business is a far more significant shaper of government-business interaction than its foreign counterpart. If we assume then that the climate which is expected to nudge domestic business towards more egalitarian options is largely of its own making, the prospect of a rebellion seems unlikely.

The second possible change – since the poor lack the organisational resources to make a substantial impact on the public policy debate – would be circumstances which would prompt interests such as labour or sections of the middle class to seek an alliance with the poor and thus to organise those most disadvantaged by inequality. The rising black middle and professional class is perhaps the unlikeliest candidate since its interests are satisfied by current policy, even if it would prefer its more vigorous implementation to force the transfer of assets to black business (*Business Day* 20/3/01). The effects of the Asian crisis of 1997 – which prompted sharp rises in interest rates in an economy in which credit is the lubricant of affluence – could, in principle, have created conditions for the disaffection of a black middle class whose expectations that majority rule would bring affluence threatened to be dashed. But it did not lead to a discernible impoverishment of the middle classes which might have created a class of "new poor" with the organisational resources and potential influence to ensure that disaffection produced concrete policy effects. This must be qualified, since black business does, it appears, see some community of interest with the poor: a proposal by the Black Economic Empowerment

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<sup>13</sup> Charles Simkins, discussion, Centre for Policy Studies, September 2000.

Commission to reintroduce prescribed assets (mandatory investment by insurance companies and pension funds, usually in government stock), proposed that the money be used for “national (development) priorities” rather than purely for black business development (ibid). But there is a great deal of difference between evidence that black business feels some identity of interest with the black poor and the suggestion that a sustainable political alliance between the two classes, which existed during the apartheid era, can be reconstituted now.

Nor, despite its redistributive rhetoric, does the labour movement have much incentive to seek alliances. It has remained focused on a largely defensive concern to preserve the workplace gains of the past two decades. While the thesis positing irreconcilable interest conflicts between unionised workers and the unemployed may be an over-simplification, research finds that the gap between the employed and unemployed is far sharper than income disparities among the employed (SALDRU 1994), giving the latter less incentive to find common ground with the former. And the younger generation of workers may, contrary to the cliched expectation of youth radicalisation, be far more open to pragmatic arrangements with business than broader alliances with the poor.<sup>14</sup> It was noted above that labour is showing an increased interest in championing redistributive concerns. But there is no sign yet that this translates into an intention to organise the poor to campaign for these concerns alongside unionised workers.

Perhaps the likeliest labour bearers of a broad egalitarian politics are retrenched workers – estimated at more than 365,000 in the non-farm sectors since 1996 (CPS April 2000). In theory, this group has a history of organisation and an egalitarian ideology; loss of the relative privilege of employment might prompt a perceived interest in attempting to organise their fellow jobless. But thus far, there is little evidence of this.

#### **4.1 A redistributive alliance?**

What implications does this analysis hold for the emergence of an anti-poverty alliance?

First, does SA’s labour market structure not preclude a community of interest between organised strata and the poor? As implied above, some have suggested that the rigidities which are said to be a product of current labour law are an obstacle to job creation: employers are disinclined to take on new workers during uncertain economic times because dismissal is extremely difficult, raising the possibility that, during a downturn, they may be crippled by a wage bill they cannot support. It follows from this that union moves to defend the current dispensation are anti-poor. Natrass (2000) proposes, therefore, a potential conflict of interest between unionised employed labour, who wish to maintain the status quo, and the unemployed.

This frequently-made argument may, however, overstate the case. A contrary view argues that the cleavage in the labour market is less between those with jobs and those without than between the skilled and unskilled (although the two often coincide). Given that there is a massive shortage of skilled labour in SA, Simkins<sup>15</sup>

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<sup>14</sup> A case in point is a much-publicised dispute at the Volkswagen plant in the Eastern Cape; older workers rebelled against a compromise with management made by their younger co-workers (Forrest 2000).

<sup>15</sup> CPS Discussion.

suggests that those with skills are more than likely fully employed and therefore largely immune to changes in labour law. It is not, therefore, possible to assume a necessary conflict of interest between them and the unemployed, who, being unskilled, are unlikely to be able to work in the available jobs even if labour legislation is relaxed. But nor is there any incentive for this group to form alliances with the unskilled. More likely, in this view, is the prospect of an employed/unemployed alliance at the bottom end of the market – that is, between those in employment but with rudimentary skills who see in the unemployed their possible destiny. But, given that such workers tend to be found in the agricultural sector and domestic service, and that they tend not to be organised, this posits an alliance between those with the least resources to organise. This merely begs one of our key questions in another form: who, with the resources to organise these groups, would have an interest in doing so?

