

## Article

# Equity in the Age of Informality: labour markets and redistributive politics in South Africa<sup>1</sup>

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Democracy, like tradition in the old joke, is not what it used to be. Once, the prospect of universal franchise inspired revolutionaries and horrified plutocrats: Marx's writings entertain the notion of a democratic revolution, in which the enfranchised proletariat use a parliamentary majority to abolish private ownership and its attendant inequalities.<sup>2</sup> Democracy offered those at the bottom of the economic pile a way into the market economy, not a means to abolish it. But economic elites offered more to secure this incorporation than the right to be free – in many societies, as the franchise was broadened, those who acquired it used it to elect governments which used social policy to reduce inequalities. The welfare state was largely a product of the extension of the vote to all.

TH Marshall's seminal *Citizenship and Social Class* (1964) thus argued that the tension between granting the formal rights of citizenship to all but restricting economic benefits to a few could not endure. The recognition that all should enjoy political rights would reduce inequality as the poor used their franchise to erode it. A theoretical account of how this comes to pass is offered by Przeworski's analysis of the way in which labour parties in democracies generated strategic calculations and consequent bargains which did not threaten the survival of the market economy but ensured rising living standards for the working class (Przeworski 1987).

Yet, while this may describe the emergence of the welfare state in the liberal democracies of Western Europe, it does not appear to fit the current wave of democratisation in the 'South'. The political citizenship which Marshall expected to confer the means to achieve 'social citizenship' is now more evident than ever, but does not ensure narrowing inequality. On

the surface this suggests either that, *à la* current economic orthodoxy, citizens have come to realise that there is no alternative to inequality, or that democratic systems have lost that ability to translate public preferences into social policy which Marshall observed. There is, however, another explanation. Following Przeworski, it suggests that citizen preferences do not automatically translate into policy, law or action in democratic societies. They do so only if they are expressed in organisation: citizens must combine if their preferences are to become policy. And, because social differentiation in complex societies ensures that no group with sufficient commonality of interest to be capable of collective action constitutes a majority, preference only becomes policy when social coalitions or alliances are established which are capable of shaping the agenda. The difference between the democracy described by Marshall and Przeworski and that which we observe today, therefore, lies not in the triumph of an economic recipe or the mysterious mutation of democracy's properties, but in a change in the nature of social organisation and the alliances it produces. Marshall's 'social citizenship' was less the outcome of an inexorable liberal democratic logic as of a moment in history when those with an interest in egalitarianism – workers – also enjoyed the capacity to organise. And the consequence is that democracy's current coexistence with inequality stems from the absence of effective organisation against the latter.

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

This has potentially profound implications for redistributive politics, since the bulk of those with an interest in redistribution do not enjoy the potential for organisation available to the labour movement. It suggests that redistributive politics will require the emergence of a new coalition in which labour may play a role, but not the dominant one of previous decades. This paper proposes a framework for examining the politics of

labour market change and makes some initial suggestions for a research agenda aimed at broadening our understanding of informality and its relationship to redistributive alliances. It is based on a recently completed analytical project in four countries, including South Africa.<sup>3</sup>

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

Prevailing orthodoxy finds a simple explanation for democracy's predicament – globalisation. The term has become pervasive: 'Politicians and scholars, active citizens and passive spectators ... all invoke its omnipresence and omnipotence when trying to make sense of the multitude of uncertainties which surround them' (Schmitter 1999:973). Across the spectrum, there is agreement that it has sharply narrowed the state's room to move, whatever citizens want. Clearly, improved communications technology and the attendant relative ease with which ideas and information now travel across state boundaries, have important effects on intellectual life and popular culture. This has inevitable political and economic consequences. But there are strong grounds for suggesting that 'globalisation' is more of an intellectual or cultural phenomenon than an economic process – the flow of ideas and symbols across borders may be more significant than the journeys of goods and capital and globalisation's potency in thought (and, therefore, policy-making) may be more real than its salience in economic and political life. As Schmitter points out, this does not reduce its impact: '... globalisation may not even exist in any material sense, but if enough people (and, especially, enough highly placed and resourceful people) believe that it is present and potent, then it will produce a significant effect by anticipated reaction' (Schmitter 1999:973).

But if it indeed does not 'exist in any material sense' or if its existence is far less significant than current orthodoxy suggests, the assumptions and policy decisions which it produces are, at least in principle, capable of reversal. The volume of international trade today is no greater than at the turn of the century (Rodrik 1997). Nor, in purely numerical terms, has globalisation generated cross-border movements of people greater than those of 100 years ago (Krugman 1998) – although cross-border migration, particularly by people culturally or racially different from the host country majority, has increased enough in the last few decades to demand a reassessment of Marshall's link between citizenship and entitlement. Opportunities for the mobility of people with particular types of skills – to the advantage of the North at the expense of the South – may also have been

enhanced, although this does hold some advantages for Southern countries in the form of repatriated remittances. To deny that capital flows across borders hold implications for governments would be foolish. But qualifications must be imposed on the image of a world in which footloose capitalists move their resources across boundaries in response to every real or imagined slight from the state. First, the size of capital flows, while substantial for small economies, is often grossly exaggerated – the entire post-1990 'boom' in 'emerging market' investment has diverted only about 0.5 per cent of the North's capital to the South (Krugman 1998:62-23).

