CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The issue of globalisation and its effects on gender has raised a great deal of interest in both domestic and international arenas. *Globalisation* is generally understood as resulting in greater economic interdependence among countries through international trade, capital flows and international production. *Globalisation,* as used in this study, refers to the expansion of foreign trade and foreign physical capital investment. The purpose of this study is to analyse how globalisation policies affects the employment, wages, incomes, and welfare for South African men and women workers. In the 1990s, South Africa embarked on a policy of rapid trade liberalisation to invigorate its economy that had stagnated during the turbulent apartheid era of the 1980s. This conveniently occurred during a decade when many of the restrictive measures were being removed from international trade (Roberts 2000; Kusi 2002). The trade reforms initiated by South Africa during the 1990s paved the way for the country's subsequent impressive economic performance (see section 1.6 for a description of the economy).

Despite economic growth, South Africa still faces significant economic challenges. Foremost among them is the fact that nearly 26% of its citizens are unemployed, varying from almost 0% unemployment rate for highly skilled labour to more than 40% for unskilled and semi-skilled workers (LFS 2006). Therefore, employment creation, in particular for the unskilled labour, is one of the most pressing economic objectives of the South African Government.

The unemployment rate affects more women than men in South Africa (LFS 2000-2006). For example, in 2006, the unemployment rate of women stood at 32%, while that of men was 26%. A 2002 study in South Africa, *Women and Men*, found unemployment to be highest among urban women at 35.7% (Budlender 2002). Women often lack productive resources such as land, capital and skills, putting them at a disadvantage compared with men in seeking employment or becoming self-employed. Obstacles faced by women are not isolated to South Africa economy. A comparative study by Floro (1999) in the Philippines and Zambia found globalisation to have provided job market opportunities for the Philippines women, but it had negative impact to Zambian women due to their lack of skills and resources to start their own businesses. As Haddad, Richter and Smith (1995) note, because societal norms define different roles for men and women, globalisation inevitably has a gender dimension.

Studies indicate both positive and negative outcomes associated with economic globalisation. For example, positive effects include increased employment opportunities for women in sectors that have grown in response to expanding global trade. The cut-flower and apparel industries are examples of the feminisation[1] of economic activity stimulated by globalisation, leading in some instances to the creation of permanent employment for women (ILO 1999). On the other hand, globalisation has also resulted in less secure subcontracting in manufacturing and the informalisation of women's work, often involving poor working environments and low-paid jobs. In addition, in some instances, new technologies that lead to efficiency have led to the transfer of work from women to men (Standing, 1989, 1999; Valodia 2000; Artecona & Cunningham 2002). On implementing the Economic Structural Adjustment Programs (ESAPs), which resulted in job losses, McGowan (1994) found that women with paid jobs in the formal sector suffered more job losses when compared with the retrenchment of men under. In addition, import-competing sectors that realise increased imports tend to employ a significant number of women, which has a negative employment implication for women workers.

Standing and Grown (1999) and Elson and Cagatay (2000) argue that the increased overall demand for women labour may or may not result in higher wages for women relative to men. In addition, they contend that higher wages and more employment opportunities for women improve their welfare only if women can control their earnings. In most instances, earnings for women are controlled by the men in the households. This view is supported by Chambers (2000) who argues that, despite the increase in women labour participation rates, many working women do not control their earned income, therefore, remain economically disempowered.

Some gender activists have recommended halting trade reforms until there is a better understanding of its effect on men and women (Mohau 2001). Other gender activists are campaigning for the establishment of women's committees or mainstreaming gender into the Trade Policy Review Mechanism of the World Trade Organisation (WTO), which governs

[1] The concentration of women employed in certain occupations or economic sectors

global trade. Many gender advocates contend that globalisation needs to be managed carefully so as to ensure that higher economic growth improves the welfare of all members of a society.

1.2 THE PROBLEM STATEMENT

How does globalisation affect economies like those of South Africa and, more specifically, how does globalisation impact on employment, wages, earning, welfare and well-being in such economies from a gender perspective? Multilateral organisations such as the World Trade Organisation, International Monetary Fund and the World Bank, and governments of Western countries are promoting foreign investment and liberalisation of trade as the solution to advance the economies of developing nations. However, in countries like South Africa, women, who comprise 52% of the total population, face different inequalities than their counterparts in Western societies and indeed their men counterparts in South Africa.

Many researchers contend that globalisation has gender-differentiated impacts. Studies show that: i) both sexes are negatively impacted, but women more so; ii) women are negatively impacted while men are not or are positively impacted; and iii) women are positively impacted while men are not or less so. Overall, studies tend to show that globalisation more adversely affects women.

Globalisation has gender-discriminating effects because of gender-differentiated initial conditions faced by women in developing economies. Women struggle in the face of many inequalities such as lack of access to education, healthcare, food and economic resources. Women are not able to access credit because they lack collateral, and they often are denied rights to own or inherit productive land-based assets. Furthermore, many women are still held back by cultural beliefs and traditional practices of the society which favours men over women. In non-farm endeavours, women find it difficult to take advantage of new employment opportunities that involve advanced technological skills. This is based on low skill levels possessed by most women.

Gender economists have shown that globalisation policies have differing impacts on men and women (Fontana and Wood 2000, Fontana 2001). Fontana, Jockes and Masika (1998) contend

that the impact of globalisation depends on the initial economic conditions and industrial composition of a country when it liberalises its trade and enters the global economy.

This study, therefore, first establishes the current economic conditions of the South African economy by disaggregating it into 49 sectors and then further disaggregating these sectors by labour type (i.e. unskilled, semi-skilled, skilled) and by gender. It then raises the following research questions:

Under a scenario of full trade liberalisation, what would the effect be on employment, wages, and income earnings for men and women?

Under a scenario of increased productivity emanating from increased foreign direct investment, what would the effect be on employment and wages for men and women?

If the Doha Round of agricultural policies were to be implemented, what would the effect be on employment and wages for men and women?

Under all of the above scenarios, what would the impact be at household level in terms of welfare and, more specifically, on the well-being of women who enter an economy as it expands and/or contracts with globalisation?

1.3 OBJECTIVES OF THE STUDY

The objectives of the thesis are to uncover the gender dimensions of the process and current trends in men and women's status and wellbeing as a result of the various dimensions of economic globalisation, especially in South Africa. More specifically, this study will (1) determine the employment impacts of globalisation policies on different skills types (skilled, semi-skilled and unskilled) by gender in different sectors, (2) observe changes in wages between different skills levels of men and women in various sectors, (3) ascertain various household welfare effects resulting from globalisation policy reforms, and (4) analyse the well-being of working women at household level emanating from their participation in the labour force. Furthermore, the study will identify the sectors of the economy which have experienced contraction or an influx of women workers as a result of globalisation policies.

Because the changes caused by globalisation policies may affect all or various sectors of the economy through sectoral interlinkage, a computable general equilibrium (CGE) model is adapted for this study in order to simulate the impact of selected globalisation policies. Three simulations are conducted: (1) a simulation of full trade liberalisation under different factor

mobility assumptions, (2) a simulation of factor productivity increase, resulting from globalisation, specifically as it relates to foreign direct investment (FDI), among all economic sectors and among only a few selected sectors that have realised increase in FDI and those that employ or have potential to employ women, and (3) a simulation of world price increases to assess possible effects of the Doha Round.

1.4 SOUTH AFRICAN TRADE REFORMS

1.4.1 Introduction

This section reviews the literature on trade reforms, describes their implementation in South Africa, and the progress thereafter. The chapter then looks at the effect of trade reforms in relation to imports, exports and employment. The general economic outlook of the country is outlined, and the chapter ends with a brief analysis of the country's macroeconomic situation.

1.4.2 Significance of trade reforms

Trade liberalisation is expected to produce greater efficiency through the reallocation of resources to more productive activities. O'Rourke and Williamson (2000) find trade to induce efficiency by restructuring of resources among economic activities and to influence aspects such as scale of output and the distribution of income.

Edwards (1998) finds that South Africa's trade openness contributes to productivity through technological change which has the effects of promoting growth. Roberts (2000:609) observes increased diffusion of technology, knowledge and increased investment brought about by globalisation. In addition, he finds that trade contributes to allocative efficiency, specialisation and increased exports. As a result of increased exports, the country witnesses increased demand for manufactured goods, greater domestic production and hence increased employment. Pretorius (2002) equates increased trade with the improvement in absolute living standards or the improvement in the quality of life.

It is alleged that countries with more open and outward-oriented economies outperform those with restrictive trade and investment regimes (OECD 1998). For developing countries as a whole, liberalisation has led to trade increasing by 8.3% and economic growth by 5.5% (Gondwe 2001). Masson (2001) finds dramatic increases in *per capita* income that have accompanied the expansion of trade by countries such as Korea, China and Ghana.

He concludes, based on overwhelming evidence, that openness to international trade is an answer to fast economic growth and development, a view shared by neoclassical economists.

In summary, globalisation through increased trade and FDI leads to improved productivity, increased output, exports, employment, and improved household welfare. Yet, due to the multifaceted nature of globalisation, its specific impact in South Africa is open to debate; there are no clear-cut links between globalisation, employment and growth (TIPS 2002).

1.4.3 South Africa's progress in trade reforms

Since the early 1990s, trade liberalisation in South Africa has progressed substantially. The government has instituted a wide range of policy reforms to stimulate a more competitive, open, and market-oriented economic system. The government has complied with the WTO obligations, engaged in consultations concerning a Southern African Development Community (SADC) free trade area, completed a free trade agreement with the European Union (EU), and played an instrumental role in launching the Doha Round.

Trade reforms, however, started as early as the 1970s when South Africa embarked on reforms in order to counter the anti-export bias[2] of import protection, which involved the use of quantitative restrictions (Tsikata 1999). The quantitative restrictions (QR) replaced policies of equivalent tariffs and other duties. In the 1980s, the country promoted exports through customs duty drawbacks and duty exemptions. During the 1990s, these were replaced by the general export incentive scheme (GEIS)[3], which encouraged the anti-export bias on the output side, rather than on the input side, through import liberalisation. For example, from 1993 to 1996, the anti-export bias shifted from 1.19 to 1.32 for the economy, while shifting from 1.27 to 1.45 for manufacturing (Lewis 2001).

The government rationalisation programme consisted mainly of (a) a reduction in the number of tariff lines from over 100 to six tariff categories at rates of 0%, 5%, 10%, 15%, 20% and 30%, (b) a conversion of the tariff regime for industrial products, and (c) a conversion of all quantitative restrictions on agricultural imports to bound ad-valorem tariff rates. The average-

[2] The promotion of trade by eliminating obstacles to trade.

[3] An economy-wide package, based on value added & local content with incentives to promote export.

weighted import duties were also to be reduced from 34% to 17% for consumption goods, from 8% to 4% for intermediate goods, and from 11% to 5% for capital goods (Cassim, Onyango & Van Seventer 2002).

1.4.4 Progress in trade reforms

As shown in Table 1.1 below, South Africa underwent a dramatic reduction in tariffs on agricultural products, from 9.23% in 1996 to 1.4% in 2000. Manufacturing progress, comparatively, was somehow slow, shown by a fall of only 2.8% from 1996 to 2000.

Table 1.1 The 1996 and 2000 average import-weighted tariffs

Category	1996 Applied rates (%)	2000 Applied rates (%)
Agricultural products	9.23	1.4
Industrial products	11.4	8.6
Average	11.3	7.3

Source: Van Seventer (2001) and TIPS (2002).