While specialists consulted on this study felt that the blanket claim of a conflict of interest between workers and the unemployed was overstated, they did agree that there were contexts in which this may occur. The key issue is the degree to which there is a trade-off between jobs and wages. In all “developing” countries, it exists: wage levels are moderated to prevent job losses. In SA’s formal economy, the key question is whether, if wage levels fell, firms might return to more labour-intensive technology or at least refrain from further mechanisation. It was argued that there are sectors in which this is likely: one example is education where mechanisation was said not to be an option. In these cases there may be some validity in the argument that lower wages and reduced bargaining power are a recipe for job creation. But this hardly ends the argument. The education example seems a poor one – there may be opportunities for mechanisation in distance-learning technologies. Nor is it clear that sufficient empirical data exists to support the claim that a more flexible labour market would create formal sector jobs. And, even if it was established that lower legislated labour standards would create jobs, social benefits are potentially off-set by the threat of creating a large class of “working poor” – who might also have little incentive to join the formal sector if they could command larger incomes in informal activity. Nevertheless, while these considerations suggest that the frequent implication of a conflict of interest between unions and the poor is open to challenge, it does not advance evidence of an incentive for unions to seek an alliance with the unemployed.

Lund, however, does suggest such an incentive.<sup>16</sup> She warns that an anti-poverty strategy should not be premised on the fanciful prospect of full employment in the formal sector. On the contrary, there is a clear trend in “developing” economies to informalisation which, on the available evidence, seems set to endure. But if international experience is a guide, unions need not react by seeking to build walls around their (dwindling) members in the formal economy. There are cases in which union movements, realising the precariousness of their positions, have sought to organise the unemployed. Given that in SA there might not be any necessary opposition from those already employed to allying with the unemployed, such a strategy is possible.

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<sup>16</sup> *ibid*

But the organisational and political challenges of this task – or of any other attempt to organise the unemployed into a redistributive coalition – are considerable. One of the effects of unemployment is that workers fall out of reach of formal institutions and structures. Unemployment and informality do not simply see the scattering of people into a myriad of activities so that there are few opportunities for collective action. More importantly, they often see people bound into a host of networks and relations that may be, at best, indifferent to political institutions and organisations, and, more usually, are undemocratic. The case of the Western Cape is exemplary. There the decline of the manufacturing and especially the textile industry has seen thousands of families become complicit (through participation or acquiescence) in a gang-controlled drugs industry. In Gauteng there are similar trends related to robberies and heists.

Nor should it be assumed that the unemployed are naturally available to organisation by the unionised, even if they have not fallen beyond the reach of the formal. At least one organisation of the unemployed is hostile to unions – the Malumela Social Movement. While its support and origins are unclear, those who dismiss out of hand the possibility that the unemployed poor could be hostile to unions may wish to inspect survey evidence dating back to 1994, suggesting strong reservations among non-unionised respondents about the wisdom of collective labour action (Charney 1995). The findings may not reveal a conflict of interest between union members and the unemployed, but they suggest at the very least that an alliance would not be automatic and that considerable political effort may be needed to achieve one.

There are, it must be stressed, glimmerings of counter-trends to the propensity of the unemployed to fall off the formal associational map. Lund reports that her fieldwork in Durban has revealed the existence of associations representing informal traders who engage with the municipal authorities, seeing a value in formal political activity. At present, they seem concerned chiefly to secure trading sites rather than to make redistributive demands. These examples suggest, however, that far more information on and analysis of informal association is needed before any judgements can be made on its availability or otherwise for democratic redistributive politics.

But even if a redistributive coalition is possible, a constraint on a more egalitarian politics may be the relative weakness of representative democracy. While democratic redistributive politics requires that demands for egalitarian policies be made by parties and associations, its prospects are enhanced if democratic institutions are accessible to them. Research confirms a gulf between the policy preoccupations of the elite, regardless of ideological stripe, and the grassroots (Charney 1995; Tomlinson 1996a) as well as a widespread sense among voters that representatives and their institutions are remote and unresponsive (IDASA 1996). During the first post-apartheid administration, by far the strongest source of public confidence was the person of the state president (IDASA 1997), suggesting that a charismatic individual inspired more public enthusiasm than the new array of constitutional representative institutions.

