Emerging evidence of global economic crisis in South African peoples’ lives and possible policy responses

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The global economic crisis has a direct impact on the welfare of the lives of South Africans. The global economic crisis of 2007/2008/2009 is no exception, and the magnitude of these impacts depend on the length of the crisis, the pace of recovery and the socio-economic programs in place at country level. This paper aims to measure the effects of the global recession on the well-being of South African peoples’ lives within selected areas of the Eastern Cape Province, taking into account the effect of the global economic crisis on South African citizens, which depend directly or indirectly on peoples’ financial income. Two areas, namely Nelson Mandela Metropolitan Municipality, a Coloured and Black urban area (Algoa) and Buffalo Municipality, and a Black urban area in the Eastern Cape (Mdantsane) were selected as survey sites to analyze the impact of the global economic crisis on the well-being of South African peoples’ lives. However, critical features of the province’s socio-economic situation lay in glaring demographic realities such as the high rural population, the proportion of poorly paid employees, and the high unemployment rate (with women comprising a majority of the unemployed). The study of the impact of the global economic crisis on the well-being of South Africans was based largely on quantitative and qualitative data, which was collected from civil servants, students, unemployed persons, and entrepreneurs in selected study areas of Algoa and Mdantsane. Structured and semi-structured questionnaires and interviews were administered to respondents (unemployed people, pensioners, youth university staff and students).

Key words: Global economic crisis, human immunodeficiency virus infection/acquired immunodeficiency syndrome (HIV/AIDS), pensioners, programs, South Africa, unemployment.

INTRODUCTION

When the global economic recession occurred, South Africa had immersed itself in relatively strong fundamentals and was emerging from a protracted period of economic expansion. The meltdown allowed “not-so-well-hidden” vulnerabilities to surface. Unemployment, inequality, poverty, crime, and human immunodeficiency virus infection / acquired immunodeficiency syndrome (HIV/AIDS) still continue to plague the country, while agriculture, mining and manufacturing have declined, and trade and current account deficit (CAD) have widened. Household indebtedness reached worrying levels in a low-interest rate environment, and inflationary pressures mounted. Moreover, severe energy shortages erupted (inducing blackouts) and a tense political climate resulted in President Mbeki’s resignation. The economy of South Africa has a two tiered economy: one, which rivals other developed countries and another, which has only the most basic infrastructure. It is, therefore, a productive and industrialized economy that exhibits many characteristics that are associated with developing countries, including a division of labour between formal and informal sectors and an uneven distribution of wealth and income.

South Africa held its first multi-racial elections in 1994, leaving the newly-elected African National Congress (ANC) government with the daunting task of trying to restore order to an economy, which had been harmed by sanctions, while also integrating the previously-disadvantaged segment of the population into it. Since 2005, agriculture has contributed only 3.4% to the country’s GDP, while services now account for 65.1%.

In April 2009, amidst fears that South Africa would soon join much of the rest of the world in recession, Reserve
Bank Governor, Tito Mboweni, and the Finance Minister differed on the matter: Whereas Manuel foresaw a quarter of economic growth, Mboweni predicted further decline: “Technically,” he said, “that is a recession.” The global economic recession in South Africa has contributed to the impoverishment of many South African people who had already been economically disadvantaged in the past, mainly pensioners, and these comprise mostly Blacks and Coloureds. Although, HIV/AIDS has a tremendous impact on all sectors of South Africa’s economy, it includes microeconomic and macroeconomic perspectives. A study on its economic impact singles out the following effects:

1. A decline in total labour supply
2. A decline in labour productivity, which result from HIV/AIDS-related morbidity
3. Increased production costs, prices, and a decline in aggregate demand, savings and investments
4. Increased household expenditure
5. Increased government expenditure.