Second, the overblown claims of 'pop internationalists' (Krugman, 1998) that the nation state is fragmenting under the weight of globalisation into myriad statelets is belied by the fact that the emergence of smaller political units out of nation states has not happened outside Eastern Europe, where the trend is limited and related more to the collapse of the Soviet Union than the activities of hedge funds. In Africa, where the weakness of the state is most pronounced, and the proposition that state boundaries are merely colonial administrative creations is decades-old, there has only been one successful secession – Eritrea. However dysfunctional states may be, their elites or citizens or both seem to cling to them tenaciously, if only for want of alternatives. And, as Dahl suggests ... 'today, people in democratic countries may want more governmental action, not less, simply in order to counter the adverse effects of international markets' (Dahl 1999:927).

Third, inequities in capital accumulation between states preceded cross-border capital flows and are not caused by them. The oft-lamented 'marginalisation' of sections of the globe – Africa primary among them – is a consequence not of excessive penetration by global capital but of its opposite, the tendency for capital to avoid these regions and of a lack of a domestic capital base sufficient to spur growth. Poor countries, therefore, retain the option of seeking to build their domestic capital stocks. In some case, the ability to move capital across boundaries can be a net plus for Southern countries, enabling them to benefit from the resources accumulated in their diasporas. While the role of off-shore Chinese investment in its growth spurt is the best-known example, African and Caribbean diasporas also play a significant role in transferring resources from the North. And their propensity to do this stems not from the global cost-benefit calculations which management consultants stress, but from intangibles such as family

loyalties: the call of kin and country continues to influence economic behaviour.

To blame or credit globalisation with egalitarianism's current hurdles is thus to ignore the latitude which states still enjoy to implement the wishes of their electorates. Given a significant decline in trade union membership in the North (UNDP 1996:59) and a concomitant drop in egalitarian collective action, an analysis which locates the problem in changes in the production process (Esping-Andersen 1996) is far better able to provide that explanation.

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

South Africa is not immune to these trends. But here they are perhaps more interesting than in some other societies since conditions would seem to favour the egalitarian alliances which produced the outcomes Marshall analysed. A redistributive class compromise is not unknown here: the Afrikaner nationalist alliance between intellectuals, professionals, farmers and workers used welfare measures to fight white poverty. The Industrial Conciliation Act also extended statutory bargaining rights to non-black workers. This compromise was, of course, racially exclusive: intra-white class conflict was defused because whites could make common cause against a black majority and monopolise power and resources at its expense. The white welfare state could be generous because its benefits were extended to only a fifth of the population – and business resentment at conceding prerogatives and resources to a government run by an alien cultural group was lessened by access to cheap labour and, except for periodic resurgences of black union activity, a quiescent workforce. The result was a substantial incentive for compromise within the white group, whose outcome produced high white living standards and the highest recorded level of inequality in the world, much of it racially based.

This largely successful exercise in class compromise and cross-class alliance vindicated the proposition that a broad coalition between social strata can make significant redistributive gains – inequality in white society was substantially reduced by state action. But crucial to this was a racial 'other' which could be denied entitlements and used as a plentiful source of labour. White prosperity and common identity made generous social protection for whites the subject of a fairly stable consensus in white society; while English speaking business may have deplored an economically inefficient exercise in ethnic patronage, it bestowed legitimacy on the

arrangement by meticulously meeting its tax obligations (Lieberman 2001). While the white welfare state was to come under pressure from the consequences of the 1973 oil shock, skilled labour shortages and unrest in the mid-1970s, it proved fairly resilient and a significant measure of white protection remained when racial domination was replaced by non-racial democracy.

Resistance to racial exclusion also took on at least the superficial character of a class alliance. But resistance unity was achieved not by negotiated class compromise. Rather, its 'glue' was a common identity; interest differences were ignored as the ANC sought to portray itself, not merely as one among many parties, but the sole voice of black society (Shubane 1997). When the prospect of winning power began to prompt it to devise detailed policy (Simkins 1988) it generally sought to do this by 'fudging' interest differences rather than by encouraging their clear expression, leaving considerable latitude for interpretation when it became the government in 1994.

Actual or aspirant class-based parties and associations have played a key role in the ANC alliance. Their influence was, however, limited. Before the ANC's banning and exile, they had some effect on its rhetoric, but never enough to steer it away from its role as an articulator of identity towards a class-based position. Analyses of South Africa which reduce identity issues purely to a material or structural determinant distort reality. However, the weakness of the labour component of the liberation alliance could be largely explained by the nature of the labour market of the time. Racial restrictions on job mobility ensured that virtually all black African workers were initially reduced to easily replaceable manual labourers. The workings of influx control further constrained labour organisation. Labour was thus too weak to exert decisive influence.

