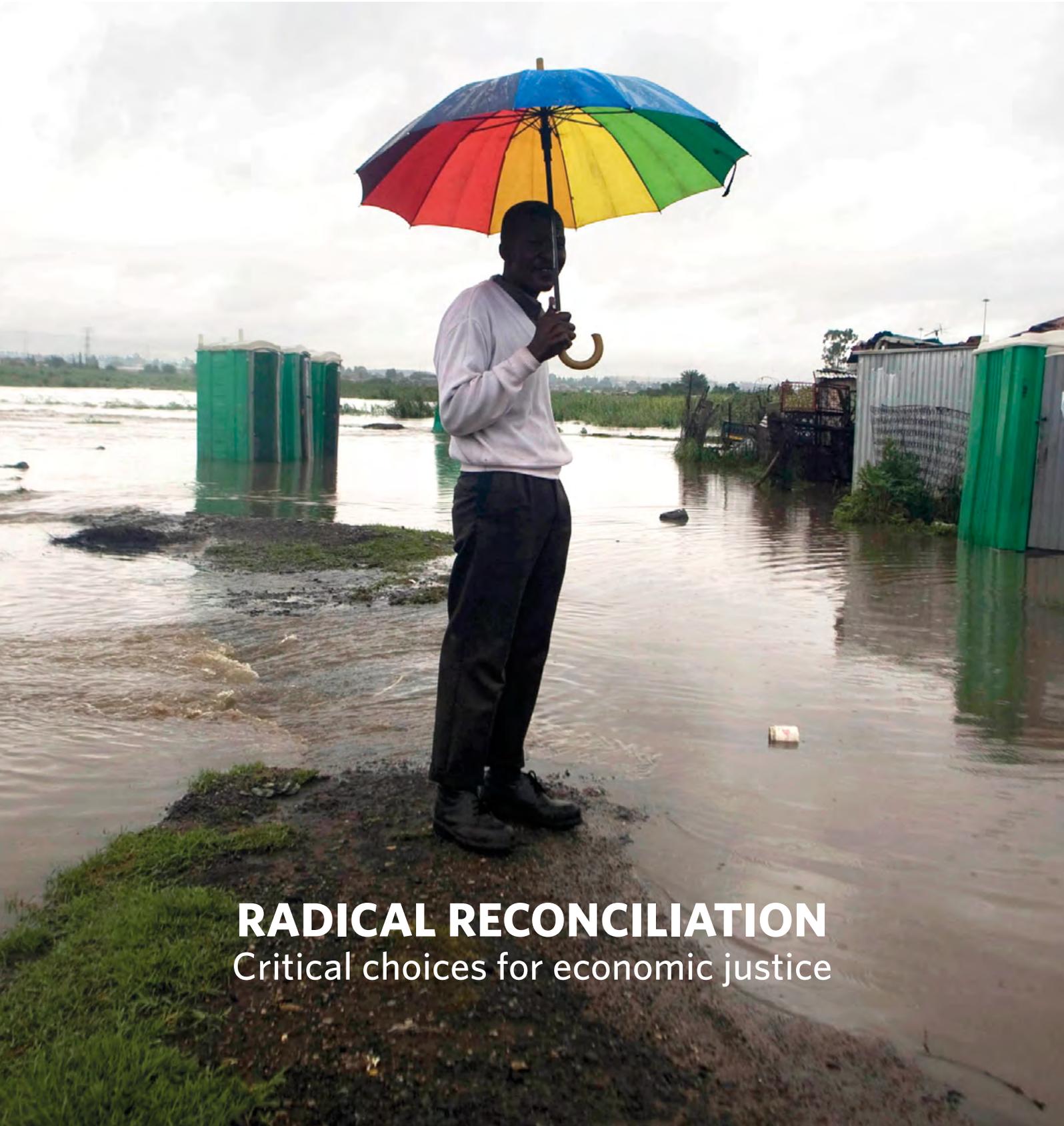


Transformation Audit

# TA 2015



**RADICAL RECONCILIATION**  
Critical choices for economic justice



# **RADICAL RECONCILIATION**

## Critical choices for economic justice

Edited by  
Andries Du Toit, Ingrid Woolard and Ayanda Nyoka



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Orders to be placed with the IJR:  
Tel: +27 (21) 202 4071  
Email: [info@ijr.org.za](mailto:info@ijr.org.za)

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## VI/ CONTRIBUTORS

### ***Minimum wage-setting, social assistance and poverty*** **Jeremy Seekings and Nicoli Nattrass**

Jeremy Seekings is Professor of Political Studies and Sociology at the University of Cape Town and Nicoli Nattrass is Professor of Economics at the Universities of Cape Town and Yale. They have written widely on South African politics, economics, society and history, on AIDS and on the comparative history of the welfare state. Their previous books include *Class, Race and Inequality in South Africa*.

