

encouraging aspects of a domesticated economy

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Signs of hope are always welcome, especially in these hard times. If you are worried that sanctions simply make the unemployment situation much worse, take heart: that is not the whole picture.

I am not an economist, but for many years I have been reading the *business pages of the daily papers* and trying to develop some sense of what goes on in that sector of our drastically unequal and unjust South African society. The following observations emerge from that process. They do not present, or claim to present, any comprehensive or authoritative theories about the overall effects of sanctions on the South African economy. However, they should indicate that the claim that sanctions cause unemployment need not be accepted without question, and they may encourage other non-economists to venture into this sphere of debate and action for justice.

Aspects dealt with briefly are the links between foreign investment and jobs, state promotion of low-cost housing during periods of recession, arguments for high technology, and changes in the hotel industry which seem to benefit the

majority population group of South Africa. Other spheres of activity worth investigating are listed even more briefly, and the article concludes with a few practical suggestions.

Foreign investment and jobs

It is often said that we need foreign investment in order to create jobs. (See, for example, the recent annual report of AngloVaal Industries.) However, there is no fixed, unchangeable link between the amount of capital invested and the number of jobs created, and state policy with regard to promoting labour-intensive rather than capital-intensive economic activities is affected by the availability of investment capital.

In its report on 1977 the South African Board of Trade and Industries made some 'general observations on policy and action in respect of the unusual business and economic conditions of the past two years'. Pointing out that it could not stimulate demand in general because the government wanted to strengthen the balance of payments and contain inflation, it

had concentrated on 'available areas of stimulation', i.e. import replacement, expansion of exports, and 'expansion of activities which have a low direct import content, a relatively high employment potential and which are economically or socially productive, of which the provision of low-cost housing to non-whites is the foremost example' (p. 21).

State promotion of low-cost housing

In other words, the building of 15 000 dwellings in Mitchells Plain for so-called coloured people during the depressed late 1970s was no coincidence. Nor is it a coincidence that the state is currently making some R1 750 million available for low-cost housing. It is also actively encouraging labour-intensive schemes and self-help construction methods (the Cape Divisional Council exhibition in October 1986, also the 'Greyling' houses at Khayelitsha), easing many of the restrictions that have hampered such developments, and facilitating the emergence of new or adapted institutions to promote township development and low-cost housing.

While not everything being done in this respect is above criticism, in general the direction seems positive. And the economic reasons for these reformist trends in providing low-cost housing are fairly straightforward: the construction industry needs to be kept viable (not least because it is a large employer of labour); low-cost housing uses local rather than imported materials and equipment; new home-owners/occupants invest more readily in consumer durables such as furniture, furnishings and home appliances, thus stimulating the retail sector and the hire purchase/easy credit institutions; bond-holders are 'less likely to indulge in anti-social activity'; and the high visibility of new housing presents a favourable image of the government.

All this contrasts with the boom periods when there is greater interest in building hotels, office blocks and shopping centres (because they are more profitable)

and developing amenities (resorts, sports centres, upgrading of race-course and rugby ground spectator accommodation) which are desired by the more affluent sectors of society.

Technology and jobs

Supporters of high technology argue that more efficient production with lower unit costs means being able to compete more successfully, thereby generating more profits and in turn being able to create more jobs.

That is an attractive argument but it seems to depend on ever-increasing economic growth. In most countries only the armaments industry shows a steady upward curve: other industries have huge ups-and-downs (crises of over-production). The global car market is said to be 25% overproduced at present. Without other major changes, producing smarter motor cars more cheaply does not automatically lead to all-round economic growth.

As for increased profits leading to job creation, investigate how some of the major corporations in South Africa — who dominate three-quarters of the economy — have been using their increased profits. In general, the trend has been towards automation and fewer employees per R100 000 of capital employed and/or turnover. And during the recession the buzzword has been 'rationalisation', which invariably means cutting back on workers and/or wages.

Changes in the hotel industry

Another sector that is undergoing positive change is the hotel industry. Because of the drastic fall in tourism from abroad, hotels have had to attract more South African guests. In the past year hotel prices have been substantially reduced by means of various special packages and discounts. In April 1986 mandatory racial restrictions were lifted and hotels were permitted to apply their own right of admission standards. By November 1986 FEDHASA reported that 87% of its members had adopted a non-

racial admissions policy. It noted that there were still problems: in country areas attitudes are more conservative, and among middle-class blacks there is ignorance or hesitation about the changes. Therefore publicity material was being designed for the black market, and new offices to promote hotel usage by South Africans include one in Soweto.

Perhaps because of the prevailing sanctions climate, many non-South African specialist staff are not renewing their contracts. To meet the shortage of skilled staff, at least one major hotel group has now instituted its own managerial and catering course for trainee black staff, providing them with considerably improved job prospects.

Other examples

The above are only a few examples of the ways in which improved opportunities are being opened up to blacks because of the enforced domestication of the South African economy and the policy of 'inward industrialisation' being adopted by the state. Those who are interested in learning more about the trends are encouraged to do their own exploring in regard to the issues already mentioned or in a sphere such as one of the following:

Fruit Industry. Western Cape fruit farmers and processors are the biggest employers in the region, with more than 250 000 workers. In objecting to and lobbying against sanctions they claim to be concerned about the well-being of these workers. They need to be asked what they have done, and are doing, to secure publication of the report of the state's own commission of inquiry into wages and conditions of farmworkers (the report was completed in 1982) and to get its recommendations implemented.

One could also look into the effect of the fruit juice industry on the poor. Some years ago it was stated that although the recently expanded fruit juice industry yielded a relatively small percentage of the total profit compared with the amount of the crop used, it helped profits indirectly by taking lower grade fruit off the market and

thereby supporting better prices for the higher grade fruit. If the need to sell more fruit locally leads to an increased supply of cheaper fruit, poor people will have cause for gratitude.

Small business development, and the informal sector. These are being encouraged and assisted as a matter of policy. For example, zoning restrictions which prevented residents of Mitchells Plain from engaging in small non-noxious home industries have been relaxed; and on 14 March 1986 the Committee for Economic Affairs of the President's Council called for submissions on 'The devising of a strategy for the creation of employment and for the development of labour-intensive industrial and commercial enterprises'. Many local authorities, regional bodies and voluntary organisations are actively addressing the long neglected problem of job creation.

Food production and peasant farming. The example of Zimbabwe's peasant farmers' success in food production is encouraging the provision of more agricultural land for 'coloured' farmers and the training of such farmers in the Southern Cape (*Cape Times*, 12 November 1986). In the long run this could lead to greatly increased black subsistence farming on some of the huge unoccupied white agricultural holdings.

Erosion of Group Areas restrictions. In face of the international pressure to dismantle apartheid and the internal realities of recession, organised commerce is actively supporting the process of deproclaiming central business districts in small towns as well as large cities. In the residential sphere, emigration and near-zero population growth in the 'white' sector have led to an embarrassing surplus of flats and houses in white areas. These are increasingly being occupied legally and 'not-so-legally' e.g. with the assistance of white nominees, and the government is under increasing pressure from its supporters as well as from its opponents to phase out or repeal the Group Areas Act. □