The emergence of a stronger and more organised union movement – which won legally sanctioned bargaining rights – in the 1970s and 1980s – may have been possible partly because of the working through of changes in the labour market, from the late 1960s onward (Crankshaw 1997), which were prompted initially by the scarcity of skilled white workers and then speeded as a result of political pressure to raise black wages and permit upward mobility. As Africans began to move up the job ladder, they became harder to replace and their bargaining power grew. One consequence was a propensity to stress worker interests rather than broadly 'national' concerns. This has had its concrete effect in union opposition to liberalised

economic policy after 1996. But the hope of left intellectuals that it would produce an independent working class politics distinct from that of the ANC was dashed: the strength of identity politics proved too strong.

The ANC rules by virtue of its continued ability to maintain an alliance which shares an identity-based interest in dismantling racial privilege. In the opposition too, identities determine political allegiances. This does not mean that South Africa has no class politics. But class or interest politics occur within, not across, identity groups. This trend has largely persisted into the post-apartheid order.

More recently, there are tentative signs of spontaneous interest politics. Teachers might belong both to SADTU, the Cosatu union, to express their political identity and to Naptosa, the more conservative professional association, because it has proven to deliver concrete gains. In Durban, the poor of different races work together on social issues without losing their identities – racial name calling continues. But it is far too early to draw conclusions about the emergence of a cross-racial interest or class politics – one test of these nascent alliances, which they have not yet faced, is whether they would survive attempts to label them disloyal to identity groups. The fact that the ANC is a diverse coalition may have ensured frustration for left hopes that in government it would pursue strongly redistributive policies – but may also prevent it from becoming a vehicle for the rising black professional and business class to the exclusion of the poor. There are, albeit in vastly different contexts, echoes of the governing alliance under white rule, providing material and symbolic inducements for economic elites to accept significant social protection for the poor. But to assume that a cross-class coalition against apartheid will have a similar effect under the very different conditions which attend majority rule – the far greater number of poor who require support from a limited resource pool, the retreat of left ideologies, and the greater perceived need to accommodate world markets – is hardly self-evident, particularly since constraints on access to the formal labour market ensure that unions are denied guaranteed access to the poor.

Thus, one recent study found that the broad rate of unemployment rose from 29.24 per cent in 1995 to 35.85 per cent in 1999. While this was not a result (as is commonly asserted) of jobless growth, but of a failure to create enough jobs to meet demand, the effect is to produce a surplus labour force of close to 6 million in 1999 (Poswell 2002:2). As we shall see below, the unemployed are unlikely to return to the formal job market.

The first few years after the end of apartheid – if official statistics are believed – brought a slight narrowing of the Gini coefficient across the economy, but widening inequality within each race, including black Africans. Calculations vary, but there is wide agreement that the black Gini coefficient is as high or higher than that in the economy as a whole (van den Bergh and Bhorat 1999, *Business Day* Mar 1, 2000). Later figures indicating a widening of inequality, across the society as well as in each racial group, between 1995 and 1998 (Statistics SA, 2000),<sup>4</sup> suggest that the governing coalition is not favourable enough to the poor to prevent them falling further behind those at the top of the ladder.

What does widening inequality mean for the ANC coalition? Since identities retain their primacy over material interests, it is unlikely to threaten its survival. It may, however, sharpen interest conflicts within it and limit options for policies which deliver advantages to all strata since measures designed to incorporate the black business and professional elite in the economic mainstream will not necessarily hold advantages for the poor and could increase intra-racial inequality. For the ANC, promotion of a black business class is not only a core component of its programme to deracialise society, but a precondition for the government-business co-operation which is a precondition for growth (Mackay and Shubane 1999). Black ownership is seen partly as a means of ensuring a business class more sympathetic to co-operation with the government.

Thus far compromises within the alliance ensure that an attempt is made to balance the interests of black business and professionals with those of unions and the poor. But this is not always possible: thus the farm subsidy has been revised to provide more generous subsidies to persons buying larger tracts – a stated reason is an intention to support the creation of a black commercial farming class (Schmitz 2000:7-9).

There is also evidence that current economic strategy has structural consequences which might increase inequality, regardless of its intentions. Thus it appears to have enhanced the demand for skilled labour, reduced it sharply for its unskilled equivalent. Thus the biggest percentage increases in employment between 1995 and 1999 were recorded among professionals (72.6 per cent) and managers (37.8 per cent). Only the demand for professionals, managers and workers with a craft have grown adequately when compared to demand – semi-skilled workers' share of job creation has remained stationery, that of unskilled and elementary workers declined in relative terms (Poswell 2002:4). This extreme skills bias in employment



growth is confirmed by studies of longer-term demand trends (Bhorat and Hodge 1999:348-80). Those sectors of the economy which are growing (finance, the information sectors and services) require skills not possessed by the vast majority – and which they are likely to continue to lack (Bhorat and Cassim 1999). Those which have historically used ‘unskilled’ workers are stagnating, converting to technology or in decline. Economic deracialisation which leaves untouched these structural issues will not reduce inequality.