Table 1.2 compares the 2000 and 2001 schedules to show changes that occurred. The number of unique ad-valorem tariffs over 40% dropped by 11, which constitutes a 17.5% decline, and tariffs between 30 and 40% dropped by 19. The number of zero-rated lines remained more or less constant. South Africa, which at one time had 47 tariff bands, has had to make significant changes to move towards compliance with the WTO agreement of six tariff bands.

South Africa reduced its import-weighted average tariff rate from more than 20% in 1994 to 7% in 2002. However, broad categories of goods such as processed foods, motor vehicles and components, tobacco, rubber products and clothing and textiles still have tariff peaks (Lewis 2001). TIPS (2002), argues that an anti-export bias still exists and notes the existence of a high effective rate of protection (EPR) on motor vehicle and parts, textiles, leather, footwear and clothing. By the year 2000, there were 7 000 tariff lines, as opposed to less than 6 000 as required under the WTO commitment. Fedderke and Vaze (2001) observe that 50% of South Africa's gross domestic product (GDP) is produced in sectors where EPR rose between 1988-93 and 1994-98, while 15% comes from sectors where EPR has fallen.

Nonetheless, the country has made a commendable progress from the 15 000 tariff lines that existed in 1995.

Table 1.2 Tariffs as of July 2000 and March, 2001

Ad valorem & other tariffs	No. of HS8 lines	% of No. of lines	No. of HS8 lines	% of No. of lines
	July 2000	July 2000	March 2001	March 2001
tariff > 40%	63	0.8	52	0.7
30% < tariff < 40%	168	2.1	149	1.9
20% < tariff< 30%	681	8.7	694	8.9
15% < tariff < 20%	576	7.4	578	7.4
10% < tariff < 15%	539	6.9	565	7.2
5% < tariff < 10%	366	4.7	378	4.8
0% < tariff < 5%	5	0.1	5	0.1
0%	3485	44.5	3484	44.5
Other tariff	1941	24.6	1926	24.6
Total lines	7824	100.0	7831	100.0

Source: Van Seventer 2001, TIPS 2002.

1.4.5 Exports and employment

Table 1.3 shows an increase in both import and export demand since 1991. Kusi (2002) notes small increases in exports with coefficients of 0.8 for manufacturing and 0.5 for agricultural exports and 0.5 for total exports. In addition, he finds trade liberalisation to have positively affected sectors with low protection rates. For example, he finds the mineral processing sector to have had increased its exports, more than sectors with high protection rates such as finance, insurance, agriculture, gold and uranium. Kusi recommends more openness for the South African economy in order to raise economic efficiency.

Table 1.3 Export performance 1991-2000

Percentage growth										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Exports		2.5	4.8	4.3	10.4	9.3	5.5	2.2	1.3	8.2
Imports		5.3	8.1	16.1	16.9	8.7	5.4	1.2	-7.4	7.2
As a percentage of GDP										
Trade balance	4.5	4.3	3.9	2.0	0.9	1.0	1.1	1.3	3.4	3.7
Exports	19.6	20.5	21.2	21.5	23.0	24.1	24.8	25.2	25.0	26.3
Imports	15.1	16.2	17.3	19.5	22.1	23.1	23.7	23.8	21.6	22.5

Source: SARB Quarterly Bulletin (2002)

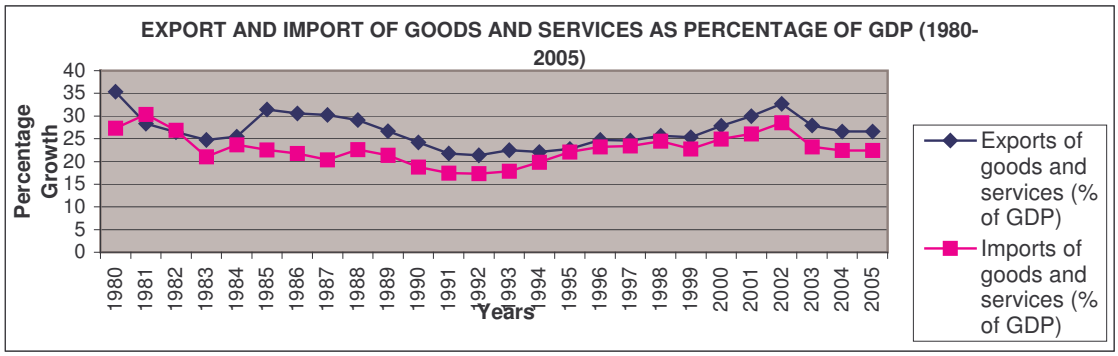

Figure 1-1 Export performance 1980-2005

Source: World Bank (2006)

TIPS (2002) and Fedderke and Vaze (2001) support Kusi's contention that trade liberalisation has led to the diversification of South African exports away from primary products such as mining, which have been declining. For example, as a percentage of GDP, gold exports have declined as follows: 33% (1990), 31.2% (1993), 23.5% (1996) and 16.3% (1999). Exports of primary products as a percentage of GDP have also declined as follows: 24.5% (1990), 25.4% (1993), 21.5% (1996), and 20.4% (1999) (Quantech database 2004).

In contrast, exports of material-intensive products rose from 6.1% (1990), 5.7% (1993), 7.1% (1996) to 7.9% (1999) as a percentage of GDP, and the export rate for manufactured products also increased as follows: 9.2% (1990), 14.4% (1993) 19.9% (1996) and 23.6% (1999). Figure 1.1 shows time series data indicating that trade openness had a strong impact on South Africa's international trade with both exports and imports growing substantially. The openness coefficient value, the import penetration coefficient value and the share of the country in imports and exports, all grew. Despite the growth of exports in many sectors, economic growth overall has been low (TIPS 2002; Edwards 2002). South Africa is still a primary manufacturing and export country. However, the country is clearly moving towards the production of other manufactured goods and services such as information technology (IT). For the detailed sectoral composition and relative importance of trade flows, see Chapter 4.

South Africa is the world's largest producer and exporter of gold and platinum, and exports a significant amount of coal. In 2000, platinum replaced gold as South Africa's largest foreign exchange earner. The value-added processing of minerals to produce ferroalloys, stainless steels, and similar products is a major industry and an important growth area.

The country's diverse manufacturing industry makes it a world leader in several specialised sectors such as railway rolling stock, synthetic fuels, and mining equipment and machinery.

In 2003, the tertiary sector (services) represented 65% of the GDP, followed by the secondary sector (industry) at 24% and the primary sector (agriculture and mining) at 11%. Primary agriculture accounts for about 4% of the gross domestic product. Major export crops include citrus and deciduous fruits, corn, wheat, dairy products, sugarcane, tobacco, wine, and wool. South Africa's agricultural production, much of it under modern irrigation schemes, is highly productive and makes the country a net exporter of food.

South Africa's major export markets include the European Union (EU.), United Kingdom (UK), United States of America (USA), Germany, Italy, Japan, East Asia, and sub-Saharan Africa. In 2003, exports were worth US $36.3 billion, amounting to 28.2% of GDP, up from 11.5% in the previous decade while imports amounted to US $34 billion. Major imports comprise machinery, transport equipment, chemicals, petroleum products, textiles, and scientific instruments, primarily supplied by Germany, the USA. Japan, UK and Italy (see figure 1.1 above for the import and export trend in South Africa).

South Africa continues to pursue both regional and international trade partners. In 1999, it successfully completed the negotiation of a EU-South Africa free trade agreement (FTA), which became operational in January 2000. Under this agreement, the phasing in of South African access to EU markets was set to occur over a 10 years period, while the reduction of South African tariffs on EU products was set to take place over a period of 12 years. The country receives the benefits accruing from the USA's African Growth and Opportunity Act (AGOA), a USA trade agreement with some African countries that qualifies plenty of African products for export to the USA.

South Africa is a member of an oldest custom union; the Southern African Customs Union (SACU). Under SACU, revenues collected in the member countries' (Botswana, Lesotho, Namibia and Swaziland) common custom area are shared among themselves according to an agreed revenue sharing formula. In August 1996, South Africa signed a regional trade protocol agreement with the Southern African Development Corporation (SADC). Under the agreement, the government intends to provide duty-free treatment for 85% of SADC trade by 2008 and 100% by 2012. South African trade with other Sub-Saharan African countries, particularly those in the Eastern and Southern Africa regions, has increased substantially. In late 2005, the country signed a memorandum of understanding with the government of

Tanzania relating to trade, economic, scientific, technical and cultural cooperation. In addition, South Africa has developed bilateral trade agreements with other African countries. South Africa accounts for 71% of the SADC's GDP. Lewis (2001), questions the feasibility of satisfying the conflicting obligations and potential tensions among the varying trade related institutions and their various members.

The distribution of employment among the four major sectors in South Africa includes 12% for both agriculture and mining, 28% for manufacturing and 60% for services. A fundamental difference between the South African economy and that of most other developed economies lies in the importance of primary industries. In South Africa, the primary industries remain both rural and mostly in mining when compared with that of developed countries.

In the 1990s, jobs in the primary sector declined by 3.5% (TIPS 2002; Pretorius 2002). From 1993-2000, employment in the manufacturing sector declined by 11.2%. However, from 1994-2001, employment for the higher-skilled workers increased by 8.2% and by 7.2% for semi-skilled workers (Edwards 2002). Jenkins (2001) reports that between 1994 and 2001 there was a growing bias towards more skilled labour caused by the changing pattern of trade in South Africa. Figure 1.2 below shows that jobs have been declining over the years starting from the year 1990. Figures 1.3 indicates how job losses have mostly affected unskilled labour while skilled and highly skilled labour demand has been rising significantly. Figure 1.4 shows an increased demand of skilled men and women for the year 2003 when compared with the demand for unskilled men and women labour (figure 1.5); skilled men gain the most.

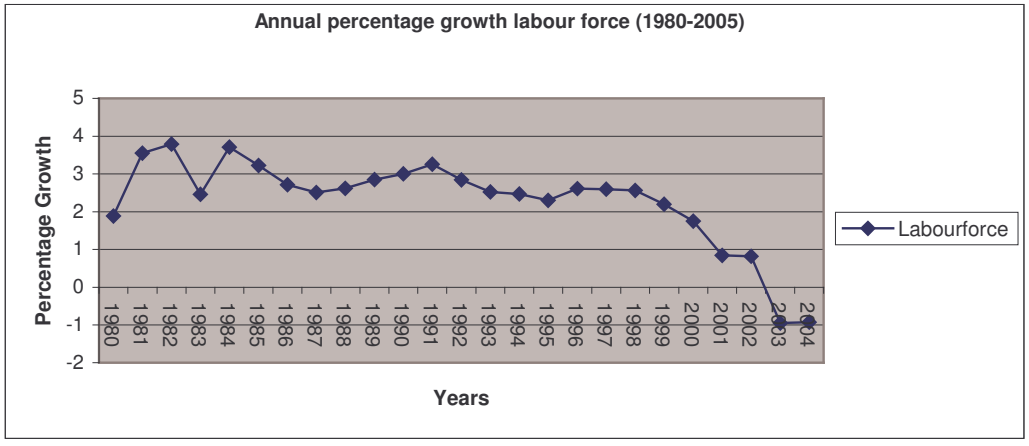

Figure 1-2 Annual percentage growth of labour force 1980-2005

Source: World Bank (2006)

