LEASH CONGLOMERATES' DOMINANCE OF THE ECONOMY TO REDUCE LABOUR MARKET INEQUALITY

From the Report: "Reclaiming Power: Womxn's Work and Intersecting Inequalities in South Africa"

Executive Summary:

South Africa is the most unequal country in the world. The average (white, male) CEO takes home as much as 461 black women from the bottom ten percent of earners. Labour market inequality is foundational to stubborn gender, race, income and wealth inequality.

Existing government policies have failed to reduce inequality because macro-economic policies have entrenched rather than reduced the dominance of a handful of conglomerates based in extractives and energy. This skewed industrial structure, established during apartheid, has led to a decline of manufacturing, jobless growth, asset price inflation and investment volatility in the era of financialisation, while crowding out the informal sector's ability to absorb unemployment.

Addressing the crisis of inequality in South Africa therefore needs to go much further than the labour market reforms, skills development policies and micro-support for the informal sector that have been advocated by mainstream economists. Long-term, socially sustainable distributions of income would require radical transformation of the economy towards more labour intensive, linked sectors that serve the needs of the population - for example via a developmental welfare state across health, education and other social needs - rather than the imperatives of profit and capital expatriation. Specific policies to reduce labour market inequality - such as a living wage, a maximum income cap no higher than 10% of the income of the lowest paid worker in firm, and making workplaces safe for women - must be rooted in macroeconomic policy that reorients away from the 'Minerals Energy Complex' and expansion of the financial sector in and of itself, towards industrial policy aimed at promoting sustainable and equitable economic development.

1. One of the most unequal country in the world - above all for black women

South Africa is one of the most unequal countries in the world with a Gini coeffient that is higher than what it was at the end of apartheid. Inequality here is so stubborn and severe that we are no longer very shocked to learn that one average CEO earns as much as 149 average black women put together, and as much as 461 of the lowest-paid ten percent of (Black) working women.

The contrast between CEOs (who are overwhelmingly white and male – fewer than 10% are women of any race) and black working women is not a gimmick to exaggerate shock value. The position of black women remains a vivid and important measure of labour market inequality and resulting social inequality in South Africa.

In South Africa today, the average household headed by a white man spends seven times more than the average household headed by a Black women, even though households headed by Black women support more people (more than half of their households are extended families, compared to a quarter of households headed by Black men, one fifth of those headed by white women and one tenth of households headed by white men). A UNISA survey shows that the top 10% of South African households hold 71% of national assets, while the bottom 50% hold just 7%.

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Inequalities have serious personal and social consequences. They raise moral concerns about fairness and social justice, undermine community solidarity, and contribute towards political instability. Inequalities also undermine economic growth and poverty reduction: children from low-income households with low levels of education tend to experience unequal access to education, which slows down development of their human potential and limits their ability to rise out of poverty. Income inequality can also negatively affect economic growth by limiting mass purchasing power.

Recent studies have identified wage income inequality as the main driver of overall inequality, explaining more than 90% of overall inequality. Income inequality helps to sustain wealth inequality. The contribution of wage income inequality to overall income inequality can further be broken down to two components: inequality owing to unemployment contributes 38% to income inequality, and wage differentials contribute 62% to income inequality[2].

The income gap has grown: in 2013, the median income of a CEO was 85 times the median income of the lowest ten percent of earners; by 2016 it had grown to 100 times.

[1] Leibbrandt, M., Finn, A. & I. Woolard (2012) "Describing and decomposing post-apartheid income inequality in South Africa", Development Southern Africa, 29(1), pp.19-34.
[2] Ibid.

Around four out of ten households headed by women are without employment, compared to about two out of ten households headed by men. Out of every ten white men in the labour force, one is looking for work, while three out of ten black women in the labour force are searching for work.

In spite of positive growth rates, the unemployment rate increased in the first decade following democratic transition. Unemployment rates began to fall slightly between 2004 and 2007 but these gains were eroded as close to one million jobs were lost between 2008 and 2010. Since 2010, low positive growth rates have been accompanied by persistently high and even worsening unemployment, reaching 37% in the fourth quarter of 2018, according to the expanded definition of unemployment that includes discouraged workers.

