In the Balance

Marais, Hein

Published by Wits University Press

Marais, Hein.
In the Balance: The Case for a Universal Basic Income in South Africa and Beyond.
Project MUSE. muse.jhu.edu/book/98154.

For additional information about this book
https://muse.jhu.edu/book/98154

For content related to this chapter
https://muse.jhu.edu/related_content?type=book&id=3189947
CHAPTER 2

The Crisis of Waged Work

Unemployment and underemployment rates that stay stubbornly high. New jobs that are mostly irregular, poorly paid and lacking in benefits and security. Real wages that are stagnant or falling for a majority of workers. Social protection systems that are shrunken, miserly and humiliatingly rationed and policed. Widening income and other inequalities. These descriptions used to apply almost exclusively to countries on the margins of the global economy; today they are generic, including in industrialised economies. In Jan Breman’s summary:

With every recession since the 1970s, prolonged episodes of high unemployment, privatisations and public-sector cutbacks have served to weaken the position of labour in North America, Europe and Japan; trade-union movements were hollowed out by the shrinkage of the industrial workforce, through factory re-location or robotisation, and the growth of the non-unionised service and
retail sectors; the rise of China, the entry of hundreds of millions of low-paid workers into the world workforce and the globalisation of trade helped to depress wages and working conditions further. Part-time and short-contract work has been on the rise, along with that ambiguous category, self-employment.\(^2\)

The intensity, pace and scale of these changes differ across countries, but the overall trend is relatively homogenous, with employment not expanding rapidly enough to absorb the growing labour force. Thus, the world employment rate continues to fall (Figure 2.1).\(^3\)

Conservative calculations put the global unemployment rate\(^4\) in 2019, before the COVID-19 pandemic, at 5.4\% (about 188 million people).\(^5\) The absolute number of unemployed people has risen in East and South Asia, Latin America, the Caribbean and Africa, and this is likely to continue as the demographic ‘youth bulge’ matures. In developed countries, unemployment rates have risen considerably since the 30 years known as the ‘golden age’ immediately after World War II. That trend accelerated after the 2008 global financial crisis, especially in southern and eastern Europe. Declining official unemployment rates often hide large shares of discouraged workers and a growing prevalence of involuntary underemployment.\(^6\) The COVID-19 pandemic has worsened matters considerably. According to the ILO, workers lost US$3.7 trillion in earnings during the first nine months of the epidemic, with almost 9\% of global working hours lost (the equivalent of 255 million full-time jobs).\(^7\) Women and younger workers bore the brunt of income losses and reductions in work hours.

The strength of workers’ organisations in developed economies varies considerably (compare the United States with France, for example), but their influence overall has weakened significantly over the past thirty years.\(^8\) The global rate of trade union membership declined from about 25\% in 2000 to 17\% in 2017.\(^9\) Growth in the industrial and service sectors has seen workers’ organisations proliferate in some developing economies.\(^10\) Their impact, though growing, remains limited. Job and income insecurity
Figure 2.1: World and regional employment rates (%), 1991–2021


Note: The employment rate is defined liberally to include all persons of working age (15+ years) who, during a short reference period, were engaged in any activity to produce goods or provide services for pay or profit. The data points for 2022 and 2023 are modeled projections.
and poor working conditions therefore continue to typify employment in developing economies. In most of them, self-employment and family-based work – along with remittances and sharing of incomes across households and families – are the main means for survival.\textsuperscript{11} Large proportions of workers in developing countries are less likely to be covered by social protection such as pensions and healthcare or have regular earnings. They tend to be trapped in a vicious circle of low-productivity occupations, poor remuneration and limited ability to invest in their families’ health and education.\textsuperscript{12}

This insecurity occurs on a massive scale. Three decades ago, the World Bank was touting the ‘informal’ sector as an incubator for entrepreneurial activity, economic growth and formal job creation. It was wrong. Informality remains pervasive and continues to be associated with low economic growth, low productivity and poverty.\textsuperscript{13} In South Asia and Africa in 2019, more than three-quarters of employed workers were in what the ILO considers to be vulnerable employment (they were self- or family-employed). Globally, about two billion workers, over 60\% of the total employed workforce, were in informal employment in 2019. They earned a fraction of the income of their regularly waged and salaried counterparts and were much more likely to be living in poverty.\textsuperscript{14}

Calculations done by the ILO showed that one-fifth of the estimated 3.3 billion employed workers worldwide in 2019 (or 630 million people) were living in ‘extreme or moderate poverty’ (that is, they were living on less than US$3.20 per day in purchasing power parity terms).\textsuperscript{15} The COVID-19 pandemic consigned an additional 108 million workers to ‘extreme or moderate poverty’ in 2020.\textsuperscript{16} Due in part to limited access to vaccines, the pandemic’s effects will be prolonged in low- and middle-income countries. Past experience also shows that economic crises allow companies to restructure their use of labour by replacing jobs or parceling them into irregular, piecemeal employment. The ILO expects that
many of the newly created jobs will pay low wages, and be poor in quality and low in productivity.\textsuperscript{17}

