

August 2018

STREAM 2, POLICY BRIEF 1

THE POTENTIAL OF AGRICULTURE AND LAND REFORM TO GENERATE NEW JOBS

Policy brief prepared for the Labour Caucus in the Jobs Summit Inclusive Growth working group by the Institute for Economic Justice (IEJ).

Stream: Inclusive Growth Stream, brief 1

IEJ Collaborator: Ben Cousins, Amelia Genis and Jeanette Clarke

Institute for Poverty, Land and Agrarian Studies, University of the Western Cape

1. BACKGROUND

1.1 Currently the agricultural sector, together with forestry and fisheries, contributes 2% to GDP and 5% to employment with a total of 840 000 workers. Between 30 000 and 50 000 medium- to large-scale commercial farmers contribute the bulk of produce to formal markets, and employ most workers. Perhaps 5000 of these farmers are black; but most black farmers are small-scale, either subsistence-oriented (around 2 million) or market-oriented (around 200 000) and operate informally. The contribution of the agricultural sector to GDP is greater than 2%, given the contributions of input ('upstream') suppliers and agro-processing ('downstream') industries.

1.2 Numbers employed in agriculture increased by around 200 000 between 2011 and 2018. The long-term trend in commercial agriculture, however, is towards increased job shedding as a result of investments in efficiency and mechanization, and a shift to a higher proportion of temporary, casual and seasonal labour, as well as externally contracted labour. Skilled workers often live on farms, although an increasing number do not, and unskilled labourers generally live off-farm and work

on a casual and seasonal basis in picking and packing operations. Some crops, such as fruit and vegetables, continue to require labour for sensitive operations such as picking, but mechanized harvesting is increasing. These days most fruit farms operate their own packhouses, but even there the number of workers are decreasing because of mechanisation and automisation/automatisation.

1.3 Farmworkers are generally poorly paid and insecure, especially those who are employed casually or seasonally. A statutory minimum wage of R3169 per month or R146 per day is currently in place. Conditions on farms are rarely subject to inspection, however, and there is widespread noncompliance with labour law, even in the relatively wealthy farming areas of the Western Cape. Evictions of large numbers of farmworkers and farm dwellers still take place, some legally but some illegally. Farmers often complain that those whose farms are near tarred roads or good dirt roads receive regular visits from inspectors.

1.4 Rural land reform policy seeks to address South Africa's legacy of racial privilege and create a more equitable pattern of land ownership and agricultural production. Other objectives include securing the land rights of the

poor majority and creating new economic opportunities, including through expanded employment and self-employment. Land reform is widely acknowledged as having failed to achieve these objectives to date, and several new policy directions are currently under discussion.

1.5 Opening large-scale commercial agriculture to black entrants is constrained by barriers such as high capital requirements, high levels of managerial skill, competitive markets and increasing environmental variability (e.g. droughts). Small-scale farming is constrained by inadequate levels of access to state support, especially in terms of infrastructure, capital, irrigation water and formal markets.

1.6 A key question is: can land reform be undertaken in a manner that creates more employment, and livelihood opportunities through self-employment, in an expanding agricultural sector, with improved wages and returns to labour, or are there trade-offs between land reform, production, and employment?

2. POLICY INTERVENTIONS IN RELATION TO COMMERCIAL AGRICULTURE

2.1 In relation to farmworker wages and working conditions in general, government should provide a more effective system of labour inspectors, and should create the capacity to monitor evictions and provide effective support for farmworkers' and dwellers' land tenure rights, including through provision of alternative land for settlement and production. The state should seek ways to bolster the bargaining power of workers through amending legislation in appropriate ways and supporting paralegal services. Funding for both on-farm and off-farm housing for workers is required, as well as improved infrastructure and services in small rural towns.

2.2 In relation to commercial farmers, the state should be more pro-active in supporting innovation and marketing in the agricultural sector, thus bolstering their position within value chains both locally and globally. The condition for such support should be that farmers commit to improving wages and conditions of workers, and sharing profits more equitably. A working partnership between South African agricultural capital and labour should be sought.