In order to place a price tag on the claim of increased operation costs, Daimler-Chrysler South Africa evaluated in 2002 that every new employee’s infection costs the company an average of US$31,000. The HIV/AIDS prevalence rate in South Africa is among the highest in the world. The country also outranks others in the absolute number of infected people within its borders. HIV/AIDS is one of the major problems, which face the country, but is certainly not the only major socio-economic challenge. Although South Africa is a middle income country, it has high levels of poverty owing to a highly unequal distribution of income and resources (Bundlender et al., 2008). Between 1994 and 2007, the overall prevalence rate of HIV increased from 1.3 to 11.4%. Among women aged 20 to 64 years, the rate increased from 2.6 to 20.8%. Among women aged 15 to 49 years, who are most likely to have children, the rate increased from 2.9 to 21.6%. The estimated number of annual deaths, which are caused by AIDS increased from just over 10,000 in 1994 to 367,000 in 2007. In the latter year, AIDS deaths accounted for 48% of all deaths in the country. By 2007, there was an estimated total of 1,708,032 maternal orphans in the country, of whom 1,201,675 were orphaned as a result of AIDS. In the same year, an estimated 38,592 babies would have been infected at birth, with a further 25,786 infected by their mothers’ milk (Bundlender et al., 2008; SANAC, 2010).

An estimated 5.7 million people were living with HIV and AIDS in South Africa in 2009, which is more than in any other country (UNGASS, 2010; Statistics South Africa, 2009).

It is believed that in 2008, over 250,000 South Africans died of AIDS (Statistics South Africa, 2008). National prevalence is around 11%, with some age groups particularly affected. Almost one-in-three women aged 25 to 29, and over a quarter of men aged 30 to 34, are presently infected with HIV (Human Sciences Research Council, 2009). HIV prevalence among those aged two years and older also varies by province with the Western Cape (3.8%) and Northern Cape (5.9%) being least affected, and Mpumalanga (15.4%) and KwaZulu-Natal (15.8%) at the upper end of the scale.

According to a report, which was released in June 2009 by UNAIDS and the World Bank (UNAIDS, 2009a), entitled ‘The Global Economic Crisis and HIV Prevention and Treatment Programs: Vulnerabilities and Impact,’ the global economic crisis was expected to significantly disrupt HIV and AIDS prevention and treatment programs during the course of 2009. The report specifically warned of the consequences of funding cuts. Amongst these consequences were increased mortality and morbidity, unplanned interruptions and curtailed access to treatment, increased risk of HIV transmission, higher future financial costs, an increased burden on elderly people, including pensioners who are the last remedy to care for HIV/AIDS affected and infected grandchildren, children and unemployed children (UNAIDS, 2009b).

RESEARCH METHODOLOGY

The study of the global economic crisis and impacts on pensioners within selected areas of South Africa: emerging evidence and possible policy responses, was based largely on quantitative and qualitative data, which was collected from a representative sample amongst persons of 18 to 70 years of age. Structured and semi-structured questionnaires were administered to the three demographic categories (youth, adult and old persons) within the study. Focus group discussions and interviews were conducted with civil servants, unemployed persons, students, entrepreneurs and other persons.

The fieldwork was conducted in partnership with unemployed people, including pensioners and youths in Mdantsane (East London), Masimanyane (Network for people living with HIV/AIDS), Nelson Mandela Metropolitan University staff and students, and the unemployed, including pensioners and youths in Algoa and Algoa Development Forum in Nelson Mandela Metropolitan. Regarding the survey sites, one province, namely the Eastern Cape, was selected as a survey site to examine the Global Economic Crisis in the lives of South Africans in selected areas in the Eastern Cape Province (Algoa and Mdantsane). However, critical features of the provincial socio-economic situation lay in glaring demographic realities such as the high rural population, the proportion of poorly paid employees, and the high unemployment rate (with women a majority of the unemployed). As a consequence, the Gross Geographic Product was substantially less than the national average (Gaffney, 2005).

The study drew a sample of 102 interviewed people for a study of the global economic crisis and impacts on South African peoples’ lives within selected areas of South Africa. For the purpose of this study, two socio-economic sites, namely the Nelson Mandela Metropolitan Municipality and Buffalo Municipality were selected to represent four demographic categories: youth, unemployed, students and older people.

