Chapter four

Poverty and inequality

> "South Africa's socio-economic dynamics still contain considerable inequality-generating momentum, despite a post-apartheid policy milieu that has explicitly taken on the task of addressing this legacy."

Scorecards
Income poverty and inequality 95
Access poverty 96

Research
The persistence of high income inequality in South Africa: Some recent evidence 98
Ingird Woolard, Murray Leibbrandt and Hayley McEwen

Review
Poverty in South Africa: Government attempts to include the excluded in designing policies and programmes aimed at reducing poverty 108
Vusi Gumede

Analysis
Rural livelihoods and market integration: Agrarian policy in South Africa 116
Andries du Toit

overview

In the opening contribution to this chapter, **Ingrid Woolard, Murray Leibbrandt and Hayley McEwen** present their latest research findings pertaining to inequality patterns. Their study, based on comparative data from the 1993 Project for Statistics of Living Standards and Development (PSLSD) and the 2008 National Income Dynamics Study (NIDS) confirms that high aggregate inequality between these two measurement points has not declined over the past 15 years, and that there are still entrenched factors in our economy that provide 'considerable inequality-generating momentum'. Both inter-group and intra-group inequality have grown during this period. While this does not suggest a trend of gradual decline of the country's 'racial footprint', its demographic implication, particularly as it relates to the black African component of the population, is significant. Exponential growth of inequality levels within this section of the population, combined with its large numerical majority, will ensure that the material attributes of this group exert growing influence over aggregate inequality trends.

In the next article, **Vusi Gumede** documents the government's search for a comprehensive South African anti-poverty strategy. He articulates the need for an approach that spans the broad range of interactions between the different structural and temporal variables that impact on poverty levels, and outlines the conceptual and practical considerations that have to be taken into account in its development. In its current form, the strategy is based on nine key pillars that have been informed by broad consultations across the policy stakeholder spectrum. According to Gumede, the recommendations and insights gained from these interactions have not been taken lightly, and the process has sought to identify specific opportunities for these stakeholders and the state. For its part, it is important for the state to consider how it would scale up its capacity for implementation, and ensure that this is done in unison. Gumede concludes that state cohesion will be the decisive factor in the successful implementation of the strategy.

In the final article in this chapter, **Andries du Toit** states that, by and large, land reform policy has failed. It has not been able to meet its targets for distribution and, as a result, most black farmers remain poor and structurally marginalised. Du Toit locates his discussion within the reality of this structural marginalisation, and explores the ways in which it can be challenged by means of agriculture and agrarian policy. He contends that much of the failure can be attributed to the untested assumptions that have informed the post-apartheid state's agrarian vision. By means of examples, he highlights how this vision was premised on unrealistic and mistaken beliefs about the likely consequences and impacts of 'inclusion' and 'integration' into commercial markets. He concludes that the situation will be perpetuated if policy continues to be informed disproportionately by narrow ideological commitments to commercialisation. In this regard, he points to the recent return of support for the idea that subsistence food production should be valued and supported in terms of its contribution to social protection. In conclusion, Du Toit proposes that much greater emphasis should be placed on an appreciation of the downstream links that connect small farmers to the markets, as well as on the power relations involved in these interactions.

Income poverty and inequality scorecard

Transformation goal	Reduced income poverty and inequality					
Desired outcome	**Indicator**	**Status 1990–1994**	**Status 2007**	**Status 2008**	**Status 2009**	**Positive development**
Reducing income poverty	Percentage of the population below the poverty line	50.3%	45.5%*	43.1%	41.6%	↑
Creating wealth	Percentage of the population above an 'affluence' line	9.2%	9.6%	10.5%	10.4%	↓
Reducing inequality	African per capita income as a percentage of white per capita income	10.2%	13.0%	12.9%	15.4%**	↑
	Earnings of female formal sector workers as a percentage of those of males*	74.8%	86.1% (2006)	83.7% (2007)	80.9% (2008)	↓
	Gini coefficient for overall SA population	0.67	0.68	0.68	0.66	↑
	Gini coefficient for black population	0.55	0.62	0.59	0.59	↔

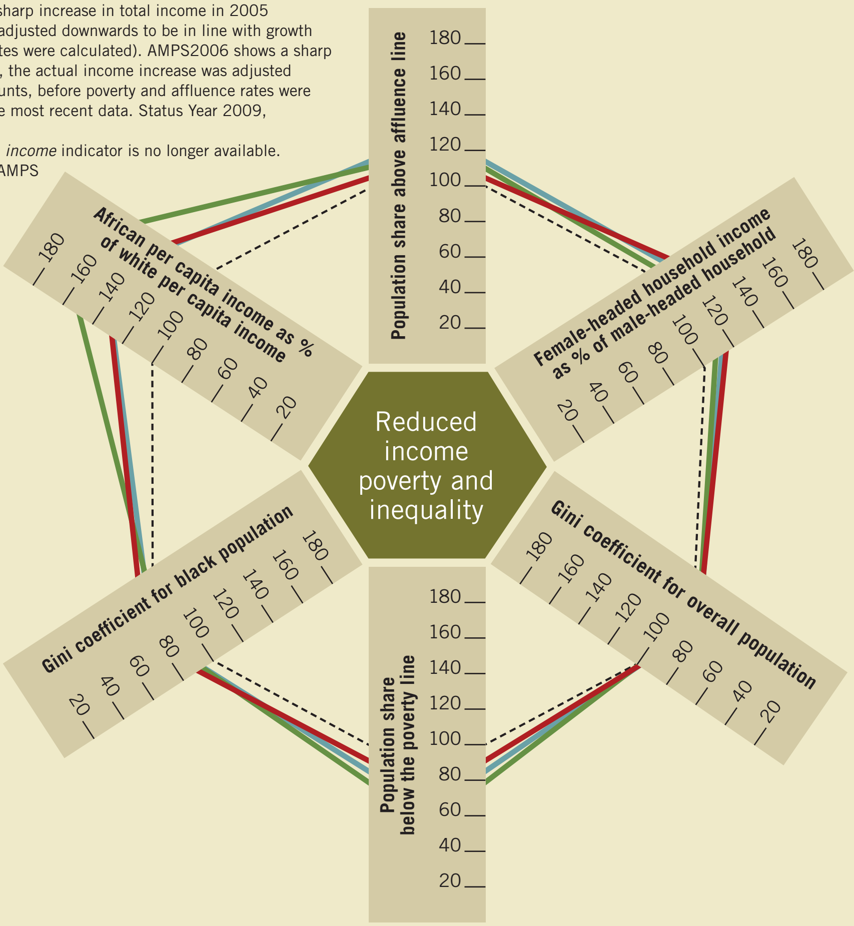
Source: Calculations by S van der Berg and D Yu using All Media Products Survey (AMPS) data, except for earnings of females, which are derived from the *Labour Force Survey*.

Notes: The poverty line is set at R3 000 per person per year in 2000 rands. The line of 'affluence' is set at R25 000 per person per year in 2000 rands. AMPS2005 shows a sharp increase in total income in 2005 (to derive a conservative estimate, the actual income increase was adjusted downwards to be in line with growth according to the national accounts, before poverty and affluence rates were calculated). AMPS2006 shows a sharp increase in total income in 2006 (to derive a conservative estimate, the actual income increase was adjusted downwards to be in line with growth according to the national accounts, before poverty and affluence rates were calculated). Note that 'Status Year' reports on the availability of the most recent data. Status Year 2009, for example, reports on data that has been gathered in 2007.

* This indicator has been incorporated, as the AMPS-based gender *income* indicator is no longer available.

** This large shift may be indicative of comparability problems in AMPS income data between 2006 and 2007.

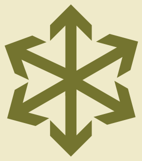
The Income Poverty and Inequality Scorecard and Star provide a snapshot impression of changes in key indicators of poverty and inequality.



INTERPRETATION GUIDE

- - - - Score early 1990s (=100)
🟥 Status 2007
🟦 Status 2008
🟩 Status 2009

Desired direction of change

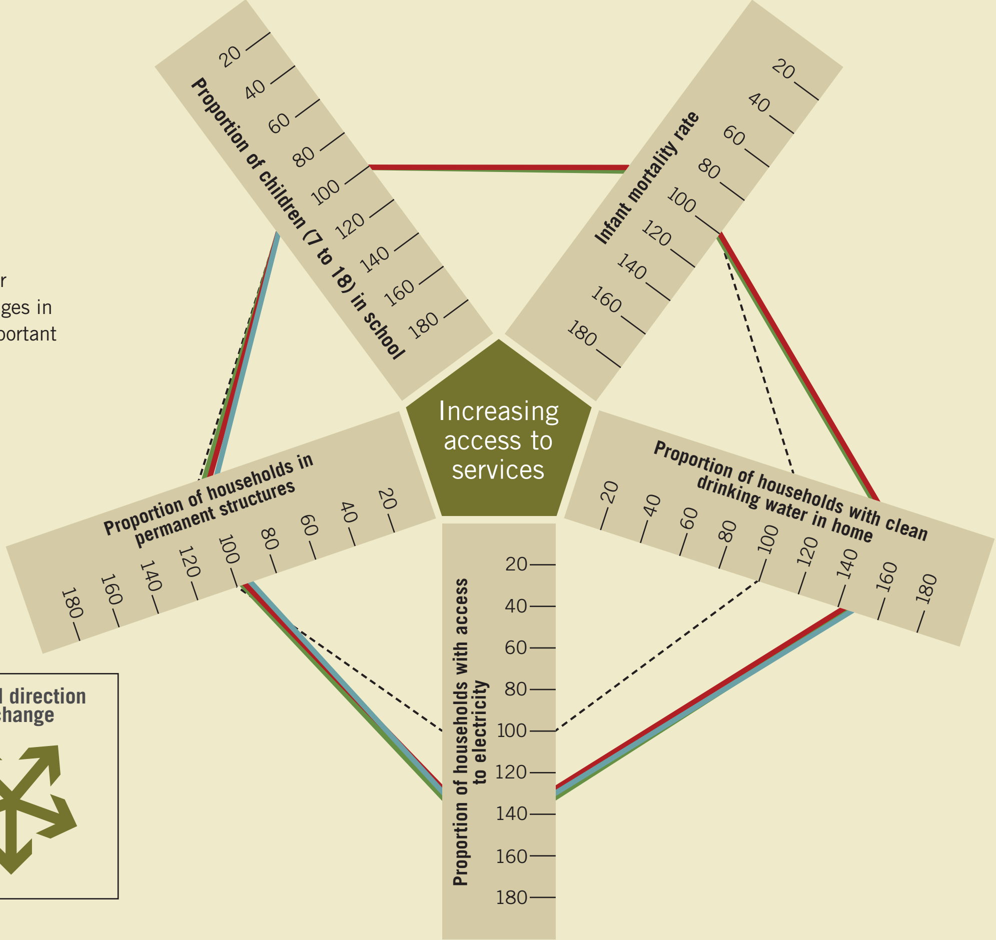


Access poverty scorecard

Transformation goal	Reduced poverty through better access to services					
Desired outcome	**Indicator**	**Status 1995**	**Status 2007**	**Status 2008**	**Status 2009**	**Positive development**
Reduced access poverty	Percentage of households living in a permanent structure[1]	77.6%	74.2% (2006)	73.9% (2007)	75.8% (2008)	↑
	Percentage of households with access to electricity[1]	62.9%	80.2% (2006)	81.5% (2007)	82.7% (2008)	↑
	Percentage of households with access to clean drinking water in the home[1]	48.9%	69.9% (2006)	71.5% (2007)	70.9% (2008)	↓
Reduced education poverty	Percentage of children 7 to 18 in school[1]	95.3%	94.1% (2006)	94.7% (2007)	94.4% (2008)	↓
Reduced health poverty	Infant mortality rate[2,3]	45 (1990)	45.2 (2006)	n.a.	45.7 (2008)	↓
	Estimated HIV prevalence rate for population[3]		11.1%	11.0%	10.6%	↑

1. *Sources*: Stats SA, *October Household Survey* 1995; *General Household Survey* 2006, 2007, 2008
2. *Sources*: 1990 from *UNDP Human Development Index* (1990); 2005 & 2007 from Stats SA, *Statistical Release P0302 Mid-year Estimates* <www.statssa.gov.za>
3. *Sources*: Stats SA, *Statistical Release P0302 Mid-year Estimates* <www.statssa.gov.za>

The Access Poverty Scorecard and Star provide a snapshot impression of changes in popular access to services that are important for human well-being.



INTERPRETATION GUIDE

- - - - Score early 1990s (=100)
🟥 Status 2007
🟦 Status 2008
🟩 Status 2009

Desired direction of change

047
048

research

THE PERSISTENCE OF HIGH INCOME INEQUALITY IN SOUTH AFRICA: SOME RECENT EVIDENCE

Ingrid Woolard, Murray Leibbrandt and Haylry McEwen

INTRODUCTION

It is well known that South Africa's inequality levels are among the highest in the world. In this article, we consider some recent evidence, which adds to the body of work suggesting that aggregate inequality has not changed significantly in post-apartheid South Africa, but that the racial picture of inequality is slowly changing (Leibbrandt, Woolard, Finn & Argent forthcoming). The emergence of the black middle class has increased within-race inequality, which has not been offset completely by the decrease in between-race inequality.

