PERSPECTIVE

Time to Turn the Tide

Tackling Poverty, Inequality and Unemployment in Southern Africa

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- The Southern African region is characterised by a deep crisis as expressed in unacceptable high levels of unemployment, poverty and inequality. Neither agricultural economies such as Malawi nor resource-rich countries such as Namibia, South Africa and Angola have been able to significantly reduce wealth gaps and the rates of poverty and unemployment.

- The traditional strategies to foster growth as promoted by the IMF and World Bank, namely macroeconomic stability and market-friendly reforms, have clearly failed to meet these challenges. Most SADC governments are still trapped in the illusion that the private sector must be the engine for growth and creator of wealth and development. The role of the state is often viewed as being merely the creator of macroeconomic conditions that will facilitate profitability for the private sector, with job creation being a mere trickle-down effect.

- This paper argues that Southern Africa will need to design and implement a very different development strategy, based on expanded social protection, structural economic changes and the consistent realisation of socio-economic rights. The Basic Income Grant (BIG) as implemented in Namibia has proven to be an important initiative in this regard and could be a promising starting point.

A region in crisis

Most SADC countries managed to achieve some progress in the period immediately after independence, usually through expanded social services to reach the majority of the population. However, there was no systematic transformation of economic structures, and the typical African enclave economy persists until today: a relatively small and well-resourced formal sector that operates in isolation from a large, growing and poverty-stricken informal economy and the communal subsistence economy.

As a result, the SADC region today can only be described as a region in deep crisis. More than 60 per cent of the population lacks access to an adequate supply of safe water which means they are vulnerable to disease. About a third of the SADC population lives in abject poverty and about 40 per cent of the labour force is unemployed or under-employed. Poverty levels have not only increased, but have also become more pronounced in urban areas and amongst female-headed households in particular.

The levels of income inequality in the region are amongst the highest in the world and in some cases racially biased, for example in South Africa where white nationals constitute around five per cent of the population and own over 80 per cent of the land. When measured against the Human Development Index (HDI) – life expectancy, education and standards of living – seven SADC countries fall in the medium category while six are in the low HDI group.

Grafted capitalism and Africa's enclave economy

At macro-economic level, Southern Africa continues to experience the problems associated with its »grafted capitalism«. During colonisation, the capitalist sector of the economy was grafted onto a pre-capitalist form of production in a distorted manner. This kind of capitalism did not transform the economy as a whole but only a small formal enclave sector, thus failing to produce dynamic growth and development. The small, formal enclave sector was totally dependent on external factors such as markets in, and capital from Europe. The enclaves exist alongside an underdeveloped peasant-based subsistence rural economy and an urban informal economy. Today, the formal sector consists of a small local and foreign business elite and wage workers, which usually account for less than 20 per cent of the labour force. This sector consists of enterprises of various sizes (either state-owned or privately owned) and is relatively productive compared to the other sectors. External forces such as Africa's trading partners and foreign investors still shape output and production methods.

The urban informal sector is characterised by easy entry and exit, linked to both formal and rural sectors and driven by self-employment activities. It accounts for about a third of the region's labour force. The communal sector is the traditional or pre-capitalist sector with all the variations this entails in the African context. It is highly differentiated with a number of linkages to the formal and informal economy and accommodates about 50 per cent of the labour force.

The continued co-existence of these three sectors and Africa's lack of socio-economic development is perpetuated by a number of factors including external dependency (shown in trade, technology, information, human resource and capital flows), inefficiencies in the distribution and allocation of productive resources, as well as technical inefficiencies which hampered the establishment of »value chains«.

Southern Africa's extractive industries have further fuelled inequality and poverty. They have deepened enclave developments as the extractive zones became the centre of government and private sector attention and not the basis for diversification. Thus, while oil, copper, gold, diamonds, chrome, gas, bauxite, fisheries, platinum are in plentiful supply in the SADC region, unemployment is increasing, poverty is deepening and inequality between and within countries is widening.

The need for change

Southern Africa urgently requires deliberate structural economic, social and political changes. As pointed out in the publication »Alternatives to Neo-Liberalism in Southern Africa« (ANSA, 2007), development is not just about economics. It includes human rights, community rights and the right to national or regional self-determination. It has to deal with issues of equity and fairness in the distribution of resources at local, national, regional and global levels. The provision of social services such as water, energy, health and education cannot be guaranteed for all if they are left to market forces. The state has a central role to play and must therefore be developmental as well as ethical, responsible and accountable to the people, with a particular bias towards working people and the poor.