One factor contributing to high levels of unemployment is the relatively low level of participation in the informal sector. The informal sector is comprised of small-scale informal enterprises, often operated by a single owner who is working for herself, although they may sometimes involve others beside the owner, whether unpaid family members or informally employed employees.

In most low and middle-income countries it is normal for a very large portion of workers to work in the informal sector and for relatively few to be openly unemployed. In South Africa 21.4% of non-agricultural workers work in the informal sector. Of the 27 other mainland African countries for which data is available, only two - Botswana (41.2%) and Egypt (43.4%) - have fewer than 45% of their non-agricultural workforce in the informal sector, while thirteen have more than two-thirds of non-agricultural workers in informal sector employment[3].

The informal sector in South Africa is characterized by low incomes, and is concentrated in low-productivity activities. Informal retail trading predominates, along with other services such as transport and hair-care. Informal manufacturing is very underdeveloped, accounting for less than 10% of enterprises in the informal sector[4]. Women often turn to the informal sector to find ways of making a living that are flexible enough to accommodate household responsibilities, but in South Africa the proportion of women in the informal sector has declined.

> "The median monthly earnings of black women are at R2500, compared to R3250 for black men, R10 000 for white women, and R13 000 for white men."

The large scale retrenchments of past years have increasingly feminised the workforce and labour migrancy, but not in a way that has improved women's conditions as this has coincided with intensified outsourcing and casualization: a little more than one in ten workers were precarious in 2014, but by 2017 that had grown to more than two in ten. Women are worst affected by this: globally, eight out of ten women in work are precarious workers.

The median monthly earnings of black women are at R2500, compared to R3250 for black men, R10 000 for white women, and R13 000 for white men. Women who work for wages are concentrated in low-income sectors (as are many migrants), often outsourced, and further disadvantaged in the labour market by social norms which expect women to bear the main responsibility for households and childcare. An employed women spends, on average, more time each day on unpaid work (190 minutes) than an unemployed man (108 minutes).

The wage gap is worsened, even for women in higher paid sectors, by women's shorter tenure in the labour market and interruptions in their employment histories due to raising children . Oxfam (2019) points out that if the time spent caring for children, the elderly and the sick, cooking, cleaning and collecting water and firewood were monetized, such time would be worth $10 trillion . Such unpaid labour often fills the gaps created by low or no wages, making the things households cannot afford (such as energy). By disrupting women's education and employment history and subjecting working women to long, double-shift days, unpaid work contributes towards the slow occupational and social mobility of women. Understanding persistent labour market inequality, and the position of women in the labour market, is key to unlocking strategies that are effective in reducing inequality.

2. Why has nothing worked so far? An economy skewed towards financialised conglomerates

To date, mainstream explanations have rooted worsening labour market inequality in colonial rule and apartheid and a contemporary skills supply shortage, leading to policy which aims to improve skills amongst the black majority on the supply side, and remove perceived impediments to the expansion of job opportunities on the demand side, such as labour organization and collective bargaining. However this view and associated policies do not take into account the prevailing economic structure and the effect of macro and industrial policies since 1994 that sustained the dynamics of unemployment and inequality.

Worsening unemployment and wage inequality stem from an economic structure that is highly skewed towards capital intensive industries in the mining and energy sectors, and industries connected to these – called the "Minerals Energy Complex" - where employment generation is not very sensitive to growth. This industrial structure was inherited from apartheid, but it has conditioned the way in which economic restructuring has occurred since 1994.

During the first decade after apartheid, industrial policy was subordinated to a neoliberal macroeconomic framework that was informed by conglomerates' desire to globalise and financialise through unbundling, overseas listings and

[2] Ibid.
[3] ILO. 2018. World Employment and Social Outlook: Trends 2018. International Labour Office – Geneva: ILO, 2018,
[4] Rogan, M., & Skinner, C. (2018). The size and structure of the South African informal sector: A labour-force analysis. In F. Fourie (Ed.), The South African Informal Sector (pp. 77–102). Cape Town: HSRC Press.
[5] Humanity Divided, p.89.
[6] Public Good or Private Wealth? Oxfam Briefing Paper, January 2019, p. 15.

off-shoring, designed to capture more shareholder value. This process involved the promotion and co-option, through BEE, of a new black capitalist elite with interests aligned to the conglomerates. During this period, labour intensive manufacturing collapsed, investment stagnated, and apartheid patterns of investment were reproduced, entrenching the skewed industrial structure.