### ***Women in the labour market: Vulnerability and opportunity*** **Sumayya Goga**

Sumayya Goga has worked in the development field for nine years. She has a master's degree in commerce, and has experience in research, policy analysis and development, and implementation support. She has a particular interest in the impact of policies on women and the poor. Sumayya is currently employed at Pegasys.

### ***Towards an inclusive poverty-alleviation policy agenda*** **Grasian Mkodzongi and Clemence Rusenga**

Grasian Mkodzongi is a post-doctoral research fellow at the University of Cape Town. He obtained a PhD from the University of Edinburgh, his doctoral thesis concentrating on the dynamics of rural livelihoods after Zimbabwe's fast-track land reform programme. His current research focuses on the interface of agrarian change, mineral resource extraction and rural livelihoods in Zimbabwe and the southern African region.

Clemence Rusenga is a final-year PhD candidate at the University of Cape Town. His thesis investigates the efficacy of the agribusiness model of agriculture, which the South African government has adopted for the beneficiaries of its land reform programme. Clemence's research is located in the NRF Chair: Land Reform and Democracy in South Africa at UCT's Centre for African Studies.

### ***Searching for social or developmental pacts at the local level*** **Edward Webster**

Edward Webster is Research Professor in the Society, Work and Development Institute (SWOP) at the University of the Witwatersrand. He founded and directed SWOP for 24 years, and is an internationally recognised sociologist, and the author of seven books and more than one hundred academic articles.

### ***Social pacts: A comparative view of Germany and the United States***

#### **Michael Milazi**

Michael Milazi has expertise in law and finance. He has written in the fields of law, democracy and finance and advises various entities in these areas. Previously, he was a director at the National Treasury of South Africa in the Tax and Financial Sector Policy Unit. He holds a BA from the University of North Carolina-Chapel Hill, and law degrees from the University of the Witwatersrand and Columbia University, New York.

### ***A multi-stakeholder dialogue model for building trust at the local level***

#### **Stanley Henkeman**

Stanley Henkeman heads the Building an Inclusive Society Programme at the Institute for Justice and Reconciliation. He holds an MA degree, and previously worked as a teacher, lecturer and manager. Stanley played a pivotal role as a facilitator/mediator in the xenophobic crisis in the Western Cape between May and November 2008.

## VII/

## ACRONYMS AND ABBREVIATIONS

<b>ANC</b>	African National Congress
<b>COSATU</b>	Congress of South African Trade Unions
<b>CPF</b>	Community Policing Forum
<b>CSG</b>	Child Support Grant
<b>DRDLR</b>	Department of Rural Development and Land Reform
<b>ECC</b>	Employment Conditions Commission
<b>GDP</b>	Gross domestic product
<b>ILO</b>	International Labour Organisation
<b>LRAD</b>	Land Redistribution for Agricultural Development
<b>MLAR</b>	Market-led agrarian reform
<b>MSD</b>	Multi-stakeholder dialogue
<b>NDP</b>	National Development Plan
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NGO</b>	Non-governmental organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PLAS</b>	Proactive Land Acquisition Strategy
<b>QLFS</b>	Quarterly Labour Force Survey
<b>RADP</b>	Recapitalisation and Development Programme
<b>RDLR</b>	Rural Development and Land Reform
<b>RDP</b>	Reconstruction and Development Programme
<b>SACTWU</b>	Southern African Clothing and Textiles Workers' Union
<b>SALGA</b>	South African Local Government Association
<b>SARB</b>	South African Reconciliation Barometer
<b>SLAG</b>	Settlement and Land Acquisition Grant
<b>UIF</b>	Unemployment Insurance Fund

# VIII/ PREFACE

With this edition of the *Transformation Audit* report, the IJR presents a brand new format, which I trust you will find refreshing. Instead of the four focal areas (economic governance, skills and education, labour market, and poverty and inequality) that have been a feature of the publication since its inception in 2003, this edition explores the theme of economic justice with in-depth analysis of pertinent issues such as minimum wage-setting and social protection, women in the labour market, landlessness, and the role of dialogue and social pacts. The title of the report, *Radical reconciliation: Critical choices for economic justice*, builds on the IJR's reconciliation work in recent years, which has placed stronger emphasis on the important linkages between reconciliation and economic justice.