In developed countries, decently paid, secure work is increasingly atypical, with those jobs created since 2008/2009 disproportionately of the low-skills, low-pay and low- or no-security variety. But the association of work and precariousness remains strongest in developing countries: only about 4\% of people in vulnerable employment reside in the developed countries, according to the ILO.\textsuperscript{18}

The predicament of workers is reflected also in the declining share of income that reaches them. Globally, the percentage of gross domestic product (GDP) paid out in wages (the global labour share) has been falling for at least two decades; it declined from 54\% in 2004 to 51\% in 2017.\textsuperscript{19} Figure 2.2 shows the trend in four major economies.

\textbf{Figure 2.2:}  Labour share of national income in China, Germany, Japan and the United States, 1975–2013

One might expect that the labour share in developing countries would have risen in recent decades, as their economies became more integrated internationally. Yet labour’s relative income in those countries also declined, despite rises in overall productivity.\(^{20}\) In the decades preceding the 1970s, labour’s share of national income fluctuated slightly from year to year, but stayed within a stable range overall. Then the trend changed – across dozens of countries with very different policies and economic institutions, and across industries. Of the 59 countries with at least 15 years of data between 1975 and 2012, 42 countries showed downward trends in their labour shares – including China, India and Mexico. The fact that the labour share has been shrinking also in major locations of outsourced production (in Asia especially) indicates that the trend cannot be attributed strictly to offshore production or international trade patterns.\(^ {21}\) In developing countries, this downward trend has accelerated since the early 1990s, with the labour share dropping most sharply in low-income countries (Figure 2.3).\(^ {22}\)

**Figure 2.3:** Labour share (%) by country income classification, 1990–2011

Not only has the labour share of income declined, the distribution of that income among paid workers has skewed further. According to the ILO, almost half (49%) of total global pay in 2017 went to just 10% of workers; the poorest 20% of workers (around 650 million people) earned less than 1% of global labour income. Workers in the top income decile earned on average US$7,475 a month, compared with the average US$198 earned by workers in the bottom 50%, and the US$22 earned by those in the bottom decile.

Powerful structural changes are driving these trends. Among them is the incorporation, from the 1970s onward, of tens of millions of peasants around the world into the labour reserve, mostly in Asia. This coincided with the entry of vast numbers of women into labour markets. The resulting glut of labour supply dramatically depressed the ‘reservation wage’ – the lowest wage that workers are willing to accept for any given job. It also removed the constraint of labour scarcity, a factor that tends to boost the bargaining power of workers. Along with sustained attacks on workers’ organisations over the past forty years, those developments have pushed and held workers on the defensive.

Shifting production to zones with attractively low labour costs, allied with adequate transport and other infrastructure, has been another key strategy used by capital to reduce aggregate labour costs and increase profitability. From the 1980s onward, China in particular successfully positioned itself to take advantage. However, its low-wage attractions have faded, with labour costs rising at a much faster rate than the average for G20 developing countries. Since 2009, real wages in China have more than doubled. The latest available data show that real wages in Asia and the Pacific grew faster than in any other region over the 2006–2019 period. Other countries, mostly in South and South-East Asia, have tried to capitalise on the proliferation of global value chains, but with limited success due to scattered geography and transport systems (across archipelagos, for instance), small labour markets and comparatively poor infrastructure. At a global level, therefore, the options for cutting labour costs by reallocating production to new zones have diminished. Africa may beckon with low wages, but volatile currencies, poor infrastructure
and unreliable transport and communications systems dim its attractions for substantial industrial production beyond extractive activities.

**A GLOBAL CRISIS WITH DEEP ROOTS**

Thomas Piketty’s analysis suggests that the global growth rates and the income distribution patterns associated with the ‘golden age’ of industrial capitalism in developed economies after World War II were exceptional and are unlikely to be repeated, at least in the foreseeable future. That period, which ended in the early 1970s, boasted accelerated growth in productivity, output and profitability, along with rising real wages and a rich array of work-related entitlements. Much of the impetus for those improvements came from workers’ movements that were powerful enough to act as sturdy stakeholders in corporatist arrangements. This occurred against the geopolitical background of the Cold War, with capitalist governments anxious to prevent worker and other social movements from radicalising to the point where they might challenge the system on fundamental terms.

