The South African model of economic modernity: Market regulation and social exclusion in a colonial and post-colonial society

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Abstract

Mining and subsequent secondary industrialisation transformed labour markets in Southern Africa in the late 19th and early 20th centuries. Labour was mobilised from Britain, Asia and Southern Africa itself, and subject to extensive regulation. Many of the core institutions established in the early 20th century for the regulation of wages and conditions of employment, as well as welfare provision, continue to operate in the early 21st century. This paper examines the understandings and realities of economic modernity as it applied to colonial Southern Africa in the early 20th century, and their legacy in post-colonial Southern Africa today. I argue that, contrary to the conventional understanding, the enduring characteristic of the political economy of modernisation in South Africa was not so much the mobilisation of cheap migrant labour (from the late nineteenth century), but rather the institutionalisation of high wages and protected incomes for economic, social and political insiders (especially in the early twentieth century). Anglo-centric institutions and conceptions of industrial and social citizenship were grafted into Southern Africa. The imperatives of both gold-led capitalist industrialisation and the governance of a society in which the settler or immigrant population remained a minority required that these institutions and understandings had to be adapted, primarily through the exclusion of the African population from most dimensions of citizenship. But the institutions, discourses and ideologies associated with high wages (for insiders) structured the transition from apartheid to a democratic context. South Africa's mode of economic modernisation thus reflects the possibly unique interaction of a British model of economic modernisation with the social, economic and political realities of a colonial society.

Introduction: Pathways to Modernity

South Africa is distinctive in the modern world not only because of its embrace of comprehensive, statutory racial segregation and discrimination (under *apartheid*), but also because it is the only major case of a society forged through the interaction of colonial settlers or immigrants, capitalist industrialisation and a large ‘native’ population. Most other settler societies – Australia, New Zealand, Canada, Argentina, Chile, Brazil and the USA – lacked large native populations (and decimated much of the native population that did precede colonisation), and both agricultural growth and industrialisation relied on immigration from Europe. Mexico had both settlers and a large native population, but its industrialisation was long delayed in comparison with South Africa. Neither *apartheid* nor South Africa’s economic growth path were entirely exceptional, in that they shared some common features with some other countries’ governance, social structures and economic experiences. But the South African pathway to modernity was clearly distinctive, giving rise to an enduring scholarly concern with South African ‘exceptionalism’.

The roots of South African exceptionalism – or, more cautiously, its distinctiveness – have been

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[2] This paper draws extensively on Nattrass and Seekings (2011).

traced to a variety of periods, places and sources. One set of historians turns to the nineteenth century. Frederickson (1981) looked to the settler colonial frontier in the interior of what became South Africa. Keegan (1996) traced the foundations of the South African racial order to the Cape in the first half of the nineteenth century, when the Cape colony was incorporated into the world economy under the free trade regime of the British Empire. Marxist scholars turned to the diamond mines of Kimberly (Turrell, 1987; Worger, 1987) and the gold mines of the Witwatersrand (Legassick, 1974a; Van Onselen, 1982) in the last decades of the century. A second set of scholars emphasised turned to the transformation of governance in the mid-twentieth century, whether due to the shifting requirements of industrialisation (Wolpe, 1972; Legassick, 1974b), the imprint of British colonial thinking on rural governance (Mamdani, 1996), the embrace of modern modes of surveillance and planning (Robinson, 1996; Breckenridge, 2005, 2012; Posel, 2011) or deagrarianisation (Van Onselen, 1996; Delius, 1997; Seekings and Nattrass, 2005).

What these scholars share is a primary emphasis on modes of *exclusion* or *subordination*: on how and why the majority of people in South (and Southern) Africa were constituted as subjects rather than citizens, i.e. how and why they were denied significant political rights, restricted in terms of economic opportunities, sentenced to social discrimination and segregation, and ‘exploited’ in the labour market. Understanding exclusion and subordination are, of course, fundamental to understanding South African history through the nineteenth century and most of the twentieth century also. What this scholarship generally neglects is the study of citizenship itself, i.e. of what it was that ‘insiders’ enjoyed and from which outsiders were excluded. Mamdani (1996), whose major contribution has the title *Citizen and Subject*, has little to say about the first of these. Dubow’s recent survey of the character of ‘South African’ citizenship (Dubow, 2011) has almost nothing to say about the constitution of political, social and economic rights for South Africa’s insider-citizens.

From the vantage point of ‘post-apartheid’ South Africa, with the uneven extension of citizenship to the entire population, the constitution of citizenship has gained more evident importance. In this paper I argue that the crucial period in which economic citizenship and economic modernity were forged was the interwar period in the early twentieth century. In South Africa – as in much of the world – it was in the 1920s and 1930s that the foundations were laid for the state regulation of labour and other markets in ways that underpinned economic citizenship. In South Africa, crucially, these foundations were based on the British model of high wages and redistribution through the budget. High wages and tax-financed welfare programmes were institutionalised in South Africa, as they were in the other major British dominion, Australia. The result was, to draw on Castles’ analysis of Australia, a ‘wage-earners’ welfare state’, in which broadly social democratic interventions buttressed the living standards of citizens (Castles, 1986). Unlike Britain and Australia, however, the prosperity of the citizenry existed in a directly colonial context, in the midst of the poverty of the excluded and disadvantaged.

The interwar years were crucial in South Africa for much the same reason as they were across much of the world. Faced with the challenges of urbanisation and aspiring to industrialise, states sought both to stimulate and to regulate new economic markets, generally behind protectionist barriers (as noted most famously by Polanyi, 1944; see also Halperin, 2004).

South Africa was still, in the early twentieth century, a sparsely-populated, predominantly arid country, with a largely agrarian society, although with crucially important pockets of extraordinary industrial activity focused on gold-mining. Whilst three quarters of the population lived in the countryside, gold-mining on the Witwatersrand had already and rapidly transformed what had been a peripheral agricultural economy into one that was industrialising around mineral exports. By 1930, South Africa produced more than one half of world gold output (Official Year Book, 1934/5: 519). The gold mines, producing a product for which demand was unlimited at its fixed price, were the 'power-house' of economic development, enabling South Africa 'to break free from the constraints which had for so long held back its economic development' (Feinstein, 2005: 109). Fewer workers were employed in mines than on farms, but the mines served to stimulate growth in many other sectors (notably coal, timber, food and transport), and gold dominated South Africa's exports.

