If we take both the changed income patterns and the changed employment patterns over the past 30 years into account, we can divide the present South African population of 45 million people into three socio-economic classes of roughly 15 million each.

### South Africa's Highly Stratified Class Society

**2004**

- **Middle Class (Bourgeoisie)**: 12 million
  - People living in the brightness of daylight
  - (receive ≥ 85% of income)
  - (4 million white and 11 million black)
- **Working lower class**: 15 million
  - People living in the twilight of the evening
  - (receive ≥ 10% of income)
  - (12 million white and 11 million black)
- **Non-working underclass (Lumpenproletariat)**: 28 million
  - People living in the darkness of the night
  - (receive ≤ 5% of income)

- **Not poor**: 5 million
- **Poor**: 40 million

---

i) **Firstly**, a non-racial and rich middle class (bourgeoisie) of which 4 million are white and 11 million are black. This class socio-economic position has improved in a spectacular way over the past 10 years. This class is living in the brightness of daylight.

ii) **Secondly**, a poor lower class (or workers class) of 15 million people that are mainly black. The heads of households in this class have access to job opportunities although many of these job opportunities are in the informal sector. The socio-economic position of a large part of this class has improved over the past 10 years, but the socio-economic position of the rest has deteriorated. This class is poor but not desperately poor. This class is living in twilight of the evening - in different shades of twilight.

iii) **Thirdly**, the bottom 15 million are a black (and mainly African) underclass (or lumpenproletariat) that was already desperately poor in 1994, but whose socio-economic position has deteriorated further over the past 10 years. The heads of households in this class have almost no access to job opportunities in either the formal or the informal sector. They are therefore a non-working underclass. This class is living in the darkness of the night.

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### 2. SOUTH AFRICA AS A THREE CLASS NATION OR A THREE-NATION-NATION

Let us look in somewhat greater detail to the socio-economic position of each of the three classes and the social, political and economic determinants that are responsible for the improvements and/or deteriorations of the socio-economic position of each class.

i) **The rich middle class or the bourgeoisie**

This class receives ≥85% of total income and ≥50% of the income of Africa South of the Sahara. This class lives in a wonderful oasis amidst a large and impoverished African desert. This class should count its blessings.

The white component of the middle class (4 million people) are relatively rich. They have done quite well over the past 10 years, although some have become poorer. I am going to concentrate on the 11 million black middle class people. This group - and especially the ≥2 million that can be regarded as the black elite - experienced a dramatic improvement in their socio-economic conditions since 1994 and especially since 1994.

The rise of the black middle class should be regarded as a very positive phenomenon. But if we take into account of the fact that the relative quick *bourgeoisisation* of the black middle class took place during the same 30 years in which the socio-economic situation of the underclass deteriorated dramatically, then there is genuine concern that the black middle class' bourgeoisisation may have taken place too quickly, too easily and that many of them have also become too rich. Although it is not easy to identify a direct causal link between the enrichment of the black middle class and the impoverishment of the black underclass over the past 30 years - and especially over the last 10 years - it is quite reasonable to conclude that the
The productivity of the different "compensation" programs varies. The "hard core" of the program - specifically those programs in which the focus of the compensation is on "hard work" and "productive output" - is the target of the program. The "soft core" of the program - specifically those programs in which the focus of the compensation is on "soft skills" and "personal development" - is also a target of the program. The "middle core" of the program - specifically those programs in which the focus of the compensation is on "technical skills" and "professional development" - is a target of the program as well.
should, therefore, not be surprise that this class is very much neglected by the government and by different levels of the public sector.

I have the impression that the government does not understand the complexities, the magnitude and the endogenous dynamic character of the poverty problem of the underclass. The underclass's poverty is like a snowball that rolls at its own momentum from a slope. The government spends more on social services, but not nearly enough to stop the poverty snowball in its track. The members of the underclass are the real victims of the high levels of crime and violence and of contagious disease because they do not have the resources necessary to protect themselves against the disruptive effects of these adversities.

3. AN INCOMPLETE TRANSFORMATION AND THE DYSFUNCTIONALITY OF OUR NEW POLITICO-ECONOMIC SYSTEM.

How can we explain the ongoing deterioration in the socio-economic position of the underclass?

