

United Nations report highlights growing inequality in South Africa

Our South African correspondent
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The tenth anniversary of the end of apartheid and the first democratic elections in South Africa has been widely celebrated throughout the country. The government has used the occasion to congratulate itself on its performance in eradicating poverty, reducing inequality, and generally producing “a better life for all.” However, a report by the United Nations Development Program (UNDP) presents a different picture to that painted by politicians and government spokesmen.

The South Africa Human Development Report assesses progress made by the government in social development and policy making. The key issues of poverty and inequality, access to basic services, environmental sustainability, unemployment and economic growth were examined.

One of the most significant issues affecting working class South Africans is massive unemployment. Over the last nine years the rate of unemployment has steadily increased, with between 30 and 42 percent of the labour force caught in “a vicious cycle of open unemployment.” Between 5.2 million and 8.4 million South Africans are unemployed, depending upon whether one applies the official definition or an extended definition of unemployment.

Household surveys in 2001 revealed that 87 percent of the bottom 40 percent of South African households had “no or one working family member and relied heavily for their livelihoods on pensions and remittances.” The most affected section of the population is black, with “about 45 percent of households in the lowest two income quintiles” having “no income earners in 2001.”

The report points out that being employed “does not necessarily mean having full or adequate employment,” with large numbers of people, predominantly women, underemployed.

Low-quality jobs characterised by poor working conditions and low wages are prevalent in the economy, and only a small proportion of South Africans enjoy the benefits of high-quality jobs.

The report lists a number of modest achievements in education, namely, the creation of a single Department of Education out of the 19 racially and ethnically divided departments of the apartheid era; the creation of non-discriminatory school environments; the establishment of policies and laws governing education; small increases in matriculation pass rates; improvement in the delivery of certain basic services, especially learning materials and the maintenance of a high enrolment rate.

However, the financing of education remains problematic. While the average annual increase in expenditure has been about 1 percent, the per capita expenditure has actually declined at an average annual rate of 1.2 percent between 1997 and 2002. The report points out that the share of education of government’s total expenditure also declined from 19.2 percent in 1995 to 18.4 percent in 2002.

The emergence of a “de facto class-differentiated education system” is acknowledged. The growth of this trend is ascribed to political agreements that have allowed for uncapped parental contributions to schooling. Thus whilst the student composition at historically black schools has remained black, the formerly white schools catering for the privileged have assumed

a more racially mixed character as a result of the enrichment of the black and “coloured” middle class.

Despite some improvements, the effectiveness of the schooling system is rated as low. According to the report “every major cross-national study... has placed South Africa very low in the international league tables.”

The report concludes, “the policy mechanisms that seek a redistribution effect on the education system have not demonstrated an impact on the poorest schools.”

In the field of health, the HIV/AIDS pandemic remains the overwhelming concern. This is reflected in changing mortality patterns. HIV/AIDS is now the leading cause of death amongst black women. The report also mentions that HIV/AIDS is also a significant cause of deaths amongst children and those in the economically active population group. According to the Medical Research Council’s 2001 report, about 25 percent of all deaths in South Africa were due to HIV/AIDS.

This has significantly changed life expectancy in South Africa. Between 1995 and 2002, life expectancy at birth is estimated to have declined from 61.4 years to 51.4 years, indicating a 16.3 percent drop. This trend is expected to continue until 2015, resulting in a 30 percent decline in life expectancy or around 20 years. The effect of HIV/AIDS differs from region to region and amongst different sections of the population. The worst affected area is the KwaZulu-Natal province where life expectancy has declined by 16 years between 1996 and 2003.

The statistical average hides a worse reality. In 2001 the life expectancy of blacks was 51, contrasted to whites with a life expectancy of 69. In 2001 more than 28 percent of blacks in the 30 to 39 age group were estimated to be HIV positive. This in turn has given rise to an escalating number of orphans. Overall, HIV/AIDS accounts for 73 percent of all new orphans.

The high incidence of tuberculosis in South Africa also reflects the growing number of HIV/AIDS victims. In 2001, 323,342 TB cases were reported, of which 52.5 percent were HIV positive.

The HIV/AIDS pandemic has begun to place enormous pressure on existing health services. This trend is predicted to increase over time. However, sufficient provision is not being made for the increase in AIDS-related infections and terminally ill people. By 2000 it was reported that 40 percent of hospital infrastructure needed replacing or major repair. The report points out that whilst maintenance expenditure is currently at 0.5 percent of total asset value, the recommended level to merely maintain existing infrastructure is 3 percent of total asset value.