Gold-mining was the engine of economic development, but the engine required constant maintenance by an interventionist state. Marxist scholars have emphasised the state's role in ensuring a supply of 'cheap', largely unskilled African labour to the mines (and farms) (e.g. Wolpe, 1972; Legassick, 1974a, b; Bonner, Delius and Posel, 1993:4). The management of unskilled labour was, however, only one half of the story. The state also implemented policies and established institutions designed to protect the 'civilised' standard of living of white workers. Ministers and officials were party to a circuit of ideas extending from London to South Africa, Australia and New Zealand. Their commitment to maintaining white citizens' standard of living at a level commensurate with those in the very much wealthier economies of Australia and Britain shaped both the path and pace of economic growth and change. In terms of GDP per capita (taking into account purchasing power), South Africa lagged far behind Australia and New Zealand (Maddison, 2001). It was only possible to maintain high living standards for white workers if the wages paid to African wages were kept at a low level. The cash earnings of white workers on the mines were about ten times the value of payments in cash and kind to African workers through the interwar period (Wilson, 1972: 66).

By the 1940s the state had many of the features of developmental states (Freund, 2011), and it acquired more during the course of the Second World War: parastatals dominated transport, utilities and sections of heavy industrialisation (especially iron and steel); and labour, agricultural and financial markets were regulated (in different ways and to differing extents). The state also had considerable capacity to raise taxes, and had begun to construct a welfare state. The nascent welfare state dimension of the South African state reflects the limit to understanding the state as an orthodox 'developmental' state. The state's goals were not simply developmental: the state had a strong distributional agenda. Many of its policies – including trade protectionism, parastatal development and labour market regulation as well as social policies – were intended and designed in part to promote the goal of institutionalising high wages or earnings for the white (and sometimes coloured) 'insiders' who enjoyed social and industrial citizenship as well as political and legal citizenship.

Building a modern, economic state

Amidst chronic economic stagnation through the 1910s and 1920s, the South African state acquired a wide range of economic roles. In South Africa, as in Britain and the other British dominions, the state moved away from the laissez-faire liberalism of the nineteenth century to the more interventionist and regulatory mode associated with the 'new liberalism' (or, in parts of Europe, social democracy). The state's concern with economic management was evident in that no fewer than nine out of thirteen Union government departments covered broadly economic topics, i.e. Finance, Agriculture, Lands, Mines, Commerce and Industries (merged with Mines as Mines and Industries from 1912 to 1933), Education, Posts and Telegraphs, Railways and Harbours, and Public Works.[3] Over the following twenty years, the state acquired the capacity to intervene in these and other areas of the economy. In terms of its fiscal capability, its capacity to collect and use statistics,

[3] The other four departments were Defence, Interior, Justice, and Native Affairs, the last of which, especially, had important economic functions.

its strategic interventions in industrial development and social welfare, and perhaps above all its interventions in wage determination and the regulation of employment, the South African state adopted the form of the modern economic state, empowering it in its dealings with the powerful capitalist elites in gold-mining and other sectors.

The new state had an almost insatiable thirst for statistics, especially economic statistics. The 1914 Statistics Act gave statutory authority to collect statistics to a central statistical office, accountable to the Minister of the Interior, who would be advised by a Statistical Council. The purpose, as spelt out in the Act's subtitle, was 'to provide for the collection of statistics relating to agricultural and to industrial, commercial, shopping, fishing and other business undertakings and other matters in the Union'. The implementation of the Act was delayed by the war, but in 1918 the new Office of Census and Statistics produced its first *Year Book* (following the Australian example). The *Year Book* includes extraordinarily detailed data on almost every aspect of life affecting the country's white citizenry, and very little on the coloured, Indian or African populations. The new state also began counting just about everything that could be counted. By 1919 it had already conducted censuses of manufacturing industries, agricultural and pastoral production, rents, the cost of living, wages, and the working hours and conditions.

The obsession with expertise extended to the appointment of commissions of enquiry into economic matters (as the British state had long been doing). These included a series of commissions concerned primarily with the welfare of white South Africans. In 1913, amidst bitter industrial conflict, the government appointed an Economic Commission. Two years later, another commission examined poor relief. A Cost of Living Commission produced five reports between 1918 and 1920. This was followed by an Unemployment Commission (1920) and the Economic and Wage Commission of 1925-26. Welfare reforms were examined by a Commission on Old Age Pensions and National Insurance (1927-29). The onset of the Great Depression led to a further flurry of enquiries: an Inter-Departmental Committee on the Labour Resources of the Union (1930), an Unemployment Investigation Committee (1932), a Native Economic Commission (1932) and a Provincial Committee of Inquiry into Social and Charitable Work on the Witwatersrand (1934). In 1934-35, the country's labour legislation was re-examined by an Industrial Legislation Commission. Each of these commissions collated information and statistics, held hearings, and recommended new government programmes and initiatives.

The new state needed additional resources. The 1914 Income Tax Act introduced a Union-wide progressive income tax, supplemented in 1916 with a super-tax on the very rich (Lieberman, 2003). A Land and Agricultural Bank was established in 1912 to provide medium- and long-term loans to farmers. The establishment in 1921 of the South African Reserve Bank – the first in the British Empire outside of London – added to the government's capacity to mobilise and manage financial resources (Ally, 1994). By the early 1920s, the South African state had thus become, fiscally and monetarily, very much a modern state. Public finances improved further in 1930s (due to new taxes on the super-profits earned by gold mines after an increase in the global dollar price of gold, compounded by the depreciation of the exchange rate) and 1940s (when the war allowed further tax increases on individuals and companies).