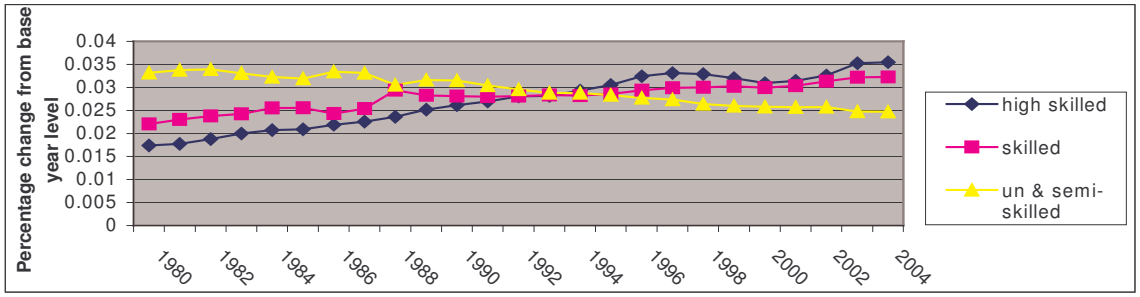

Figure 1-3 Annual percentage growth different skill types of labour

Source: Own calculation from Quantech database

Figure 1-4 Skilled Men and Women (2003)

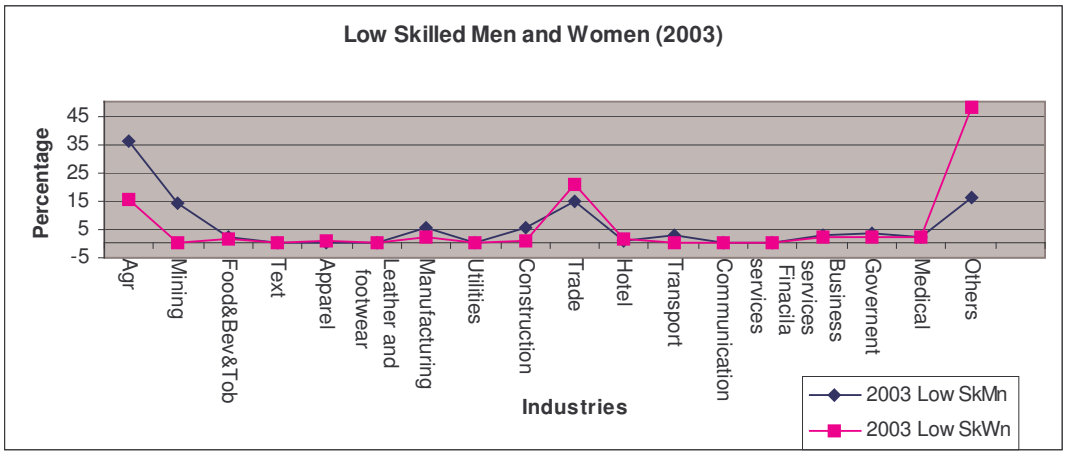

Figure 1-5 Low skilled men and women (2003)

Source: Own calculation from Labour force survey (2003)

1.5 TRADE REFORMS IN RELATION TO AGRICULTURE

1.5.1 The Doha Round of multilateral trade negotiations

Agricultural support policies such as subsidies to farmers by the Organisation of Economic Co-operation and Development (OECD) have negative effects on less-developed countries' agriculture. Subsidies allow the EU and USA to sell crops at artificially low prices, creating unfair competition against farmers in the less-developed countries (LDCs) in both their domestic and international markets. For example, the United Kingdom (UK) sells each ton of wheat and sugar on the international market at an average of 40% and 60%, respectively, below the cost of production.

These distortions benefit the OECD farmers who obtain higher prices, estimated at 31% above the world prices (ActionAid 2002). If current distortions on cotton[4] were removed, African producers would increase their gross revenue by about 19% (ActionAid 2002). Cheap food imports benefit consumers in LDCs in the short term. However, it undermines the sustainable livelihoods of local men and women farmers and farm workers. As local men and women farmers stop producing crops that cannot compete with cheaper imports, there is an increased dependence on food imports and decreased national food security. In addition, food imports contributes to a shift in consumption patterns away from locally produced foods, worsening the situation for local farmers.

1.6 AGRICULTURAL TRADE REFORMS IN SOUTH AFRICA

After joining the WTO in 1995, South Africa signed the agreement that eliminated its old economic system, which was based on import substitution, high tariffs and subsidies, anti-competitive behaviour, and extensive government intervention in the economy (TIPS 2002). Agriculture, together with other sectors, were subjected to rapid trade liberalisation policies (Kirsten 2000; TIPS 2002). The marketing boards which were responsible for the quota system and setting of prices were dismantled. In 1995, the government established the agricultural market division of the South African Futures Exchange where crops such as maize, wheat and sunflower seed currently trade. The government has also implemented the

[4] Cotton production in South Africa accounts for about 2% of the total agricultural production.

non-tariff provisions of the WTO agreement in agriculture, such as the removal of domestic support and domestic subsidies (see Table 1.4).

Table 1.4 Domestic support reduction: Aggregate measure of support (AMS[5])

Domestic Support Reduction									
Crops	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Green Box[6]	2,494.8	2,351.3	2506.89	2,494.8	2,585.80	3,023.59	3,023.59	2,015.4	4,355.7
AMS Commitment	2,435.3	2257.31	2,267.3	2,183.3	2,099.40		2,015.42		3,950.8
Current AMS	1640.33	1938.6	2198.3	820.13	0	0	0	0	0
Wheat	611.98	818.86	1,160.2	805.67	0	0	0	0	0
Sugar	847.11	862.43	928.02	805.67	789.920.	0	0	0	0
Tobacco	115.86	118.32	27.13	0	0	0	0	0	0
Cotton	4.20	46.66	33.74	-4.81	0	0	0	0	0
Maize	100.48	242.42	0	0	0	0	0	0	0
Tea	61.18	92.01	49.19	14.46	0	0	0	0	0
Percentage total agricultural production	1.6		0.63	0.09	0.02	0	0	0	0

Source: WTO notifications (1995-2003), DOA, International Trade Unit (2005)

Table 1.4 shows a rapid reduction of the domestic support and the country's commitment to reduce distortions in agriculture as measured by the current aggregate measure of support (AMS). In 1995, the rate of non-product-specific domestic support was 1.60% of the total value of agricultural production. By 1999, the level had declined to 0.02%. It reached 0.0% in 2000. The maize price support was phased out in 1997, followed by the withdrawal of wheat and tobacco price support in 1998. In 1999, the cotton sector was granted an administered price below the external reference price due to its use as a raw material for the country's textile and garment industries. The sugar sector retained price support until 2001, because of its processed output nature (WTO notifications 1995-2003).

The General Export Incentive Scheme (GEIS) was abolished in 1997, and the country changed agricultural assistance to "Green Box", as required by the WTO. By 1998, 72% of agricultural

[5] AMS is the measure of subsidy that is not allowed by the World Trade Organisation (WTO). AMS measures the total expenditure on domestic support, including the value of market price support through administered prices provided by the policies not exempt under the Agreement.

[6] These policies were considered to have the smallest potential effects on production and trade. *Green* means that countries could go ahead with these policies, that is, they are exempted from support reduction exemption (example, research, infrastructures, etc.).

goods received tariffs of less than 15%, while 38% received a 0% tariff (WTO 1998). In 2005, agricultural products subjected to high tariff duties were meat and dairy products. Important crops such as sugar, maize and wheat have variable duties that are driven by changes in world prices. For example, the wheat sector receives protection that makes up the difference between the external reference price and the South African-applied administered reference price. Poultry's protection against lower international prices involves a 27% flat rate on frozen chicken parts. South Africa ranks second in the world in antidumping initiations in terms of US dollar of imports (Van Zyl 2001), although none have ever involved agriculture.

The significant liberalisation of South Africa's agricultural trade policy has produced an efficient sector. Both exports and imports of agricultural commodities, food, tobacco and beverages have increased rapidly as seen in Figure 1.6 below. However, small farmers and most farm workers have not benefited significantly from trade liberalisation of agricultural policies since the early 1990s (Van Zyl, Vink & Kirsten 2000).

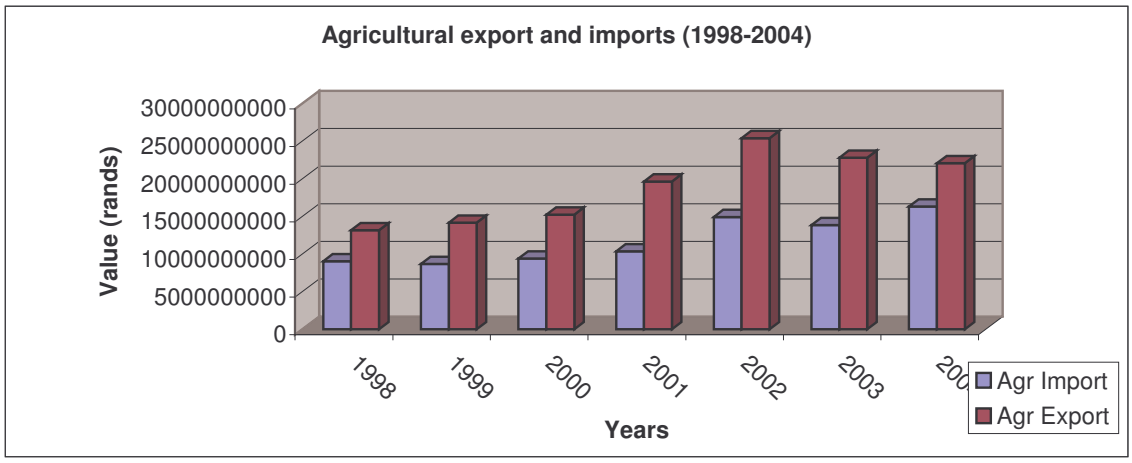

Figure 1-6 Import and Export of Agricultural Sector (1998-2004)

Source: The Department of Agriculture (International Trade Division)

1.7 SOUTH AFRICAN AGRICULTURE AND GENDER

The South African agricultural sector is a dual system consisting of commercial and subsistence agriculture. The commercial sector is highly capitalised and is increasingly being integrated into the world markets. The sector consists of 46 000 – 60 0000 white farmers who own 87% of the total arable land. The subsistence sector comprises 2.4 million black households who farm the other 13% of the arable land. The black farmers, who lack resources

and technology produce mainly for their household consumption (Kirsten *et al.* 2000).

The direct contribution of the primary agricultural sector to the economy is about 4% of the GDP. However, agricultural exports comprise 7-10% of total South African export revenue. The largest export groups are sugarcane, fresh grapes, citrus, nectarines, wine and deciduous fruit. Other important exports include maize, meat, wheat, avocados, plums, black tea, groundnuts, pineapples, tobacco, wool, cotton, and dairy products (Agricultural Census 2002; Van Zyl, Vink & Kirsten 2000).

Although formal agriculture is low-paying it provides employment for about 1 million farm workers. Men occupy 82% of the permanent positions (e.g. farm managers and foremen), while women occupy 18% of such positions. On the other hand, women hold 54% of casual jobs in agriculture (Agricultural Census 2002). The rural survey of June 1997 shows that 823 000 households of the 2.4 million households in the subsistence sector, are engaged in subsistence farming, of which 586 000 are women-headed and 236 000 are men-headed. The high woman to men ratio in subsistence farming is consistent with findings in other LDCs. For example, women comprise 70-80% of agricultural producers and processors in rural areas in most sub-Saharan countries (FAOSTAT 2006).

