Explaining the Persistence of Rural Poverty in South Africa

*Expert Group Meeting on Eradicating Rural Poverty to Implement the 2030 Agenda for Sustainable Development*

United Nations Economic Commission for Africa
Addis Ababa, 27 February - 1 March 2017

Final Draft

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Introduction
What are the reasons for the persistence of rural poverty in South Africa? Any answer needs to begin with the unusual nature of South Africa’s growth path. While our history is not unique — the patterns of colonial development, institutionalised racism, and brutal exploitation that characterise it are all too common throughout the developing world — these dynamics have in South Africa led to distinctive social and economic formations. As a result the configuration of rural poverty and inequality in South Africa is ‘extreme and exceptional’ (Bernstein 1996): atypical both among middle income countries worldwide and on the continent of Africa.

But South Africa is not a complete outlier. The patterns and tendencies that are described here are significant for other countries in the postcolonial world. There is a danger that some of the dynamics that have exacerbated and perpetuated rural poverty in South Africa may be replicated elsewhere on the continent. Recent developments around the commercialization of agricultural land and the design of rural investment opportunities lead to the prospect that rural landscapes may start to resemble those created by inappropriate and poorly conceptualized development visions in South Africa (Hall, 2011). The following pages describe these dynamics, and raise questions about their implications.

Beyond the urban-rural divide
Right at the outset, some general observations are in order. Most importantly, from a South African perspective, it is not appropriate to argue, as the aide-mémoire for this conference suggests, for a “separate focus on rural poverty” (UNDES 2019:4). Very often in the development literature, rural poverty is framed as if it is a distinct phenomenon, one that can be understood separately from the dynamic of economic growth more generally. From this point of view, rural poverty is seen as an outcome of a growth deficit in the economy as a whole. It is believed to be the result of a disconnection between remote and outlying areas and the cities: a situation in which, as the aide-mémoire puts it, ‘the rural economy is not sufficiently hitched to the urban economy’ (UNDES 2019:3). This is linked to a well-established tradition in the rural development literature, according to which rural employment and income growth is almost automatically assumed to depend on the creation of economic linkages (e.g. export opportunities) that connect poor localities to distant markets (see e.g. Haggblade et al 2010).

Now this may sometimes be true. It may be the case that under appropriate circumstances, when institutional frameworks are appropriate, strong market and infrastructural links between rural localities and distant markets can lead to rural prosperity. But these conditions do not always obtain. As Gillian Hart pointed out many years ago, the actual effects of rural-urban linkages depend on the spatial configuration of value chains, on the political economy of investment, and on the nature of social and power relations (Hart 1998). If these are not conducive, globalization or market integration will not benefit the rural poor.

South Africa is a case in point. Here, rural poverty cannot be understood without reference to broader economic dynamics. Rural and urban poverty have for more than a century been two sides of a single coin. They result, not from a growth deficit, but from a particular kind of growth: a skewed and exclusionary form of development driven by core features of the economic structure and the regulatory environment. In South Africa, this path of growth has created a deep divide between urban insiders and rural ‘outsiders’ — but this divide is not the result of a disconnection between rural and urban economies. Rather, flows from the direct but uneven, selective and adverse incorporation of South Africa’s rural black population into the core economy.¹

¹ These economic relations have of course been exacerbated by the highly uneven forms of spatial territorialization associated with the forms of government inherited from colonial and apartheid rule (see e.g. Home 2010): a bifurcated approach to government (Mamdani 1996) that institutionalized democracy and political participation for (initially, mostly white) citizens in the urban areas,
Colonialism, Apartheid, Land

