PENSIONS AND 'SOCIAL SECURITY' PROVISIONS: THE STATE, CAPITAL AND THE AFRICAN WORKING CLASS, 1944 - 1981

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THEORETICAL INTRODUCTION

PENSIONS - THEIR SCOPE AND MEANING IN CAPITALIST SOCIETY

There is a tendency amongst worker-organisations and theorists to accept the basic social relation embodied in the "provision" of "pension benefits", to which workers themselves must contribute; the bourgeois notions of "saving" or a "deferred wage" are often readily accepted, and what is questioned are the terms of the exchange of a proportion of the wage for a pension after retirement. This is by no means a simple question: clearly, in the absence of full state provision for the working class - whether in or out of employment - this is a concession which the working class has won through struggle. Capitalist production, particularly in the phases of mechanisation and automation, determines that at between 55 and 65,[1.] a worker's labour-power is redundant; usually by that time a worker would prefer to leave <u>if</u> he/she was ensured of some kind of income, and see this as a right.

On the other hand, to establish a critique of the wage-relation and the social relations of production and domination in capitalist society, one has to recognise capitalists' interests in the provision of "fringe benefits" and the interests of workers in a return on their labour which meets the <u>full</u> cost of their reproduction, including illness, unemployment, old age.

Today, in most capitalist countries with a developed proletariat, pension and other "social security" benefits/insurances are provided for in a collective form by state-, capital- and wage-earners' contributions, as well as on a "private" earnings-related basis. Like other forms of "social insurance", pensions are available only to people who have been productively employed.

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1. These have fluctuated depending on the level of mechanisation, unemployment, etc, in a country. cf ILO publication "Introduction to social security".

It is easy to misunderstand their function as simply ensuring the political and social stability/conservation of those affected by technological, cyclical, and other forms of unemployment.

Rather, their primary purpose should be seen in terms of capitalist production's need for continuously higher rates of surplus value, and continued capital accumulation. This is achieved in different ways and essentially involves a process of class struggle in which the state is always present, though in different forms. Before we examine this historical process, we should note (1) that there are qualitative differences between provisions made by the state and those made at the work-place, though they both relate to the management of labour-power, and further (2) capitalist privison involves the contradictory unity of finance and productive capital.

There are three basic capitalist characteristics of the use of labour-power that come into play in the "provision" of pension benefits and the establishment of "pension funds". These are:

(1) work discipline;

(2) insecurity of employment; and related to this, the

(3) supply of labour-power at the lowest possible cost.

Though always present in capitalist production these three features are distinct and articulate in different ways, conditioning the involvement of the state.[1] The state is always called in to manage labour-power[2] where and when capital cannot secure these conditions directly; the state as a result of its relative

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1. I go along with Poulantzas' view of the state as present in the production and reproduction but not in a direct, coercive form, because of the very nature of capitalist relations of production ie the separation of the reproduction of the commodity labour-power from the immediate sphere of production. cf. Aumeereddy et al. Capital & Class No 6. 1978.

2. This refers to the practices of the state, in securing the conditions for the expanded reproduction of labour-power; the state assumes responsibility (in training, housing, transport, education) regulating the type of labour capital requires, and the quantities needed.

separation from the capitalist priduction process is able to, through its presence in the process of capitalist accumulation, act where capital can't.

The existence of pension provisions in different forms is not related mechanistically to the level of proletarianisation, mechanisation, etc., or to the emergence of separate financial institutions which specialise in their investment, eg banks, insurance companies. Capitalists have never "spontaneously" demanded the reproduction of workers who are no longer able to sell their labour-power; this has always involved a process of struggle between capital and labour in production, and by the working class against their general social conditions of existence.

The Wage and the Maintenance of Workers

While capitalism operates to make the wage appear as the "price of labour", exploitation, which distinguishes between labour producing goods necessary to reproduce labour power, and unpaid surplus labour, is obscured. Labour power is only renumerated when it is used in the production process. If the value of labour-power were to include the workers subsistence requirements during illness old age, unemployment, then the direct wage would be lower than this value. Capital gives priority to its own self-valorisation and does not assume complete responsibility for the reproduction of the labour-power which it nonetheless requires. The wage bargain implies that the worker is obliged to ensure its reproduction. The wage, unless it is supplemented by various institutional allocations, is insufficient: the commodity form of labour-power cannot be upheld within the confines of capitalist production. Pension contributions are to be understood as an aspect of the individual wage,[1] ie. the amount of

1. Aumeereddy et al. Labour Power and the State. Capital & Class. No 6. 1978. Aumeereddy et al distinguish between the direct wage (once taxes and contributions are deducted), the private and social wage, the Individual and collective wage and variable capital.

money necessarily laid out to set labour power to work, under the form of "direct wage", taxes, contributions, which in turn is one element of the collective wage. The collective wage expresses the contra.ints imposed on the capitalist by valorisation. In its structure the collective wage expresses the reproduction of the hierarchichal structure of the collective labourer, the latter being guided by political requirements and the need to reproduce its technical structure.

This analysis helps to establish the material limits of pension-contributions but we cannot understand it fully on this level. Most of the (very little) literature available on this subject is plagued by abstractions. We need to understand the emergence and development of pensions in concrete situations, where their provision, non-provision or rejection can be understood in terms of outcomes of economic, political and ideological struggle.

Thus I have chosen to introduce this study - which is a concrete analysis - through another concrete study of tendencies in advanced capitalist coutries. Hopefully, the reader will be able to pick up some general points with which to proceed.

Capitalist Solutions to workers insecurity

The capitalist solutions to the insecurity of employment of workers were initially 'private' initiatives.[1] As a result of workers struggles against their working conditions, individual capitals made provisions to guarantee a sufficient supply of disciplined labour eg allocations to charitable and pension funds.

> " Responding to the needs which the wage earner was unable to satisfy - particularly the need for security - these supplementary benefits were surrounded by conditions requiring workers' loyalty

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1. de Brunhoff.S. 'The State, Capital and Economic Policy' (1976)

> and good conduct ... the wage did not suffice for the worker, neither did it for the employer, who needed additional means to enable him to keep his labour force well under control" [1.]

Philanthropic measures were insufficient; even when their resources were principally drawn form workers' contributions, the allocations provided did not correspond to a right defined by the wage contract. Management of payments was arbitrary and the status of contributions not secure, particularly if firms were small. Some companies demanded no contributions from workers, others did; however the employer was always free to dismiss the worker, or deprive him of his right to a pension. These institutions were only effective if controlled by a number of firms.

When capitalism changed in size and financial structure, private "pension funds" emerged working on the basis of "capitalisation" or by investing their funds mainly in shares, eg.after world war II, in the U.S. private companies were not required to establish funds so that half the wage force was covered by one of 115 000 pension funds established by their employers in 1974. The other half depends on welfare and savings accumulated during employment.

As the establishment of funds are a matter of company choice, even when they work well, the needs of all wage earners are not met.[2.] Their effectiveness depends on monetary stability and the yield upon investment so that stock market slumps threatened to undermine them seriously (1973 - 1974). As a result their purely private character was called into question by legislation which:

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1. Hatzfield. quoted in de Brunhoff
2. de Brunhoff p 18.

(a) relaxed conditions entitling one to a pension - length of service and age;

(b) reinforced existing rights and created a federal insurance fund, funded by employers, to protect wage earners from bankruptcy;

(c) obliged less "generous" firms to increase their contributions into funds.

Even in the case of large "private" corporations specifically capitalist solutions to the problem of insecurity of the proletarian situation are necessary but inadequate; as their primary purpose is to raise the rate of surplus value production, the state had to intervene.

Whatever its former mode of operation, the main task of the state's management of labour-power is to assume responsibility for the part of its value which capitalists do not directly remunerate. This is not done either through primarily "coercion" or "persuasion". Rather, in restructuring the environment within which capitalist exploitation develops and functions, the means of regulation, established by the capitalist state, form part of capitalism's economic arsenal.[1.]

State intervention to "share the social costs" of the insecurity of employment across classes varies according to the manner in which systems of insurance are financed. French social insurance schemes first adopted the practice of capitalisation which is still followed in the USA, which the Labour Party and the Conservatives have been squabbling over during the last couple of decades, and which finance capital in South Africa is wanting to achieve today. We have already seen how inflationary and financial dangers through placing workers'

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1. Meillasoux C (1975) pp 162 - 163.

contributions at the mercy of cpaitalist instability, cause problems for these systems. In the absence of institutional means of "sharing social costs" insurance and pension funds in USA, though they massive capital-savings, are deprived of financial security.[1]

The state financed contributory system, in contrast to private captialisation, centralises the collection of contributions and makes payments to those with rights from its inception (pay-as-you-go scheme). This system is predicated upon a constant supply of contributing workers: financial problems arise when there is an imbalance between "active" and "inactive" (eg retired) workers. In periods of high unemployment and crisis the whole social security system is affected. de Brunhoff cites the example of a miners' special fund: in 1959 one contributer provided one pensioner's income and by 1974 one contributor supported four pensioners.[2] Such a scheme would be vulnerable in times of unemployment and crisis, unless political collective decisions are made.[3]

The "sharing of costs" does not remain constant. The principle of the shared distribution of the costs related to unemployment presupposes a continuous reproduction of the active labour force to pay for the upkeep of unused labour-power. During crisis periods both the state (as in Britain) and individual employers can attempt to bypass public regulation; in order to drive down the value of the reproduciton of labour-power towards its daily value; the degree of success depends on the current balance of class forces in those countries. Even where the forms of state regulation and management change, from relief to welfare, the form of state regulation are still determined by capital's need for waged labour, and labour of a specific kind, i.e. specific levels of skill

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1. de Brunhoff op cit p 32.
2. Room G. The Sociology of Welfare (1979).
3. O'Connor J. pp 137 - 144. 'Fiscal Crisis of The State' (I973).

and political division. This can be seen clearly in the case of immigrant workers in France and the discriminatory benefits "social insurance" gives them.

S de Brunhoff distinguishes a phase of "economic policy" after the 1930's in the advanced capitalist countries. It refers to a new form of state intervention within the circuit of capital (M - C - M'), though still in the decisive areas of public management of labour-power and money.[1.]

"Economic policy" emerges when the conditions of state intervention change. With the merger[2.] of productive and money capital to form Finance Capital, the state's financial institutions are reorganised and the public financial circuit inserted into that of private finance. The state is now involved in the management of the realtionship between money and labour-power;[3.] or in the management of capital's circulation, involving new compromises between classes which capitalists cant achieve directly. de Brunhoff agrues that the pre-conditions for "economic policy" are:

(1) that the working class should see the wage as an exogenous variable;

(2) that the form of the bourgeois state as an "impersonal apparatus of power" must be accepted;

(3) that the working class is unified as an "economic subject" - receiving and spending a monetary income; for this to be possible the working class had to have become a "political subject".

Since the 1930's then, state management of labour power has been bound up with centralised capitalist control, at the level of the state, of the direct nominal wage as a strategic variable.

1. de Brunhoff.op.cit. pp. 62-66.
2. Poulantzas.N(1975.) PP.III-II5.
3. deBrunhoff.p64.

de Brunhoff suggests that in the 'exceptional' states (e.g. Germany after WW1, and South Africa), where the working class has either been liquidated as a "political subject" or never broken through as one, the nature and 'economic policy' is limited. While aspects of the states economic measures will coincide with those of , for example, the interventionist state, its sphere of legality is restricted to the management of the economy.

At present a struggle is being waged by sections of the black working class against private pensions schemes introduced by their employers, and insured by the increasingly powerful finance capitalists situated in South Africa and the advanced capitalist countries. The workers who have decided that these schemes do not benefit them are not skilled workers with significant 'bargaining power' or representation on the schemes' administrative bodies (as is often the case in similar struggles in advanced capitalist countries). They rely almost entirely on their united strength in opposition to capital in the context of massive unemployment.[1] Members of the capitalist classes, of state apparatuses and reformist trade unions have responded in a characteristic fashion to workers' demands - the most crucial of which is against the proposed preservation of pension contributions until retirement age. They claim that neither the workers, nor their trade unions understand the concept of preservation, which they insist is a means of assisting workers to build up a reasonable pension. They say that workers must be 'protected against themselves', as they are inclined to withdraw their contributions when they leave a job and "squander these, without due consideration for thei old age".[2] They are silent on the effective non-existence of unemployment insuranc for most black workers and the long periods of unemployment between leaving and finding a new job. They claim that workers become dependents of an inefficient state "welfare" scheme and that workers' organisations are "misleading their workers by supporting their present demands to withdraw altogether. Once again they are

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1. Although many workers are in more strategic semi-skilled positions, they are not 'unreplaceable'.
2. These views were expressed repeatedly by industrialist, insurance companies, pen fund administrators, TUCSA officials (see below).

silent on the inadequacy of state provision of old age pensions, gross discriminatior and the need to change this, which effects many more than those workers who are considered eligible for a private pension scheme. Moreover, black workers who are not members of a compulsory private scheme[1] (the majority of black workers), are expected to pay taxes to support the state scheme, which today pays out a maximum pension of R33 per month.

The point made by representatives of state and capital about the workers and unions not understanding how pension funds operate is interesting; indeed, the dominant classes have been successful in obfuscating the entire process and the state has backed the divisions which exist by never making worker participation in schemes a requirement in its legislation. In the process of doing this research I have found the area of pension insurance and administration (benefit calculation, liabilities, contingencies, investment, interest rates etc) to be so specialised that the employers themselves, and many people in insurance companies are unsure about a number of issues. The working class is on the other hand in an objective position to see their exploitation quite clearly, without having to penetrate a mass of statistics! It is known that the South African state and capital have always opposed welfare measures for black workers; today the cost of a supposed move towards "ensuring the social security of the black (urban) aged" is being shifted squarely onto the working class.

Also, experience has shown black workers that there is no real "security" for them, even when they have supposedly "insured" themselves with their own contributions. In having to rely on "capitalist solutions" to the insecurity of employment in the absence of adequate state provisions, the workers have been at the mercy of employers arbitrary powers and manipulative practices.

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1. In terms of Bantu Taxation Act No. 92 of 1969 contributions into a compulsory private scheme are deducted from a worker's income to calculate taxable income.

Outline of Study:

In section 1 I raise some of the most important theoretical points through looking at pensions and "social security" in the advanced capitalist countries.
In section II I look at the history of welfare and pensions, very briefly, before 1948. This should help us to construct a historical view of the "limits" to welfare in South Africa. Section III looks at the early Apartheid period and shows how these "limits" are not solely imposed by the preservation of non-capitalist forms of production or by the process of capital accumulation. Essentially the disorganisation of the working class and the racially-exclusive state, prevent demands from being heard, let alone met. I will also show how the incorporation of African workers into the industrial council system complemented the strategy of political repression. Section 1V goes on to look at why private pension funds developed rapidly in the 1960's, how they were formulated viz. African workers and how they were implemented during the 1960's and 1970's. Section V looks at the struggles over the provision of pensions during the 1970's and suggests why the state was forced to intervene during the late 1970's to establish adequate "social security" provisions for the African working class.

In conclusion I will try to relate the resistance to the state's proposed measures, to what can be seen as the "limits" which have developed historically, both in the structural development of the South African economy and in the nature of the class struggle which can go beyond those structures and lead to significant organisational victories.

Section II. THE HISTORY OF SOCIAL WELFARE AND PENSIONS IN SOUTH AFRICA: THE STATE, CAPITAL AND THE AFRICAN WORKING CLASS BEFORE 1948

INTRODUCTION

Although the South African State and various fractions of the bourgeoisie had debated the issue of the nature of the urban working class since the beginning of the century, and particularly since the formulation of the Stallard doctrine and the adoption of its segregationist policies in 1923 (Native (Urban Areas) Act), it was raised as a crucial short- and long-term question for the first time during the 1940's. This was done in the context of a whole range of related 'problems' facing the State: the decline of reserve production and the massive inflow of whole families into urban centres; the growing importance of the African working class in production, the need for a settled semi-skilled fraction within the working class to meet the needs of a more mechanised, integrated and continuous labour process in the manufacturing industry; and a rising cost of living, resulting ultimately from the nature of South Africa's integration into the world economic system and the uneven development between sectors, branches and departments of production. As is often the case in capitalist social formations, the way in which the state and capital had dealt with these 'problems' in the past had intensified contradictions and produced political crisis and impediments to expanded capital accumulation. We should briefly look at this process and the resulting 'problems' more closely: this will enable us to understand why the state was concerned with 'social security' and the extension of welfare provisions during the 1940's; what economic and political options it had; and what 'solutions' it found at the end of that decade. This will, however, be treated very schematically.

It is important to note that:

" The State's concern, through social policy, to maintain and enhance the wealth-producing power of the working class is in part a simple and pragmatic response to the everyday problems created by capitalist society; the problems of poverty, unemployment, disease, overcrowding; and the genreal physical and mental consequences of urban life. At certain times, however, this concern has become the subject of conscious debate and deliberation, when under the press of events, the practice and purpose of social policy has been reconsidered and reformulated in order to meet the urgency of the situation" [1].

1930 - 1940: THE DEVELOPMENT OF INDUSTRIAL CAPITALISM AND THE STRUGGLES OF THE WORKING CLASS

The Fusion period (1933 - 1939) witnessed an impressive rate of industrial expansion: industrial development till then had been largely predicated upon extensive tariff protection; how, with the abandonment of the gold standard and the consequent boom in mining profitability, the crisis for the government in extending tariff protection measures was reduced, and the imposition of the excess profits tax provided the fiscal means for a wide variety of state subsidies[2] and expenditure, for example, on the public sector (ISCOR) and agriculture. Also, with the consolidation of monopoly capital in the centres, different requirements of production were emerging in peripheral countries and

1. (emphasis added RR) Jones, C and Noval, T The State and Social Policy in Capitalism, State Formation and Marxist Theory (ed) Corrigan, P (1980).
2. Gold taxes provided some 27% of state revenue as against 6% in the Pact period (Kaplan (1977) 275).

the need arose to insert fixed capital into manufacturing industries there, in part to facilitate further development of raw material production,[1] in order to increase competitiveness of those monopolies producing raw materials ~~vis-a-vis~~ those manufacturing commodities. In S.A. during the mid-1930's new waves of foreign capital poured into manufacturing industries, or foreign firms established as agencies extended their activities: to serve mining's needs,[2] to make full use of local raw materials, to evade protective tariffs, to take advantage of local iron and steel industries and to undertake heavy construction work.[3] These changes were in part responsible for the growth of a relatively strong manufacturing industry from the mid-1930's, as also for the perpetuation of a bias towards concentration in certain sectors, the slow development of a capital goods sector and the tendency to import, whilst struggling to compete with its finished products.

The value of net output rose by some 110% during this period; the number of establishments by 32%; and the number of employees by 77%.[4] The period saw production concentrated in small-scale establishments, with, however, a slow transition from manufacture to machinofacture and the beginnings of the repetitive machine-operative tasks that are the hallmarks for a change to the real subsumption of labour to capital. But while the average number of employees per establishment grew from 22 in 1924/5 to 33 in 1939/40,[5] this did not go with a significant rise in the capital/labour ratio or changes in the labour process. In fact, Palmer suggests that this ratio actually fell in

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1. Mandel, E. (1975) Ch 3 pp 75-107; Poulantzas (1974) Ch 1 pp 42-65.
2. BTI No 282 (1945) Till 1936 2/3 foreign investment in mining; 2/5 in commerce, manufacturing and agriculture.
3. Legassick, M and Hemson, D (1975) 10% of private foreign investment in industry in 1930's; as yet insignificant in industry.
4. Davies (thesis) p223.(1977).
5. Norval (1962) Table 1.

the period 1933 - 9.[1] However, we will see that this placed severe limitations on the process of capital accumulation and on the activities of the state, for, to put it very generally, while relations of production were becoming increasingly capitalised, there was still a severe "blocking" of the productive forces.

This can not be understood in purely "technicist" economic terms: it is integrally bound up with the historically developed class structure of Southern African society; (1) the ownership and control of the biggest mining companies by foreign capitalists who were at least initially not primarily concerned with broadening the industrial base; (2) the destruction of an African peasantry; (3) whilst also the preservation of Non-capitalist subsistance production; (4) the restricted internal market; (5) the maintenance of small capital; and (6) the racial division of labour and the racially exclusive state.

The question of non-capitalist production is crucial for our purposes as we are interested to know how this related to the demands for welfare measures and/or forms of "income maintenance", or lack thereof.

It is wrong to see the preservation of non-capitalist forms of production purely as a result of deliberate state action since the 1890's;[2] although this did exist, the process was one of class struggle. As Marx wrote:

> . . the maintenance and reproduction of the working-class is, and ever must be, a necessary condition to the reproduction of capital. But the capitalist may safely leave its fulfulment to the labourers instinct of self-preservation and propagation, . . . all the capitalist cares for is to reduce

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1. Palmer, G. (1954) p.131 S.AJE.
2. Di Cooper (UCT Honours thesis) The Glen Grey Act.

the labourer's individual consumption as far as possible to what is strictly necessary. [1.]

For workers, those involved in wage-labour and those separated from the means of production and making up the surplus-population,[2.] the question of the value of their labour-power is one of obtaining the necessaries of existence; the class struggle of these people to defend and advance their living standards can be against the tendency of capitalism to undermine the non-valorised contribution to the reproduction of labour-power (family, subsistence production) or to demand compensation for the use-values which are becoming valorised (eg land), on the one hand, or it can be a direct struggle over the already-valorised parts of the means of subsistence (eg wage struggles). These struggles and the political and ideological processes which accompanied them were also crucial in shaping the development of the social formation, particularly until the 1940's.

The state's role in maintaining a specific class structure was probably clearest in its influence on the racial division of labour in the capitalist production process; and it was in this sphere that at the end of the 1930's and during the war it was most crucially faced with a capitalist system which was coming up against the limits of its own relations. During the 1920's, secondary industry was seen as the area most capable of <u>maintaining</u> the racial division of labour which had developed in the mining and agricultural sectors.

While the state's "civilized labour policy" was not anti-capitalist as is often

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1. Marx Capital Vol I p 572
2. We must distinguish here between the formation of absolute (primitive accumulation) and relative surplus population (a result of rising capital intensity). The absolute surplus population can be found in a <u>latent</u> or <u>floating</u> form: they may appear to still have a productive relationship to the soil (latent), or they may appear in the form of "unemployed workers" (in the town or countryside) with no attachment to the land. cf Marx Vol I Ch 25 particularly Parts 3 - 4; Legassick & Wolpe 1977 RAPE.

asserted, it did produce contradictions. Davies and others have shown that it favoured larger capitals and the movement of Whites into new petty-bourgeoisie supervisory places as the labour process changed and this did not impede capitalist development; also in some industries, the employment of White labour allowed for a stability and low labour turnover that was important in a period of transition to mechanised production.[1] On the other hand smaller, less mechanised units (with largely skilled and unskilled labour forces) were given some protection against competition:[2] the civilized labour policy depressed the value of black labour power by keeping black wages expressly below the "civilized minimum" through outright repression of organisation (later 1920's) and through the institutionalisation of what had been socially determined as "necessary" to produce this labour. This was basically the wage of a single migrant worker - taking the overtly political form of segregationist policies. The state disorganised the working class in a way which enabled the "reproduction" of black labour at a level far below that at which the newly created white proletariat could subsist.

GROWING CONTRADICTIONS IN THE SOCIAL FORMATION

The working class was, however, not going to let this level of exploitation continue. While the state's strategy pre-empted any significant united action between white and black workers, the late 1920's saw the emergence of new industrial unions organising around wage-demands. The Depression saw further decline of reserve production and a larger urban settled proletariat - whose living and working conditions were exacerbated by the period of recession and

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1. Hence the invalidity of the liberal agruement that racism and the civilized labour policy of the Pact Government impeded capitalist development or that Pact was a "workers state".
2. Along with the state's protectionist policy.

unemployment[1] - while the civilized labour policy was applied more strictly than ever before.[2] During the years after the recession when employment picked up, African workers were demanding wages corresponding to the cost of their reproduction and an onslaught on the civilized labour policy.[3] We will return to examine the struggles below and how they compounded the contradictions facing continued capitalist development.

We stated above that during the 1930's there were as yet no significant changes in the level of capitalisation in manufacturing, and as a result in the labour process. While mechanisation proceeded in a number of industries - eg engineering, clothing and textile, sweetmaking, furniture and leathering, a number of industries were still very small and employed a large unskilled labour force in non-mechanised labour processes. Amongst these were most of the food- (wage good) processing industries: flour and grain mills, bakeries, fruit and vegetable canning, butter and cheese factories.[4] The BTI enquiries into all those industries spoke of "redundant inefficient and uneconomically-located plant which leads to increased costs . . . , which have to be borne by consumers".[5] And in 1941, a government commission argued strongly that:

> " At present, with few exceptions, South African manufacturing industries work on a small scale, are not highly mechanised and are largely dependent on protection. They are therefore adapted neither to make the best use of labour supply nor the ample supply of cheap power available. With cheap power and and given an adequate market, South African manufacturing

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1. Native Ec Commission U.G.22 - 1932 See paras: 72-5; 82-5; 92-4; 250-349.
2. White workers were replacing African workers at 'civilised minimum wages' though not without problems for capital.
3. In the period 1926 - 30 there were 47 strikes involving 19 684 workers and 23 151 working days lost. In 1936 - 40, the corresponding figures were 116 - 18 622 - 47 129, and most of these workers were Africans. Simons H.J.(1949.)
4. Smith E.SAJE.(1945) Most of these employed less than £500 in capital equipment.
5. BTI Reports 255.(1939) and No.296 (1947)-into the relationship between prices of wheat, flour, meal & bread; and fruit & vegetable canning industry respectively

industry could be mechanised to a greater extent . . . In many industries the position created by the small local market has been aggravated by the erection of a multiplicity of factories mostly below optimum size and below working capacity."[1]

We indicated above, however, that the civilized labour policy in itself did not hamper capitalist development. However, as far as (1) maintaining a "restricted market" and low level of black "buying power", and (2) making it difficult for capital to move cheap black labour into new semi-skilled positions, the liberal critics were correct. Further, (3) limits imposed on the organisation of unskilled workers against wages, working conditions and the cost of living, protected industry in as far as a generalised process of mechanisation was not waged, as was the case, for example in England.[2]

Increasingly, the state was forced to intervene in a crisis of profitability, which only emerged clearly after the war, although the tendency was there already in the late 1930's.[3] The continued reliance on the gold industry was also exacerbating these contradictions, as industrial capital's ability to mechanise in order to raise surplus value depended on the foreign exchange earned by mining capital. By the late 1930's the mining industry also entered a crisis. Gold production appeared to be tapping low grade ores, and it did not look as if it could continue to provide the conditions for a dynamic growth in other sectors. Reproduction of capitalist relations implied continuous growth and that manufacturing would have to be more self-sufficient. Further, while

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1. U.G. 40/41: paragraph 38 - 9.
2. Marx, K Capital Vol I Chapters 12 - 15.
3. The theory of capitalist crisis and the social law of the tendency of the rate of profit to fall entail, basically the point that the state often intervenes to restore "profitability", usually by attempting to raise the rate of surplus value.

manufacturing was on the whole not well situated to mechanise in order to cheapen wage goods, tariff protection was meaning rising costs in the social formation.[1] The continued extension of tariff protection, to the point that semi-processed and other manufacturing inputs would now be produced at higher costs than internationally, threatened to generate an unsustainable rise in the cost structures throughout the economy, threatening the very basis of profitability in the manufacturing industry, particularly the relatively low wage-costs in a situation where relative surplus-value production was severly restricted.

How far, on the other hand, could capital raise the rate of exploitation through depressing the wages of workers (ie increasing surplus value without increasing the organic composition of capital and thus cheapening wage goods) ? This process was limited by the threat of the total extinction of the working class, especially its members with no access to subsistence production.

