The widening gap between rich and poor

ANDILE MNGXITAMA   ANN EVELETH

The democratic gains of South Africa's 1994 transition rapidly came under pressure as the new leaders adopted neo-liberal policies in the face of demands of the poor majority for rapid socio-economic transformation. At the time,«12 million South Africans did not have access to clean drinking water, 21 million did not have access to adequate sanitation … and more than 20 million had no access to electricity,»[1] while 87% of the land was in the hands of about 60,000 white farmers.

The government adopted the Growth, Employment and Redistribution (GEAR) Strategy in 1996 to transform the economy. GEAR's main premise was that strong fiscal discipline, labour flexibility and privatisation would develop the economy by attracting foreign investments. Privatisation in its various forms, ranging from sale to «equity partnerships,» has been implemented in sectors ranging from tourism, to telecom, to airlines and railroads. Each of these privatisations has resulted in job losses and rising service costs. But privatisation has been justified on the grounds that these services fall outside the scope of state responsibility, and that it promotes efficiency and revenue generation for state development projects.

More pervasive than these highly publicised large privatisations has been the gradual expansion of a concept marketed as «public-private partnerships» (PPPs) between municipalities and (mainly) multinational capital. Since PPPs do not involve the sale of state assets, such deals are often hatched far from public scrutiny. While local states retain nominal ownership, corporations take charge of infrastructure development, delivery, pricing and collection. It is at this level that neo-liberalism has taken its heaviest toll on the poorest sector of the population, as principles of «cost recovery» take precedence over basic human rights, leading to widespread service disconnections. «Cost recovery» mechanisms are also increasingly applied by local governments even where there are no private partners.

Water

In keeping with «cost recovery» principles, basic services have been turned into commodities, eroding poor people's access to water provision, a local service in which PPPs have spread rapidly. The introduction of exorbitant user fees to communities that once received it for free represent the neo-liberal rejection of cross-subsidisation solutions offered by civil society, through which the rich could pay a higher portion of total service costs.

Instead, the involvement of multinationals and the over-riding profit motive in water delivery has led to the poorest consumers (especially in rural areas) paying higher fees to subsidise rich, mainly white, suburban and corporate users. For instance, 25% of the total water supply is consumed by industry and mining, 53% by commercial agriculture and 12% is used in domestic consumption, much of which is used up on items such as gardens and swimming pools, by the (mainly white) middle classes. Poor rural South Africans (about half the population), only consume 1%-2% of the national water supply.[2]

The main strategy for water is Build, Operate, Train and Transfer (BOTT), adopted in 1997, which privatises the provision of services, rather than the asset itself. After a long period of investing its own capital and «delivering» the service, the private company is supposed to hand over service delivery back to the government. During that period the private sector provides services on a pure profit basis in which «cost recovery» is the operating principle.

More than eight years after the end of apartheid, the fallacy of this policy is clear. About 12 million people lacked access to clean drinking water in 1994. Although the government reported that it had provided water access to seven million new consumers by February 2002, a damning report published by the statutory Human Sciences Research Council revealed that nearly 10 million people suffered water service disconnections in the same period. The true number of people now denied access to this basic life source may actually have grown since the end of apartheid.

Water disconnections are the main «credit control» mechanism employed by the multinational service providers, who are freed of the social obligation to provide water to the poor. For the poorest people, particularly those living in rural areas or dense urban informal settlements lacking adequate sanitation, these disconnections have resulted in cholera outbreaks and hundreds of deaths as people resort to using infected water sources. A system of pre-paid cards is used to compel payment. The cards are recharged at a fee and when the amount in the card is used up access is automatically terminated.

Electricity

The same phenomenon of widespread disconnections overshadowing the delivery of new services has occurred in the electricity sector—in advance of the planned listing of the state-owned electric company, Eskom, for private share options. In 1994, more than 20 million South Africans did not have access to electricity, and Eskom set targets to roll out more than 350,000 new connections annually in a major expansion drive. At the same time, however, Eskom began a process of «commercialisation» (the typical precursor to full-scale privatisation in South Africa), including stringent «credit control» and «cost recovery» measures.

According to a recent study by the Alternative Information and Development Centre (AIDC), the government's claims that Eskom's electrification programme has delivered four million new connections since 1994 are curiously offset by the fact that electricity consumption has declined over the same period. The explanation clearly lies in the growing number of disconnections and self-imposed low consumption by the poor as a result of inability to pay for electricity. The AIDC report found that monthly disconnections mushroomed from 22,320

1 «The Cost of Living: How Selling Basic Services Excludes the Poor», *South African People and Environments in the Global Market*, Booklet 3, Groundwork, 2002.

2 E. Cottle and H. Deedat, «The cholera outbreak: A 2000-2002 case study of the source of the outbreak in the Madlebe Tribal Authority areas, Uthungulu Region, KwaZulu-Natal.» RDSN, ILRIG, 2002.

in 1996 to 98,775 by 2001. The latest figure clearly shows the gains of the 29,167 new connections Eskom targets to make each month, with three times as many people losing access each month as gaining it, in a best-case scenario.[3]

Housing

The commercialisation of essential services like water and electricity has not stopped the State from linking its «cost-recovery» efforts to poor people's access to low-income or state housing. A recent study by the Rural Services Development Network found that more than two million people had been evicted from their homes since 1994 for failing to pay their water bills.[4] The principle by which poor people, dependent on State support, lose access to all services because of their inability to pay for one service is a source of widespread social discontent.