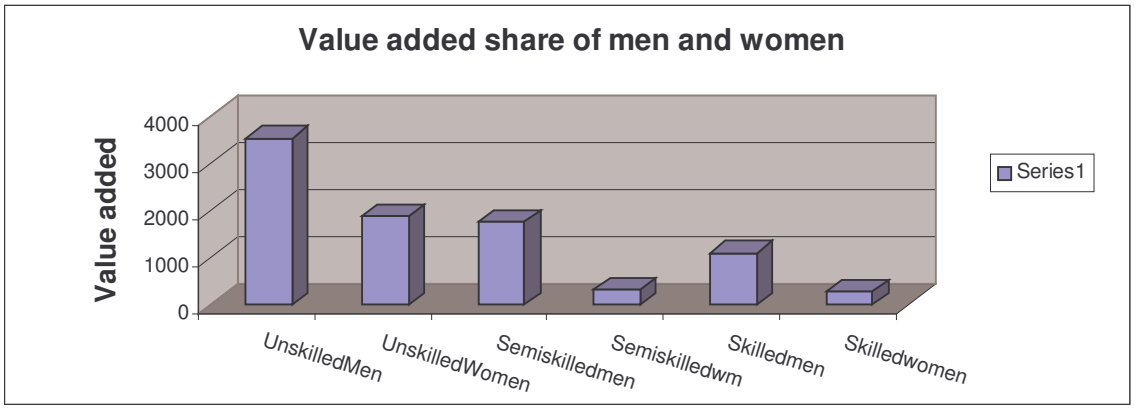

Figure 1-7 Value-added share by men and women in South African agriculture

Source: Own calculation based on the 2000 gendered Social Accounting Matric (SAM)

Figure 1.7 shows that South Africa women have lower value added shares in agriculture than men for all skills types. However, this does not include value-added on agriculture produced for home consumption, because it was not included in the 2000 South African Social Accounting Matrix (SAM). The household value-added production not captured by the 2000 South African SAM is for the 902 000 households that own livestock, 766 000

households raising chickens, and 1.4 million households growing field crops, the majority who are women (Rural Survey 1997).

In addition to direct employment, agriculture creates indirect employment through agricultural linkages with sectors such as agro-processing and the food industry. The South African input-output table for 1993 shows that 66% of agricultural output is used as intermediates in other sectors. The supply of agricultural raw materials for the manufacturing sector is termed forward linkages, while the purchase of goods such as fertilisers, chemicals and implements form backward linkages to the manufacturing sector. The existence of agricultural's linkages enables the agro-industrial sector to contribute 15% of the GDP in South Africa.

In addition, South African agriculture is becoming an important source of food for many sub-Saharan African countries, most of which are not self-sufficient in terms of food production. Dependence on agriculture is and will continue to be important for a significant part of the population, largely for subsistence livelihood. Therefore, there is no robustness of the 'depeasantisation'[7] thesis in Africa which is promoted by scholars such as Bryceson (2002) and others. It is suggested that the development path for South Africa, which will create jobs and reduce poverty, must include support of agriculture (Lipton & Lipton 1993).

1.8 GLOBALISATION: PRODUCTIVITY AND FOREIGN DIRECT INVESTMENT (FDI)

1.8.1 Productivity

The technological spillover from manufacturing to the rest of the economy is important for the economic growth. Higher TFP growth has been attributed to the significant increase in the growth of real GDP during the post apartheid period, from an average of 1% in 1980-93 to 2.8% in 1994-2001 (Aurora & Bhundia 2003).

South Africa realised labour productivity growth of 3.47% in the non-agricultural formal sector of the economy from 1994 to 2002, as against 1% per annum from 1982 to 1993. Capital productivity (defined as output per unit of fixed capital input) on the other hand,

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[7] *depeasantisation* is the school of thought that recognises the contribution of agriculture to poverty alleviation, but attaches more importance to non-agricultural activities, such as rural non-farm enterprises and social services.

declined at an annual average rate of 0.8% during 1982–1993, while it grew positively at an average annual rate of 1.3% during the period 1994–2002. Multifactor productivity rose at a faster rate during 1994–2002, than during 1982–1993 with an average annual growth rates of 0.2% and 3.45%, respectively.

The highest increase in multifactor productivity has been in electric machinery (4.53%), other non-metallic mineral products (4.89%), metals, metal products, machinery equipment (4.39%), and transport equipment (4.45%).

The decline in multifactor productivity is mostly noticed in communication (-2.72%), wood, paper, paper product, publishing, printing, furniture and other-manufacturing (-0.14%) sectors which are mostly labour-intensive sectors (see Table 1.5).

The main source of productivity is attributable to globalisation because of increased inflows of FDI. In order to finance the current account deficit, and to increase investment due to low low levels of private and public saving rates, South Africa has embarked on FDI attraction.

FDI is credited with the introduction of new technologies, increased productivity, improved management, and access to markets, training, higher wages and improved economic growth (Markusen & Venables 1999; Robinson 1998; Harris and Robinson 2002). Empirical literature shows a direct relationship between FDI and the rise in productivity in many countries. For example, Blalock and Gertler (2005) found FDI to have raised average productivity in foreign and domestic firms in Indonesia, Barrel and Pain (1997) found this in the United Kingdom (UK) and West Germany, and Chuang and Chi-Mei (1999) observed the same in Taiwan. Biggs, Tyler, Shah and Srivastava (1995) made a similar conclusion for Ghana, Kenya and Zimbabwe. Urata and Kawai (2000) for Japan, and Arezki, Ahmed and Funke (2003) for South Africa (see Chapter 3 for details). Productivity has consistently improved in manufacturing sectors and in service sectors in South Africa.

Table 1.5 Productivity in South African sectors

	Multifactor ProductivITY					Labour productivity					Capital productivity				
	1980	1990	2000	2001	2002	1980	1990	2000	2001	2002	1980	1990	2000	200	2002
Agriculture	85.7	116.7	134.3	132.8	138.6	88.1	118.	140.7	140.5	151.9	84.9	116	131.1	129.	133.6
Mining	157.4	94.4	114.8	112.1	107.3	89.4	88.2	137.3	138.5	136.2	178	101.	94.3	91.8	89.3
Food ,BeverageTobbacco	105.7	106.2	99.6	108.1	108.6	79.3	88.8	112.9	124.3	125.9	131.1	122.	87.6	95.4	96.4
Textile,leather, apparel	95.6	89.1	91.1	92.2	91.8	95.6	89.3	92.5	94.3	94.0	95.7	88.3	83.8	82.8	83
Paper, wood,print	113.8	99.6	89.2	91.8	95.5	108.	97.5	92.9	96.6	100.2	123	102.	82.7	83.6	87.7
Petroleum, chemical, rubber	76.1	95.4	105.1	108.5	107.3	65.1	87.3	109.4	117.7	118.4	85.5	102.	101	100.	99.4
Other non-metallic, mineral	91.4	86.6	123	128.7	132.4	83.1	83.4	164.8	175.7	183.3	103.(	91.6	88	92.4	95.9

	Multifactor ProductivITY					Labour productivity					Capital productivity				
Metals, machinery and equip	115.9	103.7	122.6	128	133.5	98.6	86.7	142.2	147.1	151.3	160	138.	98	105.	115.1
ElectricMachinery	107.2	95.3	113.8	116.3	125.2	120.	100.	117.7	122.6	132.6	84.8	85.5	108.9	107.	114.8
Radio, TV, instruments,	101.7	115.8	104.1	93.5	89.3	108.	116.	106.2	99.4	98.5	87.1	113.	98.6	76.6	66.7
TransportEq	125.4	110.9	112.4	115.9	126.7	99.1	96.9	126.1	133.6	151.7	194.8	136.	91.2	90.7	94.1
Furniture & other manufacturing	59.8	114.4	96.6	97.9	98.8	54.5	107.	114.4	116.4	112.5	63.5	117	89.5	90.3	92.8
Electricity , gas, water	64.4	73.8	127.8	132.9	138.1	49.7	68.3	117.8	120.5	124.3	69.4	76	133.1	139.	145.1
Construction	115.9	96.3	145.2	152.7	157.1	118.	95.1	171	183	193.2	104.	102.	106.5	109.	108.4
Trade, catering, hotel	86.3	93.4	97.2	99.1	99.9	76.5	87.8	99.8	102.9	105.3	97.4	100	94.6	95.6	95.3
Transport	62.8	75.4	145.5	157.3	163.4	51.3	67.1	176.9	197.2	204.6	85.9	87	122.1	127.	132.9
Finance,insurance, real estat	109.2	97.5	124.5	127.9	127.7	118.	98.6	131.1	134	130	103.	96.8	120.9	124.	126.5
Community, social and	78.5	95.3	99.9	99.6	98.9	76.1	94.4	100.5	100.2	99.3	88.6	100.	96.9	96.2	96.5
All industries	92.5	94.8	113.4	116.3	118.1	80.5	90.9	120.3	124.4	126.8	104.7	100	105.3	107.	109

Source: UNDP Human Development Report (2003)

Table 1.6 Sector Productivity between men and women workers (value added)

Sector	Men	Women	Sector	Men	Women
Agriculture	79.3	20.7	Metal products	54.9	45.1
Coal mining	62.0	38.0	Machinery	61.7	38.3
Gold mining	74.3	25.7	Electrical machinery	65.2	34.8
Other mining	74.6	25.4	Comm. equipment	61.1	38.9
Food processing	67.6	32.4	Scientific equipment	79.9	20.1
Beverage / tobacco	65.4	34.6	Vehicles	71.7	28.3
Textiles	71.9	28.1	Transport equipment	95.8	4.2
Clothing	71.7	28.3	Furniture	56.1	43.9
Leather products	61.6	38.4	Other manufacturing	43.1	56.9
Footwear	73.3	26.7	Electricity / gas	53.9	46.1
Wood products	70.1	29.9	Water	75.6	24.4
Paper products	70.0	30.0	Construction	88.1	11.9
Printing / publishing	56.3	43.7	Trade services	43.4	56.6
Petroleum products	76.6	23.4	Hotels / catering	61.1	38.9
Chemicals	72.9	27.1	Transport services	75.0	25.0
Other chemicals	69.5	30.5	Comm. services	45.7	54.3
Rubber products	69.0	31.0	Financial services	53.3	46.7
Plastic products	70.2	29.8	Business services	62.2	37.8
Glass products	69.0	31.0	Other services	56.8	43.2
Non-metal minerals	75.5	24.5	Other producers	55.1	44.9
Non-ferrous metals	52.9	47.1	Government services	64.1	35.9

Source: own calculation from 2000 gendered SAM

Women are mostly associated with low-productivity domestic production sectors. Table 1.6 indicates that in virtually all the sectors, women productivity as measured by the value-added component is lower than that of men. Women productivity, however, is higher than that of men in the service sectors of trade and communication and in the other-manufacturing sector. Comparing productivity levels between men and women in women-intensive sectors of textile and apparel, men productivity is still higher than that of women workers. This follows the vertical hierarchy nature of many sectors with men concentrated in the highly paying top

management and technical positions while women are concentrated in lowly paid jobs.

1.8.2 Trends of FDI in South Africa (1993-2001)

Figure 1.8 illustrates a slight upward trend of South Africa's inflows of FDI since 1994. The government policy of privatisation led to the entry of FDI linked to privatisation. This occurred in 1997 and 1999 when the government privatised Telkom and Eskom. Then in 2001, there was a massive FDI inflow due to the buy-out of the De Beers minority shareholders, the Anglo American company. In 2005, FDI was boosted by the overseas purchase of ABSA Bank (SARB 2005). Pretorius (2002) documents how South Africa moved from the sole dependence of domestic-owned corporations towards increased involvement of foreign-owned corporations in the economy from the early 1980s to 2000.

Figure 1.9 shows FDI to have largely been attracted to four major sectors: automotive, chemicals, clothing and textiles, and metals. FDI in clothing and textiles is attributable to investment related to the African Growth Opportunity Act, a USA initiative to promote trade especially in the African textile sector and the European Union (EU) free trade agreement.