The commissions of the war-years and many semi-state apparatuses, pointed to these dangers: the Van Eck Report[2] and Social Planning and Economic Council[3] noted and warned against the physical deterioration of the labour force to the point where the reproduction of future generations was in jeopardy.

THE WAR YEARS AND SOCIAL WELFARE PROVISIONS: THE "LIBERAL" WELFARE STATE DREAM

The conditions of war time production required qualitatively different state

1. Bloch, G U.C.T. MA Thesis. p. 120.
2. 1st Interim Report U.G. 33/1940. 3rd Report. (van Eck) 1941.
3. U.G. 14 - 1944.

policy vis-a-vis the dominated classes. The recruitment of a large number of workers into the armed forces, together with expanded production had marked effects on the size and composition of the labour force. The 1945 Report of the Department of Labour comments on two features: (a) "a notable shift from rural to urban areas", and (b) "the employment of women in war production and especially in the so-called 'heavy industries' on a scale unprecedented in our experience".[1] African workers were drawn in - at lower wages and under inferior conditions - to operative places previously filled by whites, so that steps were taken to move white workers upwards to supervisory places, artisan places and to other operative places. It was stated policy to make use of cheap African labour power in new places whilst still maintaining the racist division of labour.[2] Thus, more white women were recruited - also at lower wages - into areas where men had previously worked, as well as into the expanding garment industries, food and canning, and so on. Further, legislative measures were taken to reinforce the isolation of white from black workers, particularly where they occupied similar places, both physically and in terms of protection of skills.[3]

More important, for our purposes, were the measures taken to contain the struggles of the "less-priveleged" workers; sections of industrial capital encouraged specific concessions under state control as they feared that the difficulties following temporary expansion whould be exacerbated if working-class demands could not be, to some extent, incorporated; entering a period of economic, political and ideological crisis, "the whole power of the state, reinforced by appeals to the workers patriotism" was needed to ensure stability.

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1. Dept of Labour 1945: page 2. The number of Africans employed in industry rose by 25% during the war; the percentage of Africans in urban areas rose from 18,4% in 1936 to 23,7% in 1946.
2. 3rd Interim Report para 173 and BTI No 282 p 44.
3. See R Davies 1977 pp252 - 280 eg training facilities, factory Acts.

In 1943 the United Party secured a massive electoral majority which included recapturing a large number of the rural seats which were lost when Herzog and other members of parliament resigned in 1939. This was in part a result of the beneficial effect of teh early war years on agricultural prices, in turn a result of the government's emphasis on export-agriculture. This victory enabled the Smuts Government to implement various "reforms".

While this is not the place to examine the various areas in which this process took place,[1.] or the debates that took place throughout the war over welfare, wages, trade unions, family housing, etc., it is worthwhile looking more closely at the state's approach and the highly 'selective' nature of concessions made, particularly with the extension of cost-of-living allowances and social pensions to sections of the African dominated classes.

With almost full employment[2.] on the Rand at the beginning of the war, and the lack of substantial wage increases, more had to be done to conciliate African workers, particularly the more settled and organised workers who were seen to be gaining economic, political and ideological ground:

> " The existence of a number of Native trade unions demands some form of recognition . . . grievances they are labouring under, if well founded, have to be remedied, rather than that the advice of some unbalanced semi-educated Native of promptings of disreputable Europeans be adopted "[3.]

The state feared the breakdown of the sort of social controls to which rurally located Africans were thought to be subject, and the possibility of their organisation with other workers (white, 'coloured' and Indian) in a "united

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1. eg the Wage Boards operations, the state's food schemes, its "health campaigns".
2. (of men, presumably) see M. Stein (1978)
3. Native Affairs Commission 1939/40 p.8.

front".

" there can be a Bantu nation in South Africa . . . to force the Bantu down to a denationalised and submerged economic class would be a calamity "[1].

At this stage, it seems, it was thought that non-statutory recognition of African trade unions would prevent their growth and the dissemination of an alternative ideology. Furthermore, by controlling the already organised and settled workers, the colour, skill and wage divisions already achieved through wage determinations and industrial conciliation machinery could be intrenched and some 'acceptibility' could be gained, and further divisions created: "Unlike the migrant who is not so concerned with the amount of wages he gets . . . the native industrial worker who has become a permanent dweller has to provide for his food and housing . . . and his family, out of the wages he receives - which are directly influenced by the presence of his tribal competitor. Such competition . . . encouraged by both employers and altruists alike, is disasterous to the urban Native's standard of living. "[2].

COST OF LIVING ALLOWANCES

The activities of the Wage Board during the war-years, its role in containing working-class struggles, the concessions it made or merely suggested and the responses these provoked, are instructive, as it dealt with the grievances of the majority unskilled workers who were most severly affected by the increased cost of essential wage goods.

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1. Native Affairs Commission 1939/40 p8.
2. ibid. p.8

In 1940 the Wage Board noted that, though the cost-of-living, as indicated by the retail price index, was low taking into account the war conditions (4.4% over the 1938 figure) this was a serious matter for the low-paid workers.[1.] By this time most organised workers already had cost-of-living allowances (COLA) provided for in their Industrial Council Agreements.[2.] It suggested that increases in the cost-of- living should be provided for in its determinations, without regard to an industry's capacity to pay. War Measure No 71 of 1941 introduced a COLA for all workers earning under 75 s per week, but it excluded those employed by the state, domestic- mine- and farm-workers.[3.] Cost-of-living allowances were meant to be amended as the retail price index rose, although there was no method of enforcing its payment, and the Guardian[4.] pointed out that, whereas in 1941 a 6 - 10% increase in wages was due to the provision of cost-of-living allowances, inflation was running at more than 15%. Furthermore, the original measure applied only in the nine major urban centres where worker (and non-worker) protest vis-a-vis food prices or wages were expected to be more disruptive than elsewhere. Realising that this was a misjudgement, and that food prices were higher in rural areas, the measure was amended in 1943, so that workers in all parts of the union employed in extablishments of 10 or more workers were covered by the COLA. Mine-, farm- domestic- and state-employees were still excluded, as were workers in other exclusively black employment sectors, reflecting the state's attempts to further divide the working class and maintain the conditions for expanded accumulation. Most of the demands for COLA's came from these workers and farm areas where employers evaded these and other wage determinations.

For most sections of industry, however, this was seen as a way of preventing

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1. Department of Labour 1940 p.31.
2. ibid p.32.
3. The justification being that workers were paid in kind and had families producing in the rural areas.
4. 7/8/1941.

"industrial disruption" and ultimately relieving the pressure for increased wages; also, as we will see, many employers and their allies were concerned with the reproduction fo a "healthy and happy" labour force, as much for political reasons as to aid their productivity drive. They were also to benefit from the system of price control, which made provision for the control of maximum prices for most consumer goods, including essential foodstuffs, when the Marketing Boards came fully under state control.[1.]

It was in this context that the Social Security Committee was appointed in January 1943. It was appointed after a recommendation in the Social and Economic Planning Council, which in turn was formed out of the needs perceived by the Industrial and Agricultural Requirements Commission in 1940. The terms of reference of the Committee were:

> " to investigate and report on the existing social services and social security arrangements and to recommend a scheme for the future, involving any necessary extensions of the existing measures or the introduction of new measures. "[2.]

Referring to the limitations placed on state action by the process of capital accumulation, the committee added:

> " In such investigation and report the Committee shall have due regard to the productive capacity of the Union and its possible increase . . . and to necessary safeguards to preserve individual responsibility, initiative and thrift."[3.]

The last point emphasises the bourgeois economists preoccupation with encouraging consumers' savings wherever possible, rather than state expenditure which would

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1. See T M Tinley Chapters 2,3.
2. Para 5 REport of the Social Security Committee U.G. 14-1944.
3. ibid para 5.

mean increased taxation of everyone and consequently presssure on wages. Taxation to subsidise welfare expenditures - eg payroll taxation for UIF, W.C. and pensions - is called "regressive taxation" in bourgeois economic terms as it takes a larger fraction of the poorer classes' income than it does of the wealthy. The Committee noted, however, that the extent of poverty amongst the working class was such that there was no support when the central bread-winner's labour power was redundant as a result of injury, unemployment or old age, and that this was aggravated by the wage structure which "makes no conscious provision for family life".[1.] Capitalists, individually, were not prepared to pay adequate wages, let alone to foot the bill for welfare provisions, so that the committee accepted the need for "collective provision against the contingencies" - i.e.the insecurity - of wage labour.[2.]

Significantly, the Commission linked the provision of social security benefits to the need to raise the productivity of the working class[3.] and stressed that:

> " the improved standards of living for the population should be ensured through steps such as improved and extended opportunities for education, housing, the subsidisation fo food and health services."

The Report investigates the insurance of "every citizen of the state against every economic contingency of life, from birth to death" - though its conclusions and recommendations clearly did not quite amount to that. The Committee distinguished from the start between an A system for "Europeans, coloureds,

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1. ibid para 10.
2. ibid para 10
3. ibid para 12.

Asiatics and such 'permanently urbanised Natives', Native farm workers and Native employers in the Reserves", and a B system for "other Natives, comprising the bulk of the Bantu population". The commission noted that the difficulty of distinguishing "permanent urban Native residents who are fully dependent on earnings" from temporary workers from farms and Reserves, and "other Natives" had in the past led to their exclusion from pension and other schemes, although the relevant reports confirmed that they should be included. They should be given the same option to contribute as "developed farm-workers and the Native employee class in the Reserves".[1.]

Thus, as in earlier investigations, the Committee distinguished between the permanent Reserve inhabitants, the settled urban, and the migrant labour force; however, they went on to argue that the deteriorating conditions in the reserves and 'great poverty and overcrowding' made it necessary to extend 'moderate assistance' to the peasant class when crops fail, and to those who are blind, old or invalids'.[2.] The SSC continued:

> " Otherwise, the vital essentials for improved well-being in the Native areas are more land, education, (with a vocational bias), measures to assist improved farming, better transport and a large extension of medical and health services " [3.]

But these benefits would be no more than arbitrary grants or 'poor relief' handouts. The 1936 Land Act had limited areas for African occupation; this along with overcrowding makes it difficult to see how agricultural improvements would help.[4] The SSC condemned the approach of previous commissions, based on a misconception of the "living standards of Reserve Natives and of the

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1. ibid paras 129 - 134.
2. ibid (emphasis added) paras 130 - 131.
3. ibid para 131.

ability of the family group there or in town to care, unassisted for the children of absent relatives or for old parents or invalids". However, gathering from the lack of any real change in the policy vis-a-vis the 'peasantry', as well as the exclusion of 'temporary workers' from the main pension scheme, it did not differ much from its own characterisation of earlier approaches to pensions for this group:

> " Rural Natives were excluded from old-age pensions mainly on the assumption that Native custom makes provision for maintaining dependent persons. Urban Natives were excluded in consequence, regardless of their needs, owing to the difficulty of distinguishing this group. In other directions, administrative provision has been made for Natives, but in giving effect to it the guiding consideration has been that benefits should not conflict with or break down their tribal food-sharing habits. In practice, the result has been . . . the virtual exclusion of Natives. " [1]

Secondly, it was recommended that 'Native farm workers' and 'Natives who live in the Reserves, but are employed under contract of service (eg clerks, teachers) and who have no option on land, be given the option for pensions, at the same level as those for 'rural coloureds'.

Thirdly, in the case of 'urbanised Natives' the SSC recommended that 'there must be a test of urbanisation to identify town Natives dependent upon earnings". This is because;

> " it is apparent that the primitive condition of the Native people and the temporary presence of many Reserve and farm Natives in towns, renders it impossible to make cash benefits available to

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1. ibid para 129.

all Natives employed in towns . . ."[1]

Thus the SSC sought a method of excluding not only those Africans living permanently in rural areas, but also those who were migrant workers; this would also be an added means of enforcing regristration. African workers would have to prove that they were 'permanently urbanised' when they applied for social pensions: this meant that they would have to be in an urban area for a least 5 out of the preceeding 7 years; if married, a workers wife must have been in an urban area for 3 out of the preceeding 5 years; and he should have no free allotment in the Reserves.[2] In this way, the SSC hoped to stop a potential flow from rural areas to the cities and towns in order to receive pension benefits, "which will be relatively attractive compared with the relief available to the tribal section"[3] but would aggrevate "the already unsatisfactory urban housing position". Furthermore, applicants had to prove that they were 65 before receiving benefits.

The various rates and qualifications were accepted by the government and became part of the legislation.[4] Nine areas were classified as 'cities' for pension purposes; 'towns' were defined (for the second pension rate for Africans) as those where the white population exceeded 2 000. The third rate was for Africans in rural areas (B scheme) Draper comments that while records do not show how many people fell into each of these categories:

> " it would appear that it is government policy to apply the various rules and regulations very strictly, (especially in recent years) and that many (if not most) Africans who are in fact living in urban areas are being paid out at the lower rural rates.[5]

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1. ibid para 135 (emphasis added)
2. ibid paras 136 - 137.
3. ibid para 137 This indicates the intense poverty in the reserves, if one bears in mind that maximum pensions were set at R24 per year.
4. M Draper (1964) Social Pensions in South Africa. SAIRR Fact Paper 15 P.6.
5. ibid.

proletarianised they should be permitted into urban-industrial areas only for the term of their work; for the period they sell their labour power. As workers they should return to the Bantustans only to reconstitute themselves and maintain crucial links with their dependents.

With respect to pensions the vicious circle that people were caught in is clear: from 1944, a migrant worker qualified only for benefits from the B pension scheme[1.] and received 10s a month in cash plus rations (not exceeding 5s). Thus, unless a migrant qualified eventually for Section 10 rights, which was becoming increasingly difficult, he too would have no choice but to live in a homeland/Bantustan dependent on his working family.[2.]

As important as the economic effects in maintaining the value of the workers labour-power depressed, and reducing the State's responsibility, were the political effects, or "isolation effects", as they have been termed. The State acted to disorganise the dominated classes through the maintenance and establishment of a set of ideological and juridical structures which excluded them representation within the Central State. Through bolstering existing tribal and extended family structures the majority of African workers were portrayed as "temporary sojourners", without even a formal legal equality to other "citizens". This goes a long way towards explaining why demands for increased "social security" and other welfare measures have not been made of the state.

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1. see above
2. We will discuss the implementation fo the State pension scheme below, its non-functioning during the 1970's and the State's attempts to shift the entire responsibility onto the governments of the "independent homelands/states".

Section III.

THE APARTHEID STATE: AN ALTERNATIVE TO "WELFARE STATISM" (AND DEMOCRACY)

In order to understand why the minimal economic concessions made to the African working class were not extended to improving their working and living conditions, to incorporating their organisations and giving some form of democratic rights after the war, and to understand the alternative 'solution' worked out in struggle by the dominant classes, we need to grasp: (a) the economic, political and ideological crisis which characterised the social formation at the end of the war; (b) the nature of the early Apartheid state, what particular class forces it represented, and how these were conditioned by the need to secure the conditions for capital accumulation and the political, social and economic conditions of existence of the capital relation in its varied forms throughout society. This is crucial if we want to understand specific state policies, such as social welfare, or the lack thereof, and what was implemented as an alternative way of maintaining the aged, the unemployed, the sick etc. This cannot be examined in any detail here, not least as no satisfactory analysis of the Apartheid state has been produced.[1]

THE POLITICAL, ECONOMIC AND IDEOLOGICAL CRISIS FACING THE DOMINANT CLASSES AT THE END OF WORLD WAR II.

The issues which divided the dominant classes and which intensified during the war - not least because they were divided over the 'war effort' itself - were far more complex and wide - ranging than I can describe here. The struggles between various factions of capital and their petty bourgeois and wage-earning supportive classes concern nothing less than the preconditions for continued accumulation and the political, social and economic conditions of existence of the capital relation in

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1. Kaplan's analysis (1977) goes some way, but tends to reduce the state to the exigencies of capital accumulation cf. O'Meara. D. Thesis. (1978).

its varied forms throughout the society.

At the end of the war the two leading white political parties presented the views and interests of the major fractions of the capitalist classes and "their" supportive classes - on possible strategies to be adopted in order to secure the conditions of capital accumulation and the political domination of the white dominant classes. The most significant official expressions of the two views were the NATIVE LAWS COMMISSION 1946-8 (Fagan Report) and the Sauer Report respectively.[1] Sauer advocated total separation and saw a settled, urban African population as a temporary solution. Fagan, like the VanEck Commission (1941), and the reports of the B.I.I. (1945) and S.P.E.C. (1945), accepted the de facto situation which had developed during the 1930's and the war. Given that the 'reserves were increasingly unable to subsidise labour-reproduction, given that secondary industry required black labour, with higher skill levels,(and a corresponding lower job turnover), and given that there was a growing settled, urban proletariat, more Africans should be allowed permanent residential rights in cities. Labour-reproduction costs (housing, welfare, pensions, ammenities, etc) should be financed through the state in urban areas. Along with this went the call from sections of industry for a relaxation of pass laws, limited economic concessions to African workers and recognition of the independent African trade unions as a means of institutionalising and controlling industrial conflict - as well as limited separate political representation. On the other hand, Fagan, if not the earlier war time reports, saw the need for regulated 'migratory labour' and centralised rather than local control in order to allocate labour more efficiently.

Most of these recommendations spelt decline, if not ruin, for the smaller industrial capitals, mining and agricultural capitals. The issues appeared as far more complex and wide-ranging than those mentioned above, but basically, increased struggles emanating from the dominated classes in the factories, townships and rural areas,

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1. Native Laws Commission 1946-8 U.G 28/1948 (Fagan) Verslag van die Kleurraagstuk - Kommissie van die HNP (1947) (Sauer)

were forcing elements of capital with differing conditions of accumulation into opposing and conflicting strategies - for the maintenance of capitalist social relations and their particular conditions for favourable surplus creation. The larger capitals' immediate interests lay in securing political domination through minimal concessions, whilst at the same time also ensuring the conditions for expanded capital accumulation in its sector, limited as it was by low Organic Composition of Capital (OCC) and the problems of access to the world market. In effect this meant that they too were happy to keep wages (variable capital) low, and also the "incidental" and social expenditure involved in reproducing an urban working class. It was thus important that its size should be controlled.

Although it was not clear at the time, this increasingly implied a direct assault on the living conditions and organisations of the dominated classes; however, the mere willingness of these capitals and their liberal proponents to make concessions threatened other sections of capital, and of course the (Afrikaner) petty bourgeoisie and while workers as they were seen to be leading, inevitably, to political and economic integration. In the short term, they feared that with the manufacturers' support the changing division of labour would bring larger numbers of Africans into semi-skilled operative positions; and that higher wages in industry and commerce would mean greater labour-shortages on the white farms; also, emerging Afrikaner business (and smaller "English - speaking" capitalists) were concerned to keep a cheap labour policy to ensure their own accumulation in low capital-intensive conditions.[1.]

The differences between sections of the dominant classes were thus by no means clearcut, but they coalesced in different attitudes: to the siting of the African reserve army of labour which had grown rapidly during the war, to the forms of labour control, and the extent to which direct assault of living conditions and organisations of the black dominated classes was necessary.

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1. See Legassick, M. "Legislation, Ideology and Economy" (JSAS 1974); Kaplan P.hd Thesis (1977). O'Meara, D P.hd. Thesis (1979) Bloch, G. MA Thesis (1980)

While the structural contradictions which were growing in society, and the points of unity between classes, can be seen as the outcome of forms of struggle in the accumulation process, the resolution of conflicts was not an automatic result of these struggles, and the outcome can therefore not be reduced to the dynamic of accumulation. The manner in which different class forces organised themselves with or without a viable strategic direction was also crucial. The factory and urban struggles of African workers brought certain contradictions to a head, but they were not organised as a political force. These contradictions were compounded by the ideological and political forms of crisis of the 'liberal' bourgeoisie, reflected in Smuts's government's vacillating, 'defensive' position. On the other hand, under the leadership of intellectual elements of the Afrikaner petty bourgeoisie, deep and successful organisational work is done. The economic movement united capitalist, petty bourgeois and wage-earning strata under a set of immediate demands. The banner under which the disparate forces of the Afrikaner nationalist movement was united, was Apartheid.[1] The common programme linking these groups and their parliamentary victory 1948 gave them control over key state apparatuses to inplement practical policy. This reflected a shift in relations between classes and was important in consolidating and implementing the strategies of that particular alliance of class forces. But the Apartheid state was still a capitalist state and at the outer limits its activities and policies were always subject to the conditions for the continuance of the capital relation in the social formation as a whole. Thus, while we noted above that even the larger capitals could benefit from the repressive political strategy followed during the 1950's and 1960's, the state was also sensitive to the particular needs of the larger capitals, and was crucial in securing the 'economic' conditions for the transition to monopoly capitalism. This will be discussed below.

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1. O'Meara op. cit. p205-6.

(i) Withdrawing the concessions

We saw in the previous section that as the capacity of the reserves to subsidise labour-power declined, liberal policy in the 1930's and 1940's advocated on the one hand the enlargement of the reserves and intensified agricultural development, and on the other hand the provision of social welfare benefits in urban areas, with an increasing though never exclusive emphasis on the latter. We also pointed out that few industrial capitalists were committed to a "social welfare" strategy, which would (a) tie them to a growing settled and organised urban proletariat, with all the associated costs; (b) result in more unemployed and other "redundant people" [1.] seeking the means to remain in urban areas - eg poor relief, pensions, unemployment insurance, and other social services; also (c) this strategy would be seen as a further attempt to wean away the agricultural labour supply. These factors resulted in a vacillating attitude. As in all capitalist countries, a system of unemployment insurance designed to appease working class militancy exists in South Africa. The example of unemployment insurance illustrates how the Smuts Government set a trend in the stricter enforcement of influx control, whilst at the same time making some concessions to the settled urban proletariat; and the response of the Nationalists in 1949 was indicative of the firmer stand taken after 1948.

Under the unemployment Benefit Act of 1937, as amended in 1942, provision was made for the establishemnt of Unemployment Benefit funds for particular industries (through Industrial councils - I.C's). Unemployed workers could receive no statutory benefits unless a fund had been established for their industries. [2.] This strategy, like others, associated with the I.C. system, was meant to protect smaller capitals and prevent the benefits from spreading across industries. As such, they were established mainly in larger industries as an insurance

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1. Urban Areas Act (No 25) 1945 S.28 deals with the removal of "Redundant Bantu" from prescribed areas.

2. Department of Labour, Annual Report for the years 1944 (No UG no.) and 1945 (U.G. 9-1947). No reports for 1942 or 1943.

against unemployment after the depression on the request of white unions, who also feared redundancy. [1] As a result, the funds came to cover African workers In 1942 the Act was amended; beneficiaries could not include among others, 'labourers', i.e. persons earning less than £78 p.a. and engaged in certain types of work, or people who were under contract in terms of the Native Labour Regulation Act, i.e. migrants. [2] In May 1946 there were a number of U.B. Funds covering about 230 000 workers. [3]

As a part of the "reforms" following the African mineworkers strike, the Unemployment Insurance Act (No. 53 of 1946) extended unemployment insurance to workers earning less than £78 per annum, and previously excluded. It brought the funds already established under a single central organization and covered about 550 000 workers.[4] The Act still did not apply to workers in domestic service, agriculture, the public service, provincial administration, Railways and Harbours Administration workers or those earning more than £750 per year. In addition, mine workers who "were provided with food and quarters" were excluded, as were all rural African workers not in industrial undertakings. Workers earning up to £78 p.a. contributed 3d a week and the employer and the state each 9 d per worker; their unemployed benefit would be 225.6d, or 3/4 of their weekly earnings, whichever is the less. Workers earning between £78 and £130 p.a. contributed 8d, the state 10d and the employer 1s',[5] and the worker's benefit was 25 s a week. A more repressive aspect of this fund was formulated by the Association of Administrators of Non-European Affairs (on and around the Reef) in 1947, when they were attempting to restrict influx into the towns. They suggested that local authorities

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1. Cape Federation of Labour Unions (CFLU) memo to Industrial Legislation Commission (1934) and Annual Reports 1934 - 45.
2. Unemployment Insurance Act No 53 1946.
3. Department of Labour Report. UG 9 - 1947.
4. S. van der Horst (1949) in Hellman, E.
5. See U.I. Act No 53, 1946.

should administer the U.I.F for African workers as a means of controlling the number of "redundant" or "idle and undesirable" [1], by tracing "unauthorised natives"[2]. This foreshadowed the policy with regard to the administration of State unemployment and pension schemes in later years.

The Nationalist Government, in line with its greater emphasis on migrant labour and industrial decentralization, as well as a more concerted attack on the living standards of African workers, even those with urban residential rights, cut back on some of the provisions instituted by the Smuts Government for urban social welfare - for example, the concession discussed below was withdrawn and eligibility for unemployment insurance further restricted: No African workers earning below £182 p.a., and no casual and seasonal labourers could receive benefits after 1949.[3] Also, workers had to take any job available or forfeit the benefits. This provoked vigorous opposition from the Trade Union movement[4] but the Minister of Labour - Schoeman - stood firm.

(ii) Repression and migrantisation

As an alternative to the provision of benefits to lessen workers' insecurity - whether over the fear of being dismissed and not being able to find work, or the fear of having no income after retirement, the state sought to ensure that these demands would not be heard and that "redundant labourers" returned to the "reserves". The proposal made after the war by the S.A.A.U., for the reorganisation of state control over the African masses through the introduction of State Labour bureaux, was accepted as an important means ofenforcing this, but its success would crucially depend on the establishment of rural structures minimally acceptable to African people, and the political disciplining of working class and popular organisations. The first move in this direction

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1. See Urban Areas Act No 25, 1945 S28 and S29.
2. E. Hellman (1949) p242.
3. Unemployment Insurance Amendment Act.
4. Guardian articles 1949, 50. Simons papers (S.A. Library) See Correspondence between Ray Alexander and the S.A. T.L.C.

was the passing of the 1951 Bantu Authorities Act. This extended local administration of the African dominated classes and attempted to resurrect so-called "traditional" political structures.

The Native Labour (Settlement of Disputes) Act of 1953 passed resolutions which opposed the recommendations of the Industrial Legislation Commission[1] (1951) which basically: (a) rejected outright prohibition of trade union activities; (b) advocated some form of collective bargaining rights for African workers; (c) recognised a limited right to strike.[2] Liberal opposition (United Party and its allies) was essentially concerned with "stabilising the industrial field", and containing workers struggles at the point of production. They articulated a narrow fraction of interest,which changed as political struggle escalated and trade unions weakened after 1946. The Nationalist Government, on the other hand, had the task of securing the political domination and control over the African dominated classes as a whole; they were concerned amongst other things, with denying political movements access to an organised proletarian base.[3] The Native Labour Act of 1953 did everything to prevent this alliance, short of banning the existence of trade unions: it outlawed strikes, failed to recognise African trade unions, and established a system of works committees to take their place.[4] In 1955, representatives of African trade unions were denied access to Wage Board hearings and in 1959 the Bantu Labour Act made stoporders for African trade unions illegal.[5]

In this context, it was difficult for any movement to organise around the extension of social welfare benefits; and it is clear that, more than ever, these had to be struggled for. SACTU unions, however, realised that the consequences which capitalist production has on a worker's life, extend

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1. U.G. 62/1951.
2. ibid para 1824.
3. L. Welcher SALB Vol 4 No 5.
4. These were elected by workers and operated at the factory level only.
5. D Hemson "The Wage Board" Unpublished mimeo.

beyond the workplace. Although workers sell their labour power for only a specific period of time, each day and each week, their proletarian status ensures that all aspects of social life are circumscribed by the realities of powerlessness. The most severe insecurity is caused by not knowing how one will survive when there is no work available or when one is forced to retire. Realising this, SACTU unions took up the issues of unemployment Insurance, Workmen's Compensation and demanded a full pension at the age of 60 as a worker's right (and a right for all people who were not able to labour in the capitalist system after a specified age). Workers had to know and understand more about these schemes, so that they could take action.

