

# Economic realities



## Aspects of the Buthelezi Commission

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The economic development sub-committee of the Buthelezi Commission reported on the various economic aspects it considered under the five major headings, namely:

1. The structure and development of the economy of the KwaZulu/Natal region.
2. Migrant labour and regional economic development.
3. The distribution of income in KwaZulu/Natal.
4. Redressing inequality and alleviating poverty.
5. The recommendations regarding economic policies for the economic development of KwaZulu/Natal.

This paper will review these five headings briefly and then will consider other aspects that the economic sub-committee did not report on but which have subsequently been shown to be of significance. In particular, the ways and means by which the proposals could be implemented.

### **The Structure and Development of the Economy of KwaZulu/Natal:**

The major points made by the Commission in its discussion of the relative status of the regional economy were that;

- On average the region of KwaZulu/Natal was poorer in terms of output per head than was the Republic as a whole and;
- That within the region, KwaZulu was very much poorer than Natal.

In 1976 the region's share of the Republic's total output was 14 percent which was less than their share of the population which stood at 19 percent in 1980. The region was less industrialised than the Republic, was poorly provided with

mining ventures in relative terms and relied more heavily on agriculture.

In 1976, South African output per head in 1970 prices was R539. The equivalent figure for the sub-region KwaZulu/Natal was R430 i.e. 82 percent of that of the Republic as a whole. However, output per head in KwaZulu was only R52 in the same year, i.e. 12 percent of the per capita output of the Natal region.

Indications were that the KwaZulu/Natal region was a net receiver of funds from the Government and that State spending in the area was considerably greater than the region's contribution to taxation. The taxable capacity of the area also appeared to be low since it seemed likely that a higher proportion than average of the people living in the area were in receipt of extremely low incomes.

Within the sub-region, the distribution of public sector funding was uneven. Indeed, notwithstanding the fairly rapid rate of growth in the quantity of funding allocated to KwaZulu through the budget process, remains uneven.

In 1985 for example, the size of the budgets of the Natal Provincial Administration and the KwaZulu Government were roughly equivalent. However, the latter government was responsible for a provision of services to a larger number of people who were significantly poorer on average than those residing in Natal.

The economic structure of the two sub-regions, Natal and KwaZulu also differed dramatically from one another.

KwaZulu, in general, is under-developed with a high re-

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liance on agriculture and a relatively small manufacturing and construction sector.

Natal on the other hand, enjoyed a situation in which 48 percent per output came from manufacturing and construction and, notwithstanding the importance of the sugar industry, only 6 percent from agriculture.

The under-development of industry and commerce in KwaZulu has led to a situation in which there is a massive leakage of purchasing power from KwaZulu into the Natal economy. In 1976 KwaZulu's purchasing power was five times greater than her ability to produce goods and services.

#### **The impact of the migrant labour system on regional economic development:**

KwaZulu's major source of income is the export of labour which takes place in two ways, through the migrant labour system and through the process of commuting on a daily basis from KwaZulu to work across the border in the Natal economy.

Estimates show that in 1976, KwaZulu's national income which included the earnings from these labour exports, was more than four times greater than the value of the goods and services produced in KwaZulu's boundaries.

Not only was KwaZulu heavily dependent on the export of labour for the maintenance of the existing standard of living of her citizens, but the past quarter of a century has seen a significant increase in the extent of this dependence.

In 1960, for example, there were approximately 166 000 migrant workers and the remittances that they sent back to their families were the equivalent of 36 percent of the production of the subsistence sector. By 1976, the number of migrant workers had risen to 460 000 and their remittances were three times as great as the total value of subsistence production in that year.

The migrant labour system has a number of secondary effects on family lifestyles. Most importantly, because it chains the second worker in a family to a low productivity job in subsistence agriculture, it significantly decreases a rural family's capacity to earn.

In 1975 the average output per worker in subsistence agriculture in KwaZulu was less than R100 per year.

The average wage paid in Durban to a Black South African for the same year was over R800.

In addition, participation in the modern sector through the process of permanent migration would also have reduced the pressure on a very limited resource base of the rural areas and would, therefore, have opened up avenues for rural reform and development.

#### **The distribution of income in the KwaZulu/Natal region:**

The Commission found that the distribution of income in the KwaZulu/Natal area was unequal and further that significant numbers of people lived in extreme poverty, the vast majority of whom were to be found in the rural areas of KwaZulu. The distribu-

- Access to the high productivity sectors of the regional economy was a significant determinant of average living standards. Occupation and its concomitant educational and training attainments effected earning capacities and, as wage incomes are a major source of income of Black South Africans would also be as crucial determinants of improvements in the quality of life of this group.

#### **The recommendations of the Economic Sub-Committee:**

In broad terms the Economic Development Sub-Committee concluded that peaceful co-existence in the Natal/KwaZulu region would, in the future, depend upon the successful introduction of measures designed to re-

duce racial inequalities and to alleviate poverty in the area and further, that these would only be possible if a significant level of economic development was attained within the area presently known as KwaZulu.