One conspicuous absence from the set of Union government departments was a dedicated Department of Labour. The government declined to appoint a Minister of Labour (despite being pressed to do so by Members of Parliament invoking the New Zealand precedent[4]). Labour matters were run by – and labour legislation drafted by – other departments. This changed dramatically in 1924, when the Pact Government (comprising the Labour and Nationalist parties) came to power in

[4] Hansard 15 Nov 1910, col.89.

the aftermath of the Rand Revolt. The government established the first Department of Labour. Within a year its staff had grown to 154, including the former director of census (indicating the importance of statistics for the department's regulatory work) and notable trade unionists to its inspectorate (Simons and Simons, 1983: 328)

The impetus to this dimension of state-building was the militancy of immigrant – mostly English and Scottish – white workers on the Witwatersrand, but the context was the much more general shift in thinking about the state's role in the economy. As even the relatively pro-employer members of the Economic and Wages Commission recognized in 1926 with respect to the role of the state in regulating wages, there had been 'a great change in the attitude of the public' from liberal *laissez-faire* to direct state intervention: 'every English-speaking country, following the precedent of the Australasian States, has passed legislation providing in certain circumstances for the fixing of wages under Statute', with the objects of preventing strikes and lock-outs and eliminating 'excessively low rates of wages' (South Africa, 1926: 35). A wave of major strikes by white workers in 1913-14 led to the 1913-14 Economic Commission recommending that the state institutionalize 'white' trade unions and incorporate the semi-skilled and skilled working classes through recognition, material concessions, and negotiated procedures for dealing with industrial disputes. The 1918 Factories Act regulated the hours and conditions of employment, the use of machinery and the prevention of accidents. The 1918 Regulation of Wages, Apprentices and Improvers Act regulated the employment of white women and young men; this was supplemented by the 1921 Juveniles Act and 1922 Apprenticeship Act. In 1924, the South African Party government enacted an Industrial Conciliation Act that provided for the registration and regulation of trade unions and employers' associations, and for collective bargaining between unions and employers' associations in industrial councils (renamed 'bargaining councils' in the post-apartheid period). Industrial councils could determine wages, benefits, hours and other conditions of employment (see Lever, 1978). The accession to power of the union-backed Labour Party, through the Pact Government, led to a flurry of pro-labour legislation. The 1925 Wage Act provided for the establishment of a Wage Board, which could determine wage rates and employment conditions for workers not covered by industrial council agreements.

In the course of little more than ten years, the state had built the industrial institutions that characterized the nascent social democracies of northern Europe and Australasia. With regard to African workers, however, the state retained an essentially repressive approach, revolving around the strict regulation of employment and urbanisation, and the repression of trade unions organising African workers.

State intervention in the economy extended also to industrial policy. In sector after sector, the state stepped in when private investors appeared unable or unwilling to commit the necessary capital. The Union government inherited and extended responsibility for the railways, in contrast to both North and Latin America where private railway companies built and operated the railways (Houghton, 1971; Solomon, 1983). The state also established the Electricity Supply Commission (ESCOM) and Iron and Steel Industrial Corporation (ISCOR), again in large part in response to the failure of private firms to raise sufficient capital (Christie, 1984; Cross, 1993; Clark, 1994).

The state also sought to promote the growth of both manufacturing and commercial agriculture. Prior to the 1920s, manufacturing was largely limited to light industry producing food and beverages, and to a lesser extent textiles, clothing and shoes. A growing chemical industry supplied the mines. Prior to 1924, however, the state resisted calls for tariff protection, defending free trade. A Board of Trade and Industry was set up in 1921. The 1925 Customs Tariff and Excise Duties Amendment Act marked a shift by the Pact Government (Kaplan, 1976; Archer, 1989; Martin, 1990). Tariffs helped employers cope with the higher cost of employing white labour, and were thus a political necessity even if they resulted in a degree of inefficiency. The state also sought to modernise agriculture through agricultural extension services, training, and irrigation projects.

The Union's industrial policies, like many other areas of public policy, reflected both a growing nationalist impulse and a concern to emulate other British dominions, notably Australia. Building a parastatal steel industry was especially attractive to the Pact Government because it promised to make South Africa more independent of the British capital that controlled the mines, and would enable South Africa to catch up with the other dominions which had already established their steel industries. Industrial policy also enabled the state to intervene to achieve social objectives. The Pact Government used its investments to promote employment and high wages for white workers. Indeed, the bill establishing ISCOR initially provided for direct control of ISCOR's labour policies by the cabinet, which initially imagined an all-white workforce (Clark, 1994; Cross, 1993). The railways served as an additional source of employment of white people, especially under the Pact Government.

The war years also saw a major expansion of state economic planning in South Africa, as in Britain and elsewhere. An Industrial and Agricultural Requirements Commission (IARC) was appointed in 1940 to facilitate an efficient mobilisation of resources during the war. An Industrial Development Corporation was established in 1940 'to facilitate, promote, guide and assist in, the financing of: a) new industries and industrial undertakings; and b) schemes for the expansion, better organisation and modernisation of and the more efficient carrying out of operations in existing industries and industrial undertakings' (quoted in Richards, 1940: 340). Prices and wages were closely regulated. In 1942, a Social and Economic Planning Council (SEPC) was established to provide more informed advice on policy (although its actual role in the formulation of policy was unclear) (Robertson, 1954: 106).

The institutionalisation and legitimation of high wages

The state had acquired the capacity to intervene in almost every facet of the economy by the mid-1930s. It operated the transport system, provided power, ran the steel industry and set tariffs to nurture other manufacturing. It collated statistics, raised new taxes, and managed the currency. It intervened in the labour, housing and agricultural produce markets. It provided income support through a nascent welfare state. And, of course, it acted to maintain an adequate supply of cheap, African labour to mines and farms. The state did these things not simply to promote economic growth, or to assist capitalists in earning profits. The state sought also to structure the distribution of earnings and incomes in society, raising the earnings and incomes of a privileged, and generally racially-defined, minority. In establishing institutions that maintained wages and incomes at 'civilised', 'fair' or 'European' levels, it constructed a high-wage institutional framework that would endure through the apartheid era and into post-apartheid South Africa, with enormous consequences for poverty and inequality.