And while the unemployed are unlikely to defect to opposition parties, results from the 2000 local election may suggest that hostility to government policy manifests as disengagement from politics: while the ANC share of the vote did not decline, the level of participation was consistent with surveys indicating decreasing satisfaction with government – one among several examples is a 2000 HSRC poll claiming that black satisfaction in how South Africa is being governed dropped by 24 percentage points over a year (among whites it was said to have grown) (*Business Day* Nov 15, 2000). It is far too early to read into this evidence that key elements of the ANC constituency are losing faith in politics. Nor is there evidence yet that the ANC alliance might split. But it does suggest that a shared rejection of racial minority rule will not quell dissent within the alliance prompted by social inequality.

### **Current political realities**

This background helps clarify and provide context for the political and policy challenges facing the new democratic order. During much of the anti-apartheid struggle, ANC economic approaches were vague, but veered sharply towards a redistributive agenda (Suttner and Cronin 1985). Between 1990, when the ban on liberation movements was lifted, and the 1994 elections, ANC policy was significantly modified, largely as a result of exchanges with international business. But the change was relative: before the 1994 election, it adopted the RDP (ANC 1994), which was often internally contradictory as conflicting views and interests within the alliance were ‘fudged’ rather than negotiated. At the time it was drafted (Gotz 2000:159-89), it reflected a balance of power in the ANC in which economic policy specialists, who had moved towards a more market-friendly approach, had acquired some influence, but not enough to prevent the document leaning towards reliance on government action to address the inequalities created by race domination.

The RDP was initiated by the union movement which, with other 'left' components of the alliance, was concerned that the ANC in government would abandon redistribution (Gotz 2000:160). That it became the alliance's manifesto indicates that these sections wielded influence. But its dilution in the RDP document in response to ANC economic policy-makers shows that it is limited. This is worth mentioning given the later left charge that a redistributive agenda was watered down by unaccountable government officials: reservations about key aspects of this agenda are deeply embedded in the ANC alliance.

After the 1994 election, the influence of the economic policy-makers grew, partly as the RDP faced severe implementation blocks (Rapoo 1996) which ensured a fall in social spending in the first year of the administration (Kabemba 2000:5). The result was not a renewed effort to implement it, but GEAR (Department of Finance 1996).

The conventional wisdom that GEAR is an unalloyed lurch into 'neo-liberalism' is questioned by continued implementation of a reasonably generous set of social programmes (Manuel 2000) and application of the provincial funding formula which gives preference to regions with higher poverty indices. It seems more appropriate to see it and the policy initiatives which have followed it as an expression of the balance between the interests which comprise the governing alliance. While the strength of those favouring market-friendly growth has grown, the redistributive interests remain strong enough to ensure an uneasy balance. One example is labour law: while some government planners would like to dismantle many worker rights which are seen to create an 'inflexible' labour market (*Sunday Independent* Jan 9, 2000), actual changes are relatively minor (Mdlalana 2000) and the result of a negotiated compromise between government, business and labour. Further signs of continuing redistributive impulses is President Mbeki's appeal to organised business and labour to discuss a 'reconstruction bond' which might channel life offices' funds to social investment (*Business Day* Aug 15, 2000).

Strong pressures from black business and professionals for racial preference, do, however, limit the options of the ANC 'left'. A clear example is privatisation which won a ready constituency in the alliance because it was justified as a means of transferring resources to emerging black business. Nor has the union movement itself been immune to ambivalence on privatisation, since union investment companies are among its envisaged beneficiaries. Since one of apartheid's effects was to constrict

black business opportunities, interest in a stake in the market economy is found in a wide spectrum of black society, including the unions themselves – or, at least, their investment companies. This reduces conflict potential but also weakens egalitarian impulses.<sup>5</sup> Nor, importantly, is it possible to see the current contest as one between a redistributive section of the alliance in touch with the needs of the poor and business people and technocrats who are not. Social pensions are the most effective current instrument for poverty alleviation: in many poor households they operate as a form of general income support (May 1998). And yet, not only have pension increases since 1994 failed to keep pace with inflation: government representatives assumed that they serve the aged only (Manuel 1999: *Business Day* Mar 1, 1999) and real pension cuts encountered little opposition from interests pressing for redistribution. Only recently has Cosatu begun to champion a basic income grant, perhaps prompting a shift in government priorities (Manuel 2002). The fact that neither public representatives nor those sections of civil society who campaign against poverty seemed aware of the role which pensions play in the household budgets of the poor indicates the degree to which grassroots social life and experience does not filter through to the elite – and, therefore, the extent to which the poor remain without effective representation.

Not only are the redistributive interests not strong enough to press home a coherent agenda which might redress inequality: even where they are able to place their stamp more firmly on policy, there is no guarantee that their concerns would reflect those of the poor. Labour market changes which have enhanced the divide between the organised employed and the poor have made it more difficult for unions to speak for those worst affected by inequality.

A politics favourable to concerted action against inequality is likely to emerge under one of two conditions. First, the development of a 'social consciousness' among the elite which might make reductions in inequality the subject of a national consensus (de Swaan, Manor, Oyen and Reis 2000:43-54). Preliminary research findings (Kalati and Manor 1999) suggest that this is improbable. More generally, economic crisis might prompt a radical rethink by business elites of the sort which promoted the 1930s pact which created Swedish social democracy.

