



DEMOCRACY WORKS | CONFERENCE PAPER | 2014

# South Africa: Democracy, Poverty and Inclusive Growth Since 1994

by Jeremy Seekings



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## Executive Summary

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*This is a revised version of a working paper prepared for presentation at the Democracy Works Project seminar at CDE, 19 March, 2013.*

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Despite the predictions of most political theory and the expectations of most commentators on South Africa, the formal establishment of representative democracy provided weak impetus to pro-poor policy making and implementation. Democratisation curtailed the influence of most previously advantaged (white) citizens, and perhaps also of business, but it did not result in any substantial empowerment of the poorest citizens. It resulted instead in institution- and coalition-building that protected the interests of the sections of the urban working, middle, and upper classes. As a consequence the rate of income poverty has remained persistently high; there has been an increase in income inequality, and highly unequal economic opportunities.

Political parties want to be viewed as pro-poor, and the Constitutional Court requires that the executive provide a reasonable justification of its policies in terms of compliance with its constitutional obligations to help the poor. However, insufficient competition within the electoral system prevents the governing party from being held accountable if it fails to adopt substantively pro-poor policies. The desire to win the support of poorer voters is an insufficient incentive to counter the powerful vested interests of the new black elite and middle classes, organised labour, and (unevenly) capital. The post-apartheid South African state has been fiscally cautious, liberalised trade, and pursued public-private partnerships in a range of sectors. At the same time, it has intervened deeply in markets, including through the regulation of wages, employment conditions and other aspects of business practices, and through widespread social assistance and related programmes. The result is a strange and often incoherent mix of policies and interventions that both exacerbate and mitigate poverty.

The post-apartheid government inherited institutions and policies that made up a 'distributional regime' that was never intended to be pro-poor. Neither the enfranchisement of the poor through democratic elections nor the sometimes pro-poor rhetoric or intentions of political elites has been sufficient on its own to transform this distributional regime. The reason why the post-apartheid distributional regime resembles its apartheid-era predecessor is not because post-apartheid governments or interest groups wanted this particular outcome,

but rather that various powerful actors sought to advance their interests, and may have even thought that this was in the interests of the poor also, through demanding only minor reforms of existing institutions and policies whilst blocking major reforms.

Organised labour enjoyed enormous power in the formative moment of the mid-1990s, achieving institutional reforms that served to reproduce the semi-privileged position of many workers in South African society, and has since retained sufficient power to veto substantive challenges to its earlier achievements. Even in the early 2000s, organised labour frustrated proposed privatisation, the deregulation of labour markets, and formal sector wage moderation. In the mid-2000s, organised labour gained greater political power, which, for example, reflected in shifts in industrial policy and the hegemony of a high-wage, decent work strategy. But the limits to its power are revealed in cases such as its inability to secure a prohibition on labour broking and failure to stop planning for a youth wage subsidy, or to secure a pro-worker national health system. Organised labour's ability to force change relies upon a combination of institutional power, especially at the sectoral level; industrial power, through strike action; and political power, through predominantly pro-labour bureaucrats in the Department of Labour, membership of the Tripartite Alliance and influence within the governing ANC itself.

The state enjoys substantial autonomy from business, while remaining heavily dependent on capital and, most importantly, drawing its senior officials increasingly from the new black business elite. The inter-connectedness of state and capital are evident in the revelations of corruption in the arms deal and other cases. These relationships are, however, opportunistic. Established 'white' business enjoys little direct influence over the state; relations between 'big' 'white' business and key government ministers (and some state departments) have often been frosty. The desire to direct the benefits of business is a major factor driving public policymaking and implementation. The primary focus of state interventions has not been to direct the growth path in developmental directions, such as through the development of new industries, but to regulate business in ways that ensure rapid benefits for the new political elite and their allies. At the same time, big business has often acquiesced in public policies and practices that discourage pro-poor growth, in part because many firms—

especially larger firms—can adapt to a high-wage environment, and because collusion in non-tradable sectors has enabled firms to pass on higher costs onto consumers.

The fact that the ruling party enjoys robust electoral support and represents a wide range of social and economic constituencies reinforces the autonomy of some state officials. This has provided progressive technocrats with the space to steer public policies in pro-poor directions, as long as these do not challenge powerful vested interests. The politics of distribution (primarily through employment and wages) contrasts with the politics of redistribution (through the fiscus, including cash transfers and in kind benefits from public education, health care, and other services). With redistribution, progressive technocrats and bureaucrats have implemented a variety of pro-poor reforms—such as the expansion of social grants—in the face of skepticism among some senior ANC figures. The exceptions are reforms intended to improve the quality of public service delivery, especially public education and health care, which generally provoke strong and effective opposition from public sector unions.

The power (and potential) of social movements has been exaggerated by many sympathetic intellectuals, who gloss over crucial differences between the militancy of the struggle against apartheid in the 1980s and post-apartheid social movements. The most effective social movement—the Treatment Action Campaign—succeeded not primarily through mass mobilisation, but through strategic alliances with powerful interest groups at home (notably, the medical profession) and abroad.

## Introduction: Democracy and Poverty in Theory and Practice

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Between 1994 and 2009, under its first three democratically elected governments, South Africa experienced slow but steady economic growth. On average the GDP grew by 3.2 percent p.a., while GDP per capita grew by 1.6 percent p.a. (OECD, 2010; World Bank, 2012: viii). This growth was inclusive in some respects, but not others. Growth was somewhat inclusive in racial terms, with the continuing, rapid growth of black middle and upper classes. At the extreme, Patrice Motsepe—born in 1962 and without inherited wealth—became the wealthiest South African, with a fortune of approximately US\$3 billion (although probably still lagging behind the expatriate Rupert and Oppenheimer families). Growth was not inclusive, however, in terms of class. Income poverty persisted and income inequality worsened. The poor have faced few opportunities to escape poverty.

This outcome of largely exclusionary growth was not what the ANC promised South Africans when it came to power. In its campaign leading up to the first democratic election in 1994, the ANC promised 'a better life for all'. Its election manifesto—the Reconstruction and Development Programme (RDP)—promised that 'attacking poverty and deprivation' would be 'the first priority of the democratic government'. The RDP was supposed to empower the poor to seize opportunities 'to develop to their full potential' and 'to sustain themselves through productive activity', with the state ensuring improved access to social security, public education, and other services. All South Africans should enjoy 'a decent living standard and economic security' (ANC, 1994: 15, 16, 79). In 1993, the ANC had supported an initiative from the World Bank and the University of Cape Town to collect South Africa's first ever comprehensive and countrywide data on poverty and inequality (Wilson, 1996). In 1996, socio-economic rights were included in the country's new constitution. Section 27(1) specified that 'Everyone has the right to have access to (a) health care services ... (b) sufficient food and water; and (c) social security, including, if they are unable to support themselves and their dependents, appropriate social assistance' (although this right was subject to 'available resources').

In subsequent elections, the ANC and government claimed that they had made progress in reducing poverty. In the 1999 elections, the ANC campaigned around the general theme that South Africa was, as the ANC put it, 'changing' (Lodge, 1999). In the 2004 elections, the ANC claimed that it had 'laid the foundation for a better life'. Its election manifesto—entitled 'A people's contract to create work and fight poverty'—emphasised the creation of 'a more caring society' and a 'radical' reduction in unemployment and poverty (ANC, 2004). The following year, senior ANC member Cyril Ramaphosa was quoted as saying that new data showed South Africans had 'never had it so good' (SAARF, nd). In 2006, President Mbeki told parliament that 'between 1994 and 2004, the real incomes of the poorest 20 percent of our population increased by 30 percent' (Mbeki, 2006). In 2009, the ANC claimed to have 'pushed back the frontiers of poverty' (ANC, 2009). Most recently, in late 2012, President Zuma lashed out at reports that income inequality

has worsened since 1994. Inequality, he said, was 'narrowing', whilst poverty in 1994 had been 'worse than what it is now' (quoted in *Cape Times*, 02 November 2012).

The precise changes in income poverty since 1994 may not be clear but three facts seem evident. Firstly, despite Ramaphosa's and Mbeki's claims, poverty has remained widespread, with consequences for (*inter alia*) child nutrition, health, and education. Secondly, the proportion of the population living in poverty might have dropped since 1994 but by very little. Thirdly, and in contradiction to Zuma's claims, the distribution of income has become more unequal. The rich have benefitted massively from economic growth, the poor hardly at all. Almost two decades of democracy may not have failed the poor entirely, but democracy has failed to deliver many of the benefits that politicians promised.

South African democracy also seems to have failed to live up to the expectations of political theorists. Aristotle, writing more than 2,500 years ago, contrasted 'democracy' and 'oligarchy' not primarily according to the proportion of the population wielding power, but rather according to whether the rulers were poor or wealthy. For Aristotle, democracy meant rule by poor citizens, to their advantage, so that 'the multitude should be kept from becoming overly poor' (*Politics*, 1319b: 33-1320b17). The rich should be taxed and poor citizens should be paid to participate in the assembly, and for serving in political office and on juries. Poor citizens should also be provided with adequate land to farm, or opportunities to learn crafts. Considering constitutional options more than two thousand years later, most of the leaders of the American Revolution were similarly convinced that pure democracy empowered the poor. Indeed, they feared that it empowered the poor excessively, and that challenges from poorer citizens to the unequal distribution of property would render pure democracy inherently turbulent and contentious. They therefore sought to constrain democracy through representation.