In the South African context, calls for economic justice encompass both universal claims for socio-economic rights and victims' claims for historical redress. Addressing and prioritising such claims is a complex undertaking that requires sustained dialogue between key stakeholders and society at large about the South Africa we envision for ourselves and future generations. As a society, we have not scored well on this front, especially when it pertains to those issues that we are divided about. Our inability to engage effectively in dialogue has led to increased polarisation and a stalemate as to how we move South Africa forward in a manner that creates a more inclusive and equitable society. This does not bode well for national reconciliation. Issues of land redistribution and minimum wage-setting, which are

discussed in this publication, remain contentious and at times have a polarising effect on society. Yet they are critical to our national conversation about economic justice.

South Africa continues to be marred by political turmoil, wage strikes and violent protests, and unless a culture of dialogue is cultivated, we can expect greater instability ahead. It is in this context that the final part of this report pays due attention to the role of social pacts and dialogue in creating an inclusive and equitable society. Inequality, driven mainly by disparities in earnings and high unemployment, remains our country's most pressing development challenge. South Africa's wage structure is historically rooted in discriminatory labour laws, which enforced cheap black labour and a high premium for skilled white workers. Although the labour market has been deracialised since then, the class structure has remained the same, reproducing higher wages at the top and low wages at the bottom. Thus, the South African economy is characterised as a high-wage economy, with the relatively affluent skilled middle class enjoying a high level of income. The Marikana massacre, which will always be etched in our collective memory, beckons us to act collectively to address the enduring injustices of inequality and their damning effects on our society.

With rising global inequality, state intervention in wage regulation has become a trend in European and Latin American countries attempting to curb the effects of inequality. It is against this background that the debate on a national minimum wage to replace sectoral determinations has gained traction in South Africa. The first section of this report aims to contribute to the debate with an in-depth discussion about the implications of a national minimum wage, particularly in respect of employment, which continues to be a major concern for the business sector. At the same time, given that economic growth remains elusive, social policy options to address the plight of the unemployed in South Africa have been given precedence and are explored in this report.

Furthermore, in thinking about economic justice, it is imperative to give special attention to the plight of vulnerable groups in our society such as women and young people. Youth exclusion remains a major challenge and has been given considerable policy priority in recent years. The economic plight of women, on the other hand, is less understood. Since the mid-1990s, women's labour

participation rates have grown with more South African women joining the labour force. However, most women in South Africa face major barriers to making a decent living, in addition to having to maintain increasingly single-headed households. Hence, in this report we provide a data-driven analysis of women's labour market status in a bid to contribute to the economic inclusion of women.

For the IJR's reconciliation work, addressing the legacies of economic injustice is paramount to lasting national reconciliation. Certainly for the majority of South Africans, inequality is a major source of division. It is in this context that the IJR has called for a radical notion of reconciliation, urging us all to work towards creating an inclusive and equitable society to heal the wounds of our past. I trust that you will enjoy reading this edition of the *Transformation Audit* and that the issues raised here will encourage further dialogue toward building a more just and reconciled society.

**Dr Fanie du Toit**

*Executive Director: Institute for Justice and Reconciliation*



## EXECUTIVE SUMMARY

The *Transformation Audit* report explores the theme of economic justice with in-depth analysis of pertinent issues such as minimum wage-setting and social protection, women in the labour market, landlessness, and the role of dialogue and social pacts. The title of the report, *Radical reconciliation: Critical choices for economic justice*, builds on the IJR's reconciliation work in recent years, which has placed stronger emphasis on the important linkages between reconciliation and economic justice.