Business was, under apartheid, willing to accommodate inflationary wage increases in the hope of achieving stability.<sup>6</sup> But that was during a period of isolation; now, large companies move their primary stock exchange

listings to London: as long as most business leadership is white, an economic nationalism shared between government and business seems unlikely. On the contrary, local white business often uses their foreign counterparts as a 'Trojan Horse'; aware that their racial identity limits their influence on the government, they seek to influence policy by warning that measures which they oppose will negatively affect international investor sentiment. Far from being victims of negative foreign sentiment, domestic business may be one of its causes since it seems likely that foreign businesses derive their understanding of South Africa from their local counterparts. Local businesses who help shape international sentiment are unlikely to rebel against it.

The second possible change – since the poor lack the resources to organise themselves – would be circumstances which prompt labour or sections of the middle class to seek an alliance with the poor and thus to organise those most disadvantaged by inequality. The rising black middle class is perhaps the unlikeliest candidate since its interests are satisfied by current policy, even if it would prefer its more vigorous implementation to force the transfer of assets to black business (*Business Day* Mar 20, 2001). Black business does, it appears, see some community of interest with the poor: a proposal by the Black Economic Empowerment Commission to reintroduce prescribed assets proposed that the money be used for 'national (development) priorities' rather than purely for black business (*Business Day* Mar 20, 2001). But there is a great difference between evidence that black business feels some identity of interest with the black poor and the suggestion that a sustainable political alliance between the two, which existed under apartheid, can be reconstituted.

The unions have remained focused on a largely defensive concern to preserve the workplace gains of the past two decades: while the thesis positing irreconcilable interest conflicts between unionised workers and the unemployed may be an over-simplification, research finds that the gap between the employed and unemployed is far sharper than income disparities among the employed (SALDRU 1994), giving the latter less incentive to find common ground with the former. And the younger generation of workers may be more open to pragmatic arrangements with business than broader alliances with the poor.<sup>7</sup> Labour is showing an increased interest in redistributive concerns. But there is no sign yet that this translates into an intention to organise the poor to campaign for them.

Perhaps the likeliest bearers of a broad egalitarian politics are retrenched

workers who have a history of organisation and an egalitarian ideology; loss of employment might prompt a perceived interest in attempting to organise their fellow jobless. But thus far, evidence of this is patchy.

### *A redistributive alliance?*

What implications does this analysis hold for the emergence of an anti-poverty alliance? First, does South Africa's labour market structure not preclude a community of interest between organised strata and the poor? Some have suggested that the rigidities which are said to be a product of current labour law are an obstacle to job creation: employers are disinclined to take on new workers during uncertain economic times because dismissal is extremely difficult. Natrass (2000) proposes, therefore, a potential conflict of interest between unionised employed labour and the unemployed.

A contrary view argues that the cleavage in the labour market is less between those with jobs and those without than between the skilled and unskilled (although the two often coincide). Given the shortage of skilled labour, Simkins suggests (CPS 2000b) that those with skills are more than likely fully employed and largely immune to changes in labour law. But nor was there any incentive for them to form alliances with the poor. More likely candidates are those in employment but with rudimentary skills who see in the unemployed their possible fate. But, given that they tend to be found in agriculture and domestic service, and tend not to be organised, this posits an alliance between those with the least resources to organise. So who, with the resources to organise them, would have an interest in doing so?

Lund suggests an incentive for unions to organise the unemployed poor (CPS 2000b). She notes a clear trend in 'developing' economies to informalisation which seems set to endure. But if international experience is a guide, unions need not react by seeking to build walls around their (dwindling) members in the formal economy. Here, Cosatu's embrace of a basic income grant campaign does suggest that the union movement may increasingly perceive an interest in seeking to speak for people in informal settings. Some union movements, realising the precariousness of their positions, have sought to organise the unemployed. But the organisational and political challenges of this task – or of any other attempt to organise the unemployed into a redistributive coalition – are considerable. One of the effects of unemployment is that workers fall out of reach of formal institutions. Unemployment and informality do not simply scatter people

into a myriad of activities so that there are few opportunities for collective action. They also often bind people into networks and relations that may be, at best, indifferent to political institutions, and, more usually, are undemocratic. In the Western Cape, the decline of the textile industry has seen thousands of families become complicit in a gang-controlled drugs industry. In Gauteng there are similar trends related to robberies.

Nor should it be assumed that the unemployed are naturally available to organisation by the unionised, even if they have not fallen beyond the reach of the formal. Those who dismiss the possibility that the unemployed poor could be hostile to unions may consult survey evidence dating back to 1994 suggesting strong reservations among non-unionised respondents on the wisdom of collective labour action (Charney 1995).