In the twentieth century, universal franchise helped to ensure that many representative democracies were redistributive, as part of what Przeworski (1985), Korpi (1983), and Esping-Anderson (1985) considered a class compromise, between the bourgeoisie and the working class (and, sometimes, allies among small farmers or other classes). The proposition that representative democracy would be pro-poor, primarily through redistribution, was formalised by Melzer and Richards (1981), building on Downs's median voter model (1957). In this model, the voter with the median income is the decisive voter and determines the result of the election. Given that the distribution of income is invariably right-skewed, with a long tail of very rich individuals or households, then the median voter will have an income below the mean income and therefore an incentive to support redistributive spending, at least up to the point where the benefit of such spending to the median voter is outweighed by the efficiency costs of distortionary taxation. Historical work on countries in the global north suggests that political democratisation was a spur to an increase in expenditure, and specifically increased expenditure on public education and the other pillars of the welfare state (Lindert, 1994).

Unsurprisingly, therefore, economic elites have often been wary of democratisation. Boix (2003) concluded that democracy is viable only when inequality has already declined to the point at which the wealthy are willing to subject themselves to the

ballot box (see also Acemoglu and Robinson, 2006). Meltzer and Richards would expect high taxation and redistribution in a democratic South Africa, but Boix would not expect South Africa to have democratised in the first place. According to Boix:

‘The fact that the constitutional definition of the median voter (and therefore, the median voter’s position relative to the economic agent with the mean income) is endogenous to the type of income distribution explains why the Meltzer-Richards model of optimal taxation has not performed well in several empirical tests: in high inequality countries, the franchise is legally restricted to censor income differences; in low inequality countries, where everybody votes and the median voter truly coincides with the median subject of the income distribution, the interest to redistribute is moderate’ (2003: 174-5).

Acemoglu and Robinson (2006) point out that the median voter prefers redistribution to him- or herself, and has no particular interest in redistribution to poorer voters, opening the possibility of majoritarian coalitions that exclude the very poor. In industrialising countries in the global south in the twentieth century, redistributive policies—under both authoritarian and semi-democratic regimes—often favoured social groups such as organised urban and industrial workers, who were generally in the middle of the income distribution. Public expenditure redistributed from the rich and poor to the middle. In Brazil and Mexico, for example, it proved difficult for either authoritarian or democratic regimes to reform social insurance systems that chiefly benefitted selected categories of workers in formal employment and the bureaucracies that administered the programmes (Malloy, 1979; Weyland, 1996; Madrid, 2003; Brooks, 2007; Dion, 2010).

In short, while democracy might in general increase pressures for redistributive public policies, politics matters. Political factors that shape the effects of democracy on spending and redistribution include institutional design (Iversen and Soskice, 2006), the strength and strategic choices of organised labour and the partisanship of democratic governments (Esping-Anderson, 1990; Huber and Stephens, 2001), and even the interests of local capitalists (Swenson, 2002). Economic factors such as the degree of openness can be important. Culture might have an impact, in that different societies attach varying degrees of importance to individualism versus solidarity (Van Oorschot, Opielka and Pfau-Effinger, 2008), while reformist ideas do not circulate evenly around the world or even within a region (Weyland, 2004). Cross-cutting ethnic cleavages might undermine pro-poor policies (Lieberman, 2009) or at least result in disproportionate benefits for a country’s president’s ethnic group (Franck and Rainer, 2009). For institutional, cultural, and other political reasons, public policy often demonstrates path dependence: a country’s inheritance affects the political costs and benefits of reforms, especially when existing programmes create powerful vested interests.

Political choices about the reform of public policy in post-apartheid South Africa reflect some but not all of these factors. Path dependence is especially striking. The basic design of South Africa’s public policies affecting both distribution (through the labour market) and redistribution (through education, health care, and welfare) have experienced only minor changes since as far back as the 1920s and 1930s. As I have argued at length elsewhere, the policies were deracialised at the



end of apartheid, but were not transformed (Seekings and Nattrass, 2005). After apartheid, public spending clearly had to reverse the massive racial favouritism that had privileged white South Africans under apartheid, but this was achieved through incorporating black South Africans into the existing systems rather than transforming the basic design of the systems themselves. Path dependence is not self-explanatory, however, continuities as much as changes need to be explained. The end of apartheid might have been accompanied by more radical changes in public policy, perhaps in populist, pro-poor directions. The constraints on populism (or other forms of radical policy transformation) need to be understood.

This paper examines this through an analysis of the politics of distribution, i.e. employment and wages, and of redistribution, through the fiscus. This paper does not consider the politics of growth, which is the subject of a separate study. The bottom line is that distribution has been shaped by the struggles between a powerful labour movement enjoying strong ties with the ruling party, and employers in a globalised context. The poor have not only been left out of this struggle, but have actually been disadvantaged by the compromises over distribution made by capital, labour, and the state. The poor have benefitted far more from redistribution, including through social grants, subsidised health care, housing, and, to a more limited extent, public education and municipal service delivery. The political foundations of these distributional outcomes were the inability of the poor to use their votes to win great material gain (whether through populist or other mechanisms); the weakness of the poor as an interest group (relative to both sections of business and the organised working class); and an overall political environment that strengthened pro-poor but fiscally conservative technocrats. Before turning to the politics, however, it is important to sketch the major features of poverty in post-apartheid South Africa.

## Poverty and Opportunity Since 1994

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The transition to democracy placed both poverty and opportunity on the political and intellectual agendas in South Africa in ways that were almost unimaginable under apartheid. One manifestation of this was that South Africa became awash with statistics measuring poverty. Concern with the measurement of poverty was not matched, however, by 'recognition of the fact that different measurement techniques will generate different results' or that 'different data give different results' (Bhorat et al, 2001: 23). There is no consensus among scholars on precise trends in income poverty. Unsurprisingly, the government has promoted findings it likes (that poverty had been high but is declining) while disputing (or ignoring) others, for example that poverty is low and stable or even worsening.

However, there is agreement among researchers over the general trends. Census and sample survey data up to 2002 indicated a clear and dramatic worsening of income poverty in terms of the absolute numbers of poor people, and probably even the proportion of the population that was poor (UNDP, 2003; Meth and Dias, 2004; Leibbrandt et al, 2004; Leibbrandt, Levinsohn and McClary, 2005; and Hoogeveen and Özler, 2006). In the early 2000s, a combination of faster economic growth and increased public expenditure on welfare programmes seems to have reduced poverty

(van der Berg et al, 2006, 2007; Borat and van der Westhuizen, 2008; Leibbrandt et al, 2010). Over the fifteen or so years after 1994, the poverty headcount rate (i.e. the proportion of people living in poverty) and the poverty gap (the aggregate gap between incomes and the poverty line, as a proportion of total income in society) probably declined, especially if a higher poverty line is used, but the absolute number of people living in poverty may have risen.

Other data broadly corroborate these trends in income poverty. Self-reported survey data on food security suggest that the proportion of households in which children sometimes went hungry fell steadily.<sup>1</sup> Severe malnutrition among children under the age of five also seems to have declined. In South Africa as a whole, the proportion of children who weighed below 60 percent of Expected Weight for Age fell from 25 per 1000 children in 2001 to 20 per 1000 in 2003, according to data from the Health Systems Trust (SAIRR, 2007: 323). Infant and child mortality rates do not show the same trend, but this is largely because of the exogenous factor of AIDS. South Africa's infant mortality rate was calculated at 51 deaths per 1,000 births for 1983–87, falling to 39 per 1,000 in 1988–92, before rising to 45 per 1,000 in 1993–98. The under-five mortality rate similarly fell from 70 per 1,000 to 55 per 1,000, before rising to 59 per 1,000. It appears that the transition to democracy in South Africa occurred precisely when South African infant and child mortality rates reached their lowest ever level. As South Africa embarked on democracy, mortality rates began to rise. It has been calculated that HIV was a factor in four out of every five deaths among children aged under five years old.<sup>2</sup> AIDS also reduced life expectancy, very dramatically. Many South Africans not only spend their lives in poverty, but also live relatively short lives.<sup>3</sup>

Poverty may have declined somewhat, but it clearly remains a pressing concern. Relative to other middle income countries South Africa has a high poverty rate, given its GDP per capita. The persistence of malnutrition and hunger, especially among children, is likely to be an important cause of the poor educational outcomes of South African children (Fleisch, 2008). The 1999 National Food Consumption Survey (NFCS) found that many children had poor diets which were deficient in variety and especially lacked fruit and vegetables. Almost 50 percent of children consumed less than half the recommended daily energy level. Many lacked sufficient micro-nutrients and fibre. The 2005 NFCS found that deficiencies of vitamin A and iron had worsened further. Two out of three children and one in four adult women were deficient in vitamin A. Almost one in five children were found to be stunted (meaning that their height was low in comparison to their weight, which generally indicates poor nutrition in early childhood), and one in ten was underweight (Labadarios et al, 2008). The deterioration in child health was reflected in the high prevalence of preventable childhood diseases such as diarrhoea and infections of the lower respiratory tract.

Poverty is high relative to the overall level of development because of South Africa's high—and rising—level of income inequality. The most recent estimates suggest that the Gini coefficient rose from 0.66 to 0.70 between 1993 and 2008. Inequality between racial groups declined, but inequality within racial groups—especially within the African population—increased (Leibbrandt et al, 2012). South Africa has remained an exceptionally unequal society. In terms of class, South Africa comprises

three broad strata: an increasingly multi-racial upper class; a predominantly black middle stratum that includes most people working in the formal economy and their immediate dependents; and an almost exclusively black and rural lower stratum, including people in very marginal employment such as agricultural work and the informal sector as well as most of the unemployed (Seekings and Natrass, 2005).