### **Minimum wage-setting, social assistance and poverty**

This section of the report begins with a comparative analysis of the apartheid distribution regime and the current regime under the democratically elected ANC government. Some degree of continuity is observed, in that while the racial underpinning of the previous economy was completely dismantled, the class structure remains. Thus, South Africa's economy is characterised as a high-wage economy, with high incomes for the top echelon and skilled workers, and low earnings for the less skilled, with disastrous effects on unemployment, poverty and inequality. However, due to the expansive social wage, some improvements in poverty levels are observed. In South Africa, the debate over a national minimum wage to address income inequality has been at the forefront of the policy agenda, with COSATU, the country's largest trade union, proposing globally unprecedented minimum wage levels that are likely to lead to job destruction. The authors here review the domestic

implications for employment of various minimum wage levels currently on the table, drawing on international experience. They test assertions regarding low wages in South Africa and show with international benchmarks that South Africa's existing minima are not out of line with international practice. A strong case is made for focusing on the stimulation of employment, even if initially the wages are too low to help poor households rise out of poverty. The authors argue that while there is no publicly available analysis of precisely how different national minima would affect employment patterns and, hence, poverty and inequality, the existing evidence suggests that policy-makers should proceed with caution. A national minimum, set at an appropriate level through appropriate procedures with attention paid to employment effects, would probably enhance equity and social justice.

This section further considers alternative strategies for poverty reduction in a low growth economy with high unemployment. The effects of social assistance programmes, public employment programmes and wage subsidies are evaluated for their impact on poverty reduction. Cash transfers for the unemployed is an option that has been practised historically, particularly in European countries during times of economic crisis. In South Africa, however, the proposal of a basic income grant for the unemployed does not enjoy mass appeal, mainly because of the structural nature of unemployment in the country. Instead, the government has chosen to invest in public employment programmes. Wage subsidies, which have become popular with governments across the world, are also discussed as an option to stimulate pro-poor growth. The authors conclude by stating that beyond these strategies more effective and better funded land reform policies and other programmes that expand non-waged livelihoods would also help to address the challenges of poverty.

### **Women in the labour market: Vulnerability and opportunity**

This section of the report provides a special focus on gender inequality in South Africa's labour market, concentrating on the vulnerability of women. Since the end of apartheid, more women have joined the labour force; however, in comparison to their male counterparts, women have had a much more difficult time in finding employment. Not only do women earn less,

their employment tends to be precarious. This paper is data-driven, using labour force surveys to analyse women's vulnerability in the labour market. An important observation from this analysis is that an increase in women's education levels has not necessarily led to improved labour market outcomes – one-third of women working in the informal sector and 38 per cent of women who are unemployed have a matric or higher qualification. The author, thus, argues that the quality of education seems to be an important indicator in determining labour market outcomes. This paper offers a detailed analysis of the sources of vulnerability for women in South Africa's labour market, looking into, for example, the effects of variables such as age and race. The author concludes with a set of key policy proposals, focusing particularly on the role of informal sector employment and small-scale agricultural businesses for women.

### **Towards an inclusive poverty-alleviation policy agenda**

In the previous sections of the report, the role of land and agrarian reform to support livelihoods is touched on briefly. Thus, we have dedicated this section to unpacking the topic of land and agrarian reform in South Africa and its role in poverty alleviation. The authors here provide an in-depth review of the land and agrarian reform policy landscape. There is certainly scholarly consensus that South Africa's market-based land and agrarian reforms have failed; however, there is much debate about the course of action that the government should take to produce better results. This section of the report is particularly concerned with the rural poor and the contribution that land and agrarian reform can make to reducing poverty in the countryside. A key point made by the authors is that South Africa's market-based land reforms have largely failed to restructure agrarian relations more equitably, and this failure is linked to ongoing poverty. The authors argue strongly that for land reform to have an impact on poverty alleviation, large farms should be dismantled in favour of a democratic structure, which would allow a diverse group of small-scale farmers to engage in productive agriculture. While a few large estates could be retained, they might be reduced in size to facilitate equity and efficiency in the agrarian sector. This would also depend largely on the degree to which the government is willing to support and build the capacity of small farmers to become

more productive and to diversify livelihoods beyond the farm.