During the first post-apartheid administration, lack of enthusiasm for strengthening links between representatives and voters was ironically accompanied by – and, arguably, caused by – an apparently pervasive

enthusiasm for participatory democracy. It expressed itself primarily in attempts to ensure the inclusion of “community” organisations in policy-making, usually through development forums comprising local or national organisations which claimed to represent popular interests (Friedman and Reitzes 1995). In most cases, however, these claims to representativeness were highly questionable and the organisations largely collections of activists whose links to the grassroots were often no more secure than those of public representatives (Friedman 1993). This was a legacy of the later period of the fight against apartheid when domestic resistance was led by local activists who claimed an almost organic link to “communities” which was often based on little more than the fairly obvious reality that “leaders” and “followers” detested white domination. Consistent with the assumptions of nationalist liberation politics (Chipkin 1996), claims to representativeness were often founded on the premise that black residential areas were devoid of differences of interest, value or political affiliation, a notion which cannot produce pluralist politics. The practical effect was to substitute for public opinion a set of politically well-connected organisations whose difference with the governing elite often consisted largely of the fact that the former formally held office while the latter did not. The forums often excluded rather than incorporated the poor. And they operated, both in practice and the consciousness of policy makers, as substitutes for the deepening of representative democracy by enhancing the links between elected representatives and voters.

This was as much a symptom as a cause of grassroots exclusion from the democratic political arena. On the one hand, it reflected the degree to which resistance to apartheid blocked the formation of grassroots interest organisations (rather than vehicles of identity politics which created synthetic, identity-based, interest categories such as “the community”). On the other, the prospect of their emergence was further obstructed by the absence of accessible representative institutions to whom they could appeal or on whom they could make demands. But an important consequence was to increase the disincentives for organisations which claimed a grassroots base, actively to seek to organise or maintain one. Not only did they enjoy access to public decision-making whether or not they represented a constituency, but their influence depended on their access to the symbolic capital derived from participation in the alliance which had assumed power in 1994, not on grassroots support. Ironically, a climate which appeared unusually favourable to the influence of the grassroots acted largely to preclude it.

Trends over the past three years have changed this but, ironically, at the cost of further closing opportunities for expressing grassroots interests. These developments have been discussed elsewhere (Friedman 1999a; 1999b). Here, two, related, features are noted. The first is a marked shift in government priorities from an ostensible concern with the quality of democracy to a preoccupation with the managerial aspects of governing, for effective “delivery” of outputs rather than participation in decisions. One consequence has been the withering away of local forums<sup>17</sup> and a general decline in enthusiasm for policy consultation (CPS January 2000).

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<sup>17</sup> Continuing Centre for Policy Studies research.



This has not been expressed in a renewed enthusiasm for representative government – on the contrary, it has emphasised the role of managers and implementers. But it might, in principle, be expected to provide those organisations which previously enjoyed access to the inner circle, but have now lost much of it, a clear incentive to rely more on representing constituencies than on guaranteed representation in policy forums. There is some evidence that it has, at least in principle. Civic organisations which once relied for their influence largely on their part in the “liberation struggle” have begun to play a more vigorous role in seeking to hold government to account and to show a greater interest in representing constituencies rather than notional “communities”.<sup>18</sup> There are also embryonic signs of a reassessment among civil society organisations who seek a mass constituency: its chief features are a view that the government’s declining propensity to include them in policy discussion is primarily a symptom of their own tendency to substitute political connections for organisation, and that their influence is likely to depend more on their ability to develop a mobilised constituency and on effective use of the rights to participate bestowed by the constitution than on a place at the official policy table.<sup>19</sup>

This trend is young: it may herald new concern for organising grassroots constituencies to participate in democratic politics but this is not assured. And the second aspect of the trend discussed here makes it more difficult for this strategy to produce policy outputs – a centralisation in government and the ANC which places representative democracy further out of reach of the grassroots.

This does not necessarily mean that, should current strategic re-evaluations in parts of civil society lead to a more robust grassroots politics which would offer real voice to the poor, access to representative government would be closed off. But it does suggest that it would be made more difficult by the likelihood that democratic institutions will be less attuned to responding to pressures from constituents than they might have been in the early post-1994 period. This may increase the challenges facing attempts to mobilise egalitarian grassroots politics and, therefore, diminish its prospects of success.