The grand compromise broke down in the early 1970s, inaugurating the current phase of capitalism. As the economic historian Robert Brenner has shown, the recuperation of the Japanese and western European economies (Germany, especially), and the rise of the first generation of ‘Asian tiger’ economies (Hong Kong, Singapore, South Korea and Taiwan), drove fierce competition between producers. That led to excess industrial capacity and overproduction in the advanced capitalist countries, which depressed economic growth and profitability. In the Group of Seven (G7) countries, the rate of profit in the manufacturing sector was 40% lower between 1970 and the early 1990s than between 1950 and 1970. Across the advanced economies, average rates of growth of output, investment, labour productivity and real wages for the years 1973 to the late 1990s were one-third to one-half of those for the years 1950 to 1973, while the average unemployment rate was more than double. The result was what Brenner termed a ‘long downturn’.
This was no aberration. It stemmed from ‘the unplanned, uncoordinated and competitive nature of capitalist production’, and from investors’ ‘inability to take account of the effects of their own profit-seeking on the profitability of other producers and of the economy as a whole’.31 This feature is built into the logic of the system, which demands a relentless pursuit of growth. Failure to do so spells disaster for enterprises, while success paradoxically undermines the system as a whole and generates periodic ‘long downturns’.

Many corporations responded by shifting production to low-wage zones with minimal labour protection (as discussed earlier), and by adopting just-in-time production regimes. This drove the cost of labour inputs lower and reduced the profit-sapping down-time when workers, machines and other capital inputs are idle. The world’s biggest economy, the United States, was kick-started by busting unions and through harsh wage repression and dollar devaluation; real wages there reverted to 1960s levels and the number of workers trapped in poverty rose, as did income inequality.

Another outcome was a growing reluctance to invest surplus capital in the ‘real economy’, routing it instead towards financial speculation that promised higher returns. Under these conditions, and facilitated by deregulations driven by the United States and Britain, the financial sector grew rapidly and became domineering.32 As the financial sector expanded, so did its need for new avenues and circuits of accumulation – and its political and economic leverage. The prerogatives, markets and institutions of finance capital became increasingly dominant in investment decisions, economic and social policymaking, and regulatory framing.

Finance capital used to function largely in service of industrial growth, by promoting industrial development through the merger of industrial and financial capital.33 That bond has been cut. Focused on extracting maximum returns in minimum time, finance capital now typically bypasses the ‘real economy’ or even dismantles industrial capacity, and gravitates towards mergers, acquisitions and rentier opportunities.34 Even ostensibly non-financial corporations now derive large proportions of profits from financial operations.35 Corporations have aligned their priorities with those shifts; shareholder value (or financial worth) drives decisions that
override longer-term economic calculations, not to mention social and ecological considerations:

Institutional investors [demand] that nonfinancial corporations produce rapid earnings growth so they could satisfy their clients, while top nonfinancial corporate managers [need] to generate rapidly rising stock prices or their stock options would be worthless.36

These motive forces have kept wages and working conditions in the firing line. As noted, worker organisations were kept under sustained attack and production chains were extended to low-wage, union-free zones.37 The ‘fixes’ both prolonged and compounded the underlying problems. Productivity and output recovered somewhat, but in the developed economies, wages remained under attack (except for top earners), which depressed aggregate demand. In countries undergoing rapid industrialisation (and those in the former Soviet bloc), real wages rose and the ranks of wage earners grew, but this was not enough to generate sufficient final demand to absorb the excess capacity at the global level. Intense competition continued and held the prices of consumer staples in check. That compensated somewhat for the effect of falling real wages, but it also maintained the pressure to prevent those wages from rising (which would eat into profits or push prices up). Easy credit became an attractive stopgap – allowing people to keep spending by borrowing against income they do not have (and may never have) or assets (homes especially) they do not fully own. Equity and real estate bubbles keep these improvisations aloft for a while, but they eventually crash and generate the regional and global financial crises that have become increasingly frequent since the 1970s.38 The upshot is constant volatility.

Bewildering paradoxes catch the eye. In mid-2020, as the COVID-19 pandemic brought economies to a near-halt and forced tens of millions of people out of work, stock prices kept rising, as if oblivious to underlying realities. Wall Street profits in the first six months of 2020 were over 80% higher than the year before.39 At first glance baffling, this
was due largely to central banks flooding markets with vast amounts of liquidity (and signalling their determination to keep doing so). A regular recourse since the 2008 global financial crisis, these infusions of capital are underwriting the delinking of financialised capital from the rest of the economy, with the ‘mundane’ processes of production and consumption in the ‘real economy’ receding in importance, at least from the vantage point of finance capital. Increasingly powerful sectors of the economy – particularly those centred on financialised activities – are able to flourish while productive activities crumble and poverty increases.