In 1998, Mbeki famously described South Africa as a 'two-nation' society: 'One of these nations is white, relatively prosperous, regardless of gender or geographic dispersal ... The second and larger nation ... is black and poor, with the worst-affected being women in the rural areas, the black rural population in general, and the disabled' (*Hansard*, House of Assembly, 29th May, 1998, col.3,378). Mbeki underestimated the pace of change as growing numbers of black South Africans enjoyed upward mobility and unprecedented prosperity. Black African people comprised 37 percent of the ninth income decile in 1993 and 59 percent in 2008. They comprised 11 percent of the tenth income decile in 1993 and 28 percent in 2008 (ibid: 199; Finn, Leibbrant and Woolard, 2009: 7). In terms of class, in 1993 African people comprised only 24 percent of the composite upper strata (dwarfed by the 66 percent who were white). By 2008, this proportion had risen to 47 percent (with white people comprising only 31 percent).<sup>4</sup>

Some Black African people may have enjoyed rapid upward mobility, but they have generally done so from semi-privileged starting points, while the poor face very few opportunities. Children growing up in poor homes, especially in poor and rural neighbourhoods, are much more likely to be disadvantaged in terms of nutrition and health, access to proper education, completing school, connections in the labour market, and knowledge of how to find jobs or otherwise earn a living. Poverty thus reproduces poverty (Seekings, 2012; World Bank, 2012; Seekings and Natrass, 2005; Ziervogel and Crankshaw, 2009; Telzak, 2012; Burns and Keswell, 2012; Wale, 2012).

In short, a large minority of South Africans—at least one quarter, and perhaps as many as one half—have not experienced substantial improvements in their income level and access to opportunities since the end of apartheid. Income poverty persists, with severe consequences for children.

## The Political Architecture of Inclusion

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A large minority of South African citizens remain poor because they are disadvantaged in the labour and produce markets, unable to call on kin for more private support, and ineligible for income support from the state. State, market, and society combine to determine who gets what, and in particular who does not get much. Democracy primarily affects the state, including most directly the state's provision of income support through social assistance programmes (including workfare in public works programmes), but also the provision of education, health care, housing, land, and municipal services. Understanding the effects of democracy requires close attention to the ways in which the state redistributes through taxation and public expenditure. Democracy also affects the market insofar as the state regulates and shapes markets. In South Africa, the state plays a major role in shaping both the overall growth path of the economy—i.e. the path along which the economy moves—and specific

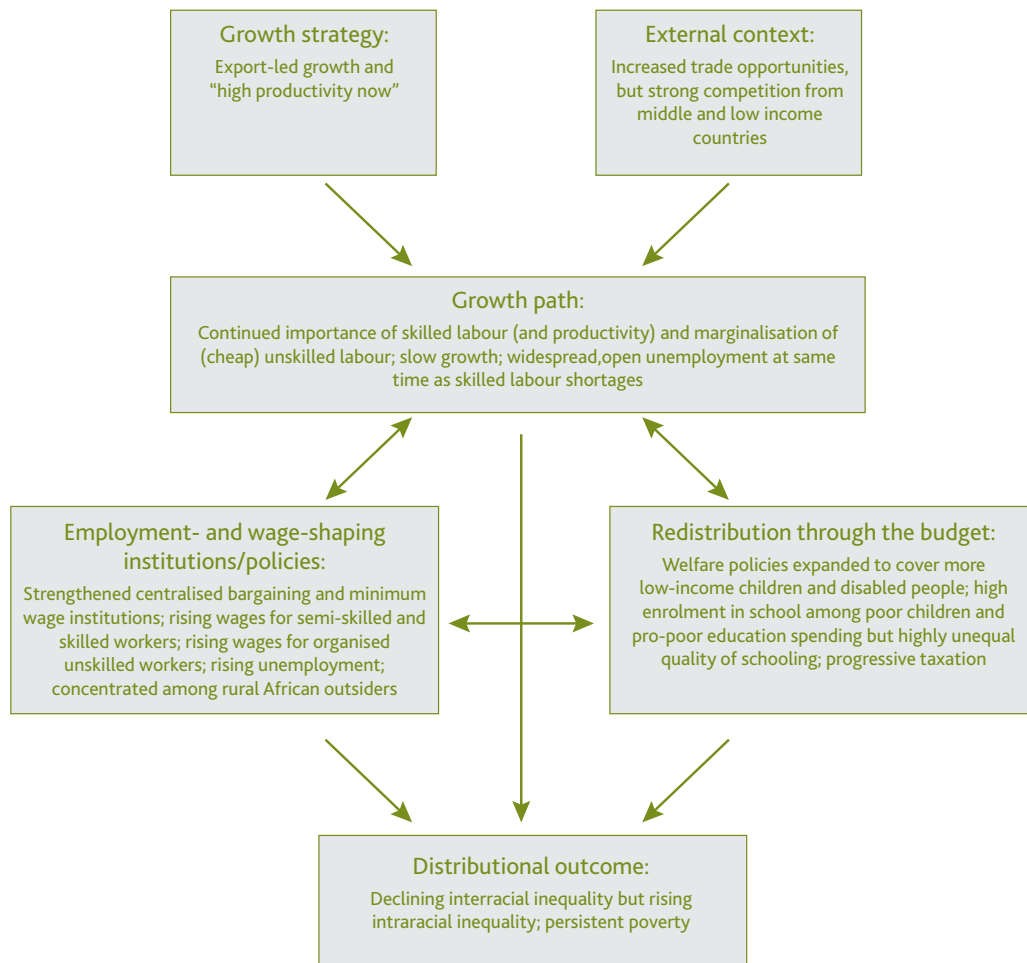
markets, especially the labour market, with profound implications for distribution. Understanding the effects of democracy on 'who gets what' requires attention to the state's role in shaping distribution as well as its role in redistribution.

The diverse roles played by the state in shaping 'who gets what' can be understood as constituting a 'distributional regime'. Figure 1, p13 (reproduced from Seekings and Nattrass, 2005: 369) sets out the principal components of the post-apartheid distributional regime. No government has a free hand in designing a distributional regime; governments operate in countries with specific resource endowments and facing particular global economic conditions. Moreover, governments inherit institutions and policies from the past, and these often create powerful vested interests as well as shaping the perceptions and preferences of different groups of citizens. In the South African case, the post-1994 democratic government inherited 'workerist' labour market institutions designed to buttress the earnings of organised workers and 'pauperist' social welfare institutions and policies designed to buttress the income of selected categories of non-workers. Since 1994, South Africa's governments have deracialised and strengthened both sides of this inheritance.

In a representative democracy, the primary mechanism through which citizens—including poor citizens—are supposed to exercise power is through using their votes to reward parties and representatives whom they favour and hold government to account when it does things they do not like. Post-apartheid South Africa is democratic in that voters could choose to punish the governing party by electing an opposition party in its place. Notwithstanding the centralisation of power in the executive, and indeed within the presidency, if the governing party failed to win a majority of votes in an election, there would either be a change of government or at least unprecedented negotiations over forming a government. Turnover in government is far from common in the global south, but is no longer exceptional (e.g. there have been occurrences in Brazil; Mexico; Chile; India; Korea, and Taiwan). Even in cases where there has been no actual change in government, there has been a distinct possibility of turnover—which itself might have informed the policies and practices of the incumbent government.

Any analysis of how representative democracy works in South Africa should start with voters' preferences. In the mid-1990s it was widely assumed that newly enfranchised African voters expected improvements in their living conditions (McKinley, 2006: 415). Focus group and opinion poll data challenged this assumption, showing that most poor South Africans had realistic expectations of the pace of change, though the urban working class stood out in terms of its unusually high expectations (Charney, 1995; Nattrass and Seekings, 1998). Nonetheless, the evidence shows that poor South Africans—like most non-poor South Africans—clearly deplore the inequality and poverty that have persisted after apartheid and favour government interventions to help the poor, even if this means increased taxes (Roberts, 2004a, 2004b; ILO, 2004). The 2001 World Values Survey (WVS) posed a 'forced choice' question, asking that respondents place their view on a ten-point scale between two different statements: 'The government should take more responsibility to ensure that everyone is provided for' and 'People should take more responsibility to provide for themselves'. Overall, using weighted data,<sup>5</sup> almost one in two South Africans (or 46 percent, to be precise)

FIGURE 1: THE POST APARTHEID DISTRIBUTIONAL REGIME  
SOURCE: SEEKINGS AND NATTRASS, 2005: 369



agreed that the government should take more responsibility, whereas less than half as many (21 percent) agreed that people should take more responsibility to provide for themselves. Even white South Africans were slowly shifting their views on government policy. WVS data show that, in 1991, after the onset of formal negotiations but before the first democratic elections, only 9 percent of white South Africans agreed that the government should take more responsibility for ensuring that everyone is provided for. By 2001 this had risen to 26 percent. Conversely, the proportion agreeing more that people should take more responsibility to provide for themselves fell from 65 percent to 38 percent across the same time period.

Voters, including poor voters, are strongly in favour of government intervention, and have rewarded the ANC for reallocating resources to schools, clinics, housing, roads, and services in poor neighbourhoods. But popular preferences on the two major areas of public policy affecting poverty—distribution through the labour

market and redistribution through social grants—are not straightforward, which helps to explain the limits to policy reforms in these areas.

In poll after poll, voters say that unemployment and job creation are the most important issues facing the country, and must be the government's top priority. Voters also say that the government's performance on job creation has been dire. Yet poor voters have repeatedly voted overwhelmingly for the governing party—the ANC—that has consistently disappointed them on this, the issue they say is most important. The ANC has repeatedly broken its promises on job creation and the reduction of unemployment (and hence poverty). Indeed, the ANC government may be unique in the world in that a majority of its own declared supporters assess that its performance on the most important problem facing the country has been unsatisfactory. The reason for this seems to be that poor voters do not, for the most part, attribute the unemployment crisis to the ANC. They criticise the government for not doing enough about the problem, but they do not hold the government responsible for the existence of the problem in the first place.

