

Fictions & elephants in rondavel

Response to NDP on rural development

Recent strikes by farm-workers have again highlighted dire living and working conditions in rural areas. However, to understand how policies have failed to deal with wages and related issues, one needs to examine the National Development Plan (NDP), which ignores the real problems faced by the agricultural sector, writes **John Sender**.

How have South Africa's economic planners managed to ignore, or at least to minimise the relevance of the most striking facts about the economic performance of the agricultural sector, as well as the real experience of, and prospects for, millions of desperately deprived women and men living in rural areas?

There are, of course, many possible strategies to promote polite fictions and buttress conspiracies of silence. This article focuses on techniques that were used 'to write a new story' in the NDP's brief chapter on rural development. These techniques involve manipulating and omitting data and waving a populist flag.

This article also shows the failure of the post-apartheid state to take advantage of the potential contribution of the agricultural sector, especially to expand exports. It highlights some extremely adverse investment and production trends – the elephants in the rondavel – so easily ignored when wearing the NDP's ideological blinkers.

MANIPULATE & OMIT

The NDP chapter, titled 'An integrated and inclusive rural economy', begins with the claim that in the period since 1994 some progress has been made in reducing poverty and improving the welfare of rural households. This claim is supported by just one dramatic sentence – no poverty data are presented or analysed: 'The National Income Dynamics Study (NIDS) revealed that the rural share of poverty fell from 70% in 1993 to 50% in 2008.'

This is another way of saying that there has been some urbanisation in SA over the past 17 years, but it tells us nothing about progress in reducing the absolute number and proportion of rural people who are poor. Exactly the same data source cited by the NDP, the NIDS, does, in fact, provide clear evidence on trends in rural poverty incidence, but these data are not cited, presumably because they tell a story that is incompatible with the NDP's progress narrative.

According to Leibbrandt between 1993 and 2008 the proportion of the rural population living in households with a per capita

expenditure of less than R515 per month did not change at all; 77% of rural people, and probably an even larger percentage of rural Africans, fell below this particular poverty line in both these years. Since the rural population of SA increased by about a million over this period, the absolute number of poor rural South Africans has certainly increased.

The NDP is correct in claiming that social grants have made a substantial contribution to the income of rural households. Without these grants there would have been an even larger increase in the number of rural people struggling to survive below the poverty line. There is no basis at all, however, for the claim that farm workers now 'receive better wages' than they did in 1993. The NDP does not, and indeed cannot, produce any statistics to justify this astonishing claim.

What the data shows is that labour has been casualised on South African farms – particularly between 1996 and 2002 – the casual share of total farm labour increased from about one third to almost one half by 2007. Despite widespread



On a mission: Dithabaneng community work on a project in Limpopo.

recognition of the abysmally low earnings of casual/seasonal farm workers, the majority of whom are women, no effort has been made by the statistical authorities to monitor their real hourly or annual wages on a consistent basis, writes Ranchod.

Instead, aggregate data are published on *average* nominal farm wages, lumping the wages of managers, foremen and permanent workers together with those of casual/seasonal workers. These data, collected using out-dated and sloppy methods, conceal very wide variations in levels of remuneration across different types of farm and types of worker, obfuscating the characteristics and trends suffered by poor rural households.

In contrast, a careful and relatively recent study of the wages of casual farm workers in the Eastern Cape by Roberts found wage rates for casual workers of R4.26 per hour in 2008 – well below the official minimum wage that itself had fallen in real terms in both 2007 and 2008.

Farmers have used casualisation, immigrant labour and, increasingly, labour brokers to evade labour legislation. Of course, rural contractors pay very much lower

wages than direct employers, according to Clarke and Van der Burg.

Several studies have shown that evasion has been facilitated by the state's failure to employ or support a reasonable number of labour inspectors in rural SA. If there is no basis for the NDP's assertion concerning a reduction in the number of rural people suffering from very low levels of income/expenditure, or for their claim that the real wages received by the poorest farm workers have increased, are its authors justified in making the additional boast that rural 'access to basic services has increased'?