**A dim outlook**

There are indications that capitalism’s resilience – its ability to renew itself through crisis – is waning. With the system steadily eviscerating the economic, social, political and ecological conditions needed for its continued growth, it may be entering a phase of prolonged instability and gradual breakdown. Global warming is a dramatic aspect of this trajectory. The increasing frequency, intensity and disruptive impact of climate change shocks will increase economic, social and political instability. So too will zoonotic pandemic threats such as COVID-19, SARS and MERS, which will continue to emerge. These upheavals will arrive unpredictably, reducing the effect of purely reactive policies (like emergency relief). The repercussions will hit the lives and communities of the poor the hardest. Over the medium term, rates of global economic growth – already in secular decline – can be expected to stagnate or continue declining. This will further destabilise income distribution systems that treat waged work as the prerequisite for economic well-being. Left unchecked, these dynamics will deepen precarity, spark social and political tumult, and choke the prospects of sustained and smooth economic recovery. Protracted instability is a very realistic prospect.

In this scenario, and with technological ‘fixes’ (such as large-scale automation) likely to be deployed at the expense of workers, waged work would become an increasingly inaccessible and insufficient basis for dignified life.
Compounding the impact is the diminishing access to livelihood options outside the wage economy. In recent decades, subsistence agricultural and other activities have become less viable for many of millions of people as the encroachment of industrial farming and the impact of climate change upends agrarian livelihoods. The blurring of informal and formal economies makes it much more difficult for families to diversify and juggle sources of income and subsistence, and thereby avoid complete dependence on waged work. Their supplementary options for assembling viable livelihoods are being eroded rapidly. But as their reliance on regular waged work increases, access to that work narrows.

**A ‘fourth industrial revolution’?**

There is growing alarm also about an impending mass erasure of jobs as new artificial intelligence technologies are developed and deployed more extensively. A 2013 study by Oxford University’s Martin School, for example, caused consternation when it estimated that close to half of existing jobs in the United States were at high risk of being replaced by artificial intelligence and robots within the next few decades. Neoclassical economics tends to dismiss the threat of automation to jobs. Rather than destroy jobs, automation is said to displace them while stimulating the creation of new, different jobs. The argument is that digitisation and automation boost productivity while lowering costs, a benefit that is partially passed on to consumers in the shape of lower prices, which in turn fuels demand, thus generating more jobs. But other outlooks are less cheerful and foresee drastic, technology-driven disruptions of labour markets and massive job losses.

Sceptics remind us that similar, gloomy forecasts in the 1990s failed to materialise. Robert Solow’s famous 1987 aphorism that ‘you can see the computer age everywhere but in the productivity statistics’ may still be appropriate despite the growing use of robots and artificial intelligence in developed economies. In United States manufacturing, for example, there has been a steep increase in the use of robots since 2010, yet labour productivity growth has stayed sluggish – as it has across developed economies generally.
It may be too early to detect the impact of smart machines, or measurements of output may be too imprecise in some industrial sectors to capture the impact, or the effects may be exaggerated or misunderstood. This is an interesting debate, but it is also somewhat misleading.

New productive technologies are not used simply because they exist. Their function is to increase profit by reducing input costs (over time they become cheaper than the labour inputs they replace) and/or boosting output (they produce more in less time). If a surplus of suitable labour exists and wages can be depressed – and policy environments promise to sustain those conditions – the temptation to automate jobs (at great initial expense) diminishes. Enough ‘surplus value’ can still be extracted from the labour of workers to generate profit and avoid costly capital expenditures. These are the conditions that currently pertain across much of the world. Conversely, if workers successfully organise and campaign for higher wages and improved working conditions and terms of employment, labour input costs will increase – and so might the attraction of labour-substituting technologies. These are not monolithic trends: they play out unevenly across industries, economies and time.

No doubt, jobs are being lost to automation and artificial intelligence (think, for instance, of bank tellers, assembly-line welders or farm workers). But that trend is occurring against a wider backdrop: the replacement of better-paid jobs (especially in the manufacturing sector) with low-productivity, low-wage work (mostly in the service sector), which adds to the pool of cheap, exploitable labour. Those changes are not merely or even principally the doing of smart machines: they are driven by structural pressures in capitalist economies. Rather than consigning large proportions of workers to wageless life, an outcome some ‘accelerationist’ theorists predict for industrialised countries, automation at the moment is accompanying the spread of unpredictable low-grade jobs that pay poverty wages. Immiserating work, rather than outright joblessness, seems to be the overriding effect.

These dynamics are cornering vast numbers of workers between the prospect of having no paid work or accepting offers on going terms, with
draconian work regimes rapidly cycling workers in and out of paid employment. That maintains a constant labour surplus that is big enough to keep wages depressed for low-skilled workers, many of whom work in conditions that make it very difficult to stake and defend their rights as workers. In such a scenario, low unemployment rates need not reflect actual labour scarcity, which usually strengthens workers’ bargaining power. If workers successfully press for higher wages and improved working conditions, more extensive use of labour-replacing technologies would become more attractive for companies. We can then expect the stuttering succession of precarious employment and piecemeal work to blur steadily into lengthening periods of no work for certain sectors of workers.