Macroeconomic policy has served to attract short-term capital inflows, which have financed the expansion of the financial sector, fuelled asset price inflation and instability, and restructured the financial sector to serve financialised accumulation rather than long-term productive investment. This in turn has amplified income inequalities and high unemployment, worsening informality, skewed sectoral patterns of employment and remuneration as well as highly unequal relations between different income groups and the financial sector.

…suppressing the informal sector

Government has made a concerted effort to promote the informal sector as a way to address poverty and unemployment, but this too foundered on the dominance of conglomerates over the economy. National and local policy after 2000 aimed to provide focused support for the informal sector, culminating in the National Informal Business Upliftment Strategy (NIBUS) in 2012[7] which aims to reduce the complexity of administrative regulation that informal enterprises face, and to offer support, including financing, training, and promotion for informal enterprises. It also promotes the formation of informal business associations. Finally, and controversially, it suggests a focus on "competition from foreign traders"[8]. Municipal policy varies across the country, but the general pattern is towards policy which is increasingly "developmentalist, focusing on the eradication of poverty"[9] and recognising the importance of the informal sector for livelihoods, especially those of women.

However, the shifts in policy have often been contradicted by continuing and even increasing harassment and repression at a local level[10]. A 2012 survey by WIEGO of informal traders' working conditions in Durban found that high proportions of traders experience problems such as insecurity of the vending site (49% of respondents), harassment from police (55%), confiscation of goods (53%), and evictions from trading sites (45%)[11]. Some cities, such as Johannesburg, have also used by-laws to restrict trading in the most desirable areas of the inner-city, confining informal trade to demarcated purpose-built linear markets[12].

These legal and extra-legal restrictions have strongly negative effects on traders' livelihoods. Both the spectacular and the everyday forms of harassment reflect a pervasive anti-foreigner sentiment, which "reinforces a generally punitive approach to the informal sector that focuses on regulation and control"[13]. The rhetoric of policy and officials regularly draw parallels amongst immigrants, illegality and disorder, but South African and immigrant traders alike are affected by these actions.

> "The inconsistency between supportive policy and punitive policing is one factor limiting the dynamism of South Africa's informal sector, but informal manufacturing, for example, which does not face the same levels of repression as street level trading, also remains underdeveloped compared to similar countries."

The inconsistency between supportive policy and punitive policing is one factor limiting the dynamism of South Africa's informal sector, but informal manufacturing, for example, which does not face the same levels of repression as street level trading, also remains underdeveloped compared to similar countries. This is because the structure of South Africa's economy crowds out opportunities for small producers through 'market' forces. Fedderke and Szalontai[14] found that, across the 24 industrial sectors they analysed, by the 1990s there was 'no manufacturing sector in which 5% of the firms [did] not produce at least 50% of total output'. The large conglomerates have narrowed their focus over the past twenty years towards 'core' activities, but this has been accompanied by increasing vertical integration so that end producers often control the supply of their own raw materials, allowing large conglomerates to outcompete small rural producers despite the rural producers' advantage of low transport costs and low income expectations. Small enterprises in these sectors find themselves in a position where their suppliers are also their competitors[15].

Thus South Africa's informal sector is not only small but primarily comprised of low-profit activities such as retail trading and personal services because many productive sectors that are the domain of the informal sector in other low and middle-income countries are controlled by large formal firms in South Africa, including agriculture, processed food, clothing, and furniture. Meanwhile competition from big retailers are crowding out small traders while the rising value of urban property and the attendant demand for 'orderly' cities to 'maintain property values' explains the constant policing of small traders despite supportive policy.

…failing to protect workers

Similarly, contradictory labour laws and practices have consistently rewarded wealth, not work, in formal workplaces, allowing the wage gap to widen.