We find that the rapid expansion of social assistance grants over the last 15 years has made a significant contribution to reducing poverty but has done little to reduce inequality. This emphasises the importance of distinguishing between poverty-reduction and inequality-reduction policies. While these policies are often mutually reinforcing, the impact on both outcomes may be of different magnitudes. Thus, the fact that social grants have not reduced inequality should not detract from the massively important role that they have played in providing income support to the poor. There is also an argument to be made that the success of the grants in helping to break the intergenerational transmission of poverty (through enhanced child nutrition, health and education) will have a long-run effect on income inequality that will only be realised in decades to come. Our analysis of the role of the labour market leads us to the conclusion that a significant reduction in the level of inequality can be achieved only through employment growth or reduced wage inequality. Both of these have proved to be very difficult to effect over the post-apartheid period.

POVERTY TRENDS IN SOUTH AFRICA, 1993–2008

In this article, we use data from two largely comparable household surveys undertaken in 1993 and 2008. The 1993 data come from the Southern Africa Labour and Development Research Unit (SALDRU) Project for Statistics of Living Standards and Development (PSLSD) of that year. The 2008 data come from the base wave of the National Income Dynamics Study (NIDS) conducted by SALDRU on behalf of the South African Presidency.[1] We supplement this with a data point from the somewhat less comparable 2000 Income and Expenditure Survey (IES) conducted by Stats SA.

A significant reduction in the level of inequality can be achieved only through employment growth or reduced wage inequality.

While the focus of the article is on inequality, this needs to be viewed alongside the dynamic picture of poverty in contemporary South Africa. Table 4.1.1 shows the simplest measure of poverty, the headcount index, at two different poverty lines. The headcount index is simply the percentage of the population that falls below a specified poverty line. The two poverty lines used here as those first employed by Hoogeveen and Özler (2006) but now in common use in South African poverty analysis. Table 4.1.1 shows a gradual reduction in the poverty rate (using both poverty lines) in post-apartheid South Africa. Over the period, however, the population grew faster than poverty fell; therefore, the number of poor people grew in absolute terms. Using the lower poverty line, there were approximately 22 million poor people in South Africa in 1993, compared with 26 million in 2008.

Poverty rates differ dramatically by race and gender. Table 4.1.2 shows that Africans are much more likely to be poor than any other race group, and that African females are significantly more likely to be poor than African males. The table suggests that poverty rates among coloured males

Table 4.1.1: Percentage of population classified as poor at two poverty lines

	Upper poverty line	Lower poverty line
1993	72%	56%
2000	71%	54%
2008	70%	54%

Note: The upper poverty line is at R949 per capita per month, while the lower poverty line stands at R515 per capita per month, both in constant 2008 rands.
Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Table 4.1.2: Poverty headcount index at lower poverty line

	1993	2000	2008
African female	72%	66%	68%
African male	66%	61%	60%
Coloured female	32%	32%	36%
Coloured male	29%	30%	35%
Indian/Asian female	12%	11%	-
Indian/Asian male	12%	9%	-
White female	5%	6%	4%
White male	6%	8%	3%

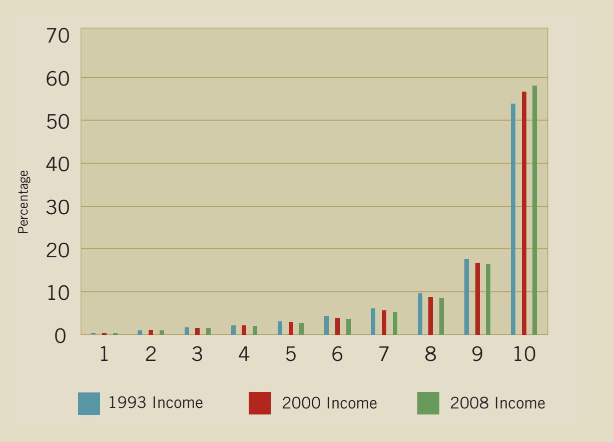
Note*:* The sample size for Indians/Asians in the 2008 NIDS data is too small to compute reliable poverty estimates by gender. The poverty lines are the same as for Table 4.1.1.
Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

and females have risen in recent years, while declining for all other groups.

INEQUALITY TRENDS IN SOUTH AFRICA, 1993–2008

Figure 4.1.1 presents the shares of total income accruing to each decile for the three years under discussion. Each decile represents 10 per cent of the population ranked according to income, with the first decile representing the poorest 10 per cent and the tenth decile representing the richest 10 per cent of the population. This is useful in showing which parts of the distribution have benefited or lost income share over time. We see that income has become concentrated increasingly in the top decile, with this group accruing 54 per cent of total income in 1993 and rising to 58 per cent in 2008. Average household per capita income for those in the richest decile was 26 times that of those in the poorest decile in 2008. The poorest 40 per cent of households (i.e. the first four deciles) accrued a meagre 5 per cent of total national income in each of the three years.

Figure 4.1.1: Income shares by decile, 1993, 2000 and 2008



Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Table 4.1.3: Gini coefficients for per capita income by race and rural/urban

	1993	2000	2008
African	0.54	0.60	0.62
Coloured	0.44	0.53	0.54
Asian/Indian	0.47	0.51	-
White	0.43	0.47	0.50
Rural	0.58	0.62	0.56
Urban	0.61	0.64	0.67
Overall	0.66	0.68	0.70

Note: The small size of the Asian/Indian sample in the 2008 NIDS data makes it impossible to calculate an accurate Gini coefficient for this group.
Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Inequality by race group increased across the time period, with the Gini coefficient being particularly high for Africans (see Table 4.1.3). The Gini coefficient measures the degree of inequality present in society, on a scale of 0, representing perfect equality (i.e. everyone has an equal income), to 1, representing perfect inequality (i.e. one person accrues all the income. Some would describe the coefficient as a measure of the extent to which a socially just distribution of income occurs within a society. In South Africa, this measurement holds particular relevance, due to the role that apartheid played in skewing the distribution of the country's income. South Africa's Gini coefficient has been increasing steadily since 1993, and the figure of 0.70 for 2008 is very high by international standards. One has to be cautious with international comparisons, as it is hard to ensure that data are comparable across countries. The World Development Indicators derived by the World Bank offer a cross-country series that is carefully put together for this purpose. The figures in the 2009 report (World Bank 2009) indicate South Africa is the eighth most unequal country out of the 140 countries for which data were available. It has overtaken Brazil, which now lies in tenth position.

There is also stark inequality difference by spatial area, with inequality in urban and rural areas being measured at 0.56 and 0.67 respectively in 2008. Rural inequality decreased between 2000 and 2008. This is probably a result of increased migration to urban areas.

A RACIAL ANALYSIS OF INEQUALITY

Table 4.1.4 provides a broad breakdown of income and expenditure measures for each of the four race groups for 2008, highlighting significant differences between the population and income shares. While Africans accounted for 79 per cent of the population in 2008, they captured only 44 per cent of income and 41 per cent of total expenditure.

Table 4.1.5 shows the position of the different race groups in the income distribution. Africans are spread relatively evenly across the lower deciles (which helps explain high within-group African inequality), while the other racial groups are concentrated around the upper deciles. Almost 60 per cent of Asians/Indians are in the top two deciles and the corresponding share for the white population stands at over 80 per cent.

South Africa is the eighth most unequal country out of the 140 countries for which data were available.

Given the findings discussed so far, our *a priori* expectation should be that measured African inequality would be higher than white and coloured inequality for any method of measurement. Lorenz curve analysis offers a visual corroboration of this expectation by graphing curves for each racial group that represent their relative degree of inequality. The closer the curve is to the 45˚ line of perfect equality, the more equal the income distribution within that group. Figure 4.1.2 shows the Lorenz curves for all the racial groups, and it confirms that income is more evenly distributed among whites than among coloureds and Africans. Due to the fact that the Asian/Indian curve crosses the African and coloured curves, we cannot infer anything about overall Asian/Indian inequality dominance based on these curves alone.

Another popular measure of inequality is the Theil measure, a useful property of which is that it is decomposable into a share of the total measured inequality that is attributable to inequality within each of the racial groups and a share that is attributable to inequality between racial groups. Table 4.1.6 shows the Theil decomposition by race for 2008. It can be seen that 59 per cent of overall income inequality is driven by differences within races, while the remaining 41 per cent is driven by income inequality between racial groups.

Table 4.1.4: Income and expenditure shares and means by race, 2008

	Population share	Income share	Expenditure share	Per capita income (R/p.m.)	Per capita expenditure (R/p.m.)
African	79.3%	43.5%	41.8%	934	775
Coloured	8.9%	8.6%	9.9%	1 657	1 633
Asian/Indian	2.6%	7.6%	7.4%	5 057	4 239
White	9.2%	40.3%	40.9%	7 461	6 572
Overall	100%	100%	100%	1 705	1 479

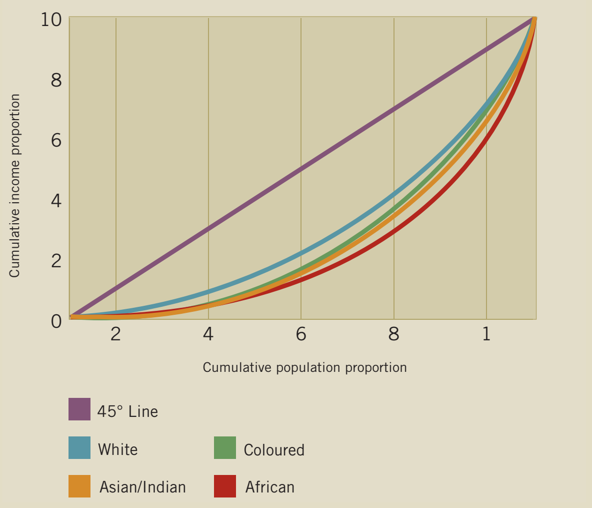
Sources: National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Table 4.1.5: Income decile composition of each race, 2008

Decile	African	Coloured	Asian/Indian	White
1	12.4%	2.0%	0.5%	0.7%
2	12.0%	5.7%	0.0%	0.0%
3	11.9%	4.9%	2.7%	0.5%
4	11.5%	10.1%	0.5%	0.1%
5	11.5%	7.3%	6.1%	0.2%
6	10.9%	12.4%	1.4%	2.2%
7	10.3%	11.3%	17.9%	4.1%
8	8.7%	21.6%	12.0%	9.5%
9	7.4%	17.4%	21.9%	21.6%
10	3.4%	7.3%	37.0%	61.1%
	100%	**100%**	**100%**	**100%**

Source: National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Figure 4.1.2: Income Lorenz curves by race



Source: National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Table 4.1.6: Theil decomposition of income into between-race and within-race components

	Theil decomposition
Overall	0.99
African	0.75
Coloured	0.52
Asian/Indian	0.65
White	0.39
Within	*0.58*
	58.6%
Between	*0.41*
	41.4%

Source: National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Using a method pioneered by Elbers, Lanjouw, Mistiaen and Özler (2008), it is possible to measure the extent of between-group inequality in a way that 'strips out' the effect of changes in demographic shares. The key idea of their method is that total inequality is effectively a measure of between-group inequality that would be observed if every household in the population constituted a separate group. They, therefore, propose a measure that calculates the observed between-group inequality as a percentage of the maximum possible between-group inequality. Using this method, South African inequality between racial groups stood at almost 69 per cent of its maximum possible level in 1993. By 2000, this figure had fallen to about 50 per cent and by 2008 to 48 per cent. Thus, the change in the racial dynamics of inequality was most significant in the period between the democratic transition and 2000, while the changes between 2000 and 2008 were more muted.

INCOME SOURCE INEQUALITY

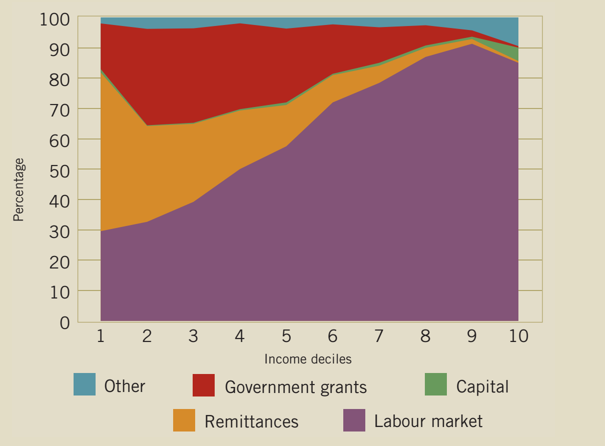
Figures 4.1.3, 4.1.4 and 4.1.5 illustrate the changing importance of the different components of income for each decile in 1993, 2000 and 2008. Earnings from the labour market make up the bulk of total income for the higher deciles, while the contribution of government grants is particularly important for poor households. It is interesting to note the growing contribution of government grants to these households – for the bottom decile the figure grows from 15 per cent to 29 per cent to 73 per cent, and this reflects the increasing number of social assistance grants that have been rolled out over the past 15 years. Indeed, by April 2009, 13.4 million people were benefiting from social grants. Of these, 2.3 million were receiving old age pensions, 1.4 million were receiving disability grants and 9.1 million children were benefiting from child support grants.