Development must lead to a better life for the majority and eradicate poverty. This can only be achieved if development is based on the promotion and protection of human rights, which include political or civil rights (also known as »blue rights«), economic rights (also known as »red rights«) and social and cultural rights (also known as »green rights«). All these rights must be fought for and defended at all times and there can be no compromise, for example granting only political rights while economic rights are violated.

Social protection

International debates on more effective social protection re-emerged after the global financial and economic crisis that started in 2008. There is now an emerging global consensus that social security as a basic human right is affordable and implementable even in developing countries. It is widely accepted that social security systems cannot be restricted to formal sector workers (which are a minority in developing countries) but must be extended to all, including to workers in the informal economy and those in the communal, rural economy.

After being ignored for many years, the substantial evidence of the positive effects of social transfers on income equality and poverty reduction are finally being recognised. The new Social Protection Floor (SPF) concept is based on the logic that countries cannot unlock their full productive potential without basic social security systems. Only people that are healthy, well-nourished and educated are able to realise their productive potential. Effective poverty eradication through social protection programmes will enable people to move from the informal to the formal economy and thus migrate towards higher levels of productivity. Furthermore, there is also a direct and immediate local economic benefit from increased incomes in poor households. As they tend to spend their income on basic consumer goods which are usually locally produced, the additional income circulates in the local economy, increasing the demand for essential goods and services. Thus effective social protection programmes do not only lead to improved social conditions but also have an economic multiplier effect in terms of creating local demand and encouraging local supplies and production. The following examples from Brazil, Namibia and India highlight the importance of social protection and state-driven employment creation initiatives.

Bolsa Familia in Brazil

Bolsa Família is a social welfare programme of the Brazilian Government, through which financial aid is extended to poor families with children. The recipient families must ensure that the infants attend school and are vaccinated, for them to be entitled to receive the grant. Bolsa Familia is one of the largest conditional cash transfer programme in the world with an outreach estimated at eleven million families or 46 million people, corresponding to a quarter of Brazil's population.

The programme has had two important results: It reduced poverty levels and got families to invest in their children, thus breaking the cycle of intergenerational transmission and reducing future poverty. Bolsa Familia significantly contributed to the improvement of income distribution and to poverty reduction. However, the programme seems to have a rural bias and was hardly able to address urban poverty. In the two largest cities, São Paulo and Rio de Janeiro, fewer than ten per cent of households are covered by the programme. Yet these cities are affected by some of the worst levels of poverty in the country. As a result, Brazil's success in cutting poverty seems to have been greater in rural areas than in urban areas.

The Bolsa Familia provision allowing children to miss 15 per cent of school days without penalty, enabled rural children to be able to perform temporary work and still stay in the programme. Child labour earning in cities, however, are often greater than the modest benefits from Bolsa Família and thus there is an economic incentive to leave school and the programme. By July 2010, about 13,000 urban households lost their grant because their children did not attend school regularly, almost half of which were from São Paulo.

The Basic Income Grant in Namibia

Namibia has a comparatively well-developed system of conditional social assistance but a large portion of the population has been trapped in poverty. A broad-based coalition of churches, trade unions, youth organisations and NGOs therefore proposed the introduction of an unconditional monthly cash grants for all citizens, from birth until the age of 60, when they become eligible for the social pension. Due to the reluctance of the Namibian government to accept this idea, the BIG Coalition implemented the payment of a monthly cash grant of N$100 (Euro 10) in the village of Otjivero in 2008. The impact of the grant was monitored through a tracer study which showed that the BIG has had a significant impact.

Household poverty and child malnutrition dropped significantly; HIV positive residents were able to access more nutritious food and medication; school performance and health care improved as residents were able to pay school fees and use the local clinic far more regularly; and crime rates declined by almost 50 per cent. The BIG enabled recipients to increase their work both for pay, profit or family gain as well as self-employment. Productive income increased significantly, particularly through starting small businesses, including brick-making, baking of bread and dress-making. The BIG created a local market by increasing households' buying power. Furthermore, the grant reduced the dependency of women on men for their survival. The BIG has given women a measure of control over their own sexuality, freeing them to some extent from the pressure to engage in transactional sex.