As far as the removal of "redundant" people went, the Nationalist Government by no means embarked on a concerted campaign at once, and the number of Africans in urban areas actually increased. In the early 1950's it laid the administrative and legislative framework to set its programme in motion. [1] But as we have said, this was predicated on the disciplining of the African popular classes. As a result of the struggles of the 1950's both at the point-of-production and in the townships, and the mobilisation of thousands around bourgeois-democratic and specifically working-class demands, the state was forced to scrap the Sauer-dream of Total separation along racial lines. On the other hand, the Fagan Report's stress on the "differentiation" within the African people along class lines was gradually driven home. They began to realise that this "differentiation", and the fact that rural production had declined significantly and produced its own class structure, required an altered official strategy. What occurred with respect to urban blacks was not a policy of "migrantisation" (except in certain respects) but rather a de facto recognition of their permanent place in the towns, and a simultaneous onslaught on black wages, designed to promote

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1. eg. Native Laws Amendment Act of 1952; Black Resettlement Act 1954.

capital accumulation within manufacturing industry. African real wages declined for much of the 1950's. This decline has been estimated at 5%[1]. although the Consumer Price Index was used in the calculations, and as this is based on average White family income, it is not a completely accurate picture of African real wage trends. We said earlier that the fundamental questions facing the dominant classes were over the size of the reserve army, the extent of this onslaught on living conditions and the resolution of the farm labour shortage.

From the mid-1950's the state placed more emphasis on removing Africans from the towns. By the early 1960's its proposals aquired a concrete content as statutes depriving Africans of residency were increasingly enforced. Unqualified workers and the aged, sick and disabled would be required to return to their "rural origins", the workers to renew their contracts and the "redundant" people to struggle for survival, depending on their earning family.

(iii) Political "isolation"

Thus the "necessary wants" and reproduction costs of the workers were kept at a minimum: amongst other things, it was hoped that they would expect no more than to return to the "reserves" at retirement. With reference to the provision of social welfare benefits out of taxation, the Minister of Finance wrote in the introduction of the Native Taxation and Development Act, 1958:

> "We do not have one homogeneous community in which the prosperous people can be taxed to provide services for the less prosperous, but we have various communities which must be economically sound individually" [2].

There was a fear that if permanent residence and citizenship were extended to Africans within the central South African State, their economic and

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1. P Bonner "African Trade Unions since World War Two" mimeo (1978)
2. Native Taxation and Development Act, No38 fo 1958.

political power would bring about high levels of taxation and social services, while under separate development the responsibility would devolve on the "Bantu .... and the extension of services will be a function of the ability of the Bantu to pay." The Nationalists wanted to evolve a system whereby:

> "We can reinstate the natural obligations of Bantu Authorities and Bantu children to their elders" 1.

The State had to recognise that it (and therefore, indirectly, White Capital) would have to provide some of the funds for the necessary infrastructure in the reserves eg hospitals, old-age homes, housing. Money would be transferred into the Native Revenue account to provide the facilities in those areas.

The cheapness of providing facilities in the reserves for the reproduction of labour, as well as the unemployed, aged, sick, etc, and controls on the worker who was forced to return home, was related directly to the migrant labour system. The Native Affairs Department described the policy in the mid-1950's:

> "Dependants of poorly paid workers in urban areas will be much better off financially if they remain in the reserves or take up residence in a rural village where they can grow their own mealies, vegetables, etc. The breadwinner can be accommodated either on his employers property or in a hostel . . . and remit as much of his monthly earnings as he is able to, through the Native Commissioner, to his dependents. In this way, he will at least save a pound or two a month in rent." 2.

It was hoped that this system would perpetuate itself: we can see that the aim has been to situate the majority of the African working population and their dependents as "citizens" in the Bantustans; and although fully

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1. HAD 13 June, 1955 col 7628.
2. N.A.D. Official to S.A.I.R.R. See Race Relations Survey 1956 - 58 pp144-5.

'SOCIAL SECURITY PROVISIONS" IN THE INDUSTRIAL COUNCIL SYSTEM.

1. The State and the "Responsibility of the Urban employer"

In the theoretical section of this paper we saw that the general tendency in the provision of social welfare benefits in Capitalist societies was that they were initially made at the point of production - where the contradictions were clearest - by individual employers. Then, as these were inadequate - for social welfare was not the most profitable area of investment in the early manufacturing period - and as the state was in the position to secure the political domination of the capitalist classes as a whole, the state intervened to spread the costs of social welfare across all classes.

I think it is clear that as far as the principal dominated classes go, this process has been very different in South Africa. Even the bigger, most 'liberal' capitals were not prepared to commit themselves to the establishment of a settled, urban African proletariat with rights as workers and as "citizens". The specific path of capitalist development and the reliance of the state on the continued support of small white capital and wage-earning classes, meant that the state was reluctant to shift the cost of reproducing an urban proletariat onto those classes. Important here too was the fact that throughout the 1950's and 1960's, even when the larger industrial capitalists did oppose the way in which the state conducted an assault on the African working class, they never acted decisively to establish an alternative form of state. Generally then, they supported the government's activities.

Here too, an important comparison can be made with advanced capitalist countries. In those countries state intervention in social welfare did not entail a mechanistic "switch of responsibility", which is implied in those writings which see the state as external to the economy and intervening from the outside to sort out the chaos of capitalist production. This process was integrally tied to the emergence of a new form of state, the "enlarged" state, spurred by the economically dominant class becoming the ruling/hegemonic class. Seen from a different perspective, the state could only legitimately take on the role as "guarantor" if it had the backing of the capitalist classes, and as a result of the latter's activities in "civil society", the "support" of the dominated classes. The whole notion of "manufacturing consent" at the point of production is crucial to understand this process.

2. Wages and Working Conditions: The Industrial Council System

While the Smuts Government worked within the framework of some kind of "welfare state" distribution system, however limited and tentative, the Apartheid State's stated policy has always been to keep this at an absolute minimum as far as the African dominated classes are concerned. On the level of implementation this has fostered such bureaucratic resistance, that even less than the intended expenditure has ultimately reached these people. From the early Apartheid period, then, the State's strategy has been:

> ". . . Opposed to the Republic's developing into a welfare state as it is understood and has manifested itself in other parts of the world, but is committed to a policy which is aimed at independence of the individual and of the community and is conducive to optimal social functioning." [1]

On the one hand, as we have seen, this has entailed the elaboration of the "Bantustan policy" with regard to social welfare and a highly discriminatory "urban social welfare policy", all of which increased the direct dependence

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1. Department of Social Welfare and Pensions RP91/1975 p1.

of "redundant people" on their working families. On the other hand, the Nationalist Government has often stressed the (direct) responsibility of the (urban) employer to his workers, and increasingly, as we will see, the need for self-reliance of the individual worker. The fundamental premise is that the African proletariat should not become a "burden" on the State in times of unemployment, old age, sickness and so on. I would argue that this applies to the active workers too, in that the state has not involved itself in providing the means of reproduction/collective consumption, for which capital does not provide through the direct, private wage. Although this is not our focus, it is clearly crucially linked and, I repeat, should be kept in mind constantly when we examine the relationship between the state, capital and the unemployed section of the working class.

The state's attitude then, was that individual employers should take the initiative in these areas but left it to them to decide when, how and to what extent African workers should be included in "social security" and "fringe benefit" schemes. As we saw, there was little done to raise wages, which in fact fell for the most part of the 1950's, and that the ability of workers to organise to demand improved conditions of employment was severely curtailed. On the whole, employers were reluctant to include African workers in any schemes which would effectively raise their wages. The liberal "Poverty Datum line", and the administration of unskilled wage determinations by state-controlled wage boards continued to justify the perpetuation of differentially low wages to African workers. Further, they acted as instruments through which the economic demands of workers were controlled, and by which they were divided from those white workers who were still in productive roles. Hemson has shown that while wage determinations levelled wages between urban areas to resolve inter-capital competition, they did little to close the gap between skilled (white) and semi-skilled and unskilled (black) wages. [1] As with

1. Hemson, D. "The Wage Board" p.12

wages, there were ways in which employers could escape extending any existing schemes (for white workers) to Black workers.

Various studies have shown that the relative autonomy given to employers and workers organisations, from statutory regulation, under the Industrial Council system in the 1930's meant that, given the growing semi-skilled fraction and the less clear distinction of this fraction, both in skill and colour terms, agreements between employers and "employees" were often extended to African workers in certain categories.[1.] This was a complex process which will not be explored here, besides to make a few points as to how this development affected class forces. In implementing the "civilized labour policy" and later "job reservation", the state was freed of the burden of the more blatant and racist methods of fixing black labour's price and working conditions. On the other hand, its practices were brought more closely into line with the needs of capital accumulation, deskilling job fragmentation and the replacement of expensive with cheaper labour. Also the control of white semi-skilled and unskilled, rather than just skilled fractions was secured through the Industrial Council System.[2.]

For the bigger, more mechanised industries, which was where Industrial Councils were usually established, this encouraged a process of "rationalisation" which involved less statutory regulation:[3.] it acted to maintain white worker support for the state, whilst pre-empting any state intervention which would impede capital accumulation. While the benefits of mechanisation would only show once it became a generalised tendency through the 1960's, the stage was set

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+1. See R Davies (Thesis) Parts I and II; D Budlender - Ch on I.C. Act.

2. Unskilled white workers still made up 21.8% of white workers in 1936 and it was often likely that the least privelaged fractions eg women, would unite with their fellow black workers.

3. Following the recommendations of the Van Eck (1941 - 2) Reports and B.T.I. Report No 282.

as we have shown through the state's differential treatment of different capital's needs. With regard to the racial allocation of labour and wage-levels, capitalist planners stressed that the maintenance of white privileges depended on the "proper use of the productive facilities" rather than "repressive measures of legislation". They recommended that as far as possible the racial allocation of work roles, wages and "employment benefits" should be negotiated on an industry-level between employers, the relevant unions and the industrial council established for an industry: this would entail a "continuous review of the classification of jobs and of manufacturing methods in the light of changing methods of production".[1.] Reduced government intervention in these terms also meant that the material benefits gained by some categories of Black workers moving into semi-skilled positions, would not be spread throughout secondary industry. Black workers were employed in more productive and strategic positions with the consequent benefits, but only at the rate that particular industries could accommodate this, whilst moving displaced White workers into supervisory-type positions. The model for this new management-strategy was the engineering industry, which became the largest secondary industry sector during the war (overtaking the food and drink industry), and had the greatest capital investment and employment potential after the mining industry. Its employers and white workers were well-organised, so that during the war they had, through the Industrial Councils, initiated a national agreement over the racial allocation of labour.[2.]

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1. See Van Eck Commission pp 81 - 82; B.T.I. Report No 282 pp 45 - 46.
2. Hemson, D "Engineering Industry in World War II (Unpublished mimeo): Department of Labour Reports and I.C. Agreement (1943) for Engineering.

3. Pensions and Provident Funds - A Note on Legislation passed

During the 1950's there was considerable growth in the existing Pension schemes and in the variety which presented themselves, particularly in the field of occupational pensions. At various times in the past, the question of state supervision of their activities received attention, but on each occasion there was a struggle over the extent to which "private"[1] pension funds should be controlled.

In 1925 an extensive "Friendly Societies and Superannuation Funds Bill" was drafted but never published. In 1942 another draft Bill was prepared and a revised version introduced into Parliament in 1946. Parliament referred this Bill to a select committee for enquiry and report. It recommended that two separate Bills, one for Friendly Societies and another for pension funds, be prepared. As a result, the first draft Bill dealing exclusively with pension funds was published in the Government Gazette on 6th December 1946. When it was introduced early in 1947, Parliament once again referred to a Select Committee. This Committee brought forward an amended Bill in March, 1948, but before it could be enacted, Parliament had been prorogued. With the new Government taking office in 1948, the Bill was not proceeded with.

Developments in the 1950's posed the question of control of pension funds, their conditions and benefits, their administration and their investment, all the more urgently. We have seen that the state was creating incentives for the growth of Finance Capital in South Africa, both through encouraging banking and insurance institutions and creating the infrastructure for Industrial Capital to raise its own Finance.

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1. "Private" is used very broadly to refer to funds which are not part of the social Pension Scheme, or established by a state Department for its employees.

Thus, a certain amount of regulation of the "financial soundness" of private pensions and the distribution of capital accumulated in these funds, was necessary. The state's attempts to expand the public sector meant that capital had to be directed to that sphere. This had to be done, however, without impeding the growth of crucial (Afrikaner-dominated) financial institutions.[1] Also, the I.C. Act (No 24 of 1956) made provision for the establishment of pension and provident funds in terms of Industrial Council Agreements; thus there had to be co-ordination between these and privately administered and/or underwritten funds, especially if these overlapped in terms of membership. A Bill which differed materially from the last (1948), was introduced into Parliament in May 1954, and after further deliberation, again in early 1956, this Bill was passed as the Pension Funds Act[2]:

> "to provide for the registration, incorporation, regulation and dissolution of pension funds and for matters incidental thereto"

The main differences between this and previous Bills were: (a) Provision for the incorporation of I.C. schemes, (b) less stringent control over the activities of insurance companies, operating in terms of the Insurance Act.[3]

The Act made provision for the appointment of a Registrar of Pension Funds in the office of Financial Institutions. The following funds were expected to submit statistical information, register and comply with the provision in certain sections of the Act:

(a) Foreign Funds, ie funds with the head office of the employer-party outside the country. Increasingly stringent controls were enforced, to keep their assets inside the country.

(b) State-controlled Funds, ie funds subject to control from any State Department, including the S.A Railways and Harbours Administration.

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1. Later, as we will see, assets were invested with local authorities and administration Boards.
2. Act No 24 of 1956.
3. Act No 27 of 1943.

(c) Underwritten Funds ie funds administered by Insurance Companies and Life offices. These funds, however, operated in terms of the Insurance Act and were exempted from most of the Pension Funds Act's requirements.

(d) Privately-administered funds, ie a fund which invests its own assets. The Registrar's office was primarily involved with the regulation of these funds' activities, to ensure that they could meet their liabilities.

(e) In terms of S.2 (1) of the Act, pension funds established under Industrial Agreements were exempted from its provisions. They had only to submit statistical information to facilitate the co-ordination of different funds.

Industrial Council Old Age Funds

Above, we saw how the institutionalised "collective bargaining" system - through Industrial Councils - came to cover African workers. In the field of provision of "fringe benefits", this system enabled employers to extend pension and provident funds to include African workers when it benefited the legal participants most. It facilitated a "discretionary policy", where the scope and size of benefits were decided upon by the employers and (white) "employees". Once again, these need not be applied throughout secondary industry. It is significant that this is where the "private" provision of "old age social security" benefits for African workers were initiated; it remained the most important area until the early 1970's when employers moved increasingly towards self-administered or underwritten funds, ie capitalised funds, for most categories of workers.

African trade unions excluded in terms of the I.C. Act did not participate in the establishment of agreements over pension and provident funds, even though these were frequently made to cover certain categories of African workers. After TUCSA opened its doors to African parallel affiliates in 1962, informal discussions were sometimes held where representatives of unregistered unions participated,[1] but this was usually not the case. Registered trade unions who spoke of "combined negotiation teams", had representatives for white, "coloured" and Indian workers, while the majority, African workers, were referred to the Bantu Labour Officer and a member of the Central Bantu Labour Board. They were also excluded from the subsequent committee decisions investigating the infringement of agreements, although they were covered to a greater extent than any other section of the workforce.

It was possible for a management committee of a particular fund (made up of 2 employers and 2 worker representatives, appointed by the relevant Industrial Council) to exclude categories of workers, eg. clerical workers and unskilled workers in the case of the Baking and Confectionary Industry Provident Fund, from an agreement.[2] It seems that even where benefit schemes were extended to African workers, the bureaucratic nature of the Industrial Council machinery often prevented them from deriving any benefit from established funds. In the building industry, for example, Africans found it impossible, unlike white workers, to claim rainy-day pay from stampcard contributions, because of the bureaucracy involved. In the engineering and allied industry, about 200 000 Africans in 1973 were members of a pension fund but not covered by a medical scheme. Two reasons have been given for this discrepancy: Firstly, pension and provident funds accumulate capital at a rate closely related to the number of members, which explains, in part, why white workers would want

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1. Interview with A Grobbelaar. Jan 25th, 1981
2. I.C. Act, 1956 as amended in 1961 Baking and Confectionary Industry (Cape) Provident Fund Agreement 17th Feb 1961.

to include Africans; (2) Secondly, administrative discrimination: the services rendered by pension and provident funds required far less direct contact with members than a sick-pay fund or medical scheme.[1]

Provident Funds

Although pension and provident funds are discussed together, provident funds have always been viewed by workers more as a form of forced saving, rather than as provision for income on retirement, as they only cater for lump sum payments, rather than annuities (see below). Also, they allow for withdrawals upon leaving an industry as well as for the taking of loans. It has been calculated for the Provident Fund of the Clothing Industry (Tvl) covering 25 000 workers (1972 - 3), that only one-fifth of the members actually benefit from the scheme in terms of lump-sum payments at retirement.[2] There is in most schemes no provision for transferability of accumulated benefits when a worker leaves; and as the majority of the provident funds operate in low-wage labour-intensive sectors, including the clothing, textile and allied industry, leather industry, liquor and catering, baking and confectionary, sweet-making, non-artisan section of the motor industry, etc., it seems that this effectively deprives unskilled workers - who are most mobile - of a pension on retirement.[3]

Workers who are eligible in terms of an agreement usually qualify after 1 year continuous service. Contributions are sometimes the same irrespective of earnings, but more often ranging according to the wage (eg Group I earning R30 a week or less, and Group II more than this amount), further, contributions are low and always in actual figures (eg 10c or 20c a week) rather than a

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1. L.C.G. Douwes Dekker "Improving Social Services" in Thomas, W (1974)
2. Douwes Dekker ibid, p198.
3. This does not mean that there should be enforced preservation, as we will argue below.

percentage of the wage. This absolute fixing leads to a deterioration of benefits over time (agreements alter the amounts once every three years at the most); unlike percentages these cannot adjust automatically with wage increases consequent on inflationary pressures and worker demands. Employers are reluctant to increase contributions, which are usually very low: about three percent of the minimum wage, divided equally between the worker and the employer. Benefits are paid out as lump sums. If a worker leaves before retirement, he gets his contribution plus interest (after a minimum of 5 years service). At retirement, the worker receives the sum of double his contribution, subject to the conditions of long service (10 years) and a "well-behaved working life".

According to available information, there were 32 provident funds by 1972/73 with a contributing membership of 336 767 workers as against 25 pension funds with a membership of 446 131 in the same year.[1] In the same year, however, 49 Industrial Councils out of 100 had no pension and provident funds. Of these funds, 41 were established after 1961, which corresponds with the time that TUCSA established closer links with the unregistered unions.

1. Registrar of Pension Funds Annual Reports R.P96/73 (1971); R.P.74/1974; R.P. 105/1975 (1973) Douwes Dekker op cit.

PENSION FUNDS

Industrial Council pension funds unlike provident funds, have been established largely in industries with a big 'semi-skilled and skilled' labour force, so-called artisan industries. The following figures give some idea of the growth-rate of these funds. What is evident is that there is not a tremendous growth in the number of funds, but rather of members, as a result of the inclusion of African workers.

Statistics of pension funds established in terms of industrial agreements. For the years 1960-78. *Note: AR - at retirement OC - Other

Year.	Number of funds.	Members at end of year.	Pensioners at end of year.	Amount paid out in annuities (000's)	Amount paid out as gratuities	
					AR*	OC*
1960	17	119 078	560	320	544	—
1963	27	160 155	631	—	—	—
1966	27	116 863	715	394	599	556
1969	27	149 636	948	553	828	651
1973	29	294 016	1750	1 288	667	1459
1976	33	314 802	2287	2 364	1696	1902
1978	38	315 889	2769	3 328	1957	1860

Compiled from Registrar of Pension Funds Annual Reports 1958-1978

Pension Funds make provision for the payment of pensions in the form of annuities and lump-sums on leaving before retirement, but without the employers contribution.

Contributions are considerably higher than those paid into provident funds. Out of 25 schemes examined by Douws Dekker,[1.] contributions in 8 were less

1. op.cit p 199. Douws Dekker gives the number of 25 schemes as the total number of pension schemes in that year (1972).

than R1 per week; in 13 they were between R1 and R1.99; in 4 they were over R2 per week. In 5 cases, a percentage of the minimum wage was laid down: 5% in four cases, and $2\frac{1}{2}$ in one case. In only eight schemes did employers and trade unions contribute equally - unequal contributions were paid in 10 schemes; in 2 only one party contributed; for the remaining schemes, no information was obtained. Thus, as we mentioned earlier, there were significant discrepancies between contributions made and benefits offered to workers within the Industrial Council system. Furthermore, while 31% of all workers (excluding agricultural workers) belonged to an Industrial Council pension in 1960 (this figure had only risen to 40% by 1970) and as we pointed out above, 49 Industrial Councils in 1972 had neither a pension fund nor a provident fund. Furthermore, these figures tell us little about the conditions of industries not covered by Industrial Councils at all. Workers who work in those industries that are covered are usually more organised, and thus, presumably, better off in terms of wages and working conditions.

The following table gives the breakdown of membership of funds set up by Industrial Council agreements as at 1st June 1972. While the position here improved, these figures refer only to industries covered by Industrial Councils. Industries with wage determinations or orders, or sectors such as farming, which fall outside any of these, are not reflected at all.

	Membership of funds	No of workers covered by I.C. with a fund	No of workers covered by ALL I.C.'s
ites	188 185	188 488	218 686
loureds	152 135	164 434	192 915
lians	51 472	52 901	61 486
:icans	391 106	474 677	537 475

:e: **This table includes both pension and provident funds.**

ource: Department of labour report for 1972

MANAGEMENT OF INDUSTRIAL COUNCIL FUNDS AND WORKER PARTICIPATION

We saw above that as a rule, African workers, and often Indian and 'coloured' workers, were excluded from negotiations in terms of Industrial Council agreements and any subsequent decision-making. As a result, controlling power is placed primarily in the hands of the employers and their organisaitons, and in the past in some form of consultation with registered unions who have not really challenged the nature of funds, or sought more control.[1] In fact, most of the early Industrial Council schemes used to be administered by the artisan-unions themselves until they were 'handed over' to a joint management committee.[2]

We saw above that industrial council pension funds are exempted from the Pensions Fund Act and thus from its investment requirements. This is because they are usually not as dependent on "capitalisation"as most privatefunds are, but are deposited in a savings account, or in Governemnt stock. Although this means that the Nature and size of benefits are inherently limited (ie not including death benefits, disability and widows pensions, not being inflation-adjusted, and without tax rebate), it would seem that there is more scope for worker-participation on all levels. However, this cannot be considered outside the bureaucratic nature of Industrial Councils themselves, their undemocratic structure and historic bias towards the owners of capital, rather than the workers, as well as their tendency to be used to divide workers. Clearly, the very structure of the industrial councils would have to change for workers to have any meaningful control over the funds which they administer, beyond merely improving the benefits. However, this is not a question which can be explored fully here.

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1. Douws Dekker op.cit p 199
2. Interviews with A.Malherbe 25th Jan, 1981 and T Fraser (Jewellers and Goldsmiths, Breweries - Secretary) 4th Jan, 1981. (formerly with Clothing Industrial Council).

Section lV.

THE GROWTH OF PRIVATE PENSION FUNDS (PRIVATELY-ADMINISTERED AND UNDERWRITTEN FUNDS): INSURANCE FOR CAPITAL OR POST-RETIREMENT INSURANCE FOR THE AFRICAN WORKING CLASS ?

We have seen that until the 1950's, there was little or no "post-retirement insurance" for African workers outside the old age pension scheme and the social security liabilities that the reserve economy was supposed to meet. In the industrial council system, most African workers received lump-sums. For most African workers, those who failed to maintain "continuity" of employment, those dismissed and those changing employers - these were theoretical benefits at best. A significant portion of the African labour force (migrant and non-migrant) was not able to rely on the receipt of gratuity (lump-sum) payments, let alone pensions.

The most significant development in the 1960's and 1970's in the provision of "post-retirement insurance" has been the growth of a "private pension fund industry" catering for semi-skilled and unskilled, rather than only for professionals and artisans and payment of benefits in annuities rather than in lump-sums. This development should be understood in terms of:

(i) the changing size and financial structure of capitalist production in South African and the state's encouragement of monopoly capitalist relations during the 1960's;

(ii) the changing labour process and new labour requirements as well as new forms of control and resistance;

(iii) the growth of a fully proletarianised African working class;

(iv) the erosion of the social security obligations of subsistence production in the "Homelands";

(v) the growth of unemployment; and

(vi) employer responses to these structural trends.

THE CHANGING SIZE AND FINANCIAL STRUCTURE OF CAPITALIST PRODUCTION IN THE 1960'S AND THE ROLE OF THE STATE

It has been shown elsewhere,[1] and quite substantially, that the Apartheid state presided over the transition to monopoly capitalist relations during the 1960's and early 1970's; also that the repression of the political and economic organisations of the black dominated classes was a precondition for the implementation of strategies which would further divide and control the African dominated classes, in particular to allow for expanded capital accumulation. This was crucial, both to "discipline" the African working class, which was increasingly occupying strategic positions in production and to attract foreign capital, without which this transition could not take place.

Already in the 1950's the state was aiding industrial capital to raise the rate of surplus value, in the face of various "blocking" structures and relations, such as manufacturing and agriculture's disadvantages on the world market; a marked duality within manufacutring; an undeveloped capital goods sector; a low average organic composition of capital; and the problem of attracting sufficient foreign capital. Also, it had to contend with the resistance of white workers to deskilling and job-fragmentation, which was integral to the transformation of the labour process. This transformation was necessary in order to raise the rate of exploitation. The state aided capital through:

(a) its strategy to depress black wages and lower the reproduction cost of the African working class; and

(b) its "economic" policy, which included a discriminatory policy of taxation diverting surplus value from the mining industry, the protection of agricultural prices, tariff protection, tax concessions

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1. Kaplan (1977) Chapters 9 and 10, Bloch, G (1980).

on machinery and other capital goods used in industry, and attempts to attract foreign capital.[1]

It was only after the political crisis and the outflow of foreign capital at the end of the 1950's, that the state's policies actually came to fruition, aided by the massive inflow of foreign capital into manufacturing through "private" investment and loans. The state provided further economic preconditions for accumulation, encouraging definite expansion projects by bodies such as ISCOR, SASOL and ESCOM.[2] On the other hand, the state helped the larger capitals (eg Anglo-American) to establish a financial infrastructure, and encouraged the concentration and centralisation of credit. The state established financial intermediaries such as the Industrial Finance Corporation, and encouraged merchant banking as well as the stock exchange, joint stock companies, etc. Up until the 1940's, capital markets for secondary industry were very undeveloped. Money was largely raised through friends, legal firms or raised overseas by foreign investors. Speculative investment in gold shares was no longer satisfactory and secondary industry found little organised financial support. The state moved into this vacuum in order to generate favourable conditions for accumulation in the manufacturing sector. Further, with the growth of massive parastatals, the state needed to divert investable capital towards the "public sector" to finance the expansion of the corporations. One of the important sources ~~of loan~~ capital to the state, as we will see, is the percentage compulsory investment of pension (and other insurance) funds in prescribed areas. Further, various state policies encouraged the concentration and centralisation fo productive and finance capital and a tendency towards monopoly raltions; this also gave the public sector an important role. It is worthwhile quoting Hirsch at length:

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1. Bloch p234 - (this discussion drew mainly from Bloch and Kaplan)
2. Kaplan p335.