More jobs – particularly more decent jobs – will remain a crucial basis for livelihoods. But given current trends and outlooks, it is highly questionable that work-centric income systems can substitute for a more encompassing strategy that recasts the distribution of income and other basic means for life.56

SOUTH AFRICA: THE FUTURE NOW

South Africa presents a grim example of the trends described thus far, with a very large proportion of the working-age population surplus to the labour needs of the economy, high levels of poverty (including among people working for a wage) and severe inequality. The country is caught in a crisis of waged work that dates back decades, spanning periods of modest economic growth and several national development strategies and labour market reforms.57

South Africa’s employment-to-population ratio (the proportion of the population aged 15 years and older that is in employment) has been exceptionally low for decades. It stood at an estimated 40% in 2019; the average for middle-income countries was 57%.58

The (narrow) unemployment rate has not fallen below 20% since the mid-1990s: in mid-2021, as the COVID-19 pandemic continued, it topped 34%. If people who had stopped looking for work were included in
the calculations, 44.4% of working-age South Africans were unemployed. By way of comparison, the government’s 2012 National Development Plan aimed for an unemployment rate of 14% for 2020, and 6% for 2030. Many of the jobless are unlikely ever to have regular employment. Analysis of data for 2019 revealed that 71% of unemployed persons were ‘long-term unemployed’ – that is, they had been trying to find work for a period of one year or longer – and 34% had been unemployed for at least five years.

The COVID-19 pandemic has brought further aggravation, reducing the employment-to-population ratio in South Africa to 36.7%. Approximately 2.2 million people lost their jobs during the first three months of the first 2020 lockdown, with low-skilled workers and women worst-affected. Two-thirds of job losses in the first month of that lockdown were among women. Almost all workers who had lost their jobs in those early months of the pandemic were still unemployed three to four months later, after the initial lockdown had been lifted.

This attrition occurred against the backdrop of chronic job scarcity and insecurity. A very large percentage of working-age adults in South Africa is superfluous to the labour needs of capital. The third-largest economy in Africa operates with the paid labour of about 40% of the working-age population and by paying a substantial proportion of workers’ wages so low that their survival requires subsidies from family members and the state.

For a majority of low- and semi-skilled workers, working life comprises short periods of employment bracketed by unpredictable durations of unemployment (with little access to unemployment insurance). They and their jobless counterparts assemble livelihoods by juggling makeshift economic activities, qualifying for or sharing social grant payments, and servicing reciprocal arrangements. The trend is long-standing and there is no indication of significant change.

Patterns of poverty and inequality

South Africa’s very high unemployment rates and low wages are reflected in rising poverty levels and in widening income inequality. Small
sections of society monopolise the rewards of economic growth, while punishing costs are imposed on the poor.\textsuperscript{71}

Exceptionally high unemployment, stagnant incomes for a majority of wage earners, rising energy and food prices, and great household dependency on unsustainable debt continue to pull households and individuals into poverty. More than half of South Africans – 30.4 million people – were living in poverty in 2015, the most recent year for which comprehensive national poverty data are available. Of them, almost 14 million were classified as extremely poor, meaning they could not regularly buy essential food items. Patterns of poverty continue to be skewed glaringly by race and gender. Women are more likely to be living in poverty than men, and black and coloured South Africans are much more likely to be living in poverty than other population groups.\textsuperscript{72}

The government’s 2012 National Development Plan called for reducing the percentage of South Africans living below the lower-bound poverty line from 39\% in 2009 to zero in 2030.\textsuperscript{73} The most recent national poverty data from Statistics South Africa show that 34\% of South Africans were living below that level and 49\% were living at or below the upper-bound poverty line in 2015.\textsuperscript{74} The poverty gap had widened. People living in poverty in 2015 tended to be in deeper poverty than in 2006 or 2011.\textsuperscript{75}

Regular, nutritious meals are beyond the means of a large proportion of South African households. In 2021, it cost approximately R2 945 per month to provide a family of four with a basic ‘thrifty’ but nutritious food basket, according to the Bureau for Food and Agricultural Policy.\textsuperscript{76} That amount exceeded the total monthly expenditure of about one-quarter of households in major urban centres.\textsuperscript{77} Conditions worsened during the COVID-19 pandemic: the percentage of South Africans who reported experiencing hunger rose from 4.3\% to 7.0\% during the first lockdown in 2020.\textsuperscript{78} This was probably an underestimate: the 2018 General Household Survey had found that 11.1\% of South Africans were experiencing hunger and almost 18\% of households had limited access to food in 2018.\textsuperscript{79}
Yet, even when performing listlessly, the South African economy generates great wealth – hence it being classified as an upper-middle-income country. But the distribution of that wealth is inordinately unequal. The country’s highly unequal social structure continues to be reproduced along many of the same racial and spatial patterns as under apartheid.