2.3 The state should work closely with the commercial farming sector in identifying new products and markets and assist in the private sector's marketing efforts, especially in relation to non-traditional markets such as China, Russia, Japan and India. It should negotiate trade agreements that eliminate non-tariff trade barriers, and upgrade the country's capacity to meet stringent phytosanitary requirements. Support for investment in pack houses and agro-processing, as well as transport networks and port facilities for export products, is required. These interventions will require co-ordination and alignment of several government departments and programmes.

2.4 Particular attention should be paid to labour-intensive agricultural commodities such as those identified in the National Development Plan: fruit, nuts and vegetables, as well as less labour-intensive commodities with potential for growth, such as livestock products. Water for irrigation is often required by labour-intensive crops, and the state must address this key constraint by seeking to improve the efficiency of water supply and use, working together with farmers and relevant professions such as engineering, soil scientists and horticulturalists.

3. LAND REFORM POLICIES

3.1 In order to contribute to poverty-reducing economic growth, land reform must align closely with a coherent set of policies designed to effect agrarian reform. This should focus on generating employment and self-employment in the rural economy more broadly and not be focused only agricultural production (e.g. it should include natural resource harvesting, crafts, tourism, etc). This will also require close alignment of programmes currently under different departments, such as those responsible for land, agriculture, water, local government, tourism and transport. Policies in relation to the mining sector, which has many potentially negative impacts on other economic activities, must also be aligned.

3.2 Key initiatives currently being proposed to make land reform more effective include more effective use of expropriation, a new land redistribution law, measures to remedy the failure of land restitution, renewed attention to land administration, and new legislation to secure the land tenure rights of farm dwellers, labour tenants, communal area residents and those living in informal settlements. Agrarian reform measures remain neglected in current debates.

3.3 A key challenge is to define the scale and types of

agricultural production by black farmers to be supported through land reform and agricultural development efforts. **There are three main contenders:**

- (a) small to medium black commercial farmers;
- (b) market-oriented smallholder farmers who use mainly family labour; and
- (c) subsistence-oriented smallholders who produce additional food for their own consumption. A key question is: in what proportions should these different categories benefit from land redistribution and agricultural development support?

4. AGRICULTURAL EMPLOYMENT SCENARIOS

4.1 Three scenarios are presented with different outcomes for the numbers of jobs and livelihood opportunities created. All involve significant state support for high value products from large-scale commercial farms that create significant increases in employment. All three scenarios factor in continuing job losses in some branches of agriculture, due both to ongoing mechanisation but also to displacement of workers by land reform beneficiaries. The second and third scenarios estimate improvements in livelihood opportunities in communal area agriculture. The scale of land redistribution varies significantly across the three scenarios.

4.2 A key variable that affects the scale of job creation in all three scenarios is the availability of additional land under irrigation. Assumptions include that the current area under agriculture is 1.3 million hectares, and that an additional 200 000 hectares could be irrigated as a result of efficiency gains, rather than new infrastructure such as dams. This is a much lower estimate than the estimates set out in the NDP: 1.5 million hectares under irrigation at present, increased by an additional 500 000 hectares.

Scenario A: intensification of commercial farming, together with slow but successful land reform

- a. 280 000 new jobs are created in commercial agriculture and forestry, including through upstream and downstream linkages, with a strong focus on fruit and vegetable production, and including some successful land reform projects (e.g. restitution claims on forestry land and revival of failed citrus farms);
- b. 60 000 jobs are lost through mechanization and displacement following land reform;
- c. Net job creation: 220 000 jobs/livelihood opportunities.

Scenario B: the NDP vision of support for both labour-intensive 'winners' and communal area farming, with revival of failed land reform projects, and redistribution of a total of 30% of commercial farmland¹

- a. The number of jobs created in commercial and communal area farming is estimated at 40% of those set out in the NDP, since it assumes that less water for additional land under irrigation is available (200 000 hectares rather than 500 000 hectares);
- b. 152 000 jobs are created in commercial agriculture, including through up- and downstream linkages, 194 000 in communal areas, and 105 000 in land reform;
- c. 100 000 jobs are lost through mechanization and displacement following land reform;
- d. Net job creation: 351 000 jobs/livelihood opportunities.