Recent Census Enumerator Areas (CEAs) were selected to meet the following criteria: population of predominantly Black or Coloured (Mdantsane and Algoa); urban areas, as defined by Statistics South Africa in the Nelson Mandela Metropolitan Municipality; and Buffalo Municipality. The sample was selected to be representative of the surveyed areas in the Nelson Mandela Metropolitan Municipality.
(Algoa) and the Buffalo Municipality (Mdantsane), namely, urban formal and urban informal. For the purpose of this research study, these areas are defined as follows: The urban formal area was a residential area, which was occupied predominantly by formal settlement. The area was predominantly characterized by well established infrastructural planning and general provision of basic services such as water, electricity, housing, and sanitation. Formal planning included business centres and industrial zones (if available) and residential zones. Algoa is one of the surveyed area parts of this category of area in South Africa.

The urban informal area was a residential area found in urban areas but, which did not have most of the characteristics of an urban formal settlement. Sometimes they are unsafe and in a precarious environment and lacked basic services. This definition was, however, not so clear-cut in South Africa as some of the informal settlements were provided with services such as water and electricity. However, as a result of their poor infrastructural planning, they are referred to as such (informal settlements). Mdantsane was one such surveyed area.

The sample was selected to be representative of the two types of areas in the Nelson Mandela Metropolitan Municipality and Buffalo Municipality.

In order to select people for the interviews, the following procedure was used: the number of youth, students, unemployed people and elders to be interviewed in each municipality were chosen proportionally to the number of the total of the four demographic categories (youth, students, unemployed and elders) from government institutions, universities and households, as provided by Census 2001. Concerning data collection, there are generally three types of data collection methods, namely:

1. Personal interviews
2. Telephone surveys
3. Mailed questionnaires.

For the purpose of this study, personal interviews by means of open and closed-ended questionnaires were used to collect data. Questionnaires for the study were divided into two sections: Section A (dependent variables) and Section B (independent variables).

Finally, before a questionnaire is ready for an empirical survey, it is helpful to conduct a preliminary investigation in order to test and refine it. The investigation was undertaken by using a pilot study (Taylor, in Pekeur, 2002). According to Pekeur (2002), a pilot study should be used in order to: Ascertain if there are questions, which respondents might find difficult to understand; rephrase certain questions in a way, which makes them easily understandable in order to elicit necessary response; establish the acceptability of the questionnaire for use of the study; establish the probability of a favourable reception and return; and establish the reluctance of the study for interviewees to participate in the study.

The pilot study was conducted by using a similar questionnaire among students, government officials, unemployed, youth, elders and non-governmental organization officials at the Nelson Mandela Metropolitan Municipality (Algoa) and at Buffalo Municipality (Mdantsane).

The following observations were made from respondents' answers: A total response rate of 79% was obtained from the pilot study; a response rate of 31% was obtained from the pilot study involving government officials; 50% was obtained from students; 34% was obtained from the pilot study of non-governmental organization (NGO) officials; 50% of the responses was obtained from elderly people; and 97% of responses was obtained from the unemployed. The lower percentage rate of government official participation in the pilot study was justified by the simple fact that government officials were reluctant to criticize current policies to fight the global economic crisis, which has an effect on South African peoples' lives.

SURVEY RESULTS ANALYSIS

For the purpose of analyzing data responses, two variables were created: dependent and independent variables. The dependent variables were determined as youth, unemployed, elders and students’ views on their quality of life; the independent variables of the questionnaire determined age, gender, marital status, religious affiliation, education qualifications and home spoken language.

Pearson Chi-Square, statistical tables, and frequency distribution tables were used to analyse the data. The following concepts were used to analyse data:

i. SPSS/PC: A statistical package for social sciences, namely a set of computer programs for the management and analysis of data (O’Sullivan and Rassel, in Pekeur, 2007);
ii. P-value: refers to the level of significance;
iii. A pilot study: a small study, which aimed to test a proposed data collection adequacy (O’Sullivan and Rassel, 2007);
iv. $X^2$ = referred to the value of the Chi-square: a distribution that showed how many times a particular score appeared (Steyn, 2006).