In the early decades of the twentieth century, and for diverse reasons, immigrant white workers, poor Afrikaans workers abandoning the countryside, and those members of the political or economic elite who were either sympathetic or racist or both, all sought to maintain the standard of living for white South Africans at a level commensurate with those in Australia and New Zealand, and as high if not higher than in Britain. The high wages prevalent in Britain – high, that is, relative to other countries (and which may have driven Britain's industrial revolution: see Allen, 20xx) – were replicated in its dominions Australia, New Zealand and South Africa, albeit only for white workers. In almost every area of public policy, Australia and New Zealand as well as Britain itself provided role models for South African policy makers and interest groups. From the 1890s, Australia and New Zealand adopted legislation providing for settling industrial disputes, progressive income taxation, tariff protection of domestic industries, a Ministry of Labour, restrictions on non-European immigration, and, first in New Zealand and later in Australia, old-age pensions and other welfare reforms. Workers with experience in Australia held prominent positions in the South African labour movement. Intellectuals, bureaucrats and politicians alike paid careful attention to their Australasian counterparts. In South Africa, however, the colonial context may have actually inflated the perceived 'cost of living', raising further wages and earnings.

In 1913, amidst escalating industrial conflict, the government appointed the Chapman (Economic) Commission to investigate wages, the cost of living, and costs of production. The commission found that artisans earned much higher wages in South Africa than in Britain. It also found that the cost of living for (white) working-class South Africans was much higher than in Australia, Britain and elsewhere – in part because expenses such as a domestic worker and a large house were deemed to be needs in South Africa but would be considered luxuries in Australia or Britain. The Commission reported that 'social convention' required that white men and women enjoy a standard of living superior to that of 'non-white' people. In terms of actual purchasing power, South African artisans were better paid than their British, European or American counterparts (South Africa, 1914).

The Chapman Commission adopted a broadly pro-employer perspective, and opposed minimum wage-setting for workers in general and the establishment of wage boards in particular. The Commission was opposed to the colour bar and argued that a more flexible labour-market was needed to reduce excessive skill differentials and contain escalating production costs, which would otherwise result in retrenchment and unemployment. It was not entirely opposed to regulation, however, recommending that trade unions be recognized, working conditions be regulated, and voluntary conciliation boards be established for industrial disputes. The government did indeed introduce a battery of such regulatory legislation.

Just over ten years later, in the aftermath of the Rand Revolt, the government shifted the emphasis of policy towards direct intervention in wage determination. In the 1924 elections, the National and Labour parties denounced the incumbent government for promoting 'big financial' interests and jeopardizing the future of (white) South Africans 'as a civilised people'. National Party leader Barry Hertzog emphasized the threat to South Africa remaining 'a white man's country', and called for a *skeidsmuur* (literally, a dividing wall) between 'civilized' and 'uncivilized' labour. The resulting Pact Government, with Hertzog as Prime Minister, quickly committed itself to a 'Civilized Labour Policy' as part of its segregationist programme.

> The Prime Minister desires it to be understood by all Departments of State that it has been decided as a matter of definite policy that, wherever practicable, civilized labour shall be substituted in all employment by the Government for that which may be classified as uncivilized. Civilized labour is to be considered as the labour rendered by persons, whose standard of living conforms to the standard generally recognized as tolerable from the usual European standpoint. Uncivilised labour is to be regarded as the labour rendered by persons whose aim is restricted to the bare requirements of the necessities of life as understood among barbarous and undeveloped peoples.' (Prime Minister's Circular no.5, quoted in *Official Year Book*, v.9: 203).

The policy applied initially to government departments only, and was later extended to manufacturing (but not mining, which even the Pact Government treated with great caution – Yudelman, 1983). The Government also adopted a 'fair wage policy' which required government contractors to pay 'fair wages' to their white employees.

The following year, the Pact Government appointed an Economic and Wage Commission with a brief to investigate the effects of different wage and labour policies on employment ‘at a wage compatible with a civilized standard of life’. The six commissioners were unable to agree on their findings, and divided into two groups of three, each group authoring a different report. The contrast between the two reports reveals two very different approaches to the organisation of production in South Africa, with profound consequences for poverty and inequality in both the short- and (through the effects of the cost structure on the economic growth path) long-term. The debate between these competing approaches continued throughout the rest of the century.

The report of the three members headed by the chairperson of the Commission, Mills, found that skilled (white) workers were earning high wages, whilst unskilled (African) workers were being paid low wages, in comparison to their counterparts in Britain and Australia. The ratio of skilled to unskilled workers’ wages in construction or engineering on the Witwatersrand was about 5:1, compared to (at most) 1.5:1 in Britain (South Africa, 1926: 19). In London, a bricklayer was paid one-third more than a labourer in construction, and the difference was even less in Melbourne or Sydney. On the Witwatersrand, bricklayers were paid almost double their counterparts in London, and more even than in the Australian cities, whilst African labourers were paid less than one-third of what their British and Australian counterparts were paid (*ibid*: 24-25). The Mills Report recorded that the cost of living on the Witwatersrand was higher than in London, but even taking this into account, real wages for skilled white workers were about one-third higher than in London, and were very much higher than in most parts of Europe. One of the mining companies submitted to the Commission that ‘the average white miner on the Rand is less skilful, does less effective work, and receives nearly double the pay’ of a Californian gold-miner (although the cost of living for married men was higher in Johannesburg than in California); much of the work done by white workers was supervisory, and the supervision often cost more than the work being supervised (*ibid*: 243).

The wages paid to skilled, white workers were very much higher than the wages paid to African workers, but the latter were not especially low in global terms. African labour was ‘cheap’ in comparison to unskilled labour in Britain, but was not cheap in comparison to other parts of the world. The low wages paid to African labourers on the Witwatersrand were much the same as the wages paid to labourers in Italy and some other parts of Europe (South Africa, 1926; Feinstein, 2005: 134). African coal-miners were paid double what their counterparts in India earned in the 1930s; the South African mines were much more capital-intensive, and average labour productivity was between three and five times higher (Alexander, 2007). African labour was considered ‘cheap’ in South Africa because wages were low compared to the wages paid in Britain or to white workers in South Africa, not by broader global comparisons.