" the redistribution of revenue, mediated by the state, directly supports capital accumulation in the 'growth industries', but at the same time is used to subsidise sectorally 'backward' areas - not least to retain their support. both lead to the consolidation of an extensive state or state-controlled finance and credit system and the foundation of large-scale 'capital depots' (ie insurance or investment funds)." [1.]

Thus, the development of 'private' and 'public' financial institutions are integrally bound together: a false separation is made in bourgeois analysis reflecting their attempts to limit state intervention. S de Brunhoff has argued that in the present phase of monopoly capitalism there is a real problem corresponding to this false separation: that of the state's declining capacity for economic intervention. We will return to discuss this in the final chapter.

Underlying the concentration/centralisation of ownership and production units and the growth of a "financial infrastructire" to aid capital accumulation, weresignificant changes in the capital-labour relation as embodied in the labour process. The transition to monopoly relations was predicated on intensified exploitation of labour, ie the maintenance of a low-wage structure, minimising black labour's reproductive costs as well as a higher rate of (relative) surplus value production through the reduction of necessary labour time. This involved large-scale mechanisation and deskilling and job-fragmentation.

The immediate post-war period saw the highest rise in fixed capital stock, of some 6,9% per annum between 1946 and 1954, as opposed to 4,5% per annum between 1954 and 1962, and a slightly higher 5,8% per annum during 1963 and 1972.[2.]

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1. J Hirsch, in Holloway and Picciotto (1978) p 87.
2. G Bloch (1980) p 132.

Mechanisation required capital goods that could not be produced locally: imported capital equipment and machinery made up an increasing proportion of South Africa's import bill, continually straining the balance of payments (and dependence on foreign capital, technology and scientific-technoligical expertise). Thus we can see that as it could not wholly depend on the profitability in mining and agricultural foreign exchange sectors, and the state's ability to tax these sectors disproportionately, industrial capital had to concentrate on raising its own finance and merge more closely with financial institutions.

REORGANISATION OF THE LABOUR PROCESS, CLASS STRUGGLE AND "SOCIAL INSURANCE"

Real control over the labour process involves changes in the intensity and skill of the labour force, in its composition and numbers, and in its social conditions of existence. It bred new forms of resistance, fragmented and split some workers and overcame divisions between others, saw changes in racial and sexual composition of those employed and unemployed, developed new hierarchies and mental/manual divisions, and generated continuously changing and developing forms of class struggle within the production process and outside of it. More specifically, chagnes in the labour process involved 2 simultaneous movements, both of which were real economic (and political) victories for capital:

(a) the movement of whites into supervisory positions, which meant that capital was able to introduce black labour at 50% - 60% of the previous wage rate, excluding the numerous fringe benefits available to white labour, and savings on black facilities such as housing.[1]

(b) secondly, the jobs into which black workers were moving, were themselves further fragmented. This reorganisation gave capital

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1. Morris & Kaplan "A case study of ISCPR" SALB 1976 Vol 2 (7 & 8).

a more direct control over the African working class and white workers in semi-skilled operative positions.

In the face of this reorganisation and the possibility of retrenchment, white wage earners demanded increased pension benefits,[1] which would act as insurance against old age and unemployemnt. The state supported the provision of "fringe benefits" for white workers which was the political logic behind their 1966 proposals for preservation of pension rights and their transferability when a worker changed from one compnay or industry to another. Workers were consulted during investigations and the proposals were dropped when they insisted on having the right to withdraw their contributions on resignation or retrenchment, amongst objections from other quarters. However, the growth in the pension fund industry during the 1960's stemmed primarity from the inclusion of the growing category of supervisors and semi-skilled wage-earners.[2]

One can justifiably ask why black workers, or more specifically African workers, were included in private pension schemes from the early 1960's when the strategy adopted by capital and the state was that workers whose labour-power was "redundant" should be returned to the homelands; alternatively, it was argued that the "needs" of African workers were lower than those of white workers and that the I.C. system would suffice.

In the mid-1950's, the Tomlinson Commission showed that reserve production was in fact insufficient to fulfil its social security obligations. In spite of the tightening of influx control in the mid-1950's and the institution of efflux control, large-scale movement into urban areas proceded; dependency on wage-labour increased and where people did not have urban residential rights or

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1. Interview with A Malherbe.
2. See tables of Privately-administered and Underwritten funds.

productive ties in the "homelands", there was clearly no "social security" outside the options capital offered.[1]

The simplification of tasks, and the low training period required, coupled with the existence of a large reserve army of labour of the order of 19% throughout the 1960's,[2] enabled large-scale dismissals and retrenchment to be used as a response to militant and organised labour.[3] This, coupled with the continuous application of machinery, held back any reduction in the reserve army, so that unemployment remained steady during the sixties. There was a growing number of people without any income, and dependent on those who had - whether from the state's meagre provisions or from wage-labour. After the struggles of the late 1950's, capital was well aware that "unsettled labour" and the inadequacy of the government's "race policies" gave rise to that crisis and was eager to prevent this occurring again, particularly during the "sensitive" period of transition.

This was clearest in the new "personell managerial" approach to certain categories of African workers. A growing section of the African working-class was in permanent employment, in semi-skilled, clerical or administrative positions.[4] Also, between 1946 and 1970, the number of Africans classified as urban-dwellers grew from 1 863 277 to 4 989 371,[5] a growth of some 27% in the number of Africans classified as urban.

Sections of manufacturing capital situated in the major industrial areas were eager to win the loyalty of this section of the working class, and pre-empt

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1. cf D G Clarke "Social Security and Aged Subsistence Roots of the predicament in Zimbabwe" SALB Vol 3 No 6 (1977).
2. Hirsh A. Wits thesis (1978) p 9.
3. Simkins (1978) p 34.
4. Spandau A (undated) "A Study in the Dual Labour Market of a S.A. Plant".
5. Hindson (1974) thesis "Economic Dualism and Labour Allocation" Table 4.4.

their militant organisation and identification with the majority migrant-workers. Further, the strategic position of the more settled, semi-skilled workers and the attempt to move away from blatant racial discrimination, forced some employers to concede that these workers needed some form of 'security' after retirement, particularly since the state was arguing that it was their responsi-ibility. We will see that in this context the "capitalist planners" (eg FCI) and "personell managers" have attempted to turn this "concession" into an insurance for capital. We will also examine how the majority migrant workers have been effectively excluded from these provisions.

In the following sections I want to examine the nature of these funds, the scope of their activities during the 1960's and 1970's, the benefits that are offered. I will first look at the legal and administrative framework created by the relevant state departments (Financial Institutions, Internal Revenue and Social Welfare and Pensions), to facilitate the supervision of funds and particularly their investment. This should be seen in the context of the state's involvement in the creation of "private and public" finance, and its attempts to regulate to some degree the distribution of surplus value through financial institutions, and divert them to the "more backward" sectors. Also this intervention should be seen in the light of the state's role as "guarantor" of bourgeois political domination which could be threatened if, amongst other things, capital could not cover its liabilities. This domination is also increasingly secured through the state's "secrecy" and monopolisation of knowledge about how these funds operate, where investments go and how secure they are, the tendency towards monopoly relations in Finance and Banking Capital, etc.

Following this, I will turn to look at the actual formulation and implementation of funds for African workers or where they were incorporated into existing funds.

I will look more specifically at the implementation of pension funds to divide the working class and show how this division is in part a political strategy related to broader political strategies, and in part, inherent in capitalist strategies, where 'social insurance' is geared primarily to meet the conditions of capital accumulation.

STATE SUPERVISION OF PRIVATE PENSION FUNDS

PRIVATELY-ADMINISTERED (NON-INSURED) FUNDS

As is the case with Industrial Council funds (discussed above) privately-administered schemes are funded, ie they operate on teh basis of accumulation of funds through long-term investment. The trustees of a private scheme, with actuarial aid, invest its assets directly in the stock exchange, fixed property and other securities. Some of these may be invested in an insurance company but it does not involve a policy which would hand over the administration of a fund to such a company (discussed below). Privately-administered schemes are administered by company officials and a Board of Trustees.

The difference between these and the Industrial Council Pension funds is that the employers/company officials have more control, not being legally obliged to negotiate with a union or deal with IC bureaucracy. It also appears that company officials have more freedom with selecting investment areas; although I do not have substantial evidence of this, there was a strong tendency for the management committees of IC funds to invest in government stock, Post Office Savings

Accounts, building societies and banks.[1] More recently, however, funds such as the Metal Industries Group Pension Fund (SEIFSA - administered), have had an employer-party strong enough to dictate investment.

Privately-administered funds, on the other hand, are subject to control by the Registrar of Pension Fund's Office,[2] to ensure that such funds meet their liabilities and comply with the state's investment requirements. Once again, however, a fund with a Board of Trustees and a registered actuary - a so-called deposit administered scheme - is exempt from certain requirements. Still, this control entails: (a) registration; (b) access to books of accounts and records of all moneys and assets; (c) that the Registrar can scrutinise actuarial valuations and the provisions in the rules dealing with the calculation and disposal of profits and losses; (d) that investment powers are checked and financial methods watched; (e) that such a fund can be sued or can sue; (f) that the Registrar has the power to suspend a fund.

It is important to note (as we will illustrate below) that this control attempts to "balance out" various interests - individually the state's own, ie the state's attempts to relieve its own burden of social welfare provisions and its own requirements for investable capital. Thus, when it intervenes to implement or change its requirements, it is for a complexity of reasons.

Thus, the most important area of control is over investment, ie laying down conditions and principles and checking actual investment of assets to see whether these are met. The Registrars Office stresses the importance of security in investment and, with a view to switching, liquidity.[3] To this end, the

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1. Reports of the Registrar of Pension Funds 1965 RP19/1967; RP46/1970; 1972 (RP74/1974).
2. In terms of the Pension Funds Act No 24 of 1956.
3. 1st Annual Report of Registrar of Pension Funds (1959). This remains a basic principle up til today.

state intervened in the following ways:

(a) Fixed property: To ensure liquidity, the Registrars Office discouraged large-scale investment in fixed property; the basic principle being that trustees should not invest and control at once. After representations, a concession was made to the most competitive funds: those of "appreciable size" could invest in fixed property, but not more than 10% of their total assets. This figure was increased in 1972 to 25%, reflecting the decline in the share market due to recession. In the period 1961 - 1973, investments in interest-bearing assets dropped from 85,9% to 75,1% of total assets, while investments in fixed property and ordinary shares increased form 8,6 to 19,4%.[1.]

(b) Companies of participating employers.[2.] Similarly, the Act prohibited investment in the company of a participating employer or his subsidiary. This would mean in principle, "that the fund would depend to much upon the success of the said business".[3.] It does not seem as if the state has been very strict in implementing this, although it is naturally very difficult to tell. In fact, after representations between 1956 and 1960, the state made provision for granting exemption.[4.] By 1961, the Minister of Finance[5.] had exempted 159 privately-administered funds, and permitted them to invest up to 5% of the assets with employer-companies or subsidiaries. During the 1960's approximately 100 - 130 funds were exempted annually. This practice, according to the state, became more common

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1. Pension Funds Act (1956) S.19(4) Registrars Annual Report.
2. ibid S.19(4).
3. 1959 Annual Report p.10 para 95.
4. P.F. Act S.19 (6).
5. Then, the Minister of Financial Institutions.

and was abused; in 1976 and 1977, the Act was amended once again to prohibit this form of investment.[1] In terms of a further amendment,[2] companies can still apply for exemption; According to interviews done with management of SAPPI and the administrators of the Metal Industries Pension Fund (SEIFSA), this is possible.[3]

(c) Loans: There are a set of requirements stipulated in the Act,[4] and its amendments, which a fund must meet in granting loans to members (here private funds differ from IC funds, which cannot make loans). Important here, is the practice of granting loans or deposits on houses to members. In 1979, loans to meet deposits were permitted to members with leasehold rights, in terms of S.6 (A) of the Blacks (Urban Areas) Consolidation Act No 25 of 1945, ie mainly Africans with S.10(1)(a) rights.[5]

(d) Prescribed investment: The most crucial intervention that the state makes is the stipulation of investment of a certain percentage of assets in prescribed areas. This affects privately administered as well as underwritten[6] (and "foreign") funds. This has changed over the years and caused contradictions between the state on the one hand, and insurers and company trustees on the other hand, particularly in periods of favourable investment conditions, as is the case in 1980/1981.

In 1959, privately-administered funds were required to invest 40% of all assets in prescribed areas; in 1966 the Pension Funds Act was amended,[7] requiring that 10% of total assets (as a part of the

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1. Annual Reports of Registrar for: 1975 RP106/1977. Financial Institutions Amendment Act S.No 101 of 1976 & No 94 of 1977.
2. Financial Institutions Amendment Act No 103/1979.
3. Van den Heever (SEIFSA) & Flynn (SAPPI) March 10th 1981.
4. S.19(5).
5. Financial Institutions Amendment Act No 103, 1979, amending S.19 (5) of P.F. Act.
6. See below, for the differences.
7. Finance Act No 58 of 1966 S.9.

40%) were to be invested in pure government bills, bonds and securities.[1] Funds were given 5 years to meet this requirement. The other 30% was still to be invested in other prescribed areas. The percentages have changed in subsequent years as the following table shows:[2]

Year	Total prescribed investment	Government bills, bonds & securities.
1959	40%	
1966	40%	10% (as part of 40%)
1972[3]	50%	20%
1977 (30 Sept.)[4]	53%	22%
1977 (31 Dec.)[5]	54%	22¼%
1978 (31 March)	55%	22½%
1978 (9 June)[6]	53%	20½%

Areas of prescribed investment include:

1. S.A.Reserve Bank stock.
2. Bills, bonds and securities issued or loans guaranteed by:
   (a) the S.A. government or provincial administration.
   (b) Administration Boards (since Black Affairs Administration Act No 45 of 1971).
   (c) Local authorities authorized to levy rates on immovable stock.
   (d) the government or local authority in territories outside the

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1. Excluding funds established by Local Authorities already holding 95% of its assets in government stock.
2. Figures compiled from Acts and Annual Reports of Registrars Office.

republic, eg Bophuthatswana.

3. To other institutions which the Registrar has approved - These include:

By 1959: SABC

South African Iron and Steel Corporation (ISKOR)

Water Supply Corporations

By 1969: Industrial Development Corporation

Permanent Building Societies (as far as their loan stock which have been approved in the Building Societies Act are concerned)

By 1977: GASKOR

Richards Bay Coal Terminal Company

5 million Corporation for Economic Development (limited local registered stock, 1985)

Indian Industrial Development Corporation.

INSURED/UNDERWRITTEN PENSION FUNDS: THE STATE AND THE LONG-TERM INSURANCE INSURANCE INDUSTRY

Pension funds "which operate exlcusively by means of policies of insurance issued by a person lawfully carrying on insurance business within the meaning of the Insurance Act of 1943"[1] are exempt from the provisions of the Pension Funds Act, and are consequently not subject to the same degree of state-control as privately administered schemes. In terms of the Insurance Act, insurance institutions are also required to "maintain assets to cover their liabilities towards members of such funds", but as pension fund investment are invested along with their other policies, and as "to obtain maximum overall returns, in order to offer better terms, insurers must be free to choose those investments which offer the highest real returns, taking into account the

1. P.F. Act (1956) S.2 (3)(a) ii.

risks involved".[1] According to the Insurance Act,[2] a long-term insurer must invest in prescribed assets to the extent of 50% of its liabilities relating to pension and retirement annuity funds and 30% of the remainder of its long-term insurance liabilities. The reaminder of the insurer's funds may be invested without restriction, provided that its assets in South Africa cover its insurance liabilities here.

We can see that there is a difference between these requirements and those placed on privately-administered funds, of which 50% of total assets (rather than 50% of the liabilities, and the two are seldom the same) have to be in prescribed investment areas. Also, there are no doubt endless ways of getting around this with the number of different policies and funds involved. However, the state does lay down certain limits, in order to:

(a) protect policy holders,

(b) ensure liquidity,[3] and

(c) as the Franzsen Commission[4] recommended, draw finance into the country's infrastructural development.

Despite both the state's and financial institutions' commitment to providing the conditions for the more rapid accumulation of capital,[5] there are definite contradictions between financial and productive capital and between financial institutions and the state, over the distribution of surplus value, and these are particularly noticeable in crisis-periods. We noted above that

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1. Commission of Enquiry into the long-term Insurance Industry R.P.97/1976 p.30.
2. Schedule 3 part I. 3. Commision of Inquiry 1976 op cit p 34.
4. Franzsen Commission 3rd REport RP 87/1970. Chapters 3,7 and 8.
5. It is not possible to discuss the links between money and production here, nor to explore in any detail the relation between financial and manufacturing capital.

the state actively promoted the growth of financial institutions in the 1940's, 1950's and 1960's, in part as capital had been scarce. It established, for example, institutions such as I.D.C (1940), and the National Finance Corporation (NFC) (1949), which was underwritten by the state and initiated through the Reserve Bank. The NFC in turn spurred private institutions directly involved in the money-market.[1.] The 1950's and 1960's saw the diversification of financial institutions and the concentration and centralisation of a few leading elements.[2.] In the case of the long-term insurance industry, the two largest insureres held 47% of total long-term insurance assets in 1969, and the six largest insurers controlled 70% of the total of R2 301m.[3.]

We will discuss the effects of the high degree of centralisation on pension funds at a later stage. For the moment we can simply note that the insurance industry, which has been "an important source of risk capital" and has assets tied up in investment, is thoroughly resentful of the compulsory investment in prescribed assets in order to "subsidise the infra-structure"; it argues that this does not increase the protection of policy holders, particularly in inflationary times when insurers should be obtaining a rate of return greater than the rate of inflation. Investment in prescribed assets, they claim, produces lower rates of return which discourages insurers from increasing benefits. According to them, this amounts to pensioners subsidising other sectors of the population (via the state's infrastructure). It is clear that this struggle is over the distribution of surplus value, in the form of pension-contributions, and where the cost of the extension of "welfare"-benefits should fall, rather than over the pensioners well-being. We will return to discuss this below.

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1. Norval (1962) p 104 It encouraged both Anglo-American's ventures such as Union Acceptance Ltd (UAL) of 1955, and Afrikaner-dominated SANLAM, which controlled via preference shares institutions such as Federale Volksbeleggings and BONUSKOR.
2. Franszen. para 695 - 709.
3. ibid. para.734. cf. G.Bloch.(thesis). pp.118 - 30.

CAPITALIST PLANNERS AND PENSIONS FOR AFRICAN WORKERS.

Employers in manufacturing industries were well aware of worker needs for post-retirement security and the extent to which provisions in industry could have a beneficial outcome for capital. They were experiencing the effects of the incorporation of white workers, particularly those in the less-skilled categories, into pension schemes which previously catered only for skilled workers. The benefits which privately administered funds could offer were greater than those of funds controlled by unions, Friendly Societies, Industrial Council funds and the State pension scheme. By the early 1960's, pensions had almost become a prerequisite to the employment of white workers.

Employers were very reluctant to include African workers in schemes; it seems that until the mid-1970's, insurance companies also did very little to devise policies which would enable the majority African migrant workers to participate, i.e. which would not exclude workers who were structurally unable to meet the "continuous-service" requirement.[2]

In 1961, about 30 privately-administered pension funds were registered which provided exclusively for black workers, and some employers included black workers in previously all-white schemes.[3] The majority of the workers included were "coloured" and Indian, and in fact very few African workers were included. Presumably these were skilled and administrative workers, as well as professionals,[4] although I have not been able to find substantial information. The registrar of pension funds wrote in 1961:

> " It is evident that more employers are endeavoring to remove the feeling of insecurity which exists among non-european staff

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1. P.A.L.Cuthbert. African Life Assurance (1967). Lecture titled "This age of pensions".
2. This will be discussed below.
3. 2nd Annual Report of the Registrar of Pension Funds 1960 (UG 12/61).
4. Interview with A. Malherbe: 25th January, 1981.

in regard to their future once they retire due to old age"[1]

He argued that the inclusion of black workers, Africans in particular, was problematic - due to the difficulty in proving age, marital status and denendency of claimants; he added that the Bantu Affairs Commissioners could help in this area. He acknowledged that their non-inclusion had little to do with African workers' "traditional ties", which was still the dominant justification given by capital and the state.

During 1962,[2] 7 privately-administered and 15 underwritten funds catering just for black workers, were registered; in 1965,[3] these figures were 7 and 41 respectively; in 1966,[4] 6 and 31 respectively. These figures reflect the tendency of underwriters to be more keen to "develop the non-european market" than the industrialists.

In the early 1960's, two newly formed bodies which worked closely with both the relevant state departments, and with the largest insurance companies and Trustees of pension funds, started a compaign to get funds extended to black workers; these were the Association of Pension and Provident Funds and the Bantu wages and Productivity Association. The latter argued that:

> " Most able-bodied males are forced to leave the tribal areas to find the means whereby they and their women-folk can exist as the land itself cannot provide them with their needs. In addition, an increasing proportion of the labour force of many concerns is made up of Bantu who are permanently resident in urban areas. Their needs are not greatly different

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1. Registrar's 3rd Annual Report, 1961. RP 16/1963, p1
2. Registrar's 4th Annual Report, 1962. p1.
3. Registrar's 7th Annual Report, 1965. RP 19/1967, p1.
4. Registrar's 8th Annual Report, 1966, RP 19/1968, p1.

from those of their White neighbours. Because of this, it is necessary for the Bantu to find security in the same ways as Europeans have done."[1]

They also rejected the idea that African workers should be in separate schemes "more adapted to their way of life", and argued for their inclusion on the same basis as white workers.

The Association of Pension and Provident Funds compiled a report on the request of the Department of Social Welfare and Pensions, and the Registrar.[2] Here they set out the reasons why management should extend "fringe-benefit" and pension funds to black workers. They argued that it was important to raise the productivity of workers and win their loyalty, and that management could not expect these from any worker "regardless of his race, if that employee is suffering from anxiety and insecurity".[3] A pension would reduce this, especially as

> " wages are low and are consumed in providing the necessities of life, leaving nothing to save for old age"[4]

The reasons given to motivate capitalists were the same as any personell management approach; such a scheme would benefit capital by:

(a) attracting suitable labour;

(b) improving "employer/employee relationships and result in a more stable, happy and loyal labour force".[5] In fact, it was felt that the effects would be felt beyond the work place and assist in creating "a moderate and contented group of citizens", reflecting

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1. Unpublished, undated Document (early 1960's). "Retirement Plans for Bantu Employees".
2. Report on Pension Funds for Non-european Employees (15th June 1962).
3. ibid. pl.
4. ibid. p2.
5. ibid. p2.

the sensitivity of "capitalist planners" to the radicalising influence of the previous decade's struggles; and

(c) It would also reduce the costs and wastage resulting from a high labour turnover.

The Report argued that labour productivity would be improved and challenged the fear that a fund would prevent capitalists from removing "dead wood": the rules of a fund "should be complementary to the conditions of employment and should preserve the employers rights".[1] What this meant in effect was that, if an employer chose to establish a fund, a worker who met the eligibility criteria would be forced to join as part of the conditions of service, if, on the other hand, the worker was dismissed for any reason (often including retrenchment) he/she would not benefit from the accumulation of his and the employers contributions.

This is a similar approach to that of "personell management" in most capitalist countries. We saw above that the growth of private pension funds in advanced capitalist countries also coincided with the changing size and financial structure of capitalist production. There too, the extablishment of funds was the capitalist decision, in as far as the state did not enforce it. Even today, not all workers in those countries are covered by private funds, necessitating significant additional state involvement to perform the same functions for capital, eg. social insurance which ultimately lowers the reproductive costs of the working class (as it is based primarily on their contributions) and expanding its productive powers. The crucial differences are, as we illustrated above, that the Apartheid state established an alternative system of lowering reproductive costs and of ensuring that the disenfranchised,

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1. ibid. p3 emphasis added.

thoroughly controlled African working force would not make demands for social security benefits - not of the state or capital; thus, there was no automatic movement from the expansion of capital and the state's financial structures to the extension of "benefits" to the African working class during the 1950's and 1960's. While some of the bigger capitals, particularly subsidiaries of foreign companies, who were introducing new techniques and revolutionising the labour process and moving black workers into semi-skilled positions, saw the need for a settled urban proletariat with increased security, most employers were satisfied with the Apartheid state's alternative.[1] This can be seen clearly in the enquiries into and discussions about pension funds for black workers, African workers in particular, as well as in their actual implementation.

We must remember that, although social security (whether provided via the state or capital) contributes to social and political "stability" by dividing off and conservatizing retired[2] workers, the primary purpose for capital is to create a sense of economic security within the ranks of employed workers (and particularly workers in the monopoly sector) and thereby raise morale and "loyalty" and reinforce discipline which extends beyond the workplace. Thus, when planning social insurance, or pension funds inside industry, this should be seen as insurance primarily for capitalists and the state in their attempts to secure and expand capital accumulation. As we will see, this is usually presented in ways which obscure the underlying processes, the appropriation of surplus value and the struggles between fractions and the state over its distribution.

When an employer sets up a scheme with the help of an insurer or an actuary,

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1. FCI Annual Reports 1958:22; 1959:15.
2. the same applies to unemployed workers.

this has to fit in with the company's "organisational planning", the training of replacements and possibly placing workers nearing retirement in "less demanding jobs" or restructuring jobs, "so that these individuals can perform them without impairing their health or the efficiency of the organisation".[1.]

The choices involved for the employer and/or insurer in the establishment of funds involve:

(a) whether it should be a pension or provident fund;

(b) whether it should be contributory or non-contributory;

(c) which groups/classes/categories should be included - in South Africa employers have had to choose whether to include black and white workers in the same scheme;

(d) whether a fund should be self-administered or underwritten;

(e) the method of financing, ie funded or pay-as-you-go;

(f) which type of plan to adopt - there are 4 basic types: flat-rate, fixed-benifit, earnings-related and money-purchase;[2.] and

(g) Related to (d),(e) and (f), employers and insurers determine the cost and nature of a fund according to the age of workers in a company, the number of years they are expected to live after retirement, (taking into account the type of production they are involved in, the general conditions of health and safety, etc.) and the benefits they are expected to receive if this is determined according to their final average salary (over the last 5 years). As a result of these considerations a policy stipulates criteria which must be met in order to benefit from a fund, such as age, sex, continuous service and length of service.

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1. Chruden-Sherman "Personnel Management" SW Publishing Co (USA) 1963 p599-600.
2. discussed below.

While these methods are more or less universally applied, it is crucial for us to note that, inserted in different conditions of capitalist development these were implemented in a distorted way which, as we will explore below, has caused the system to come up against its own internal contradictions; these relate basically to the fact that:

(i) funds were initially racially-exclusive and that black workers joined them at a disadvantage; and

(ii) that most African workers were structurally prohibited from meeting the continuous service requirements or the "benefits" of length of service.

Seen from a different angle, capital was reluctant to introduce funds which would not raise workers' productive capacities, but simply involve administrative costs and complications. From the workers' point of view, I would go as far as to say that attempts to create "industrial citizens"[1.] have not been as successful as in the bourgeois-democratic states, and in fact are inherently limited. Repressive action by the <u>employers</u> and the <u>state</u> to reproduce the wage-relation and general conditions of capital accumulation have too long been closely associated: the attempts to create the "relative autonomy of the internal state[2.] are limited by the historically developed forms of struggle and political domination.[3.]