Frequency missing: refers to respondents who did not respond to a particular question (missing data); and percentage: a relative frequency, which was calculated by dividing the frequency of cases and the value of a variable by the total number of cases multiplying the result by 100 (O’Sullivan and Rassel, 2007). Analysis was conducted for the individual scores of elders, youth, students’, government officials and NGO officials (pilotsudy, Buffalo Municipality and Nelson Mandela Metropolitan Municipality), elders, youth, students and the unemployed quality of life.

Elderly persons, consisting of mostly pensioners, students and the unemployed reflected financial discontent, as they considered their income as being insufficient to satisfy personal and family needs. A total of 13.73% of respondents rated their quality of life as average, while 32.35% rated it as bad, and 38.24% rated it as very bad, as explained in Tables 1 and 2.

According to the data in Table 1, a total of 85.42% of respondents stated that they had insufficient money to satisfy their needs; and 14.58% stated that they had sufficient money. A significant relationship ($X^2=48.16; p=0.001$) was found between pensioners' income and their quality of life. Data in the present paper demonstrated that pensioners certainly reflected financial discontent, as they considered their income as insufficient.

Table 2 shows that a total of 80.41% of respondents did not have enough cash to satisfy their needs as their income had not increased sufficiently, while their needs had increased. From this dissatisfaction, 25.77% of respondents rated their quality of life as bad, and 54.64%
Table 1. Respondents’ responses regarding whether they had sufficient money to meet their needs.

<table>
<thead>
<tr>
<th>Money to meet needs</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>14</td>
<td>14.58%</td>
<td>14.58%</td>
<td>14.58%</td>
</tr>
<tr>
<td>No</td>
<td>82</td>
<td>85.42%</td>
<td>85.42%</td>
<td>100.00%</td>
</tr>
<tr>
<td>None</td>
<td>0</td>
<td>0.00%</td>
<td>0.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**Frequency missing = 6; x2 = 48.16; p>0.001.**

Table 2. Respondents’ responses on how having sufficient money in correlation with quality of life.

<table>
<thead>
<tr>
<th>Quality of life</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good</td>
<td>4</td>
<td>4.12%</td>
<td>4.12%</td>
<td>4.12%</td>
</tr>
<tr>
<td>Good</td>
<td>6</td>
<td>6.19%</td>
<td>6.19%</td>
<td>10.31%</td>
</tr>
<tr>
<td>Average</td>
<td>9</td>
<td>9.28%</td>
<td>9.28%</td>
<td>19.59%</td>
</tr>
<tr>
<td>Bad</td>
<td>25</td>
<td>25.77%</td>
<td>25.77%</td>
<td>45.36%</td>
</tr>
<tr>
<td>Very bad</td>
<td>53</td>
<td>54.64%</td>
<td>54.64%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**Frequency missing = 5.**

Table 3. Distribution of responses on respondents’ quality of life in the surveyed areas.

<table>
<thead>
<tr>
<th>Quality of life in the surveyed areas</th>
<th>Algoa N</th>
<th>%</th>
<th>Mdantsane N</th>
<th>%</th>
<th>Students (Nelson Mandela Metropolitan University) N</th>
<th>%</th>
<th>Total N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>6</td>
<td>5.88%</td>
<td>4</td>
<td>3.92%</td>
<td>8</td>
<td>7.84%</td>
<td>18</td>
<td>17.84%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>8</td>
<td>7.84%</td>
<td>2</td>
<td>1.96%</td>
<td>12</td>
<td>11.77%</td>
<td>22</td>
<td>21.57%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>12</td>
<td>11.77%</td>
<td>15</td>
<td>14.71%</td>
<td>3</td>
<td>2.94%</td>
<td>30</td>
<td>29.42%</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>10</td>
<td>9.80%</td>
<td>19</td>
<td>18.63%</td>
<td>3</td>
<td>2.94%</td>
<td>32</td>
<td>31.37%</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>35.29%</td>
<td>40</td>
<td>39.22%</td>
<td>26</td>
<td>25.49%</td>
<td>102</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**Frequency missing = 1.**

