PENSION PAYOUTS, PERIODIC MARKETING AND THE CONTINUANCE OF URBAN DEPENDENCE IN RURAL SOUTH AFRICA

R. FOX and E. NEL

ABSTRACT

The former homeland areas of South Africa are characterised by extreme poverty, high levels of urban dependence, a reliance on pensions and low levels of agricultural production. This paper is based on a case-study of the Eastern Cape province and details rural realities, the importance of pensions and the constraints which face current plans to develop and expand the periodic marketing network.

Introduction

This paper describes the deeply entrenched urban dependence which exists in the former homeland areas of South Africa. Although the Eastern Cape Province is the particular focus of the study most of the patterns and processes described can be applied to the other African, rural, former homeland areas. High levels of rural dependence and marginalisation can be attributed to the well documented legacy of racial and economic subjugation which has created one of the greatest challenges of the post-apartheid era. This paper briefly sketches the historical background to the development crisis in rural areas before focusing on contemporary issues. Harsh economic realities set the scene for an explanation of the critical importance which pensions play in rural areas. Current, neo-liberal policy places emphasis on the role of free market forces in catalysing rural development. Key to such activity is the perceived importance of periodic markets. As this paper will argue there is minimal scope for such interventions to realistically alter prevailing levels of underdevelopment in the absence of more concerted development intervention.

Setting the Scene

Historical research in the reserves (the later homelands) of the Eastern Cape clearly indicates that by the 19th century successful small-scale African farmers had entered the capitalist market and were able to market their goods in the country’s major centres. Extensive trade in Angora hair, hides, tobacco, grains and cattle funded a return flow of commercial goods and wealth (Bundy, 1979). By the 1890s however, the situation had reversed as a result of population increase, land shortages, diminishing returns, rising rural debt, the effective absence of state support, the hostility of white commercial farmers and the entrenchment of the migrant labour system. In 1894 the Glen Grey Act curtailed property subdivision, and according to Harris (1968) ensured that future generations of African peasants would be born proletarian, with no access to land and a total dependence on wage labour. Migrant labour, the loss of male labour and the gradual demise of commercial farming entrenched a system of urban dependence which has come to characterise the African rural areas of the country.

The 1913 and 1936 Native Land Acts imposed controls on African landholding (Branch, 1994), whilst post-1948 policies of exclusion and relocation ensured that the Homelands became effective labour reservoirs (Davenport, 1991; Pickles and Wood, 1992). The catastrophic effects of these policies is vividly illustrated in Switzer’s (1993) study of the Ciskei homeland. Under the above conditions over-crowding ensued and the environment degenerated. By 1918 the land could no longer provide for the subsistence needs of the entire population (Switzer, 1993). As a result

of overpopulation and overstocking by 1948, only 20% of the Ciskei was deemed to be suitable for arable cultivation. In certain districts up to 75% of the able-bodied men were migrants working outside the district on a semi-permanent basis by the 1920s. Later ‘bettermen’ planning led to a 21% reduction in average plot size. By 1980 although 64% of Ciskei’s population were rural only 5% were making a full-time living from agriculturally derived activities (Switzer, 1993).

Rural South Africa: Impoverished, Functionally Urban, Residually Rural

Today’s government is dealing with a African rural population which is not particularly agricultural in its functional orientation, even at the subsistence level. A decade ago Bembridge (1987) classified rural households in African areas in terms of their integration with agricultural activities. Table 1 summarises the four categories he derived and shows the tiny proportion – 0.2% – of market oriented producers and the huge numbers – 87.5% – of households with none or very limited agricultural activity.

<table>
<thead>
<tr>
<th>Type of Household</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No access to arable lands or cattle</td>
<td>562000</td>
<td>31%</td>
</tr>
<tr>
<td>Small scale producers, limited selling of crop/livestock</td>
<td>1030000</td>
<td>56%</td>
</tr>
<tr>
<td>Semi-integrated producers with some modern technology and some selling of produce</td>
<td>238000</td>
<td>13%</td>
</tr>
<tr>
<td>Market-oriented producers</td>
<td>3100</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Most of today’s rural dwellers are not agriculturalists: they are schoolchildren, commuters, the elderly, unemployed, civil servants, traders and businessmen who may also be part-time farmers. They are, however, usually very poor. Fabricius and McWilliams’ (1991) study in five of Ciskei’s magisterial districts found that most households (66%) had an income of less than R500/month (US$110) with 40 percent under R300/month. Research in the Keiskammahoek District of Ciskei by de Wet (1993) and Sperber (1993) showed that in the rural villages the formal sector only employed between 13 and 32 percent of the potentially economically active population. The number of migrant workers varied from 18 - 82 percent. Unemployment was high with rates of between 23 and 42 percent and agriculturally derived revenues did not exceed 10 percent of incomes in rural villages.