High wage-rates in South Africa were an issue because, as Mills *et al*. understood clearly, South Africa was not a correspondingly affluent country, despite the value of its gold-mining. ‘South Africa at present is not among the richest countries in the world … The aggregate capacity of industry to pay wages is of the same order of magnitude as that of Germany and Italy rather than of Australia or North America’ (*ibid*: 33). Skilled workers on the Witwatersrand could be paid high wages, Mills *et al*. argued, only because they comprised a small minority of the workforce, and did so ‘at the expense’ of low-paid African workers (*ibid*: 86-7). The Mills Report argued that reducing wage differentials would be good for productivity, but would require lower wages for skilled white workers as well as higher wages for the unskilled. Mills and his colleagues were opposed to protecting employment for white workers through either a colour bar or the imposition of high minimum wages across the board. They pointed out also that protected employment on the railways served to disguise the real costs, because these could be passed onto either consumers (because the railways had a monopoly) or taxpayers (because they were state-owned) (*ibid*: 145-6).[5]

[5] The Mills Report included a detailed discussion of the economics of gold-mining, and of the obstacles to expanding

The other three members of the Commission, headed by Lucas, adopted a very different approach to assessing the wages paid to white workers. They expressed scepticism about international comparisons of wages (and prices), in part because, in their view, the average white worker in South Africa was more skilled than the average worker in (for example) London. But their primary arguments were that skilled white workers' wages had not risen in relation to the growth of national income and, drawing on the Australian precedent, that wages were insufficient for a family of five (or more). 'To maintain a white civilization in South Africa the white workers must receive a civilized wage' (*ibid*: 352). They complained about the large sums paid in dividends and interest to 'overseas capitalists' (*ibid*: 306) and about the high rents charged by local landlords. In their view, *all* workers (including African workers) should be paid higher wages, which (they suggested) would stimulate demand and hence economic growth.[6] The employment on the mines of low-wage labour from outside the Union (especially from Mozambique) should be stopped because it depressed the wages paid to 'native' (i.e. African) workers. If unskilled wages were higher, then there would be more immigration of unskilled white workers, as there was into Australia or the USA. This would help to turn around the current situation of having 'a small minority of civilized Europeans among a vast majority of uncivilized natives' (*ibid*: 353). 'The immigration of civilized Europeans would strengthen European civilization in South Africa', they concluded; 'the importation of uncivilized non-Europeans will assist to swamp it' (*ibid*: 356). Logically, industry should be reorganized to employ a higher proportion of white workers. The implicit ideal was the creation of a new South Africa in the image of 'white' Australia, with low-waged African workers largely excluded from all urban and industrial occupations excepting domestic work.

The Mills Report was opposed to the extension of wage agreements to non-parties. The 1924 Industrial Conciliation Act allowed for agreements on wages reached between employers and unions in industrial councils to be extended to firms and workers who had not participated in the actual negotiations. The first two industrial councils established nationally were in the printing and building industries. Bargaining in these two councils led to a Printing and Newspaper Industry agreement that was imposed countrywide and a Building Trades agreement that imposed minima in selected rural districts. The Mills Report was sharply critical of this: 'Even in large centres – Bloemfontein and Kimberley – evidence was put before us to the effect that the gazetting of the new rates led to the dismissal of some workers and to evasion of the agreement', whilst 'it is manifestly unwise' to apply the same minimum wages to small towns (*ibid*: 57). The Lucas Report, however, was disparaging about the jobs lost when higher wages were imposed: these were coloured workers whose productivity was too low for the higher wages, and who were clearly dispensable in the noble cause of paying 'civilized' wages to 'civilized' workers (*ibid*: 290-1).

The perversity of the case for higher 'civilised' wages is clear when one considers the position of domestic workers. The Mills Report includes an extended discussion of the presumed need for 'civilised' labour to employ a domestic 'servant'. Indeed, provision for such a servant was integral to the notion of a 'fair wage' for civilized workers (*ibid*: 172-87). Yet, inevitably, the sum provided for in a 'fair wage' for white workers for the *cost* of a domestic servant (see Lucas Report, *ibid*: 332-3) certainly did not constitute a 'fair' *wage* for the servant himself (domestic work still being a largely male preserve), because of course the servant was an 'uncivilized' African or coloured person. In practice, the institutional apparatus of wage determination as demanded by Lucas *et al.* was fundamentally racist, deepened inequalities in earnings, and ensured that employers had a major incentive to acquiesce in the exclusion of African workers from the institutions that ensured

high-wage white employment. This may have informed the Pact Government's unwillingness to intervene in the mining industry.

[6] High wages were also described as 'an incentive to more efficient management' (such that 'public wage regulation is in the interest of the better class of employers') and as a stimulant to higher productivity (*ibid*: 354).

high wages for 'insiders'.

The debates around wage-setting were mirrored by debates over the state's first, bold steps towards building a welfare state. The Pact Government's enthusiasm for old-age pensions – for insider white and coloured men and women – was in substantial part due to a concern to restore the racial income hierarchy. For the Pact Government, racial segregation entailed both excluding and repressing African people and elevating white people, including through 'civilized labour policies', land settlement policies in the countryside, and welfare reform. The political imperative was explained by an NP Member of Parliament, Dr. Stals, in August 1924. The 'poor white' problem, he said:

> … is a question which not only concerns the poor; it affects the whole white civilization of this country. It confronts us with the question whether we, the descendants of the staunch old pioneers, will maintain their civilisation and hand it over to our children …It may be asked whether there is poverty only in South Africa and whether other countries do not suffer from the same thing. There are poor people everywhere, but the circumstances in South Africa are unique .… In this country, there is a small number of whites against the natives, a few civilized people against uncivilised hordes, and for that reason it is so important that not a single white person should be allowed to go under … There is no greater problem than this, because the existence of the European civilisation in this country hinges on it.