#### **Measures to redress inequality and alleviate poverty:**

The Commission made extensive recommendations covering:

- The development of KwaZulu's tribal areas.
- Measures to improve conditions in the labour market.
- Measures to related to influx control laws.

As far as the development prospects in the rural areas of KwaZulu were concerned, the committee concluded that there were only very limited possibilities for the creation of meaningful employment in the tribal areas.

Evidence presented to the Committee showed that on the assumptions of 2,5 workers per family and a minimum acceptable family income of R1 600 per year at constant prices, only 140 000 families could continue to live in the tribal areas (1,26 million people).

Given that the linkages between agriculture and commerce would provide occupations that would support a further 250 000 people, the full development of the agricultural potential of the tribal areas would employ only 66 percent of its present population.

That means that there would have to be an outward migration of 830 000 people together with all the further increase in the remaining rural pop-



*Scenes in KwaZulu: An assessor measures the ruins of a rural home after Cyclone Demoina.*

tion of income in the region is effected by a number of factors and the committees found that:

- The income inequality had a strong racial overlay, with whites clustered at the top end of the distribution and the bulk of Black South Africans on the lower end.
- Women were, in general, poorer than men.

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Quite apart from the substantial out-migration, a number of structural reforms would also be needed to ensure that the optimum utilisation of the tribal lands was in fact reached.

These reforms included the development of markets, the introduction of alternative crops to maize such as cut flowers and tea, land reform, and the establishment of a system of rural development centres.

Two of the more innovative recommendations of the sub-committee with respect to the improvement of the quality of life in rural areas were the introduction of a guaranteed employment scheme and the creation of a land commission.

Under the guaranteed employment scheme, people needing work would be able to claim the right to work for a specified days in a particular period, perhaps two days a week.

The labour supply generated in this way would be put to work on the creation of social overhead capital such as the building of schools and clinics and the provision of clean water supplies. The land commission that was recommended was seen as operating on a nationwide scheme and would be empowered to purchase any land on the open market in free competition with private individuals and companies.

However, it would operate subject to the provision that it would be required to subdivide the land it purchased into economic units for settlement by freehold, smallholder farmers, irrespective of their race.

The committee also recommended that other areas should be made available to smallholder farmers, in particular:

- All areas expropriated under 1936 and 1975 homelands consolidation proposal but which are either not settled or being run, at present, by state agricultural corporations.
- All areas scheduled to be consolidated under these proposals.
- All state owned land that is suitable for agricultural exploitation.
- All state owned land, afforested or suitable for afforestation.

As far as the recommendations made by the committee in respect

labour relations and conditions in the job market were concerned, they followed very closely the recommendations made by the Wiehahn and Reikert reports and will not be dealt with in detail.

The most important set of recommendations made by the Economic Development Sub-Committee were those concerned with improving the access of Black South Africans to the economy and to the ownership of economic resources.

In this respect the committee placed significant emphasis on the need to remove what it termed the "influx control fence" and in this respect it concluded the following;

- The removal of influx control is fundamental to the creation of a just

economic order in KwaZulu/Natal.

- The spatial relationship between KwaZulu and Natal is such that the process of urbanisation and the rate at which it is taking place within the region is not in fact being controlled by the existing legislation. What is happening is that Black South Africans are moving into the orbit of the major urban areas of Durban and Pietermaritzburg, but are backing up against the influx control "fence" in the adjacent peri-urban areas in shack settlements and close villages.

- Evidence suggests it is by no means a certainty that the removal of the influx control laws would result in a massive additional inflow of Black South Africans to the urban areas. The present unsatisfactory social conditions within the townships, the absence of the right of freehold tenure and the inadequate levels of social security for this group are all factors that at present encourage Black South Africans to retain their ties with the Black rural areas. As it will take time to introduce the needed reforms, the pulling power of the rural areas is likely to be maintained in the immediate future. (Schlemmer and Moller 1979)

- To the extent that the removal of the influx control regulations does result in an inflow of people to the towns, it will increase the demand for social services and facilities there. This, in turn, undoubtedly will mean an increase in the quantity of public funds directed to the provision of the necessary social overhead capital. However, the extent to which such a reallocation becomes necessary can be significantly reduced through the creation of an environment in which the private sector is encouraged to play a meaningful role in the provision of this investment. This is particularly important in relation to the provision of housing, where the Economic Sub-Commission believes that increased importance should be placed upon "site and service" and other similar "self-help" housing schemes.

- Whilst it is accepted that an increase in the level of urbanisation amongst Black South Africans would highlight the urgency of the need to provide the additional social overhead

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*Scenes in KwaZulu: Youth leadership training is an important part of the training offered at the Emandleni Matleng Camp.*



*Scenes in KwaZulu: Community gardens serve as an important focal point around which women in particular can be mobilised in the community.*

investment discussed above, it should also be noted that the concomitant increase in the degree of population concentration would also have the effect of making the provision of such services both less expensive from both the construction and operational viewpoints and more efficient from the point of view of the delivery of the service.