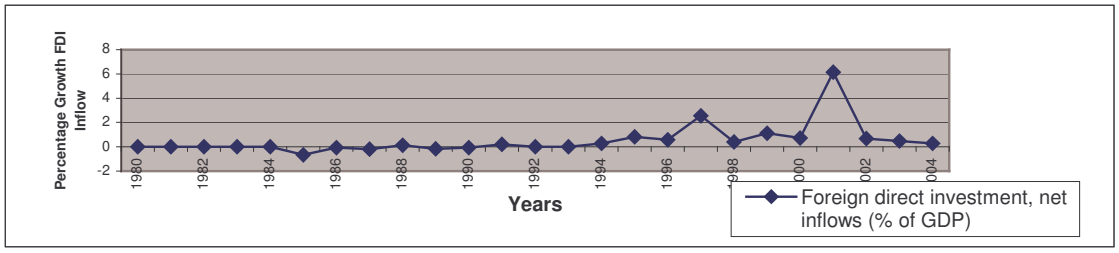


Figure 1-8 Foreign direct investment, net inflows (% of GDP), 1980-2004

Source: South African Reserve Bank, Quarterly Bulletins (various)

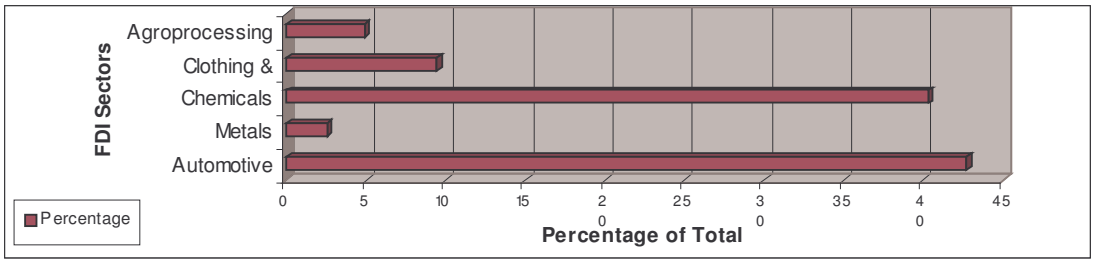


Figure 1-9 Investment (stock) 2001

Source: South African Reserve Bank Quarterly Bulletins

1.8.3 Government incentives to FDI

The South African government has developed an industrial policy that focuses on the development of a high-technology knowledge economy. The strategy is to provide incentives for FDI in energy-intensive, mineral processing, and in high-technology and services sectors (the Department of Trade and Industry 2002). The incentive programmes include the Small and Medium Enterprise Development Programme, which provides cash grants to small and medium-sized foreign firms in the tourism, manufacturing, and high-value agriculture and aquaculture. The Critical Infrastructure Fund covers part of the infrastructure development cost incurred by local authorities to attract investment. The Skills Support Programme provides cash grants to foreign businesses in order to train employees. The Foreign Investment Grant assists with relocation costs, and the Strategic Investment Programme provides a tax allowance for large FDIs with strong employment and linkage effects.

1.9 OVERVIEW OF THE SOUTH AFRICAN ECONOMY

The South African economy grew at a level of more than 5% per annum in the 1970s and more than 3% in the 1980s, which were both above the rate of population growth. Real per capita income declined after 1974, however. The economy was characterised by a number of negative features that have been ascribed to apartheid and bad economic policies (Kritzinger-Van Niekerk, Eckert & Vink 1992). For example, in agriculture, the consolidated Marketing Act of 1968 tightened control over the marketing of agricultural products, which led to a shift away from smallfarmer-friendly policies to those that supported highly mechanised, commercial agriculture. This enabled the rise of a modern agro-industrial complex created through import substitution (Kassier Report 1992). By the beginning of the 1980s these distortionary influences on agriculture, together with a range of farm-specific policies, had created an agricultural sector needing reforms (Kassier Report 1992).

South Africa has made great progress in dismantling its old economic system, but the effects of the apartheid era will not disappear quickly. The country still has a two-tiered economy, with one tier rivalling other developed countries and the other tier resembling that of most developing countries. The GINI coefficient, a measure of inequality, was 0.59 in 2000 and stood at 0.61 in 2005 (Stats SA 2000-2005), which is nearly the highest in the world, second only to Brazil. About 86% of the agricultural arable land is held by 60 000 white commercial farmers, while more than two million black households farm on the remaining 13% of the arable land. These small farm holders operate an average of 1.3 hectares, compared with the

white farmer's average of 1570 hectares (Deininger & May 2000). Large farms are mostly capital intensive and rely mostly on irrigation as opposed to rain-fed reliance of smaller farms.

After the 1994 elections, the new government under Nelson Mandela established a separate institution called the Reconstruction and Development Programme (RDP) and located it in the President's office. The RDP was designed to provide the majority of the population with better housing, basic services, education, and health care through free access to more rural clinics. This was intended to reduce poverty and inequality, emphasising both economic growth as well as efforts to improve service delivery and human resource development for historically disadvantaged citizens. The country implemented land reforms under the RDP, but less than one million hectares of land was transferred after six years of implementations (Sibanda 2001). In 1996, the RDP office was closed and was succeeded by GEAR.

The government introduced its five-year (1996-2000) Growth, Employment and Redistribution (GEAR) strategy in 1996. This macroeconomic strategy was aimed at strengthening economic development, broadening employment, and redistributing income and creating socioeconomic opportunities in favour of the poor. Key objectives were to produce economic growth of 6% by the year 2000, maintain inflation at less than 10%, and keep employment growth above the growth of the economically active population. It also aimed at restricting the deficit between 2% and 3% on the current account and the balance of payments, reducing the budget deficit to below 4% of GDP, and maintaining a ratio of gross domestic savings to GDP at 21.5%.

The GEAR strategy has had mixed success. On one hand, it has brought greater financial discipline and macroeconomic stability. The government has significantly lowered the budget deficit and inflation. However, critics contend that GEAR's stringent monetary and fiscal targets conflicted with the RDP objectives of job creation, reducing poverty and promoting a more equitable distribution of wealth. South Africa's growth rate has remained far short of the 6% goal, which is a level deemed necessary to reduce unemployment.

However, the government has adhered to its GEAR policy, contending that in the long term, it will provide South Africa with solid economic growth. Economic growth reached 4.9% in 2005 and the government is using the Accelerated and Shared Growth Initiative for South Africa (ASGISA) to further lift economic expansion. ASGISA was introduced in 2005, with the aim of achieving an economic growth rate of 4.5% by 2009 and of 6% by 2014, as well as halving unemployment and poverty by 2014. Furthermore, ASGISA is to deal with excessive currency volatility, infrastructure weaknesses, skills shortages, barriers to competition,

regulatory obstacles, red tape, and capacity constraints through a partnership between government, private sectors and others (Government of South Africa 2005).

Proponents of gender equality find some government policies not "gender neutral". For example, they cite policies associated with GEAR which promote greater labour market flexibility in order to attract foreign investment and to improve competitiveness as having a negative effect on women workers (Valodia 2000). In addition, the type of jobs created for women perpetuate poor working conditions and keep women vulnerable and unprotected. With greater labour market flexibility, proponents of gender equality contend that the position of women worsens. That is, women experience less flexibility with regard to working time and parental responsibilities and often take new jobs with decreased benefits. Furthermore, as government reduces spending on social services, such as health, women need to engage in a great amount of unpaid labour to care for their families, further limiting their access to alternative economic opportunities. In many respects, GEAR entrenches the economic oppression that women face and increases their risk of poverty (Verhoef 1996; Valodia 2000).

1.9.1 Growth as measured by GDP

South Africa's GDP is expected to increase gradually during the next few years. Between 1993 and 2003, annual GDP growth averaged 2.6%. In 1998, there was a downturn after the global economic turmoil brought about by the Asian financial crisis and turbulence on the money markets. Growth fell to 0.8%, but rebounded to 2.0% in 1999. In 2000, GDP grew at a rate of 3.5%, but slowed to 2.7% in 2001. Growth in the economy slowed to 1.9% in 2003, and then rose to 4.5% in 2004 (see Figure 1.10).

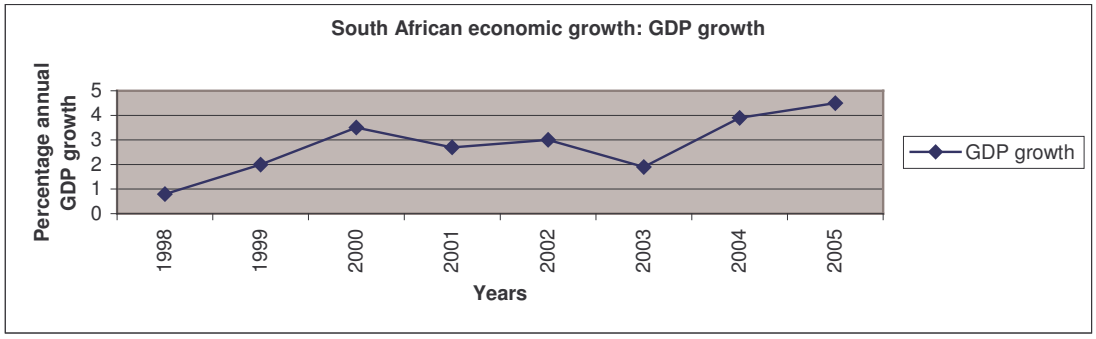


Figure 1-10 South African economic growth: GDP growth (1998-2005)

Source: SARB, Quarterly Bulletin (2006)

The economy grew by 4.9% in 2005 and by 4.5% in 2006. Growth based on improved domestic demand, large foreign capital inflows because of interest rates, the low inflation rate, and other macroeconomic stability are credited as the source of the country's economic performance. However, the government estimates that the economy must achieve a minimum growth of 6% in order to offset unemployment, of which the narrow unemployment is estimated at 28% while the broad unemployment was reported to be as high as 41% in 2006. In an effort to boost economic growth and spur job creation, the government has launched the special investment corridors to promote development in specific regions and is working to encourage small, medium, and microenterprise development (the Department of Trade and Industry 2003).

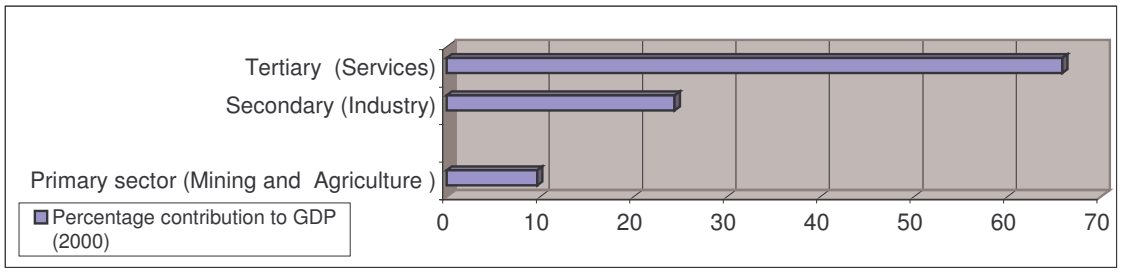


Figure 1-11 Percentage contribution of sectors to GDP in the year 2000

Source: SARB Quarterly Bulletin (2002)

Figure 1.11 above shows that the service sector is the most significant sector in terms of its contribution to GDP. Manufacturing, composed of various sectors, ranks a distant second, followed by agriculture and mining, which once were the two pillars of the economy.