The above conditions force one to come to the conclusion that harsh rural realities and a dependence on urban jobs, remittances, pensions, products and services make most African rural dwellers to be ‘functionally’ urbanised.
Rural Realities: Pension Payouts and Periodic Markets

Rural poverty impacts negatively on the small rural service centres which should be acting as points of sale and collection. There is very little, if any, demand for agricultural inputs from the hinterlands of small homelands towns and very little need for marketing agricultural produce. Rather the towns act as conduits channelling (through the taxi trade) tidal waves of people, goods and money whose ebb and flow is regulated by end-of-month pay days, monthly and bi-monthly pension payouts and the periodicity of circular migrants. Products sold are drawn from the distant urban centres and little if anything comes from the local area. The chances for agropolitan and regional development are therefore limited as they usually are founded on the premise of a vibrant peasant sector actively engaged in the market/exchange economy (discussed in Simon, 1990).

One area which has received very little attention has been the role which old-age and welfare payouts have had on keeping the rural areas afloat economically. The following quotation gives a vivid evocation of the importance of pensions to deep rural communities and is also noteworthy for showing the links between the rural and urban sectors.

The village is Ncthaleni some 60 kilometres north-east of Queenstown and the subject is 80-year-old Mrs Funiwé Wenzi.

Mrs Wenzë supports seven grandchildren and great-grandchildren whose parents and grandparents have disappeared. Three-year-old Nonqaba was sent to her after her parents were killed in political violence in Johannesburg.

On her monthly pension, which she collects every three months in Lady Freer – 15km away along an almost impassable dirt track that provides the only access to the village – she feeds, clothes and houses all seven, and pays school fees for six who attend the village’s pre-primary school and a primary school in the next village. The seventh is a young woman of 19 who has no job and no income.

They live on mealie meal and samp which grandmother Wenzë makes herself by pounding mealie corns which she buys in 50kg bags. (Sunday Times, 21 April 1996).

The importance of the three-monthly trip to Lady Freer – almost certainly on foot – and the purchase of the 50kg bag of mealies and its transport home cannot be underestimated. Also apparent is the role of the elderly who live there as a threadbare safety net to the young whose parents have fallen off the rungs of the high tapeze that is urban township life.

Pensions have been an important part of the rural scene since the Second World War and possibly earlier. Pensions were paid at differential rates from 1948 to 1965. Inhabitants of the nine largest cities in the country received a basic rate double that of rural dwellers. Pensioners in the other towns received amounts midway between the two. After 1965 this appears to be an instrument of apartheid hitherto unremarked on which acted to promote the elderly to stay in the rural areas. In that year all pensions were raised to that in the cities. According to Muriel Horrel (1966, p.294):

In his Budget speech, the Minister of Finance said that the object of introducing a uniform rate was to avoid providing an incentive to Africans to move to cities.

The switch in policy was thus a form of influx control for the elderly which kept many old age pensioners in the homeland areas and it also became an important source of household income. It had additional positive affects on the taxi business and the economies of the small towns and trading posts.

In the rural areas the payout of pensions usually occurs at trading posts or other nodal points to which the elderly come to queue and wait for the arrival of the pension van. As pensions are often the only major economic injection into many rural villages, groups of hawkers follow the pension van as do private debt collectors and the agents of furniture stores. Pensions are used to pay for food, transport, clothes, building material and school fees. This is illustrated by the recent pension debacle in the Eastern Cape in January 1998, when the late-payment of pensions promoted human suffering and left many rural schools depleted of pupils through the inability of many families to pay school fees (Makhanya, 1998).

The critical importance which pensions play in rural economies has been recognised by the Stutterheim and Seymour Development Forums which have sought to transform pension payouts from haphazard economic affairs to formally constituted periodic markets, which will, ideally, catalyse a two-way flow of goods. As these notions currently appear to be entrenched in government policy, an examination of on-the-ground evidence serves as a test-bed as to whether neo-liberal principles and free-market forces can transform the desperate economic plight of the former Homelands. The notion of ‘rings of periodic markets’ is given considerable attention in the 1995 Rural Development Strategy (Republic of South Africa, 1995) and the 1997 draft Rural Development Framework document (Republic of South Africa, 1997). According to the latter document markets can reintegrate rural areas into the economy and raise living standards. Field evidence from the Eastern Cape helps to evaluate the viability of such ideas.

Since the early 1990s the Stutterheim Development Forum has attempted to promote pension pay-points as periodic markets with a diversity of functions. Similar attempts have been made more recently at Seymour and Hertzig in the former Ciskei. Research undertaken by Fox and Nel (1996) at Wartburg and Mqwali markets looked at the potential for the Stutterheim Development Forum’s initiative to promote rural-urban linkages. It was found, however, that the hawkers were also tied very strongly into the formal, urban wholesaling network within and beyond the district. Only two of the hawkers at Mqwali had sourced their goods (carrots) at Mqwali. Mqwali, however, bought their fruit, vegetables, rice, fish etc., in Stutterheim (the nearest large town), 22 had acquired their goods from King William’s Town and East London and 12 from national suppliers. At Wartburg, a smaller market, the pattern was similar and although no goods for sale came from Wartburg 17 hawkers had obtained their produce from within the Stutterheim District. Stutterheim town’s wholesalers and retailers supplied 13 hawkers and 18 had gone further afield to King William’s Town. It was concluded that strong urban-rural links were being forged with traders in the formal sector, many from quite distant towns, but the impact on local production and exchange was very modest.