The Pienaar Commission into welfare reform found that 'Many aged and infirm people are living under conditions which are unworthy of a civilised community' (South Africa, 1927: 10).

The Pact Government, influenced heavily by arguments such as those made by Lucas *et al*. in 1925, constructed a set of wage-setting and poverty-relieving institutions and policies that were focused on replicating British and Australian levels of 'civilised' earnings and incomes. In South African conditions, these could only be sustained if the majority of the population were systematically excluded from coverage. After the collapse of the Pact Government, government commissions emphasised more emphatically the inefficiencies arising from a system in which white workers were paid wages as high as, or higher than, their counterparts in high-wage economies (such as the USA, UK and Australia) whilst African workers were confined to unskilled occupations and were paid wages as low as their counterparts in lower-wage economies (across much of Europe, for example) (South Africa, 1935; see also *Year Book* v.17, 1934-35: 243; see also Feinstein, 2005: 132-5).

Whilst wage differentials were reduced during the post-depression boom, the notion of a high 'civilised' wage or income level proved intractable. When Edward Batson conducted pioneering work on poverty in Cape Town in 1938-40, he defined the poverty line in terms that reflected the racialised assumptions that predominated at the time. His poverty line entailed sufficient food to meet needs 'taking into account the established food customs of the Western World', and sufficient clothing to meet the 'minimum compatible with health and conformity with Western customs' (Batson, 1941: 1). This was, he emphasised, 'the barest minimum upon which subsistence and health can be achieved under Western conditions' (*ibid*). Housing posed a particular problem, given that racialised norms meant that poor white and even coloured people did *not* live in areas where the cost of housing was lowest. Batson's way around this problem was to compare each household's income *net* of actual housing costs to a poverty line defined exclusive of housing costs (*ibid*: 2). Similar allowance was made for the actual expenses incurred in transport to and from work. What this meant is that households might be deemed poor in part because they chose to spend more money on housing than they might have done in a less segregated setting. In short, Batson set a poverty line that made some sense with respect to the standard of living expected by and for people like the (white) workers who had migrated from Britain to South African cities.

The state – even under the Pact Government – remained dependent on the gold-mining companies, and helped supply the mines with large numbers of unskilled African men to work for low wages (Jeeves, 1985; Yudelman, 1993; Crush, Jeeves and Yudelman, 1991). But the state, especially under the Pact Government, was also electorally and ideologically committed to the maintenance or improvement of white standards of living, and skilled, white workers were powerful enough to secure institutions through which they could advance or protect their interests, especially in the fast-growing manufacturing and service sectors.

The construction of a welfare state

The state also interwar period also saw unprecedented concern with poverty, especially among the white (and coloured) citizenry. The extent, character and causes of 'white' poverty were documented in government and other commissions (especially South Africa, 1926: 105-20, 334-50; Macmillan, 1930; the Carnegie Commission, 1932). As with labour market regulation, the impetus behind welfare state-building was profoundly colonial, if not racist: If too many poor white men and women sank into 'apathetic indigency', living with or even below the 'non-European majority', then white people could not maintain their position as a 'dominant race' (in the words of the Transvaal Indigency Commission of 1908, quoted in Lewis, 1984: 25). The government responded primarily through racially-discriminatory job reservation and minimum wage-setting, aimed primarily at ensuring that white men of working age earned enough to support themselves and their dependents. During the Great Depression, which coincided with drought on the South African platteland, the state operated massive public works programmes to prevent mass unemployment among white working-age men. In addition, the state provided direct financial assistance to people who were unable to work (due to age, disability or gender) and whose kin failed to support them.

The state's response to the 'poor white problem' was important because it framed subsequent debates about poverty in society as a whole. It became widely accepted in the early twentieth century that 'white poverty' required redress through systematic state interventions in, primarily, the labour market and welfare state. By the 1940s, the state had developed institutions and policies that had both the intent and effect of ensuring that one category of people (the 'white' population) maintained a minimum 'civilised' standard of living, in part so as to maintain a clear hierarchy between them and the rest of the population (i.e. African people especially), and which was dependent on this very same hierarchy. Both the elevated incomes deemed acceptable for 'insiders' and the callous disregard for the welfare of 'outsiders' were to remain core features of public institutions and policy under and even after apartheid.

Just as the state accepted that wage-setting for white workers could not be left to the market alone, so it accepted that the incomes of poor, non-working white people needed to be supplemented by the state. Prior to the 1920s, poor white people relied primarily on kin or the churches, with only a small minority of workers contributing to insurance schemes and state provision limited to poor relief on the British model (Bottomley, 1990; Iliffe, 1987: 115-23). Workers – generally the more skilled workers – in some sectors had secured industry- or employer-specific insurance against disability or poor health, and provision for old-age. The 1924 Industrial Conciliation Act – as subsequently amended – provided further scope for the extension of insurance. In the industrial councils, unions and employers could bargain not only over wages, but also over benefits such as pension schemes. By 'extending' agreements to entire sectors, i.e. including to employers and workers who were not party to the negotiations, the state ensured the expansion of 'quasi-social' insurance. The Industrial Conciliation Act thus provided the first pillar of South Africa's welfare state.

The second pillar of the welfare state entailed social assistance programmes. The 1928 Old Age Pensions Act provided means-tested, non-contributory old age pensions, for white and coloured people only, broadly as recommended by the multi-party Pienaar Commission on Old Age Pensions and National Insurance (Seekings, 2007). This prompted a short-lived conservative backlash against welfare state-building, but in the mid-1930s and early 1940s the state's responsibilities were expanded to cover further categories of 'deserving' poor: the blind, people suffering from other disabilities, poor families with children, and unemployed workers. The improved public finances resulting from a higher gold price made it easier for the state to respond to the challenges of drought and depression, whilst party political competition provided some impetus (Seekings, 2008). The government also organised the construction of housing and controlled rents for white workers (Parnell, 1989). In 1937, the newly appointed professor of sociology at the University of the Witwatersrand proclaimed in an inaugural lecture, exaggerating only somewhat, that 'provision for [the] European population' in South Africa was 'scarcely less complete than that of Great Britain' (Gray, 1937: 270).