There certainly has been an increase in the number of rural households benefitting from access to electricity and to safe water, but the NDP's chapter on rural development is silent on the most dramatic *outcome* trends measuring the basic welfare of women and children over the period since 1994.

One of the most distressing welfare indicators is the maternal mortality rate (MMR).

The United Nations says SA has become a member of the very small

group of countries where the MMR has failed to decline since 1990. The official estimate is that there were approximately 150 deaths per 100,000 live births in 1998 and about 625 deaths per 100,000 live births in 2010.

It is hardly surprising that rural women appear to be most dissatisfied with the 'progress' achieved in the recent past, as concluded by Casale and Posel.

Turning to the basic welfare of children, the national trends in Under Five Mortality (U5MR) in SA are extremely disturbing, especially because the U5MR is generally regarded as an excellent indicator of the overall quality of care achieved by health systems and, more generally, of human welfare.

A substantial proportion of rural children have still not been vaccinated and do not have access to basic sanitation or live in houses with safe water on site and TB transmission amongst children remains high.

The recent pattern of health expenditure in SA certainly does not suggest that preventing the death of rural children has been a priority: about 60% of health



Road construction in Makurung village, Ga-Mphahlele district, Limpopo.

expenditure is devoted to the 15% of the population using the private sector, and about two thirds of paediatricians work in the private sector.

The outcome indicators for progress in the education of poor rural children are at least as bad as the health indicators.

WAVE A POPULIST FLAG

The NDP's unappealing vision is of an economy that will have reduced inequality by 2030 to reach a Gini coefficient of 0.5. The NDP does not emphasise that, two decades before 2030, over 120 other countries have already achieved or well surpassed this modest goal. Instead, the NDP is littered with exhortatory, populist, nationalist and patronising slogans, possibly in an effort to promote the illusion of cohesion and solidarity in an obscenely unequal society.

It would take far too long to list all of the moralistic platitudes, but a few examples are sufficient to illustrate how the NDP attempts to paper over deep cracks in the structure of South African society – to ignore the inequality elephant in the room:

'People's views and voices need to be heard, their contributions

valued; the poor majority need to be accorded the same dignity and respect as more fortunate members of society.'

'A united and cohesive society is a critical condition for peace, security and prosperity. To that end, South Africans should: foster a feeling of belonging... and responsible behaviour.'

'We acknowledge that each and every one of us is intimately and inextricably of this earth with its beauty and life-giving sources.'

In the face of all the available evidence, the NDP assumes that the heroes of all populist stories, the 'small farmers', including the tiny number of Africans who have captured resources as a result of SA's land reforms, can and should make a major contribution to the growth of output, exports and wage employment in the agricultural sector. Poor rural South Africans would be well advised not to hold their breath while waiting for these fantasy wage-earning opportunities.

Of course, there is no reliable or up-to-date information on the number of 'small farmers', far less on the number of waged workers they currently employ. So the NDP resorts to guesstimates based on

wishful thinking and a poorly designed census conducted more than five years ago: 'There must be at least 25,000 small-scale farmers in the communal areas with access to more than five hectares of dry land... If these each employ two workers, about 50,000 jobs will be created... If about one in three beneficiaries of the redistribution programme farms on a small scale and employs at least two workers, 40,000 jobs are created'. If wishes were horses...

In a nod to the reality of diseconomies in the marketing and processing of smallholders' agricultural output, the NDP resorts to a mainstay of rural populist rhetoric – small farmer co-operatives: organisations that have served rural elites, as well as racist and neo-fascist agrarian movements so well in the history of SA, Germany and many other countries.