There are glimmerings of counter-trends to the propensity of the unemployed to fall off the associational map. Lund reports the existence of associations representing informal traders who engage with Durban municipal authorities. At present, they seem concerned chiefly to secure trading sites rather than to make redistributive demands. There are also embryonic signs of a reassessment among civil society organisations who seek a mass constituency: its chief features are a view that the government's declining propensity to include them in policy discussion is primarily a symptom of their own tendency to substitute political connections for organisation and that their influence is likely to depend more on their ability to develop a mobilised constituency, and on effective use of the rights to participate bestowed by the constitution, than on a place at the official policy table.<sup>8</sup> Much intellectual interest is also currently focused on grassroots action by the poor, either through the South African National Civic Organisation (Heller and Ntlokonkulu 2001) or as a result of grassroots activism.<sup>9</sup> It is, however, far too early to claim that this is a significant trend – fashion among the intelligentsia is rarely an accurate guide to grassroots politics. Far more information on informal association is needed before any judgements can be made on its availability or otherwise for democratic redistributive politics. But even if a redistributive coalition is possible, a constraint on a more egalitarian politics may be the relative weakness of representative democracy: while redistributive politics requires that demands for egalitarian policies be made by parties and associations, its prospects are enhanced if democratic institutions are accessible to them. Yet research confirms a severe gulf between the policy preoccupations of the elite and the grassroots (Charney 1995, Tomlinson 1996b) as well as a

widespread sense among voters that representatives and their institutions are remote and unresponsive (Idasa 1996).

During the first administration, lack of enthusiasm for strengthening links between representatives and voters was ironically accompanied – and, arguably, caused – by an apparently pervasive enthusiasm for participatory democracy which expressed itself primarily in attempts to insure the inclusion of ‘community’ organisations in policy-making, usually through forums (Friedman and Reitzes 1995). In most cases, these claims to representativeness were highly questionable and the organisations largely collections of activists whose links to the grassroots were often no deeper than those of public representatives (Friedman 1993). This was a legacy of the later period of the fight against apartheid when domestic resistance was led by local activists who claimed an almost organic link with ‘communities’ often based on little more than the reality that ‘leaders’ and ‘followers’ detested white domination. Consistent with the assumptions of nationalist liberation politics (Chipkin 1996), claims to representativeness were often founded on the premise that black residential areas were devoid of differences of interest or value. The practical effect was to substitute for public opinion a set of politically well-connected organisations whose difference with the governing elite often consisted largely of the fact that the former held office while the latter did not. The forums often excluded rather than incorporated the poor.

This reflected the degree to which resistance to apartheid blocked the formation of grassroots interest organisations. But their emergence is further obstructed by the absence of accessible representative institutions to whom they could appeal or on whom they could make demands. Not only did organisations enjoy access to public decision-making whether or not they represented a constituency, but their influence depended on their access to the symbolic capital derived from participation in the alliance, not grassroots support. Ironically, a climate which appeared unusually favourable to the influence of the grassroots acted largely to preclude it. Trends over the past three years have changed this – but at the cost of further closing formal opportunities for expressing grassroots interests. One is a marked shift in government priorities from an ostensible concern with the quality of democracy to a preoccupation with effective ‘delivery’. One consequence is a decline in enthusiasm for policy consultation (CPS 2000a). This has not been expressed in a renewed enthusiasm for representative government – it has emphasised the role of managers and

implementers. But it might be expected to provide those organisations which previously enjoyed access to the inner circle but have now lost much of it a clear incentive to rely more on representing constituencies than on guaranteed representation in policy forums. There is some evidence that it has, at least in principle. Civic organisations which once relied for influence largely on their part in the 'liberation struggle' have begun to play a more vigorous role in seeking to hold government to account (Heller and Ntlokonkulu 2001). But, as noted above, firmer conclusions on this trend must await further developments – and more research.

A second trend makes it more difficult for this strategy to yield policy outputs – a centralisation in government and the ANC which places formal democracy further out of reach of the grassroots. This does not necessarily mean that, should current strategic re-evaluations in parts of civil society lead to a politics which would offer voice to the poor, access to representative government would be closed off. But it would be made more difficult by the likelihood that democratic institutions will be less able to deal politically with pressures from constituents than they might have been in the early post-1994 period.

### **Changing the paradigm?**

Are there circumstances in which this prognosis could change? The white affluent may be more amenable to contributing towards equity than current rhetoric suggests. This possibility is illustrated by a focus group exercise conducted not long after the new order began, in which relatively affluent non-black respondents were asked whether they would pay more per unit for water than black people to make amends for apartheid. Participants cited a host of black sins to show why they felt this to be unfair. Not long afterwards, they were asked whether it was fair that people who consumed more water should pay more for a unit.<sup>10</sup> They agreed. This suggests that appeals to egalitarianism framed in universal terms, rather than the language of racial retribution, win wide support. Not long after the exercise, the Minister of Water Affairs introduced a differential tariff – but justified it on grounds not of racial recompense, but the need to save a scarce resource. There was no protest, a sharp contrast to the rebellions which followed suburban municipal rates increases. During the 2000 local election campaign, the promise of a free allocation of water to each household, another redistributive measure framed in universal terms, was endorsed by the Democratic Alliance (DA) and has elicited no ratepayer resistance. Similarly, the 'transition levy' imposed on all tax-payers just after 1994



drew little dissent since it was framed as a common national contribution to the costs of achieving democracy.