1.10 MACROECONOMIC POLICIES

Table 1.7 Macroeconomic indicators for South Africa (1997-2004)

	19	199	199	200	200	200	200	200
Current account balance (% of GDP)	-1.5	-1.64	-0.51	-0.14	0.13	0.62	-1.4	-3.5
Exports of goods and services (% of GDP)	24.6	25.7	25.3	27.9	30	32.7	27.9	26.6
Exports of goods and services (annual % growth)	5.62	4.63	1.26	8.31	1.76	0.53	0.27	2.49
Foreign direct investment, net inflows (% of GDP)	2.56	0.41	1.12	0.73	6.14	0.66	0.46	0.27
GDP growth (annual %)	2.65	0.52	2.35	4.15	2.74	3.69	2.98	4.47
GDP per capita (constant 2000 US$)	303	2975	2972	3020	3046	3122	3181	3346
Gross domestic savings (% of GDP)	17.8	18.1	18.9	18.9	19.2	20.2	21.7	21.7
Gross savings (% of GDP)	15.1	15.2	15.8	15.8	15.4	17.2	18.4	19.0
Imports of goods and services (% of GDP)	23.4	24.5	22.7	24.9	26.1	28.5	23.2	22.4
Imports of goods and services (annual % growth)	5.39	2.01	-8.36	5.34	0.22	5.06	8.85	14.1
Fiscal deficit	5.06	8.85	10.0	2.41	3.6	1.10	2.60	3.10
Inflation, consumer prices (annual %)	8.6	6.88	5.18	5.34	5.70	9.16	5.86	1.39

	19	199	199	200	200	200	200	200
Labour force, female (% of total labour force)	39.7	39.5	39.2	39	38.9	38.9	38.6	38.4
Lending interest rate (%)	20.0	21.8	18.0	14.5	13.8	15.8	15.0	11.3
Average exchange rate	4.6	5.5	6.2	6.2	8.6	10.5	8.5	7.6
Unemployment, total (% of total labour force)	21	22.9	25.2	23.3	25.8	29.7	30.7	28.4

Source: The World Bank (2006)

1.10.1 Fiscal policy

South Africa has embraced budgetary reforms such as the Medium-Term Expenditure Framework and the Public Finance Management Act, which are intended to promote better reporting, auditing, and increased accountability. Under GEAR, the country adopted a fixed-deficit GDP ratio of 3%. This, however, reduces public infrastructure investment, which counteracts the objective of GEAR regarding job creation through increased infrastructure development.

Nonetheless, the government has made strides in reducing the fiscal deficit and increasing foreign currency reserves. Reduction of deficit has occurred through a combination of strengthened revenue performance, improved tax administration, and more effective spending controls (Lewis 2001; IMF 2005). The deficit declined from a high of 10% to 2% of GDP in 1999/00, 1.1% in 2002 and 2.6% in 2003. The government's 2004 budget called for a moderate increase in spending in order to promote faster growth and poverty alleviation. Fiscal policy has major direct and indirect effects on poverty reduction, growth and employment creation thus can play a critical role in creating sustainable livelihoods.

1.10.2 Monetary policy

The government's structural changes to its monetary policy framework and inflation targeting have created more transparency and predictability. Monetary policy is an important tool for promoting growth and employment because it can stimulate or dampen economic activity. However, despite the dramatic changes in government priorities since 1994, South Africa's monetary policy framework has remained unchanged since 1989. The South African Reserve Bank relies heavily on the bank rate as the key instrument of monetary policy (Lewis 2001). Some critics assert that South Africa's disinflationary monetary policy is at the cost of reduced growth, lower national income, and higher unemployment. In 1997, a study commissioned by the National Institute for Economic Policy, indicated that from 1990 to 1995, an amount ranging between R9 billion and R13 billion was the average yearly costs of the disinflation policy in terms of GDP growth foregone. In 1997, the government ended its sole reliance

on broad money and credit as performance indicators, shifting instead to a broader set of measures including M3, credit, the exchange rate, capital flows, and international reserves. The Reserve Bank also announced its intention to phase out the foreign exchange market intervention discount window with a liquidity auction as its primary intervention mechanism.

1.10.3 Interest rates

South African interest rates have averaged 17.3% from a period of 1980–1993 to 17.2% between 1994–2002%, placing severe pressure on domestic borrowers. A high real interest rate negatively affects investment, consumption and government interest payments on its debt. Furthermore, high real interest rates promote instability in the financial market by encouraging speculative investment and attracting international short-term capital, which increases the volatility and vulnerability of the economy to the international financial market.

The country's high interest rate is due to a sizeable "risk premium" demanded by international markets concerned with South Africa's vulnerability, because of a weak foreign currency reserve position and poor economic growth (Lewis 2001). Higher interest rates constrain opportunities for men and women who require affordable financial services and land to move out of the informal sector. The international evidence shows that poor access to financial resources generally limits women's economic opportunities in small and micro-enterprises. The Grameen Bank in Bangladesh has shown that if women gain access to even very small amounts of financial resources, large gains in economic development and welfare can be achieved (Elson 2002). However, South Africa's GEAR policy of high interest rates and restrictions on credit availability works against access to the economic opportunities for those in the informal sector (Finnemore & Van der Merwe 1996). A higher interest rate, however, has a positive effect on saving, since interest is seen as the compensation for delaying consumption.

1.10.4 Inflation

For nearly 20 years prior to 1998, the consumer inflation rate was running in double digits, but by 1998, it had fallen to 6.9% and to less than 6.0% in the subsequent two years. In the year 2000, the Reserve Bank introduced an inflation-targeting framework that has a CPIX (excludes home loans) target ranging between 3% and 6%. The rand's rapid depreciation in late 2001 caused inflation to jump to 9.2% in 2002. The South African Reserve Bank increased interest rates and this, along with the 28% rand appreciation in 2003, led to a reduced consumer inflation of 5.8% in 2003. The target range was changed in November 2004 to a

continuous target rather than an annual goal. The index reached 4.8% in 2004, and rose to 5.6% in 2005, and was 5% in 2006 (SARB 2006).

1.10.5 Current account

In 2002, South Africa posted the positive current account of 0.3%, which had been negative since 1993. In 2003, the current account, which is the country's broadest measure of trade, showed a deficit of about 0.8% of GDP. The current account deficit was 1.3% of GDP in 2004, widening to 1.8% in 2005 and it is currently (2007) running over 6%. The 2004 and 2005 compares favourably with the 2004, 2005 mid-term budget forecasts of 1.4%, while the 2006 rate differs from the forecasted rate of 2%. The impact of the strong domestic currency (rand) on growth is the major factor that has pushed the current account on the balance of payments into deficit, although the strong currency has helped to guide inflation downwards. The recommended current account deficit is 3% of GDP.

1.10.6 Exchange rate

The rand appreciated by 28% against the dollar in 2003, and continued to appreciate throughout 2006. Much of the rand's strength can be attributed to the weakness in the United States dollar (US$) together with the measurable improvement in the administration of the domestic economy, which has supported the currency. Other reasons include increased portfolio capital inflows, increases in commodity prices on international markets, and the positive nominal interest rate differential between South Africa and rest of the world (SARB, 2006). Although exchange rate volatility remains a concern, the rand has stabilised and has put the South African economy in a much better position today to take advantage of the emerging global economic recovery than a decade ago. The strong rand has also helped to keep inflation low. However, the rand's appreciation appears to have eroded the profits of mining and manufacturing and contributed to employment reduction within these sectors (COSATU 2005).

1.10.7 Investment incentives

South Africa is endowed with good institutions and physical structures that provide incentives for investment. The country has a large financial structure with an active stock market ranking 18th in the world in terms of total market capitalisation. The South African Reserve Bank (SARB) is independent of the government and carries all central banking functions, influences interest rates and monitors liquidity through its interest rates on funds given to private

sector banks. The banks adhere to the Bank of International Standards' core standards and have subsequently abolished the quantitative credit controls and administrative controls of deposit and lending rates. Since 2001, South African companies have an option to invest up to R750 million in Africa and R500 million elsewhere, while private citizens can make a one-time investment of up to R750 000 in offshore accounts.

The country's transportation infrastructure is well developed, supporting both domestic and regional needs. The OR Tambo International Airport in Johannesburg serves as a hub for flights to other southern African countries. The domestic telecommunications infrastructure provides modern and efficient service to urban areas, including cellular and Internet services. In 1997, Telkom, the South African telecommunications parastatal, was partly privatised. Telkom assumed an obligation to facilitate network modernisation and expansion into unserved areas. There is a proposal to establish a second network operator to compete with Telkom. Nonetheless, the country has failed to attract significant levels of FDI. The inflow of FDI was less than 1.13% of GDP for the year 1999 and fell to 0.73% in 2000 before falling even further to 0.27% in 2004 (Lewis 2001; World Bank 2006).

1.10.8 Trade Unions

While unions represent less than 20% of the economically active population, they have significant influence on the discussions related to the South African economy (Finnemore & Van der Merwe 1996). Most union leaders primarily are interested in protecting the jobs and benefits of their members. Organised labour's position on trade liberalisation is that the government should pursue a "go-slow policy". Union leaders recognise that South Africa's decision to seek rapid economic growth through trade liberalisation means that the South African unskilled labour will face growing competition, mostly through trade with lower-wage economies. For this reason, unions are relieved by the emphasis that the government has placed on education and training through the Skills Development Act and the promotion of 25 Sectoral Education and Training Authorities, which were established in 2000 to provide training to workers in all sectors of the economy.

With increased trade liberalisation, collective bargaining is becoming more decentralised because employers and employees must take into account global labour market forces as they impact on specific sectors. Furthermore, in some instances women and men are represented by different unions, which take different positions on specific policies. For example, while the National Union of Mineworkers, representing mainly men workers, is in favour of a national

minimum wage applicable to all industries, representatives of the women-dominated South African Clothing and Textile Workers Union and South African Domestic Worker Union argue for differing minimums for different industries. This reflects an understanding by women union leaders that the industrial and occupational structure of South Africa favours or works against men and women in different ways.

Although estimates suggest that women constitute above 40% of COSATU's membership, women are underrepresented on the agenda and in the structures of the federation. COSATU, an umbrella of unions, has established a special committee to address the issues of women workers. Many of the unions affiliated to COSATU have, in turn, set up their own committee for women members (Budlender 2000). Gender equality and equity in pay and benefits remain important issues for unions in South Africa, although the low number of women in leadership positions in the union movement means that gender issues are often not put to the fore in negotiations (Finnemore & Van der Merwe 1996).

1.10.9 Organisation of the study

The thesis is divided into ten chapters. Chapter 1 describes the background to the study, its purpose and the research problem and reviews recent economic developments and measures applied in South Africa since the implementation of the first trade reforms in 1994. Chapter 2 highlights key gender issues, particularly from an economic perspective. Chapter 3 contains a review of pertinent literature concerning gender and globalisation. Chapter 4 documents the disaggregation of the 2000 SAM into factors and sectors. The CGE specifications are also depicted with an emphasis on the country-specific elements that the model incorporates in order to capture the gender behaviour in the South African economy.

Chapter 5 presents a methodological overview of social Accounting Matrix (SAMs) and CGE models and provides a brief applications of CGE models. Chapter 6 presents the simulations and analyses of full tariff reduction under different factor mobility assumptions. Chapter 7 contains the simulations and analysis about economy-wide and selected sector productivity rise. Chapter 8 details the simulation and analyses concerning the implementation of the Doha Round. Chapter 9 describes the qualitative-quantitative survey results on the well-being of women, and Chapter 10 draws study conclusions and makes policy recommendations.