While government greatly increased certain basic protection of workers after the end of apartheid, employers have

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7 Rogerson, C. (2015). Unpacking national policy towards the urban informal economy. in J. Crush, A. Chikanda, & C. Skinner (Eds.), Mean Streets: Migration, xenophobia and informality in South Africa (pp. 229–248). Cape Town: South African Migration Programme. Skinner, C. (2018). Informal-sector policy and legislation in South Africa: Repression, ommision and ambiguity. In F. Fourie (Ed.), The South African Informal Sector (pp. 412–430). Cape Town: HSRC Press.
8 Rogerson, C. (2015).
9 Zack, T. (2015). Making an area hot: Interrupting trade in and ethnic enclave in Johannesburg's inner city, in J. Crush, A. Chikanda, & C. Skinner (Eds.), Mean Streets: Migration, xenophobia and informality in South Africa (pp. 229–248). Cape Town: South African Migration Programme, page 65
10 Rogerson, C. M. (2016). Progressive rhetoric, ambiguous policy pathways: Street trading in inner-city Johannesburg, South Africa. Local Economy, 31(1-2), 204–218.
Skinner, C. (2018). Informal-sector policy and legislation in South Africa: Repression, ommision and ambiguity. In F. Fourie (Ed.), The South African Informal Sector (pp. 412–430). Cape Town: HSRC Press.
11 Roever, S. (2014). Informal Economy Monitoring Study Sector Report: Street Vendors. Cambridge, MA, USA: WIEGO. Page 23
12 Zack, T. (2015). page 23.
13 Skinner, C., and Haysom, G. (2016). The informal sector's role in food security: A missing link in policy debates? Working Paper 44. Cape Town: PLAAS, UWC and Centre of Excellence on Food Security, page 14.
14 Fedderke, J., & Szalontai, G. (2009). Industry concentration in South African manufacturing industry: Trends and consequences, 1972–96. Economic Modelling, 26(1), 241–250, page 6
15 Philip, K. (2018a). Limiting opportunities in the informal sector: The impact of the structure of the South African economy. In F. Fourie (Ed.), The South African Informal Sector (pp. 309–327). Cape Town: HSRC Press. Page 315.

sidestepped these and pushed down wages via outsourcing, through which they displace their responsibility to provide decent pay and working conditions onto subcontractors. Casualisation is another way that labour costs have been minimized while shifting risk onto workers. There are about 5.4 million casual workers in South Africa. More than eight out of ten labour broker workers were doing permanent work[16].

Casualised and outsourced workers not only tend to earn less than permanent workers, they are less able to organise to protect their rights because employers can fire them without firing them, by failing to renew fixed term contracts or by no longer giving them shifts.

Government has not capacitated itself to adequately enforce basic protections for these workers or for permanent workers: there are fewer than 1000 labour inspectors in the whole country. The CCMA is under-resourced, so cases take a long time and workers do not have the financial means to sit out a long case while employers often do.

Meanwhile workers other means of protecting themselves, collectively, have been steadily undermined. Compulsory secret balloting, conciliation, picketing rules and compulsory arbitration all work to "decrease the heat" and limit workers' right to strike. Large unions with the most power to strike are usually tied up in bargaining councils.

Under the Labour Relations Act, most of the regulation of labour conditions and pay is left to bargaining councils, except where unions are too weak to bargain, in which case the minister sets wage rates. But about 9.5 million workers, about seven out of ten, are not covered by any collective bargaining agreement. Thus the restructuring of the labour market has entrenched the power of capital in limiting bargaining to a sectoral level, and further fragmented the working class to weaken resistance to casualization and informalisation[17].

The minimum wage, which should be a protection for workers who have the most difficulty organising, excludes some of the lowest paid workers – domestic workers, farmworkers and workers in the Extended Public Works Programmes – and it has been set so low – at R20 an hour - that it will not lift workers at the minimum from poverty. And employers may apply for even that minimum to be waived on the basis of 'financial hardship', ensuring again that workers carry all the risks of a volatile economy.

> "fewer projects are funded in sectors that employ more women, and where women are more likely to own businesses."