The "capitalist planners" of the 1960's tried to encourage employers to go beyond their narrow fractional interests, to implement strategies which would:

(a) encourage individual responsibility and relieve the state of the

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1. This notion is used by M Buraway (1979) to e~~xplain how consent to ca~~pitalist d~~omination is secured in pro~~duction. cf Ch 7.

2. ibid.

3. This relates to what De Brunhoff cited as one of the preconditions for the development fo "economic policy": for the working class to become an 'economic subject' with a particular conception of the wage and the state, it had to break through as a political subject with particular "rights".

burden of social security,[1] whilst at the same time move away from blatant discriminatory practices embodied in the Apartheid state; and

(b) be benificial to the individual employer, but also to capital-in-general in as far as such funds would raise productivity and amount to a savingof investable capital. Insurance companies and banks in particular argued that they "would provide the machinery and arrange more efficient and successful investment and accumulation of funds." [2]

FORMULATION AND IMPLEMENTATION OF PENSION FUNDS

We should turn now to look more closely at the formulation of funds according to the criteria (a - e) outlined above[3] and at concrete examples of their implementation during the 1960's and 1970's.

Urging employers to choose the most widely effective strategy, insurance companies and the relevant state departments argued that a pension fund was preferable to a provident fund: it would provide a monthly pension instead of a lump-sum, as well as early retirement-, death- and widows benefits. A lump sum tended to be squandered "by non-europeans who lack experience in the administration of substantial sums of money"[4] and increased the state's burden. Pensions, which were calculated according to final earnings and length of service, provided more incentive to workers.

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1. Association of Pensions and Provident Funds, op cit p.3.
2. cf eg SANLAM Annual Reports, 1960 - 1980; Interview with Mr Toyer, AFC; February 3rd, 1981.
3. These criteria are interrelated in a complex way and cannot discussed separately.
4. Association of Pensions and Provident Funds, op cit p.3.

However, until recently, employers and some insurers have preferred a lump-sum arrangement, as they have not been prepared to take on the administrative problems involved with sending small monthly payments to pensioners in the "homelands"/"independent states". Also they argue that the increased incentive did not always alter the level of labour turnover. As a result, many employers have remained within the Industrial Council scheme with the majority African workers, migrant workers in particular. One such example is the Brick and Clay Company. They have a scheme for 300 white workers and monthly paid "coloureds" and Indians. They have recently included all African workers in the scheme, other than 700 migrant workers. They have no intention of making provision for migrant workers outside of the Industrial Council scheme; the main reason given is that few workers return to the company. [1]

Employers were urged to set up funds to include black and white workers under similar conditions and with similar benefits, if not in the same scheme. They would not, however, be legally compelled to do so. Planners argued that combined funds would reduce administration costs and that larger funds were generally more stable than small funds.[2]

They also pointed out that separate funds and/of different rules would possibly lead to black worker resistance. This was quite a naïve statement. Black workers have been so successfully controlled and divided from the white working class that, particularly at that stage, they were not in the position to compare their position to that of white workers. Until the 1970's, most private schemes operated exclusively for "Whites" or for "all races except Blacks" (meaning Africans).[3]

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1. Survey by N Nel S.A. Financial Evaluation Services and interview 12.2.81.
2. Association of Pension and Provident Funds p.4.
3. SANLAM "Pension Benefits in South Africa" (1981)

Black workers in skilled and semi-skilled categories and, more important, able to meet the continuous service requirement (ie.with urban residential rights)[1] were gradually drawn into the same schemes as white workers, either from a separate scheme or from industrial council schemes. According to SANLAM's analysis of 100 "of the largest pension funds in the country",[2] the ratio of funds that provide for "all races" to "whites only" and to those that provide for "all races except blacks" is given as 76% : 20% ; 4%. In a breakdown of the various types of industry, the following ratios are given as:

Conglomerates: 80% : 10% : 10%

Construction: 100% "all races"

Co-operatives: 50% ; 40% ; 10%

Corporations: 70% "all races" : 30% "whites only"

Financial Institutions: 81% "all races" : 19% "whites only"

Government Departments and Local Authorities: 56% "all races" : 44% "whites only"

Utility and Manufacturing Companies: 81% : 15% : 4%.

The conclusion is that companies have moved away from discrimination during the 1970's. As I will show in more detail below, this is incorrect in a number of ways. Firstly, it has been easy for companies to maintain discriminatory practices without this being presented in blatant "racial" terms, by for example discriminating between workers above a certain wage/salary and those below, where the divide is usually between a majority white (and sometimes "coloured" and Indian) workers on the one hand, and African workers on the other. Until very recently, with the growth of trade union organisation amongst African workers, employers were able to get away with this. Today,

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1. Discussed in more detail below. More recently employers have simply deducted the period that workers take leave.
2. The results of this survey are most probably "fixed"; SANLAM gives no names, and only give percentages rather than actual figures of the number of workers involved.

however, this is not so easy, and the example of the AFC Group Pension Fund for Premier Paper Company[1] where the Paper and Allied Trade Union has intervened, is instructive.[2] Here the question of "democracy" has also been crucial, as skilled workers are consulted but not African (majority unskilled and semi-skilled) workers.

Before the AFC fund came into being, all permanent African workers who had completed 12 months' continuous service were bound to join the Premier Paper Bantu Pension Scheme,[3] established in 1973.[4] Workers were never consulted, rules were never explained, but they were warned that "they'd be shown the gate" if ever they decided to withdraw or oppose the fund's provisions. As a result, workers had to accept pension-deductions without questioning.

During January 1980, the scheme was cancelled, and without being consulted workers were told that they now belonged to the new AFC Group Pension Fund,[5] which caters for "all Premier Paper workers". However, "salaried staff" need only 6 months continuous service to qualify, whereas "hourly paid staff" need 12 months. All workers contribute 6% of the basic wage, while the employer contributes 11,5% of the pensionable salary for all except African workers; the employer contributes 14,7% of the wage of African workers, presumably to make up the shortfall resulting from the smaller contributions in the "Bantu Pension Scheme".[6] African workers' contributions, which have doubled are

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1. A Barlows subsidiary.
2. Interviews with workers; Paper & Allied, and managers of the AFC fund.
3. Underwirtten by African Eagle, 75% controlled by Anglo-American Insurance holdings.
4. Before 1973, all African workers received "discharge pay" with no pension provisions.
5. Underwirtten by AFC Benefit Consultants.
6. However, this is inclear, as workers have not been informed as to where their contributions into the old scheme are being held. It is possible that these will gradually be transferred and that the increased employers' contribution (7,7% to 14,7%) is supposed to pay for better benefits secured over the years that workers belonged to the old scheme.

justified in terms of the increased employers' contribution. Further, the scheme offers various new benefits such as increased "ill-health, early-retirement" and death-benefits, apart from an increased pension on retirement. But at the same time African workers are contributing more towards the provision of benefits which they seldom can make use of, eg "voluntary early retirement" and deferred pension benefits, as well as towards the establishment of a benefit which is still in its experimentation phase, namely the "continuation option".[1.]

When it comes to calculating pension benefits, the scheme discriminates between workers with a pensionable salary of R6 ooo or more per annum and those below this amount. At retirement (60) the first group receive an annual pension (payable monthly) of:

2.5% of the final salary for each year of service -

ie $\dfrac{\text{salary x number of years}}{40}$

Workers with an annual income of below R6 000 receive only:

2% of the final salary for each year of service -

ie $\dfrac{\text{salary x number of years}}{50}$

This blatant discrimination has been challenged by the union. AFC has been very defensive and plans to alter this. Their reasoning is interesting. Mr Toyer argues that when this was formulated in 1974, many white workers earned less than R500 per month, but admits that today it amounts to blatant discrimination. He disagrees, however, with the argument that African workers' contributions are doubled for pension benefits which are minimally higher than those in the old scheme, where the calculation was:

1,66% of the final salary for each year of service -

ie $\dfrac{\text{salary x number of years}}{60}$

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1. This enables workers to purchase an individual life insurance policy with their pension rights on withdrawal or retirement. Interview with Mr Toyer of AFC.

Furthermore, African workers' "Pensionable Service" prior to the 1st January, 1980, still attracts pension at the Rate of 1,666% of the final salary.

PENSIONS AND INTENSIFIED EXPLOITATION, CONTROL AND DIVISION OF THE WORKING CLASS

We have situated the incorporation of African workers into private schemes in the context of a tendency towards a higher rate of surplus value production (in its relative form). We also pointed out that the state and capital's sporadic attempts to move away from blatant racial discrimination coincided with the more deliberate strategy to distinguish between "permanent residents" and "temporary sojourners". In a sense, the basis for this division was material in as far as "permanent urban residents" relied entirely on wage-labour for their reproduction[1] and on whatever "social security benefits" the state provided, if at all. However, it can be shown that the same applied to migrant workers who were nevertheless forced onto a migrant basis. This division was thus constantly having to be reinforced by capital and the state, for political reasons, and to maintain the costs of reproducing the majority of the working class at a minimum (ie with facilities such as housing, transport, welfare, etc). As regards the fully proletatianised African working class, the strategy has also been to shift the costs of their reproduction onto the workers themselves; in the absence of substantial state provisions for retired workers, pensions too served the purpose of making workers responsible for their own reproduction, and as such a method of extracting relative surplus value. This surplus is then rapidly reinvested in industry to ensure the continuing and expanding accumulation of capital. We will see that in more recent years the strategy has been the same vis-a-vis migrant workers, but through separate institutions.

The concrete day-to-day implementation of pension schemes at the workplace has been as much a part of capitalist strategies:

(1) by making the pension a condition of employment and encouraging "continuous service" with the same employer, capital attempts to raise the workers' productive capacity and reduce the costs of a

1. although the question of the informal sector enters here.

high labour turnover; hence, the administration of pension funds becomes tied to the whole "personell-management" thrust.

(2) by dividing the labour force into various categories and treating them as such, capital is able to control workers more effectively.

There is widespread belief today, even amongst critics of the capitalist state, that it is primarily state policy and its administration which subjects the African working class to bureaucratic controls, and that these political divisions are somehow inserted from the outside into another "normal" capitalist production process. On the contrary, political and ideological relations of division and domination are produced and reproduced within the workplace. Thus, along with the attempts to create the industrial citizen and, I suggest, tending to subvert it is an increasingly strict division between workers with "permanent residential rights" who become a part of the "permanent staff" of an establishment, and other workers - migrants, hourly-paid workers,[1] temporary/seasonal workers. This, as we will see, became a concerted strategy in response to mass struggle and working class militancy during the 1970's. But it is important to see that the limits and options were set by tendencies embedded during previous decades, in and out of production.

The formulation and implementation of pension funds illustrates that this division went beyond the entrenchment of skill and/or wage-divisions by making it difficult for all but "permanent staff" members to participate in and benefit from private pension schemes. During the 1960's, "planners" encouraged employers to make this distinction on the grounds that many African workers could easily be incorporated within conventional schemes operating on the basis of "continuous service".[2]

In their attempts to open "the black market",[3] social insurance planners urged employers to be more "lenient" in specifying eligibility criteria. As we will see, these are also determined by:

(a) who administers, and
(b) who contributes to a fund, as well as
(c) the type of fund and method of funding chosen.

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1. As yet, not all hourly workers are those who are deprived of residential rights. See A.Claassens Wits Honours (1980) for detailed discussion on divisive strategies in the workplace.
2. "(Bantu) Wages and Productivity Association" p 1.
3. Cuthbert. op.cit. p 8.

The planners argued that it was wrong to assume that all African workers changed jobs frequently, and that in fact, an examination of the comparitive statistics in a few retirement plans showed that there was a slightly lower turnover among African workers than among white workers.[1] This applied primarily to "permanent urbanised Bantu in higher categories of employment" but also to those migrant workers who returned to the same job.[2] As a result, they argued that a longer minimum-service requirement for all African workers was unjustified. As regards migrant or temporary workers, employers were encouraged to make adequate arrangements to ensure that they returned to the same company.

It was also noted that employers for the same misconceived reasons specified a higher admission age for African workers[3] and excluded women. Referring mainly to white women, employers were advised to let them decide whether or not they want to make up contributions lost during eg maternity leave or have that time deducted from their contributory service. The option has very rarely been open to black women as the experiences of women at Langeberg Co-op, Paarl have frequently shown. These women merely have their contributions (5% of basic wage excluding overtime, night-shift pay, allowances and bonuses) ended and are told to join again.[4]

On the question of whether a fund should be contributory or non-contributory, employers were similarly advised that it was wrong to assume that in a contributory scheme, African workers would resign merely to lay their hands on their accumulated contributions, which was what many employers feared, knowing that workers regarded their contribution as a method of saving. (I should explain: when a scheme is contributory, a worker is paid out his/her contributions on withdrawal before retirement. The employers contribution stays with the fund, which being fully tax deductable, is no loss to that employer).

The "planners" - who were concerned with broader economic and political questions - argued that, in the absence of adequate unemployment insurance

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1. W and P Association. p3; Southern Life Association Annual Reports.
2. The call-in card system had since the 1964 Bantu Labour Act eased this process.
3. Who usually start working at an earlier age.
4. Interview with L Abrahams, organiser for AFCWU in Paarl.

and "full state care for the aged and unemployed", refunded contributions where dismissal is unavoidable, would be an important means of appeasing workers.[1] It was further argued that worker contributions "give the worker a greater sense of responsibility and reduce labour turnover".[2]

The specification of eligibility criteria such as "permanency", minimum continuous service and the choice between a contributory and non-contributory scheme was determined not only by the nature of the labour force or how the employers perceived the workers. These were tied up with the size of the firm, its ability to raise its own finance through, for example underwriting and administering its own fund, as well as the type of policies that insurers are most eager to sell. Even when a fund is underwritten by insurers, the employer is able to fix criteria as to who qualifies, who pays what and how long workers have to belong to a scheme to receive any benefits on withdrawal prior to retirement, hence the lack of uniformity amongst funds.

Funding methods and types of accumulation of funds

There are 2 basic methods of funding pensions and other welfare benefits, pay-as-you-earn and funded schemes. The PAYE schemes are most clearly utilised in funding state old age pension schemes and the old trade union administered schemes. Capital regards this method as "unsound, theoretically and on principle". Basically, it means that current income, covers current expenditure, leaving very little capital to be invested, "to cover liabilities".[3]

Conventional methods of funding private pension schemes, by investing accumulated contributions and paying benefits according to a definite formula, are again divided into 6 different types.[4] Those most widely used in the South African situation are the fixed-benefit and money-purchase types. Each type specifies a different method of funding, and relate differently to contingencies such as probable length of service, the number

1. Association of P & P Funds op cit. This is interesting: more recently the state and insurers have argued the opposite.
2. ibid.
3. Interview with Hammond-Tooke, FCI economist.
4. Fixed-benefit, Flat percentage, Money-purchase; deferred profit-sharing combined money purchase, deferred profit-sharing, flat benefit type.

of workers involved ,life-expectancy, and the relative size of contributions and pay-outs as these are affected by factors such as inflation.

The fixed benefit type is computed by multiplying a pre-determined pension rate, usually a percentage of 1% to 3%, of the workers' basic wage (eg 2% of R1 200 p.a.) by the number of years "continuous service" or years of participation. The amount credited annually is established by formula, so that the amount of annuity payable to a worker can be predicted in advance, and investment is planned accordingly.

This type of fund is usually contributory, but not necessarily. The contributions required to purchase the calculated annuity, credited each year, rise according to expected rates of inflation and insurers' investment priorities; in most cases then, where employers were reluctant to have contributory schemes, they were forced to do this in order to "meet the costs". This however, disguises what really happens. The employers' contributions are fully tax deductable anyway: they achieve this by being allowed to add their contributions to wage costs instead of profits which are invested. This helps to give workers the impression that pensions are a "deferred wage" and that the employers contributions effectively mean a wage increase for them.

Further, as benefits are fixed and imply a long term investment, liabilities can only be covered if a large amount of finance (surplus value) can be raised. Thus, where this type of fund is self-administered, it is only by the larger industrial capitalists, such as Barlows and Anglo-American.

The money-purchase type, on the other hand, does not give a fixed but a variable benefit: a percentage of the workers' basic wage is set aside each year, either by the employer, or by the worker and the employer. The employer's contribution is a definite percentage of workers' salaries or payroll, while the workers' contribution is related to earnings. The money-purchase scheme is simpler and often used by privately-administered funds. The amount which can be withdrawn on retirement by a worker depends on the overall size of the fund, the size of the individual worker's accumulated contributions, the length of time that contributions are made and accumulated, and the rate of return on investments. These funds' viability rely more on the inclusion of as many contributors as possible than on continuous service, meaning continuous contributions, and are thus much more able to adjust to breaks in employment. We will see how this has been used as a capitalist solution to the intensified problems of the 1970's, namely in the establishment of schemes which deal exclusively with migrant workers.

The fixed-benefit type scheme is preferred by employers and by insurance companies. Being earnings-related and strictly according to length of service, management argues that it provides more incentive to workers to "advance" and encourages "loyalty" to the company. Insurers usually offer policies of the fixed-benefit type. They are able to calculate in advance more precisely what their liabilities will be in the future and make the necessary provisions to cover them. Also contribution rates in these schemes are usually higher. As the fixed-benefit type encourages continuous service with one employer, insurers are able to make long-term investments in areas where the rate of profit and therefore returns are the highest, often involving high-risk shares and non-liquid assets eg in fixed property.

Seen from this perspective, the antagonism of insurers to prescribed investment is easier to understand, as is the need for state-intervention to ensure that liabilities are in fact covered by fixed-interest bearing assets in the private sector.[1] Recent exposures of private pension and insurance companies

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1. cf."Planning pensions in Inflation." Published by NDMF (Johannesburg).

in the U.S.A. and Britain, as well as independent actuarial calculations in South Africa have shown that insured fixed-benefit type funds become tied up in high-risk and non-liquid areas of investment, so that the payment of benefits is often more problematic than is apparent.

To understand this we need to look at crises in capitalist production in the monopoly capitalist phase and contradictions between non-monopoly sectors and monopoly sectors, as well as amongst the latter, in the face of the tendency of the rate of profit to fall. In this context, further concentration of industrial capital and centralisation of finance capital take place (as a counter-tendency of TRPF), as well as the devalorisation of certain fractions of capital. This results in a squeeze also of "private" financial institutions such as insurance companies and banks. Many of their operations overlap and need to be rationalised. The banks, however, in their closer relationship to the state, in centralising the control of money and credit, have been strengthened.[1.]

As a result, in the advanced capitalist countries there has been a trend towards the investment of pension funds in banks with a Board of Trustees and actuary administering schemes, along with company officials and union participation. This tendency has been hastened by trade union demands over eligibility criteria, retirement age, retirement benefits, years of service, and methods of funding which were previously directly determined by insurance policies' requirements.[2.] For example, a struggle to institute a short eligibility period and therefore more freedom of movement between jobs, contradicted the requirements of fixed-benefit schemes, and resulted in the establishement of money-purchase schemes. Other demands, such as for a flat-rate pension

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1. Poulantzas, N (1975) De Brunhoff S (1973) & (1976).

2. Union interest in Employee Retirement Plans (1965) H C Kwasha, New York. Distributed to managemnt in South Africa by NDMF.

for workers irrespective of earnings or length of service, however, have met the limits of capitalist-flexibility; here, unions have themselves capitulated in the face of capitalist divisive strategies and demanded this only for workers with 20 years of service. Management's conclusion was optimistic and correct:

> " In the light of past experience, it is known that employees will soon become dissatisfied with a plan which grants the same benefits to an individual with 40 years of service as one with 20 years, or if wage rates differ by as much as 50 to 75%" [1].

With inflation eroding pensions and demands for increased benefits, "capital depots" such as insurance funds are "squeezed" more severly. In this event, they attempt to "privatise" the problem by demanding that the state diverts less capital into fixed-interest "public" areas such as corporations, administration, services, etc.

In South Africa, finance capital in the form of insurance funds has been faced with the (added) contradiction which we examined above; namely that the method of funding which benefits it most, excludes a large section of the working class, which is the ultimate source of the (capital) funds.

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1. ibid.

Section V.

THE STRUGGLE OVER THE SOUTH AFRICAN PENSION SYSTEM IN THE LATE 1970's

Crisis in Production in the 1970's

We outlined various changes in capital and the evolution of production relations during the 1960's, as well as the growing rate of proletarianisation and unemployment. These tendencies became more concentrated in the 1970's.

During the period 1970 - 1980, the South African economy witnessed a rise to domination of monopoly capitalist relations in all sectors and departments of production. A recent study[1] gives an approximation of the monopoly nature of production.[2] An industry was considered highly concentrated if the ten largest firms were responsible for 70% or more of the total output. Nine industries fell into this category, with the tobacco industry leading (with 3 firms producing 98,4% of all turnover in 1971 - 1972) and followed by the glass industry. Du Plessis concluded by saying:

> " economic power is highly concentrated ... the South African economy will, in due course, be dominated by government enterprises on the one hand and a few conglomerates on the other "[3]

As a result of his method of analysis, du Plessis failed to see that this is already the case, as he ignored the question of ownership and control, so that companies that are in fact owned and controlled by the same conglomerate, appear to be separate. Other areas of confusion one often finds are in analyses of "state corporations", often largely controlled by local or foreign "private" capital; also share ownership is often a poor indicator of where control lies

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1. du Plessis, P. G. "Concentration of economic power in the South African manufacturing industry." SAJE Sept 1978.
2. The Monopolisation of the South African Economy. Social Review No 5. (1979)
3. du Plessis. pp 268 - 9.

eg in so-called "nationalised" companies. The Mouton Report (1977) lists 75 categories in manufacturing in which three or less firms produce 70% of the total turnover.

On the other hand, important features of the economy have remained eg uneven development between departments and sectors; particularly important is the imbalance between departments in manufacturing, tied to South Africa's position in the imperialist chain. Manufacturing's reliance on imported plant and capital equipment[1.] put increasing strain on foreign exchange reserves and reinforced the dependence on the primary earners. Throughout the 1960's, as manufacturing applied more fixed capital to raise the rate of surplus value, there was cronic balance-of-payments deficit.[2.] Due to declining levels of productivity relative to that of advanced captialist countries, merchandise exports (ie excluding gold) made up a steadily declining proportion of G.D.P South African producers' cost inefficiency grew during the 1960's bringing about a tendency for the rate of profit to fall.

During the 1960's, the counter tendencies were strong enough to keep the crisis at bay:

(1) the boom was predicted on the repression and disciplining of the dominated classes;

(2) capitals low wage structure was unchallenged;

(3) sophisticated forms of labour control and allocation minimised reproduction costs;

(4) the degree of concentration and centralisation ensured a high rate of profit;

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1. 30% of imports in 1957 and 45% by 1970.
2. Bloch, G p 247.

(5) an expanding internal market through the 1960's sustained within exceptable limits the production levels necessary to allow for effective valorisation of manufactured commodities.[1]

(6) a sophisticated money market ensured a minimum of delay and cost before productive investment, while credit mechanisms extended and stabilised consumption.

(7) there were changes in the labour process involving job-fragmentation, encouraging more efficient production and the cheapening of costs through employment of semi-skilled black labour.

However, there were limits to and blockages in the extent to which this transformation could take place, related to the historically developed racial division of labour. While the resistance to deskilling and replacement from white workers was not <u>particularly</u> strong in the 1950's and 1960's, the organisation of white workers to prevent under-cutting, slowed down the process,[2] also the inferior educational and training facilities for blacks excluded them from certain categories of work.[3] Growing shortages of semi-skilled and skilled labour, and white resistance to job-reclassification for fear of being replaced slowed down the extent of mechanisation;[4] while it has also been argued that the conditions of existence of black labour, absenteeism, high labour turnover, illness and hunger, contributed to a less <u>intensive</u> application of black labour in semi-skilled positions and a loss of productivity.[5]

Thus the application of machinery to control the working class (discussed in previous section) was not very successful, owing largely to their general

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1. Bloch G. p 248.
2. Davies R. (1978) JSAS p2 "Wiehahn and the restructuring of the racial division of labour"
3. Meth argues that the level of skill required to fill these jobs should not be overestimated.
4. Davies op cit
5. Meth (1979) SALB Vol 5 (3) "Trade unions and skill shortages".

conditions of existence, political repression and low wages. The system of migrantisation was co nfounding itself as the "homelands" were no longer even able to "reconstitute" the worker between periods of employment, while people were still being forced back to lower the cost of reproducing the working class. This, coupled with rising unemployment (rising from 19% to over 22% in the 1970's)[1] and growing working class and popular struggles exacerbated capitals crises and turned it into a crisis of the social formation as a whole.

The Falling Rate of Profit and the State

The Reynders Commission pointed out that this resulted in higher costs and declining competitiveness on foreign markets. Where previously the use of cheap black labour helped to offset this, new positions in the labour process were being filled by white workers who were able to demand high wages. The increase in labour cost per unit of output were in the order of 24% in manufacturing during the 1960's and the process accelerated into the 1970's, thus also affecting international cost-efficiency.

The rising costs of industrial goods began to threaten the viability of export earners and of producers for the domestic market alike, and thus the ability to earn foreign exchange needed for imports.

Further, following from what we said about the limits to mechanisation, it increasingly was difficult for manufacturing, and the capital goods sector to raise its own finance. There were record deficits in the balance of payments, underlying the serious structural imbalance faced by the economy. Thus, manufacturing and the state were facing a double-bind situation: for expanded capital accumulation the development of manufacturing was essential; to reach this

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1. Simkins (1978) p 34. TABLE 20.

position, however, required an increase in primary and processed goods exports in order to gain foreign exchange. This was exacerbated by "imported inflation" ie the rising cost of foreign imports,[1.] particularly oil.

As a result of this analysis, we could speculate that surplus value extraction slowed down in the beginning of the 1970's, and a corresponding fall in the rate of profit. The rate of profit is reflected roughly in the G.D.P., and in the rate and source of investment (which roughly relates to accumulation). Dagut shows that between 1955 and 1976 the GDP increased on average by 5,32%, but between 1974 and 1976 only by 1,73%.[2.]

It can be shown that while the rate of investment increased in fixed investment between 1970 and 1976,[3.] the increased import costs would mean that the rate is slower than it appears.

Post-war trends in gross domestic fixed investment at current prices.

	Ratio of		
Years	1965-60	1970-65	1976-70
Total of gross fixed investment	1,9	1,6	2,8

Compiled from Dagut P98.

Also, symptomatic of a falling rate of profit is the declining share of private business enterprises in the gross domestic fixed investment. This share has declined from 63% in 1946 to 51% in 1972, to 49% in 1975.[4.] At the same time, the share of public authorities and corporations increased: public authorities

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1. Dagut, M.B.- S.A: an appraisal. Nedbank Group Economic Unit 1977.
2. Dagut op cit. p 215
3. Berger, Shapiro, Roux. "The South African State in the World Economy" (mimeo) pp 28 - 32.
4. ibid. and Dagut. p 139.

from 34% to 38% in the period 1946 - 1972, to 34% in 1975; and corporations share increased from 3% to 4% in the period 1946 - 1972, to 17% in 1975. The ratios of investment increases for the private businesses have been much lower than for public investment, indicating a lower rate of expansion of private investment in the South African economy, as compared with public investments.

In this context, the state expenditure on welfare, homelands administration bureaucracy, coercion and control, what O'Connor terms "social expenses",[1] began to appear inadequate, rising to one third of state expenditure in 1977/8. Thus one third of its spending did not add directly to the rate of surplus value.[2] The leading areas of increased government expenditure for 1970 - 6 were: transfers and loans to the governemnts of "homelands": 70,5 average increase per year; Defence and Armaments Board: 32,8%.