CHAPTER 2

SOUTH AFRICA AND GENDER

2.1 INTRODUCTION

With globalisation, gender implications have become a concern for governments and indeed the world as a whole. In 1995, with the realisation of considerable differences in women and men's access and opportunities to exercise power over economic structures, governments worldwide made a commitment to promote women's economic rights including access to employment and control of economic resources (Oyugi 2002). The 1995 Commonwealth Plan of Action on Gender and Development and the 2000-2005 update on *Advancing the Commonwealth Agenda into the New Millennium* call for monitoring and analysis of the impacts of macroeconomic and economic reform policies on gender, and the development of strategies, mechanisms and corrective measures to address gender imbalances in key areas.

This chapter provides background information on South African policies concerning gender issues. The legislation on gender is described. Women's education, employment, remuneration, and their participation in trade unions, are presented in more detail.

2.1.1 Political representation and government leadership

South Africa has made significant strides in promoting gender equality. The government has passed legislation and established institutions to empower women and promote gender equality. In addition, a bill of rights, enshrined in the Constitution (No. 106 of 1996), bans discrimination based on gender. The government has passed the Basic Conditions of Employment Act, the Employment Equity Act, and the Labour Relations Act, which give men and women workers equal protection and representation in the place of work. This is reinforced by a network of structures such as the Commission on Gender Equality and the Office on the Status of Women. In 1995, South Africa ratified the convention on the elimination of all forms of discrimination against women (CEDAW), the international bill of rights for women (Department of welfare 1999).

According to the 2003 Human Development Report of United Nations Development Programme (UNDP), the country ranked 85 out of 174 countries in the gender-related development index. In 1997, 25% of South African parliamentarians were women (The World Bank 2006). According to the year 2000 figures, women comprised 29.80% of the national Parliament, 29.6% of the national Cabinet, 61.5% of the deputy ministers while at the

local government level, women constituted 30% of elected representatives. In April 2004, the government appointed 22 women to the Cabinet, and four women among its nine Provincial Premiers. This political success is attributed in a large part to the strength of women's organisations that have advocated for gender equality in representation and decision-making (Molokomme 2001). However, South Africa has achieved better results in women's political participation than in improving women's access to economic assets and increased employment. For example, a labour force survey of March 2006 showed women's unemployment at 32% while that of men was at 26%.

2.2 EMPLOYMENT AND REMUNERATION

2.2.1 Employment by industry

Women's participation in the labour force increased in the 1990s. Using data from the population census, Standing (1996) and Baker (1999) show that the women labour supply increased at a much faster rate than men labour supply. In 1960, women accounted for 23% of the labour force, rising to 36% in 1985 and to 41% in 1991. Utilising data from the 1991 and 1996 census and the 1995, 1996, and 1997 October Household Surveys (OHSs), Klasen and Woolard (2000) found women's labour to have risen over these years. Casale and Posel (2002) studied the extent of women's participation in the labour market in South Africa through a descriptive analysis of trends in the labour force. They found both an increase of women in the labour force and increased self-employment in the informal sector.

Several reasons explain the increasing rate of women in the labour market: changing social conventions that a woman's place is in the home, declining fertility rates, rising relative wages for women because of reduced discrimination, rising productivity in the households because of advancing technology, rising divorce rates, increasing poverty among women, rising educational attainment of women, increasing urbanisation and changing family structures, among others (Leresche 1993; Barker 1997).

Although women make up 52,2% of South Africa's population, they only form 36% of the economically active population in the formal sector (Statistics SA 2003; Table 3). Women make up 58% of the informal sector, of which 81% is domestic work (LFS 2003).

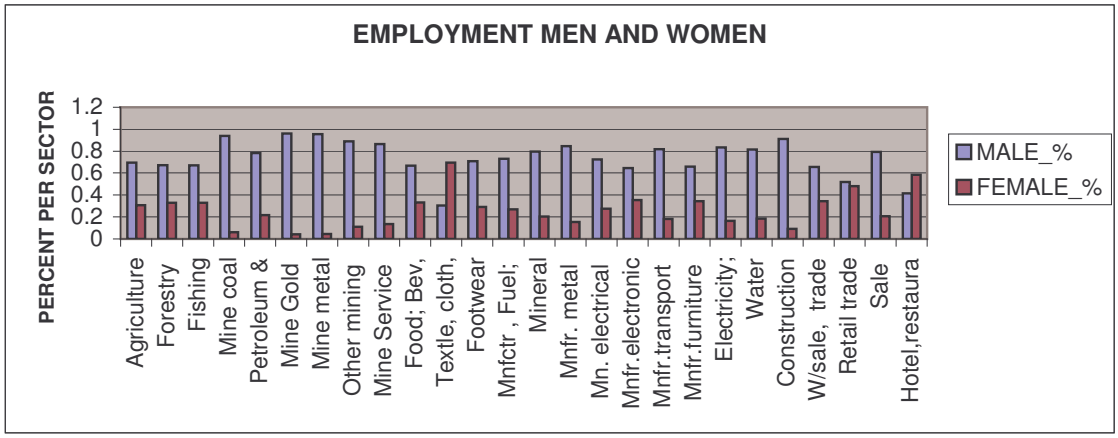
Table 2.1 Percentage workers (Employees and self-Employed): by main industry and gender: all sectors

MAIN INDUSTRY	MEN %	WOMEN %	TOTAL
TOTAL	56	44	100
Agriculture, hunting, forestry, fishing	64	36	100
Mining and quarrying	96	4	100
Manufacturing	63	37	100
Electricity, gas & water supply	73	27	100
Construction	92	8	100
Wholesale and retail trade	50	50	100
Transport, storage and communication	80	20	100
Financial intermediation, insurance, real estate & business services	57	43	100
Community, social and personal services	44	56	100
Private households with employed persons	19	81	100

Source: Labour Force Survey (2003)

Table 2.1 shows that women conduct 81% of the private household work, which is largely unpaid and not recognised as a productive sector. Cagatay, Elson and Grown (1995) refers to the private household as being part of the "care economy" and that it should be considered as important as the formal work conducted by firms and government.

As shown in Figure 2.1, women dominate in the health and social work sector (73%) and the education sector (65%), sectors that mirror the unpaid "care economy."



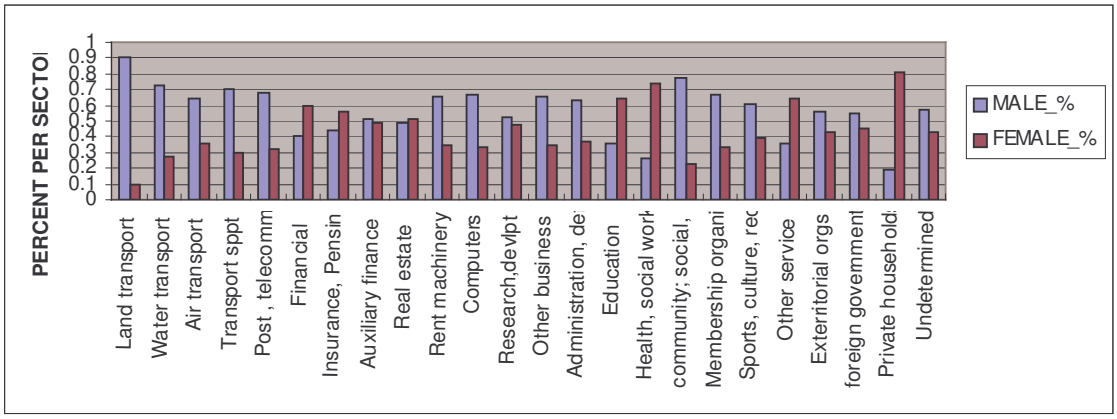


Figure 2-1 Employment of men and women in 51 sectors

Source: Own calculation from the South African 2001 Census

Women represent 70% of the workforce in the production of leather goods, textiles and clothing. They occupy 59% of the labour force in the hotel and restaurant sector and financial services. They comprise 56% of employees in insurance and pension funds, 56% in real estate activities, and 48% in retail and wholesale. Unlike other African countries where women represent as much as 80% of the agricultural workforce, South African women comprise only 30% of the workforce in commercial and subsistence agriculture.

2.2.2 Employment by occupation

South Africa is showing evidence of a trend of feminisation[8] in the labour force. Examining the work of men and women from an occupational perspective, women comprise nearly 77% of the elementary sales and services positions and 76% of the customer service clerks. Almost 84% of the associate health professionals (e.g. nurses) are women and 70% are in associate teaching positions. Men primarily hold occupations that are physically demanding. For example, 92% of workers in extraction, building, metal work, machinery and related trade are men, 84% of stationary plant operators, and 77% of the printers.

Eighty-four percent (84%) of the physical, mathematics and engineering professionals are men, as are 73% of the general managers and 70% of the corporate managers, legislators and

[8] Feminisation refers to predominance of women in occupations or economic sectors

senior officials. A more equitable balance occurs among life science and health professionals (56% women, 44% men), other professionals and other associate professionals (57% men, 42% women), other craft and related trade workers (53% men, 48% women) and machine operators and assemblers (58% men, 42% women).

Table 2.2 Occupations of men and women in various sectors.

Occupation	Men	Women
Legislators and senior officials	0.69	0.31
Corporate managers	0.70	0.30
General managers	0.73	0.27
Physical; mathematical and engineering science professionals	0.84	0.16
Life science and health professionals	0.44	0.56
Teaching professionals	0.40	0.60
Other professionals	0.57	0.43
Natural and engineering science associate professionals	0.79	0.21
Life science and health associate professionals	0.16	0.84
Teaching associate professionals	0.30	0.70
Other associate professionals	0.58	0.42
Office clerks	0.41	0.59
Customer service clerks	0.24	0.76
Personal and protective services workers	0.70	0.30
Models; salespersons and demonstrators	0.63	0.37
Market-oriented skilled agricultural and fishery workers	0.75	0.25
Subsistence agricultural and fishery workers	0.67	0.33
Extraction and building trade workers	0.92	0.08
Metal; machinery and related trade workers	0.93	0.07
Handicraft; printing and related trade workers	0.78	0.22
Other craft and related trades workers	0.52	0.48
Stationary plant and related operators	0.85	0.15
Machine operators and assemblers	0.58	0.42
Drivers and mobile plant operators	0.93	0.07
Sales and services elementary occupations	0.23	0.77
Agricultural; fishery and related labourers	0.70	0.30
Mining; construction; manufacturing and transport labourers	0.69	0.31
Occupation NEC or unspecified	1.00	0.00
Undetermined	0.50	0.50

Source: Own calculation from the South African 2001 Census

In summary, women are largely associated with the "care-economy" as unpaid homemakers and in jobs that correspond to the stereotype of women roles such as education (care of children) and health workers (care of the ill). They are lowly paid textile labourers, cleaners, teachers and nurses. The division of labour in the sectors, which mainly employ women, is vertical in nature; most women are represented at the low-levels of employment while men dominate the top-level positions. Furthermore, the 1998 October Household Survey shows women representing 40% of full-time workers, 57% of part-time and 51% of

women are casual workers. The dominancy of women in non-full time positions threatens their earnings potential because the sustainability of such types of jobs is questionable.

2.2.3 Remuneration

In order to understand the gendered impact of policies such as trade liberalisation, it is important to evaluate the particular position of women in the economy. In general, women tend to occupy a disadvantaged and vulnerable position in the economy, where they are engaged in low-paid, insecure jobs with minimum legal protection (Verhoef 1996).

The 1995 October Household Survey shows that women made up between 30-40% of the lowest income earners, while they constituted only 10% in each of the three highest income brackets. Figures 2.2 and table 2.3 below indicate that women comprise only 24% in the high-income earners and only 33% of middle-income earners. Earned income distribution in South Africa is clearly skewed along gender lines.