Based on the findings in Otjivero, the BIG Coalition argued that the BIG should be introduced country-wide to reduce poverty and unemployment, to increase economic activities and productivity, and to improve educational outcomes and the health status of most Namibians. Far from being a charity measure, the BIG can initiate social and economic changes as well as redistribution in favour of the poor.

India's Rural Employment Guarantee Act (NREGA)

The Indian employment guarantee scheme was introduced in 2006 and aims to improve livelihood security of rural households by providing at least one hundred days of guaranteed wage employment per year to every household whose adult members volunteer to do unskilled manual work. Wages are paid out of a designated State Fund according to the minimum wages prescribed for agricultural workers. The work to be provided focuses on water conservation, land development and drought proofing. Thus the programme is not only meant to create rural employment opportunities but also to regenerate the natural resource base of rural livelihoods through water conservation, land development, re-forestation etc. In other words, NREGA creates productive assets in rural areas. Another important aspect of the programme is that the grassroots units of self-government (Panchayati Raj Institutions) play the central role in planning, monitoring and implementation.

During the implementation of NREGA, several shortcomings were observed, including corruption in the issuing of job cards, payments below the national minimum wage, payments not being made on time, too much emphasis on larger projects like roads instead of focusing on creating productive assets which meet local needs and a lack of transparency and accountability during implementation. There was also a lack of institutional capacity in planning the work, a low awareness amongst rural workers about their entitlement, and poor working conditions experienced at work sites.

Amongst NREGA's achievements are enhanced agricultural productivity through water harvesting, building of dams, ground water recharging and micro-irrigation schemes. NREGA also led to increased access to markets and services through the rural connectivity works. It reduced migration to urban areas and contributed to rising rural minimum wages, putting especially the lowest level workers in a far better bargaining position. Perhaps the most important achievement of NREGA has been the deepening of democracy through the rural population's participation in public hearings and social audits. Popular assertion of rights has become a developmental element at local level as rural people have become direct participants in the development of their local areas.

Rural people thus began to articulate their needs and to negotiate their rights.

Conclusion

Direct, systematic and targeted interventions are required to tackle the triple burden of unemployment, inequality and poverty in Southern Africa. There is no doubt that past initiatives were too cautious, too fragmented, too limited and too elite-driven to have a meaningful impact on the lives of the majority. Relying on private, largely foreign investments as the engine for growth and development has not lifted the region's triple burden and the limited social security programmes were unable to address mass poverty.

At SADC level, a Social Charter was finally adopted after trade unions had campaigned for it for 13 years. It identified employment creation as the first priority for the region, followed by social protection (including a BIG) and social dialogue. Labour movements in the region support the immediate introduction of a BIG as part of labour's demand for social protection. Currently, the extended family networks are the most important social security »institutions« as far too many people fall through the cracks of the existing public safety systems. Trade unions thus argue that a BIG will relieve the burden on working people to carry for extended families.

The introduction of a BIG holds promises as shown by the Namibian experiences in Otjivero. Introducing a BIG at national (or even SADC) level will undoubtedly have an immediate impact on the levels of poverty and encourage local production for meeting basic needs. By creating local demand for basic goods and services, a BIG has an economic multiplier effect that tends to be overlooked by governments and mainstream economists alike. However, the introduction of a BIG can only constitute a starting point as there are structural economic and social problems that require structural changes. Thus there is a need for a BIG plus bold measures of transformation – not marginal programmes and social protection projects. India's right to work programme is one such step but in the context of Southern Africa there is also a need to break down the limitations of the enclave economy and for bold measures towards more auto-centric development.

The state must take the lead to transform the legacy of under-development towards inclusive and equitable development. This calls for the establishment of democratic developmental states and more participatory forms of democracy. Developmental states must be planning organisations with a vision and strategy how to achieve human development, redistribution and social justice. However, the state itself is a politically contested terrain as different groups with different interests try to shape it to suit their particular interests. Thus the building of democratic developmental states requires a strong movement from below representing the poor and marginalised majority. The history in Southern Africa over the past 40 years has shown that effective redistribution and social justice cannot be achieved through elite pacts which tend to serve business and middle class interests only. Thus the demand for accountable, democratic states is in itself a political struggle and not a technocratic exercise.

What Southern Africa needs is a move towards participatory democracy, a systematic programme of redistribution, a change in economic ownership patterns and effective social protection against the debilitating effects of poverty. It is essential that the state acknowledges its responsibility to provide for the basic livelihood of its citizens and that it starts implementing transformative policies to live up to that responsibility.

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