The contribution of remittances to total income has steadily decreased for the lower deciles, suggesting that there may have been a crowding out of private transfers by public transfers. Capital income (e.g. dividends and interest) is small for all except the top decile, where its contribution rose from 4 per cent in 1993 to 11 per cent in 2008.

By decomposing the contributions of the various income sources to overall inequality, Tables 4.1.7, 4.1.8 and 4.1.9 provide a more detailed analysis of the dynamics influencing inequality. Income is decomposed into four sources: remittances, wage income (including self-employment), social assistance ('grants') and capital income (such as dividends, interest, rental income and private pensions). Across all three years, wage income has a dominant share of income (around 70 per cent) but makes an even larger contribution to inequality (around 85 per cent). Thus, the labour market is shown to sit centre-stage as the driver of South African income inequality.

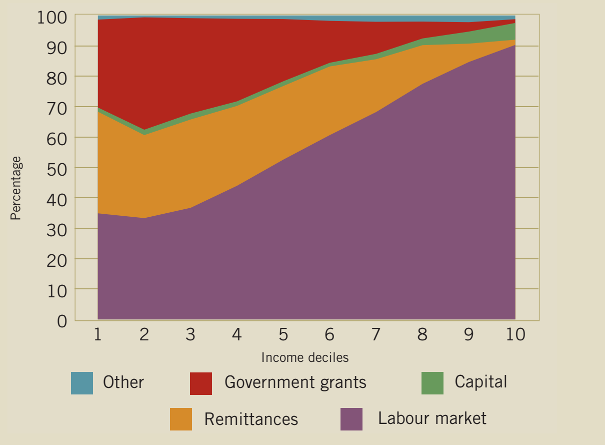
A useful extension to this decomposition, suggested by Lerman and Yitzhaki (1994), allows the contribution to inequality of wage income (or any income source) to be

Figure 4.1.3: Income components by decile, 1993



Source: SALDRU (1993) Project for Statistics on Living Standards and Development

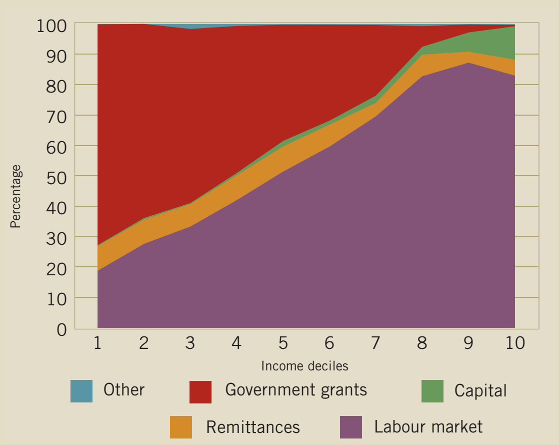
Figure 4.1.4: Income components by decile, 2000



Source: Stats SA (2000) Income and Expenditure Survey further disaggregated into a contribution due to inequality among those earning income from that source and the proportion of households who have *no access* to a particular income source. Thus, labour market inequality is divided into two parts: the inequality amongst those who earn a labour market income, and the inequality between those with a labour market income and those without. From such exercises, it appears that at least one-third of wage inequality is attributable to the large percentage of households with zero wage income (Leibbrandt, Woolard & Woolard 2000). Thus, low labour force participation and lack of access to employment are an important component of the dominance of the labour market in driving South African inequality.

In contrast to wages, state transfers are shown to account for up to 10 per cent of income, but make almost no contribution to inequality (i.e. they neither increase nor decrease inequality). This result may seem counter-intuitive; given the means-tested nature of many social grants, one might expect them to reduce inequality. However, these grants target significant income support at specific groups: the elderly, the disabled and households with children. Thus, those households with eligible individuals are moved up into the lower-middle sections of the income distribution, leaving those households without eligible recipients at the very bottom. This result highlights both the importance of the support coming from these grants and the fact that there are gaps in this support structure. It is those who are healthy, of working age but unemployed that are 'missed' by the grants. Ideally, this group should be drawing income from productive employment in the labour market. As it is, there are tricky sustainability issues involved in discussions around the extension of the grants to this group, which should be economically active and able to generate the tax revenue with which to fund grants.

Figure 4.1.5: Income components by decile, 2008



Source: National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

THE ROLE OF THE LABOUR MARKET

The preceding section pointed to the significant role that labour market income plays in determining the level of income inequality. It is important to recognise that an individual's labour market earnings depend on: (a) whether he or she is economically active (i.e. participates in the labour market); (b) whether he or she is able to find a job (conditional on being economically active); and (c) the wage he or she is able to command in the job market (conditional on finding a job).

In Figure 4.1.6, the labour force participation rates by decile show a generally increasing trend for all deciles from 1993 to 2008. Amongst some of the low income deciles, there is a peak in the rate of labour force participation in 2000 followed by a drop-off in 2008. As expected, the top income deciles display the highest rates of labour force participation, while participation rates are well below 50 per cent in the bottom three deciles.

Figure 4.1.7 shows the unemployment rate by income decile. In South Africa, two unemployment rates enjoy wide usage – a narrow rate that requires active job search in the previous 14 days, and a broad definition that includes individuals who say that they want a job but who have not actively searched for work in the previous 14 days. We use the narrow (official) definition here. The unemployment rate is shown to be decreasing as we move up the income deciles. The unemployment rate is higher in 2008 than in 1993 for every decile, and is particularly severe amongst the bottom five deciles. In 2008, the unemployment rate in the bottom decile was measured at 69 per cent (compared with 5 per cent in the top decile).

In order for a person to be employed, he or she must both participate in the labour market and find a job. The combination of low participation rates and high unemployment rates at the bottom end of the income distribution implies that very few individuals in the lower deciles are employed. Figure 4.1.8 bears this out, showing that the labour absorption rate (the percentage of the working-age population who are employed) in 2008 was a mere 10 per cent in the bottom decile and less than one-third in all of the bottom five deciles. The labour absorption rate

Table 4.1.7: Inequality decomposition by income source, 1993

Income source	Percentage of households receiving	Mean household monthly income (R)	Percentage share in overall Gini
Remittances	24.2	157	-0.5
Capital income	9.7	437	11.6
State transfers	21.9	273	0.2
Labour market	73.4	4 156	88.3
Other	1.4	21	0.3
Total	100	5 044	100.0

Source: SALDRU (1993) Project for Statistics on Living Standards and Development

Table 4.1.8: Inequality decomposition by income source, 2000

Income source	Percentage of households receiving	Mean household monthly income (R)	Percentage share in overall Gini
Remittances	36.4	370	2.1
Capital income	5.6	233	4.8
State transfers	24.7	259	0.7
Labour market	71.8	4 438	90.9
Other	4.6	80	1.5
Total	100	5 372	100.0

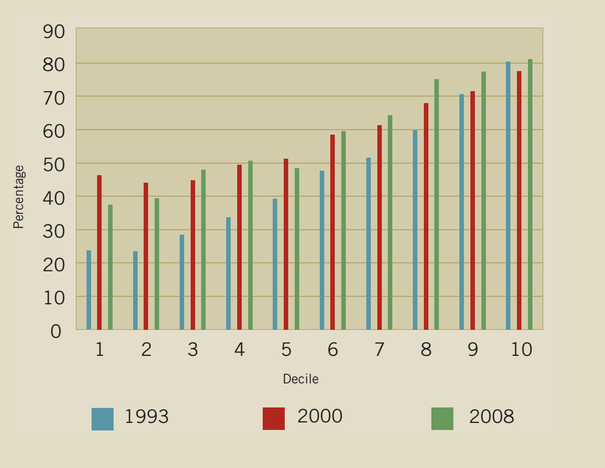
Source: Stats SA (2000) Income and Expenditure Survey

Table 4.1.9: Inequality decomposition by income source, 2008

Income source	Percentage of households receiving	Mean household monthly income (R)	Percentage share in overall Gini
Remittances	14.0	282	5.1
Capital income	7.8	414	9.7
State transfers	47.8	412	0.3
Labour market	71.9	4 128	85.0
Total	100	5 236	100.0

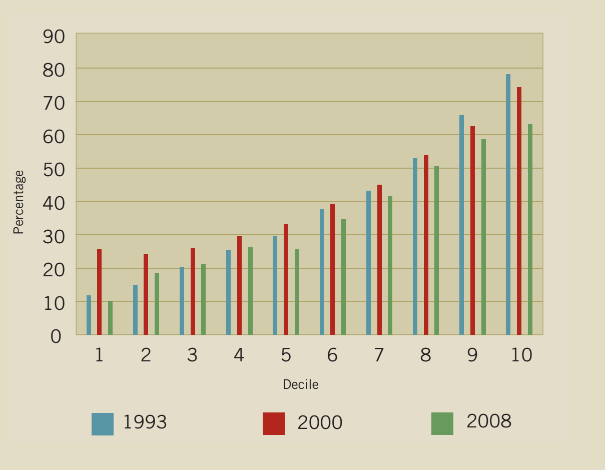
Source: National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

Figure 4.1.6: Labour force participation rates by decile, 1993, 2000 and 2008



Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

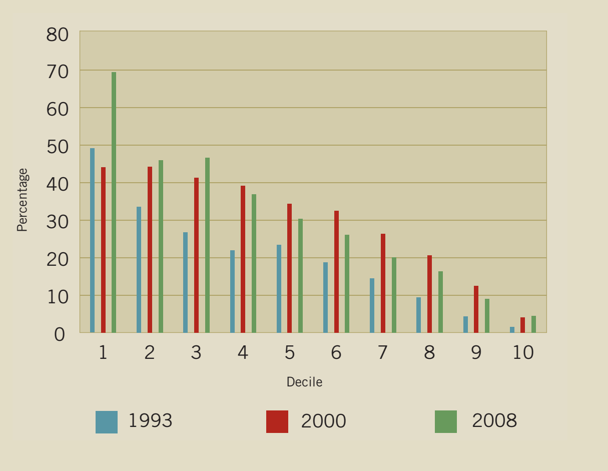
Figure 4.1.8: Labour absorption rates by decile, 1993, 2000 and 2008



Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

has shown different trends across the income distribution over time. Among the poorest decile, the labour absorption rate peaked at about 25 per cent in 2000 before falling to just above 10 per cent in 2008. The top decile had a labour absorption rate that peaked at 78 per cent in 1993 before falling to 63 per cent in 2008.

Figure 4.1.7: Unemployment rates by decile, 1993, 2000 and 2008



Sources: SALDRU (1993) Project for Statistics on Living Standards and Development; Stats SA (2000) Income and Expenditure Survey; National Income Dynamics Study (2008) (conducted by SALDRU for the Presidency)

The previous three figures show clearly that in the initial post-apartheid period participation rates increased faster than absorption rates, with a consequent increase in unemployment rates across all deciles. Since 2000, the aggregate unemployment rate has declined marginally, driven by increased absorption of those individuals in the top six deciles. In the lower deciles, the early post-apartheid trend continued into 2008. Indeed, this lack of successful integration into the labour market is the reason for many of these households finding themselves at the bottom of the income distribution.

CONCLUSION

The long-run development trajectory in South Africa resulted in a society defined by very high inequality with a strong racial component. Direct racial privileging in state policy towards human capital intersected with a growing private sector economy to generate a prototypical model of inequality-perpetuating growth. Unfortunately, such inequities leave very long-run legacies and these processes are hard to reverse.

The evidence presented in this article shows that South Africa's high aggregate inequality has not fallen. Clearly, 15 years of post-apartheid transition has not been sufficient for these factors to work their way out of South African society. Indeed, South Africa's socio-economic dynamics still contain

South Africa's changing population shares imply that a policy focus on race-based redistribution will become increasingly limited as the foundation for further broad-based social development.

considerable inequality-generating momentum, despite a post-apartheid policy milieu that has explicitly taken on the task of addressing this legacy.

The article further shows that this inequality is being driven by labour market dynamics. Moreover, the lack of unskilled and semi-skilled job creation has effectively removed any poverty-alleviation impetus from the labour market. In contrast to this, it is shown that the increased expenditure by the state on social grants has played a dominant role in the reduction in poverty over the post-apartheid years.