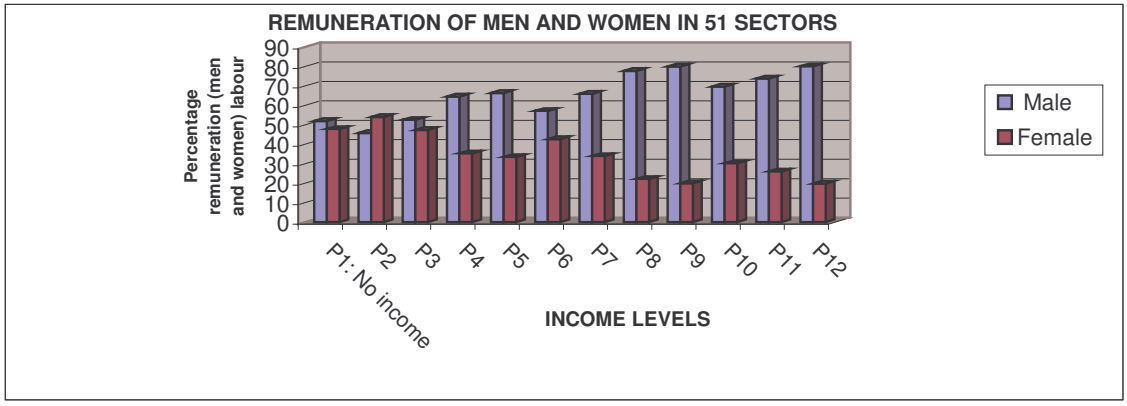


Figure 2-2 Remuneration of men and women in 51 different sectors of South Africa

Source: Own calculation based on the 2001 census (Statistics SA)

Table 2.3 Remuneration of Men and Women in 51 different Sectors of South Africa

Low income		Middle income		High income	
P1	0	P5	R19 201-R38 400	P9	R307 200-R614 400
P2	R1-R4 800	P6	R38 401-R76 800	P10	R614 401-R1 228 800
P3	R4 801 - R9 600	P7	R76 801 - R153 600	P11	R1 228 801-R2 457 600
P4	R9 6001- R19 200	P8	R153 601-R307 200	P12	R2 457 601 or more

Source: Own calculation based on the 2001 census (Statistics SA)

The trend also manifests itself in government where men officials earn higher salaries than women. In 1993, the ratio between highest and lowest pay in the public service was around

25:1, dropping to a ratio of 16:1 in 1996. In 1997, approximately one half of all public servants were women, but only 27% of national and 38% of provincial employees at director level or above were women. As a group, women earn less and hold positions in government that give them relatively less decision-making powers than men (Budlender 1996).

2.3 EDUCATION

Education and skills acquisition[9] are necessary for countries to make efficient use of technological advances associated with globalisation. Because arguments about the merits of globalisation often revolve around differentiated education and skills background of men and women, a brief examination of South Africa educational data is necessary.

The government has realised the importance of education and is devoting a higher percentage of its spending on education. For example, in 2000 approximately 20% of government spending was earmarked for education. According to the World Bank (2006) women are participating at levels comparable or even better than men are in the education system. The percentage of girls in primary school for 1998 through 2000 was 51%. In secondary schools for 1998 and 1999 the attendance by girls was 53%, and in 2002 it was 52%. At the tertiary level, women constituted 54% of the enrolment in 1998 and 1999 and 55% in 2000.

While education is a necessary condition for acquiring the skills and knowledge to participate in the economy, it is not a guarantee of employment. As shown in Figure 2.3 and Table 3 below, women consistently have higher rates of unemployment than men who achieve the same level of schooling. One reason might be due to the need for women to forgo employment and tend to household needs and participate in "the care economy" (Elson, 1996). As noted above, "the care economy" is closely associated with females, and it is more acceptable to withdraw girls from the formal economy in order to attend to household needs. Another possibility is the inherent discrimination against women workers in the work place.

[9] Statistic South Africa regards data on educational attainment to be indicators of skill levels in the labour force.

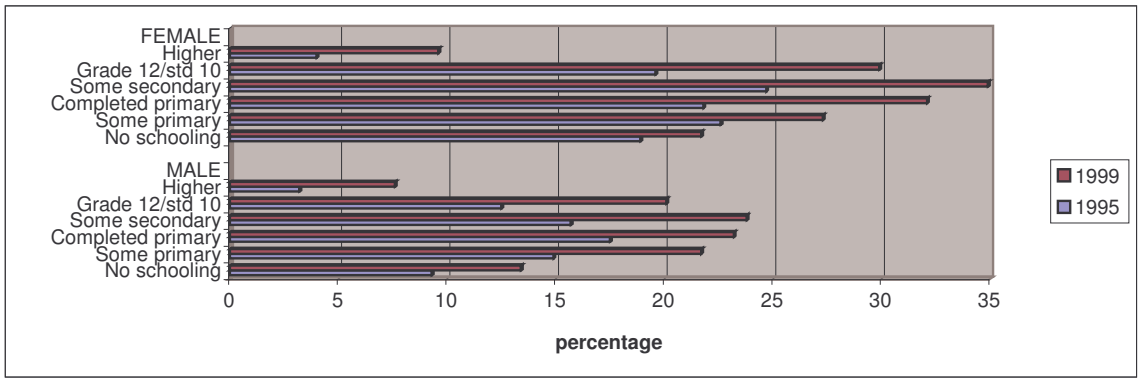


Figure 2-3 official unemployment 1995 and 1999 rates disaggregated by education level and gender

Source: OHS, 1995 and 1999

Table 2.4 Official unemployment rate 2000-2003

	2000	200	200	200
WOMEN				
Unemployment with primary education, female (% of female unemployment)	56.5	54.8	54.7	53.2
Unemployment with secondary education, female (% of female unemployment)	37.9	39.3	40.3	43.3
Unemployment with tertiary education, female (% of female unemployment)	5.1	5.8	6.1	5.9
Unemployment, female (% of female labour force)	32.8	33.7	35.1	31.7
Unemployment, total (% of total labour force)	25.8	29.7	30.7	28.4
MEN				
Unemployment with primary education, male (% of male unemployment)	51.5	49.9	49.3	47.4
Unemployment with secondary education, male (% of male unemployment)	34	36.7	36.8	38.5
Unemployment with tertiary education, male (% of male unemployment)	4	3.4	4.3	4.2
Unemployment, male (% of male labour force)	24.5	26.3	26.9	25.5

Source: World Bank, 2006

Similarly, in choosing a field of study, women at tertiary education, enroll in subjects which mirrors the care economy. Data from the Department of Education (see Figures 2.4 and 2.5 below) reveal that women tend to enrol in the social disciplines, humanities, home economics, and health care. In contrast, men predominate in mathematics, physical science and engineering, fields of study that are associated with skills and sectors where globalisation tends to create long-term and higher salaried employment.

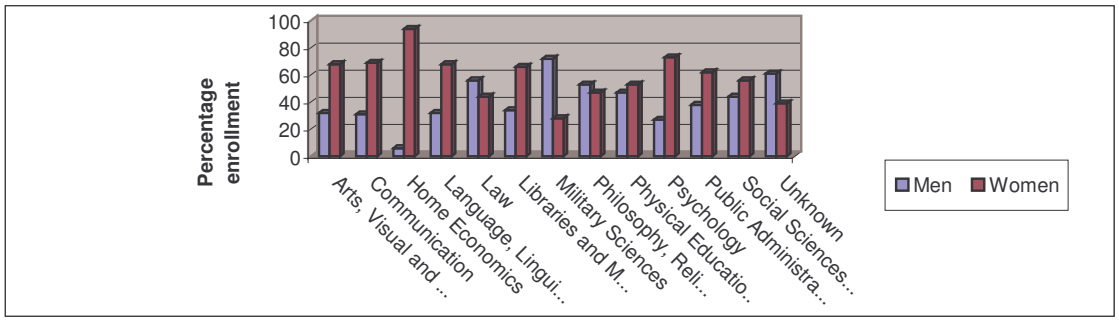


Figure 2-4 University enrolment: classification of educational category

Source: Department of education (DOE) HEMIS database 2000

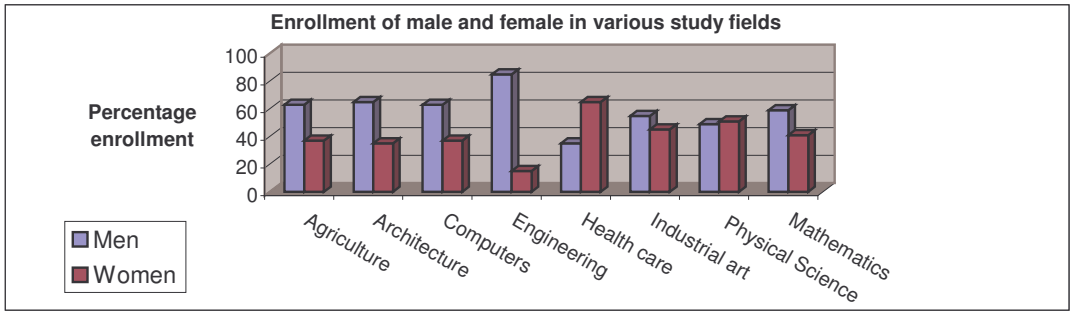


Figure 2-5 Official unemployment rate by education level and gender: 1995 and 1999

Source: Department of education (DOE) HEMIS database 2000

Globalisation creates employment opportunities in some sectors more than in others, and in each sector, there is a need for different sets of human resource skills. As noted earlier, in some instances globalisation will increase the demand for semi-skilled workers, while in other sectors there will be increased demand for higher skills. If women are to benefit from globalisation, in particular for permanent positions, a more conscious effort must be made in order to attract women to fields of study that are normally dominated by men.

In 1998, the Department of Trade and Industry launched the "Technology for Women in Business" programme in order to facilitate access to and the use of technology for South Africa's women in small business. TWIB also aims at exposing girls and young women to science and technology careers through its Techno-Girl initiative. The objective of Techno-Girl is to remove the stereotypes and biases that have often prevented girls from taking science-based courses at school or following careers in science and technology.

2.4 TRADE UNIONS

Women's organisations have played a pivotal role in promoting greater gender equality in positions of political representation and decision-making (Molokomme 2001). For example, the Federation of South African Women, formed in 1954, mobilised 20 000 women in a march to the Union Building to protest against the Urban Areas Act of 1950, which required non-whites to carry passes. The gathering is remembered by their singing of the freedom song, 'Wathint` abafazi, wathint' imbokodo'; i.e. when you strike a woman, you strike a rock and will be defeated (Walker 1982). This gathering provided the impetus for women advocating further political change and the improvement of their economic position.

Although women are not in leadership positions in proportions reflecting their workforce or membership percentages, they have been able to sensitise men union leaders to gender issues. For example, the National Automobile and Allied Workers Union (NAAWU), now part of the National Union of Metalworkers of South Africa (NUMSA), negotiated with a car manufacturer in Pretoria to provide a crèche for their children between the ages of two to six years. BMW paid for the building and running of the crèche. NUMSA is now proposing a nationwide policy of 20 days' leave for childcare. Unions have also tackled issues such as equal pay for work of equal value, job opportunities, health and safety, childcare and sexual harassment issues. It is quite conceivable that as union leaders become more aware of the gender inequalities that spring from globalisation policies, this may become one of the issues raised by organised labour in the future (Leresche 1993).

There is no doubt that the South African Government is pursuing a progressive course in promoting women's empowerment and improved gender equality. Therefore, assessing the positive or negative impact of globalisation on men and women, can serve the government's intention to nurture a more egalitarian society.