Attitudes towards social welfare are also complex. Poor citizens see most poor people as deserving, but some as undeserving, of public (or private) assistance. When asked in surveys whether the government should provide everyone with a guaranteed basic or minimum income, most poor voters express strong agreement. But when asked whether specific categories of poor people are deserving of financial support from the state, poor South Africans are more discriminating. Research in Cape Town showed that people assessed the elderly, sick, and disabled as highly deserving; care-givers, for example people looking after sick or elderly parents or children as deserving; the involuntary unemployed as somewhat deserving; and the culpable unemployed, for example people who had lost jobs because they stole or were repeatedly late for work, as least deserving of social assistance. Citizens, including poor citizens, are especially hostile to poor people who are said to spend their grants on alcohol or behave irresponsibly in other ways (Seekings, 2007, 2010).

Not only are some poor people widely considered undeserving, but there is little support among the non-poor for raising additional taxes. People in middle-income—typically working-class—neighborhoods are especially resentful of the taxes they themselves pay and are most critical of the burden of taxation on the poor (which they seem to understand, erroneously, to refer to themselves). Increased social expenditure on the poor would need to be financed through either increased taxes on the rich ('soak the rich') or a broadening of the tax net to encompass the lower middle-class and working-class, who believe that they are already over-taxed.

Since 1994, poor voters have benefitted from a dramatic expansion of social grants, as well as from more police and better infrastructure in their neighbourhoods, but the government has failed to ensure the scale of formal or informal sector job creation required to reduce unemployment rates. Voters' capacity to hold the ANC to account on job creation has been compromised by the absence of any major opposition party with credible appeal to the poor. Poor voters, like non-poor voters, became more apathetic after 1994, with many not registering, or registering but not voting. But only a small proportion has voted for any of the opposition parties. The motivation for voting for a party other than the ANC is

limited by the lack of credible alternatives at the national level. For many poor voters, the Democratic Alliance (DA) is associated with privileged racial minorities. Other African-led political parties win some votes in rural areas: the Inkatha Freedom Party in KwaZulu (at least until Zuma's ascendancy in the ANC); the United Democratic Movement and later the Congress of the People (COPE) in parts of the Eastern Cape (and, in COPE's case, some other provinces also); and the United Christian Democratic Party (UCDP) in parts of North West province. But there is no credible alternative political party appealing to discontented African voters in most parts of the country. COPE might have provided such an alternative but it self-destructed before this could be tested. Dissatisfaction has therefore tended to fuel declining turnout rather than defection to competing parties.

If poor voters were to defect to opposition parties, but in insufficient numbers to deprive the ANC of its parliamentary majority, then it is not clear whether this would have much of an effect. Despite the checks and balances in the constitution, the national executive dominates the national legislature. Parliament has done little more than pass legislation prepared by the executive and has rarely even tried to hold the executive to account. With very occasional exceptions, primarily during 1996–97, parliamentary portfolio committees have played only passive roles. This is largely due to the heavy hand of the ANC leadership, which 'redeployed' Members of Parliament (MPs) so as to reward loyalty and punish dissent. When the finance committee dared to examine the government's policy of inflation-targeting in 2000, the entire ANC membership of the committee was summonsed to a personal dressing-down by the president. When the Standing Committee on Public Accounts began to flex its muscles, the ANC quickly intervened to ensure that the committee resumed a quiescent role. The effect is an acquiescent ANC parliamentary caucus and an acquiescent legislature. In 2007, Parliament appointed a panel to examine the workings of the legislature. ANC MPs, including several who had or did chair portfolio committees, complained bitterly about being treated as second-class citizens by the executive. Ministers reportedly failed to answer parliamentary questions or to attend portfolio committee meetings when requested. MPs noted that many of the senior members of the executive who treated them with disdain also held leadership positions within the ANC, making it difficult for MPs to challenge them too strongly.<sup>6</sup>

The passivity of the South African parliament is due in large part to the combination of the electoral system and the dominance of one party. A system of closed-list proportional representation, with provincial and national lists, serves to concentrate considerable power in the party leaders who control or influence how high or low someone's name appears on the list.

Given the passivity of the legislature and the inclusion of rights in the constitution, it is unsurprising that the Constitutional Court has come to be seen as a prospective player in policymaking. Not all cases coming before the Constitutional Court entail challenges to executive power. The legislature and executive happily hand over to the courts issues such as the abolition of capital punishment and the legalisation of abortion, because it is decidedly convenient for the courts to take responsibility for 'policies' that are unpopular with the majority of the electorate. Other cases



have been more inconvenient to the government, such as most of the cases brought around socio-economic rights, which the state routinely opposes.

The Constitutional Court has been reluctant to trespass on the policymaking roles of the legislature and executive, and has been especially cautious in handing down judgements with major financial consequences. For example, in the landmark *Government of the Republic of South Africa v. Grootboom* case, the Court decided that government was not obliged to provide housing for some homeless people, but it was obliged to have a plan under which it would realise progressively the right to shelter. What the Court has achieved is the partial establishment of a culture of justification. The Court may be reluctant to engage in policymaking, but it has required repeatedly that the executive justify its actions, demonstrate their reasonableness, and show that its policies entail progress in the progressive realisation of socio-economic rights. This has partially filled the void left by parliament's passivity, imposing a soft constraint and weak pressure on the executive. Notably, it has required that the state reform some policies, such as the provision of anti-retroviral drugs (ARVs) to pregnant HIV-positive mothers. Constitutional Court cases have focused more on issues of redistribution through public expenditure, especially when these entail possible discrimination, not on the ways that the state shapes distribution through the labour market.

At the same time as power has become concentrated in the executive branch of government, there has been a centralisation of power within the executive itself. The executive comprises the range of departments shaped by the Westminster model: a powerful National Treasury (which includes the former Department of Finance), a set of spending departments (especially Education, Health, Social Development—which is responsible for welfare programmes—and Housing), and the departments concerned with criminal justice, Foreign Affairs, Labour, and so on. In 1994, a separate Ministry of Reconstruction and Development was established, with powers to top-slice the budgets of other departments and allocate these funds to promote development. In the face of considerable (and unsurprising) opposition from the spending departments, the ministry was abolished in 1996 (Blumenfeld 1997; Natrass and Seekings 1998). The National Treasury is a 'sort of government within a government', with the Minister of Finance (Trevor Manuel from 1996 to 2009) enjoying an 'almost first-among-equals status in the cabinet' (Calland 2006: 2). The National Treasury's power derived in part from both its control of multi-year financial planning and Trevor Manuel's personal authority within the ANC leadership. But it also depended on Mbeki's backing, and the primary concentration of power is in the Presidency itself, not the National Treasury (Clothia and Jacobs 2002).

Two events during the Mbeki presidency indicated the limits to the power of the presidency. Firstly, the ANC leadership prevailed upon Mbeki to back down on his opposition to rolling out ARVs for people with AIDS. It is said that senior ANC leaders concluded that Mbeki's position would be too much of a liability for the ANC going into the 2004 election campaign. Secondly, Mbeki's defeat in the ANC's presidential leadership contest in 2007, and subsequent eviction from the presidency, revealed that term limits can drain the power of a president in their second term. Under these



circumstances, the politics of both distribution and redistribution is more a matter of informal political contestation within the ANC (and tripartite Alliance) than it is of formal political contestation in elections and legislatures.

Non-state institutions also play an important role in the democratic process. Civil society—including trade unions—plays a crucial role in holding the government and state officials to account. South Africa’s media, NGOs, and social movements have exposed numerous instances of illegal activity. Insofar as the poor have not been included in the benefits of economic growth, this has not been due to the failure of civil society to hold the government to account for continued poverty and inequality. Indeed, even trade unions, which have contributed to the employment problem, have kept issues of poverty and inequality in the public arena, sometimes in the face of the government’s attempts to downplay them.

## The Politics of Distribution: Employment and Wages

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Poverty in South Africa is driven primarily by unemployment among less-skilled workers, in a context of landlessness. Some working people are poor, but this is generally because the household relies on a single, low income (in a sector such as agriculture or domestic work) while other adults in the household remain unemployed. Unemployment is recognised as a priority for government by voters but successive governments have been spectacularly unsuccessful in reducing it. The challenge of inclusive growth was starkly shown by South Africa’s performance during the recent global downturn. Production dropped sharply, and though it soon recovered to its pre-downturn level the upturn did not restore employment to its earlier level (Klein, 2012).

While there is certainly no consensus among researchers as to how job creation might be facilitated, it is clear that some options have been foreclosed politically. The history of labour market policymaking since the end of apartheid has been one of the unions’ achievement of wage- and labour cost-raising legislation in the mid-1990s, and then the unions’ successful frustration of subsequent attempts to reform this.

In 1994–95, COSATU wielded massive power within the ANC tripartite Alliance. It played a leading role in the drafting of the Reconstruction and Development Programme (RDP), which served as the ANC’s election manifesto in 1994. Unionists entered parliament, government, and the bureaucracy (especially in the Departments of Labour and Education). The new government passed the Labour Relations Act in 1995 (followed by other labour-related legislation) after corporatist negotiations in the National Economic, Development and Labour Council (NEDLAC). Many public sector workers received very large salary increases when salary scales were standardised. In early 1996, COSATU published an economic plan (Social Equity and Job Creation) which set out a programme including expanded public sector employment, higher wages, and tighter labour market regulation (Green, 2009: 434-5; see also Nattrass, 1996).