In addition to urban housing evictions directly related to non-payment for other services, municipal privatisation efforts targeting the sale of public low-income housing units has forced millions more out of their homes, the value of which they have already paid many times in rent, because they cannot pay the purchase price. Despite government claims to have delivered more than a million new houses since 1994, these evictions and forced removals of entire informal settlements—to make way for private «development» plans, including shopping malls and leisure parks—have obscured any gains.

The homeless are now required to make an «own contribution» before the state can provide housing grants. This policy allows those with funds to jump the queue. Both cost recovery and «own contribution» requirements in the context of widespread poverty are tantamount to the denial of citizenship rights. The real citizens are those with cash.

Joblessness and poverty

Fairly conservative estimates place the unemployment figure between 30% and 40% of the economically active population. Privatisation is a leading contributor to the growing unemployment rate. Unemployment has risen largely because, over the past 15 years, both the public sector and private firms shed lower-level permanent posts on a large scale. According to recent figures released by the State statistical institute (StatsSA), the average African household lost 19% of its real income since 1995, while average white household income grew by 15%. In stark contrast to the State's claims that it is «deracialising» the economy, the average white household earned six times as much as the average black household in 2000, while the racial income gap stood at 400% in 1995. Furthermore, the poorest 40% of households saw a 16% drop in their share of total income during the same period, with the richest 20% earning 65% of all household income.[5] StatsSA reports that the unemployment rate has soared from 16% in 1995 to almost 30% today. However, other estimates using different definitions of the «economically active» population put the unemployment rate between 40% and 43%.

Landlessness and food insecurity

The racially skewed legacy of land distribution in the country has not changed. Less than 2% of the country's 122 million hectares of land has changed hands through this programme since 1994, while 19 million poor and landless rural people and seven million poor and landless urban people need land.

Unemployed urban workers have returned to rural areas seeking land to grow food. Rising food costs have exacerbated the land crisis; the latest Household Subsistence Level Survey revealed that the poorest South Africans suffered in 2002 the highest annual rise (17.1%) in their basic living costs, about 60% of which is food, in 30 years. Rising food prices sparked such growing outrage in 2001 that the government has been forced to respond, albeit with minimal increases in social grants, or face the possibility of the food riots.[6]

While access to land for home food production represents a key mechanism through which the poor can avoid starvation, the government has overlooked this possibility in favour of its mantra of cost recovery. In 1999 it shifted the main land reform programme, land redistribution, from one targeting the poor to one targeting the creation of a black commercial farming class. The key mechanism through which this shift occurred is the imposition of an «own contribution» requirement for those seeking access to land through the Land Redistribution for Agricultural Development Programme (LRAD). This requirement discourages poor people, who are unlikely to afford their own capital inputs, from entering the agricultural economy.

Resistance and repression

Social movements have grown from strength to strength over the past few years.[7] The movements have engaged in a range of local and national actions, including land occupations, electricity re-connections, and reclaiming of homes for those forcibly removed or evicted, as well as marches and demonstrations. These movements joined forces—together with an array of international movements—to lead a 30,000-strong protest march during the World Summit on Sustainable Development in Johannesburg in August-September 2002 to highlight the gap between the government's stated commitment to sustainable development and the reality of declining levels of development in the wake of neo-liberalism.[8] Hundreds of activists were arrested and detained, particularly in the first week of the summit, and many were subjected to beatings and humiliation. Most cases were dropped by the time the protestors appeared in court. The gloves of democracy had clearly begun to wear thin.

Conclusion

In all sectors of the South African economy socio-economic policies grounded in the interests of domestic and foreign capital instead of predicated on economic growth have resulted in the growing accumulation of wealth in the hands of a small elite and the increasing impoverishment and exclusion of the majority. The desperation of the majority cannot continue without a major social disruption as people lose patience with the promises of «trickle-down» economics. The gap between rich and poor has already begun to transfer the centre of socio-economic debate from the halls of parliament to the streets, and this looks set to continue. ■

National Land Committee
<andile@nlc.co.za>

3 Alternative Information and Development Centre, in «Back to candles and lamps», *Daily Dispatch*, 24 August 2002.

4 Cottle and Deedat, *op. cit.*

5 The percentage of households earning less than USD 73 a month grew from 20% in 1995 to 28% in 2000. During that period, the poorest 80% of households spent a larger proportion on food. «StatsSA income figures make gloomy reading», *Business Day*, 22 November 2002.

6 StatsSA, Household Subsistence Level Survey, October 2002. In the past year, according to the survey, the cost of the staple mealiemeal (cornmeal) rose by 110%, potatoes by 82%, cabbage by 60% and milk powder by 38.5%. According to a University of Cape Town Department of Medicine study, about 43% of South African households are unable to afford an adequate diet, cf. Andrew Trench, «Food prices break 30-year record», *Sunday Times*, 5 October 2002. There are also reports that children are dying of malnutrition, cf. Thabo Mkhize, «166 SA children die from starvation», *Sunday Times*, 21 July 2002.

7 Including the national Landless People's Movement, the Cape Town-based Anti-Eviction Campaign, the Durban-based Concerned Citizens Forum, and the Anti-Privatisation Forum.

8 Independent Media Centre, South Africa, at www.imc-sa.org.za