rated their quality of life as very bad. However, 19.59% of respondents rated their quality of life as not bad or very bad; 6.19% of respondents rated their quality of life as good, while 9.28% of respondents agreed that their quality of life was average. A mere 4.12% of respondents rated their quality of life as very good. A low percentage of respondents were not satisfied with their quality of life, while a majority experienced financial constraints to overcome household and personal needs.

Tables 1 and 2 data were correlated with the unemployed, including pensioners, youth and students among mostly Blacks regarding insufficient money, which does not satisfy their personal needs.

From the focus group discussions in Mdantsane, one female respondent said the following to demonstrate poverty amongst the elderly:

“Inxakiyethunjengabantuabamkelainodlayindlala.Kufun ekasincedebazukulwanakubabaabalaboabaphangelik waye le maliyendolaayonelanga”

Loosely translated, it means:

“Our problem as pensioners is poverty. We have to support our grandchildren because their parents are unemployed and this pension money is not enough.”

Elders, unemployed, youth and students, mostly Blacks, are among the poorest in South Africa in terms of money availability and standards of life, as shown in Table 3. The data in Table 3 indicates that 17.84% of respondents were very satisfied with their quality of life: 5.88% in Algoa, 3.92% in Mdantsane and 7.84% among Nelson Mandela Metropolitan University (NMMU) students. In contrast, 22% of respondents were satisfied with their quality of life: 7.84% in Algoa, 1.96% in Mdantsane and 12% among students from NMMU. A total of 29.42% of respondents were dissatisfied with their quality of life: 11.77% in Algoa, 14.71% in Mdantsane and 2.94% were students. Finally, 31.37% of respondents were very dissatisfied; including 9.80% in Algoa, 18.63% in Mdantsane and 2.94% at NMMU.

Concerning the interviewed students, the researcher discovered during the interviews that South African institutions of higher learning include learners from a
range of social and cultural backgrounds. This gives students different life experiences, educational opportunities and a wide variety of expectations, needs and academic potential (Chikte and Brand, 1996; Goduka, 1996). This situation is similar to other countries where focus of higher education has shifted from elitism to mass opportunity (McKenzie and Schweitzer, 2001). When students are admitted to higher education institutions, there is a tacit assumption that they will be capable of successfully completing the course that they have chosen. However, factors such as financial conditions, cultural barriers, and background in tertiary education are attributed to the determinants of student progress, which differs from student to student.

Since education is viewed as a commodity and institutions of higher learning function as businesses, for any student to access higher education there is an annual upfront payment or financial agreement between the two parties, students from disadvantaged backgrounds may quit because of financial constraints, which may be a factor that contributes to attrition and retention rates at all academic institutions. Students who hail mostly from poor backgrounds spoke about their financial discontent, which often prevents them from completing their studies. From the personal interviews that the researcher conducted with one of the undergraduate students from Fort Hare University who is a male student of 20 years from Mdantsane (urban Black informal settlement area, Eastern Cape Province), stated the following to express his financial discontent and fear of not completing his studies: "My problem is that my parents are unemployed; I am financially dependent on my sister’s remittances, and she lives in Cape Town and works as a domestic worker. Though I am not the only one who studies in my family, I have a sister who is at high school, I do not know what will be happening after getting her matric (high school diploma), is it going to be possible for my sister to financially continue to support our studies?".