In sum, then, there are redistributive pressures and impulses in the society which will persist and continue to wield some influence. But there is little sign that an effective redistributive coalition capable of ensuring the adoption of an implementable “pro-poor” programme likely to reshape the contours of inequality is on the horizon. If there are trends in that direction, their growth prospects remain too uncertain to allow confident predictions of the emergence of a winning anti-poverty coalition any time soon.

## **5 Changing the paradigm?**

Are there circumstances in which this prognosis could change?

The white affluent, for example, may be more amenable to contributing towards equity than current rhetoric on both sides of the racial divide suggests. This possibility is illustrated by a focus group exercise

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<sup>18</sup> Continuing CPS research.

<sup>19</sup> Distilled from proceedings of Discussion group on civil society in the post-1999 period convened by Centre for Policy Studies and Friedrich-Ebert -Stiftung, Johannesburg, 2000.

conducted not long after the new order began, in which relatively affluent non-black African respondents were asked whether they would be willing to pay more per unit for water than black people to make amends for apartheid. Participants cited a host of black sins to show why they felt this to be unfair. Not long afterwards, the same group was asked whether they felt it fair that people who consumed more water should pay more for a unit than those who used less (Project Manzi 1995).

Unhesitatingly, they agreed. The second option is more egalitarian than the first (because it excludes the possibility that affluent black people would benefit at the expense of the poor). Besides the obvious point that race is not the automatic indicator of inequality which some rhetoric suggests, the policy lesson is that appeals to egalitarianism framed in universal terms, rather than the language of racial retribution, win wide support. Not long after the exercise was held, it was (inadvertently?) tested: the Minister of Water Affairs introduced a differential tariff – but justified it on grounds not of racial recompense, but the need to save a scarce resource. There was no protest, a sharp contrast to the rebellions which have followed suburban rates increases. During the 2000 local election campaign, the promise of a free initial allocation of water to each household – another redistributive measure framed in universal terms and offering a small benefit to the well-heeled – was endorsed by the white-led official opposition and has elicited little, if any, ratepayer resistance. Similarly, the “transition levy” imposed on all tax-payers just after 1994 prompted little dissent since it was framed as a common national contribution to the costs of achieving (the common good of) democracy. But an approach which seeks to win support for redistributive measures by appealing to universal values would, at least to a degree, require a change of approach by government and opposition as the ethos of reconciliation of the immediate post-1994 period has given way to a more adversarial politics.<sup>20</sup>

If the experience of Northern welfare states is a guide, the design of aspects of social policy could play an important role in building egalitarian consensus. “Social democratic” welfare states, which have extended benefits universally, have tended to win broader social support – for the obvious reason that the middle classes are beneficiaries and therefore have a stake in their survival (Esping-Andersen 1990). It has, therefore, been suggested that universal cash transfers – available in principle to every citizen – could be used to provide income support to the poor. Initially, the prospect of suburbanites receiving cash grants from the state seemed bizarre, but the idea that they should receive a small initial allocation of free water or a basic income grant has not.

This approach would certainly defuse resistance because it would be symbolically unifying. The water tariff seems to support this point. Significantly, policy-makers appear unconcerned by the possibility that providing free services to those seen to have achieved affluence through racial domination would be denounced. But, if it can suggest ways in which affluent resistance to a degree of egalitarianism can be defused, it does not provide a formula for generating a coalition in support of action against inequality. It is not economically feasible to offer entitlements sufficiently generous to give the middle class a tangible stake in the changes. Thus, while all citizens

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<sup>20</sup> See for example column by Steven Friedman *Mail and Guardian* 25/-30/8/2000.

are entitled to use the public school system, attempts to retain the middle class within it have had limited success. An even stronger trend seems evident in use of public hospitals – again open in principle to all. This limits the strategy’s applicability and ensures also that the benefits extended to the middle class are hardly ample enough to prompt any mobilisation in defence of redistributive measures were their survival to be threatened. Resource constraints ensure, therefore, that universal social policy can reduce resistance by the affluent, but cannot create a middle class interest in preserving the new entitlements.