Income and wealth inequality are among the worst in the world. The top 20% of income earners pocketed 68% of national income in 2017 (the median is 47% for similar emerging economies). The poorest 40% received a little over 7% of national income, a share that has changed little for almost three decades and which is among the smallest in the world (Angola, Bolivia, Colombia, Haiti and Namibia are among the few other countries that rival South Africa’s income inequality).

The distribution of wealth is equally distressing. The poorest 50% of South Africans have negative net worth: in other words, their debts exceed whatever assets they own. Tax and survey data show that the top 10% of income earners in South Africa own 55% of all forms of assets and 99% of all bonds and stocks held in the economy. Of the estimated 38 000 ‘dollar millionaires’ in South Africa in 2019, the vast majority were white men. But inequality within population groups has also worsened dramatically, and the contribution of black South Africans to overall inequality has increased since the mid-2000s.

South Africa’s severe income inequalities are mirrored in access to healthcare and to quality education. In the past 25 years, state investment in the social wage has reduced inequality in access to sanitation, potable water, electricity and refuse removal. Generally, though, the affordability of those services remains a major barrier for many black South African households, especially those in rural areas.

Links between waged work, poverty and inequality

Not having paid employment is an obvious and major cause of poverty. But the inverse is not necessarily true: having a job is not a sure defence
against poverty. In South Africa, unemployment is estimated to be the main cause of about half of poverty. Low earnings are a major cause for the other half. From 2004 to 2012, the working poor became a significantly bigger segment of the country's large population of working-age poor. By 2012, the majority of poor South Africans in 2012 (58%, using the upper-bound poverty line) lived in a household with at least one employed person.\(^87\)

The introduction of a national minimum wage has been a positive development, though the amount is very low, and stood at a maximum R3 320 per month in January 2021. If spread across a family of four, that is equivalent to R830 per person, less than the lower-bound poverty line (R890) and much lower than the upper-bound poverty line (R1 335).\(^88\)

Working poverty has persisted across periods of moderate or low economic growth, persistently high levels of unemployment, a stuttering recovery from a major financial crisis and the introduction of protective labour market legislation.\(^89\) Extremely high unemployment has kept the reservation wage very low,\(^90\) and there has been a sustained shift towards the use of casual and subcontracted labour in ways that evade many regulatory protections. These patterns reflect companies’ attempts to extract maximum profits by imposing new paradigms of work. They increasingly rely on a small core of skilled, full-time workers and a larger stock of less skilled, casual and outsourced labour that is deprived of the wages, benefits and rights enjoyed (for now) by their better-off peers.\(^91\)

Inequality in earnings among employees has also increased in the post-apartheid period. Higher-income earners pocket a bigger share of the total wage bill than they did in 1994, while the bottom 50% of wage earners have lost ground.\(^92\) In other words, the average real wage is propped up by the improved fortunes of small numbers of high-skilled, high-wage workers. Wage differentials, not unemployment, are the largest source of income inequality in South Africa, responsible for about 56% of inequality. Unemployment is responsible for approximately 35%, while investment income makes up the remainder.\(^93\)
Understanding these realities

Economic growth in South Africa has been comparatively listless for decades. GDP growth averaged at 3.3% per annum in the two decades after 1994, but slumped below 2.0% during the 2008 global financial crisis. After a brief recovery, annual GDP growth has stayed below 2.0% since 2014, consistently running 2%–4% lower than the average for other middle-income countries. The country’s comparatively low rate of economic growth is due largely to the skewed structure of its economy, the unfavourable terms on which it is integrated into the global economy, and, recently, the rapid growth of a voracious financial sector. The outsized influence of the latter results in extensive misallocation of capital, while also blocking structural economic change (see Chapter 6). Economic policy choices since the early 1990s, some of which built on incipient policy moves of the apartheid regime in the 1980s, accelerated processes of financialisation and corporate restructuring, while inhibiting the state’s capacity to manage and respond to those processes.

In the analysis of Ben Fine and Zavareh Rustomjee, capital accumulation in South Africa was primarily based on extractive mining and the energy sector, and a core set of other evolving industrial sectors. The latter were closely interlinked but branched weakly to other sectors of the economy, which distorted the allocation of capital and the development of industrial activities. This held back sustained industrialisation, leaving the economy with an uneven and stunted manufacturing sector. It also encouraged investment in capital-intensive industries with very limited capacity to absorb the large and growing population of
low-skilled workers. Economic policy choices made in the past thirty years have failed to alter these fundamental features.

Macroeconomic policy in the 1990s was focused on appeasing the concerns of corporations through a series of adjustments. They included allowing South African corporations to diversify abroad, relaxing capital controls and introducing investment incentives that enabled corporations to circumvent tax obligations and spirit profits into offshore havens. Unlike the Asian developmental states of yesteryear, the South African state largely relinquished its sway over the banking and financial sector, including by ceding vital leverage to an independent Reserve Bank. Credit, savings and investment have been channelled into capital-intensive ventures and sectors that favour the extraction of economic rents. The macroeconomic policies pursued since the 1990s have thus facilitated both massive capital flight and misallocation of capital inside South Africa.