I think it is important to consider their dismal socio-economic position within its proper historical context. In 1970 - when apartheid reached it's zenith - people in the underclass were already poor and very much deprived. The 20 years of struggle and of creeping poverty (1974-1994) have had devastating effects on this class. They can be regarded as the real victims of the struggle.

When African labour lost its cheapness and its docility in the 1970s, the corporate sector took defensive steps and started to replace African labour with capital. The corporate sector continues to this day with its drive towards increased capital intensity in its production methods and is employing a smaller and smaller percentage of the potential labour force. Increased capital intensity within the framework of global competition is responsible for growing unemployment, and growing unemployment is responsible for growing poverty.

From 1974 to 2003 the character of the South African economy was transformed from a system of racial and colonial capitalism into an open first world capitalist enclave that detach itself from a large part of the black labour force. During the informal negotiations on the future economic system and policy - that took place between an ANC leader core and the corporate sector - the corporate sector convinced the ANC to accept a neo-liberal and global orientated economic policy and to regard the South African economy as though it is a free-market economy and as if it is a system that is appropriate to serve the interest of all South Africans. This was a serious mistake. Over the past 10 years The neo-liberal and globalisation policy and the new labour laws stimulated the trend towards enclavation quite strongly - and with it the trend towards increased unemployment.

It was wrong to try to superimpose a neo-liberal and free market and globalised economic system on the ash heap of colonialism and apartheid. The minimum but essential conditions - of the human, social, judicial and institutional nature - that must be in place before a free market economy can serve the total population, are not in place in post-apartheid South Africa and these conditions cannot be "created" easily or over a short period of time.

During the negotiations that took place in the early 1990s between an ANC, a white leader core and global corporations a new "social contract" was agreed upon. This "social contract" - and the compact of power and ideological orientation on which it is based - fully includes the black middle class (now 11 million people) on lucrative terms into the benefits and opportunities of the new system, it includes a part of the working lower class partially, but it excluded the underclass almost completely. All that was "given" to the underclass in 1994 was the promise that it will benefit over the long run from economic growth. But up till now the 2.7% economic growth that was attained annually, has "delivered" no trickle-down effect to the underclass. Even Pres. Mbeki has acknowledge recently that we cannot expect that a strong "first world economy" will automatically have a trickle down effect in favour of the "third world economy".

Our new politico-economic system is not serving the underclass and cannot serve it. This class is systematically excluded and neglected due to the deeply institutionalised dysfunctionality of our new system. The new system is dysfunctional because it is too strongly "geared" to serve the rich middle class (both the black and the white middle-class) and not "geared" to serve the impoverished black "underclass".

The challenges of the next decade will be to transform both the political and economic parts of our new politico-economic system in such a way that a system will be institutionalised that will operate functionally on behalf of all socio-economic classes in South Africa.

We have accomplished a remarkable political transformation. Unfortunately, our transformation is incomplete. We urgently need an additional transformation - and additional power, ideological and policy shifts - to include the underclass into the benefits of our politico-economic system. The underclass is living in the darkness and coldness of a seemingly everlasting winter night. This is unacceptable.
only 8% of South Africa's territory while whites comprised the native reserves to white farmers and restricted the native reserves to the southern areas.

6. The Land Act (1913). The white-dominated apartheid economy was established in the early 1900s, and the white minority controlled the majority of the country's resources and wealth. The Land Act of 1913 effectively disenfranchised the black population and reserved vast areas of land for white settlement.

5. The post-Apartheid economy. In the period following the end of Apartheid in 1994, South Africa transitioned to a democratic and constitutional state. The economy, however, struggled with the legacy of inequality and racial discrimination, leading to high levels of poverty and unemployment among black South Africans.

4. The South Africa Native Affairs Commission. In the years following the end of Apartheid, the South African Native Affairs Commission was established to address the historical injustices and inequalities faced by the black population. The commission worked towards improving living conditions and providing education and healthcare to the black majority.

3. The successful white governments enacted several reforms in the 1990s and early 2000s that aimed to address the grievances and inequalities of the black population. These reforms included land redistribution, affirmative action in education and employment, and measures to improve the living standards of the black majority.

2. The political-economic system of the territories that were comprised of the political-economic system of South Africa until the early 1980s.