What of the emergence of a credible redistributive coalition “from below”? A winning coalition would, firstly, be required to assemble a “popular” alliance large and effective enough to be able to pursue a credible redistributive agenda. It would also need to do this in such a way as to secure consent for – at least willingness to adapt to – it from those whose resources would be needed to ensure its feasibility. And it would need to do both in a context in which the more affluent could see exit as more appealing than compliance. At first glance, this seems way beyond the capacity of the key social actors. But it could be argued that, not only is it possible, a variant was achieved in the early 1990s when socio-economic negotiation forums bringing together business, political parties and civil society organisations seeking to represent the majority, sought to achieve precisely these compromises (Shubane and Shaw 1993). Certainly, the forums, while they played an important role in softening interest group conflict, rarely produced outcomes favourable to the poor.<sup>21</sup> But it could be argued that this lay not in the unbridgeable divide between the parties but in the failure of the “popular” participants to develop a deep enough social base to ensure that they really did articulate the needs and concerns of the poor and enough strategic capacity to win consent from business for a sustainable programme to address inequality (Friedman and Shaw 2000).

Is it possible to imagine a form of identity politics which would assemble a broad coalition able to use notions of solidarity to induce greater concern among the black middle class and affluent to address poverty rather than, as on occasions at present, as a means of winning broad consensus for the “empowerment” of the new economic elite? If it is, would it be capable of framing its goals in a way which won consent – or at least the willingness to bargain – from the white elite? In principle, identities do not preclude this: the nationalist paradigm of the ANC does not necessarily exclude the poor. Since it is not enough simply to deracialise the economy to address black poverty, a “left” camp could exploit this space to build relations with the unemployed in support of a redistributive agenda. This would also be consistent with a tradition of African Nationalism. And it could win a degree of compliance from the affluent if it deracialised its programme, stressing poverty rather than racial redress – given the society’s inequality profile, it would probably have no option but to do this if it wanted to frame an appropriate anti-poverty agenda. Thus, if the economy continues to lose jobs for those who do not have qualifications which are beyond the reach of many, while black access to the professions and business increases, it is possible that the “left” could, by harking back to the Freedom Charter, claim such a redistributive

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<sup>21</sup> For the impact of the seemingly most effective of the forums, the National Housing Forum, see Tomlinson (1997).

agenda as the authentic expression of African nationalism. But, at present, it is hard to imagine who might conceive of and successfully implement such a strategy.

These possibilities for a shift in the paradigm certainly merit examination, but under present circumstances appear unlikely. Economic and social policy is likely, therefore, to continue to be made within parameters similar to those discussed here. Addressing poverty and inequality will remain government concerns but will continue to vie for attention with the promotion of a black owner class – there may be more occasions on which, as with the change in land subsidy policy, it will have to take a back seat. The continued – albeit reduced – influence of the union movement will continue to constrain labour market deregulation, but there could be further movement in this direction as unemployment continues and mainstream thinking locates the problem in labour market rigidities or in widespread perceptions among business that they exist (CPS 1999).

Finally, one other prospect needs to be considered – the impact of activist and NGO activity in a world in which cross-national communication has become far easier. The point implied above, that the real novelty in the current global environment may not be the oft-cited capital flows as much as the increased ease with which information flows across borders, may well, as we are repeatedly told by some contemporary scholars (Melucci 1996), also make possible new forms of collective action which seek to hold businesses and governments to account. The fact that activists are able to cooperate across national borders may play an important role in increasing the effectiveness of “social movement” activity. Thus, in SA, this was able to induce pharmaceutical manufacturers to withdraw a court action which sought to overturn a law allowing cheaper drugs to be imported (Friedman 2001b) and to offer their medicines at much reduced prices.

The case refuted the notion that multi-national corporations are currently all-powerful. Even the largest corporation is staffed by humans who dislike being subjected to public scorn. A world in which their behaviour in SA is immediately visible in Europe and North America is clearly one in which the companies are obliged to account for the ethics of their actions. However, what is less clear is whether the current wave of social movement activity is capable of producing sustained action for redistributive reform; it seems far better suited to issue-based action. Certainly, in SA, attempts by activists to initiate action against poverty did not yield either the concerted campaign or the successes which the action against the drug companies achieved.

## **6 Implications for economic and social policy**

The implications of contemporary political trends for economic growth prospects is a crucial element in the equation. While growth does not ensure narrowing inequality, it is trite to point out that the egalitarian potential of social policy would be enhanced if significant growth were achieved.

But the limits and potentials of particular economic approaches are shaped by the political context in which they are applied. It has been argued that the key properties of a workable growth path would be its ability to win the confidence of economic actors and that this is a more urgent priority than the recipes which dominate many

economic debates (Friedman 2000). In principle, this suggests that, within limits, any set of economic policies would achieve this if they could win the support or consent of, at the very least, much of business and organised labour. But what are those limits?