In early 1995, President Mandela appointed a Presidential Labour Market Commission (henceforth PLMC) to establish a framework within which labour market policies could evolve. The International Labour Organisation (ILO) was asked to conduct a review of the South African labour market to inform the work of the Commission. The PLMC was tripartite, i.e. included participants from the state, organised labour, and employers, as well as academics. The ILO review team comprised three left-wing academics. The crucial question facing both the PLMC and the ILO review team was how to balance workers' rights with the imperatives of economic growth and job creation. The phrase that later emerged to describe the desired balance—or, put another way, the framework within which a balance would be struck (Cheadle, 2006: 6)—was 'regulated flexibility'.

Even before the PLMC and ILO review team reported, the post-apartheid government had already legislated the 'new' Labour Relations Act (LRA, in 1995) and drafted the Basic Conditions of Employment Act (BCEA, passed in 1997). These were followed by the 1998 Employment Equity Act and 1999 Skill Development Act. The LRA and BCEA were drafted independently of the PLMC and ILO review and thus without the benefit of their evaluation of the South African labour market (Cheadle, 2006: 3). While informed by the new constitutional protection of workers' rights, this legislation entailed minor reforms to existing apartheid-era legislation, originally introduced to protect unionised, skilled, and semi-skilled white workers in the 1920s, and now broadened to protect unionised, skilled, and semi-skilled African workers. This deracialisation was clearly just, in many senses, but in deracialising the legislation that formerly protected the privileges of an elite of white workers, the state was introducing legislation that would ensure that benefits for workers relative to their employers would become privileges relative to the unemployed. The remaining vestiges of a division between insiders and outsiders within the workplace were shifted to the very edge of the workplace, so that the (formally) employed were now all insiders while the unemployed, casual workers, and informally employed remained outsiders.

Parts of this package of labour legislation accorded with some of the recommendations of the PLMC and ILO review. But other of their recommendations were not reflected in the legislation. The consequence was that, as some members of the PLMC feared, policies and institutions that affected wage determination and working conditions also served to promote a capital-intensive, and relatively jobless, growth path, by pushing up labour costs, especially among unskilled workers, and providing incentives to employers to substitute capital for labour and more skilled labour for less skilled labour.

Criticisms of labour market policy focused on two respects in which 'regulated flexibility' was insufficiently flexible and having a negative effect on the demand for unskilled labour. Firstly, it was argued, industrial relations procedures resulted in very high costs to employers of dismissing labour. By one estimate, it cost business 1 percent of GDP to dismiss workers each year, and three times the number of work-days were lost through dismissal procedures than through work stoppages. Some of the labour lawyers responsible for drafting the relevant labour legislation spoke out against the gap between what they intended and what has ensued.<sup>7</sup> Secondly, wages were negotiated in centralised, sector-based Bargaining

Councils, which were dominated by the large, more capital-intensive employers together with the trade unions who have a common interest in setting wages at high levels to eliminate competition from small, less capitalised and less organised employers. The contentious aspect of this was the provision for the Minister of Labour to 'extend' minimum wages agreed collectively by those employers and workers in Bargaining Councils to 'non-parties' across the whole country. The PLMC compromised on a cautious approach to extensions, but the business leaders negotiating the LRA conceded a more expansive approach, perhaps even without realising that they had done so.<sup>8</sup> Business participation in both the negotiations over the LRA and within individual Bargaining Councils was dominated, in practice, by bigger, more capital-intensive businesses, for whom the extension of minimum wages was either irrelevant or even advantageous, insofar as it undermined more labour-intensive competition. The representatives of small businesses objected strongly to many aspects of the LRA, without success.

The government itself slowly shifted toward accepting the need for some reform of its labour market policies. In 1999, the government initiated a review of labour legislation, but only very minor reforms were implemented. In the same year, the Minister of Labour introduced very minor changes to the regulations affecting small businesses employing less than ten workers, but these were withdrawn in the face of strong opposition from trade unions. In mid-2005, some ANC leaders finally declared their intention of tackling the 'sacred cow' of labour market policy. A discussion document, tabled at a major ANC conference in 2005, proposed excluding small employers from some regulatory requirements and from the sectoral wage deals negotiated between large employers and unions. Such reform of labour market policy was strongly opposed by the ANC's powerful allies COSATU and the South African Communist Party (SACP), who lobbied strongly against them at the conference and secured a final resolution that left labour market reform off the immediate agenda.<sup>9</sup>

Following COSATU's political triumph at the 2005 ANC conferences, various state departments commissioned a series of studies of aspects of the labour market, with the intention of assessing the constraints on job-creation. Much of this research was commissioned from scholars with close links to the trade union movement, and most concluded that there was little evidence that union-friendly legislation that raised wages (and other costs of employment, including especially costs of retrenchment) had a marked effect on employment (Altman and Valodia, 2006; Godfrey, Maree and Theron, 2006; Pollin et al, 2006). Most of this research was less than satisfactory, however, in that it ignored contrary evidence. More curiously when these same researchers turned to the question of what policy reforms to recommend, many of them suggest wage subsidies, which implies that they believed that wages in certain sectors or occupations were a constraint on job creation, and lower labour costs would facilitate job creation. One dissenting voice was prominent and long-standing labour lawyer Halton Cheadle, who in 2006 wrote a paper in which he revisited the LRA and BCEA, making specific recommendations on a range of aspects of labour law. Cheadle (2006) proposed making various regulations less onerous, which in this sense amounted to limited deregulation.

In 2006, the Mbeki government appointed a panel of international economists (chaired by Ricardo Hausmann of Harvard) to review the obstacles to South

Africa growth and make policy findings. In their report of May 2008, the panel called for (*inter alia*) more flexible labour-market conditions for young workers,<sup>10</sup> prompting criticism from some left-academics (e.g. Fine, 2008). Although the panel acknowledged that high wages for unskilled workers' were undermining employment, they were apparently told by the presidency at the outset that if they pointed to high wages, they would have no influence.<sup>11</sup>

By 2007, the National Treasury was beginning to consider wage-subsidies in a range of contexts. For example, in its proposals to expand the contributory retirement fund system to cover low-wage workers, the National Treasury suggested that the additional costs of contributions should be offset by wage subsidies (of up to R5,000 per worker p.a.) (South Africa, 2007b). In 2009, the new Minister of Finance Pravin Gordhan, proposed the introduction of wage subsidies for young people to facilitate their entry into employment. These proposals were effectively vetoed by the trade union movement.

While the trade unions and their allies in the ANC were able to preclude serious discussion of expanding low-wage employment within either the ANC or government, they have not been able to shut down entirely discussion of wage subsidies, which remain on the political agenda. Wage subsidies potentially achieve both high wages and lower labour costs to employers, so unions' opposition is somewhat muted. But unions have opposed reforms in practice, ostensibly on the grounds that wage rates would be depressed generally.

In practice, ANC governments have operated on the assumption that the ANC's union allies need to be kept on board. Individual ANC leaders express concern over aspects of labour market regulation, and point to the need for job creation, even if the jobs do not involve high-wage, 'decent' work. But these individuals within the ANC have a weak bargaining position. In other countries with strong trade unions—including Ireland and the Netherlands—governments have persuaded unions to make concessions with regard to wage restraint and labour policy reform in return for tax concessions and policies to promote skills development and training (Seekings and Natrass, 2005: chapter 11). In South Africa, however, the government had already handed over these bargaining chips, and got nothing in return. In the early- and mid-1990s the unions secured an institutional environment that ensured high and rising wages in the formal sector, and ensured that an ideology of 'decent work' that focused on high wages became almost hegemonic.

The politics of distribution is driven by the fact that South African trade unions are 'extremely powerful and influential' (Buhlungu, 2010: 177). They organise a high proportion of the formally-employed workforce. They wield considerable power over wages and the organisation of production through labour-friendly labour market institutions, and on public policy through both the state (especially the Department of Labour) and the ANC-led tripartite Alliance. Trade unions have adopted unambiguously progressive positions on some issues, promoting the interests of the poor as well as of their own working members. But they rarely lose sight of their primary role of protecting the interests of their current membership, which comprises non-poor sections of the working and lower middle classes. Drawing on a 'workerist' ideology, sometimes dressed up in socialist garb, they

have major direct effects on 'who gets what' through wages and conditions of employment, but also have important indirect effects through the economic growth path, shaping employment patterns and hence who gets any wages at all.

By 2000, approximately one in three working people were members of trade unions. This is a much higher proportion than in other middle-income countries and even many advanced capitalist countries. High levels of union membership in South Africa reflects both the structure of the economy (with relatively little agricultural or informal employment compared to most middle-income economies), the political and institutional context, and legal provision for closed shop agreements in some industries. Just over half of all trade union members belong to one or other of the nineteen unions affiliated with the largest and most important trade union federation, the Congress of South African Trade Unions (COSATU). At its 10th National Congress in 2009, COSATU reported almost 2 million members. COSATU and its affiliates constitute a very substantial set of organisations with more than 1,800 full-time officials, a dedicated parliamentary office and a research wing (Webster and Buhlungu, 2004).

Since the early 1990s COSATU has changed in terms of the sectoral and skill composition of its affiliates' members, and the experience and values of members and leaders. Founded as, primarily, a federation of unions in industrial sectors, COSATU is now dominated by unions in the public and parastatal sectors. COSATU's membership has also shifted from being predominantly un- or semi-skilled to being predominantly skilled, supervisory or even professional, as shown in COSATU's own surveys of their members. Between 1994 and 2008, the proportion of members in unskilled occupations fell from 30 percent to just 6 percent, while the proportion in either unskilled or semi-skilled employment fell from 60 percent to 22 percent (Bischoff and Tshoaedi, 2012: 52). Trade union membership is highest not among the working poor, nor among even semi-skilled and skilled workers, but among workers whose monthly earnings in 2005 were reported to be between R6,001 and R11,000. The unions have over time come to represent the more highly-skilled, better-paid workers in formal, secure employment. The median wage of a unionised worker is more than double the median of non-unionised workers. Almost no union members are in the poorest half of the South African population, which comprises instead households with workers in non-unionised sectors (such as domestic work and agriculture) and marginal forms of employment, or who are unemployed. In the South African context, trade unions are a powerful movement of the non-poor. COSATU members have become 'less, rather than more, representative of the South African working class as a whole' (Buhlungu, Southall and Webster, 2006: 209).