● With respect to the argument often advanced, that the removal of the inf

lux control fence would increase the level of urban unemployment, the Economic Sub-Commission would like to point out that earlier evidence showed conclusively that there are at present high levels of both unemployment and under-employment in the rural areas, particularly in respect of KwaZulu, and further that there are a large number of people trapped in poverty, many of whom live at the very margin of existence. Consequently

any increase in urban unemployment that follow the removal of influx control will represent simply a relocation of existing unemployment rather than an increase in unemployment itself. Indeed, it is likely that the process of urbanisation will help to alleviate unemployment. Firstly the increase in population concentration will create a market and the consequent job opportunities that go with it and, secondly, the provision of the needed physical infrastructure in the expanding urban areas will, if sensibly handled, also be an important source of job creation.

● To the extent that an outflow of people from the rural areas does occur, it will help to ease the existing pressure of population on the land in KwaZulu's rural areas and so will be a factor facilitating rural development. At present over 75 percent of the people living in the rural areas of KwaZulu are the only partially dependent upon agricultural production for their livelihood, the major portion of their income coming from commuter earnings or migrant remittances. Of these approximately 25 percent have no interest in agricultural production for their families. Their presence in the rural areas arises out of the legal restraints on population movements and the sense of insecurity they experience in the cities and towns. The consequent lack of interest that these people display in rural development and agricultural production represents a major impediment to any initiative for such developments.

● Influx control regulations are not only morally indefensible but are also one of the major foundations upon which poverty rests in the Republic of South Africa and the elimination of poverty amongst Black South Africans will not be possible so long as these controls are retained.

Other aspects of access covered by the sub-committee included recommendations relating to:

1. Education
2. The removal of restrictions hindering the growth and development of Black business.
3. The provision of capital for small business and agriculture.
4. Increased state expenditure in the rural areas.
5. The transfer of farmlands held by the SABB and the Department of Co-operation and Development on behalf of KwaZulu.
6. The establishment of an adequate and guaranteed market for housing in Black urban areas based on a network of financial services and on an acceptable and transferable title.



7. The establishment of the land commission discussed earlier.
8. The production of a redistributive taxation policy.

**Areas of omission by the Commission:**

In retrospect one must conclude that, notwithstanding the detailed economic recommendations made by the commission, there was one very important area in which the commission failed to make any recommendations, namely in respect of the planning and execution of joint economic projects.

At present, notwithstanding the patchwork nature of the physical relationship between Natal and KwaZulu, projects are planned and executed by both Natal and KwaZulu as separate entities.

This clearly poses significant planning problems and, indeed, results in substantial economic inefficiency.

Although the planning and administration sub-committee of the Buthelezi Commission made a number of recommendations in this respect, no tie up was ever made between these recommendations and the economic base upon which they would have to be built.

There are three basic ways in which regional economic development can be financed;

- By funds transferred by the two regional authorities, Natal and KwaZulu and earmarked for use in common projects.
- By funds raised from people living in the area, specifically for use in joint projects.
- By funds transferred from Central Government and earmarked for use in joint projects.

The implications of the three processes by which funds are transferred will be different. For funds to be transferred from two regional governments for use in a common development project, a prerequisite will be agreement on the need for such a project and a common view of where the project stands in terms of its ranking viz a viz the other uses to which these funds could be allocated.

Bearing in mind the substantial differences between the levels of development of KwaZulu and Natal and the differences of re-

gional living standards, it is unlikely that the governments of these two areas would, in fact have a common view of the need for development projects.

The KwaZulu government is likely to put greater emphasis on investment to provide for a greater supply of basic needs, commodities and rural development.

The Natal authorities, on the other hand, are likely to favour projects stimulating further economic growth and the development and upgrading of the urban areas and their surrounds.

Differences of opinion in respect of the suitability and priority of development projects will make it very difficult for funding to be obtained in this manner.

Obtaining funding on the basis of revenues raised within the area may also prove to be difficult, because of the size of the tax base in Natal and KwaZulu is limited and, probably more importantly, the relative tax base of the two sub-regions, Natal and KwaZulu also differ significantly in size. Once again one will find that the revenue can be more easily raised in the Natal sub-sector whereas the need for development projects is largely in KwaZulu.

This leaves one really with only one alternative and that is the provision of earmarked funding for common projects by the central government. If both sub-regions are faced with a situation in which they have funding that can only be spent on common projects and on which they must decide together, then circumstances are likely to generate a consensus on the use of these funds.

The funding aspect of co-operation or joint planning in the Natal/KwaZulu region is far from being a red herring. Indeed, without the provision of adequate funding, moves towards increased decentralisation of the planning exercise and, indeed, perhaps the whole regional development strategy is doomed to failure.

This is an area which has not had any attention from central government and has led to a situation which, in this region, one finds that KwaZulu has access to funds. The NPA has access to funds and quite understandably both tend to go their own way.

To date measures designed to generate co-operation such as the interaction through the Regional Development Advisory Council and the Planning and Co-ordinating Council of the KwaZulu Government have met with relatively little success, largely because they have not been backed up by common funding.



*Scenes in KwaZulu: Youth at an Inkatha rally.*