**Conclusion**

In South Africa, sixteen years since South Africa’s transition to democracy, substantial progress has been made in socio-economic development and poverty reduction by way of strategies that have been implemented since 1994 (Lund, 2006; Subbarao et al., 1997). While much has been achieved, poverty, unemployment, crime and HIV/AIDS remain realities, particularly in Black urban (informal settlements) and rural communities. This offers an important opportunity for the current government administration to identify and deal with the aforementioned problems, whilst improving operations of the government. The current South African government faces a number of challenges to create jobs, improve conditions of employment, minimize job losses, increase food and reduce fuel prices, particularly as a result of the global economic crisis.

**Policy responses**

As economic crises spread, what should constitute policy responses? South Africa can, for example, learn lessons from the Asian crises and structural adjustment responses to solve the economic crisis that favoured orthodox stabilization policies with massive human costs.

The South African government can also apply Argentinean lessons to understand how to solve the economic crisis, because the Argentinean lessons may be instructive in thinking about policies that would stimulate the economy, and could achieve greater equity. This country (Argentina) managed to recover from the 2001 crisis with an annual growth rate of 8% from 2002 and moreover, reduced poverty from 56 to 20% and unemployment from 30 to 7%. Their policies included, among others, pro-poor public expenditure policies, which focus on long-term development priorities such as building infrastructure and human investments.

As Seguino (2008) points out, the essential consideration is "to keep the eye on the ball: employment, sustainability and gender". In order to protect the poor and vulnerable, especially women, children and elders, the government of South Africa should pay attention to a number of factors, which are outlined as follows.

1) Maintaining development aid budgets; providing finance for stimulus packages for the country; maintaining commitments to global priorities such as combating the global warming crisis or the food crisis or the energy crisis; supporting expansionary growth; and stimulating macroeconomic policies, as has been done in developed countries. Stiglitz (2006), among other eminent economists, has challenged orthodox prescriptions and recent studies’ critique of restrictive expenditure ceilings and inflation targets.

2) Maintaining support to social priorities so as not to compromise long term development and offset unequal burdens on women. Priorities should not only be on infrastructure projects, which create jobs for men, but also on social investments in care services, which reduce the pressure on unpaid work.

The scope of response to the economic crisis in South Africa requires provision and policy spaces that allow the country to adopt stimulus and recovery plans that provide stimulus and sustained recovery, but that also build safety nets for poor, vulnerable and disempowered people, and households.

There is an opportunity in every challenge for a fresh rethink and development of alternative solutions. Such is the situation concerning the current global economic crisis, especially within the context of deepening environmental challenges, which South Africa, and the world as
a whole, face. It is possible, however, to seek solutions that will address both global economic and environmental challenges. This was recognized by the government of South Africa when it released the “Framework for South Africa’s response to the international economic crisis” (SA, 2009), as well as the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) (SA, 2009). Viewed fundamentally, there are three distinct non-exclusive, integrative, sustainable development pathways, namely: “Sustainability through technological change whereby, among others, the resource and energy intensity of an economy is significantly reduced. Also called the dematerialization of economic development, a subject of industrial ecology; sustainability through social behavioural change whereby society’s preferences and value systems change what we consider to be wealth, the reason or rationale for living, and the way in which we sustain it through the restoration of natural capital (RNC), where RNC is defined as any life; and activity that integrates investment in and replenishment of natural capital stocks to improve the flows of ecosystem goods and services, while enhancing all aspects of human wellbeing (Aronson et al., 2006)”.

If a country region, or even a company wishes to develop sustainably, then it should embark on a process that involves political and behavioral change, which adopts strategies and actions towards implementing the aforementioned pathways. This implies redirecting an economy, and with it the behaviour of people to become less energised and resource intensive, yet, which offers options towards an improved quality of life, embraces new values and value judgments regarding the substance and composition of wealth, and restores natural capital. These are views and principles elaborated upon in Toward a Transatlantic Green New Deal: Tackling the Climate and Economic Crises (Renner et al., 2009).

While it is clear what the fundamental changes should be, it is only by taking an active and cognitive decision to become sustainable that sustainability will become a reality. Failure of such a decision and ensuing supportive actions, will render sustainability a pipe-dream, and hence a topic of many talks, papers and books, but with little supportive evidence of implementation.

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