These patterns are as old as colonial settlement in South Africa. They acquired their modern form, however, in the fifty years between the discovery of gold on the Witwatersrand at the end of the 19th century and the social struggles that decided the form of the modern state in the 1920s and 1930s. The industrial revolution in South Africa transformed both cities and the countryside. Initially, the development of markets around the new industrial centres created opportunities for African farmers. Indeed, for a while it seemed that African peasants, with their high levels of economic independence and their ability to draw on family labour, could outcompete white settlers (Bundy 1977). But by the early part of the 20th century, those doors were being closed. Colonial policy created systems that systematically disadvantaged African farmers in their competition with whites (Bundy 1988). This was not only in order to protect settler agriculture: The interests of the mining industry and its need for cheap labour also required a change of economic relations in the countryside. Government policy promoted the forcible and coercive incorporation of South Africa’s black rural population into the social and political formations of the industrial economy. Fiscal and economic policies were adopted that pushed African farmers off the land, forcing them to sell their labour in the mines (Wolpe 1980, Ndlovu 2017). At the same time, segregationist policy actively discouraged the development of a settled black urban working class. Black workers were understood to be merely ‘temporary sojourners’ in the cities (Maylam 1990). African families were to stay in the rural areas, and when no longer needed in the urban economy, African workers were expected to return to the Native reserves. Crucially, these workers were also excluded from formal systems of social protection. The social state that took shape in SA during the 1920s and 1930 was a welfare state for whites. (Seekings & Nattrass 2005, Barchiesi 2011). Black workers were expected to rely on the informal systems of family-based welfare and social solidarity that existed in the Native Reserves (Ferguson 2012; du Toit 2014).

From the beginning of the twentieth century, then, the rural hinterlands and the urban centres of South Africa were tightly yoked together in a relationship that was far from mutually beneficial. Fiscal demands and land hunger ensured that own agricultural production was not sufficient for black peasants’ household survival: instead, they depended for food security on wage labour and participation in the formal economy. At the same time, political repression and segregation insured that those wages remained low. Additionally, the burden of social reproduction and welfare was displaced onto the impoverished rural areas (Du Toit 2018). The result was a system in which rural areas subsidised urban profits and urban development.

Most popular accounts of Apartheid have focused on the explicitly racist nature of these arrangements. What often gets lost in this account is how the distributional character of Apartheid changed over forty years. The nature of inequality was increasingly shaped, not only by race, but also by the forms of rural-urban spatial territorialisation inherited from the colonial past and elaborated in the 20th century. In the last two decades of Apartheid, the strict racial order created by Verwoerd and Vorster started to shift. During the 1970s, the organised black working class gained a precarious foothold in the urban economy and started accruing significant leverage within the industrial relations machinery. As a result, black wages started rising (Nattrass 1977, Hofmeyr 1994). By the end of Apartheid, the most important economic dividing lines were no longer those between black and white. The white elite still held on to the lion’s share of economic advantage. But significant gains had been made by a small black middle class and by the rump of the black working class. By the 1980s, the central dividing line in the South African social order had become that between ‘insiders’ and ‘outsiders’ (Moll 1996). This line divided the urban elite and the industrial working class from a wide range of mostly rural excluded and marginalised people: farm workers, black subsistence farmers, and a growing black mobile and unemployed migrant population settling on the urban periphery but unable to

while setting up autocratic, coercive, and often corrupt systems of administration for black rural subjects (Mamdani 1996, Breckenridge 2008). For the purposes of this discussion, however, I will leave aside discussions of the form of state institutions.
get a foothold in the urban economy. This deep division between urban ‘haves’ and rural ‘have nots’ is a central aspect of the distributive arrangements that have made South Africa one of the most unequal societies on the face of the planet (Seekings & Nattrass 2005).

The post-apartheid distributive regime

The post-Apartheid political settlement was intended to change this reality. Apartheid had been made unworkable, not only by black resistance in the cities and towns but also by the collapse of the reserve economy. In 1986, the system of influx control that had kept the families of black workers confined to the so-called ‘Bantustans’ was formally abandoned. After this, it was clear that the tide of urbanisation was unstoppable and the demands for social inclusion by the majority of the black population could not be ignored. The post-Apartheid political settlement depended for its legitimacy on one central promise: the universal inclusion of all South Africa’s people into the rights and entitlements that had hitherto been limited to its urban citizens.

This promise has not been kept. As Jeremy Seekings and Nicoli Nattrass have argued, the new government focused on the de-racialisation of the South African distributive regime but stopped short of its transformation. Many of the key features of the essentially colonial and urban-centred regulatory and distributive regime have been preserved unchanged (Seekings & Nattrass 2005, Seekings & Nattrass 2015).

Why did this happen? Critics of the South African government, particularly on the left, tend to blame ‘neoliberalism’ and accuse the African National Congress of betraying its revolutionary principles and selling out its people to the globalists (see e.g. Adelzadeh 1996, Habib & Padayachee 2000, Magubane 2002, Peet 2002, Ansari 2017). The reality is however much more complex. The policy frameworks that have shaped the South African growth path are not simply neoliberal: rather, they constitute a complex mix of free market and social democratic elements (Seekings & Natrass 2015). These elements are organized around a nationalist project of modernisation through global economic integration that seeks to use the benefits of globalization and economic growth within a broadly redistributive project (Government of South Africa 1996).