1. The system of apartheid was used to maintain the political-economic system of South Africa until 1980.

SOUTH AFRICA ECONOMY

THE FAULT LINE IN THE SOUTH AFRICA ECONOMY

1. An outstanding characteristic of the SA economy is the "second economy" in two separate worlds.

2. The fault line was artificially drawn between the "first" and the "second" economy. The first economy comprised the white-dominated sectors, while the second economy was dominated by black industries and services.

3. Inequality and discrimination were integral to the political-economic system of South Africa until 1980.
THE SOUTH AFRICA ECONOMY
FROM 1913 UNTIL 1973

1. The Land Act was the rock on which the gold and maize industries were built - the white employers classes attained high profits until 1973.

2. In 1952 Dr Verwoerd introduced a migrant labour system for employment in manufacturing. He introduced labour bureau to control the movement of African workers with an iron fist - the so-called "dompas" system

3. The consequences of systemic exploitation
   • From 1913 - 1973 the whites were always less than 20% of the total population and received constantly more than 70% of total income.
   • The Africans were almost 70% of the total population and received constantly less than 20% of total income.
   • The per capita-income of Africans decline from 9% of white per capita income in 1917 to only 6.8% of white per capita income in 1970.
   • Almost all property was in white hands, while Africans were not allowed to own property in "white" South Africa.

4. South Africa experienced its golden age of high growth from 1933 to 1973 - annual economic growth rate was 4.5%.

THE RACIALLY DIVIDED SOCIETY OF 1970
AND ITS UNEQUAL DISTRIBUTION
OF INCOME

<table>
<thead>
<tr>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
</tr>
<tr>
<td>12%</td>
</tr>
<tr>
<td>70%</td>
</tr>
<tr>
<td>100</td>
</tr>
</tbody>
</table>
The fault line of 1973

1. In 1973 SA was very much a racially divided society with a very unequal distribution of income. The lower class was composed of almost all the whites and a small black (mainly Coloured) class (pounded) of 20% and an impoverished lower class of 80%.

2. The alienation and the Africa townships were severely sanctioned and dismembered. The 20 years from 1974 to 1994 was a period of stagnation and growing poverty amid the struggle, sanctions, and dismemberment.

3. The population was divided between a middle class and a small black (mainly Coloured) class, and the lower class was composed of almost all the whites.

4. The middle class was composed of almost all the whites and a small black (mainly Coloured) class.

5. The lower class was almost exclusively black.

6. In 1973 SA was very much a racially divided and rather poor.

Increased unemployment. In 1995 34% of the total African population was permanently employed. In 1990 only 14% of the total African population was employed in the formal sector. In 1994 18% was permanently employed in the formal sector, in 1994 15% was permanently employed in the formal sector. In 1994 15% was permanently employed in the formal sector.

But the income of the poorest 60% of the world of apartheid's.

The per capita income of the top 25% of the population increased by almost 50% as a result of

3. The annual growth rate was only 1.7% and permanently.

2. The annual growth rate was only 1.7% and permanently.

1. The fault line in the South African economy was already deeply institutionalised.

From 1974 to 1994 the fault line.
FROM 1974 TO 1994 (continue)

6. When the blacks and especially the African labour force lost its cheapness and its docility in the 1970s - amidst illegal African strikes and unrest - the corporate sector started to replace African labour by capital.
   - The capital intensity of the economy increased sharply from 1974 to 1994.
   - Unemployment increased from 1.8 million (20%) in 1970 to 4.2 million (30%) in 1995.

7. In 1994 the population was divided in two classes:
   - Firstly, a white middle class (4½ million) PLUS a black middle-class-in-the-making of ±8 million.
   - Secondly, a black impoverished lower class of considerably poorer than in 1974 of ±26 million.

8. From 1974 to 1994 the fault line shifted from 20% to ±30% of the population while it also deepened with the impoverishment of the lower 60% of blacks.


1. The transformation of the political system of white political dominance did not happened abruptly in 1994.

2. A slow but certain political powershift took already place from the Soweto unrest (1976) until De Klerk speech (1990): The whites were slowly losing its bargaining power and its legitimacy, while the top echelon of blacks (±25% of them) gained bargaining power and legitimacy. Consequently the per capita income of the top ±25% of blacks increased by 40% in spite of the creeping poverty during this 20 years.

3. As the capital intensity increased sharply from 1974 the SA economy was transformed from a system of racial and colonial capitalism into a First World capitalist enclave with capital intensive production processes.