In the North, welfare states, which have extended benefits universally, have tended to win broader social support – since the middle classes are beneficiaries and have a stake in their survival (Esping-Andersen 1990). Here, however, it is not economically feasible to offer entitlements sufficiently generous to give the middle class a tangible stake in them. Universal benefits can reduce resistance – not win middle class support for entitlements. What of the emergence of a redistributive coalition ‘from below’? A winning coalition would be required to assemble a ‘popular’ alliance large and effective enough to pursue a credible redistributive agenda in such a way as to secure consent for it from those whose resources would be needed to ensure its feasibility, in a context in which the more affluent could see exit as more appealing than compliance. At first glance, this seems way beyond the capacity of the social actors. But it could be argued that, not only is it possible, but a variant was achieved in the socio-economic negotiation forums of the early 1990s (Shubane and Shaw 1993). In this view, the forums’ prime weakness – they helped soften interest group conflict, but rarely produced outcomes favourable to the poor<sup>11</sup> – lay not in the unbridgeable divide between the parties but in the failure of the ‘popular’ participants to develop a deep enough social base to ensure that they really did articulate the concerns of the poor and enough strategic capacity to win consent from business for a sustainable programme to address inequality (Friedman and Shaw 2000:190-214).

Given the strength of identity politics, is it possible to imagine a variant which would assemble a broad coalition able to induce greater concern among the black affluent to address poverty? In principle, the nationalist paradigm of the ANC does not necessarily exclude the poor. Since it is not enough simply to deracialise the economy to address black poverty, a ‘left’ camp could exploit this space to build relations with the unemployed in support of a redistributive agenda. But, at present, it is hard to imagine who might conceive of and successfully implement such a strategy.

These possibilities for a shift in the paradigm merit examination, although under present circumstances, they appear unlikely. Economic and social policy is likely, therefore, to continue to be made under parameters similar to those discussed here. Addressing poverty and inequality will remain government concerns but will continue to vie for attention with the promotion of a black owner class – there may be more occasions on which,

as with land subsidy policy, it will have to take a back seat. The continued – albeit reduced – influence of the unions will continue to constrain labour market deregulation, but there could be further movement in this direction as unemployment continues and mainstream thinking locates the problem in labour market rigidities (Baskin 1999).

One other prospect needs to be considered – the impact of activist NGOs in a world in which cross-national communication has become far easier. Increased openings for communication across national borders may play an important role in increasing the effectiveness of ‘social movement’ activity: it did induce pharmaceutical manufacturers to withdraw a court action which sought to overturn a law allowing the import of cheaper drugs (*Mail and Guardian* Apr 12, 2001). The drug case refuted the notion that multinational corporations are all-powerful. Even the largest corporation is staffed by humans who dislike being subjected to public scorn. A world in which their behaviour in South Africa is visible in Europe and North America is one in which the companies are obliged to account for their actions. What is less clear is whether the current wave of social movement activity can produce sustained action for redistributive reform; it seems far better suited to issue-based action. Certainly, in South Africa, attempts by activists to initiate action against poverty did not yield the concerted campaign or the successes which the action against the drug companies achieved.

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

What implications does this analysis hold for economic and social policy?

It has been argued that the key properties of a workable growth path would be its ability to win the confidence of economic actors and that this is a more urgent priority than the recipes which dominate economic debates (Friedman 2000). In principle, this suggests that, within limits, any set of economic policies would achieve this if they could win the support or consent of, at a minimum, much of business and organised labour. But what sort of compromises might win the confidence of domestic business? While there is a need for more research into the way in which market perceptions are formed, it may be that, in current circumstances, only standard policy recipes would win sufficient business confidence to trigger growth. Similarly, it could be argued that reservations about the competence of a majority ruled government are likely to be addressed less by a negotiated compromise than by enhanced administrative performance.

But, while the space for even the interventions business was prepared to accept during the sanctions period may be absent, the need for a growth path which would entail co-operation between business and labour may be more apparent to business than many suppose.<sup>12</sup> Continued interest in forums for negotiation with labour, and corporate involvement in social investment suggest that, while business may be under less pressure to secure its environment here, this is not the same as insisting that it is under no pressure at all: that it has alternative investments does not mean that it has lost all interest in protecting those which remain in South Africa. A negotiated compromise which would produce growth is feasible in principle but, in current circumstances, the terms are likely to be more consistent with current market orthodoxies than many proponents of negotiated economic policy would prefer.

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

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

The first question this raises is whether there is an 'optimal' social policy mix which, on the best information available, might be considered most likely to reduce poverty and inequality? Technical design may be more decisive in this sphere since more is required than confidence. Interventions required in societies with relatively high skills levels are presumably different to those needed in South Africa, where skilled people are in short supply, particularly given structural changes in the economy which ensure that job growth is likely only in skilled categories (Bhorat and Cassim 1999). Capacity problems are also more germane here: the sharp divide in post-apartheid South Africa between policy intention and implementation (Friedman 1998) is a reminder of the dangers of attempting to formulate social policy without respect for the capacity to implement it.

Analysis could point to a need to reorder social policy priorities. Current trends ensure greater elite enthusiasm for 'collective' instruments such as bulk infrastructure or project-linked housing subsidies<sup>13</sup> rather than individual entitlements such as cash transfers. But the latter may prove both more likely to reduce poverty and to offer the poor a greater chance of claiming citizenship because they offer possibilities for choice. But here too, political viability is crucial since social policy must be able to win

broad consent – from the recipients and the elites which will have to pay for it.