On the other hand, the average increase per annum to public corporations was 28,2% for the same period (1970 - 6), indicating that the state has been providing conditions for relative surplus value extraction.[3] The category used to describe these two trends in investment (Dagut's "consumption expenditure") does not reveal this as it is trying to push for "privatisation" of the problems facing capital. However, it seems that two thirds of the state's expenditure still contributes to surplus value. We saw above that there was additional involvement of the state in the economy through its share in gross domestic fixed investment.

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1. O'Connor. "Fiscal Crisis of the State" p.7 (1973). ie in areas that are crucial for "legitimation" and political domination but not directly productive through contributing to the rate of accumulation.
2. Dagut: op cit pp 94,95.
3. ibid.

As the state's share of gross domestic expenditure has risen during the 1970's, its allocation between consumption and investment has been rising to favour the latter.[1] According to Dagut, this investment included expansion by both public authorities and public corporations, particularly the latter. "Public" corporations[2] such as ARMSCOR, ESCOM IDC (and its Bantustan offspring BDC), SASOL, SABC, ISCOR, etc, in 1976 accounted for 31% of the public sectors fixed investment, ie assets such as fixed property, construction works, transport equipment, and machinery. The state's rising involvement in these sectors, through largely the public corporations reflects its direct and indirect contribution to raising the rate of surplus value, profit and accumulation as a counter tendency to the TRPF and thus the contribution of the "private sector" to national accumulation.

Bourgeois economists, such as Dagut regard the state as "trespassing on the domains of private enterprise and weakening, the profit-seeking motivation that has historically been a powerful driving force in South Africa's economic development". He fails to see that the state had to intervene to restore the rate of profit and accumulation, rather than simply to defer "an adjustment of the South African economy to the recession experienced in other countries", which he assumes is only in the power of "private" capital to do. From our perspective surplus value has been devalorised/statized[3], which seems to be indicated by the growing rate of investment and falling growth-rate.[4] This counter-tendency is not directly contributive to accumulation, but is a means of

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1. Dagut p 249 Table 107.
2. We must beware here, as there is clearly significant "private" capital invested in these "public" corporations.
3. In Poulantzas' sense. (1978) pp174-6
4. Shapiro. et. al. (1980) p 35.

increasing it; being devalorised, the surplus capital gained by the state (taxation, foreign liabilities, prescribed investment by banks and insurers) i.e. statized capital, permits the transfer of surplus value to other sectors.

The crisis has subsequently led to a spate of mergers between different capitals, a greater centralisation of capital, further application of a capital-intensive labour process and rapid deskilling of the majority of the workforce.

THE STATE AND PENSION PROVISIONS

Once again, in order to grasp why the state intervened in 1976 to propose a National Contributory Pension scheme, it is not enough to pose this at the level of structural analysis. On one level the state did intervene in "welfare" because it was not the most profitable area of investment for capital, particularly with the rate of profit being what it was during the early 1970's. But to settle for this is overly economistic. The state, as a condensation of class relations, also responds directly to the struggles of the working class, which underlie capitalist crises. The state intervened during the 1970's in response to working class and popular struggles, even if these struggles are distanced from the actual state apparatuses.

During the early 1970's, the state was forced to become more involved in the reproduction of the African working class, and the productive workers in particular, but in a qualitatively different way from previous decades. We saw that in the 1950's the state intervened by placing the majority workers onto a migrant basis and giving the reserves a "social welfare" function, whilst it minimised the demands that the urban, settled working class could make.

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1. Poulantzas (1978) 175 - 6).

During the 1960's boom, capital was (prematurely) given more autonomy, in the field of housing, pensions, bypassing the labour bureaux system. However, in in spite of its articulated needs and its demands of the state for the provision of facilities, the monopoly sector did not go very far in trying to gain the support of the working class; its "human relations" ideology and "personell management" techniques meant very few material concessions for the working class, and as a result, had little political effect on the workers or the state: one could almost call it "misplaced attempt at hegemony".[1]

The growing struggles of the working class against capitalist exploitation in the early 1970's, the crisis in production, and rising unemployment forced the state to intervene to make some minimal concessions - in order to stave off the worst for capitalist domination. It was clear that African workers' working conditions,wages and general conditions of existence were not improving and these were causing spontaneous mass working class action (eg Namibia, 1971, Durban 1973); further the conditions in the "homelands" were worsening as fewer people were finding work (particularly young people) and the productive capacity declined further. Unemployment soared (to a figure of 2,3 million in 1977) and the labour-absorbtive capacity declined in the period 1969 - 1976.[2] An increasing burden was thrown on the urban areas which, in spite of labour control, attracted increasing numbers of work seekers with no other means.

In the field of the provision of social welfare benefits, and pensions in particular, the state was forced to intervene where: (a) its old age pensions were inadequate, and (b) "private" provisions were inadequate. In this process

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1. ideological justification,with little material basis.
2. Simkins (1978) p 41.

it sought a solution which coincided with the broader political strategy adopted namely the division between "insiders" and "outsiders".

State Old Age Pensions

In chapter II we saw that the state introduced pensions for Africans in 1944; already then, a distinction was made between "permanent urban", migrant and "permanent rural" Africans, both formally and in terms of the provisions and institutions through which they were made. Old age pensions for Africans increased minimally during the following three decades, and the gap between white and African pensions widened. In 1944 maximum African pensions were R24 per year, 21,4% of white pensions; by 1959 it was R41 per year, 15,56% of the white pension; by 1966 it was 12,3%; this reflects a deterioration of African pensions, at least, during the first half of the 1960's seen against the cost of living,the utter poverty of African pensioners can be appreciated.

We saw that during the 1950's (and 1960's) the state wanted to "reinstate the natural obligations of Bantu Authorities and Bantu Children in regard to their old people, with the support of an equal amount of money to that which we are spending wrongly in caring for them"[1.] Small increases were justified by the state as "money had been paid annually to the Native trust for disbursement through Bantu Authorities to persons in need of assistance in tribal areas,"[2.] in an attempt to strengthen Bantu Authorities.
In fact, Pollak writes:

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1. Minister of Bantu Affairs 1955. Quoted by Draper, M (1964). SAIRR Fact Paper 15.
2. SAIRR survey (1963) p 268.

" ... the government considered the system of pensions to be 'inappropriate' for Africans. Efforts were directed at creating another system 'more in accordance with Bantu custom and tradition' " [1.]

It appears that v ery little of the money allocated to the "Bantu Authorities was being spent on pensions.[2.]

In 1962, for the first time the principle of a "right" to a social pension instead of a "privilege" was established in law,[3] and the Pension Laws Amendment Act[4] dropped the distinction between "city", "town" and "rural" pensions for Africans. However, the Minister of Finance claimed that this was to avoid the movement of Africans into the cities; at that stage 70% of all African pensioners lived in rural areas.

During 1959 - 1960, control of welfare services for Africans was placed under the Department of Bantu Administration and Development (BAD) as various "homelands" were granted partial self-government, welfare services became their responsibility. As conditions there deteriorated, the "social security" function of the homelands had to be bolstered to maintain the distinctions between urban and rural Africans, particularly as most pensioners had been in industrial employment and were being drawn back to receive payments in the "homelands".

The various bantustan authorities took over pensions when they "achieved self-government" as the central state during the 1960's and 1970's attempted

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1. H Pollak (1977) "Pensions and Welfare". Centre for Intergroup Studies.UC.T.
2. Draper. pp 54-5. Mare, G "OAP and the Bantustans" WIP 17 (1981).
3. Old Age Pensions Act No 38 of 1962.
4. Act No 102 of 1965.

to place the burden of health and welfare on bantustan authorities, away from the place of employment of migrant workers. This corresponds with other tendencies towards a centralisation of the state's control functions, particularly over movement and the concomitant decentralisation of power to local bureaucrats. Unless registered as a permanent urban resident (S10 (1) a or b) a pensioner could only receive payment every second month from the nearest Bantu Commissioner's Office.[1] This has clearly amounted to a form of control for retired workers with no income. Further, decentralisation attempts to place the blame for reduction, cancellation and delays on the shoulders of the bantustan branches of the central state, while at the same time making them more dependent on the central state.[1]

In addition to drawing retired workers into their respective "bantustans", the "social welfare" responsibilities have been expected to extend to all "undesirables", ie unemployed, sick and more recently those defined as non-citizens, and those workers receiving no benefits, eg "unproductive" units shifted off white-owned farms. The history of this practice is a sad one; in almost all the bantustans/"independent states" the payment of pensions has dropped, and only the corruption and bribery of KwaZulu was officially exposed.[2]

The situation of pensioners in urban areas has been as bad, but has not surprisingly received much more attention. Pensioners are discriminated against in terms of the means test (ie rent, support of children and ex gratia payments are counted as income for Africans but not for Whites, "coloureds or Indians).[3] For urban pensioners as well as those in the

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1. Maré op cit. 1980
2. Maré; Black Sash files.
3. Social Pensions Act, No 73 (1973).

"bantustans" the system of taxation has also been discriminatory: pensions are funded out of general taxation, while Africans start paying at a lower income level and at higher rates than other groups. As in the bantustans, pensioners in urban areas have had to deal with a vast amount of bureaucracy. Application procedures are often protracted, documents are required to establish eligibility, age, etc.

During the 1970's, pension payment has clearly been used as a form of influx control and eligibility criteria have been more strictly applied. Thus, only people with S.10(1)(a) qualifications have been eligible for pensions in urban areas, and the means test is applied to exclude as many people. Pensioners are paid out bi-monthly, at pay-out points in townships or at offices of P.P.A.D./ C.A.D., but regular visits also have to be made to the Bantu Commissioners Office.[1]

The following tables show (1) the disparities between pensions received by different groups, (2) the % pensionable people actually receiving an old age pension, and (3) illustrates the discriminatory means test.

Maximum social pensions in rands

YEAR	WHITE	COL	INDIAN	AFRICAN
1929-37	5	3	——	——
1947	10	5	5	2
1950	14	6,50	5,50	2,50
1960	23	9,25	8,25	3,40
1965	28	14,00	11,50	3,70
1966	30	14,00	11,50	3,70
1970	35	16,50	16,50	5,00
1971	38	18,00	18,00	5,75
1972	41	20,50	20,50	6,50
1973	47	23,50	23,50	8
1974	57	29,50	29,50	11,25
1975	64	34,00	34,00	15,00
1976	72	38,50	38,50	18,50
1977	79	42,50	42,50	20,50
1978	83	47,75	47,75	23,75
1979	97	54,00	54,00	27,50
1980	105	62,00	62,00	33,00

Source: Cape Times 4/4/80.

Percentage ratio of social pensions.

YEAR	WHITE	COL	INDIAN	AFRICAN
1929-37	100	60	——	——
1947	100	50	50	25
1950	100	46,4	39,3	17,9
1960	100	40,2	35,9	14,9
1965	100	50	44,3	13,2
1966	100	46,7	41	13,2
1970	100	47,1	47,1	14,3
1971	100	46,1	66,1	15,1
1972	100	50	50	15,9
1973	100	50	50	17,0
1974	100	51,8	51,8	19,7
1975	100	53,1	53,1	23,4
1976	100	53,5	53,5	25,7
1977	100	53,8	43,8	25,9
1978	100	53,9	53,9	27,0
1979	100	55,7	55,7	28,4
1980	100	56,9	56,9	30,3

1. Unlike other pensioners who collect monthly payments either from a post office, welfare organisation or through deposits.

Figures illustrating % pensionable people actually recieving an old age pension.

POPULATION GROUP	No. of People of Pensionable Age	No. of People Receiving a State Old Age Pension	% of People Receiving a State Old Age Pension
White	382 910	134 548	35'1
Asian	21 700	14527	66'9
Coloured	91 220	78 347	85'8
Black	740900	182 127	24'6
TOTAL	1236 730	409549	33'1

Source: Urban Foundation Report 1980.

1. BASIC CONSOLIDATED PENSIONS AS AT 1.12.1974 (PER ANNUM)

		Whites	Indians	Bantu
(i)	Maximum amount of Pension (7)	684	246	135
(ii)	Amount of free income allowed without effecting the pension	504	252	80
(iii)	Pension plus annual income & means not to exceed	984 (or 1068)*	498**	128

Source: Pollak H. 1976

THE CRITIQUE OF PRIVATE PENSION FUNDS BEGINS

In the last chapter we noted a number of inadequacies in the existing private schemes: many funds were still racially-exclusive, many only paid out lump-sums[1.] on retirement, and the eligibility criteria tended to exclude the more temporary, hourly/weekly and often lower paid unskilled workers. We went on to look at different types of funding and how finance capital prefers the fixed-benefit scheme which establishes long-term liabilities, but is regarded as unsuitable for less permanent workers ie those who capital feared would not return to the same employer. Once again, as there were no legal requirements for uniformity amongst funds, individual employers were able to choose whether or not to administer a scheme for workers legally bound to return to their respective "homelands". Most employers are not prepared to do so.[2.] Also long qualification periods exclude many workers from any benefit, and, further, many of these schemes involve pensioners with as much bureaucracy as does the state old age scheme.

The following examples, most of which were researched in 1976 are instructive:

Roberts Construction

Their BIC Pension Fund for African, Indian and "Coloured" hourly-paid workers provides for membership only after 10 years of service. Of their 25 000 black workers, 2 066 are members of the fund.[3.] It is non-contributory, requiring an employer contribution of 14% of a members wage, which is only about 1% of the entire black payroll.

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1. 82% of private schemes available to African workers in 1976 still paid out lump-sums - Survey by Urwick International.
2. There are exceptions, for example Fattis and Monis, Picbel and Langeberg have in the past simply deducted the period of leave from the "pensionable service".
3. Nic Nel op cit (1976).

Of the 351 pensioners in 1976, about 60% lived in a "homeland" and pension payments were made through the Bantu Affairs Commissioner of Magistrate, or a local store that hoped to sell provisions at the same time. Redundancy is provided for by an immediate pension, though few workers qualify. All monthly paid staff belong to the main pension fund.

The fund was seen as a bridging operation till Industrial Council schemes provided better benefits.

Fedmis

By 1976 Fedmis had separate pension funds for blacks and whites which they do not intend integrating. Black workers earning R4 000 per year and above qualify immediately, while other black workers have a 2 year waiting period. Management says this is due to a high labour turnover and due to the "administrative work" involved in taking people on and then "knocking them off". The company works very much on a seasonal basis including 1 500 out of 2 300 black workers. The company enforces a 6 month witholding period as workers go away for 3 months or longer: this period is a gap in service which trustees have accepted. Management is quite clear about its needs:

> " We hope to retain in the company the employees who are likely to stay for a worthwhile period of time, and exclude those who would just leave. " [1]

Calan Group

In Calan subsidiaries, the norm is separate funds for African and White workers, but slowly a two-tier system is coming into operation. People earning above a certain figure will be combined with a main group pension fund, while the others will be in the Old Mutual Group Pension fund which caters particularly for migrant workers.[2]

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1. Quoted by Nic Nel (1976).
2. O.M. fund discussed below.

National Industrial Council for the Newspaper and Printing Industry

Their fund for unskilled workers has a standardised contribution level and is transferrable in the industry. If a worker goes to a "homeland", he/she is regarded as leaving the industry and the fund pays out his/her contributions.

'Putco

Putco regards itself as "Africanising flat out": 460 out of 3 950 workers in 1976 were whites. At the same time, where 5% of their drivers were migrants in about 1970 and 95% urban residents, the proportion is 60% to 40% now. They had a contributory scheme which differentiates strongly by salary (above and below R500). Workers' and employers' contributions are higher in the above R500 scale (12½%) than below R500 (4½%).[1.]

Sandvik

In 1976 employed 700 African workers, only 50 of whom were migrants. The labour turnover is less than 5%, and "urban" Africans are preferred due to a higher level of education/skill and a lower turnover. African workers are included in the same schemes as whites and on the same basis. There is a 3 month waiting period for everyone. Pension benefits are calculated at $\frac{N}{55th}$ of the average of the last three years salary. Sandvik places a lot of emphasis on personell management: "Sandvik consider that a lot depends on the selection procedure and in training African workers to understand the industrial society and the role they play in it".[2.]

We can conclude that:

(1) With the movement of: (a) "Coloured", Indian and African workers into

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1. Interviews.
2. Management, Quoted by Nic Nel op cit.

clerical, white-collar, technical and non-manual positions, (b) Africans into skilled positions,[1] and (c) Africans into semi-skilled positions, increasing from 54,7% of that categories workers in 1969 to 66,7% in 1977, there is an increased emphasis on permanence and tying the worker to a job.

(2) the personell management approach is strong.

(3) Very little had been done by 1976 to cater for the migrant worker's "economic security".

(4) It seems that migrant workers would only benefit if and when they have been working for one employer long enough to gain S.10 (1) rights. Thus it seems as if capitals "selection procedures" entail a selection too,of who will or wont qualify for urban rights. More recently, Riekert has proposed that the employer should have more responsibility in the employment of contract labour/ migrant labour. Thus the workers with the worst "economic insecurity" with unemployment being what it is, were in most cases effectively excluded from material benefits.

Crisis in the Long-Term Insurance Industry

All evidence points to the fact that pension funds were being squeezed by the unfavourable conditions for investment.

At the end of 1977,financial year, there were 10 579 occupational pension funds with a total membership of 4 159 193,[2] 244 974 of whom were pensioners. In the

1. Proportion of Africans in this category rose from 9,3% in 1969 to 23,2% in 1977. Simkins and Hindson (1979).
2. Registrar of Pension Funds 19th Report p2 RP 91/1979. The corresponding figures for 1976 were: 10 175 (funds): 3 086 733 (members): 108 884 (pensioners) (See Tables II and III).

same year there were an estimated 9 787 000 economically active people in South Africa. Keeping in mind that some people belong to two funds, 42% of all economically active people were members of these schemes. While it is difficult to make a "racial" break down, if we take 58% as the number of people not in funds and 70% as the % of Africans of the total labour force, it is likely that the majority African workers did not have access to occupational pension funds.

Other inadequacies which subjected the private funds to critique in the mid 1970's were that the payment of lump-sums left pensioners destitute[1.] and as a result more dependent on state old age pensions. We saw that in 1976, 82% of funds for African workers paid out only lump-sums on retirement. In the period 1961 - 1973 the amount that was paid out by private funds in conditions other than retirement or death grew tremendously, as the following table shows.

LUMP-SUM PAYMENTS

Year	Annuities	Lump-sum payments under circumstances other than retirement or death
1961	8 604 678	13 028 391
1962	10 105 944	12 575 833
1963	12 668 480	14 793 305
1964	14 194 683	19 776 326
1965	16 665 097	20 535 259
1966	19 543 745	22 952 961
1967	23 228 200	25 780 000
1968	26 932 000	29 371 000
1969	35 184 000	38 920 000
1970	39 550 000	46 846 000
1971	47 589 000	52 414 000
1972	58 953 000	62 488 000
1973	71 546 000	76 495 000

From this table it is clear that the amounts paid out as a result of resignations etc. increase annually and also that this is not something new.

Besides the results this was said to have for the state and the taxpayer, the "pension fund industry" claimed that it was the absence of preservation of pension rights which had brought this situation about.[2.]

1. Urban Black Aged. U.F. Report 1980 (J Eales).
2. The Preservation-option will be discussed below.

State expenditure on old age pensions rose to an all time high in 1975/6. Out of R240 million budgeted for social pensions, financed out of Revenue, R160 million was for old age pensions (see Table I), as opposed to R109 million in 1974 and R88 million in 1973. If one compares the figures for the different groups it is evident that this increase was primarily the result of the increased application of white pensioners at higher pension-rates, showing a decline in their "standard of living". As most white pensioners are eligible for occupational pensions during their working years, this increase indicates the inadequacy of private fund pension annuities. This should be related to a higher cost of living and rate of inflation. The consumer price index rose from 100,3 in 1970 to 157,2 in 1975.

Urwick Internationals survey[1.] revealed that the insurance industry's claim to command schemes (eg fixed-benefit schemes) which were far more readily inflation-adjustable than a pay-as-you-go scheme was ungrounded. In a survey of "fringe benefits" of selected companies, 48% of participant schemes made no provision for inflation and 35% had the opportunity to adjust payments to allow for inflation depending on actuarial surplus. Only 17% of occupational pension funds made provision for inflation.(See below)

Further evidence of the crisis in the insurance industry was the fluctuation in the number of funds.[2.] Every year the Registrar of Pension Funds registers new funds while several hundred are terminated, which clearly is a threat to workers "security" in their old age. When a fund closes down, members usually receive their contributions plus interest. During 1976 995 new funds were

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1. Salaries, Fringe Benefits and Employment Practices: Asiatics Blacks and Coloureds in South Africa. Report No 135. (Jhb) (1976).
2. Investigation into the possible establishment of a National Contributory scheme. Dept of Social Welfare Pensions. (1976).

established[1] and 355 were terminated; during 1977 841 new funds were established and 447 terminated[2]. A Spandau calculates that the annual "death rate" of funds between 1964 and 1967 and 1971 and 1973 is 34% while the corresponding "birth rate" is 66%.[3]

The crisis in the insurance industry must be related to the general crisis facing capitalist production in the 1970's. We argued that an index of the crisis of a falling rate of profit was the (1) higher percentage ownership of fixed capital stock, (2) higher rate of public investment in the economy, (3) more investment expenditure by the state, and (4) growth of investment by public corporations. We argued that while the state, having to secure political domination, invested in areas that were not directly productive, it also invested in areas that were contributive to relative surplus value.

In this context, we can understand why pension funds' investment in prescribed assets rose during the 1970's. The state was also increasingly having to intervene in the reproduction of labour power where capital was not; for example, one of the leading areas of increased government expenditure was in transfers and loans to the governments of "homelands". This was necessary to give/restore a material basis to the strategy of political division. Also, as we have seen, state expenditure on social pensions increased. These factors would help to explain why the state encouraged the investment of funds. (see Table p66).

During most of the 1960's till the early 1970's investment of funds in the private sector rose while that in the "public sector" fell. The opposite

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1. Registrar of Pension Funds 18th Annual Report. R.P 98/1978 for 1977.
2. 19th Annual Report.
3. Comments on "Report of an Investigation ..." op cit. July 1976. L.P. Programme. Wits. Report No 9.

trend was marked in the 1970's.[1] Furthermore, investment in Government Stock in 1976 and 1977 surpassed the minimum requirement of 20% and 22% in the respective years. In 1976 total investment in prescribed assets was 72%, far above the required 50%.[2] (TABLE BELOW)

What this crisis meant in terms of the industry's liabilities is unclear according to the insurers. The state was largely to blame, for neglecting to introduce preservation of pension rights and for requiring high levels of prescribed investment "to subsidise the infrastructure". Thus, their inability to meet liabilities, and some sources say this was the case,[3] is well hidden.

Privately administered, state-controlled and foreign pension fund holdings in prescribed assets (as a % of total assets).

Year.	Government stock.	Fixed-interest bearing.
1971	13,7	61,7
1972		
1973	18,9	56,2
1974		
1975	21,2	57,4
1976	22,9	49,1
1977	24,1	47,5

Compiled from: the Registrar of pension funds annual Reports 1973-1979.

1. Investment in fixed property and ordinary shares grew during the 1970's.
2. Figures compiled from annual reports.
3. F.M. 5/10/76.

As workers struggles lead to higher wages in the mid and late 1970's in part a response to the rate of inflation and consequent rising cost of living, funds' earnings on investment were not comparing favourably with the rate of inflation, or rather rising wages which would mean higher pensionable salaries.

Year	Earnings rates		Inflation rate (excl. G.S.T.)	Favourable difference (3) - (4)
	On new investments	On average funds		
(1)	(2)	(3)	(4)	(5)
	%	%	%	%
1960	5,5	5,5	1,5	4,0
61	5,5	5,5	2,0	3,5
62	6,0	5,7	1,5	4,2
63	5,5	5,6	1,2	4,4
64	5,0	5,4	3,2	2,2
65	[illegible],5	5,4	3,5	1,9
66	6,5	5,8	3,7	2,1
67	7,0	6,2	3,0	3,2
68	7,25	6,6	2,5	4,1
69	7,25	6,8	3,5	3,3
1970	7,75	7,1	4,2	2,9
71	9,0	[illegible],8	5,5	2,3
72	9,0	8,2	6,2	2,0
73	8,5	8,3	9,5	-1,2
74	9,5	8,7	12,0	-3,3
75	10,75	9,4	13,2	-3,8
76	12,5	10,4	11,2	-0,8
77	12,0	11,0	11,2	-0,2
78	11,0	11,0	10,0	1,0
79	10,0	10,6	12,0	-1,4

Source: D.J.Malan Actuary.

The table above shows that since 1973 returns on estment compared unfavourably with the rate of inflation; put differently, the funds did not anticipate workers winning wage increases.

The State's Response

I stated earlier that the state has been forced to become more involved in the reproduction of the African working class - to take some responsibility for that part of - the value of labour power which capital does not. In the past and in the 1970's the state has been successful in shifting the burden onto the backs of the workers themselves, but there is a political and economic limit to this. The growth of working class and popular struggles[1.] combined with monopoly capital's interests in large quantities of black skilled and semi-skilled labour are increasingly reflected in new state policy. There is a concerted move to gain support for the state from the black petty-bourgeoisie and certain strata of skilled workers. This can only be done if material concessions are made - in the workplace, in theplaces where people live and in society in general. On the one hand it is clear then that the state should prevent any deterioration of these peoples' conditions. Organisations like the Urban Foundation have reminded the state that this "incorporation" should be extended as far as the "Urban Black Aged",[2.] not least because they are a drain on the income of the "urban" working class and petty-bourgeoisie.

The granting of concessions to these groups, it seems is to be predicated on the tighter control of the majority of African workers. This entails stricter influx control (only those with jobs and accomodation) and separating millions of people off as "non-citizens". But if this is to be anything more than a formal separation and one which will be resisted, the state needs to give it some materiality.[3.] I would suggest then, that the state's response to the pensions-crisis was related to complex political class forces. We should also remember that the white working class and the growing number of unemployed (pre- and post-retirement) amongst them have also demanded the state's attention. Since 1973/4 white trade unions (eg TUCSA) and politicians have demanded improved <u>state</u> pensions.

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1. It has been argued that the attempt at incorporation/containment of the trade union movement is rather to avoid their alliance with a radicalised petty-bourgeoisie, than a response to the <u>workers</u>' power. cf eg M Nicol SALB Vol 5 1980.
2. Publication with that title. op cit.
3. Pension payments made in the "homelands"/"independent states", when the pensioner receives them would in the state and bourgeois economists' eyes be one way of getting "income - inflow" into the economy.

Proposals for a National Contributory Scheme

The report of the Investigation into the establishment of a National Contributory system[1] proposed the following:

(1) all people economically active who do not belong to any pension fund or scheme, or to funds/schemes the benefits of which did not at least equal those of the proposed scheme, would become members of the scheme;

(2) all occupational funds or schemes with equal benefits would be allowed to contract out;

(3) transferability of pension rights in occupational schemes would be made compulsory;

(4) There would be central control over pension funds - though the question of whether it would be state administered or through a consortium in the private sector remained open;

(5) The scheme would involve a 7% contribution divided between the worker and the employer and a pension of 75% of the final salary at age of 65 years, plus an early, or ill-health retirement pension;

(6) contributions would be collected on the same basis as the PAYE tax system.

Apart from TUCSA representatives - the only worker representatives to be consulted (though they are divided on the merits of such a scheme) the state met with a barrage of attacks. These will not be dealt with in any detail here. Basically they were:

(1) The state was removing crucial investable capital from the "private sector" which would lead to nationalisation of part of the industry, just when "industries need investment".

(2) The method of funding is unsound: bourgeois economic th ought cannot see that funds which are not "capitalised" can be just as sound (or as vulnerable) as

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1. ISBN 0621032735 (1976).

capitalised schemes. Further, the notion of collective, political decisions over allocation of funds is seen as a "socialist" measure; they can also not stomach the idea that the state would have to go deep into its coffers to maintain such a scheme.