Budgetary constraints have also resulted in “massive shortages of basic items such as medicines, medical and IT equipment, beds, linen, food and other essential items and facilities.”

This is compounded by the drop in the total number of health professionals, which, according to the *South African Health Review*, declined between 2000 and 2002. According to the UNDP report: “In many hospitals and clinics around the country, there are insufficient

medical and support staff to handle the workload. There are simply not enough funds being allocated to the hiring of additional staff and the payment of more attractive salaries.” The inequitable distribution of health services is also evident. In the North West Province there are 0.8 doctors per 10,000 people, whilst in Gauteng Province there are 6.8 doctors per 10,000 people.

According to the Department of Housing, about 1.5 million houses were built between 1994 and 2003. The report states, “despite a seven percent increase in the number of households living in formal dwellings, about 4.1 million households were living in informal, traditional or backyard dwellings.”

The housing backlog has also increased from about 178,000 to 208,000 per annum.

The quality of housing delivered is questionable. Research has revealed that many of the new houses “are located in peripheral areas, thus increasing transport costs and reducing householders’ access to jobs and job-hunting opportunities.” Moreover, many of the newly constructed houses are of extremely poor quality. According to the Built Environment Support Group, 70 percent of all houses did not meet the minimum requirement of 30 square metres or more.

Problems with the quality of the dwellings are directly linked to the decrease in the real value of the state housing subsidy, which declined by 15 percent between 1995 and 1998.

The government’s land reform policy consists of three pillars, namely, restitution, tenure reform and redistribution.

A total of 68,878 land claims were lodged with the Commission on the Restitution of Land Rights. Approximately 78 percent of these claims emanated from urban areas where many people had been forcibly removed under the Group Areas Act. However, rural claims accounted for about 90 percent of all land claimants owing to the fact that most rural claims were group claims.

While the pace of restitution was initially extremely slow, due to onerous legal procedures, changes to the process effected after 1998 enabled a speedier resolution of land claims. But the actual amount of land transferred to claimants is insignificant, amounting to 0.33 percent of total land in South Africa. It is estimated that it will cost another R31 billion (South African rand—approximately \$US4.5 billion) to settle all outstanding claims. At current budgetary levels this will take another 150 years.

The constitutional right to tenure security has resulted in a number of pieces of legislation being passed. The most significant of these is the Extension of Security of Tenure Act of 1997 (ESTA). This act aims to protect the tenure security of farmworkers by “establishing a legal framework for evictions.” The report notes that ESTA “has merely regulated farm evictions, but has not built any developmental component into the process to support farm dwellers legally evicted from farms.”

Land tenure reform has proceeded at snail’s pace in South Africa’s former bantustan areas. Currently, the Upgrading of Land Tenure Rights of 1991—an amended piece of apartheid-era legislation that was designed to convert communal land to individual ownership—is being used as the basis for the transfer of communal land from the state to defined communities. The Communal Property Associations Act of 1996 established a legal framework for communal ownership of land. However, the majority of communal property associations established since 1994 have subsequently collapsed, sometimes due to financial problems, but more often owing to insufficient attention being paid to the tenure arrangements encompassed by such associations.

The state’s redistribution program is based upon the principle of willing seller, willing buyer. The state provides subsidies to supplement the purchase of land. According to the UNDP report, “The immediate post-apartheid land redistribution programme must be considered disappointing.” A mere 1 percent of land was redistributed by 2000, in

contrast to the 30 percent target laid out in the Reconstruction and Development Program.

After a review in 2000, the Department of Land Affairs introduced the Land Redistribution for Agricultural Development program. The target of redistributing 30 percent of land within five years was revised to 30 percent of agricultural land within 15 years. The fixed grant is replaced by a sliding grant, with the new requirement that beneficiaries provide a financial contribution. The grant is limited to R100,000 (\$US15,000) per person. The UNDP report regards this program favourably, mainly due to its target of ensuring that at least one third of land transferred must accrue to women.

The report omits any mention of the impact of budgetary constraints upon this program. The willing-buyer, willing-seller approach effectively hamstring the state’s ability to transfer the required 2 percent of land per annum, whilst the “own contribution” requirement excludes the poorest layers of the population altogether.

The UNDP report points out that South Africa “now has the dubious reputation of having the highest known concentration of threatened plants and the highest extinction estimates for any area in the world.” Biodiversity is threatened by inappropriate land use methods and by the degradation of land-based resources.