Unfortunately the recent history of the performance of smallholder co-operatives and 'associations' in SA, even when massively supported by state institutions, agribusiness or non-governmental organisations, does not suggest that they will become capable of making a

significant contribution to output or wage employment. The truth is that a very small number of large-scale farms will probably continue to produce the vast majority of SA's agricultural output. At present, about 2,500 farms produce more than half of total output, and all indices of the degree of concentration have been rising.

DISINVESTMENT

Over the past two decades, the most striking aspects of the macro-economic performance of the South African economy have been the adverse trends in total and private sector gross fixed capital formation, associated with the bleeding of investment resources through capital flight encouraged by government policy and welcomed by capitalists eager to minimise their already limited commitment to a national accumulation project.

Another important and adverse macro-economic trend, especially since 2004, has been that the country imports more goods than it exports. As a consequence, the external balance on goods and services remained negative over the period 2004 to 2005, in marked contrast to the positive balances achieved in the early 1990s. According to the International Monetary Fund (IMF) exchange rate overvaluation and the funding of current account deficits by volatile portfolio inflows are continuing to pose significant risks to macro-economic growth.

The role of government policy in stimulating these adverse trends is also clearly evident in the investment and export performance of the agricultural sector. Of course, the NDP does not discuss the impact of any of these misguided policies. However, South African agriculture lost virtually all state support during an ideologically driven process of domestic market deregulation and unilateral trade liberalisation that lasted for most of the 1990s.

The level of support to farms in South Africa, measured by the producer support estimate, has declined substantially and is now at a very low level (3% in 2008-2010), well below the Organisation for Economic Co-operation and Development (OECD) average of 20%. Unlike SA, most middle-income developing economies have adopted policies that increased their support for agriculture over the last decade.

There is other evidence that the South African state failed, when compared to more dynamic competitor economies, to encourage investment to support employment generating agricultural production. SA has a poor record of investment in irrigation, which is a major determinant of labour intensity per hectare in farming, and a disastrous record in financing agricultural research and development.

Yet the most telling indicators of the declining relative performance of South African agriculture are available in the trade data. In a context of growing world trade in agricultural commodities, the share of SA's exports of agricultural commodities averaged 0.53% between 1986 and 1994, having been 0.85% between 1976 and 1985. More recently, SA's share has fallen still further to an average of 0.50 between 2006 and 2008. In contrast, argue Aksoy and Ng, the shares in world agricultural exports of several major developing countries, including Argentina, Brazil, Indonesia, Mexico, China, Thailand, and Chile have all increased substantially between 1990/91 and 2006/7.

Further evidence of SA's relative failure to take advantage of agricultural export opportunities is available at a more disaggregated level. Since the early 1990s, SA has achieved much lower rates of growth in the

volume of dynamic commodity exports (such as wine, apple juice and cut flowers) than the rates of growth in the volume of these exports in competitor developing and middle-income economies.

The NDP's strategy for the agricultural sector is not based on an analysis of the adverse trends in the agricultural sector presented in this article, far less on an analysis of the contribution of policy to promoting disinvestment on productive farms. Instead, it waves a populist small-farm flag, without offering any reasons to support the claim that small farmers and 'new entrants', with support of dubious value from micro-credit, entrepreneurship training and the dysfunctional extension service, could make a significant contribution to the urgent need for growth in exports and wage employment.

However, the NDP does hedge its bets. It sensibly recommends 'picking winners' and some sort of support for existing large-scale farms producing exports such as citrus, table and dried grapes, avocados and vegetables. It also recognises that investment in irrigation has the potential to be the 'driving force' behind rural development, although it is hopelessly vague about where on its long list of unordered priorities irrigation should be placed.

The document lacks quantitative information about the scale, timing, and methods of financing the rural infrastructural investments that the state should now urgently undertake. Instead, it repeatedly bows to the failed deity of public-private investment solutions, no doubt in the hope of maintaining the sound reputational value of the Trevor Manuel international brand. ¹⁵

John Sender is Emeritus Professor of Economics at the School of Oriental and African Studies, University of London.