Scenario C: amended NDP estimates for commercial and communal farmers, but with 60% of commercial farmland redistributed, including 400 000 hectares under irrigation, and an additional 100 000 hectares under irrigation for land reform beneficiaries

- a. 152 000 jobs in commercial agriculture, including through enhanced upstream and downstream linkages, and 194 000 in communal areas, as in Scenario B;
- b. 1 117 000 jobs in land reform, assuming 48 million hectares of farmland is redistributed in the following proportions: black commercial farmers – 20% of land; market-oriented smallholders – 60% of land; subsistence-oriented smallholders – 20% of land;
- c. This assumes that a total of 500 000 ha of irrigated land (1/3 of total) is cultivated by smallholders and creates 1.3 jobs per hectare;
- d. 200 000 jobs are lost through mechanization and displacement following land reform;
- e. Net job creation: 1 263 000 jobs/livelihood opportunities.

There are two key differences between Scenarios B and C:

- (i) the NDP estimates that form the basis of Scenario B do not make provision for new jobs or livelihoods created through the additional 20% of farmland to be transferred through its version of land reform;
- (ii) Scenario C includes such estimates, and also assumes that a total of 60% of commercial farmland is transferred through land redistribution and restitution. The main beneficiaries are mainly market-

oriented smallholders, who use labour-intensive methods to cultivate 500 000 hectares under irrigation. It also assumes that there are small gains in both the labour-intensity and the intensity of land use in smallholder field crop and livestock enterprises (which result in an additional 0.1 jobs per hectare).

5. IMPLICATIONS

Targeting market-oriented smallholder farmers in an expanded land reform programme is key to the large numbers of employment opportunities identified in Scenario C. But many of those involved in the formal agricultural sector and its support services are deeply skeptical of the potential of smallholders; controversy surrounds the notion that they can play a significant role in South African agriculture, given the historic dominance of large-scale capitalist farming. As these scenarios illustrate, however, it is unlikely that many new black commercial farmers can be supported into the sector in the short-to medium-term. If a significant transformation of both land-holding and farm production is to occur, then the numbers will have to come from elsewhere – and market-oriented smallholders are the most likely candidates.

Much of the new employment generated from agriculture and land reform involves work with relatively low incomes, and a degree of riskiness and ‘precarity’ (because of drought, disease, etc, as well as fluctuating prices). They have the potential to improve the cash incomes of a significant number of rural households, but from a low base. Relatively few jobs with high wages and job security can be created. In addition to their own self-employment, market-oriented smallholders, the main beneficiaries of land reform in Scenario C, do employ workers on occasion, but often on a temporary basis for tasks such as harvesting or weeding, and often at low wage rates. It must also be noted that agriculture is rarely the sole source of income for smallholder households, other sources being wages, remittances, non-agricultural petty enterprises and welfare grants.

The implication is thus that there are only limited opportunities in South African agriculture and land reform to create jobs with much improved levels of wages and conditions of employment. Realism is required. It also suggests that implementing land reform at scale, necessary for political reasons, must aim to improve the income and livelihoods of smallholder farmers producing on redistributed land, in order to lay the basis for the development of a more equitable and balanced

commercial agricultural sector in the future.

A key assumption underlying all of these scenarios is that the state can develop the capacities required to support and develop agriculture and land reform, and to engage in effective co-ordination and policy alignment across these and related sectors. It clearly does not have such capacities at present. Considerable effort will have to be put into recruitment, training, ensuring that appropriate paradigms of agricultural development inform policy, and policy development, as part of building such capacity over time. Another prerequisite, especially in relation to land reform, is a larger budget. Securing the political will for these interventions may now be in the cards.

1. Both Scenarios B and C assume that ‘the competitive core of commercial agriculture’ can be maintained, and combined with successful redistributive land reform, together with promotion of smallholder farming in the former homelands. The bases for these scenarios are outlined in the NDP (2013), Aliber et al (2009) and Cousins (2015).