Today the South African economy rests on a stagnating industrial base, characterised by highly concentrated ownership, excessive dependency on the extractive sector (for export earnings) and other sources of rents, and heavy reliance on portfolio capital inflows to stabilise the balance of payments. A powerful financial sector has arisen, facilitated by the economic policies of both the late-apartheid and post-apartheid eras.

Since 2000, the financial sector has grown almost twice as fast as GDP and it now contributes a larger share of GDP than any other sector of the economy. Despite the turbo-charged growth, the sector produces little of tangible value, least of all jobs – it accounts for only about 2% of employment. Meanwhile, potentially productive sectors of the economy have shrunk, with the manufacturing sector, including labour-intensive production, atrophying rather than expanding and diversifying. The textbook narrative of economic modernisation seems to be running in reverse in South Africa. It is effectively an arrested semi-industrial economy with no use for about 40% of its labour force, yet capable of generating vast wealth. In these conditions it does not make sense to tie the prospect of a dignified life to waged work.
South Africa’s post-apartheid labour regime was designed to promote and protect decent work. But liberalised economic policies increased both the perceived need and opportunities for companies to sidestep the provisions of the new labour regime. Labour-saving technologies were introduced where feasible, though a volatile currency made this option unpredictably expensive. As noted earlier, it was more common for companies to turn to casualised and subcontracted labour, which allowed them to squeeze workers’ wages and the terms and conditions of work. Companies opted for ‘restructuring production, establishing new patterns of work organisation and/or relocating production units’.106 Those shifts had begun in the 1980s already and gathered momentum subsequently.107

The labour movement has struggled hard to make decent work a reality. It remains committed to centralised bargaining, and some of its affiliates have mounted successful campaigns in defence of sector-wide bargaining.108 But powerful pressures are pushing in the opposite direction and union membership is shrinking in important sectors.109 Despite protective labour laws, there is considerable flexibility in a labour market that is highly segmented and characterised by ‘shell’ wage agreements in which trade unions win high standards on paper but the protections apply to fewer and fewer workers in reality.110 The sectors with the strongest labour market protections (manufacturing and mining) have also been the targets of deep and sustained job cuts. The situation in the public sector is somewhat anomalous, though outsourcing and subcontracting is common. Compounding matters is the labour movement’s failure to organise the ‘new working poor’ in meaningful numbers. Organising these workers is notoriously difficult; so, too, is convincing them that the potential benefits of formalised solidarity outweigh the immediate risks of harassment and lay-offs. In addition, their work status is highly unstable as they shuttle between employment, self-employment and unemployment.111

Economic, labour and social policies have to respond to these realities. Economic (particularly macroeconomic and industrial) strategies and labour market policies that can both increase access to decent paid work and transition the economy onto an ecologically sustainable path are vital.
But recent decades do not offer evidence for assuming that, for a large proportion of South Africans, waged work can function as a sufficient and viable basis for avoiding poverty. The National Treasury believes that a structural reform programme can add one million jobs in a decade – but, at 100 000 jobs a year, that would be far fewer than the number of people entering the labour market each year in search of employment. The gap between people entering the workforce and the economy’s capacity to provide jobs for them has widened in the past decade, and stood at nearly 20% in mid-2021. Job losses during the early months of the COVID-19 pandemic in 2020 alone approached three million.112

Social grants in South Africa

In the absence of significant job creation and improvements in real wages, social policy has become a vital stopgap against even greater precariousness,113 with the expanded provision of social transfers especially important.114

In twentieth-century welfare states, social policy (particularly social protection) became seen as a powerful instrument for transformation. It was assigned at least five complementary functions: it had to enhance protection, redistribution, production, reproduction and freedom.115 An important component was the redistribution of income for greater equity, which, as Thandika Mkandawire noted, also carried social, political and economic relevance:

Redistributive social expenditures can contribute to political stability by enhancing the legitimacy of the state. Social policy, as an instrument for ensuring a sense of citizenship, is thus an important instrument of conflict management, which is in turn a prerequisite for sustained economic development.116

Social policy in South Africa has been less ambitious and more ambivalent than the model described by Mkandawire. In the post-apartheid era,
it has been touted as a constitutive part of the country’s development strategy, though the reality is more mundane.\textsuperscript{117} To be sure, the social wage has been broadened substantially since the early 1990s and is a central component of social policy.\textsuperscript{118} It includes the subsidised provision of certain basic services for low-income earners (including basic healthcare, school feeding programmes, sanitation, potable water, electricity, refuse removal, and primary and secondary education), as well as various forms of cash or in-kind assistance. However, cost-recovery interventions at local government level have reduced the actual benefits of some of those services. The social grant system has become an important source of livelihood support, serving as a thin but vital safety net for many millions of people.\textsuperscript{119} The system centres on six major grants: the old-age pension, disability grant, child support grant, foster care grant, grant in aid, and the care dependency grant. All the grants are targeted, some are means-tested, but none is conditional.

