

SHOWERS
MAWOWA

INEQUALITY A THREAT TO SA'S SOCIAL ORDER

WAGE negotiations in the gold sector are in full swing.

The Marikana report having recently been released, the tragic events that took place on the platinum belt should be top in the minds of company executives and union leaders. None should soon forget that the root of the intractable dispute between workers and mine bosses at Marikana was deep-seated mistrust.

Miners continue to ask how their employers can argue that they do not have enough funds to pay workers better wages while individual mine executives receive millions in bonuses every year regardless of declines in mine profits.

It is the inequality in remuneration that is fuelling feelings of discontent among mineworkers.

Inequality in general is threatening to fragment social cohesion in South African society. The perception that corruption is growing in the public sector does not help to ease the context of mistrust.

The question is how can SA surmount this mountain of inequality?

Prior to taxation and income redistribution, income inequality in most, if not all, Nordic countries is just as bad as that of SA. With a GDP slightly higher than that of Denmark, SA could, like the Nordics, rely on income redistribution to change the status quo.

The Nordics, composed of Sweden, Denmark, Finland, Norway, Iceland, Greenland and the Faroe Islands, are renowned for their tax financed universal welfare model that includes free education and health, unemployment and early retirement benefits, inter alia.

Finland, Denmark and Norway are in the top five of the world's most equal societies. What has been remarkable is the system's ability to enhance individual autonomy, promote social mobility, achieve income redistribution through social transfers while maintaining economic growth.

Of course, how this would actually work for SA is more complicated and comparing SA to the Nordics may be unfair. Though the country's GDP is comparable to Nordics', its GDP per capita is much lower. While ranking the 33rd biggest world economy, SA ranks 87th on GDP per capita.

It may well be that there is not enough wealth per person to afford the largesse of the Nordics.

A look at the world's income disparity data suggests a greater propensity towards inequality for resource-based economies. How-



FAIR SHARE: Strikers at Marikana platinum mine, near Rustenburg, hold a placard asking for a higher minimum wage. Miners wonder how their employers say there are not enough funds to pay workers, while mine executives receive millions in bonuses every year PHOTO: DANIEL BORN

ever, this generalisation could be challenged. Norway has been able to create an equal society in spite of oil and gas constituting 22% and 67% of the country's GDP and exports respectively.

This has been achieved partly through the state's direct ownership of this strategic sector and a \$600-billion (about R7.4-trillion) sovereign-wealth fund.

With over 16 million South Africans on social grants and a high public sector wage bill, questions have been raised about the sustainability of SA's social spend.

But the Nordics, like SA, are characterised by a large public sector, constituting over 30% of the total workforce. With one of the highest tax burdens in the world, the Nordics have nevertheless sustained their over 50% of GDP in public expenditure. SA's public spend only hovers around 30%, and so does the tax burden.

There has been a question about

Wage gap between the rich and poor widening by the day

whether social grants are really working. In spite of spending billions (4% of GDP) in social grants, SA still ranks high in poverty and inequality can be discouraging.

But the history of the Nordics shows that the desired socio-economic change does not happen overnight.

Ensuring low levels of corruption, perceived or real, and open governance are necessary to build public trust, secure buy-in, social solidarity and ensure high levels of tax compliance. This is what SA needs to work towards.

Studies reveal that people in the Nordics are happy to pay tax. This is because they can hold their governments to account and they ben-

efit tangibly from public spending.

What of the role of unions? Doesn't high unionisation drag the economy down? The Nordics have some of the most unionised labour forces in the world. Still, they have maintained decent levels of economic growth. This is possible through government and employers cooperating with unions.

Perhaps the most important lesson from the Nordic welfare model is that while financial transfers are important, employment creation, education, skills development and job creation is equally important. Unemployment in most Nordic countries is as low as 3% compared to around 25% to 30% in SA. This perhaps explains why SA

remains the most unequal country.

While social transfers are targeted at poor children and the elderly, there is no provision for the unemployed. The wage gap among those employed further compounds the inequality.