The report also mentions the over-exploitation of water resources by domestic, agricultural and industrial users. It is estimated that demand for water will increase by 50 percent by 2030. With only 8.6 percent of rainfall available as surface water, the rational management of water resources is of utmost importance.

The impact of environmental degradation is felt hardest by the poorest sections of South African society, especially those dependent upon functioning ecosystems for their survival.

The UNDP report notes that although absolute poverty and the poverty gap declined between 1995 and 2002 from 51.1 percent of the population to 48.5 percent of the population, using the national poverty line of R354 per adult per month, the population has grown in the same period—thus increasing the number of poor from 20.2 million in 1995 to 21.9 million in 2002.

Blacks constitute the poorest layer of the population, making up over 90 percent of the 21.9 million poor. In seven of the nine provinces more than 50 percent of the population lives in poverty.

The report defines extreme poverty as those living on less than one US dollar per day. In South Africa the number of people in this situation has increased from 9.5 percent in 1995 (3.7 million) to 10.5 percent in 2002 (4.7 million). The rate has increased for all ethnic groups and all provinces. The poverty gap, indicating the depth of poverty, has also increased between 1995 and 2002.

South Africa also has one of the most unequal distribution of incomes in the world, with approximately 60 percent of the population earning less than R42,000 per annum (about US\$7,000), whereas 2.2 percent of the population have an income exceeding R360,000 per annum (about US\$50,000).

The level of inequality is confirmed by the Gini coefficient. A Gini coefficient of one indicates perfect income inequality, while a Gini coefficient of 0 indicates perfect equality. The report notes that in 1995 the Gini coefficient for South Africa was 0.596, rising to 0.635 in 2002. The report goes on to note: “In view of this rising income inequality, only six percent of all people who reached retirement age of 65 in 2000 can be regarded as financially independent. About 47 percent of people retiring are dependent on their families, 31 percent have to continue working and 16 percent rely solely on a pension from government.”

The UNDP report states: “Steep wealth inequality ... contributes to persistent and rising income poverty and inequality.” This is in a context where the ruling class has “enormous corporate power and a direct influence over the economic lives of the majority of South Africans.” The

government's pro-business policies have undoubtedly added weight to already powerful corporate influences.

Thus while earnings have continued to increase for the topmost layers of the population, they have continued to decline for the bottom layers—creating a massive gulf between rich and poor. The composition of the wealthiest class has changed somewhat, now including a small layer of rich blacks. The poorest layer of the population is predominantly black, although an increasing number of white households are rapidly sinking into poverty.

There seems to be a scarcity of statistical information regarding the impact of Black Economic Empowerment (BEE) on inequality in South Africa and this is reflected in the UNDP report. However, with the information available, it is possible to draw certain conclusions. Only a tiny minority of blacks have benefited from BEE. Ernst and Young Management Services reported that in 2003 R42.2 billion (\$US620 million) worth of BEE deals were made. But the beneficiaries of these deals belonged largely to the politically well-connected elite.

The opposition Democratic Alliance noted that 60 percent (R25.3 billion) of these deals “accrued to the companies of two men [both close to the ANC leadership]: Patrick Motsepe and Tokyo Sexwale”.

According to the BusinessMap Foundation, “while the market capitalisation of black-controlled companies listed on the Johannesburg Stock Exchange increased by 32 percent, from R44 billion (\$6.7 billion) at the start of 2003 to R58 billion (\$8.9 billion) by the end, black control of total market capitalization remained at three percent.”

Overall BEE seems to have entrenched inequality in South Africa. While the incomes of the top 10 percent of black earners have increased by 30 percent since 1995, the incomes of the bottom 40 percent have decreased in real terms.

Although the UNDP report acknowledges the achievements of the government, especially in the areas of housing, service provision and education, it demonstrates that these benefits do not accrue to all classes equally. The report paints a bleak picture of growing poverty and crumbling public services that characterise the lives of millions of South Africans.

The South African government is clearly pursuing a pro-business, anti-working class agenda. The social reforms in the fields of education, health, housing and land reform are extremely limited, and unable to meet the goal of “a better life for all.”

“A better life for some” would be a more appropriate slogan for the government.

While the South African working class continues to fall deeper into poverty, a tiny percentage of the population has seen phenomenal increases in personal wealth. This is producing the conditions for a social conflagration. The Congress of South African Trade Unions and the South African Communist Party continue to mislead South African workers. One the one hand they decry the deteriorating social conditions experienced by the majority, but on the other hand they continue to provide essential support to the ruling African National Congress.



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