The old-age pension is available to individuals aged sixty and older. It amounted to R1 890 per month in 2021.\textsuperscript{120} In the 1990s already, pensions eclipsed migrant remittances both in terms of size and reliability as a source of economic support for poor rural households.\textsuperscript{121} The child support grant was worth R460 per month per child in 2021,\textsuperscript{122} as was the ‘grant in aid’ – 25% less than the official food poverty line of R624\textsuperscript{123} and almost 40% less than the average monthly cost of feeding a child a nutritious diet (R720).\textsuperscript{124} Approximately 13 million primary child caregivers received a child support grant in 2020,\textsuperscript{125} equal to about 30% of households. The child support grant was temporarily increased to R740 per child during the early months of the COVID-19 pandemic in 2020, before being reduced again to the previous amount. In 2020, the foster care grant was worth R1 050 – almost 2.5 times more than the child support grant,\textsuperscript{126} while the care dependency grant amounted to R1 860.

A separate government agency, the South African Social Security Agency, administers the grants. A biometric system of identification is used and payments are made via cash advances that can be collected at automatic bank teller machines. The grants appear to be relatively well
targeted towards eligible poor households, with estimates suggesting that, by the early 2010s, about 76% of grant payments were going to the poorest 40% of the population. However, the system does not directly provide income support to able-bodied adults (18–59 years) who are unemployed. Paid labour continues to be regarded as the core foundation of the social order, with income support available to people who are too young, old or infirm to work (via social grants) or who are recently unemployed (via unemployment insurance).

Even the child support grant slots into this labour-centric framework. Introduced by the South African government in 1997, the grant was championed as a form of ‘developmental social welfare’ that would support personal and community development. As a subsidy to the basic living expenses of children, the grant is tied to the raising, educating and acculturating of future participants in the labour market. It fits squarely within a paradigm that makes livelihood security dependent on the (eventual) ability to trade one’s labour for a wage or salary.

In 2021, approximately 11.5 million South Africans were receiving at least one social grant (mostly in the form of an old-age pension or a child support grant), up from about three million in 1994. These payments have become a vital source of livelihood for close to half of all households in South Africa, including a large number of households with wage earners. In 2018, 44% of households received at least one social grant, and 20% of households depended on these grants as their main source of income. In the poorest provinces, such as Eastern Cape and Limpopo, grant payments were the main source of income for at least 30% of households. Female-headed households are especially reliant on the grants.

During the first year of the COVID-19 pandemic, a special Social Relief of Distress grant (‘COVID-19 grant’) worth R350 per month was made available to individuals not covered by the existing grants or the Unemployment Insurance Fund. In addition, the other main social grants were increased by R250 per month for six months in 2020. A caregiver’s
allowance worth R500 per month was also introduced for each caregiver, supplementing the child support grant. These emergency payments were extended in October 2020 and again in February 2021. Although meagre, the additional grants helped curb worsening food insecurity. But an estimated eight million people in low-income households still received no form of direct income support, a reminder of how ‘leaky’ and inefficient targeted systems of income transfer can be.\(^{137}\)

The heavy reliance on existing social grants underscores the fact that, for a majority of working-age adults in South Africa, waged work is either unavailable or a highly unreliable basis for livelihood security and social citizenship. Social policy, however, remains grounded in the expectation that waged work is an available and sufficient source of income. Thus, the income support provided by the state goes to people who, due to age or infirmity, are not expected to sell their labour in the market. The support misses the large numbers of people for whom waged work is either unavailable, too infrequent or too poorly paid to shield them against poverty.

* * *

The conditions and trends described in this chapter are neither incidental nor fleeting. The trajectory of neoliberal capitalism, particularly in its current financialised phase, inclines towards decreasing employment rates, depressed real wages, and unstable and insecure work regimes. In these conditions, development strategies that hinge on waged work as the means to realise social and economic rights and achieve social inclusion are inappropriate.

Sheer necessity will see workers evolve new ways of organising to challenge these realities. But the instabilities and dilemmas besetting capitalism do not favour the generalised win-win compromises that gave rise to the post-World War II ‘golden age’ in developed economies. The past forty years provide very little basis for sunnier prospects; conditions are likely to become increasingly hostile to the productivist, work-centric models of social transformation that defined the industrial era.
Looking ahead, the likelihood of ongoing global economic instability, accumulating climate change upheavals and public health crises reinforces that scepticism.

The resultant job crisis – which encompasses joblessness, underemployment, poverty wages and inadequate social security – is a calamity. It is also an opportunity to consider additional kinds of distributive processes that are more suited to current and unfolding realities, particularly ones that are not anchored in access to waged work.