The influx of new members into COSATU unions and the changing social composition of union membership have contributed to a number of cultural shifts within the union movement. A culture of self-sacrifice, solidarity, and comradeship has given way to an embrace of luxury, including conspicuously expensive clothes, cars, hotels, suburban houses, and social lives. As Buhlungu puts it, 'there is a lot of truth to the joke that if you want to see how well unions look after their middle and top leaders, go to their parking garage and see the cars they drive' (Buhlungu, 2010: 121). COSATU itself acknowledged a rise in 'crass materialism, selfishness and individualism'.<sup>12</sup>

South Africa's unusually high rate of unionisation has been accompanied by unusually high rates of industrial protest, used to put pressure on employers (including the state in the case of public sector unions). Between 1998 and 2008, South African workers were on strike at a rate of 225 workdays per 1000 workers per annum. In the peak year of 2007, workers were on strike at a rate of 753 workdays per 1000 workers. This might not sound particularly high, in that the average worker was on strike for less than one day in the course of the entire year, but the South African strike rates are very high compared to other countries. The South African strike rate was three times higher than the OECD weighted average.<sup>13</sup>

Strikes (and accompanying violence) are not the only mechanism that unions use to push for higher wages and improved job security and other conditions of employment. Unions enjoy considerable institutional power through labour-friendly institutions. In sectors where workers are unionised, unions negotiate with employers in sectoral Bargaining Councils. Agreements reached in Bargaining Councils are routinely extended across the entire sector, i.e. to firms and workers that were not represented in the Bargaining Councils. In practice, this generally serves as a mechanism through which minimum wage rates and conditions of employment are imposed across entire sectors. Bargaining Councils act in diverse ways with respect to both raising minimum wages and allowing exemptions. The clothing industry is a controversial example. Clothing is the last labour-intensive manufacturing sector, and employment is very sensitive to labour costs. In the decade between 2000 and 2010, employment declined sharply, through a combination of high (and in some cases rising) labour costs and increased international competition due to trade liberalisation (reduced tariffs) and the exchange rate. I have previously argued that an unholy alliance of organised labour, the state (through the Minister of Labour, together with the DTI), and some employers (primarily the larger, relatively capital-intensive firms) has accelerated job destruction through raising substantially and enforcing (albeit unevenly) minimum wages in low-wage parts of South Africa (Nattrass and Seekings, 2013). While the trade union has disputed this analysis of the economics of the industry, it has not challenged the argument that they have acted in concert with some employers to try to shut down other firms that do not comply with the raised minimum wages extended by the Minister of Labour.

Unions have used their institutional and confrontational powers at sectoral and workplace levels, to raise real wages, especially for unskilled and lower-paid workers, and to enhance workers' job security. In many sectors, especially the public sector, workers are largely protected from discipline and dismissal even if they fail to do their work or commit crimes such as theft. In many workplaces, workers and unions constrain managerial authority severely, and subvert the formal institutions of industrial relations as much as, if not more than, managers themselves. By raising the costs of employment, including both direct wage costs and indirect costs (such as the cost of dismissing workers who can go to the CCMA), workers incentivise employers to substitute capital-intensive production for labour-intensive production and thus to entrench an economic growth path that has little to offer the huge numbers of less skilled or unemployed workers.

The industrial power of the unions (through strikes) and their institutional power (primarily through Bargaining Councils) is accompanied by ideological power. Unions have been very effective in rendering their favoured ideology of 'decent' work almost hegemonic. In the South African context, decent work has lost its original focus (in ILO discourse) on employment conditions and its links to job creation, and has come to mean primarily high wages. High wages are justified in terms of closing the apartheid or racial 'wage gap', i.e. in terms of reducing wage inequalities. The ideology of decent work pays no attention to the consequences for unemployment. Employers in non-tradable sectors pass increased costs onto consumers. Employers in tradable sectors either invest in capital- and skill-intensive technology, raise productivity and give themselves the space to pay higher wages, or they shut down. The consequence is the collapse of demand for less skilled labour in tradable sectors, such as clothing production.

Finally, COSATU wields considerable political power. Unions have been able to exert power within the ANC largely because of the number of union activists and members within the ANC. More than half of the COSATU members surveyed in 2008 said that they were members of a political party, and most of these would have been ANC members (Buhlungu and Tshoaedi, 2012: 301).<sup>14</sup> As many as one-fifth of the surveyed COSATU members, and a larger proportion of its shop stewards, are members of the SACP (Maree, 2012: 64-5). Insofar as COSATU members exert disproportionate influence in many ANC branches, including as office-holders and delegates to provincial and national congresses and conferences, COSATU's influence is greater than the numbers alone suggest. In the context of generally disorganised branches (Darracq, 2008), COSATU's unions certainly have unique country-wide networks and—strengthened by the SACP networks—unrivalled ability to act in concert in regional and national conferences. In its 2015 Plan adopted at its 8th National Congress in 2003, COSATU assessed that 'the Alliance was on the brink of collapse'. The unions decided 'to "swell the ranks of the ANC" with working class cadres aimed at changing the direction of the ANC towards a consistent pro-poor and working class agenda'.<sup>15</sup> The strategy of achieving 'working-class hegemony' within the ANC was at least partially successful. As COSATU itself puts it, the '1996 class project' was 'dislodged', the ANC was 'cleansed' of 'years of accumulated dirt', and it was reoriented towards workers (and the poor, according to COSATU's own account).<sup>16</sup>

COSATU's successes include blocking labour market policy reform; privatisation; more onerous performance appraisal of teachers; and the payment of low wages on public works programmes, all of which provide strong incentives to remain within the tripartite Alliance rather than establish a rival, union-based political party, as some observers and unionists have advocated (Habib and Taylor, 1999a, 1999b, 2001; Bramble and Barchiesi, 2003). COSATU's own polls found that a negligible proportion of its members supported the formation of a new workerist party (Buhlungu, 2010: 75; Maree, 2012: 69). Beresford (2009), in his study of workers in two Eskom power stations in Mpumalanga, found that workers' estrangement from Mbeki did not mean they were estranged from the ANC. By supporting Zuma, these workers hoped to regenerate the ANC.



The importance of political power is evident in the ways that COSATU opposes policies. On issue after issue, COSATU employs its political power; faced with a rise in outsourcing of labour, for example, the unions do not negotiate with employers or demand that they desist from this, but rather lobby for the state to pass legislation prohibiting such outsourcing. It prevents the practice of unorganised workers undercutting high wages, not through organising among unorganised workers but by insisting that centrally-bargained wage settlements are extended to non-parties through administrative fiat. The constraints on imposing educational reforms on teachers stem more from the power of the teachers' union in internal ANC politics than from the power of the teachers' union within the schooling sector. When organised labour does employ strike action, it is often as much for political reasons (i.e. to exert pressure within the ANC) as a statement of employee discontent with employers.

Yet organised labour has not enjoyed unlimited power, even with respect to labour market policies and wages. Public sector unions were able to secure real rises in earnings, but nowhere near as much as they wanted. Unions only succeeded in getting the state to consider extending labour market regulation, for example to prohibit outsourcing after 2009. After its massive legislative triumphs of the mid-1990s, organised labour has generally been more successful in blocking unwelcome reforms than in winning its demands for further reforms.

Perhaps the most important consequence of the power of organised labour is the overall growth path of the South African economy. Unions secured favourable industrial policies which emphasised skills training and rising productivity (Natrass, 2001) and, from the early 2000s, decent work. Organised labour has not been alone in this: big business has not been altogether unhappy with high wages as long as they were accompanied by high productivity (although they are less happy with the cost of dismissing workers). Employers responded to this high-wage, dismissal-unfriendly environment by steadily shedding unskilled labour and investing in more capital- and skill-intensive technologies. Big business has been acquiescent because it can usually continue to earn profits with a variety of different production regimes. In some sectors, employers were able to pass cost increases on to consumers through collusion, which has been revealed as widespread (Lewis, 2012). The employers disadvantaged by these practices have typically been smaller employers in labour-intensive, tradable sectors, such as clothing and shoe production, and some agriculture. It is unlikely that the shift toward a higher-productivity, higher-wage growth path would have been so easy, politically, had the economy not been dominated by large firms who could both raise capital to restructure their production and collude with each other, making it easier to acquiesce in a labour-driven higher-wage strategy.

The consequence was that average real wages rose, in part because the demand for unskilled labour declined at the same time as the profit share rose (and the wage share declined). The post-apartheid growth path was good for employers and for those workers who kept their jobs. Those badly affected were workers who lost their jobs and did not find new employment, the smaller businesses which struggle to establish themselves and grow in the face of high wages and onerous state regulation, and the chronically unemployed. This outcome is especially undesirable



in terms of poverty because of the declining links between well-paid workers in formal employment and the marginalised and unemployed. Undoubtedly, many formally employed workers support unemployed kin out of their rising wages. But these relations of support have shrunk dramatically over the past two decades. Inter-household remittances have collapsed, meaning that formally employed workers in urban areas are supporting very few people in rural areas, where poverty is still deepest. There is also evidence of a growing conditionality to kin support for kin even within urban areas, contributing to deepened stratification.