Engagement with technical specialists suggests that, to ask the question this way is perhaps to miss the point. On one level, the claim that any set of policies would be likely to assure growth if they enjoyed the support of economic actors was labelled “tautological”.<sup>22</sup> The question, of course, is what would win that support? What sort of compromises might win the confidence of domestic business (and, therefore, its international counterparts)? While this does indicate the need for more research into the way in which market perceptions are formed, which might illuminate the “space” available for attempts to influence investment decisions, it seems likely that, in current circumstances, the type of economic interventions which would win sufficient domestic business confidence to trigger growth may look suspiciously like the standard policy recipes which are said to be required by international actors, since, as implied above, market orthodoxies which are repeatedly cited as the preferences of foreign investors are those of local businesses. This would suggest that “home grown” recipes may largely resemble the imported variety, rendering the debate about the relative merits of domestic growth strategies and those tailored for international audiences largely academic. Similarly, it could be argued that white business reservations about the competence of a majority-ruled government are likely to be addressed less by a negotiated compromise than by enhanced administrative competence.

But the issue may be far more complicated than this answer suggests. While the space for a classic social democratic compromise – or even the kinds of interventions business was prepared to accept during the sanctions period – may be absent, the need for a growth path in SA which would entail cooperation between business and labour may be more apparent to business than many suppose.<sup>23</sup> Continued interest in forums for negotiation with labour and corporate involvement in social investment suggest that, while business may be under less pressure to secure its environment here than it was under sanctions, this is not the same as insisting that it is under no pressure to do this at all: even if it has alternative investments, this does not mean that it has lost all interest in protecting those which remain in SA. There is also evidence that business’s economic policy preferences are often a consequence of fashion rather than interest calculation and therefore eminently open to change. Whether specific compromises which have been mooted in policy debate, such as union agreement to restrain wage increases in exchange for other advantages (procedural in the form of enhanced participation or substantive increases in the “social wage”) or union acceptance of labour market flexibility in exchange for ‘supply-side and industrial policies that help to retrain workers’ (Nattrass 1996), are likely to win approval is less clear than the likelihood that a negotiated compromise which would produce growth is feasible in principle but that, in current circumstances, the terms are likely to be more consistent with current market orthodoxies than many proponents of negotiated economic policy would prefer.

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<sup>22</sup> CPS Discussion, May 17, 2001.

<sup>23</sup> For example, remarks by Christoph Kopke, Daimler-Benz SA, SAFM Radio, 22/5/01, 13/8/01.

### **6.1 Social policy: constraints, parameters and possibilities**

A negotiated growth path would inevitably contain redistributive dimensions. And, even if no negotiated route to growth emerges, this analysis has suggested that redistributive reform will still be pursued even under the current balance of forces.

The first question this raises is whether there is an “optimal” social policy mix which, on the best information available, might be considered most likely to reduce poverty and inequality. It seems likely in principle that technical design may be needed more in this sphere than in economic policy. If we accept that economics is a matter of inducing particular forms of behaviour – investment, productive work, deferred consumption – it might be possible to argue that just about any policy mix which inspired confidence in potential investors, producers and savers would be adequate. But social policy seems to require a different framework since the appropriate intervention is framed to a significant degree by the society’s particular needs rather than the perceptions of economic actors. Whatever the political context, the interventions required in societies with relatively high skills levels are presumably different to those in countries – such as SA – where skilled people are in short supply and structural changes in the economy ensure that job growth is likely only in categories where formal skills are required (Bhorat and Cassim 1999). Capacity problems are also more germane here: the sharp divide in post-apartheid SA between policy intention and implementation (Friedman 1998) is a reminder of the dangers of attempting to formulate social policy without respect for the capacity to implement it.

But there are also cases in which technical and political preoccupations reinforce each other. Thus current trends in SA policy thinking ensure greater enthusiasm for “collective” instruments such as bulk infrastructure, improved government services such as education or health, or project-linked housing subsidies<sup>24</sup> than individual entitlements such as cash transfers. “Technical” analysis may suggest that the latter hold greater potential for redressing inequality. It could also be argued that, in a context in which the poor are not represented, entitlements which enable poor people to make choices (such as cash transfers) may be more conducive to active citizenship than collective entitlements which reduce beneficiaries to passive recipients.