Specific protection for women in the workplaces is lacking. Even when sexual harassment policy exists at a company level, women find no support enforcing it. Companies are not compelled to pay for maternity leave, which is only four months, and the state will pay only between a third and two thirds of a mother's wage via UIF while she is on maternity leave. Men are entitled to only ten days parental leave which ensures that women continue to pay for children by having their earnings and careers disrupted, leading to lower earnings over their lifetimes and less chance of advancement at work.

...and failing to support women's businesses

Industrial policy is skewed towards industries where the labour force is dominated by men and funding specifically for women-empowered businesses is limited.

In 2017/18 73.3% of the DTI's R9.5 billion funding for key sectors went to manufacturing, 14.7% to industrial infrastructure, 7.6% to film and TV, and the balance went towards agriculture (0.9%), business process services (0.3%) and innovation (3.2%). Within manufacturing, the automotive industry received about 45% of the approved funds, while the chemical products, pharmaceuticals and plastics subsector received about 25.1% of the approved funds, compared to just 2.4% for the Clothing, Textiles and Footwear subsector. So fewer projects are funded in sectors that employ more women, and where women are more likely to own businesses.

In 2018, R7.9 billion was approved for black industrialists. However, women-empowered business (with at least 25% of ownership in the hands of women) received only R2.2 billion. Thus, the state has failed to recognise that overcoming women's economic marginalisation needs it to set intentional targets and create projects to uplift women, similar to the work of the Black Industrialists Scheme (BIS) which aimed to address the lack of black industrialists in the country. The R16 million allocated to the Isivande Women's Fund, or the R11 million allocated for the South African Women's Empowerment Network, for instance, is not enough.

...political and corporate capture of the state

Even if policies are well designed for dignified work, political and corporate capture of the state results in their failure. Schemes that were designed by the ANC in the early post-apartheid period to empower black workers and black-owned businesses in less populated and remote areas have been expanded and misused to create private fiefdoms that often involve a nexus of politicians, civil servants, and local contractors and subcontractors. The result is a state where political and corporate capture has been institutionalized.

...climate change

Because of the role of the MEC as both a huge consumer of power and a producer of coal to run coal-fired power plants, South Africa is one of the world's largest per capita emitters of greenhouse gas. But not everyone is to blame – about 30% of South Africans are not even connected to the power grid. The biggest consumer of power by a considerable margin is the MEC itself, consuming more than twice the amount of power used by all South African residents combined.

...land

The privatization of land for use by the MEC can be understood as the colonial-era foundation of South African inequality. Post 1994, land reform policies were put in place that were meant to reverse this trend and allocate land to black South African womxn and men. Unfortunately, these

[16] Cassim, A. and Casale, D. 2018. "How large is the wage penalty in the labour broker sector? Evidence for South Africa using administrative data". May 2018. SA-TIED Working Paper 8/2018
[17] Di Paola, M., & Pons-Vignon, N. (2013). Labour market restructuring in South Africa: low wages, high insecurity. Review of African Political Economy, 40(138), 628-638
[18] Annual incentive report, 2017/18. 2018. The dti.

policies have been largely unsuccessful. When mining companies want land, they have been able to obtain it without respecting the relevant provisions in South African law – including the need to ensure that people selling their land do so with Free Prior and Informed Consent (FPIC). A new economic model that embodies the qualities of a Peoples Economy is required for South Africa that will consistently reduce the gap between rich and poor. OZA has developed its own recommendations from this research, but people can use the report to develop their own demands and recommendations independently.

3. Policy Recommendations for reducing labour market inequality:

Addressing the crisis of inequality in South Africa therefore needs to go much further than the labour market reforms, skills development policies and micro-support for the informal sector that have been advocated by mainstream economists.

A living wage and a maximum income: Labour market reforms must be geared towards workers' protection and fair pay and benefits across sectors. This requires a sufficiently high national minimum wage together with a cap on maximum income that could reduce the unequal distribution of income across income groups, sectors, skills and gender highlighted in OZA's popular report.