## The Politics of Redistribution: Welfare and Public Services

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Democracy might not have brought benefits to poor South Africans in terms of the distribution of market incomes, but it has brought considerable benefits in terms of redistribution through the fiscus. Van der Berg's fiscal incidence analysis concludes that the value of cash transfers and subsidies to public expenditure, health care, and housing almost doubled, in real terms, between 1995 and 2006. Public expenditure has become better targeted on the poor. By 2006, the poorest 40 percent of the population received 50 percent of all social spending, including both the estimated value of services as well as cash transfers. Almost one half (49 percent) of spending on school education was nominally spent on the poorest 40 percent of the population, as was 57 percent of spending on public clinics, and 43 percent of spending on public hospitals. Cash transfers were even more targeted on the poor, with 70 percent of old-age pensions, 62 percent of child support grants, and 59 percent of disability grants going to the poorest 40 percent of the population. Some social spending was not well-targeted on the poor: only an estimated 24 percent of public expenditure on housing accrued to the poor, and the poor benefited from only 5 percent of public expenditure on universities (Van der Berg and Moses, 2012).

All analysis of changes in income poverty levels in the 2000s point to the big effects of the expansion of social grants. Government-run nutrition and feeding schemes have also contributed to declining malnutrition (SAIRR, 2007: 323). Between 1994 and 2009, real expenditure on social assistance more than doubled. This was also a period of sustained economic growth, so the rising expenditure was more modest in relation to GDP, rising from 2 percent to 3.5 percent. The number of individual beneficiaries rose more than five-fold. Since 2009, expenditures have continued to rise. With more than one in four South Africans—and almost one in every two South African households—receiving means-tested grants, it is not surprising that social assistance programmes make a major dent on income poverty. Analysis of the sources of income of different income deciles shows that, by 2008, the poor deciles were relying overwhelmingly on social grants, whereas as recently as 1994 remittances had played a very important role (Leibbrandt et al, 2012: 23-4). The expansion of public cash transfers has been concurrent with the decline in private cash transfers (or remittances).

This record of redistribution is remarkable, and probably without parallel in countries across the global south, but its politics remains poorly documented. The

politics of redistribution entails four inter-related terrains of conflict. Firstly, there is a politics of taxation, borrowing, and total public expenditure, determining how much the government spends in total and how this is financed. Secondly, there is a politics of public sector wages, which account for the lion's share of public expenditure on education and health. Thirdly, there is a politics of the quality of public expenditure, determining whether the poor really benefit from public expenditure that is ostensibly pro-poor, for example on salaries for teachers and health workers in schools and clinics in poor neighbourhoods. Finally, there is a politics of cash transfers (through social assistance or workfare programmes) and social insurance. None of these terrains has been studied carefully in South Africa.

Aggregate levels of public expenditure are intensely political. Total public expenditure as a share of GDP was almost exactly the same in 2009 as in 1994—about 27.5 percent—but total revenues rose steadily, from less than 22 percent of GDP to almost 28 percent, and the deficit shrank from about 6 percent of GDP to a small budget surplus in 2008. (The downturn from 2008-09 pushed up the deficit again). Faced with a deepening fiscal crisis after it took office, largely inherited but exacerbated by extravagant public sector wage increases and other expenditures, the government had little choice but to restrain public expenditure growth. The Growth, Employment and Redistribution (GEAR) plan—which proposed trade liberalisation, labour market deregulation, and privatisation along with fiscal caution—provided the focus for otherwise unfocused discontent with 'neoliberalism'. Although GEAR was announced (in 1996) without prior discussion with COSATU or even within the ANC, it was endorsed by Jay Naidoo and other MPs with backgrounds in COSATU. COSATU rejected GEAR at its national congress in 1997, but COSATU general secretary Mbhazima (Sam) Shilowa and other senior unionists were party to a process within the ANC that led to the effective endorsement of GEAR at the ANC's national conference in December 1997 (Green, 2008: 432-59). The combination of economic downturn, liberalisation, and government fiscal austerity, however, created large constituencies within organised labour in support of a more critical position. The municipal workers' union (SAMWU) was stridently critical of privatisation, which threatened its members especially. All of the public sector unions were critical of fiscal austerity, not least because of its implications for public sector wages. Most of the industrial unions suffered declining membership in the late 1990s (Buhlungu, 2010: 90), and some blamed their misfortunes on trade liberalisation. Unions such as the National Union of Mineworkers demanded increased labour regulation in order to counter the out-sourcing that it identified as a threat to union membership. GEAR and 'neoliberalism' became the symbols of their various grievances. When Zwelinzima Vavi succeeded Shilowa as general secretary of COSATU, the federation's criticisms of government policy became more strident. While COSATU's primary concern was privatisation, the unions also pushed for increased public expenditure, financed in part by increased debt. Throughout this period intra-ANC politics was the primary mechanism by which COSATU protected its initial gains, resisted policies that it deemed detrimental to its members' interests, and from the mid-2000s secured a new set of favourable policies and commitments.

Trade unions certainly have vested interests in public expenditure, given that a large proportion of union members are employed in the public sector and most

public expenditure goes to their wages and salaries. The teachers' union SADTU, the health workers' union NEHAWU, and the municipal workers' union SAMWU are major players in the politics of public education, health care, and municipal services. The trade union movement in general is committed ideologically to public services. Unions have successfully raised public sector wages significantly higher than wages in comparable private sector jobs, and have successfully stalled most attempts at improving the accountability of teachers and health workers. But whereas labour market reforms affect the employment of all workers, social policies affect the employment of only public sector workers, while most trade union members have an interest also in the quality of public education, health care and municipal services.

Trade unions have less obvious interests in cash transfers (although they have an interest in both public works programmes, at least in terms of wage-setting, and social insurance). The politics of redistribution through cash transfers differs from the politics of distribution in that citizens are more alert to what they perceive to be the successes and failures of government, and technocrats are not beholden to specific interest groups.

In 1994, the ANC inherited a welfare system that still allocated disproportionate resources to schools and hospitals serving primarily non-poor white people and that privileged non-poor 'white' neighbourhoods in terms of urban service delivery and infrastructure, but which provided generous social grants to the elderly poor and disabled poor (without regard to race, from 1993). Deracialising these public services was inevitable, and ensured a considerable reallocation of public resources towards the poor. Since 1994, the ANC has repeatedly committed itself to programmatic redistribution to the poor. Echoing the RDP and the Bill of Rights, the 1997 White Paper on Social Welfare proclaimed that 'Every South African should have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimum acceptable standards' (South Africa, 1997: ch.7, paras 26–7). In 2000, the government appointed a Committee of Inquiry into a Comprehensive System of Social Security, chaired by Professor Vivienne Taylor. Government ministers routinely profess their commitment to mitigating poverty and inequality through broad and expensive welfare programmes. For example, the Minister of Social Development told Parliament in 2010 that the social assistance system was the expression of the 'values of social solidarity'. Cash transfers to citizens 'who, through no fault of their own, cannot find gainful employment', provide for food and basic material necessities as well as 'a measure of dignity'. The minister invited parliamentarians to monitor the government's progress 'towards building a comprehensive social security system that will, over time, facilitate a more socially inclusive South Africa'.<sup>17</sup>

The reallocation of public spending to clinics, hospitals, and schools serving poor (and medium-income) South Africans was not opposed by the opposition political parties. Rich South Africans by-and-large accepted their migration to private health care and mixed public-private schools (the so-called 'model C' schools which supplemented government funding with sometimes substantial fees). The allocation of increased funding to social grants was also not opposed by opposition parties, in part because the delivery of grants was generally efficient.

Increased pro-poor welfare expenditures have, however, been opposed within the ANC and state. Government ministers and ANC leaders insist that South Africa does not and should not have a 'welfare state'. Echoing the discourse used by their apartheid-era predecessors, they bemoan the financial costs of 'handouts' and the social and economic cost of the ensuing 'culture of dependency and entitlement'. While endorsing the concept of a caring society, they prefer the imagery of the developmental state to that of the welfare state. Nelson Mandela himself, in his inaugural presidential address in 1994, spoke of his government's commitment 'to confront the scourge of unemployment, not by way of handouts but by the creation of work opportunities'.<sup>18</sup> The 1997 White Paper committed the government to the goal of 'developmental social welfare' and 're-orienting (its) services towards developmental approaches', i.e. promoting 'self-reliance' rather than dependence on state 'hand-outs'. The Department of Welfare was renamed the Department of Social Development in 2000. This developmental emphasis was informed by severe fiscal constraints in the second half of the 1990s, but senior members of the government and ANC continued to denigrate handouts even after the fiscal crisis had abated (Coleman, 2003; Meth, 2004). The real value of expenditure on grants peaked in 1996, and remained below its 1996 level for the following five years; expenditure on grants fell significantly as a proportion of GDP.

The one major reform of this period entailed replacement of the state maintenance grant for poor children with a new 'child support grant'. The state maintenance grants were generous but reached a small proportion of the potential beneficiaries. The government-appointed Lund Committee recommended that a new child support grant be introduced. With much less generous benefits and originally restricted to very young children, the government could afford to extend the new grant much more widely than the old one (South Africa, 1996; Lund, 2007). Later, the age limit was raised steadily, the number of beneficiaries expanded dramatically, and poverty was mitigated substantially. This proved to be a very important and progressive reform. But it did not change the basic design of the provision of public welfare.