Here, too, there is also an obvious need for political analysis aimed at identifying the probable political obstacles to, and opportunities for, particular social policy approaches. So, within the limits set by an adequate analysis of the “technical” nature of the problem, respect for the political again becomes essential. This analysis has suggested that the key ingredient of politically viable social policy is that it must be able to win broad consent – from the recipients and from the elites which will have to both implement and pay for it. This does not mean that only policies which win the consent of all conceivable interests are to be considered viable: total consensus, even among organised interests rather than individuals, is rare. But it does imply that workable options must

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<sup>24</sup> “Project-linked” subsidies are tied to a housing project and are therefore released collectively to those who benefit or participate from it. By contrast, individual subsidies are available to persons who then exercise discretion on their use. While both are available, “project-linked” subsidies predominate (Tomlinson 1996b).

attract the cooperation of those required to make them viable, and that if significant opposition remains, a strategy is required to cope with it.

One approach, similar to that proposed above for economic policy, is to suggest that just about any intervention will win the required consensus if accompanied by an appropriate political strategy – one which seeks to ensure the participation of potential beneficiaries in decision-making and which recognises the need to secure the consent of those whose cooperation is essential. And, while approaches which, in the spirit of rational choice theory, assume that social compromises are inevitably the result of material interest calculations,<sup>25</sup> are inadequate in a society in which identities play so crucial a role, the parameters of the possible are better understood if an accurate assessment is available both of the cost implications of particular options and of the likely response from those expected to contribute.

Some work on cost implications is available. It has been calculated that a basic income grant of R293 a month would cost the state about R478m, the amount required in theory to ensure that everyone is above the poverty line.<sup>26</sup> So why, since the cost is fairly modest, is the grant not introduced? The argument offered is that it is difficult to target it to the poor (Bhorat, Hayter and Hodge 1998); but while this may explain why it may not eliminate poverty, it does not explain failure to adopt it: the same may be said of other measures, such as the housing subsidy, which *have* been implemented. One plausible explanation is that the amount required to eliminate poverty is perceived to be greater than these calculations suggest and that state decision-makers therefore fear that the costs would soon prove unsustainable. Clearly, however, debate on this issue has just begun and, as it develops, understanding of the political responses to particular proposed interventions and their estimated cost will become far clearer.

One essential prerequisite for workable social policy, however, remains lacking – an effective voice for the poor. This is not only a normative issue: post-apartheid social policy has been repeatedly constrained by its failure to gauge accurately the likely response of the poor – interventions therefore often have unintended consequences. Until the poor have a far greater voice in policy debates, much thinking on social policy is likely to remain guesswork. And, given the points made here, far more will be needed than a strengthening of the organised interests within the ANC alliance who urge redistributive policies. If a voice for the poor does emerge, it will come in part from the terrain of informal economic and social organisation, the dynamics of which we do not yet fully understand.

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<sup>25</sup> The ‘classic’ in this genre is perhaps Przeworski (1985).

<sup>26</sup> Using figures for 1995 assuming R293 to be the individual poverty line (Bhorat, Hayter and Hodge 1998).

## **7 Conclusions: new questions, new answers?**

What does this analysis tell us about prospects for egalitarian politics in post-apartheid SA?

First, it has sought to demonstrate the seriousness of the constraints which it faces. This is a crucial antidote to the common view on the left which reduces post-apartheid social and economic policy to little more than a morality play in which an egalitarian alliance which overthrew apartheid and formulated the RDP is somehow betrayed by politicians and officials who listen to bad advice (Bond 2000). In reality, the coalition was never as egalitarian or as redistributive as these analyses suggest (indeed, neither was the RDP). This paper has sought to demonstrate that the political limits on egalitarianism in current circumstances lie in the nature of an identity politics in which the poor remain unorganised and in which the chief organisational vehicle of egalitarianism, the trade union movement, is constrained both by the predominance of identity solidarities in the governing alliance and by labour market changes which place a substantial wall between its members and the poor and ensure that unionised workers are far less numerically significant than they were in countries which pursued democratic egalitarian agendas.

Another analysis of post-apartheid SA's failure to pursue a more active egalitarianism, which explains it as the outcome of a Gramscian battle for "hegemony" which the left lost (Marais 1998), is substantially more plausible because it examines policy as the outcome of contest between contending forces. But it is also, from the analytical perspective advanced here, wanting if it fails to see that control of the agenda by the civil society organisations and social movements which champion a redistributive agenda would not have egalitarian consequences as long as these groups remain unable to articulate the concerns of the poor. The issue is not that the champions of the poor lost the battle with those who have no quarrel with markets as long as they are not monopolised by whites. It is that the poor continue to lack a voice and that, as long as they do, the egalitarian potential of those who advocate redistribution will be stunted both by their limited base in the electorate and the likelihood of a gap between the needs they identify on behalf of the poor and those they would themselves express.