Further, long-term socially sustainable distributions of income would require the radical transformation of the economy towards more labour intensive, linked sectors that serve the needs of the population, for example via a developmental welfare state across health, education and other social needs, rather than the imperatives of profit and capital expatriation.

A macroeconomic policy that serves employment creation and inequality reduction: Macroeconomic policy must be re-orientated away from the service of capital outflows and expansion of the financial sector in and of itself. Rather, both macro and financial policies need to be in the service of industrial policies aimed at the radical restructuring of the economy for the promotion of sustainable and equitable economic development. This would require a wide set of policies that are mutually supportive that include:

Target full employment: full employment must be the key target of macroeconomic policy and the possible replacement of the interest rate by the exchange rate as a policy tool since adjustment costs of raising interest rates may be carried more by sectors sensitive to interest rates that include manufacturing.

Capital controls on short-term capital inflows: controls on short-term capital inflows would reduce sources of fluctuations in exchange rate and asset prices directly and by reducing the amount of short-term funds channelled towards purely financial investment.

Financial sector geared to long-term productive investment: this should be done through regulation, such as a separation between commercial and investment banking, and through state-led development of a large green industrial development bank that finances productive activities at different scales. The key to a successful strategy is the integration of macro, financial, welfare and industrial policy serving a common policy goal.

Gender mainstreamed industrial policies

Women's economic participation should become part of the core of industrial policy. Documents such as the Industrial Policy Action Plan (IPAP) should provide policy direction and tangible plans for including more women in paid employment and business ownership, in the same way that legislation codifies the participation of African people in the mainstream economy through the BBBEE, so that progress can be monitored and the state held accountable for any failures.

Industrial policy should also support sectors in which women dominate: IPAP and the National Informal Business Upliftment Strategy (NIBUS) should include sectors that employ more women. These jobs are important as they contribute to the functioning of the economy and society at large, but are generally low paid. Therefore, the promotion of these industries must also go hand in hand with improved worker conditions and wages in the formal sector. In the informal sector, industrial policy should also support sectors dominated by women, beyond the workshops and mentoring currently implemented by government.

Industrial policy currently identifies and supports 'growth sectors' that are labour intensive in the manufacturing sector. Industrial policy can also incentivise formal sector employers to hire more women in industries that have historically been male dominated, as this will improve their earnings potential. However, these industries have also been associated with high rates of sexual harassment and poor conditions for women. Therefore, enforcement of protections must be strengthened to ensure safe spaces for women.

Industrial policy should counterbalance factors that limit women entrepreneurs' access to resources and opportunities. Here the outcomes would be to strengthen linkages to market for businesses owned by women by leveraging state investment and local procurement as tools to facilitate women's access to supply chains. This would require state funding to be directed not only toward start-up costs, but also to fund business skills development.

There must be *monitoring and evaluation* of the impact and sustainability.

Enforce labour protections for democratic, non-sexist and fair workspaces.

Policy must be put into practice and into action if it is to make a difference to the lives of millions of workers and to reduce wage inequality. Government must make available the resources necessary to put an end to precarious work and the mistreatment of workers in general at the hands of employees.

At a minimum, government must make available at least one labour inspector per 20 000 workers as recommended by the ILO: justice unavailable is justice denied. Currently, South Africa has one inspector overseeing more than 120 000 workers, leaving workers very vulnerable and employers unaccountable. For instance, employers are still practicing illegal labour brokering despite a judgement that labour brokered workers must be put on permanent contracts after three months. Employers continue to use sexual harassment as a weapon of control.

Government must make available resources to strengthen the CCMA so it can process cases more speedily: justice delayed is justice denied. Unlike employers, most workers do not have the legal muscle or livelihoods to wait for a long process in the case of unfair dismissal.

CCMA must run educational programmes for worker rights and procedures: justice unknown is justice denied. Workers must be made aware of their rights and the procedures to obtain protections against mistreatment.

Government must implement Section 27 of the Employment Equity Act to reduce apartheid-style wage inequality gender wage inequality: The lowest paid person in a company should earn no less than 10% of the CEO's take away. Not only is reducing wage inequality fair for workers, it also stimulates economic growth and job creation because workers have more buying power which stimulates production and employment growth.