4. As the economy moved towards enclavity, the labour absorptive capacity of the modern sector declined quite sharply and unemployment started to increase.
A modified reformulating dynamics exists between and reintegration poverty and alleviation poverty. A large part of the poor are the capitalists of a culture which is moulded by pressure.

Politicised poverty is a problem because the ANC Government's almost non-existent in poverty circles. This is a lack of bargaining power - civil society is increased unemployment.

1. The ANC spend more on social services and poverty alleviation than the ND Government, but by far not enough.

2. Social spending as a % of non-interest government expenditure increased from 9% in 1992 to 28% in 2004. Social spending as a % of non-interest government expenditure increased from 9% in 1992 to 28% in 2004.

3. In 1994 poverty was already like a snow ball rolling down the hill.

4. The poverty is exposed to several poverty traps:
   a. The poor is exposed to several poverty traps:
   b. To roll over the past 10 years and it becomes bigger.
   c. The poverty is exposed to several poverty traps:
   d. To roll over the past 10 years and it becomes bigger.
   e. In his own momentum against a slope.

5. Although service delivery has improved over the past 10 years, 38% of households were still deprived of food security in 2007. Health, water and drinking water, education, communication, housing and drinking water, basic services in 2007: Health, water and drinking water, basic services in 2007: Health, water and drinking water, basic services in 2007: Health, water and drinking water.

6. Most undervalued societies in the world.

7. The South African Human Development Index (HDI) improved from 0.715 in 1990 to 0.730 in 1995, but Gini coefficient increased from 0.496 in 1995 to 0.635 in 2001.

8. The unexplained income distribution of income as measured by the gap between expected and observed poverty, or the so-called poverty gap - has also increased.

9. According to the SAHDR (2003), the depth of the poverty (or absolute poverty) decreased from 51.3% in 1993 to 48.5% in 2002, but the number of the population living in income poverty (or absolute poverty) decreased from 21.9 million to 20.2 million, but the number of the population living in income poverty (or absolute poverty) decreased from 21.9 million to 20.2 million, but the number of the population living in income poverty (or absolute poverty) decreased from 21.9 million to 20.2 million, but the number of the population living in income poverty (or absolute poverty) decreased from 21.9 million to 20.2 million, but the number of the population living in income poverty (or absolute poverty) decreased from 21.9 million to 20.2 million. WHERE SHOULD WE DRAW THE POVERTY LINE?

10. Why has the poor became poorer over the last 10 years?
### South Africa’s Highly Stratified Class Society

#### 2004

<table>
<thead>
<tr>
<th>Middle Class (Bourgeoisie)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not poor</td>
<td>15 million</td>
</tr>
<tr>
<td>Brightness of daylight</td>
<td>(4 mill. white and 11 mill. black)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working lower class</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty line</td>
<td>15 million</td>
</tr>
<tr>
<td>People living in the twilight of the evening</td>
<td>(330 000 white and the rest black)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-working “underclass” (Lumpenproletariat)</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>People living in the darkness of the night</td>
<td>15 million</td>
</tr>
<tr>
<td>(receive ± 5% of income)</td>
<td>(70 000 white and the rest black)</td>
</tr>
<tr>
<td></td>
<td>45 million</td>
</tr>
</tbody>
</table>

#### Source:
Compiled from Bhana & Hodge, 1999 and Govt, 2003. See SAHDR, 2003 (Table 2.7).

#### Table 1: Employment in the formal and informal sectors

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment in the formal sector</th>
<th>Potential labour supply</th>
<th>Unemployment (wide definition)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>±9 million (20%)</td>
<td>+9 million (72%)</td>
<td>0.7 million (8%)</td>
</tr>
<tr>
<td>1995</td>
<td>±14 million (50%)</td>
<td>8.1 million (42%)</td>
<td>1.7 million (12%)</td>
</tr>
<tr>
<td>2003</td>
<td>±23 million (38%)</td>
<td>13.4 million (62%)</td>
<td>4.8 million (34%)</td>
</tr>
<tr>
<td>2014</td>
<td>±21%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Additional job opportunities:
- Created from 1995 to 2005: 1.8 million
- Additional job opportunities from 1995 to 2003: 42%
ON POVERTY ATTENTION?