This point cannot be over stressed. Most analyses tend to follow Bond and Marais by understanding the limits on egalitarian social policy as a failure by the left to win the political battle. This implies that, for good or ill, the left – the trade unions, Communist Party, and a host of citizens' organisations – speak for the poor. It is, however, the crucial finding of this analysis that the poor are unrepresented – by left or right. This does not endorse the oft-made claim that trade unions and their allies are inimical to the poor, but insists that "pro-poor" organisations lack the roots among the poor accurately to articulate their concerns. Clearly, this means that the prospects for egalitarianism cannot be pinned simply to those of the left. Rather, they depend on the more effective enfranchisement of the poor, in a politics which enables poor people not only to cast a ballot every few years expressing their identity but to shape the policy agenda in alliance with other sections of society.

If this argument is accepted, then the challenges of building a "pro-poor", egalitarian, politics are more complicated than the mainstream left implies. There are, essentially, two dimensions to an analysis which might generate a workable strategy. First, an attempt to understand whether there are realistic prospects that the poor



may effectively organise for democratic politics. There are two elements to this question. One is the patterns of organisation among the poor and the degree to which these impede or enhance democratic participation. The other is an understanding of the circumstances which may prompt other strata with more direct access to organisational resources to organise the poor.

The second element is an attempt to understand – and promote – institutions of representative governance which would be most accessible to the poor. The key issue here would be the type of institutional design most likely to offer the poor access to decisions should they choose to organise. Given the points made earlier about “participatory democracy”’s unintended capacity to disenfranchise the poor, it would need to start from the premise that the poor’s most realistic hope of access lies in a deepening of formal representative institutions, not in a new attempt to simulate representation by creating another level of informal governance between the poor and those who purport to represent them.

It is worth stressing here that there are elements in the environment which may favour a more egalitarian agenda. It has been noted that identity bonds place outer limits on the extent to which the governing alliance can ignore the concerns of the poor (even if these parameters are fairly broad) – and that the ANC tradition is capable of alternative interpretations and that it is possible to imagine a successful attempt to invoke its symbols in support of an egalitarian agenda. Finally, it suggested too that the society’s racial history may have made its economic elites more open to redistribution than they might be in similar societies because of their agreed injustice of the past in which privilege and deprivation were constructed; but it also implied that this potential was most likely to be realised by approaches which sought to move beyond appeals to racial guilt to universal values.

These factors suggest that, in SA at least, it is neither Utopian nor an exercise in long-term projection to imagine an effective egalitarian coalition which, by building an alternative account of the ANC tradition to that which now dominates, successfully turns identity from a constraint into an asset and, without challenging the current dominance of the ANC alliance, steers it in a more egalitarian direction, and then develops a programme capable of winning the compliance of the affluent, in some cases through bargained compromises. At present the emergence of this coalition is sharply constrained by a variety of factors which have been mentioned here or in other discussions of these issues – the lack of opportunities for pluralism within the governing alliance and the strategic and capacity weakness of the redistributive actors. But there are elements in the environment which make change feasible.

This proposition will, however, not be tested unless the key obstacle to the emergence of this coalition is addressed – the gap between the redistributive coalition and those on whose behalf it urges redistribution. In other words, a voice for the poor, both through organisation in civil society and in alliances with key forces within it, and in the further democratisation of democratic institutions, remains the *sine qua non* of a credible egalitarian politics.

In the past, this question could have been addressed by examining prospects for a substantial increase in worker organisation in the formal labour market and the political and strategic accompaniments it would require

to ensure a more egalitarian democratic politics. And indeed, many “left” analyses assume that more of the same – the organisation of formal workers into formal organisations – will suffice. But if, as this paper has proposed, this means that the poor will largely remain outside the formal labour market and its forms of organisation, then the challenge of understanding the possibilities for and constraints on the organisation of the poor lies elsewhere – in a more rigorous attempt to understand the nature of collective action among, and the politics of, the many South Africans who now earn what income they may in informal settings. It is to that task that the attempt to chart the possibilities for an egalitarian democratic politics must turn.

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