In relation to the poverty line implicit in the concept of the 'civilized' standard of living that applied to white South Africans, almost all African people were poor – precisely because civilized standards were set so as to ensure the maintenance of a clear racial income hierarchy. When means-tested old-age pensions were introduced for white people, both the value of the pension itself and the income limit used in the means-test were higher than the earnings of most African working people. Poverty among the African majority (or the coloured and Indian minorities) was, however, rarely acknowledged. Poverty among African people was either denied or treated as somehow natural. The Native Economic Commission infamously reported in 1932 that 'the poverty of individuals which occurs among Europeans is not common among Natives' because 'their communal system cares for all its people' and 'each man will share his food with others' (South Africa, 1932: 142). This justified the exclusion of African people from benefits under most welfare legislation, even though some officials recognised that poverty was worsening and 'the ability if not the willingness of the kraal to maintain its helpless members is decreasing' (South Africa, 1937a:15-16).

The Second World War ushered in a brief period of more encompassing reform (Dubow and Jeeves, 2005). This reformism reflected the influence of a more progressive conception of social justice as well as a more hard-hearted concern with economic efficiency. Efforts to raise unskilled wages (for African works) or to assist poor, elderly (African) people through old-age pensions were motivated by a strong sense that this was right as well as necessary. South Africans were inspired by social policy reforms elsewhere in the world, especially in New Zealand. A 'social security movement', including leading economists and sociologists, lobbied for reforms along the lines of the 1942 British Beveridge Report. Caught up in this idealism, the governing United Party campaigned in the 1943 election on the promise of a 'better life for all' (although the party leader and Prime Minister, Smuts, voiced scepticism in his private correspondence) (Seekings, 2000, 2005). In 1944, old-age pensions were extended to African men and women, albeit with racially discriminatory benefits, and restrictions were relaxed on public spending on schools for African children.

The appeal of welfare reforms did not rely on idealism alone. State officials, employers (including in the Chamber of Mines) and others were anxious about the social and economic consequences of poverty. Influenced by British research on poverty lines and global concern over nutrition, researchers (led by Batson) had begun to compare household expenditure with the cost of living for all sections of the urban population, and to measure malnutrition in both urban and rural areas. A series of studies suggested that malnutrition was stable or in decline within the white population but was rising within the African population (Wylie, 2001: ch. 5). The Chamber of Mines, concerned over the poor health of the mineworkers they were recruiting in rural areas, had sent researchers to the Transkei to assess malnutrition and mortality trends (Fox and Back, 1937). A series of studies in the 1940s documented the extent of absolute poverty in both rural and urban areas (Dept of Economics, NU College, 1949; South Africa, 1944; South Africa, 1946).

The progressive moment of the early 1940s was, however, short-lived. Even before losing the 1948 election, the United Party government was back-tracking on reforms that had benefitted African people. The National Party's election victory in 1948 ensured a return to the more exclusionary policy mix of the late 1920s and early 1930s.

Conclusion

Economic modernisation in South Africa in the 1920s and 1930s was framed by the political, social and ideological prioritisation of white citizens' standard of living. Whilst the colonial context probably inflated the 'cost of living', the tools used to achieve these goals were copied from the repertoire of non-colonial societies, especially Britain and its other dominions. In the South African economic context, however, inclusion required exclusion: the maintenance of high living standards for white South Africans required the suppression of living standards for the rest of the population. This was achieved both directly (through, most notably, racial restrictions on employment in higher-paid occupations and other economic opportunities), indirectly (through policies such as wage determination through the extension of collective agreements and the Wage Board) and by omission (through concentrating public resources on the white citizenry).

Apartheid, institutionalised after the National Party's electoral victory in 1948, entailed both a profoundly modernist project of regulation and control of African, coloured and Indian South Africans, and, at the same time, a state-directed programme of systematic economic protection for the white citizenry. Whilst there were important continuities between the Pact Government and apartheid, there were also important shifts in the modernising role of the state. Crucially, the state invested much more heavily, and discriminatingly, in public education. Through superior public education, white children were given skills that privileged them in the labour market, and which in time meant that they no longer had to rely on a job colour bar to get the better-paying jobs. The importance of public education for white people was reflected in the fact that the state spent much more on the white minority than on the African majority. The educational gap remained enormous until very late in the apartheid period, when rapidly rising numbers of African children began moving into and through secondary schooling.

Labour market institutions for wage determination and the welfare state may have become less important for South Africa's largely prosperous white population, but the institutions remained in place. As their importance waned for white workers and poor white citizens, they grew in importance for the hitherto largely excluded African workers and poor African subjects.

In the 1980s and 1990s the system of wage determination was transformed through the struggles waged by the new 'independent' trade unions representing mostly semi-skilled African workers, culminating in the enactment by the post-apartheid state of the 1995 Labour Relations Act. For a while during the 1980s it was unclear whether the industrial councils had much of a future. The established trade unions, representing mostly skilled white workers, were seen to use the councils to negotiate wage increases for themselves at the expense of low-paid black workers (Baskin, 1991: 256), and did indeed seek to use the councils to defend the colour bar, but by the 1970s the minimum wage rates agreed in the councils were generally of little concern to white workers whose wages were far above the agreed minima. The established unions' primary interest in the councils was that they served to protect their pensions and other benefits. What ensured the survival, and indeed strengthening, of the industrial councils were their embrace by the independent trade unions.

The prospect of negotiating over minimum wages and improved benefits across entire sectors, rather than piecemeal at the plant level, became increasingly attractive, as long as the unions could combine this with industrial action. In the early 1980s, independent unions began to join industrial councils (Friedman, 1987). The Congress of South African Trade Unions (COSATU), established in 1985, pushed for countrywide industrial councils to provide for a 'living wage' through industry-wide minima (Morris, 1990; Pillay, 1990; Baskin, 1991; Godfrey and Macun, 1992). The discourse of a 'civilised' wage was thus reincarnated via the very same institutions through which it had been effected in a racialised form half a century earlier.