One essential prerequisite, however, remains lacking – an effective voice for the poor. Post-apartheid social policy has been repeatedly constrained by its failure to gauge accurately the likely response of the poor – interventions therefore often have unintended consequences. Until the poor have a far greater voice in policy debates, much thinking on social policy is likely to remain guesswork. If a voice for the poor does emerge, it will come in part from the terrain of informal economic and social organisation, the dynamics of which we do not yet fully understand.

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

This analysis has shown the seriousness of the constraints which egalitarian politics faces.

This is a crucial antidote to the view on the left which reduces post-apartheid social and economic policy to a morality play in which an egalitarian alliance which formulated the RDP is betrayed by politicians and officials who fall into bad company (Bond 2000). The coalition was never as redistributive as these analyses suggest (neither was the RDP). The political limits on egalitarianism in current circumstances lie in the nature of an identity politics in which the poor remain unorganised and in which the chief organisational vehicle of egalitarianism within the governing alliance, the trade union movement, is constrained both by the predominance of identity solidarities and labour market changes which place a wall between its members and the poor and ensure that unionised workers are far less numerically significant than they were in countries which pursued democratic egalitarian agendas.

Another analysis, which explains the 'retreat' from egalitarianism as the outcome of a Gramscian battle for 'hegemony' which the left lost (Marais 1998), is more plausible because it examines policy as the outcome of contest between contending forces. But it is also wanting if it fails to see that control of the agenda by the civil society organisations which champion a redistributive agenda would not have egalitarian consequences as long as they remain unable to articulate the concerns of the poor. The issue is not that the champions of the poor lost the battle. It is that the poor have no champions and that, as long as they do not, the egalitarian potential of those who advocate redistribution will be stunted both by their limited base in the electorate and the likelihood of a gap between the needs they identify and

those of the poor. Prospects for egalitarianism cannot be pinned simply to those of the left. Rather, they depend on the more effective enfranchisement of the poor.

Building a 'pro-poor', egalitarian, politics is thus more complicated than the mainstream left implies. It requires, first, an attempt to understand whether there are realistic prospects that the poor may effectively organise for democratic politics. Second, an understanding of the circumstances which may prompt other strata with more direct access to organisational resources to organise the poor.

The second element is an attempt to understand – and promote – institutions of representative governance which would be most accessible to the poor. The key issue would be the institutional design most likely to offer the poor access to decisions should they organise. In the past, this could have been addressed by imagining a substantial increase in worker organisation in the formal labour market and the political accompaniments it would require to ensure a more egalitarian democratic politics. But if, as this paper has proposed, the poor will largely remain outside that market and its forms of organisation, charting the possibilities for and constraints on the organisation of the poor lies in a more rigorous attempt to understand the nature of collective action among, and the politics of, the many South Africans who now earn what income they may in informal settings. It is to that task that the attempt to discern possibilities for an egalitarian democratic politics must turn.

### Notes

1. This paper is based on Friedman and Chipkin 2001 and Friedman 2001. They are, respectively, the South African country paper and cross-country synthesis of the four-country project mentioned below.
2. Much of Marx's writing expresses deep scepticism of using the franchise to achieve socialism. But he did consider an electoral route possible – Karl Marx, letter to the *New York Tribune*, August 25, 1852 (cited by Lipset 1964).
3. The others are Argentina, Brazil and Uganda
4. Official statistics at present place the Gini efficient at around 0.80, a substantial increase on previous calculations in various countries which posited around 0.65 as the highest level of inequality on the planet. Whether this means that propensity towards inequality is far greater than we have hitherto assumed or that the calculations are inaccurate is unclear.
5. For evidence that socialist rhetoric does not always express an egalitarian economic agenda among union activists, see Simkins, 1988.

- 6 Charles Simkins, discussion, Centre for Policy Studies, September 2000. See Friedman and Chipkin 2001.
7. A case in point is a much-publicised dispute at the Volkswagen plant in the Eastern Cape; older workers rebelled against a compromise with management made by their younger co-workers (Forrest 2000:12-19).
- 8 Distilled from proceedings of Discussion group on civil society in the post-1999 period convened by Centre for Policy Studies and Friedrich-Ebert-Stiftung, Johannesburg 2000.
9. See for example Centre for Civil Society, University of Natal CCS-I digest, <http://lists.nu.ac.za/mailman/listinfo/ccs-1>
10. Project Manzi, May 1995: focus group study of consumer responses to water delivery and payment commissioned by Rand Water (unpublished).
11. For the impact of the seemingly most effective of the forums, the National Housing Forum, see Tomlinson (1997).
12. For example, remarks by Christoph Kopke, Daimler-Benz South Africa, SAFM Radio, AM Live May 22, 2001; Aug 13, 2001.
13. 'Project-linked' subsidies are tied to a housing project and are therefore released collectively to those who benefit or participate from it. By contrast, individual subsidies are available to persons who then exercise discretion on their use. While both are available, 'project-linked' subsidies predominate. Tomlinson 1996a.

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