A demographic trend that will have a bearing on these dynamics going into the future is the fact that the African group accounts for 80 per cent of the population (and is rising). Thus, intra-African inequality and poverty trends are already characterising, and will increasingly dominate, aggregate inequality and poverty trends. This is not to say that the country's racial footprint has disappeared, as evidenced by the fact that the between-race component of income inequality remains remarkably high by international norms and its decline has slowed since the mid-1990s. Moreover, the bottom deciles of the income distribution and the poverty profile are still dominated by Africans, and racial income shares are far from proportionate with population shares. Nonetheless, South Africa's changing population shares imply that a policy focus on race-based redistribution will become increasingly limited as the foundation for further broad-based social development. Rather, it would seem that a more dynamically sustainable direction lies in addressing seriously the increasing inequality within each race group.

NOTES

1. For more information about this survey, see www.nids.uct.ac.za.

review

POVERTY IN SOUTH AFRICAN: GOVERNMENT ATTEMPTS TO INCLUDE THE EXCLUDED IN DESIGNING POLICIES AND PROGRAMMES AIMED AT REDUCING POVERTY

Vusi Gumede

INTRODUCTION

Since 1994, the South African government has pursued its poverty alleviation mandate consistently through strategies intended to deal with income, human capital, social capital, service poverty and asset poverty. As a consequence, its interrogation of the challenges has related to overall poverty trends and the scale of the so-called 'second economy', and has placed a strong emphasis on the nexus between access to income, services and assets (see, for instance, Gumede 2008a).

Over the past two years, the government has invested significant time and resources in the development of a comprehensive anti-poverty strategy (the Strategy, hence-forth) that encompasses the interactions of a variety of structural and temporal variables within this nexus. This article sheds some light on the Strategy and points to some of its major challenges. The Strategy's development was not an overnight process. Consultation with a broad array of social actors was necessary, and a significant amount of reflection was required to think through some of the conceptual and practical issues that would be involved in the Strategy's implementation. It was, for instance, important to reach consensus on conceptual issues relating to the link between poverty and inequality, and to answer strategic questions relating to the action or implementation plan (the Plan, henceforth) accompanying it. As would be expected, agreeing on targets, time lines and indicators for the Plan was a tall order, particularly in the case of critical poverty-alleviating sectors, such as education and healthcare. Added to this, there were important analytical questions relating to the analysis of existing policies and programmes aimed at eradicating poverty and inequality, as well as issues that needed to be resolved regarding the scope of the Strategy.[1]

While the intricacies of the Strategy and its accompanying Plan were being debated, the government launched its War-on-Poverty Campaign (the Campaign, henceforth), in order to ensure that poor South Africans did not fall victim to inaction resulting from the interim planning phases. In essence, the Campaign was meant to mobilise all the spheres of government towards providing the necessary services for those classified as poor. In addition, the Campaign was to mobilise the private sector and other stakeholders in addressing poverty. Of critical importance, the Campaign was to target the various manifestations of social injustice in communities and to find ways to address issues of social cohesion in partnership with members of such communities.

As indicated above, the article focuses on the nature and content of the Strategy, the processes that precipitated it, and the approaches that were aimed at including various stakeholders in its design.

MEASURING POVERTY

Three commonly used (money-metric) measures are employed to explain and describe poverty – a headcount index, a calculation of the poverty gap, and an estimation of the squared poverty gap. There are convincing reasons, both conceptual and practical, for their use. One of the primary motivations is that, taken together, they are comprehensive enough to be specific on the nature, scope and magnitude of the poverty being dealt with and, therefore, offer the opportunity to open the way for targeted policy and programmatic responses. Below is a brief non-technical explanation of the main measures.[2]

The headcount index measures the proportion of the population whose consumption is less than the poverty line. This index is relatively easy to construct and to understand. However, it ignores differences in well-being between poor households. In other words, it assumes that all poor people are in the same situation; it does not cover depth of poverty. By implication, the index does not change if individuals below the poverty line become poorer or 'richer', as long as they remain below the line.

The poverty gap index, on the other hand, represents the average gap between the living standards of poor people and the poverty line. As such, it indicates the average extent to which poor individuals fall below the poverty line.

Thus, the poverty gap index can be interpreted as a measure of how much (income) would have to be transferred to the poor to bring their expenditure up to the poverty line. Unlike the headcount measure, the poverty gap does not imply that there is a discontinuity at the poverty line. Both, however, fail to capture differences in the severity of poverty amongst the poor. In other words, they are not appropriate instruments to measure inequalities among the poor.

The squared poverty gap index is the weighted sum of poverty gaps (as a proportion of the poverty line), where the weights are the proportionate poverty gaps themselves. This measure takes inequalities among the poor into account. For instance, a (cash) transfer from a poor person to an even poorer person would reduce the index, and a transfer from a very poor person to a less poor person would increase the index. However, it has been argued that the squared poverty gap index is very difficult to read and interpret. As such, policy-making based on this index can be cumbersome. Consequently, for the purposes of policy-making, it is advisable that the measures are used in concert.

Each measure has its advantages and disadvantages, but together they remain useful in decomposing the particular facets of the poverty problem that is being interrogated. As such, the three measures of poverty are better calculated and responded to in total, with the clear aim of either alleviating or eradicating poverty. In the literature, the measures discussed above are known as the Foster-Greer-Thorbecke family of poverty measures. However, it is important to note that each of these measures relies on the poverty line being employed. In the absence of a national consensus on the location of this line, many researchers and scholars in South Africa have assumed, or rather predetermined, their own poverty lines.[3]

The notion of the multidimensional nature of poverty is of critical relevance in a discussion such as this. Generally, the South African government has viewed poverty as consisting of various facets, which require a multi-pronged response that addresses incomes, assets, services and so on. The money-metric measures discussed above are not able to deal with all the dimensions of poverty. In the case of South Africa, the money-metric measures – as discussed below – suggest that (income) poverty has been declining. However, many argue that poverty remains widespread and significant.

It is worth noting that two contrasting definitional approaches to poverty – one broad and one narrow – can be discerned from the subject literature. Narrow definitions of poverty are viewed as minimalistic and are based on subsistence. For instance, the World Bank's definition of it as 'the inability to attain a minimal standard of living', measured in terms of basic consumption needs or income required to satisfy those needs, is indicative of the narrow poverty definition approach. On the other hand, broad definitions of poverty are seen as ideal. They emphasise social inclusion, involvement and participation, specific to a given society at a specific time. In this approach, the standard of living and quality of life of an individual, household or family are assessed in the context of and in relation to the socio-economic and resource profile of the society. Linked to this is the argument that the values, principles and aspirations that inform the developmental goals of the envisioned society should be key to the conceptualisation, definition and measurement of poverty.

It is worth highlighting that there are also so-called absolute and relative definitions of poverty in the literature. Absolute definitions of poverty refer to poverty measures that do not depend on the average level of poverty in any country at a given time, while relative measures of poverty categorise the poor into discernable groupings (for example, the poorest 20 per cent) for the purpose of comparison. In addition, research on poverty dynamics adapts approaches that can be classified into various broad categories: budget standards, income measures, deprivation indices, consensual and democratic definitions of poverty, human development indices, indicators of multiple deprivation and 'international poverty definitions' (for example, the recently revised international poverty line of US$1.25 a day in 2005 prices) used mainly for international comparisons.

POVERTY IN SOUTH AFRICA

In recent years, a comprehensive series of poverty studies has documented the multifaceted variables and impulses that feed into the living conditions of the poor in South Africa. As this body of evidence has grown, it has become increasingly clear that any quest for a single strategy to combat poverty is destined for failure. The conceptualisation of poverty in *Measuring poverty in South Africa* (Stats SA 2000) alludes to the complexity of this condition in South Africa. The report regards poverty as: 'The denial of opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect from others.'

Any quest for a single strategy to combat poverty is destined for failure.

Recent poverty estimates in South Africa are the focus of the following paragraphs. At the outset, it is important to note that there are peculiar difficulties pertaining to comparative data in South Africa, deriving from the fact that prior to 1994 several regions in the country (generally, the poorest areas) were classified as 'independent homelands' and, therefore, excluded from the country's main dataset.[4] This has led to the unsettled debate on whether poverty has increased or not since 1994. Researchers and analysts are hamstrung by the data and its methodological inadequacies; however, despite these difficulties, various attempts have been made to attain as accurate a picture of the economic transformation of South African society as possible.

The body of literature that investigates national poverty levels and trends over time, and more recently also its dynamics in particular localities, has grown substantially.[5] As suggested above, the majority of these studies indicate that although the scale of poverty remains daunting, some headway has been made in pushing back its perimeters. This includes research by Whiteford and Posel (1995), May et al. (1999), Woolard and Leibbrandt (2001), Meth and Dias (2004), Hoogeveen and Özler (2005), Bhorat et al. (2006), Van der Berg et al. (2005, 2007), Bhorat and Van der Westhuizen (2008) and others. Table 1 captures some of the recent measures of poverty used by these researchers.[6]

Although still contested by some,[7] several recent studies have suggested that poverty in South Africa is on the decline. In analysing welfare shifts in the post-apartheid period, Bhorat et al. (2006), for instance, show that access to formal housing grew by 42 per cent and 34 per cent for deciles 1 and 2, respectively, between 1993 and 2004, and by 21 per cent and 16 per cent for deciles 3 and 4, respectively. They also show that access to piped water increased by 187 per cent in decile 1 over this period, while the increase for decile 4 was 31 per cent. In addition, access to electricity for lighting in the poorest households (those in decile 1) grew by an extraordinary 578 per cent. Their research, therefore, strongly suggests that the delivery of basic services has had a significantly pro-poor bias. In the same study, Bhorat et al. show that while 40 per cent of all South African households were asset- and service-poor in 1993, this figure had been almost halved to 22 per cent by 2004.

Another recent study, by Van der Berg et al. (2005), points to a similar decline in poverty. They found that poverty levels had stabilised in the years between the political transition in 1994 and 2000, and had decreased in the years that followed. This study utilised a poverty line that was set at a household income of R250 per month (or R3 000 per year) in 2000 rands. They concluded that, while there had been an increase in the proportion of people living in poverty between 1993 and 2000, there had been a decrease in the size of this population segment from 18.5 million in 2000 to 15.4 million in 2004. Over the same period, the number of

Table 4.2.1: Recent measures of poverty in South Africa[8]

Type of poverty measure	Threshold in 2000 rands	Individuals below the poverty line (2000 IES)
Poverty line set at per capita expenditure of the 40th percentile of households	R346 per capita	54.9%
*Stats SA – lower bound**	R322 per capita	52.6%
*Stats SA – upper bound**	R593 per capita	70.4%
'Dollar a day' international poverty line (1985 prices) per capita per annum	R81 per capita	8.1%
'Two dollars a day' international poverty line (1985 prices) per capita per annum	R162 per capita	27.0%
'Poverty line' implied by the Old Age Pension means test for married persons, assuming a household of 5 persons and no non-elderly income earners	R454 per capita	63.4%
'Indigence' line of R800 per household per month (in 2006 prices)	R573 per household	11.7%
'Indigence' line of R2 400 per household per month (in 2006 prices)	R1720 per household	55.1%

Note: *In Hoogeveen and Özler (2005)

non-poor South Africans rose from 26.2 million in 2000 to 31 million in 2004.

Van der Berg et al. (2005) showed, moreover, that the real per capita incomes of individuals comprising the poorest two population quintiles had increased by more than 30 per cent between 2000 and 2004. In this regard, their research concludes that for all poverty lines ranging from a per capita income of R2 000 to R4 000 per annum, poverty had decreased since 2002, after a modest rise at the end of the previous decade. They argue that the impact of the recent expansion of social grants on the poor is likely to have been significant, considering that real social assistance transfers from the government increased by some R22 billion (in 2000 rands) during 2003–2005, an amount well in excess of R1 000 per poor person.

Bhorat and Van der Westhuizen (2008), using poverty lines of R174 and R322 per person per month in 2000 prices, conclude that during 1995–2005 both absolute and relative poverty were reduced. They also show that both poverty lines and the poverty gap index declined. As indicated in the *Fifteen Year Review* (PCAS 2008), at R322 per person per month, money-metric poverty declined from 53 per cent in 1995 to 48 per cent in 2005. At R174 per person per month, poverty declined from approximately 31 per cent to 23 per cent. Linked to this are improvements in job creation and social transfers to the most vulnerable. For instance, Van der Berg et al. (2007: 11), using the *Labour Force Survey*, show that 'approximately 1.7 million jobs were created between 1995 and 2002 and 1.2 million between 2002 and 2006'. In relation to social transfers, government records suggest that about 13 million South Africans receive cash transfers; this excludes the social wage inherent in free basic water and electricity, and subsidised housing (see PCAS 2009).