Scrap the Secret Ballot, Extension of Conciliation, Advisory Arbitration Picketing Rules (SEAP) provisions in the Amended Labour Bills

South Africa's labour protections were once praised for being amongst the most progressive in the world. Some of the provisions in the amended labour bills that came into effect on the 1st of January 2019 will contribute to an increase in income inequality and worsen labour conditions because they make it harder for workers to organise themselves to demand fair pay and improved conditions. Secret balloting, for example, isolates and individualises union members and workers and criminalises strikes so that workers cannot take collective action to defend their rights. The extension of conciliation and advisory arbitration both give employers the power to prolong the processes towards a strike, thus giving them time to stockpile and prepare scab labour so that production continues during a strike, thus diminishing workers' power. Similarly picketing rules are designed to diminish the effectiveness of strikes, which are workers' only clout if bargaining fails to reach an agreement.

Fair access and safe spaces for informal sector.

Safe workspace: Government at all levels must address the disconnect between policy aimed at supporting the informal sector and the continuing harassment and repression of informal enterprises by police and local officials. At a minimum, informal sector workers should be free from harassment, confiscation of goods, and insecure access to space. Ideally, city officials should not just refrain from harassment but should offer support and regulation as promised in policy.

Access to markets and fair finance: Existing policy is insufficient even when effectively implemented because it focuses too narrowly on characteristics of enterprises and workers rather than the structure of the economy in which informal enterprises operate, which is governed by big business that squashes livelihood of new entrants.

Space in malls: Shopping malls do not facilitate the inclusion of informal traders and are often built where informal traders previously traded, crushing their livelihoods. Therefore, the design of mall space must integrate and include affordable and safe spaces for informal traders as is the case in other parts of the world.

Competition policy must end big business anticompetitive behaviour: Efforts to reduce conglomerate's dominance over highly concentrated markets would not only benefit the informal sector but could stimulate growth and innovation in the economy as a whole. Competition policy should therefore be a priority of economic policy.

Cheap finance: Informal traders' incomes are low. Some have to resort to loans from loan sharks, due to increasing costs of living and doing business. Cheap finance is needed.

Social protection for all

Social protection must be strengthened to include workers in the informal sector. The informal sector is not a panacea for the problems of unemployment, poverty, and inequality. The low incomes and insecure livelihoods in the informal sector reflect a broader structural weakness of the South African economy which is currently incapable of providing decent work and secure livelihoods for all residents of the country.

Alongside supporting the development of the informal sector, policy must strengthen social protection, and in particular forms of support available to working-age people who make up the majority of the informal sector. This could include, for example, the provision of a universal basic income grant or the expansion of access to unemployment insurance. While the benefits of this kind of income support would stretch far beyond the informal sector, it would also have important implications for informal economic activity, especially by providing more secure access to income to support small-scale business activities as well as by increasing spending power in poor communities, who are the customers of many informal enterprises.

In addition to income support, *social protection should focus on the provision of quality social services, such as child care and health care*, which would allow women in the informal and formal sectors to participate on more equal footing with men.

How the MEC contributes to inequality: Explaining the diagram

Conglomerates centred on mining, energy and finance (The MEC) began to dominate the economy during apartheid. The state is directly involved in the MEC, through energy production, such as Eskom, and some manufacturing and services are also within the MEC core.

- The MEC is capital intensive, meaning it relies on a lot of machinery and equipment relative to the number of workers it needs. This is called capital intensive
- It is commodity based – centred on extracting raw materials, such as minerals, which are sold as they are without further work being done on them. (For example gold is a commodity; gold jewellery is not).

Manufacturing and services sectors are generally more labour intensive than the MEC core. They use a lot of workers compared to the amount of equipment and machinery investment required. But very large companies and conglomerates also dominate the market in these sectors. Because of the dominance of big companies, the informal sector in South Africa, which is mainly in services (retail, hairdressing, etc), is very small.