(3) Employers, who are usually given tax-rebates on contributions, would now have to pay more tax into a contributory scheme.

(4) By the proposals it is implied that the insurance industry cannot offer better benefits; the arguement here is that the state's high prescribed investment requirement prevents this. We have argued, on the contrary, that the state's involvement has probably helped funds to remain solvent.

(5) Employers and workers, and not the state, should control funds (sic[1])

(6) The state's interest rate control causes inflation.

(7) Private administration would be cheaper and involve less bureaucracy than state administration for the worker or pensioner. We have argued that while the racially-exclusive state is correctly perceived as bureaucratic/repressive, this is not untrue of the capitalists' practices. For example, many workers experience difficulties in getting what is due to them, not least because they usually wait for months before receiving the first payments.[2] In the workplace, "consent" can be created more effectively amongst certain groups of workers than in the broader, "racially"-divided society, but this is done only through drawing increasingly rigid distinctions between workers.[3]

(8) The scheme would promote labour mobility, through not tying the worker to a job with the promise of a maximum pension.

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1. These interpretations were found in interviews and newspaper reports and Spandau op cit.
2. Interviews and cases dealt with by the IAS.
3. The example of the Fattis and Monis Pension Fund is instructive: it was extended during the strike in 1979 in order to divide the workers.

The proposed scheme was very well hushed so that few organisations were able to take it up as a serious option; it is not known whether or not the state intended making any distinction between "citizens" and "non-citizens" and excluding migrant workers. But it is most probable that the scheme would have been implemented as divisively as old age pensions are.

The Old Mutual Alternative

From 1971 Old Mutual and Sanlam were thinking of ways to include unskilled and particularly migrant workers in pension schemes. It was argued that employers had "ignored the responsibility" and that this move need not be seen as running "contrary to the idea of self-support". Further, it was argued that "the lack of security is one of the major underlying reasons for black unrest".

In devising a scheme for migrant workers, the BONUSKOR (SANLAM-underwritten) and ISCOR (self-administered) served as examples. Both have non-contributory schemes catering purely for migrant workers and designed to lure them back to the same jobs. ISCOR, employing 30 000 African workers in 1976 found that the scheme drew an increasing number of workers back. BONUSKOR's scheme was "not regarded in a philanthropic light but to encourage workers to return after their sojurn in the homelands and encourage loyalty to the company.[1] The calculation of the pension is on a fixed end-benefit system related to "recognised service" rather than "continuous service". The worker needs five years continuous service to qualify in BONUSKOR's scheme. Only work periods in excess of nine months in a year contribute towards the five years continuous service. "In this way the company hopes to automatically exlude the 'wont works' and vagrants".

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1. People and Profits. Oct 1976.

Breaks of more than 6 months, in order to go to the "homelands" as required by law, interrupt the accumulation of "pensionable serivce". Workers are encouraged to "graduate" into the company's senior scheme. SANLAM arranges for pension payments to be administered by Bantu Commissioners and magistrates in the areas workers reutrn to.

The Old Mutual Group Pension Plan, which operates on a money-purchase basis, is similarly attuned to the state's strategy and it is interesting to note that it was introduced at the end of 1975 while the state was divising the N.C.S. The plan provides for a worker and/or his employer to contribute to a fund which continues over the workers full working life regardless of changing work-situations. To achieve this, Old Mutual tied membership to the individual rather than to the employer, and "established a Board of Trustees for each ethnic group".[1.] The scheme works as a type of savings account and it is argued that workers would return to the same company because "his basic need of security is met". Old Mutual managers claim that companies have already experienced lower turnover and a higher productivity as a result of the scheme. Old Mutual also provides for additional benefits and "senior" schemes.

Old Mutual claims that is has erased the myth that migrant workers cannot be traced after retirement, through "using the detailed pass registration system and co-operating with the relevant departments".[2.] At the same time, Old Mutual has started an extensive "marketing effort" with the help of African advisors in the various homelands.

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1. Interview with Mr Wood. op cit.
2. Interview with Wood, op cit.

Through preserving each worker's pension rights, the Old Mutual scheme raised the question of preservation and transferability of pension rights. When the scheme was established, its administrators and the commission considering the contributory scheme, saw the suspension of cash withdrawals as a short-term precursor to a compulsory and national fund system. The administrators of the fund feel that workers accept the idea of preservation "when it has been explained to them", and that it is only a matter of time. They also added, rather more reluctantly that they have had to withdraw from two companies "because of strike action and violence".[1.]

1. Mr Wood was not willing to reveal the names of these companies.

The Industrial Council - Employer's Organisation option to Control the Semi-skilled and skilled labour Force

In 1975 the Metal Industries and Group Life Pension and Provident Fund was converted into the contributory Metal Industries Group Pension Fund. This switch was formulated, spurned and carried out by SEIFSA, the massive employers organisation, who had already in the past been by far the strongest party in the tripartite agreement between registered unions, industrial council and employers and basically administered it.

The old SEIFSA-administered I.C. fund had been non-contributory and totally unsatisfactory. Employers contributed 5% of the workers' income into the SEIFSA-administered fund and after twenty years of service they would receive R25 per month in pension.[1.] As a result, many individual companies (the number is not known) introduced separate company-schemes, self-administered or underwritten to supplement the I.C. scheme. They were expected to apply for exemption from the Industrial Council, or otherwise to continue contributing to the SEIFSA fund. If these companies continued to contribute, the retired workers' I.C. pension was subtracted from the company scheme.[2.] Further, in some industries, eg Apex Industries, wages were not increased in the event of increased worker deductions into a second fund. At APEX, where an Old Mutual-administered fund was introduced, deductions of 5% of their wages were paid into this fund. According to management, 913 out of 964 black workers voted, and only one was against.[3.]

The contributory Metal Industries Group Pension Fund (MIGPF) introduced in

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1. In 1976, 2 African workers received this amount after 20 years at APEX industriesPeople and Profits, Oct 1976.

2. This was the case at Roberts Construction where their fund (discussed above) paid out R36 a month, R6 was deducted from the annuities of workers who received this from the SEIFSA fund.

3. People and Profits, op cit.

June 1975, covered about 6 000 companies and 100 000 workers. Employers' organisations and recognised trade union leaders participated in the agreement. As from that date 5% of the workers' wages were deducted each week and frowarded to the Council.[1] No deductions are made or paid in respect of periods of absence, except relating to paid leave.

The introduction of this scheme not suprisingly caused a great amount of anger amongst those insurers and employers who had established alternative funds.[2] In order to maintain these schemes they were forced to apply for exemption from the industrial council, as workers could not be expected to contribute 10% of their wages into two different funds. The benefits offered by the new SEIFSA scheme were better than those in most of the company schemes; however, in the midst of the furore, it appeared that employers and insurers had in some cases been able to win the workers' support against the SEIFSA scheme.

But the most important point about the SEIFSA scheme was the step taken subsequently to preserve all workers' pension contributions and accumulated pension rights until retirement age and make them transferable within the industries covered by the fund - ie metal, iron, steel and engineering industry.

At this stage, migrant workers are still not included in the fund.[4] An The employer pays an equivalent of 7% of workers' annual wages to the authorities in the respective homelands/"independent" states towards a pension. It is not known how effectively this functions.

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1. This is how the fund is portrayed ie workers are notaware of how much control SEIFSA has.
2. F.M. 20/6/75.
3. With the exception of a few exempted companies.
4. Interview with van den Heever, Secretary of SEIFSA fund.

What has been achieved by this preserved fund, according to managements of various companies, is greater stability of certain sections of the labour force, particularly semi-skilled workers with urban residential rights.[1] Further, they are encouraged to stay within the industry if and when they resign or are dismissed. The central fund holds onto their book (a guarantee, marking all contributions) until such time as another job is found. Workers are given 12 months within which to find new employment in the industry. During this time no contributions are made, and it does not contribute towards continuous "pensionable service". If work within the industry is not found during this period and the worker has been in the fund for less than 10 years, he/she receive only their own contributions plus benefits secured prior to the fund becoming contributory. In this way, they hope to exclude "wont works". If workers find work in another industry, they also loose their rights.

what do you mean?

According to certain sources this type of scheme would be usefully applied to migrant workers too, although there is a fear that the industry would become "tied" to unwanted workers. does it exist now?

The implications of this type of scheme are significant. SEIFSA is able to control the "more qualified" workers and allocate labour more efficiently between various member-companies. At the same time it can offer higher benefits as fewer withdrawals are being made, without raising wages. Centralised control of the fund and the fact that, as an Industrial Council fund it is exempt from the requirements of the Pension Funds Act, gives SEIFSA more control over investment than any conventional privately-administered schemes trustees have. It is quite widely known that Errol Drummond is able to direct large proportions of the funds into the metal industry itself.

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1. Interview with van den Heever.

In terms of the problems outlined in the previous section, the SEIFSA scheme raised the question of preservation as an option and solution for capital. In 1966, proposals for preservation of all private funds had been rejected on the grounds that:

(a) there was no uniformity between funds,

(b) the growth of the "pension fund industry" would be inhibited;

(c) many funds were racially-exclusive, which would make transferability probelmatic for black workers;

(d) workers, white workers in particular (as only they were consulted) regarded that attempt as state intervention to prevent the withdrawal of contributions.

SEIFSA amdinistrators argue that workers are happier to deal with the employers in this regard than with the state.[1]

SEIFSA's preserved scheme also raised the question of the role of insurance companies and the ability of the larger companies to bypass them through employers organisations administering a uniform scheme.[2] As the organisation has more knowledge of the firm, it is argued that it is better able to assess, (and we have said control) the number of workers likely to reamin in the fund and those expected to leave; investment and contribution rates are set accordingly.

However, from all available evidence, the SEIFSA acheme has not been beneficial for workers, particularly those who leave the fund before retirement. Their experience is that the fund is reluctant to pay out what a worker is owed;[3] the waiting period can extend to 12 months, even when a worker has no intention or returning to the industry. Thus, it seems that the fund is tied up in

1. van den Heever.
2. See discussion above about the tendency towards trusteed funds.
3. Interview with MAWUorganiser.

investment which it is reluctant to forfeit.

What these exapmles have shown is that various agents have been grappling with various alternatives to a National Contributory Scheme. In the light of this the 1976 proposals have merely encouraged insurance companies to devise new capitalist solutions to workers' insecurity of employment.

Preservation and Transferability of pension rights - the state's compromise with Finance Capital

Between 1976 and 1980, finance and industrial capitals' demands for a privately funded national scheme have been heard. Rather than increased state-regulation of finance, the state has to be inserted into capital's circuit on the latter's terms.

In part as a result of the "recovery" of the rate of profit in the advanced capitalist countries, and in part because of the state's political and economic intervention from 1976 in all spheres of the society the conditions for expanded accumulation had been created by 1980. Two features of the 'upswing' in the South African economy are a high rate of economic growth. Real GDP rose by 3,75% in 1979, and in the first half of 1980 real GDP was 8,5% higher than in 1979.[1.] Industrial production was 13% higher in June 1980 than a year earlier,[2.] and indicators are an increasing demand for certain skills in mining and manufacturing. The state's anti-inflationary policies succeeded in bringing down the Co nsumer price index, which is an indicator of the rate of inflation.

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1. Kaplan (1981) "The current upswing in the South African economy".
2. SANLAM 1980 Economic Survey. "Growth rate is largely the result of an increase in private consumption expenditure and fixed investment by private business enterprises.

In this context the insurance industry has divised, along with members of the relevant state departments, a scheme which would not benefit pensioners "in isolation from the rest of society",[1] as it was felt the National Contributory scheme would have done. The recommendations for a National system are in two parts and only the first report which deals with the principles of (1) preservation and transferability, and (2) the commutation of a part of lump-sum benefits into annuities have appeared. The second report which is in many ways the most significant has yet to be published: this deals with "the provision of satisfactory pension benefits for that section of the community which does not enjoy cover in this respect.[2]

As it stands, the proposals are aimed more directly at skilled workers and members of the professional-managerial class - ie those people whose withdrawals before retirement are most likely to deplete a fund and at employers "who have in the past set up funds to benefit them rather than the employee".[3] But in its efforts to find a solution which "would stimulate the pension fund industry as a mobiliser of personal savings and therefore net domestic saving"[4] the state and capital have reached a compromise, which if implemented will affect the majority workers. This is particularly clear if we consider how various agents of capital have been paving the way for preservation, amongst the semi-skilled and unskilled workforce (cf examples of BONUSKOR, Old Mutual, SEIFSA)

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1. Urban Foundation Report.
2. First report of the Inter-departmental Committee of Inquiry into certain specific pension matters.
3. Commission of Enquiry (1976) p 36.
4. Inter-departmental Report (1980) p 6.

The main recommendation and implications of the proposed legislation are the following:

(1) Pension provisions will take place within an "enclosure", consisting of pension funds, Retirement Annuity Funds and proposed special frozen savings accounts operated by the Post Office, banks, and building societies. There has been strong reaction to this proposal, from insurance companies in particular. As we saw earlier the tendency towards trusteed funds invested through banks was strong in teh advanced capitalist countries, and is clearly not in the immediate interest of insurance companies.

(2) No withdrawals[1.] from these funds sould be made, except on retirement, death, disablement, emigration, marriage (applying to women). It was shown that funds have been paying out large lump-sums to people withdrawing for other reasons eg on resignation, dismissal, retrenchment. Between 1974 and 1978, on average one-fifth of total benefits paid out were for reasons other than retirement or death. The arguements in facour of preservation were;[2.]

(a) this would enable funds to accumulate for longer periods and therefore offer better benefits;

(b) higher benefits would reduce the burden on the state and possibly mean reduced taxation;

(c) this would provide more long-term capital to be invested in the economy;

(d) workers would be discouraged from resigning simply to lay their hands on their accumulated contributions plus interest gained;

(e) this gave workers a right to a full pension in spite of resignation, dismissal, etc., something which many employers have denied in the past.

(3) Transferability of all pension rights: when a worker changes employment, his/her preserved contributions plus a minumum interest (7%) should be trans-

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1. Inter-departmental Report op cit Chapter 3.
2. Seen in conjunction with transferability of Pension rights.

ferred to a fund in the new workplace. The 1976 report also supported transferability (rather than preservation) as "free movement would stimulate the economy". This was seen as a concession to older workers who were often tied to a job for fear of losing the accumulated pension contributions.

(4) <u>The state laid down requirements for minimum pension benefits</u>: they should be <u>twice</u> (or <u>four</u> times in the case of a married male pensioner) the current maximum social old age pension (then R97 per month for whites). The insurance companies are very opposed to this recommendation, and thus it has not been publicised.

(5) <u>There are a number of other requirements</u>, dealing mainly with actuarial methods which I am not in a position to analyse at this stage.

RESPONSES

The implications of this report have already been profound, even though legislation has not yet been passed; this is indicative of the way in which funds have operated in the past for the majority of workers. Their experience is that funds have not benefited them, or the generation before them and that they are used as a method of control. If a worker enquires about the status of his/her contributions it is seldom treated as a right. With the majority of workers the "personnel management" approach, it seems, has lasted only as long as it took to institute a scheme; after that they were threatened with dismissal if ever the fund was questioned.[1] Often deductions are arbitrary - sometimes including overtime (particularly when a worker does a long stretch of overtime[2]), and sometimes not.

In fact, the context in which workers came to hear of the new proposals, was outrightly repressive. In the case of workers at Wilson-Rowntree, management raised the issue when workers demanded a refund of their contributions into an industrial council fund which had, on the decision of the employers, been changed into a private, underwritten fund.

Insurers and pension fund managers are convinced that it is only a matter of time until workers "accept the notion of preservation and realise that it is for their own good".[3]

What employers are most concerned about is the cost involved for them - in increased contributions and administration; like the insurers, they are convinced that the cost will fall on their backs. They are also reluctant to institute a scheme which would meet with resistance. At the moment there are quite marked contradictions between them and the finance capitalists who, being removed from the production

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1. examples given by SAPPI workers.
2. Interview with worker from Orlando Power Station.
3. Wood, Old Mutual.

process, "are not very concerned about the worker".[1]

At the moment I do not have enough information about the strikes against suggested legislation to make any conclusive statements about the level of unity, or consciousness displayed during this struggle, but as far as I can tell, it has already been very educative. The major demands made by the workers so far are that contributions can be withdrawn before retirement; in the absence of adequate wages, workers are aware that money should be available to them when they need it. Pension-money is invested again to accumulate, while they suffer greater exploitation. They cannot be sure that they will receive the benefits promised, and these are usually too small to sustain them on retirement.

Further, workers have begun to look at the pension set-up as a whole: they have begun to question the reliance on private pensions, and whether in fact these are more "liberal" than state old age pensions, as capitals ideologues have claimed. The question of whether or not the state would be responsive to such a demand cannot be gone into here, but this should be considered as a serious option and not merely a "symbolic" or long-term demand. The fact that the state has been threatening to raise the question of a National Contributory Scheme also indicates that they have not yet wholly succumbed to finance capital's sectional interests.

We saw above that the proposals required a minimum benefit; this is a concession which finance capital is only prepared to meet if, eventually, all pension rights are preserved. Industrial capitalists, on the other hand, faced with increased costs and worker resistance, are not uniformly in favour of a compulsory preserved scheme. Predictions are that unless they are obliged to establish funds or maintain them, many will in fact withdraw.

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1. Hammond-Tooke, FCI.

Initially employers took a hard line against striking workers, for example at Wilson-Rowntree in October, and at Firestone in January. But as industrial capital itself was unsure of whether or not to support the proposals, individual employers were encouraged (by FCI) to take a conciliatory stand and regard it as "an industrial relations issue".[1] As a result, management made three proposals to workers at Firestone, which seem to have been followed by other companies:

1. Workers could resign and withdraw their contributions within 7 weeks. They could take a chance in getting re-employed, but they would loose their bus service bonus, holiday pay and have to requalify for medical-aid and pension benefits;
2. Workers could remain in the scheme until Firestone received exemption from the proposed preservation requirements;
3. If workers resigned only from the scheme, they could get their contributions by 30th April, but would have to wait for 1 year to requalify.

Since January the response of management to the strikes at Dunlop (East London), Sparrat Electronics (East London), SATV Manufacturing Company, Federate Electronics and Murray and Stewart (P.E. and Uitenhage) has been equally ambivalent and manipulative.[2] In most cases workers have been dismissed on the grounds that pension contributions are a condition of service, and the evidence is that they have been re-employing selectively. Their attitude towards striking workers and their organisations, is that workers are being "mislead", that they don't understand the legislation, and that they are "using it as a political weapon".[3] The insurers support this viewpoint.

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1. C. du Toit FCI President. FCI arranged for a statement by Horwood to be published, "with the hope of appeasing workers".
2. Newspapers and interviews.
3. van den Heever, op. cit., Hammond-Tooke, op. cit.

There is evidence to suggest that capital wants to turn the worers' demands against them. They have suggested that everyone earning below a certain wage (it cannot be a 'racial' classification) will not be included in the scheme, or it will be optional for them. On the other hand it has been suggested that individual employers should be allowed to apply for exemption of certain categories of workers. Workers reject this, as their experience is that in such cases, employers have a degree of autonomy which enables them to manipulate divisions (e.g. between those "in" and those "out" of schemes). The chances are that employers will be able to decide when they want all their workers to belong to a uniform, preserved scheme, and threaten workers who resist such a scheme with dismissal. This method has always been more widely used than "persuasion and education". It has also been suggested that the present withdrawals are "playing into the Insurance Companies' hands "[1] This enables them to hold onto the employers' contributions which will in future be transferred to other funds.

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1. Hammond-Tooke; Interview.

CONCLUSION

In conclusion I want to draw some of the main threads running through this analysis together. The attitude of the state has always been that:

> "The government is opposed to the Republic's developing into a welfare state as it is understood and manifested itself in other parts of the world, but is committed to a policy which is aimed at the independence of the individual and of the community and is conducive to optimal social functioning." [1.]

We have seen that in this context "capitalist solutions" emerged during the 1960's and 1970's, though still overlaid by the political and ideological relations of domination which have characterised all spheres of this society. Attempts at creating "industrial citizens" were not concerted and had little political effect. With the consolidation of monopoly capitalist relations and growing working class and popular struggles during the 1970's certain fractions began a new effort at extending minimal concessions to parts of the African working class along with urban petty bourgeoisie.

A crucial gap in this analysis is an examination of just how successful the industrial bourgeoisie has been at manufacturing consent at the point of production. This will have to be done at some later stage.

However, the present conjuncture is throwing into question the state's attempts to grant selective concessions the cost of which are ultimately falling upon the working class. It is in this context that struggles against the so-called concession of preserved pension rights must be seen; for there are definite limits to capital's success in convincing workers that they have rights as <u>workers</u> in capitalist society, when everything is done to maintain them as a politically disorganised force.

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1. Department of Social Welfare and Pensions report, R.P. 91/1975 p. 1.

The following statement remains true in our situation:

> "No protest that capital is his friend reassures him. Terror has made him deaf and experience unbelieving".[1.]

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1. Holyoake, G. (1878) 'The New Principle of Industry', Nineteenth Century, 4, quoted in Corrigan, P. op. cit.

TABLE I

Number of funds, members, pensioners, annuities and lump sums in privately administered funds.
Note: OR - On retirement or death; OC = Other circumstances.

Year	Funds	Members	Pensioners	Annuities (1000's)	Lump OR[1]	Sums OC[2]
1959	662	454 595	12 388	3 876	10 290 *	—
1960	674	329 156	13 226	4 620	10 847 *	—
1961	693	355 990	16 694	5 540	5 710	6 838
1962	696	361 200	19 286	6 647	6 935	6 932
1963	714	348 104	21 487	8 835	8 605	8 135
1964	743	465 663	23 684	9 917	9 770	11 039
1965	788	512 004	27 590	11 842	11 282	11 775
1966	767	716 956	27 284	14 012	12 975	12 952
1967	769	711 154	29 416	16 689	15 276	14 846
1968	783	747 853	33 369	19 817	18 442	16 499
1969	791	786 749	38 220	25 889	20 303	21 754
1970				29 332	23 212	25 831
1971						
1972						
1973	776	1 099 829	54 525	54 885	31 780	39 360
1974						
1975				78 951	42 739	49 995
1976	727	1 425 531 +	66 515	91 342	60 280	54 855
1977	703	1 448 796 +	71 905	97 511	66 527	61 966
1978	712	1 608 652 +	81 855	122 029	75 721	74 302

Statistics compiled from the registrar of pension funds annual reports. The years 1959 – 1978
* Information on apportionment not available.
\+ These members include pensioners.

TABLE II

The number of funds, members, annuities and lump sums in underwritten pension funds.

Year	Funds	Members	Pensioners	Annuities (R000's)	Lump Sums (R000's) On retirement or death.	Other circumstances.
1959	2358	202 012	1444	521	5567*	
1960	2768	224 967	1676	663	8284*	
1961	2894	260 435	2066	792	4703	5022
1962	3 055	274 005	2 379	997	5 897	4548
1963	3 215	297 317	3 190	1173	7 708	5 187
1964	3444	319 660	3 301	1 338	8 421	7019
1965	3 664	205 294	3744	1557	6056	7037
1966	3934	269 405	4998	2270	7559	9 153
1967	4 176	263 781	5469	1832	7 211	8216
1968	4 506	349 973	6656	2889	10 269	10798
1969	4 817	422 357	8 344	3 636	12 666	14785
1970						
1971						
1972						
1973	7250	892 534	21 022	10 890	25 112	32 989
1974						
1975						
1976	9392	1291 246+	31 545	24014	47288	44 067
1977	9 811	1478 148+	40 296	34 275	64604	54 971
1978	9 887	1629 634+	47 861	40 341	68806	70992

* Information on apportionment not available.
+ Including pensioners.

Statistics compiled from the Registrar of pension funds annual reports 1958-1978.