One does not need to look further than the current global recession to realise just how vulnerable these recent gains are in the fight against poverty eradication. Complacency is dangerous, because even though the available trends point to a consistent decrease in poverty levels since 2000, the number of those remaining below the poverty line continues to be significant. Of course, linked to this is the challenge of inequality, which will continue to test the strength of national social cohesion. In the light of this awareness that poverty has not declined to desired levels over the past 16 years, combined with the challenges that poverty poses for political stability, the government resolved to formulate a comprehensive strategy that would rigorously address the various dimensions of poverty. The findings of studies reviewed above (most of which were commissioned by the government) culminated in the idea of a strategy. Although research seemed to suggest that poverty trends were declining, the government argued that a comprehensive strategy was required to address the multiple dimensions of poverty more rigorously.

THE STRATEGY[9]

The drafting of the Strategy officially began in January 2007, with the Cabinet's endorsement of a brief discussion document titled 'Towards an Anti-poverty Strategy for South Africa', which was prepared by the Presidency's Policy Co-ordination and Advisory Services (PCAS) as a working document that would form the basis for developing a comprehensive strategy aimed at reducing poverty. The document presented the argument and reasons for formulating a comprehensive strategy, drawing from the experience of poverty reduction in the country and developments in the literature and other countries with regard to poverty reduction. The founding discussion document argued that the Strategy would ensure, among other things, an improvement in the co-ordination and monitoring of implementation of poverty reduction measures. It recognised that poverty seemed to be declining, but not satisfactorily. Among the key objectives, it was envisaged that the Strategy would aim to:

- improve co-ordination and monitoring of anti-poverty programmes across government departments and spheres;
- enable a strategic focus and broaden the scope of initiatives to deal with a wider range of issues linked to poverty and social exclusion;
- ensure that all policies prioritise sustainable and developmental poverty eradication, which is rooted in economic and social engagement by communities and households;
- mobilise civil society, the private sector and communities to address poverty; and
- involve households in expanding human capabilities and strengthening solidarity with the poor.

These founding objectives have remained the guiding motivation for the development of the Strategy throughout its various draft versions. It is important also to highlight that in the January 2007 extended Cabinet sessions (also referred to as *makgotla*,[10] and the President's 'State of the Nation' address of February 2007, specific commitments were made concerning the requirements for a poverty eradication strategy. The following objectives were referred to in the 'State of the Nation' address:

- define a poverty matrix for the country;
- develop a proper database of households living in poverty;
- identify and implement specific interventions relevant to these households;
- monitor progress in these households as the programmes take effect in graduating them out of poverty;
- address all indigence, especially the high numbers of women so affected; and
- co-ordinate and align all anti-poverty programmes to maximise impact and avoid wastage.

The original discussion document proposed the identification of specific pillars or themes, which were to act as an anchor for the Strategy. Since the first draft, these pillars have increased from five to nine. The following are the main pillars of the Strategy:

1. *basic income security* – aimed at providing safety nets for the most vulnerable;
2. *basic services and other non-financial transfers* – referring to what has been termed a social wage, consisting of free basic municipal services like water, electricity and refuse removal, and other social services such as free education and primary healthcare for the poor;
3. *social inclusion initiatives* – combining initiatives to ensure an inclusive society;
4. *human resources development* – investment in health, education, cultural activities and sports as the basis for both economic and social inclusion;
5. *creation of economic opportunities* – aimed at ensuring that the economy generates chances for poor households to earn improved incomes through jobs or self-employment;
6. *access to assets* – particularly housing, land and capital, including public infrastructure;
7. *improving healthcare* – ensuring that poor children grow up healthy, providing quality and efficient preventative and curative care to those who cannot afford to pay, and ensuring that illness or disability do not plunge poor households into destitution;
8. *environmental sustainability* – reversing environmental degradation, promoting ecotourism, responding to climatic changes and encouraging efficient and sustainable exploitation of the environment; and
9. *good governance* – direct intervention in the provision of information, facilitating participatory democracy, pro-poor policies and sound macroeconomic management and partnerships/solidarity.

The second important aspect of the original discussion document is its emphasis on the role of various stakeholders in addressing poverty. The discussion document set out from the premise that it is crucial to build effective partnerships to work towards a sustainable reduction of poverty. The third important component of the Strategy has been the leadership role of the state and, significantly, its degree of internal cohesion. Strongly linked to the latter has been the growing emphasis on better targeting and ensuring that all the policy gaps are addressed speedily. The concern about better targeting was one of the main factors that resulted in the Campaign. It should be noted that various non-governmental institutions played an important role in the conceptualisation of the Campaign and the thinking about the Strategy.

In addition to the sharpening of its analytical and conceptual content, subsequent drafts of the Strategy elaborated upon issues relating to the pillars, the principles and the sustainability of its approach. In terms of the latter, and in the light of the multidimensional nature of poverty in South Africa, the earlier drafts of the Strategy envisaged a focus on:

- reducing poverty levels within households and the number of poor households;
- reversing the incidence of poverty;
- preventing the recurrence of poverty;
- improving the 'second economy' and creating viable 'bridges' to the 'first economy'; and
- ensuring spatial integration.

In addition, the Strategy elaborates the following as main strategic focus areas:

- creating and increasing economic opportunities and facilitating access;
- tackling poverty faced by children, youth, women, people with disabilities and the elderly; and
- providing rural development and agricultural support for families.

In essence, the Strategy builds on the work and accomplishments of the years since the dawn of democracy. While the achievements have varied, there have been improvements (to some extent) in the way the government addresses various dimensions of poverty. Its policies and investments have contributed to economic growth and employment, the provision of basic social services, the improvement of human development, the protection of vulnerable groups and the enhancement of social cohesion within the overall framework of sustainable development. As a result, these strengths have emerged as the main pillars upon which the Strategy would ultimately rest.

As such, the Strategy in its current draft form does not propose a complete overhaul of the above-mentioned principles and approaches, nor is it a claim to unmitigated success in their implementation. What it does seek is to ensure that important sub-strategies are better co-ordinated across departments and across spheres. For example, projects that work to improve social, economic and environmental conditions in targeted areas should complement specific employment, health and education initiatives underway in the same areas. Similarly, departmental programmes should not be limited to the identified locations, but should target vulnerable groups, irrespective of where they live. The current initiatives, thus, make up the first phase of efforts to fight poverty. The intention of the Strategy is to build upon what is already in place. It is envisaged that the Strategy will evolve in a way that retains best-practice approaches, while simultaneously addressing the existing gaps and emerging challenges.

In its very essence, the Strategy should be seen as an attempt to scale up the fight against poverty in a more co-ordinated fashion, and in a way that prevents the intergenerational transmission of poverty within households and communities. The creation of economic opportunities, and the means for communities and individuals to access these opportunities, is at its heart. Although the provision of a safety net in the form of social assistance and basic services can be seen as an ongoing effort by the government, the Strategy has argued consistently that the government's primary objective should be to empower individuals and communities to support themselves.

The government, therefore, has prioritised the creation of economic opportunities that will promote self-sufficiency. Whereas economic growth has produced new job opportunities in recent years, these have not been sufficient to make a sizeable impact on the critically high levels of unemployment that persist. Consequently, the Strategy undertook to develop new approaches towards the creation of sustainable economic opportunities and jobs on a larger scale. Economic strategies were to prioritise shared growth, particularly by generating opportunities for employment and self-employment, supplemented by a substantial expansion in public employment schemes.

Given the emphasis on self-sustainability, rural development and agricultural support for households constitute an important component of the Strategy. As a result, it has argued for reinforced interventions in order to change the situation of poor South Africans who reside in rural areas. It suggests that the government should actively promote an appropriate mix of smallholder farm schemes and larger farms, and enhance the processing of agricultural products in ways that support increased rural employment, including self-employment. In terms of this thinking, it is envisaged that agricultural support to households would provide food security, especially in cases where there is either a lack or a complete absence of earned income. Eventually, such support may become a source of income as smallholdings are developed into productive small farms. Measures to achieve this may include the improvement of the level of physical and institutional infrastructure in rural areas (rural roads, irrigation, access to markets, credit, resources, education and training, technical support and so on), as well as land reform that supports the generation of rural livelihoods on a mass scale. Quite evidently, there would need to be linkages between these broad proposals in the Strategy and those that are emerging in the strategy around rural development that is envisaged.

> Although the provision of a safety net in the form of social assistance and basic services can be seen as an ongoing effort, the government's primary objective should be to empower individuals and communities to support themselves.

Another strategic focus area, in the earlier drafts of the Strategy, has been the prevention of inter-generational reproduction of poverty. By improving the economic situation of parents, through ensuring their participation in economic activities, the opportunity exists to break the cycle of poverty that would otherwise be transferred to their children. Conversely, the Strategy also aims at ensuring improved prospects for children who grow up in poor families. To this end, human resources development and, in particular, education and skills development will play a significant role in preventing the intergenerational transmission of poverty. Education and training opportunities are critical for older children and young adults. Therefore, efforts should be concentrated on ensuring that those who can still benefit from acquiring education and skills do so. In this regard, the Strategy calls for measures to ensure that young people stay in school longer, acquire quality education and receive training that will enable them to take advantage of various economic opportunities, both immediately and in the future.

As indicated above, the Strategy recognises the need to reinforce partnerships at all levels, among departments, government agencies and non-governmental organisations. Its implementation requires a concerted and inclusive approach, with the buy-in of all potential social stakeholders. So far, the initiatives to combat poverty have relied heavily on programmes and projects sponsored and administered by the government. Whereas the government has a significant leadership role to play in this regard, it should be able to draw on the reach and vast human resources capacity beyond the ambit of the state bureaucracy.

THE PROCESSES: INVOLVING NON-GOVERNMENTAL INSTITUTIONS

Given the Strategy's emphasis on broad social partnerships to address questions of sustainable poverty eradication, the government – through the PCAS – has gone to great lengths to accommodate the views of social partners (non-profit organisations, the private sector and higher education institutions) in the finalisation of the Strategy.

The products of these consultation processes were endorsed at extended bi-annual Cabinet sessions, which were guided by the task team made up of participants from the economic and social clusters.[11]

The PCAS' thinking around this was that it could not simply write up the Strategy and impose it on the rest of the government and society. An additional consideration at the time was the fact that a new administration was about to replace the existing one. The expertise and knowledge of the new administration was going to be critical for the strengthening of a strategy as fundamental as a poverty eradication programme. Regardless of the administration, however, the complexity of the issue of poverty dictated that it would be of critical importance to incorporate as many voices as possible to inspire the final Strategy. Within the government, the PCAS acted as a facilitator in the drafting of the Strategy, given that a document was required to shape discussions and debates within the government, first and foremost.

In 2007, a government task team invested much energy in the drafting of the Strategy. Most of 2008 was used for public consultations, which included both formal and informal conversations with working groups of the Mbeki administration, and with researchers and activists. Views expressed during the consultations were taken into account, as far as it was feasible, and the revised Strategy was presented at the January 2009 Cabinet *lekgotla*. The *lekgotla* concurred with the recommendation of the task team that further consultations were needed and that it appeared necessary to allow further redrafting so that the new administration would have an opportunity to apply its mind to the proposed Strategy before its finalisation.

At the new administration's May 2009 Cabinet *lekgotla*, a further revised Strategy was tabled with recommendations on the processes aimed at further consultations with various stakeholders. The *lekgotla* endorsed the recommendations, and an enhanced process was launched, involving not only organised non-governmental formations but also social movements and individuals that were known to be knowledgeable on matters of poverty alleviation and, particularly, on the question of ensuring effective partnerships across society for sustainable poverty reduction. The original intention behind further consultations was not only to improve on the draft of the Strategy presented to Cabinet in May 2009, but also to work towards a joint programme, between the government and various partners, on eradicating poverty in South Africa – the Implementation Plan for Poverty Eradication in South Africa.

The conceptualisation of the process was relatively ambitious, yet mindful of potential risks and/or limitations. It seemed that the government was becoming impatient with endless consultation on the Strategy. Social partners were also reluctant to engage in further consultation, as they felt that the government needed to implement programmes/projects rather than endlessly consult about what had to be done to eradicate poverty. However, in early stages of further consultation, it turned out that there was value in the exercise. New ideas emerged and insightful suggestions were made as to how South Africans could partner the government in the implementation of the Strategy. Of course, the jury is out as to whether further consultation, two years after completing a draft Strategy, was worth the trouble. It is, however, safe to argue that provincial workshops on the Strategy (as an example) generated further insights on poverty dynamics in South Africa.

CONCLUDING REMARKS

This article has presented the initial thinking around the anti-poverty Strategy for South Africa. It has pointed to the most salient features of the Strategy, and has aimed to highlight the dynamics of the consultation processes, both in the drafting of the earlier drafts of the Strategy and in the attempts to facilitate a joint government and non-governmental response to poverty eradication.

There are many relevant issues that this article could not touch on. For instance, discussions in the Cabinet are only alluded to, as details cannot be divulged. Also, specific comments on the various drafts of the Strategy could not be presented here, given the multiplicity of those consulted and the views that they conveyed. It can be said, however, that no one sector or person objected to the initiative of having a countrywide anti-poverty strategy.