Around the time that Apartheid was ending, neoliberalism (which is defined in the box False Solutions) came to dominate thinking about economics amongst global elites composed of politicians and captains of business. Neoliberal thinking strongly influenced state policy under the ANC, which was captured by this so called 'Washington consensus' early on. Later policy intended to encourage labour intensive manufacturing growth, but implementing industrial policy on labour intensive manufacturing was weak in practice, while the focus on the needs of capital intensive, highly influential industries – the MEC conglomerates – was strong in policy and in practice. This contributed to deindustrialisation, leading to a decline in manufacturing jobs which in turn fed unemployment and also fed the recession (where the economy – production and trade – shrinks). During the recession, a lot of investment was withdrawn (outflows) in the climate of short-term investment associated with financialisation. Short term investment does not help to build a strong economy. It takes a long time in resources, effort and patience to raise a child into an adult, and similarly, to build an economy with a good structure that can create jobs and growth takes patient, long term investments. This is the type of investments where rewards are a long time coming, but sustained over the long term. An economy with a poor structure attracting short term investment is vulnerable to crisis and job destruction. While short term investments create quick wins in a short time, they are not sustainable.

The underbelly of neoliberalism was intensified financialisation (defined on pxx above), which contributed to asset price inflation – that is, an increase in the price of bonds, shares, land property and the like – as international investors bought up such assets short term in order to sell them for profit. This tendency of short term investment, leading to rapid inflows and outflows of investment, made the recession worse as investors pull their money out quickly when things start to go wrong, and asset price inflation contributed to the recession because it made it harder for anyone to buy into the inflated asset market to get things going again.

FALSE Solutions:

Neoliberal wisdom was all about trickle-down economics: according to this thinking, if you let business have its way, let the 'free market' rip, and allowed the rich to get richer, the economy would expand, creating jobs and new opportunities for everyone else. This included 'deregulation' – removing rules and regulations on business, ranging from tariff barriers to controls on exporting profits to workers' rights - and the idea that the state should not spend much – hence privatisation, cutting back government funding for healthcare and unemployed support in those countries which had it – or limiting the introduction of such things here – in order to reduce taxes on companies and leaving job creation to the whims of the market. By the time the ANC came to power, the RDP was already being elbowed out to make room for GEAR, which produced jobless growth and redistribution upwards, from workers to the very rich. Since then, the pale attempts to provide social support, such as the social grants, have always taken a back seat to the needs of the conglomerates. Of course a free market is not free for all when some players are elephants and others are ants. Neo-liberalism simply opened the way for the giant players to get into every nook and cranny of the world's economies, with devastating effects on the general population.

Meanwhile, neoliberalism allowed the mining conglomerates,in particular, to outgrow South Africa and become increasingly transnational, so that they were able to export their profits (outflows) instead of investing them locally. And although the price of gold, Apartheid's backbone, had taken a dive, worldwide demand for minerals such as platinum increased amongst international manufacturers which were making, for example, exhaust filters for cars. The increased demand, alongside some clever stockpiling by the mining companies, pushed up the prices of commodities such as platinum, leading to the commodity boom, which cemented the state's commitment to the MEC because it looked like this part of the economy held the most promise for growth. However the commodity boom actually further weakened our economy by encouraging short term inflows and outflows: international shareholders were looking for places to invest their money where the returns were high, and South Africa's mines still had very low wages by international standards which made the returns bigger; this investment flowing in in worked as an ouflow overall because the profits were paid out to shareholders in other parts of the world. The commodity boom in the context of transnationalisation of mining companies thus also ensured further deindustrialisation: before neoliberalism, controls on exporting capital would have forced the big conglomerates to look for local opportunities invest their profits.

As a result of all of this, the South African economy overall suffers from uneven investment and low fixed investment.

In recent years, therefore, employment has grown only in the low-wage services sector, while profits have skyrocketed for CEOs in the MEC. This is the most direct way in which the MEC-skewed economy has sustained and intensified inequality.

The centralisation of authority with the presidency and the treasury under Presidents Mandela and Mbeki, were the politics that enabled the MEC to keep the upper hand. The MECs restoration and abuse continued in a context where politicians had become accustomed to being courted and cajoled by captains of industry since the Washington consensus' took hold.

Sources:

The five papers