Unemployment in SA is driven by the abundance of unskilled labour in an economy that requires skilled and semi-skilled workers. This is what is meant by a skills shortage.

To reduce inequality in SA, the government must persist with social transfers, business must drive job creation and both must prioritise investment in human capital to facilitate access to skilled and semi-skilled employment.

● Mawowa is research, development and coordination manager at the Southern African Liaison Office and post-doctoral fellow at the University of Pretoria political science department

World-class African city now a world-class African slum

Lerato Kojoana

AFTER listening to mayor Parks Tau's state of the city address on May 6, I was struck by his assertion that Johannesburg is the "leading cosmopolitan city in Africa and its leading commercial hub".

On May 2 1994, Nelson Mandela gave a rousing speech to celebrate the imminent victory of the ANC following the first democratic election.

The speech was delivered at the grandiose Carlton Hotel, a magnificent landmark in the city of Johannesburg to rival any hotel in the world.

Mandela declared: "This is indeed a joyous night." Joburg was then a world class African city, featuring beautiful architecture, world-class hotels and shops, secure and clean. Smal Street, one the

shortest streets in the city, was the place to be. Within its four blocks the street housed beautiful boutique shops that wouldn't be out of place in Paris or any European city.

On weekends, people came from all around Johannesburg and neighbouring areas just to walk down Smal Street to the Carlton Centre at the junction of Commissioner Street.

But three years after hosting the ANC's victory party, in 1997, the Carlton Hotel closed its doors.

The five-star hotel that abutted the lofty Carlton Centre, South Africa's tallest building, was mothballed. A hotel that once hosted figures such as Henry Kissinger, Francois Mitterrand, Hillary Clinton, Margaret Thatcher, Whitney Houston and Mick Jag- ger became an empty shell.

The decline had set in and Smal Street, the epicentre of the city's world-class status, started to rot like a limb with unchecked gangrene.

Sometimes it is the small things that tend to tell the bigger story.

Smal Street, all four blocks of it, in many ways represents the decline of the once magnificent city of Johannesburg.

The street starts at Jeppe Street, between the Johannesburg Post Office building and the magnificent Johannesburg Sun and Towers.

In its prime, all along its length, the street was home to stores selling fine leather goods and bespoke clothing labels, alongside fine eateries.

The Johannesburg Sun and Towers was a beautiful glass skyscraper. Its doors were manned by tall

porters clad in black with leopard-print sash. It was a jewel in Sol Kerzner's growing empire, a five-star luxury hotel in the middle of Johannesburg.

A short five-minute walk from the Supreme Court,

the hotel's luxuriously appointed bar, named Judges, was a favourite joint of the legal fraternity.

It was no surprise that the area around the Johannesburg Sun and Towers and the post office was a favourite of photo-seekers.

A leisurely walk down Smal Street took one down to the serenity of the Central Methodist Church on the corner of Prichard Street.

The church offered a

wonderful contrast to the glamour of the shops either side of the street. It was a reminder of the beating heart of the city.

The decline has been swift. The Johannesburg Sun and Towers closed

soon after the Carlton Hotel, and all attempts to reopen it have failed. The once-

beautiful boutique stores along Smal Street soon gave way to cheap, trashy shops that sold all manner of junk.

Horrendous, loud music blaring out of shop entrances became the norm and the smartly dressed shopper was replaced by shifty characters.

The Central Methodist Church took on the surprising role of a slum lord.

“Boutique stores gave way to trashy shops

Under the stewardship of Bishop Paul Verryn, the church became a haven to illegal immigrants who contributed to the decline.

Gradually, Smal Street became home to the destitute, the unemployed, the homeless and a source of the crime that drove the prosperous business owners out.

A once glitzy street had become the face of the slum that was growing around it. Carlton Centre was not spared.

Yes, the beautiful architecture of Johannesburg remains. But the architecture is heaving under the slum conditions that have engulfed the city.

The once world-class African city is now a world-class African slum.

● Kojoana is director of Lexko Investments and writes in his personal capacity