A comparison with patterns at the Hertzig and Seymour periodic markets/pension payouts (in the Seymour district) can be usefully made since there has been a major community-based agricultural initiative in the area (Nel et al., 1997) and it is interesting to see whether local produce has filtered into the markets. Table 2 summarises the geographical origins of the goods sold at the two markets. In Table 2 the places have been entered according to their distance from the market with the furthest places first and the nearest last. If there was a great deal of very local trade then the last few places would score highest, but unfortunately they do not. Most of the goods were sourced in larger, distant towns, i.e. Fort Beaufort, King William’s
Town and Queenstown. Virtually all of these goods were bought from wholesalers linked to national trading networks.

TABLE 2: Origins of Goods Sold at Hertzog and Seymour Markets

<table>
<thead>
<tr>
<th>Hertzog Place</th>
<th>Number of Hawkers</th>
<th>Seymour Place</th>
<th>Number of Hawkers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durban</td>
<td>2</td>
<td>Durban</td>
<td>1</td>
</tr>
<tr>
<td>East London</td>
<td>1</td>
<td>Cape Town</td>
<td>1</td>
</tr>
<tr>
<td>Mdantsane</td>
<td>1</td>
<td>Port Elizabeth</td>
<td>2</td>
</tr>
<tr>
<td>King William’s Town</td>
<td>4</td>
<td>Queenstown</td>
<td>3</td>
</tr>
<tr>
<td>Whitlesea</td>
<td>1</td>
<td>King William’s Town</td>
<td>4</td>
</tr>
<tr>
<td>Hogsback</td>
<td>1</td>
<td>Whitlesea</td>
<td>1</td>
</tr>
<tr>
<td>Alice</td>
<td>1</td>
<td>Alice</td>
<td>3</td>
</tr>
<tr>
<td>Fort Beaufort</td>
<td>8</td>
<td>Fort Beaufort</td>
<td>6</td>
</tr>
<tr>
<td>Kolomane</td>
<td>2</td>
<td>Hogsback</td>
<td>1</td>
</tr>
<tr>
<td>Adelaide</td>
<td>2</td>
<td>Hertzog</td>
<td>2</td>
</tr>
<tr>
<td>Balfour</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Pettit 1996.

There was, however, a small amount of trade using local produce, there were meat and chickens from local farmers and also potatoes from the African smallholders of the Hertzog Agricultural Cooperative (HACOP). Despite this, by far the greatest single source of supplies were the urban wholesalers. A study by Pettit (1996) showed that the linkages, both in terms of organisation and the reliability of supply, do not exist to market HACOP produce locally (where demand is in any case low). The local hawkers too, find it advantageous to travel to Fort Beaufort which exposes them to other products.

Quite clearly, these conclusions do not augur well for the current government’s policy which sees Periodic Marketing as a tool for rural development. Stutterheim and Hertzog which are examples of bottom-up development initiatives have been pursued with a great deal of consensus, initiative and hard work. In both cases the forces they are dealing with are deeply entrenched perceptions and patterns of activity which are very strongly dependent on the urban sector. Quite clearly, more concerted intervention will be needed to transform rural areas, from entrenched levels of dependence and to stimulate some form of rural agricultural activity. One of the key constraints on periodic markets which only manifested itself in 1997 is the fact that pensions are now being paid by cheque and not by cash in many areas. The net result is reduced cash circulation in rural area, the movement of pensioners to urban areas where bankers and retailers are assembled and the erosion of the limited rural trade that there was on pension days (Sono, 1997).

Conclusion

There can be no doubt that the problems experienced in rural South Africa are the result of policies which are in many ways unique. However, the current government is caught in an ideological impasse which is common to other countries attempting to promote welfarist-redistribution type policies. The dominant global economic imperative is neo-liberal which promotes the free-market, the inter-nationalisation of trade and a reduced role for the state in the development process. These three processes are going to promote the prospects for those areas with comparative advantages – particularly the production of agricultural or manufactured goods. Quite clearly, the deep rural areas which this paper has been concerned with do not possess these sorts of advantages, instead they have been extensively under-developed for well over a century. Thus the increasing adoption of neo-liberal strategies will leave patterns of urban dependence and circular migration in place. This paper has explored just how deep levels of dependency and marginalisation are in rural areas and the limited faith which can be placed in strategies such as periodic marketing to address the backlogs which exist.

REFERENCES


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