TABLE III (Source: Urban Foundation)

PATTERN OF STATE EXPENDITURE ON OLD AGE PENSIONS AND THE NUMBER OF RECIPIENTS FROM 1958-1975 (6,p29)

Year ended March	Total		White		Coloured		Asian		Black	
	Number	R000	Number	R000	Number	R000	Number	R000	Number	R000
1958	346 618	30 195	87 307	20 143	44 297	3 675	6 601	532	208 413	5 845
1960	340 054	30 968	86 853	21 318	44 522	3 872	6 473	540	202 206	5 238
1965	354 637	41 888	84 604	27 263	53 111	7 259	7 766	968	209 156	6 398
1970	410 660	63 897	104 135	41 029	60 100	11 049	9 609	1 730	236 816	10 089
1973	344 349	87 878	114 563	59 715	66 987	16 161	10 632	2 586	152 167	9 416
1974	367 105	108 699	122 216	74 020	71 300	19 608	10 933	3 049	162 656	12 022
1975	383 682	140 690	128 627	93 044	73 748	25 630	12 201	4 311	169 106	17 705

83 Pensioene betaal aan Swartes in selfregerende nasionale state
Pensions paid to Blacks in self-governing national states

	Jaar[1] Year[1]	Ciskei Getal Number	Ciskei R'000	Kwazulu Getal Number	Kwazulu R'000	Qwaqwa Getal Number	Qwaqwa R'000	Lebowa Getal Number	Lebowa R'000	Venda Getal Number	Venda R'000	Gazankulu Getal Number	Gazankulu R'000	Kangwane Getal Number	Kangwane R'000	Totaal/Total Getal Number	Totaal/Total R'000
Ouderdomspensioene Old-age pensions	1974/75	24 863	2 457,9	84 795	10 882,0	2 400	211,0	51 657	4 678,5	13 107	1 188,0	10 355	938,5	5 288	1 188,2	192 465	21 544,1
	1975/76	23 021	3 696,1	86 190	15 256,9	3 045	425,2	54 106	6 714,6	12 993	1 708,2	10 678	1 361,3	5 308	1 479,0	195 341	30 641,3
	1976/77	25 147	4 388,2	90 854	20 259,7	3 259	805,8	60 972	10 351,0	16 699	2 816,2	10 608	1 852,0	5 530	1 988,8	213 069	42 461,7
	1977/78	28 976	6 330,0	96 113	23 071,3	3 830	855,3	62 352	12 621,8	18 124	3 449,6	11 076	2 266,2	5 700	2 100,0	226 171	50 694,2
	1978/79	33 660	7 488,5	95 204	24 359,8	3 901	881,3	59 156	16 099,0	17 106	3 646,3	10 438	2 071,0	5 900	2 300,0	225 365	56 845,9
Ongeskikheids- en melaatsheid-pensioene Disability and leprosy pensions	1974/75	10 785	1 086,8	17 256	2 320,8	300	36,8	5 306	515,6	1 109	93,2	1 149	95,3	821	193,1	36 726	4 341,6
	1975/76	10 282	1 623,1	21 221	4 157,2	308	62,1	5 489	693,6	1 186	156,6	1 221	138,1	946	266,8	40 653	7 097,5
	1976/77	5 027	1 410,7	26 925	6 873,0	511	124,6	6 052	1 040,2	1 487	196,1	1 288	200,8	1 005	385,7	42 295	10 231,1
	1977/78	5 012	1 182,1	28 143	6 800,9	614	136,3	5 408	1 251,6	1 577	190,1	1 346	260,2	1 000	400,0	43 100	10 221,2
	1978/79	6 014	1 239,2	23 972	6 165,1	923	138,9	5 679	1 474,4	1 493	325,7	1 317	197,9	1 050	420,0	40 448	9 961,2
Pensioene vir blindes Pensions for the blind	1974/75	873	88,1	1 606	209,1	41	2,2	3 035	381,2	574	45,6	493	44,5	114	26,2	6 736	796,9
	1975/76	608	100,9	1 656	297,7	60	5,9	2 956	383,1	535	72,9	495	67,8	123	36,1	6 433	964,4
	1976/77	606	109,5	1 757	393,4	42	11,4	2 939	601,3	618	80,6	500	89,9	125	46,5	6 587	1 332,6
	1977/78	612	141,5	1 903	459,5	42	10,8	2 906	852,6	610	77,1	524	110,7	127	50,8	6 724	1 703,0
	1978/79	794	152,8	1 870	481,5	64	12,9	2 761	750,9	563	125,4	494	104,7	130	58,5	6 676	1 686,7
Oud-soldate-pensioene Veterans pensions	1974/75	3	0,3	2	0,2	1	0,0	90	0,6	26	4,7	11	1,3	25	6,0	158	13,1
	1975/76	20	0,7	19	6,1	44	0,2	84	7,3	9	1,0	44	11,5	23	6,8	248	33,6
	1976/77	32	2,8	51	15,4	8	0,5	95	16,0	10	1,4	48	18,4	31	6,9	275	61,4
	1977/78	43	8,5	99	23,4	16	3,8	89	17,0	-	-	59	13,5	32	7,8	338	74,0
	1978/79	48	10,5	76	22,0	14	0,8	34	15,8	-	-	65	56,6	35	9,6	272	115,3
Totaal Total	1974/75	36 524	3 633,1	103 659	13 412,1	2 742	250,0	60 088	5 575,9	14 816	1 331,5	12 008	1 079,6	6 248	1 413,5	236 085	26 695,7
	1975/76	33 931	5 420,8	109 086	19 717,9	3 457	493,4	62 635	7 798,6	14 723	1 938,7	12 438	1 578,7	6 405	1 788,7	242 675	38 736,8
	1976/77	30 812	5 911,2	119 587	27 541,5	3 820	942,3	70 058	12 008,5	18 814	3 094,3	12 444	2 161,1	6 691	2 427,9	262 226	54 086,8
	1977/78	34 643	7 662,1	126 258	30 355,1	4 502	1 006,2	70 755	14 743,0	20 311	3 716,8	13 005	2 650,6	6 859	2 558,6	276 333	62 692,4
	1978/79	40 516	8 891,0	121 122	31 028,4	4 902	1 033,9	67 630	18 340,1	19 162	4 097,4	12 314	2 430,2	7 115	2 788,1	272 761	68 609,1

1. Syfers vir 1977/78 en 1978/79 is voorlopige ramings

1. Figures for 1977/78 and 1978/79 are preliminary estimates

Bron/Source: 3, 14, 17, 31

TABLE V

84 Pensioene betaal aan Swartes in die RSA, Transkei en Bophuthatswana
Pensions paid to Blacks in the RSA, Transkei and Bophuthatswana

	Jaar[1] Year[1]	RSA Getal Number	RSA R'000	Transkei Getal Number	Transkei R'000	Bophuthatswana Getal Number	Bophuthatswana R'000	Totaal/Total Getal Number	Totaal/Total R'000
Ouderdomspensioene Old-age pensions	1974/75	361 571	39 154,8	67 717	7 710,3	31 642	3 117,2	460 930	49 982,3
	1975/76	369 842	55 376,0	77 574	11 539,4	35 906	4 954,4	483 322	71 869,8
	1976/77	395 196	76 114,9	82 816	16 411,7	40 042	6 925,8	518 054	99 452,4
	1977/78	417 399	92 261,8	82 631	17 931,0	42 689	8 111,0	542 719	118 303,8
	1978/79	420 365	103 845,9	84 183	20 456,5	40 813	8 693,1	545 361	132 995,5
Ongeskiktheids- en melaatsheids pensioene Disability and leprosy pensions	1974/75	91 695	10 103,9	27 972	3 207,7	5 567	519,0	125 234	13 830,6
	1975/76	104 502	16 066,0	31 343	4 689,8	6 017	573,9	141 862	21 329,7
	1976/77	112 810	23 131,6	31 950	6 583,0	6 529	713,8	151 289	30 428,4
	1977/78	122 389	27 494,6	34 400	7 806,1	7 400	892,0	164 189	36 192,7
	1978/79	122 448	29 861,2	31 800	8 076,4	10 200	1 361,4	164 448	39 299,0
Pensioene vir blindes Pensions for the blind	1974/75	11 427	1 292,6	1 614	188,2	1 231	118,9	14 272	1 599,7
	1975/76	11 204	1 656,0	1 784	264,9	1 242	156,8	14 230	2 077,7
	1976/77	11 398	2 223,0	1 730	362,4	1 225	159,6	14 359	2 745,0
	1977/78	11 623	2 772,2	1 750	402,5	1 860	266,0	15 233	3 440,7
	1978/79	11 676	2 886,7	1 775	456,2	2 600	418,9	16 051	3 761,8
Oud-soldate-pensioene Veterans pensions	1974/75	170	14,2	16	2,1	8	0,7	194	17,0
	1975/76	349	43,3	15	2,5	7	1,2	371	47,0
	1976/77	485	97,7	13	3,1	6	1,2	504	102,0
	1977/78	650	142,2	15	4,0	5	1,1	670	147,3
	1978/79	592	193,5	17	4,8	6	1,5	615	199,8
Totaal / Total	1974/75	464 863	50 565,5	97 319	11 108,3	38 448	3 755,8	600 630	65 429,6
	1975/76	485 897	73 141,3	110 716	16 496,6	43 172	5 686,3	639 785	95 324,2
	1976/77	519 889	101 567,2	116 515	23 360,2	47 802	7 800,4	684 206	132 727,8
	1977/78	552 061	122 670,8	118 796	26 143,6	51 954	9 270,1	722 811	158 084,5
	1978/79	555 081	136 787,3	117 775	28 993,9	53 619	10 474,9	726 475	176 256,1

1. Syfers vir 1977/78 en 1978/79 is voorlopige ramings

1. Figures for 1977/78 and 1978/79 are preliminary estimates.
Bron/Source: 3, 12, 14, 17, 31, 33

TABLE VI.

TOTAL EXPENDITURE ON STATE OLD AGE PENSIONS IN THE 1976/7 FINANCIAL YEAR (19, 20,21)

A	B	C	D	E	F	G	H
Population Group	Number of Pensioners	Percentage of Total Number of Pensioners in South Africa	Government Expenditure (R000) On Pensions	Percentage Of Total Expenditure	Average Monthly Pension $\left(\frac{D}{B} \times \frac{1}{12}\right)$	Maximum Monthly Pension Oct '76 - Oct '77	Percentage of Maximum Pension Paid $\frac{F}{G}$
White	134 548	32,9	114 843	61,1%	R71,13	R72,00	98,8%
Asian	14 527	3,5%	6 160	3,3%	R35,34	R38,50	91,8%
Coloured	78 347	19,1%	33 366	17,7%	R35,49	R38,50	92,1%
Black	182 127	44,5%	33 653	17,9%	R15,40	R18,50	83,2%
T O T A L	409 549	100%	188 022	100%			

APPENDIX

PROCEDURE FOR APPLYING FOR A PENSION
FACTORS TAKEN INTO ACCOUNT IN A MEANS TEST (Source: Urban Foundation)

The maximum free income allowed as at 1 October 1978 was R14,38 a month or R172,56 a year.

An applicant who has no income, or an income not exceeding R172,56 per annum or R14,38 per month may receive the maximum pension of R276,00 per annum. For every R3,00 per annum of income over R172,56 per annum (or every part of R3,00) the pension is reduced by R3,00 per annum or R0,25 per month. No pension is payable if the income and means are more than R276,00 per annum.

The incomes of men over 70 years of age and women of over 65 years of age are disregarded.

Eligibility for a pension depends -

(a) upon the ability of the applicant to maintain himself; and

(b) upon the ability of the applicant's spouse to provide support.

Married persons

In the case of a married couple the income of both spouses is added together and divided in half. This establishes the income of each of them.

Children living in the home

Children who work and live with their parents are expected to pay a reasonable amount as rent for their accommodation.

Items counted as 'Means'

(a) Allowances/pensions from former employers.

(b) Allowances from welfare bodies, unless in payment for some service rendered.

(c) Free-will gifts (but not if from the spouse of a former employer).

(d) Any house rents received.

(e) Earnings or any income, for example from farming.

STOCK FARMING AND AGRICULTURE

In rural areas, and in towns and villages where commonage or large garden areas may be available, stock and agricultural produce are valued according to a fixed scale.

Eligibility for a pension may depend upon the amount of the estimated income derived from these sources.

As examples, the following are some of the values fixed for items:

Livestock

	R.C.		R.C.
Cows...............	8,00 ea	Sheep with wool....	0,75 ea
Goats..............	0,50 ea	Sheep without wool	0,50 ea
Poultry (if over 50 kept).............	0,25 ea		

Crops

	R.C		R.C.
Mealies............	0,60 per bag	Beans.......	2,00 per bag
Wheat..............	1,20 per bag	Peanuts.....	2,00 per bag
Kaffircorn.........	0,70 per bag	Pumpkins....	0,05 per bag

Fixed Property

In assessing eligibility for a social pension, the following values are taken into account :

5% on the unencumbered value of property up to R600 in value

7% on the unencumbered value of property above R600 in value

APPENDIX

THE PAYMENT OF PENSIONS IN SOWETO

The administration of pensions in Soweto will be quoted as an example of how pensions are paid out.

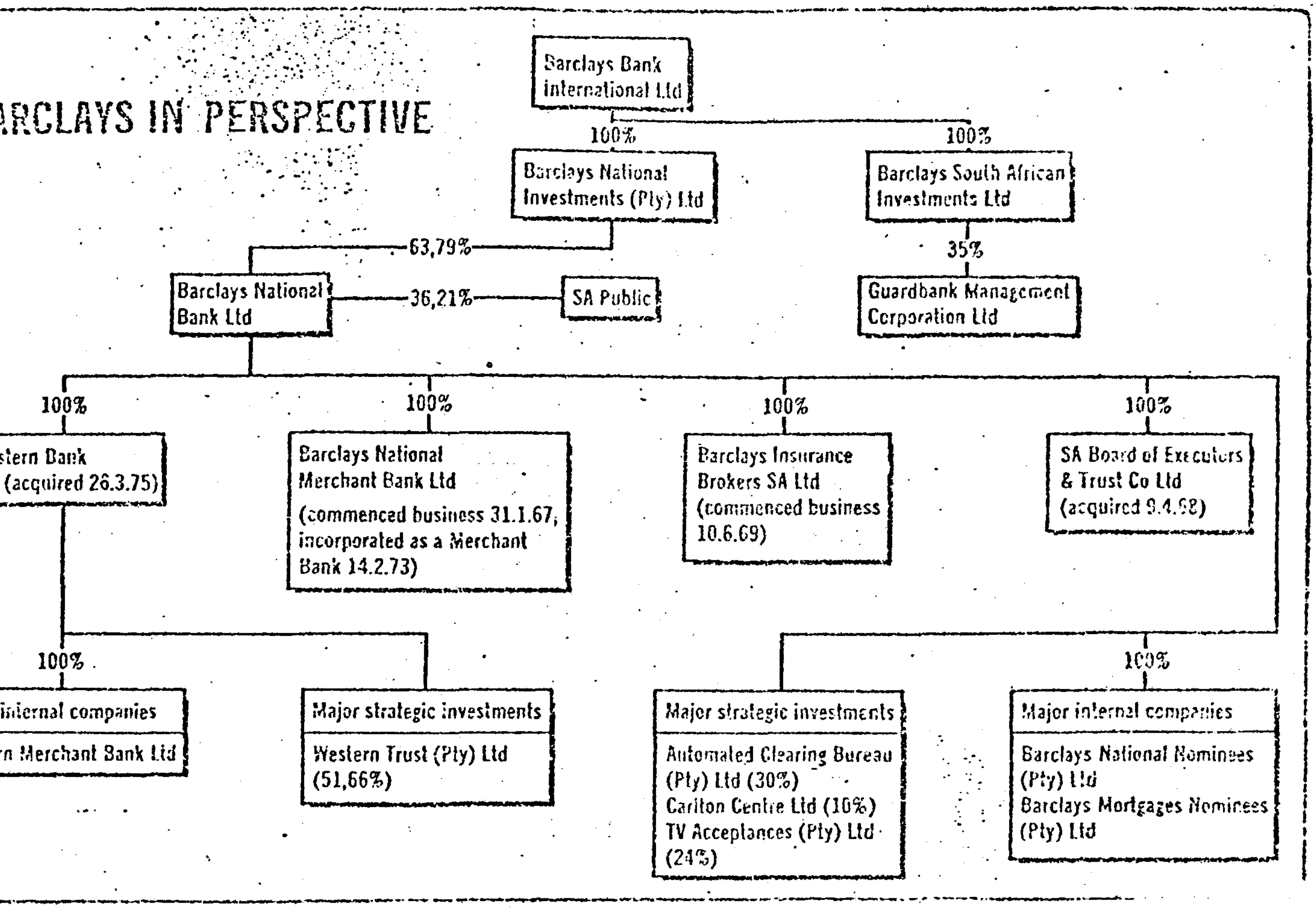
Pensions are paid out every second month at 10 pension Payout Points, 9 in different locations in Soweto, and 1 at the town offices of the Department of Co-operation and Development.

In August 1878 the Department of Plural Relations, as it was the named, employed six Black clerks, 3 paymasters, 1 supervisor and some constables from the South African Police to man the payouts. Since the riots in 1976, pensions have not been administered indoors, but from the pay vans in large open spaces throughout the year, winter or summer. The paymaster said "that this had worked well, and since the riots in 1976, it had rained only twice on a pension payout day".

Pension payout days are planned a year in advance, and span a period of 2 to 3 weeks every 2 months. The pay vans spend 1 day at a location, and then move on to the next location. It is intended that those pensioners living closest to a particular pension payout point, eg Diepkloof, use that particular place to collect their pensions.

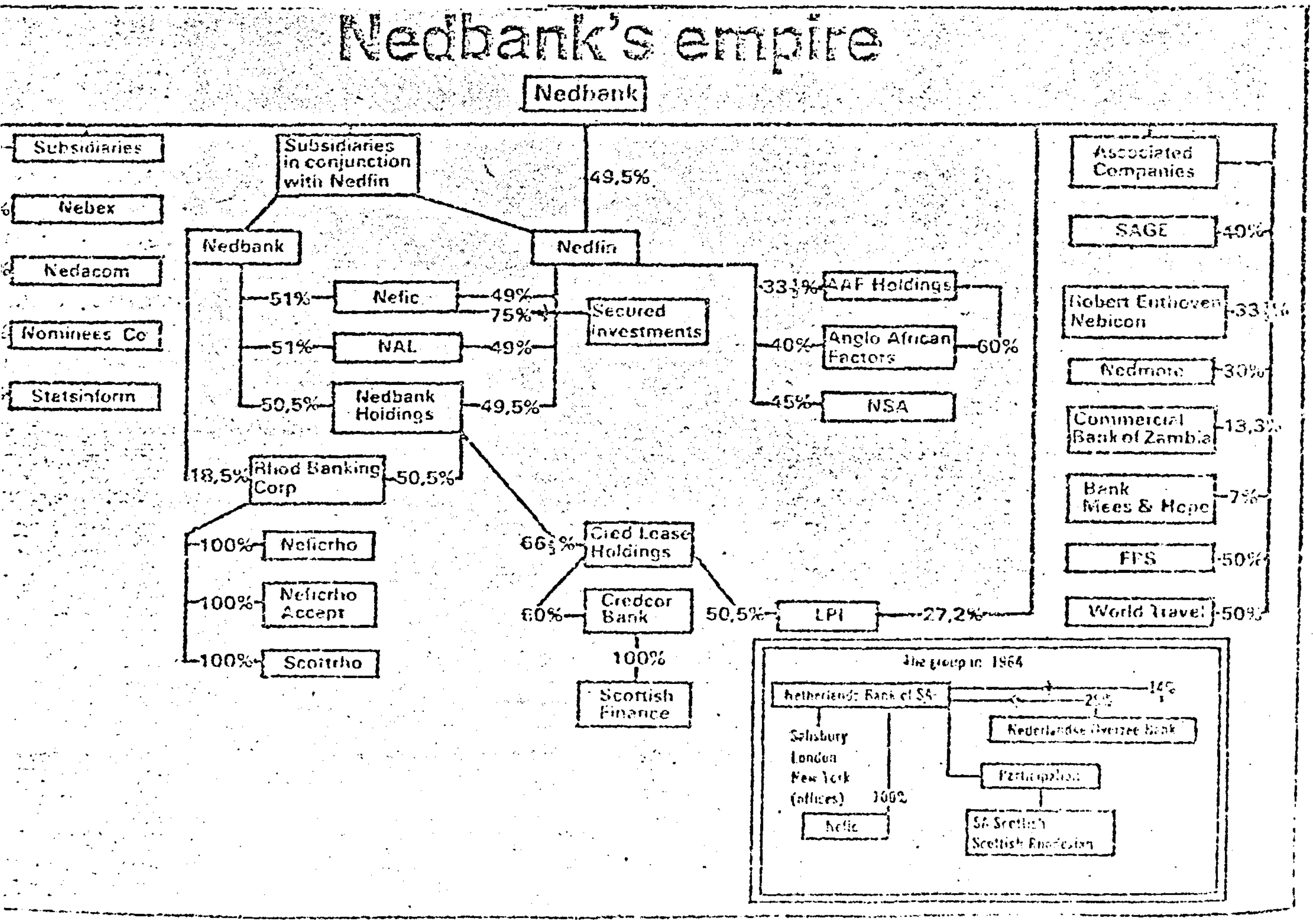
However, due to the fact that pensions are only paid out once every 2 months, most pensioners have run out of money by the time pensions are due to be paid out again. Consequently, those pensioners living near the last payout point often feel they cannot wait and so present themselves at the first or first few payout points. The paymaster requests that the pensioners take their place in the queue by 09h00. As a result they arrive, if they are not ambulant, in an assortment of vehicles, including wheelbarrows. Pensions are paid out until 13h00 or 14h00 and those people who have not yet received their pensions are expected to meet the pay van at the next location. It often happens that pensioners borrow money to pay exhorbitant transportation costs to get to the pension payout points, only to find that they are not able to get their pension that day and have to follow the pay van to the next location.

DIAGRAM 1



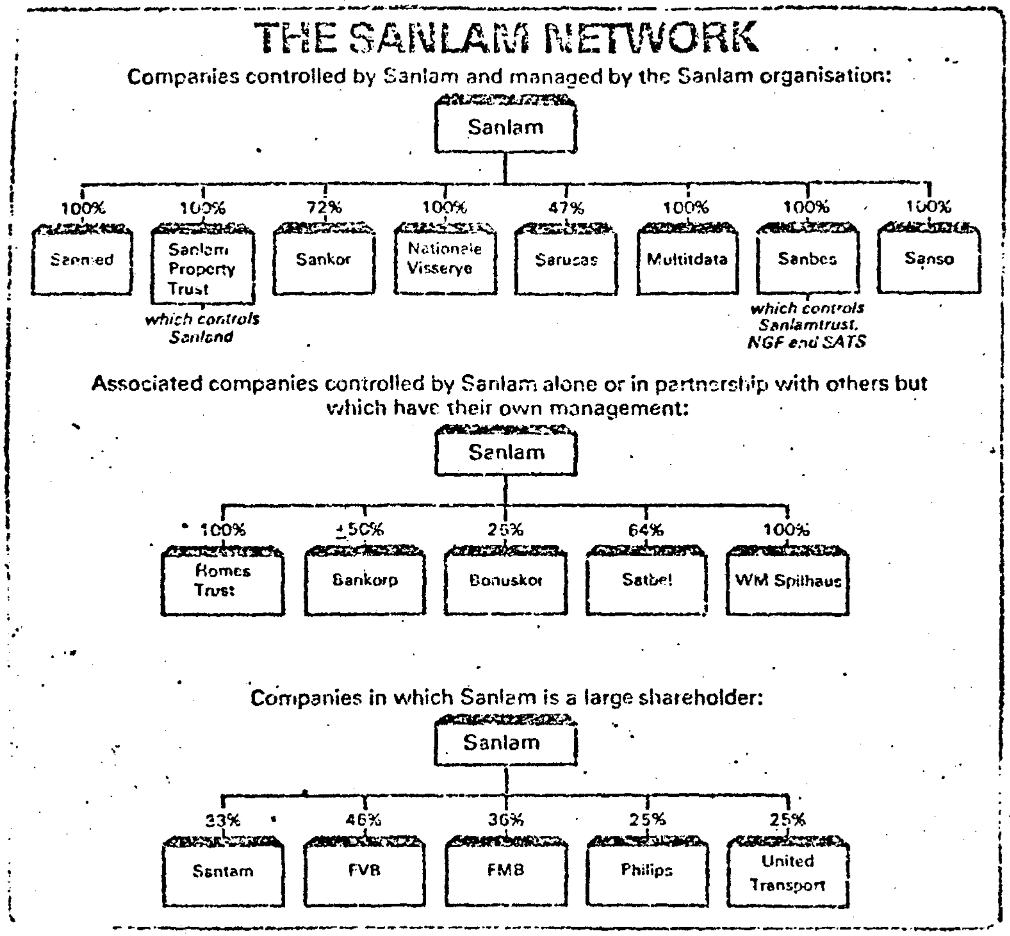
(FINANCIAL MAIL. JANUARY, 1976)

DIAGRAM 2



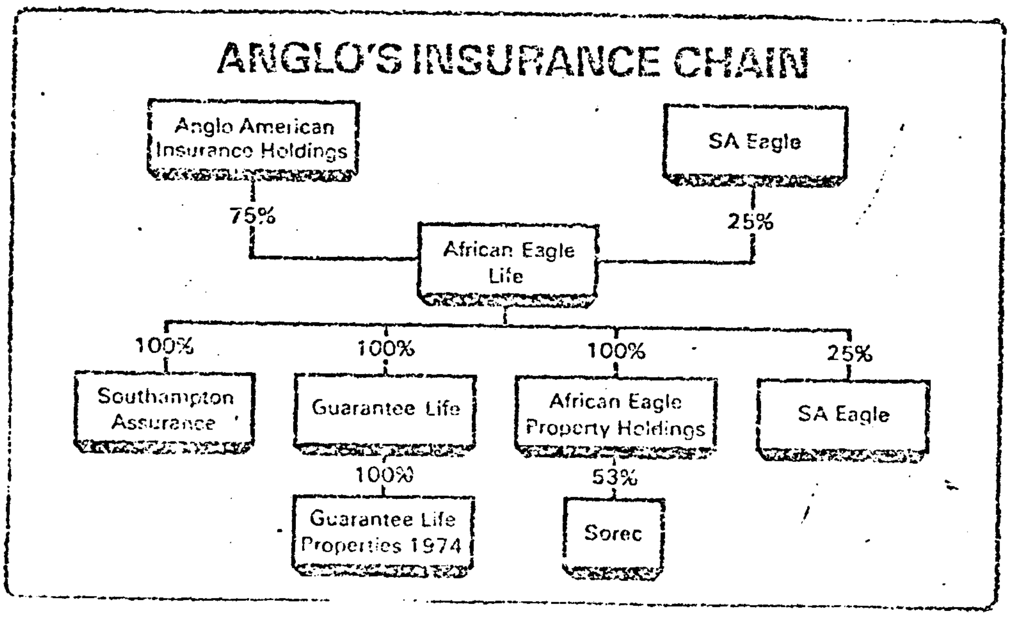
(FINANCIAL MAIL. APRIL, 1973)

DIAGRAM 3

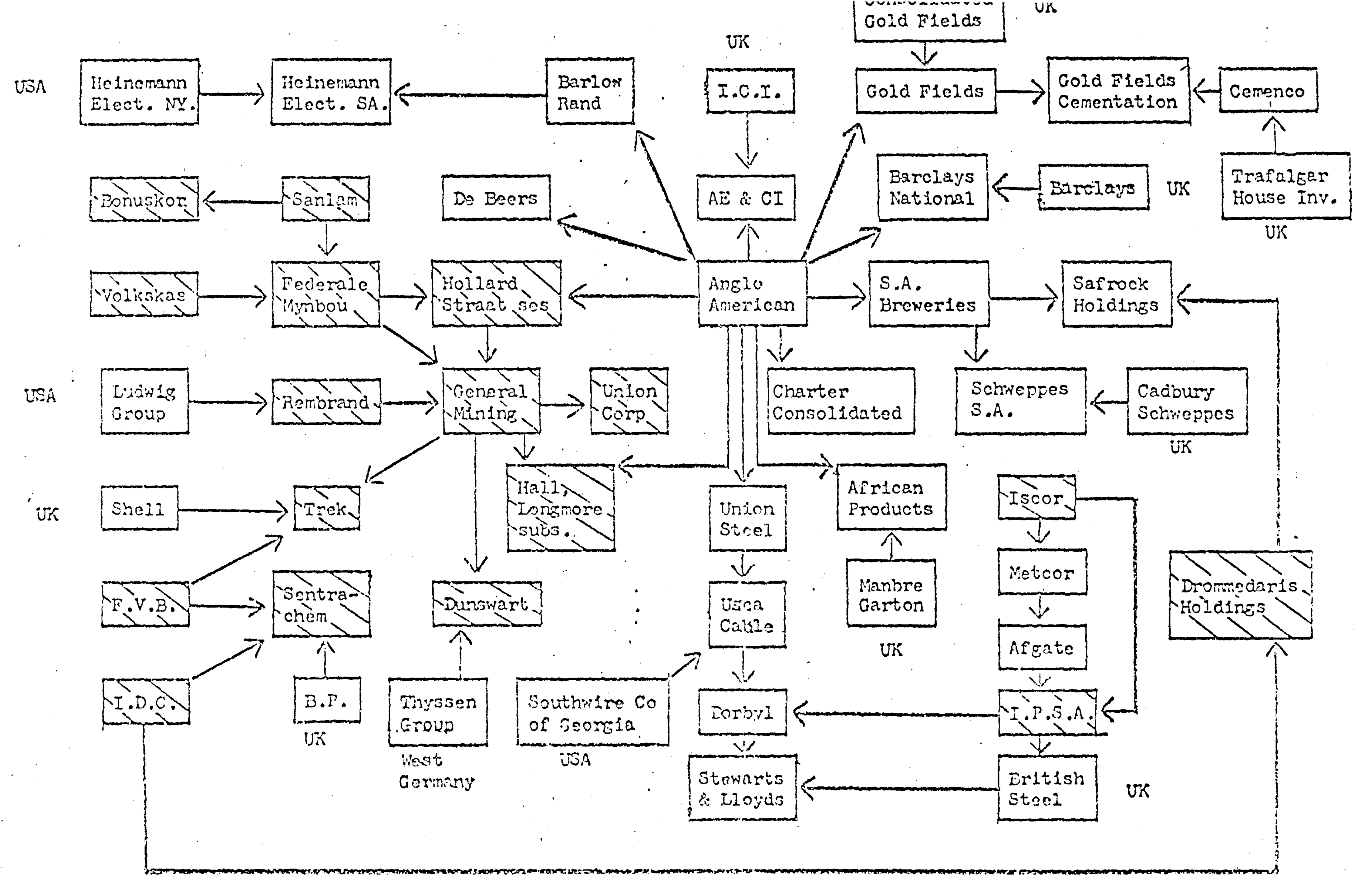


(FINANCIAL MAIL. DECEMBER, 1977)

DIAGRAM 4



(FINANCIAL MAIL. DECEMBER, 1977)



(M. WILLIAMS and D. GOOD. THE CRISIS IN BRITAIN AND THE APARTHEID ECONOMY: 1976)

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