NOT SPENDING MORE

WHY IS THE ANC

they are desperately poor.

10% of income - they are poor but not
a non-working underclass.

desperately poor.

inherited poverty - receiving less than 50% of income
and a working lower class of 15 million receiving
population in two classes:

We can divide the lower 30 million of the
15 million people - this class represents the non-middle class of
became part of the new non-racial middle class of

4.

Conceptually, the black middle-class-in-making.

deepening.

conducive for shifting the fault line and for
removing racial and economic barriers.

continues unabated.

downward mobility of the poorest 60% of blacks and the
mobility of the top 25% of blacks.

become deeper.

1. The fault line continues to shift and it continues to
what happened with the fault line.

I. The trend lines from 1974 to 1994 - the growing racial
the trends.

2. The trends from 1974 to 1994 - the growing capital
become deeper.

3.

The free market economy, globalization,
globally.

Secondly, it accepted the idea of redistribution
through growth. Let the „trickle down” scenario.

Firstly, it committed itself not to restructuring
the modern sector (of the economy).

For the ANC, the agreement implies three things:

1. In the early 1990s a new compact of power was
forged between the corporate sector (and its Global
partners) and a leader core of the ANC -
reform.

2. Was reach on several „new compromises.

For the ANC, the agreement implies three things:

2. For the ANC, the agreement implies three things:

1. The corporate sector agreed (somewhat reluctantly)
with a part of British colonialism.

The corporate sector agreed (somewhat reluctantly)
with a part of British colonialism.

3. Why is the ANC

4. Both A4 and BEE were very instrumental in

the promotion of the interests and the enrichment of the
black middle class.
ANC (continue)

5. More resources and opportunities were transferred over the past 10 years from whites to the black middle class (11 million) than to the 22 million whose income is below the poverty line.

6. Given the terms of the Elite Comprise the ANC’s spending on black upliftment is very much “twisted” toward the black middle class and especially towards the black elite.

7. The BEE programmes very much lack proportionality and morality.

8. The poor is consequently systemically excluded, but rhetorically they are very much included.

9. To make matters worse, the modern sector (or the enclave) is also marginalising the poor. In 1994 40% of the population was already marginalised from the modern sector of the economy. Today a larger percentage is marginalised to a larger degree. No “trickle down”, whatsoever, was experienced over the past 10 years.

THE DYSFUNCTIONALITY OF THE NEW POLITICO-ECONOMIC SYSTEM

1. The politico-economic system of 1970 was a system of white political dominance and an economic system of racial and colonial capitalism.

2. This system was highly dysfunctional - it discriminate and exploit the blacks systematically.

3a. The political facet of the new politico-economic system is a representation democracy that is controlled by the black middle class given the proportional system of representation,

3b. The economic facet of the new politico-economic system is an open, first world capitalist enclave, that is disengaging itself from a large part of the African labour force and consumer market.

4. In the new politico-economic system the ANC is from a party political point of view very strong, but form a governance point of view rather weak vis-a-vis to the strong pressure groups in society and in global capitalism.

5. The new politico-economic system is a huge improvement on the one of 1970, but it is still dysfunctional. It is dysfunctional because it does not serve all the groups and classes society - it in fact, excludes and neglects the poor systemically.
A long period of time, economic systems will not take place for restructuring of our political system.

Consequently, the question needed is ideological approach.

1. The compact of power that was renegotiated in the early 1990s, be reconciled in the early 1990s, the next what about the ANC.

2. The ANC has promised the electorate that both further and that the ANC coalition will increase the size of the middle class may increase.

3. If the ANC means what it says, that the market is open, and given the escalating interest on the capital market and given the escalating interest on the capital market, the poor will get even poorer.

4. That is simply not acceptable.

5. As long as the present political-economic system will remain dysfunctional, the result will remain dysfunctional.

6. That is the process.

7. To cut unemployment from 42% to 21% will necessitate the creation of 6,6 million new jobs.
1. The Taylor committee has proposed a Basic Income Grant (BIG) for the poor. Its annual cost will be between R20 billion and R30 billion.

2. I cannot judge whether it is an implementable proposal.

3. I do think the government ought to spend an additional R20 billion annually on poverty alleviation and job-creation.

4. But it will also be difficult to convince the new compact of power to spend this amount additionally.