But this project was not informed by an understanding of the downsides of economic integration. The ANC’s redistributive programme focused on the centrality of racial, rather than class divides, and the largely urban-based, middle class policy makers of the ANC had little real understanding of the realities facing rural people and urban migrants. The underlying vision of modernity, development and growth that informed economic and social policies was shaped to a remarkable extent by an orientation toward metropolitan, Eurocentric and indeed ‘colonial’ norms and standards. Across a wide range of policy terrains and economic sectors, this involved the perpetuation of narrow normative models of what constituted ‘efficient’, ‘progressive’, ‘modern’ and ‘world-class’ economic transformation — models out of touch with the lived realities, actual capacities, material interests and livelihood strategies of the marginalised rural and peri-urban poor. This was linked to an industrial relations system based on highly centralised wage setting mechanisms, and regulatory approaches that were aligned with the interests of large multinational corporations and Taylorist trade unions rather than small business and the informal sector (Seekings & Nattrass 2005; Godfrey et al 2006; Seekings & Nattrass 2015). Another important factor was the deep mutual suspicion and the highly racialised, adversarial labour relations that pertained in South African workplaces: these undermined the viability of a corporatist pact in South African industry, and encouraged policy makers to use the mechanisms of neoliberal governance and exposure to global competition as vehicles to discipline white business rather than to facilitate broad based growth. The outcome was to increase the tendencies towards capital flight, capital intensity and low labour absorptivity that already existed in the economy (Black et al 2015).

These dynamics manifested in different ways in different sectors. For the purposes of this paper, I will focus on land and agricultural policy. Here, both ‘neoliberal’ policy innovations and
protective re-regulation were deployed in a package intended to serve the interest of nationalist modernisation and redistribution. In the last years of Apartheid, the extensive system of regulatory and fiscal protection that had sustained commercial white agriculture from the 1940s onwards was already in the process of being dismantled. Under the ANC, this was accelerated, partly in order to ensure access for South African products to overseas markets, but also in the hope that inefficient white farmers, who supposedly owed their survival to Apartheid era market distortions, would be shaken out of the system, creating opportunities for emergent black farmers (Hall 2010). At the same time, a sweeping package of legislative measures was passed to protect the labour rights and entrench the tenure rights of farm workers (Ewert & Du Toit 2002).

The effect, however, was the opposite of what was intended. In the aggregate, access to overseas markets did benefit South African agriculture. But these benefits were largely captured by those who already had leverage in the system and who were able to compete in global markets (Ewert & Du Toit 2002). The most important consequence of processes of agricultural liberalisation was not to drive white commercial farmers out of the market, but to encourage rapid and far reaching processes of agro-food restructuring, and to intensify already ongoing dynamics of market concentration and vertical integration (Bernstein 2013). Markets in fertilisers, agrochemicals, agricultural services and grain storage rapidly became characterised by high degrees of concentration and oligopolies (ACB 2009; ACB 2013; Amin & Bernstein 1996, Louw 2011). Similar changes soon took place downstream among food processors and retailers (Igumbor et al 2012). The growth of market power in input and output markets in turn encouraged concentration in the productive sector itself. Both in overseas markets and locally, the growing importance of economies of scale within value chain governance created strong pressures towards scale (Mather 2007), creating an environment in which survival as a productive enterprise required farmers to ‘get big or get out’. Over the course of 20 years, the total number of farming units operating in the South African commercial sector were reduced almost by half dropping from around 60 000 in 1994 10 about 35 000 in 2013 (Okunlola et al 2016). Food production is increasingly dominated by a small number of large consolidated farms and food processors: in 2015 it was estimated that some 80% of the food in South Africa’s retail outlets are produced 20% of the farms (Cousins 2015).