### **Searching for social or developmental pacts at the local level**

All matters of policy require consensus, and it has often been said that South Africa is not short of ideas on how to take this country forward. However, reaching consensus between social partners (government, business, trade unions) and increasingly with citizens is a major stumbling block for progress. This section of the report interrogates the nature of relations in South African society from the high-level policy players to the ordinary citizens, and the extent to which the quality of our interaction creates a foundation for productive and cooperative relations. The high-level interactions between social partners in the form of social pacts are considered, and the pitfalls that contribute to deadlock in institutions such as NEDLAC are discussed. At least three conditions for pacts are established. Firstly, there must be a willingness to compromise; secondly, the costs of not compromising must outweigh the perceived gains of standing firm; and, thirdly, there must be organisations that are able to mobilise and restrain their followers in accordance with a strategic and tactical vision. The report proceeds to evaluate the processes of pact-making in South Africa against these three conditions, and evidence suggests that they have not been met.

The report also provides a comparative view of social pacts by considering the cases of Germany and the United States and assesses the conditions that enabled these countries, during challenging times in their histories, to forge lasting and transformative pacts.

### **A multi-stakeholder dialogue model for building trust at the local level**

The final section of the report examines the nature of relations across society by exploring public perceptions of trust between citizens, and towards state institutions and public leaders. The evidence presented indicates low citizen confidence levels, particularly towards local government institutions and authorities. The role of dialogue in trust building at a community level and how this might contribute towards creating cohesive and flourishing communities is discussed.

## XII/ INTRODUCTION

*Reconciliation is only in the vocabulary of those who can afford it. It is non-existent to a person whose self-respect has been stripped away and poverty is a festering wound that consumes his soul. (B Claasen, extract from TRC Youth Hearings 22 May 2007)*

In the early years of South Africa's political transition, the concept of reconciliation championed by former president Nelson Mandela became the driving force for disarming warring factions, uniting a divided nation and laying the foundation for democracy. During the Truth and Reconciliation Commission (TRC) proceedings, Archbishop Desmond Tutu reminded South Africa that the:

*TRC is expected to promote, not to achieve, reconciliation. Reconciliation has to be the responsibility of all South Africans, a national project...we all have been deeply wounded and traumatized and it will take long to undo centuries of the alienation and animosity that were deliberate state policy. (In Barry 2006: 693)*

Reconciliation is, indeed, an ongoing process, and usually a complex one that requires post-conflict states to effectively address the root causes of conflict in the reconstruction of their societies (Hecht & Michalowski n.d.). The concept of reconciliation is contested and has different meanings for different people, which makes it difficult to arrive at a single definition of the word (Gibson 2004). The Institute for Justice and Reconciliation

has attempted to provide an all-encompassing measure of national reconciliation, which outlines six dimensions of reconciliation (Wale 2013). These are: the extent to which citizens feel secure (physically, culturally and economically); the existence of a democratic political culture; the acceptance of cross-cutting political relations; the extent of historical confrontations; improved race relations; and a commitment to dialogue.

The reconciliation objectives outlined above do not follow a linear process (IDEA 2003), but are the essential ingredients that need to work together for lasting reconciliation. Elements advocating radical economic justice often erroneously perpetuate the notion of sequencing reconciliation by giving primacy to economic justice at the expense of other objectives. At the other extreme, sections of society that oppose material redress prefer to limit the notion of reconciliation to forgiveness and a complete departure from the past without any real engagement with how the legacies of the past continue to impact on the lives of black South Africans, in particular. Both positions convey an incorrect view of what reconciliation is. Reconciliation should be understood as a complex process that requires continuous dialogue to better comprehend and address the sources of division that threaten peaceful coexistence (see Du Toit & Doxtader 2010).

Some 20 years since the TRC was established under the Promotion of National Unity and Reconciliation Act 87 of 1995, its legacy (and now that of former president Mandela) is contested and has come under scrutiny, predominantly among the youth of South Africa, who have taken on the new struggle for decolonisation and economic justice. Much of the criticism levelled against the TRC relates to its narrow terms of reference and inadequate redress for the structural violations of apartheid that led to the material dispossession and underdevelopment of black South Africans (Sharp 2012; see also De Waal 2013). However, the efficacy of truth commission mechanisms in addressing the complexity of structural violence (which, in some contexts, can be traced as far back as the colonial era) is disputed. A major difficulty in attempting to address economic violations by way of such instruments is the challenge of assigning responsibility and establishing accountability for prosecutions, as well as the financial burden this may place on a new government (Drumbl 2009). Truth commissions are more suited to diagnosing past human rights violations, including socio-economic dimensions