In conclusion, then, this article does not aim to defend the thinking around the Strategy; rather, it is concerned with the ideas, their respective contexts, and the processes involved. However, one of the areas that any discussion on poverty must touch on is the challenge of inequality. The drafters of the Strategy, as well as the facilitators of the conversation on the Strategy, were at pains to emphasise that a strategy focusing on poverty reduction alone could not adequately address the related challenge of inequality. In addition, there are several conceptual issues that even the advanced drafts of the Strategy could not address satisfactorily. One such issue that perhaps requires further thought is the question of how urban poverty could be addressed more systematically.

Lastly, consultations were expected to assist in addressing two issues: the sharpening of an implementation plan, based on effective partnerships; and the refinement of the articulation between the various pillars of the Strategy. These two aspects of the Strategy will largely determine success or lack thereof in its implementation. Linked to this are two critical, perhaps implicit, assumptions in the draft Strategy: that capacity to implement its various aspects would be scaled up; and that the state would act in unison in the implementation of the Strategy. Another fundamental assumption, also perhaps implicit, is that the economy will grow sustainably and that it will create opportunities that those classified as poor or 'unemployable' are able to exploit meaningfully.

As the earlier drafts of the Strategy emphasised, state cohesion will probably be the make-or-break factor in the implementation of the Strategy. Put differently, the proposed or chosen institutional mechanisms for implementing and overseeing the Strategy, including requisite capacities, will ultimately determine the success of its implementation. The ability of the state to create and properly lead partnerships with the various stakeholders and affected communities is equally critical.

NOTES

1. Taking into account the multidimensional nature of poverty (i.e. that it involves lack of income, lack of human capital, lack of social capital and lack of assets), the question arose whether the Strategy would also have to deal explicitly with strategies for improving social cohesion.
2. For a technical explanation and mathematical treatment of the relevant equations, refer to Gumede (2008a).
3. At the time of writing, there was not yet a Cabinet-approved poverty line.
4. For instance, the 1995 Income & Expenditure Survey (IES) was not based on clearly demarcated and adequately mapped enumeration areas, whereas the 2000 IES was based on improved demarcation and listing of households (guided by Census 1996)
5. Most of the studies that examine poverty dynamics focus or use the KwaZulu-Natal Income Dynamics Study. See, for instance, Carter et al. (2001), Adato et al. (2006) and May et al. (2007).
6. Refer to *Towards an anti-poverty strategy for South Africa: A discussion document on the framework*, unpublished paper of the Presidency's Policy Unit. Also, processes are still underway for determining an official poverty line for South Africa.
7. The work (and publications) of Charles Meth and Van der Berg et al., in particular, have presented different estimates, with Meth and Dias (2004) showing an increase in the number of poor people, specifically between 1999 and 2002. Meth (2006) seems to agree (with Van der Berg et al's estimates) that it is likely that the poverty headcount declined between 2000 and 2004.
8. Refer to Gumede (2008a) – the table was generated by Professor Murray Leibbrandt of the School of Economics and the Southern Africa Labour and Development Research Unit at the University of Cape Town.
9. At the point of finalising this article, the Strategy was still undergoing adjustments. Therefore, the article does not discuss the content of the (final) Strategy.
10. Cabinet *makgotla* were bi-annual gatherings, normally lasting for three days, of the President and the Deputy President with Ministers, Premiers, Deputy Ministers, Directors-General, Heads of Department, representation of the South African Local Government Association and the top managements of the PCAS and Cabinet Office as well as Presidential Advisors. Refer to Gumede (2008b) for further details.
11. Refer to Gumede (2008b) on the cluster system.

analysis

RURAL LIVELIHOODS AND MARKET INTEGRATION: AGRARIAN POLICY IN SOUTH AFRICA

Andries du Toit

INTRODUCTION

In recent years, it has become increasingly clear that any attempt to deal with poverty in South Africa needs to confront the structural marginalisation of poor people: the reality is that, even if our economy manages to grow, many people are positioned in such a way that they will be unable to make use of the opportunities for growth. This idea has been crystallised particularly by the notion of the 'second economy' originally proposed by ex-President Thabo Mbeki. This article engages with this thinking, and examines its significance for rural development. It explores the ways in which structural marginalisation can be countered in agriculture and agrarian policy. In particular, it surveys recent research on agrarian change, agriculture and land reform in South and southern Africa, and argues that sensible policies that can help poor and marginalised people require us to think much more critically about what is involved in both marginalisation and integration into markets.

The article begins with a short discussion of post-apartheid agrarian policy and, in particular, how policy-makers have understood the role of growth, commercial agriculture and integration into markets. It then discusses the actual results of market integration in two interrelated rural contexts: jobless de-agrarianisation in former bantustan areas in the Eastern Cape; and the incorporation of small farmers in commercial commodity chains. Both cases show how important it is to pay attention not only to the overall task of linking poor people to markets but also to the terms of incorporation. The article concludes with some remarks on more appropriate directions for policy.

AGRARIAN CHANGE, MODERNISATION AND NARRATIVES OF INTEGRATION

The apartheid legacy and the new policy consensus

Questions about the consequences and implications of market integration and inclusion are particularly relevant to agrarian and rural development in South Africa, partly because our understanding of apartheid's rural legacy relies so heavily on the notion of exclusion. This history has already been described extensively elsewhere (see, for example, Plaatjie 1982; Bundy 1987; Keegan 1988; Worden 1994; Van Onselen 1996; Mamdani 1996; Ntsebeza 2006; Moyo 2007). Two aspects are of particular relevance here. Firstly, segregation and dispossession left the lion's share of agricultural land in the possession of a tiny minority of about 60 000 white farmers.[1] Secondly, state support for agriculture was deeply skewed: while small black farmers in the bantustans received little assistance, white commercial agriculture was accorded high levels of support and protection.

Given the intractable and divisive nature of this legacy, what is noteworthy about post-apartheid land and agrarian policy is the great degree of consensus that emerged as the ANC prepared to take power in the run-up to 1994. This consensus was enabled partly by the ANC's abandonment of any programme of large-scale nationalisation, and by its eventual conviction that large commercial farmers would be more efficient and provide better food security than small farmers. These underlying points of departure were the foundations for a policy that seemed to promise a painless defusing of apartheid's inequitable legacy in the countryside through a programme that would de-racialise land ownership while not threatening major social conflict. At the heart of the promise was a vision of land reform as being essentially a process of pro-poor market integration. The ANC's 1994 manifesto and its initial formulation of the Reconstruction and Development Programme (RDP) described land reform as an 'opportunity for growth', and promised to use the redistribution of 30 per cent of land to small black farmers to 'kick-start' rural development (ANC 1994a). Those dispossessed of land under racial policies since 1913 could claim it back through a court process, and insecure tenure in the former homelands would be rectified by institutionalisation and formalisation – but it seemed that the main vehicle for the transformation of the countryside would be a market-based, state-assisted land-reform programme aimed at giving new black farmers access to the opportunities for enrichment offered by commercial agriculture (ANC 1993; see also NDA 1998, 2001).

Contrary to many critiques from the left, the ANC's land reform policy after 1994 was *not* simply a neo-liberal vision. Rather, it hoped to use a mix of market and regulatory measures to de-racialise power and ownership. New black farmers' entrance to commercial agriculture would be supported by a range of measures aimed at eradicating racially based disadvantages. These measures ranged from subsidies for land acquisition to the broader application of interventions for black economic empowerment. However, although the policy was mixed, it was shaped ultimately by a faith that poverty could be addressed through access to the opportunities offered by markets, and that markets could allocate resources and reward investment in a way that was reconcilable with the aims of equity, social stability and racial redress.

As important as the measures for supporting and protecting marginalised workers and creating a new class of black commercial farmers was a sweeping programme of deregulation aimed at thoroughly liberalising agricultural markets and rolling back the measures that had 'distorted' them in the past. This had already been under way in piecemeal fashion since the mid-1980s, but the new government consolidated and accelerated it under a broad agricultural marketing policy framework aimed at all sectors of agriculture (Jacobs 2009).

It is important to note that these three parallel policy thrusts – labour and tenure re-regulation, state support for new entrants, and market deregulation – were conceived of as acting *in concert*. Land redistribution would allow for more equitable access to land ownership and the other resources required for commercial agriculture; labour regulation would protect workers from the exploitation that characterised the highly racialised labour regimes of the past; and market deregulation would 'shake out' inefficient white farmers who had depended hitherto on the super-exploitation of black labour and the protection afforded them by the apartheid state. What gave ANC agrarian policy its coherence (and ensured support for it) was not simply an evaluation of the *actual* likely consequences and the desirability of the individual policies and measures on which it depended; neither was it in any real way the result of what these days is called evidence-based policy-making. Rather, it secured broad assent because it was enfolded in a compelling and widely supported *ideological meta-narrative* about the relationship between racism, tradition, modernity, progress and South Africa's integration into a global economic and social community. These underlying assumptions were widely shared. While land-based NGOs and those previously involved in resistance against forced removals continued to protest against the market-based nature of the mechanisms of land reform, a surprisingly large swathe of South African civil society, from black farmers' unions to the trade union movement, from the progressive sections of white agriculture to mainstream business organisations, bought into this basic ideological vision.

CONTRADICTIONS AND CONSEQUENCES

Compelling visions and powerful paradigms are one thing, of course; what actually happens when policy-makers and governments try to act on them is another. At the time of writing, it is evident that this policy mix has not delivered the expected results. For the most part, land reform policy has met with failure. The programme has fallen woefully short of its targets for land redistribution, and small black farmers continue to be marginalised and impoverished (Lahiff 2008).

For the most part, land reform policy has met with failure. The programme has fallen woefully short of its targets for land redistribution, and small black farmers continue to be marginalised and impoverished.

Of course, the reasons are many and various. A comprehensive account of the failure of agrarian policy in South Africa has to consider a wide range of interlocking and complex factors, including the *lacunae* in rural development policy more broadly, the failure and limited capacity of the state at local level, the impractical, bureaucratic and contradictory design of many of the implementation measures, the constraining macroeconomic environment, and many others (Lahiff 2008). Tempting as it might be to blame all of the ills of land reform *tout court* on neo-liberalism, it should be recognised that there is no simple ideological 'magic bullet', no alternative analysis or policy framework that, were it to have been adopted, would have enabled the new government decisively to resolve the problems it faced in the countryside. As Henry Bernstein (1996) has argued, the configuration of race and power in the South African countryside is 'extreme and exceptional': the question of the path of capitalist transformation in the countryside has been resolved decisively – in favour of capital. No coherent and organised social group exists that convincingly can challenge or restructure productive relations in the post-apartheid countryside. Therefore, the scope for change is constrained, and land reform policy, however it is formulated, can have only limited impact (Walker 2005).

What, then, are the alternatives? This article explores the possibility that, although not every flaw and failure of the ANC's land reform policy can be traced back to failures of analysis and ideologically slanted assumptions, developing

No coherent and organised social group exists that convincingly can challenge or restructure productive relations in the post-apartheid countryside.

sensible and appropriate agrarian policies does require that one goes beyond the blind spots and the unexamined assumptions that underpinned the new government's agrarian vision. In the pages that follow, it is suggested that this vision was based on unrealistic and mistaken assumptions about the likely consequences and impacts of 'inclusion' and 'integration' into commercial markets. This is not to say that inclusion will always and automatically be negative. It simply implies that realistic policies require a more sober assessment of who can benefit from inclusion, of the terms of inclusion, of its differential impacts on marginalised and vulnerable groupings, and of the ways in which disadvantage and powerlessness might or might not be countered.

In the following sections, recent research conducted within the Institute for Poverty, Land and Agrarian Studies (PLAAS) and the Chronic Poverty Research Centre (CPRC) on aspects of agrarian change in South Africa is considered. This overview cannot pretend to completeness, but much can be learned from each of these studies about contradictions and tensions that are much more general in scope.

Jobless de-agrarianisation in the Eastern Cape

Firstly, we consider research on chronic poverty in the Mount Frere area in the 'deep rural' Eastern Cape (Du Toit & Neves 2006, 2007, 2009a, 2009b). Poverty here is driven by post-industrial decline and jobless de-agrarianisation (Bryceson & Jamal 1997; Bank & Minkley 2005; Du Toit & Neves 2006). For decades, livelihoods have depended heavily on migrant remittances, but the industries employing such migrants have been in decline since the 1980s, and remittances from the urban areas are drying up. Young adults leaving school find few opportunities for access to urban job markets, and many job-seekers end up returning to their home villages. At the same time, the opportunities for sustainable local livelihoods have been diminishing. Agriculture has been in decline: the terraced fields earlier used for planting field crops (the *insimbi*) stand unused and unfenced, being used mostly for grazing, while household agriculture is concentrated increasingly on small planted garden plots (Andrew & Fox 2004). In contrast to processes of de-agrarianisation elsewhere, there has been no corresponding increase in service-sector jobs. Many households depend entirely on cash transfers, with old-age pensioners or disabled people sharing (or being forced to share) meagre grant income with a large number of dependants (Du Toit & Neves 2006; Bank & Minkley 2005).