These dynamics resulted in an overall reduction of the employment creation capacity of South African agriculture. The legislation created to protect workers’ rights and farm worker tenure did little to hold back the tide. In fact, they seem to have exacerbated these tendencies, as farmers responded to labour market re-regulation by retrenching all but the most essential workers from their permanent on-farm labour force and pre-emptively evicting workers to prevent the establishment of long term tenure rights (Du Toit & Ally 2001). In the first ten years after Apartheid, there were 940 000 forced evictions from commercial farmlands, and a total of 2.3 million farm dwellers were displaced — people pushed off the land, not by the racist processes of Apartheid dispossession, but by the normal dynamics of capitalist economic growth (Wegerif et al 2005).

Less evident than evictions and retrenchments were the implications of agro-food concentration for the non-farm economy. Upstream and downstream value chain concentration tends to undermine the formation of local multipliers, diminishing the ability of agricultural development to support local employment. A recent DFID-ESRC Growth Research Programme (DEGRP) study on the growth potential of agricultural development in South Africa, Malawi and Zimbabwe (Chirwa & Matita 2015, Sukume et al 2015, Neves & Hakizimana 2015), found that in contexts of value chain concentration, the enterprises that link rural economies to urban context tend to have a markedly ‘enclavie’ character: while spatially extensive value chains do create external connections between rural localities and distant markets, these links tend not to be locally embedded (Du Toit, forthcoming). Large scale industrial-style plantation agriculture, for instance, is typically characterised by backward and forward linkages that bypass local markets. Production, consumption and investment expenditure tends to be captured by distant
players, with even specialised agricultural services not being provided by local entrepreneurs. Downstream links are also spatially extensive, with few marketing opportunities for local entrepreneurs and vendors (Neves & Hakizimana 2015). This stands in marked contrast to the economic spin-offs from small-scale agriculture, which tends to create opportunities for local entrepreneurs both upstream and downstream (Sukumi et al 2015). A similarly depressing impact on local employment generation follows from the penetration of rural landscapes by large, national or international supermarket retailers with tightly governed, highly integrated and centralised distribution networks: not only do these encourage a ‘race to the bottom’ in local markets, crowding out local entrepreneurs and shopkeepers (Petersen et al, forthcoming), but their supply chains often bypass local producers. In many of South Africa’s rural areas, therefore, including those that feature relatively dynamic forms of large scale commercial farming, primary agriculture makes a relatively small contribution to local employment, while the local non-farm economy is de-linked from agriculture, dependent on fiscal transfers (child care grants, pensions, and official salaries) and service industries (Neves & Hakizimana 2015).

Land reform did not do much to reverse these trends. This is in part because land reform policies continued to be informed by models of agricultural development shaped by an implicit normative orientation towards the imagined superior rationality, efficiency and appropriateness of large scale industrial farming styles. Agricultural policy has been influenced by a powerful bias against subsistence and smallholder farming, and has tended to emphasise models that require ‘tight’ value chain integration governed by powerful retailers and importers. Partly as a result of this, South Africa’s land reform programme progressively drifted away from a pro-poor focus on the tenure security of the marginalised poor to an emphasis on the establishment of a capitalist class of medium sized black farmers (Hall 2015). This focus has limited the impact of land reform and development policy, concentrating resources on the economic empowerment of a small group of 5000 or so aspiring medium-scale operators, while smallholder farmers reliant on family labour (approximately 250 000 people) and households practicing some form of subsistence agriculture (an estimated 2 million households) have been largely ignored (Okunlola et al 2016). Even more seriously, agricultural and land reform policy have been characterized by a largely uncritical ‘productionism,’ reducing land reform to agrarian reform and considering land almost exclusively as a factor in the production of agricultural goods, ignoring its central role in non-farm livelihoods, social security, informal welfare and institutions of social cohesion (Ferguson 2013).

Post-agrarian landscapes of adverse incorporation

These remarks touch on only one small aspect of the regulatory and growth policies that shaped the development of the South African distributive regime after 1994. I will not discuss educational, employment, labour market, industrial strategy and related policies in detail here, except to say that in aggregate they worked in similar ways: on balance, they tended to serve the vested interests and the positional advantages of those who already had secured advantage within the distributive regime, and created strong incentives to continue a capital-intensive, non-labour absorptive growth path. A sociological analysis of the nature of inequality in South Africa fifteen years after the coming of democracy reveals a class structure strikingly similar to that which pertained at the end of Apartheid: at the top was an upper class consisting of 17% of households that together commanded 55% of income. Below them is an intermediate grouping the 46% of households that belong to the ‘lower middle class and the organised industrial working class; these another 35% of household income. At the bottom of the hierarchy are the households belonging to a fragmented and marginalised ‘underclass’ – precarious workers, farm labourers, the landless rural poor, and those surviving at the fringes of the informal economy. Together these groupings, making up some 35% of South African households earn about 10% of household income (Seekings & Nattrass 2015:113-117).