The new unions reinvigorated the industrial council system, using it just as white workers' unions had used it earlier in the century, to push up minimum wages and to secure improved benefits and working conditions, in the face of economic pressures to depress wages and labour costs. Unions affiliated to COSATU rightly saw that the 'wage gap' – i.e. the gap between the salaries and wages paid to better-paid (mostly white) employees and the wages paid to unskilled workers – was very wide, and that most of their members (including semi-skilled as well as unskilled workers) were paid less than a 'living wage' (which a union-linked service organization calculated in 1989 at R1140 per month, i.e. approximately $430 per month at the time). What made industrial councils especially attractive is that they enabled a union to neutralize the downward pressures on wages exerted by non-members. For most of the twentieth century, such downward pressure on unionized (white) workers' wages came from coloured and African workers, and the solution, negotiated in part in the industrial councils, was the colour bar. At the end of the century the pressure on unionized African workers' wages came from the growing numbers of unemployed African workers and – in tradable sectors – the threat of cheap imports from China and elsewhere. The extension of minimum wages across whole sectors had the effect of preventing the survival or emergence of smaller, low-wage, labour-intensive enterprises, and thereby contributed to the rising capital-intensity of production and, perversely, the very unemployment that was threatening wages in the first place.

The 1995 Labour Relations Act changed the names of the old industrial councils to 'bargaining councils', but retained their basic form. Similarly, the 1998 Basic Conditions of Employment Act changed the name of the Wage Board to the 'Employment Conditions Commission' (ECC), but retained its basic form and function. The ECC presided over the expansion of minimum wage setting to sectors that were hitherto excluded (including domestic and agricultural employment, and the burgeoning private security industry) and steadily raised the real value of sectoral minima.

By the 2000s, almost all working people in South Africa were covered by one or other form of wage determination: either collective agreements (and their extensions), or sectoral determinations through the ECC. Whilst the minimum wages were low in comparison to the minima set for white workers in the past, they are high relative to other middle- or low-income developing countries. This reflects the institutional legacy of the 1920s and 1930s.

Just as post-apartheid legislation has preserved the basic shape of the system of wage determination, whilst ensuring that they were inclusive of all workers, so post-apartheid reforms of the welfare state preserved its basic shape, whilst expanding its reach and public expenditure. Government ministers insist that South Africa does not and should not have a 'welfare state', but government spending on non-contributory social assistance programmes has risen to 3.5 percent of GDP, with more than 13 million grants paid (in a country with a total population of only fifty million people). In terms of both expenditure and the proportion of the population benefiting, South Africa is an outlier in the global South. The expansion of expenditure and coverage was achieved primarily through the deracialisation of the welfare programmes established in the first half of the twentieth century, rather than through the introduction of entirely new programmes. First, in 1993, racial discrimination was finally abolished with respect to old-age pensions. Then, in 1998-99, the *de facto* racially-exclusionary 'state maintenance grant' paid to poor coloured and white single mothers was replaced by a more modest 'child support grant' paid (in time) to any poor mothers (or other caregivers) (Seekings, 2008). South Africa's massive post-apartheid social assistance system exists because programmes were introduced *prior* to 1948 (and survived apartheid).

The institutional and policy legacy also shapes popular perceptions of poverty and work. As early as the 1940s, African people began to define poverty in terms of 'needs' that reflected the inflated living standards of (mostly white) insider-citizens. As Wylie writes:

> Eating mielie meal without relish (a stew of meat, potatoes, onions, and occasionally tomatoes) could give rise to the sense of being hungry, of living below an acceptable level of consumption. A child from a poor family could feel hunger while watching a better-off child devour a slice of bread covered with butter and jam. People were growing to need sweets, whether in beverages such as heavily sugared tea or in cakes and jam. Foods made with sugar were losing their luxury status, just as they had during the European industrial revolution. A modern sense of hunger, one that sociologists would call "relative deprivation", was being born. (Wylie, 2001: 109)

Just as living standards in Britain and Australia helped to define poverty meant among white South Africans, so the latter's affluence served to redefine what was acceptable among African people in South Africa.

In the 1980s, 1990s and 2000s, African workers and their trade unions have embraced concepts of a 'living wage' and 'decent work' rooted in the historical experience of white South African workers. COSATU's "Living Wage" campaigns are the discursive heirs to campaigns for 'civilised' wages and living standards for white workers in the 1920s and 1930s. COSATU's adoption of the International Labour Organisation's campaign for 'decent work' is similarly reminiscent of white workers' embrace of ILO policies in the 1920s and 1930s. In both cases, 'civilised labour' or 'decent work' is defined, in the South African context, with an explicit emphasis on high wages – an emphasis which is muted in the ILO's own discourse. In post-apartheid South Africa, even public works programmes pay high wages (or allowances), due primarily to unions' insistence that the wages paid on such programmes do not undercut the high wages set in the rest of the economy through the various wage determination mechanisms. Wages on public works programmes in South Africa are thus approximately seven times higher, in real terms, than wages on India's primary public works programme. South Africa does not have an official poverty line, but debates over possible poverty lines also reflect the legacy of the pre-1948 period. And high wages have entered into popular understandings of what constitutes decent work and fair wages. Despite very high unemployment, reservation wages reflect the existing structure of wages in the economy; there is little demand for low-wage employment among the unemployed.

In terms of both market regulation and economic decision-making, post-apartheid South Africa operates for the most part within an institutional and cultural environment established in the 1920s and 1930s. The norms and practices of social solidarity have, however, changed. In the 1920s and 1930s, solidarity was racialised, with white workers and other white insider-citizens not only excluding explicitly most African workers, but using public policy to strengthen and maintain the racial income hierarchy. In the 1990s and 2000s, the institutions and policies have been deracialised (although racialised identities unsurprisingly remain important). Deracialisation has not meant full inclusion, however. The welfare state has become widely inclusive, but labour market policies maintain the exclusion of large numbers of African people, not because they are African, but because they are unemployed (Seekings and Nattrass, 2005).

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To follow

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