To some extent, of course, the prime causes lie with the harsh climate, the distance from commercial centres, and governmental neglect. Years of non-investment have deprived the area of vital infrastructure. There is no local provision for irrigation; roads are poorly maintained and often impassable in winter; there is no subsidised public transport to speak of, and markets are unreachably distant. At the same time, the lack of opportunities for local economic activity is not only a consequence of distance and lack of connection with South Africa's mainstream economy. To some extent, the problem lies in the fact that the mainstream economy *is* present, but in ways that undermine the space for local enterprise. In many parts of the Eastern Cape, the social relationships of labour and the productive strategies upon which local agricultural production depended appear to have been substantially eroded by modernity. Animal traction, which depended on a local relational economy of reciprocal exchange, has been replaced by the use of tractors, so that only those who already have money can afford to plough. The most marginalised and poorest households, those who can least afford store-bought food, are precisely those with the fewest opportunities for independent agricultural production (Heron 1991; Du Toit & Neves 2006).

An especially ambiguous role is played by the presence in many of these areas of the giants of South Africa's retail and services sector, and of the major supermarket chains (Spar, Boxer/Pick n Pay and Shoprite), in particular. The ability of supermarkets to sell relatively low-priced staples has complex local effects. On one level, it does enable those who have some cash to stretch their resources. On another level, the arrival of supermarkets has had profound effects on the local productive economy. The availability of cheap staples reduces the incentives for local agricultural production – not only because home-grown maize is no longer significantly cheaper than store-bought, but also because access to store-bought maize does not involve the risks imposed by the vagaries of the local climate and by theft. Secondly, it has eviscerated the local trading stores that, before retail deregulation, formed the hubs of a local credit economy. Thirdly, local supermarkets compete with small entrepreneurs, squeezing them out of the service economy, while their supply chains bypass local producers. Ultimately, supermarkets work to plug the deep rural areas into the national retail economy, but on disadvantageous terms, creating circuits of exchange that siphon money out of the local economy and bypass the multiplier effects that might otherwise stimulate rural development (Du Toit & Neves 2007).

What happens to agriculture in this context? Household-level production continues to play an important but limited role. While almost all local households are involved in agriculture (in the Mount Frere area, 97 per cent report using land for food production, and 83 per cent own livestock of some kind), only 6 per cent of these households report that agriculture produces a cash income. Furthermore, for a vast majority of the households that are involved in agriculture, food production plays only a supplementary role: 87 per cent of households report that they are dependent on store-bought maize meal all year round, while only 5 per cent report that they can produce enough maize for own consumption for 3 months in the year or more (Du Toit & Neves 2006).[2]

What is particularly worth noting, however, is the complex role agricultural production and consumption have in local social networks and in processes of reciprocal exchange. Where households do produce a surplus, they are as likely to barter as to sell it. Agricultural production is one aspect of a classical pluri-active livelihood strategy, in which householders combine a wide range of different income-generating and other activities. Research seems to indicate that one of the benefits of this pluri-activity is that it not only allows households to spread risk, it enhances households' ability to seek synergies and convergences that create a whole greater than the sum of its parts. A key to survival for poor people is their skill as strategists and integrators, weaving disparate sources of income and complex processes of social exchange into a coherent existence. Both agricultural production and the distribution and consumption of what is produced are deeply imbricated in complex processes of reciprocity and negotiation within and between households.

In other words, 'subsistence production' needs to be understood not only in terms of its relation to markets or its vital contribution to food security, but also in terms of the way in which it enables a wide range of forms of *non-monetised* exchange and the accumulation of 'social capital'. It is central to the institutions, arrangements and practices of local systems for informal social protection and the forms of symbolic credit, social prestige and exchange on which these systems depend (McAllister 2008; Du Toit & Neves 2006). As such, it plays a vital local socio-economic role, and is central to the ability of the rural areas to serve, even today, as a 'cushion' or 'buffer' for failed migrants and for urban kin needing support in facing unemployment or other shocks (Du Toit & Neves 2009a).

Crucially, most South African agrarian policy is for all intents and purposes irrelevant to these producers. Tenure reform is all but stalled in the logjam around the implementation of the Communal Land Rights Act 11 of 2004, while support for 'new' and black farmers ignores the needs of small and 'subsistence' producers. Almost no extension or infrastructural support reaches them. The land grants of the Department of Rural Development and Land Reform (previously the DLA) do not address their needs: their most pressing problem is not lack of access to land, but lack of access to cash with which to farm it.[3] This is a point to which we will return: while subsistence farmers make up the majority of food producers in South Africa, they exist in an almost complete policy vacuum (PLAAS 2009). In spite of rhetoric to the contrary, the most notable feature of post-apartheid agricultural policy is the perpetuation of apartheid's agricultural dualism: government thinking is still characterised by a Manichean divide between 'subsistence farming', on the one hand, which is conceived to be backward, traditionalist, disconnected from markets and of negligible importance to development and food security, and 'commercial farming', on the other, which is understood in terms of the business models, operating practices and farming styles of large-scale, technology-, management- and capital-intensive industrial agribusiness (PLAAS 2009).

While subsistence farmers make up the majority of food producers in South Africa, they exist in an almost complete policy vacuum.

Incorporating small farmers in commercial markets

Outside of proposals for tenure reform, the central focus of post-apartheid land policy is not subsistence farming but enabling access to commercial markets by marginalised black producers. In early policy documents, it was imagined that this would be accomplished through a mix of market and non-market measures: on the one hand, liberalisation would be used to open up markets for all participants, while, on the other, 'new entrants' would be provided with selective state support to enable them to compete. However, although the first part of this programme – the deregulation and liberalisation of agricultural markets – was accomplished with thoroughness and determination, there has been relatively little in the way of clear or workable proposals for how small farmers would be supported.

The key vehicle by which the post-apartheid government sought to regulate agriculture was the Marketing of Agricultural Produce Act 27 of 1996, a sweeping piece of legislation aimed at increasing market access for all agricultural producers, promoting the efficient functioning of agricultural markets, maximising earnings from the export of agricultural products, and enhancing the viability of the agricultural sector. It was a radical departure from the piecemeal and reversible liberalisation of agricultural markets begun in the mid-1980s: it changed the way in which marketing policy was managed and decisively opened the sector to global influences (Tregurtha & Vink 2008). As Jacobs (2009) points out, the Act was pivotal in that it provided the template for *all* policies focused on agro-food markets and agrarian reform, creating the economic context for land reform, black economic empowerment (BEE) and agricultural support. Vitally, the Act de-racialised the regulation of agriculture, doing away with the laws that had governed agriculture in the former bantustans and, thereby, 'bring[ing] black smallholder farmers under one national agricultural market policy regime' (Jacobs 2009). An important consequence of this, however, was that henceforth there would be little basis for distinguishing and separately treating small black farmers and new entrants into commercial agriculture. Despite the fact that real-world conditions did not mirror their notional legal equality, they were lumped with other commercial producers. While there was some recognition that small farmers, unassisted, would not be able to compete against established, large-scale commercial farms, proposals for 'levelling the playing field' were confined to the selective support of small farmers, through access to market information and extension services, for example (Jacobs 2009). Later proposals included the facilitation by the government of contractual joint ventures between small-scale farmers and private investors – the assumption being that there would be a transfer of skills and access by black farmers to capital, markets and technology (Tapela 2008).

This has not translated into reality, part of the reason being that land and agrarian reform was the direct responsibility of two different government departments: while actual redistribution of land was the responsibility of the Department of Land Affairs, almost all matters related to agricultural production and marketing lay with the Department of Agriculture. This created a discontinuity between the acquisition of land, on the one hand, and what came to be called 'post-settlement support', on the other; a classic case of un-joined-up government, which often left land reform beneficiaries high and dry. This has contributed to the significant rate of failure of land reform projects in meeting their economic objectives: the Department of Land Affairs itself estimates that around 50 per cent of all land reform projects have failed or collapsed (PLAAS 2009). The further separation of these two departments into two separate *ministries* in the Zuma administration brings the strong risk that this disconnection will get worse.

However, the disconnection has not been due merely to institutional design. It is also the result of an ideological struggle between two very different visions of the place of small farmers in the agricultural sector. Policy-makers linked to the Department of Land Affairs were often informed by an analysis premised on the so-called 'inverse relationship' between farm size and efficiency. According to this view, smaller farms tend to have higher returns per hectare than larger farms, partly because they are not exposed to the same problems of labour supervision, and partly because they are more labour intensive (Lipton 1993; for a recent reprise of these arguments, see Wiggins 2009). This analysis has not been shared by policy-makers and planners in the Department of Agriculture, who still tend to assume that commercial success depends on economies of scale. Consequently, they have paid little attention to the need for subdivision of redistributed land. Furthermore, as a recent study noted, 'there is no technology policy or orientation that encourages or enables beneficiaries to adopt more labour-intensive styles of farming' (PLAAS 2009: 19).

The main outcome of this disconnection has been the creation of a second policy vacuum: alongside the almost complete inattention to the role and needs of the 'subsistence' sector, there is also what Michael Aliber has characterised as the problem of the 'missing middle' – agricultural policy continues to assume large-scale production and is marked by a lack of attention to the real needs and capacities of what are probably large numbers of market-oriented or potentially market-oriented smallholders (PLAAS 2009). This has meant that land reform and agricultural policy is not informed by an understanding of the difficulties faced by new small farmers. The 'business plans' required of land reform beneficiaries often have little bearing on reality, usually having been drawn up by planning consultants who simply cut-and-paste existing commercial farming models with scant regard for the actual capacities, needs and proclivities of land reform beneficiaries. Increasingly, researchers are arguing that post-settlement support as it is presently designed is unable to remedy the fundamental problems created by programme and project design.

Another problem is that policy has tended to conceptualise access to commercial markets with very little attention to the wide range of *different* ways in which small farmers

Agricultural policy continues to assume large-scale production and is marked by a lack of attention to the real needs and capacities of what are probably large numbers of market-oriented or potentially market-oriented smallholders.

connect to markets. Often, new entrants are assumed to compete in the same markets, and in the same way, as their large, industrial, corporate and mostly white-owned equivalents. In particular, it is assumed that land reform beneficiaries could benefit significantly from being given access to high-value niche markets (organic produce, for example) that would allow project costs and loans to be recouped rapidly.

The reality is that smallholder farmers are often poorly positioned in the value chains that link them to these markets (Ponte 2005). This is an important warning to those who promote commercially oriented smallholder farming as a pathway out of poverty on the strength of the notion of the 'inverse relationship': even if there *are* efficiency gains linked to smaller farming sizes, smallholders are disadvantaged in other ways. While many smallholders rely on informal rural markets, they are frequently out-competed in these markets not simply on price, but because most of the produce sold in these markets is supplied by vendors who prefer dealing with players who can supply them in large volumes (Jacobs 2009). Similarly, smallholders are at a disadvantage when dealing with the large retail multiples that increasingly dominate the South African food market: many of these, especially the large players that serve high-income markets, have highly centralised procurement and distribution systems with which smallholder farmers are not well positioned to cope. In addition, smallholders often find it hard to comply with these buyers' requirements in terms of consistency, variety, quality and certification systems (Ponte 2005; Jacobs 2009).

Here, it is important to remember that, as Ponte (2008) has asserted, the implications of agro-food value chain integration for small producers differ markedly, depending on the nature and structure of the value chain. Value chains that are less buyer-driven can have substantially positive impacts on poverty (Ponte 2008). Similarly, Jacobs (2009) has pointed out that, in South Africa, smaller local supermarkets that source fresh produce from local farmers do not offer the disadvantages facing smallholders attempting to deal with centralised national supermarket chains, and wholesale produce markets like the Johannesburg Fresh Produce Market have expanded access to trading facilities for smallholders. While these downstream actors do not offer access to the high-value niche markets targeted by supermarkets such as Woolworths and Pick n Pay, they may offer more sustainable pathways to integration (Jacobs 2009).

These distinctions, however, have not found much purchase in policy. A telling example of what can go wrong in the integration of smallholder farmers in commercial farming is provided by Tapela's (2005, 2008) case study of the Revitalisation of Smallholder Irrigation Schemes (RESIS) programme in Limpopo province. A key issue here was that irrigation reform was not aimed simply at helping smallholder farmers by restarting dilapidated schemes; instead, access to the benefits of these interventions was conditional upon implementers 'capacitating' these smallholder farmers to farm *profitably*. These preconditions resulted in poorly thought-out interventions that ignored the real interests of small farmers and their social relationships on the ground. Thus, the notion that water reform had to 'pay its way', and that investment in small farming was worthwhile only if it led to commercial production, ultimately meant that vulnerable and poor farmers were subject to greater degrees of risk, as well as stringent phytosanitary requirements and other regulatory pressures with which they were ill equipped to comply. Tapela shows how this led to intractable conflict and project failure. Small farmers without the financial wherewithal to compete effectively in commercial cotton production ended up indebted and in danger of losing their land. The notion that all investment in infrastructure for small farmers had to find its justification in commercial production, and the further assumption that commercial production had to involve integration into supermarket-dominated or export-oriented agro-food systems had dire consequences: project implementers and government officials ended up shoe-horning marginalised and poor land reform beneficiaries into projects based on templates that had little to do with their own plans or their material realities (Tapela 2008).