A significant number of this underclass class is composed of poor and landless people who had migrated to towns and cities - sometimes in search of jobs, but increasingly also seeking access to
some of the benefits and services the state offered. Many these are farm workers and ex farm workers living on the commercial farmlands and collecting in informal shantytowns and RDP settlements around smaller urban centres. The greatest concentration of poverty, however, is still to be found in the former ‘Bantustan’ areas. Here, an analysis of indices of multiple deprivation shows that the spatial distribution of poverty achieved by Apartheid has persisted almost unchanged, with massive differentials in welfare coinciding with former homeland boundaries (Noble et al 2014). A major reason is undoubtedly the failure of land reform to provide subsistence farmers with security of tenure, agricultural support and access to informal markets, water and land. While agriculture still makes a small but vital contribution to livelihoods, most of this population has been reduced to what Beinart calls a ‘pensionarat,’ dependent mostly on remittances from urban areas and social grants (Bank & Minkley 2005, Du Toit & Neves 2009b).

Crucially, the limited livelihood prospects of all these marginalised populations – the rural pensionariat, displaced farm workers, and mobile peri-urban migrants – are all shaped by the formal and informal links that continue to connect urban and rural economies. One important part of this dynamic is constituted by the spatially extensive value chains, distribution networks and payment systems that allow players in the urban economy to colonise economic opportunities, access markets, and lock in customers in the rural areas (Philip 2010); but an equally important role is played by the distributed networks of informal sociality that underpin resource flows between urban and rural households (Du Toit & Neves 2009a). These economic forces have played a central role in what can perhaps most accurately be dubbed a process of ‘jobless de-agrarianization’: a ‘stalled agrarian transition’ by which rural people are steadily being driven out of agrarian and land-based livelihoods, without being able to access opportunities in the non-farm economy (Du Toit & Neves 2014)

Rather than being seen as different worlds, the urban and rural landscapes of present day South African poverty are therefore better seen as existing on a continuum. Urban and rural poverty are part of the same dynamic of adverse incorporation: impoverished villages in the communal areas, ‘rural slums’ created by the dumping grounds of Apartheid forced removals; the agrivillages, RDP settlements and informal settlements in the commercial farmlands populated by farm workers and ex-farm workers dependent on casual and seasonal employment; and the vast shantytowns around the major metropoles are all different configurations of this dynamic on a landscape that is simultaneously post-agrarian and post-industrial.

Implications

These observations have significant consequences for development policy makers, both in South Africa and abroad. In South Africa, the persistence of economic marginalisation and unemployment in the context of steadily increasing socio-economic inequality is threatening the legitimacy and coherence of the post-Apartheid political settlement, undermining the authority of the Constitution and threatening the viability of the political community on which democracy depends. The current centrality of the debate about land reform and the demand for expropriation without compensation of white landowners by the state is merely the most visible expression of a much more generalised malaise. Land reform is indeed part of the solution, but addressing the problems described here will require a re-orientation away from an obsession with tight integration into global value chains, nd focusing rather on the creation of a regulatory environment that can support the informal sector, local, loose and socially networked value chains, and, where it is practical, low-input agriculture.

What are the implications for development thought in the rest of the world? The question is whether South Africa will continue to occupy its ‘extreme and exceptional’ place within the

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2 An important role is also played by the collapse of structures of local government, a creeping process of dysfunctionality and ungovernability within the state that has allowed processes of elite capture. But that is another story.
developing world. The rising centrality of contests around ‘land grabs’ and large-scale agricultural commercialisation in sub-Saharan Africa, Asia, and South America suggests the opposite. Enclavistic and disembedded models of economic development are becoming more, not less prevalent on the African continent (Ferguson 2010). I will leave the last words to my colleague Ruth Hall:

… the recent trend towards large-scale land acquisitions in several countries in the region – for plantation agriculture, forestry, biofuels production, tourism and other purposes – has had the effect of concentrating control over both land and labour, and may yet in time contribute towards blurring the distinction between those countries with a history of settler colonialism (and large-scale white commercial farming) and those without (Hall 2011).

References


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