The boldest reform proposed after 1994 was the basic income grant (BIG), first proposed by COSATU in 1998, and recommended, tentatively, by the Taylor Committee in 2002. The BIG, payable to all South Africans without a means-test, and set at a modest level, would have cost (gross) about 4 percent of GDP. The committee accepted that administrative and fiscal constraints meant that a BIG could not be implemented immediately, but it should be phased in over time. The BIG would have had a major effect on poverty by ensuring that the safety net of public welfare had no holes. But the opportunity cost of 4 percent of GDP, however funded, would be many other government programmes. The proposal aroused strong opposition within the ANC leadership. The Minister of Finance, Trevor Manuel, questioned both the affordability and administrative feasibility of a BIG, and also opposed the idea on ideological grounds. He dismissed the proponents of a BIG as populist. President Mbeki resisted unconditional handouts to the poor. After the proposal was discussed at a government *lekgotla* (or extended meeting) in July 2002, government spokesman Joel Netshitenzhe reported that the cabinet was moving towards a rather different 'philosophy': able-bodied adults should not receive 'handouts', but should be helped to 'enjoy the opportunity, the dignity and

the rewards of work' (quoted in Matisonn and Seekings, 2003). Discussion of the issue at the ANC's policy and national conferences in 2002 revealed the divisions within the party, with neither conference endorsing or rejecting the proposal. The parliamentary portfolio committee similarly neither endorsed nor rejected the BIG, despite strong lobbying by a pro-BIG coalition of trade unions, churches, and NGOs—the Basic Income Grant Coalition. While stalling on the BIG, the government did expand steadily the number of grants paid monthly by raising the age of eligibility for child support grants and reducing the age of eligibility for men for old-age pensions. Government ministers and officials continued to emphasise the government's commitment to a developmental rather than a welfarist approach, and its preference for public works programmes as an alternative to social assistance (Seekings and Matisonn, 2012).

South Africa's welfare state has always focused on social assistance rather than social insurance. The government's attempts to expand contributory social insurance have been largely unsuccessful. The relatively rich account for the lion's share of the membership of pension and provident funds, as well as medical aid schemes and even the state-run Unemployment Insurance Fund (UIF), reaches only those unemployed who have been privileged enough to work and contribute to the fund previously. The government estimates that only 60 percent of formally employed workers are members of retirement funds (South Africa, 2002: 93; South Africa, 2007: 5). Expanding the coverage of contributory schemes would help to contain the rising costs of social assistance. The government therefore proposed (tentatively) to make participation in contributory retirement funds compulsory for all formal sector employees. This was strongly opposed by trade unions, despite the government's proposal that contributions for low-wage workers be subsidised by the state at an estimated cost between 1 percent and 1.5 percent of GDP. Trade unions were, however, strongly supportive of proposals to establish a system of national health insurance (NHI). NHI would allow the state to use contributions from rich people to cross-subsidise health care for poorer people. Private hospitals and clinics would either be nationalised or might be allowed to provide services to the NHI. The primary objection to the proposal was that the state lacked the capacity to manage the existing system of public hospitals and clinics, and was in no way ready to manage an expanded, universal system. COSATU was reportedly instrumental in having the ANC Minister of Health, Barbara Hogan, replaced in May 2009 when she seemed hesitant about this proposed reform. Her successor, Aaron Motsoaledi, committed himself to an NHI as a long-term goal, but in the short-term prioritised addressing basic management and capacity issues in the public sector.

Both the retirement pension reforms and the NHI initiative underscored the lack of priority attached to a BIG by the government. The likely cost of either the NHI or subsidies for a more encompassing contributory retirement pension system precludes major new expenditures on cash transfers. The fact that the ANC and government have committed themselves to an NHI indicates that neither is necessarily opposed to additional taxes on the rich. The BIG is opposed not simply because it is expensive, but because it is not a priority.<sup>19</sup> The prospects of a BIG being introduced were substantially weakened by the fact that, as Coleman (2003: 121) noted, 'there does not appear to be an open champion of

BIG in government, although there is significant sympathy and support for the idea by certain government leaders ... and by certain ANC MPs'. The Minister of Social Development from 1999 to 2009, Zola Skweyiya, seems to have been in favour of a BIG in principle, but unwilling to push hard for it, perhaps because of the opposition from the president (Mbeki, until 2008) and Minister of Finance (Manuel). In practice, it is difficult to see other members of the cabinet being moved to support such an expensive programme when they had competing claims for scarce public revenues. The BIG also lacked strong, single-minded advocates within either party politics or civil society. The Basic Income Grant Coalition never achieved much traction and ceased to play any role by mid-2005, primarily because its own constituent organisations had other priorities, and because of its own organisational difficulties. The prospects for a BIG seemed to improve from 2007, when supposedly pro-BIG trade unions acquired increased power within the 'ANC Alliance'. However, the unions, and the union-based faction within the ANC, did not prioritise a BIG, focusing instead on issues of greater importance to their immediate constituencies. In the absence of strong interest groups representing the poor specifically, a BIG is unlikely to be a serious possibility unless partisan realignment results in political parties competing for the votes of the poor.

In the 2009 elections, the ANC emphasised expanded public works programmes (in response to unemployment) and NHI (in response to poverty). It was the opposition parties that adopted a more pro-BIG position, even if in part their advocacy was cynical. Trade unions continue to profess their support for a BIG. COSATU officials admitted that while the campaign 'did lose some steam in recent years, (this) should not be construed as a change in COSATU's support for the BIG'.<sup>20</sup> In September 2010, COSATU published a lengthy framework document on the need for a new economic growth path (COSATU, 2010). In this document, COSATU called for a BIG, to be financed out a substantial increase in taxation. However, COSATU also called for a range of other initiatives, including NHI, the growth of employment at decent wages in the public sector and, especially, an employment-guarantee scheme. References to the BIG were clearly of secondary importance in comparison with these other, similarly expensive proposals.

In sum, there are modest electoral pressures for a pro-poor expansion of welfare programmes, but there is little concerted or organised pressure on or within the ANC and government. Under these circumstances, the normative preferences of the ANC leadership become very important.

## Conclusion

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Despite the expectations of political theorists and most commentators on South Africa, the formal establishment of representative democracy provided a weak impetus to pro-poor policy. The consequence has been the persistence of a high rate of income poverty, increased income inequality, and highly unequal economic opportunities for poor and non-poor citizens.

Political parties want to be seen to be pro-poor, and the Constitutional Court requires that the executive provides a reasonable justification of its policies in terms of its constitutional obligations to help the poor. But there is insufficient competition within the electoral system to ensure that governing parties adopt either substantively pro-poor policies or populist positions. Crucially, the fact that the poor have votes is insufficient to counter the powerful vested interests of the new black elite and middle classes, or organised labour.

The post-apartheid state inherited a set of institutions and policies that made up a distributional regime that was originally intended to be pro-poor only in the sense that it was designed to raise poor white citizens out of poverty and into privileged position relative to black South Africans. The distributional regime was deracialised in the last years of apartheid and first years of democracy, but deracialisation could not transform a distributional regime that revolved around privilege amidst poverty into one that erased privilege through rendering opportunities more equitable. Neither the enfranchisement of the poor, through democratic elections, nor pro-poor rhetoric or even intentions among political elites was sufficient on its own to transform this distributional regime. The reason why the post-apartheid distributional regime resembles its apartheid-era predecessor is not because post-apartheid governments or interest groups wanted or even imagined this particular outcome, but rather that various powerful actors sought to advance their interests, and may have even thought that this was in the interests of the poor also, through only minor reforms of existing institutions and policies.

Organised labour enjoyed enormous power in the formative moment (or critical conjuncture) of the mid-1990s, achieving institutional reforms that served to reproduce the semi-privileged position of organised workers in South African society, and has since retained sufficient power to veto substantive challenges to its earlier achievements. Even in the early 2000s, labour frustrated proposed privatisation, the deregulation of labour markets, and formal sector wage moderation. In the mid-2000s, organised labour regained political power, reflected in shifts in industrial policy, but the limits to its power were also revealed in cases such as its inability to secure a prohibition on labour broking, to stop planning for a youth wage subsidy, or to secure a pro-worker national health system.

The politics of distribution (primarily through employment and wages) contrasts with the politics of redistribution (through the fiscus, including both cash transfers and 'in kind' benefits from public education, health care, and other services). In the former case, organised labour exerts an effective veto over pro-poor reforms of labour market policies. They form a strong coalition with predominantly pro-labour



bureaucrats in the Department of Labour, and on some issues form a community of interest with powerful employers, but their power is wielded primarily through the tripartite Alliance with the ANC. With respect to redistribution, progressive technocrats and bureaucrats have implemented a variety of pro-poor reforms in the face of weak skepticism among some senior ANC leaders, because of the absence of interest groups opposed to the reforms. The exceptions are reforms intended to improve the quality of public service delivery, especially public education and health care, which generally provoke strong and effective opposition from public sector unions.



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3. Declining life expectancy was the primary cause of South Africa's declining score on the *Human Development Index (HDI)*—a measure of well-being developed by the United Nations Development Programme (UNDP)—and the country's slide down the international HDI rankings from 90th in 1994 to 120th in 2003.
4. Calculated using the 1993 PSLSD and 2008 NIDS data, i.e. the same datasets analysed by Leibbrandt et al.
5. The weights are derived from my calculations, and reflect only racial demographics.
6. Mandy Rossouw, 'MPs feel like "second-class citizens"', *M&G*, 26th Oct 2007, p8.
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15. Quoted in COSATU, Political Report to the 10th National Congress, 2009.
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18. State of the National address, 24th May 1994, <http://www.info.gov.za/speeches/1994/170595002.htm>.
19. A considerable contributor to the weakening of the BIG Coalition was the embezzlement of funds by the co-ordinator of the Coalition, who was charged and served a prison sentence.
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**ADDITIONAL FUNDING:**

The John Templeton Foundation

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