Tapela reports that more recently, partly as a result of a recognition of the constraints faced by small farmers competing in commodity markets, there has been a shift in the emphasis of the RESIS programme away from active participation by small-scale farmers towards a focus on infrastructure development. In terms of this new focus, smallholders' land is being 'opened up' to access by private investors. In effect, this means that smallholders are being reduced to farm workers, and their land is controlled by large-scale commercial (white) farmers. The irony is inescapable: policy-makers and implementers in post-apartheid South Africa are supporting programmes that involve a wholesale abandonment of the aims of land reform, and preside over processes that mirror and repeat the erosion of land rights that characterised rural struggles during apartheid.

Agrarian reform and the terms of agro-food integration

These case studies, firstly, underline the importance of going beyond the basic counterposition of 'exclusion' and 'inclusion', and question the assumption that poverty is a simple or direct result of 'exclusion' from markets, which needs to be met with a corresponding effort at 'inclusion'. Secondly, they stress how important it is to be quite clear about just *what* it is that people are excluded from or connected to. Thirdly, they emphasise that it is particularly important to look at the ways in which people are inserted – as producers *and* as consumers – into local and global commodity chains, in general, and agro-food chains, in particular. Fourthly, they suggest that the analysis of social exclusion or incorporation should pay attention not only to market inclusion or exclusion, but also to insertion in other social formations (social networks, patron-client relations, and so on).

In the context of the Eastern Cape, for example, attention to the nature and terms of exclusion and inclusion shows how important it is to go beyond the simple notion that the region's economic problems stem from spatial isolation.

In the first place (and this is a point to which we will return), to characterise agriculture in the Transkei in terms of its disconnection from distant markets is to understand it only partially. 'Subsistence' agriculture is not 'autarkic' or 'disconnected'; it is richly integrated and connected. However, these connections pertain not only to distant markets, but to local, *non*-market and *social* systems of transaction and exchange. Subsistence production plays an important role, not only through its direct contribution to household income, but also as part of the local practices through which moral community, neighbourliness and social standing are enacted and maintained.

In the second place, it seems that integration of the rural Eastern Cape into the broader capitalist economy of South Africa has had highly differentiated impacts. A small, fragile elite is well positioned, both in terms of local social relations and in terms of their relationship to the 'mainstream economy'. Securely plugged into the apparatus of the local state and possessing strong and advantageous connections to the urban job market, they can use their positional power to form networks of local patronage that work to their benefit. Very differently positioned is an impoverished 'pensionariat' (Bank & Minkley 2005) that subsists on pensions and on meagre remittances from urban relatives. This group benefits in some ways from the presence of supermarkets that can provide staples and foodstuffs more cheaply and securely than can be achieved by their own production; but, in the long run, the presence of 'big retail' in the rural areas also acts to undermine the prospects for smallholder agricultural production and local markets, to undermine the informal sector and to reduce the opportunities for multiplier effects. Social networks in this context are vital but vulnerable. They can ameliorate the worst impacts of poverty and vulnerability but increasingly are stressed and conflictual. The worst off are those who are marginalised in *both* the local moral community *and* the market economy; bereft of cash or resources, they lack any real leverage in their local social networks, where they often transact on highly disadvantageous and exploitative terms.

Policy-makers and implementers in post-apartheid South Africa are supporting programmes that involve a wholesale abandonment of the aims of land reform, and preside over processes that mirror and repeat the erosion of land rights that characterised rural struggles during apartheid.

Where attempts have been made to integrate small farmers into commercial markets as producers, success or failure has depended on the configuration of the agro-food systems concerned and the exact ways in which small farmers have been located within them. Hopes that small farmers would be able to benefit from the opportunities afforded by links to high-value market niches have tended to be torpedoed by the demands placed on producers participating in buyer-driven value chains. A crucial issue here is that success is affected not only by on-farm productive efficiency, but by the additional demands imposed by requiring compliance with quality and other standards, and by the demands for economies of scale among downstream actors. Small farmers have done better when they are connected to less profitable, but less demanding, local markets. Even local informal markets, however, are dominated by large commercial farmers, who have been better served by intermediaries. The track record of smallholder integration into South African markets underlines Stefano

Ponte's warning that 'integration of people or areas into global value chains and trading relationships will exacerbate chronic poverty if the "normal functioning" of these chains is left unchecked' (Ponte 2008: 1).

COMMERCIAL INTEGRATION AND PRO-POOR LAND REFORM

Policy, politics and ideology in agrarian reform

Criticism of South African land reform programmes, particularly by the left, has tended to focus primarily on the difficulties imposed by the constitutional protection of property rights and the limitations imposed by the 'willing buyer, willing seller' model on the ability of the government to expropriate white owners' land. As Lahiff has pointed out, this exclusive focus on the obstacles to the means of land acquisition misses deeper and possibly more intractable problems (Lahiff 2008). Above and beyond the problems imposed by the direct cost of land acquisition, agrarian change has been undermined by the fact that agricultural policy is not informed by any coherent vision of the role of subsistence agriculture, and is dominated by models of commercial agricultural production slanted in favour of large-scale industrial farming, which is ill suited to the realities faced by small farmers (PLAAS 2009).

This disjuncture has created serious tensions in post-apartheid agrarian policy. On the one hand, land reform is motivated by pro-poor and social equity aims. On the other hand, land reform projects are implemented through models premised on the primacy of commercial production, while other elements of land reform policy emphasise the creation of a new layer of commercial and medium-scale black farmers. This tension has meant that land reform implementation has been characterised by a succession of (mostly failed) attempts to find viable models for land acquisition and 'post-settlement' support. Aliber et al. (forthcoming) note that while 'the overall aims of land reform remain as broad as when the White Paper on South African Land Policy was issued in 1997 – i.e. to promote equity, justice, poverty reduction, economic upliftment, and tenure security – for land redistribution in particular there has been a noticeable shift in favour of commercially oriented ventures'. Implementation has been marked by an increasing tendency to de-emphasise support to subsistence farming and to emphasise the importance of commercial farmer support. Thus, the Department of Land Affairs' (as it then was) initial Settlement and Land Acquisition Grant (SLAG), which subsidised the acquisition of land by poor and landless people, made way for the Land Reform for Agricultural Development (LRAD) grant, which did not require beneficiaries to be poor to be eligible, and which linked grant size to the amount of savings and finance candidates could bring to the table (DoA 2001; Lyne & Darroch 2003). More recent proposals have been for a parallel distribution programme known as the Land and Agrarian Reform Programme (LARP), a programme explicitly focused on transferring 5 million hectares to potentially successful medium-sized black beneficiaries, in the hope of adding 10 000 black farmers to South Africa's commercial agriculture sector (PLAAS 2009). While LARP has the benefit that it tries to resolve the contradiction at the heart of land reform policy, it does so by relinquishing most of land reform's pro-poor content. If it succeeds, LARP will amount at best to an expensive programme in 'narrow BEE': billions of rands will be spent in establishing a small group of medium-scale black farmers, while the legacy of rural landlessness, de-agrarianisation and politically charged histories will be left untouched.

The significance of this last point should not be underestimated. The contradiction between a notionally pro-poor land reform policy aimed at social equity and the redistribution of land rights, on the one hand, and a neo-liberal economic and marketing policy emphasising global integration, competition and efficiency, on the other, cannot be resolved simply by choosing to abandon the social and equity aims of agrarian policy. For one thing, rural poverty, food insecurity and hunger are not issues that South African policy-makers concerned with agrarian issues can simply ignore. The South African government needs viable and sensible approaches to support the livelihoods of the two million households who rely on agricultural production. In addition, workable forms of support are needed for an estimated 100 000 or more small farmers who produce for commercial markets on a modest scale (PLAAS 2009). Failure to do so will simply result in deepening structural and chronic poverty, on a rising tide of unemployed rural job seekers in the already over-saturated job markets of the cities and small towns.

More seriously, as Cherryl Walker (2005) has noted, land reform relates to more than poverty and hunger. While land reform policy in South Africa has tended to be narrowly focused on technical discussions of livelihood sustainability and commercial viability, public debates about land in South Africa derive their political prominence and symbolic importance from the much broader context of the political transition, the legacy of colonialism, and still largely unresolved questions about race, equity and national identity (Walker 2005). In this context, the domination of South Africa's commercial farming sector by a small group of white, large-scale farmers and agribusinesses becomes symbolic of the larger political and economic problems posed by continued chronic and structural poverty and the limited success of the post-apartheid government in linking growth to redistribution. The historical legacy of land dispossession, thus, carries a powerful political charge in broader debates about national identity, reconciliation, historical justice, and the legitimacy of South Africa's negotiated settlement and Constitution. The contested role of land reform in the political and economic crisis in Zimbabwe powerfully illustrates the destabilising and explosive potential of leaving such issues unresolved.

Beyond the contradictions?

The contradictions and problems that characterise South African agrarian policy cannot be resolved easily. At the same time, it seems that some of the difficulties created by the blind spots of existing policy can be addressed. An analysis sensitive to the dynamics of exclusion, inclusion and adverse incorporation can be useful here, as these may help question naive or simplistic expectations about what can be achieved by connecting poor rural people with markets. In particular, policies can be much more sensitive to the differential impact of market integration, and should allow for a greater range of modalities and forms of connection (and non-connection) with commercial markets. The recommendations marshalled here, it should be said, are not a comprehensive discussion of all the policy changes needed; these are already discussed in detail elsewhere (PLAAS 2009). Attention is focused here on matters that relate specifically to the terms of agro-food incorporation.

The first shift this implies is something of a no-brainer; in a context where millions of poor people depend on agriculture for food and social security, subsistence food production should be valued and supported actively. Agrarian policy should not be deformed by a narrow ideological commitment to commercial production. In a sense, political and ideological conditions may be ripe for a shift in the right direction. Recent developments in thinking about responses to poverty and chronic poverty have seen a re-emphasis and a revaluation of social protection. This may cast in a different light the disparaging comment, commonly made by proponents of an emphasis on commercialisation, that land reform aimed at supporting subsistence agriculture is 'merely welfare'; support for subsistence agriculture can be premised precisely on the value of this welfare function. Here, it is important to realise that social protection need not refer only to formal (public or private) systems; thinking on social protection should also take cognisance of the crucial role played by informal systems of social protection (Bracking 2003; Du Toit & Neves 2009a). In the rural areas, smallholder agriculture is central to the networks and exchanges upon which informal social protection depends.

Secondly, models of commercial smallholder support need to be informed by a more realistic understanding of the potential and the limits of smallholder production. Support should not only be focused on production inputs and technical training for on-farm production, it should also be informed by a much clearer appreciation of the importance of the downstream links by which small farmers are connected to markets, and the power relations these involve. Crucially, this suggests that much more attention can be paid to how those value chains themselves are structured.

This opens for discussion a complex, challenging and hitherto unexplored policy area, for it is clear that many of the difficult and problematic dynamics noted here cannot be addressed without asking searching questions about the design and functioning of these downstream commodity chains, and, in particular, about the role of South African supermarkets in the governance of these chains. This is a surprisingly under-researched issue, and very little serious policy research has been done on the implications of the massive domination of South African food retail by large corporate multiples (see Jacobs 2009). Furthermore, in striking contrast to industrialised societies, where consumer and political activism has placed supermarkets in the spotlight, the practices of South African supermarkets and the social impacts of these practices have gone virtually unchallenged. The result is that there is a large range of issues, from sourcing practices to quality standards, where both the South African public and the government effectively have allowed retail multiples to avoid concerns that have a major impact on the livelihoods and food security of millions. The structure and governance of agro-food chains is seen essentially as the private business of supermarkets, which often are naively viewed as the guardians of consumer interests and low prices. If agrarian reform is to stand any chance of connecting poor people with commercial markets in a beneficial way, these unexamined assumptions will need to be contested.

NOTES

1. The commercial (i.e. white) farming sector in South Africa in 1993 was comprised of some 57 980 'farming units' (Stats SA 2005).
2. This is broadly in line with national trends and patterns. According to South Africa's Labour Force Survey, 4 million people (in about 2 million households) report practicing agriculture. An estimated 92 per cent engage in agriculture for food production, mainly to supplement other sources of food, while 4 per cent report significant cash income from agricultural production (PLAAS 2009).
3. Nor are they waiting for micro-credit. The riskiness of agricultural production in this environment and its imbrication in a local relational economy, rather than in direct commercial production, means that many of those who would plough if they had the money would be unlikely to benefit from formal provision of financial instruments.