South Africa’s morass of unemployment

Causes, consequences and the need for communes

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South Africa faces a staggering unemployment crisis, far exceeding the levels of joblessness during the Great Depression in the United States and even in Weimar Germany. The consequences of this have been catastrophic for the working class — its members are mired in poverty, social cohesion is breaking down, and despair has become widespread.

Despite campaigns by non-governmental organisations (NGOs), the state has proved unwilling to address the crisis, beyond offering some temporary and below minimum wage work in its Expanded Public Works Programme (EPWP). Meanwhile capitalists in South Africa have generated unemployment, and arguably benefit from it. Indeed, capitalists — along with the state, which has played a central role — have shaped the economy in a way that has led to high unemployment and placed downward pressure on wages. Financialisation has only further exacerbated the situation.

In the face of all this, some community-based movements are experimenting with projects such as communes, to address dire poverty due to unemployment. It is here that hope lies for greater organising and working class communities building mutual aid, communalism and movements that can alleviate the symptoms of unemployment while building a base to confront capital and the state.

The scale of South Africa's unemployment crisis can be gleaned from the latest official jobless figures, which indicate that 31.4% of working age people are without work. This figure, though, does not tell the full story. If people who have given up seeking work due to despair are included, the rate rises to 42.1%, giving a more accurate picture.

Within this sea of unemployment, it is Black working class women and youth that are disproportionately impacted. For instance, the expanded definition rate of unemployment among youth in 2024 was 60.2%.

Genesis and development of South African capitalism

The manner capitalism developed in South Africa, and subsequently evolved, has led to a propensity towards high unemployment.

Capitalism had its origins in South Africa with the discovery of diamonds in the Northern Cape province in 1867 and gold in the Gauteng area in 1886.

Gold mining in particular shaped the economy. Shortly after its genesis, large corporations, with strong links to finance, came to dominate the industry. This was due to the vast amounts of capital required — along with the extremely cheap labour of Black workers — to make deep level mining (the dominant form of gold mining in South Africa) profitable.

The key mining sector was therefore highly monopolised, centralised and capital intensive, barring the possibility of smaller competitors arising and suppressing labour levels. From the start, capitalism in South Africa had an in-built trend towards high unemployment levels.

To create a large pool of cheap workers, colonial and apartheid states seized the bulk of the land from the Black population and imposed hut and poll taxes to force people into wage labour. Small-scale farming that could sustain families became unviable for the majority of the Black population, who were forced to sell their labour to the mines, factories and farms owned by white capitalists. Cheap labour — with high unemployment and racial oppression driving down wages — defined capitalism in South Africa.

Between 1940 and the 1970s, unemployment rates dropped. Much of the decline was related to some diversification of the economy, fuelled by a global economic boom in the two decades after World War II. Between 1945 and the late 1960s, the unemployment rate fell, while wages for Black workers, although still extremely low, began to climb.

Nonetheless, much of the diversification and development of an industrial base remained tied to mining. Energy, chemical, oil and explosive sectors emerged — driven by the state and private capital — but these largely remained geared to meeting the needs of the expanding mining sector.

Beyond light manufacturing, robust steel, arms and automotive industries, a large heavy industrial base did not fully emerge. The economy remained largely tethered to the model of exporting raw materials and importing machinery and manufactured industrial goods. It remained vulnerable to high unemployment when raw material prices declined or key mineral reserves became exhausted.

Gold production expanded with the development of new reefs up until the late 1960s, but by the 1970s the global economy began to experience a crisis largely due to over-accumulation. This was exacerbated by the 1973 oil crisis and 1979 Volcker shock. By the 1980s gold reserves in South Africa began to decline.

The consequences for the economy were devastating. Profit levels dropped along with investment in productive sectors of the economy, including industry. Unemployment rose rapidly as corporations cut their workforces to raise profits under crisis conditions and shied away from new investments.

Although unemployment figures for the 1960s and '70s may not be accurate (unemployment in the Bantustans was high), the expanded unemployment rate rose from an estimated 6.7% in 1960 to 10.6% in 1983.

The declining economic situation was compounded by the political situation in the country. As pressure mounted in the 1980s against apartheid, several multinational companies, such as British Leyland, Barclays Bank and General Motors, withdrew from South Africa. The apartheid state, which worked closely with South African capital, came to an understanding that leading local corporations would purchase these multinationals' South African entities.

Feeding into this was the reality that it was extremely difficult for South African corporations to expand internationally due to sanctions. Large corporations were therefore already inclined to expand into other sectors of the economy.

The 1980s was defined by the largest corporations snapping up the assets of multinationals exiting South Africa and becoming conglomerates with holding interests in the finance, food processing, industrial, mining, services, property and agricultural sectors.

By the end of the 1980s, six conglomerates — Anglo-American, Sanlam, SA Mutual, Rembrandt, Liberty Life and AngloVaal — owned 84% of the shares listed on the Johannesburg Stock Exchange (JSE). Anglo-American alone controlled 52.5% of all shares listed on the JSE at its peak.

This extreme monopolisation meant any potential new competitor in any sector of the economy was either crowded out or taken over by one of the conglomerates. Consequently, the conglomerates embarked on a spree of mergers and acquisitions of smaller entities, as opposed to greenfield investments in the 1980s. Job creation was anemic and the expanded unemployment rate grew to an estimated 23% by 1991.

Compounding the situation, conglomerates also increasingly, and often illegally, whisked money into tax havens or sat on cash in the run up to the 1994 elections, fearing nationalisation might occur under an African National Congress (ANC) government. (Currently, non-financial South African corporations may be sitting on up to R 1,8 trillion in cash rather than re-investing in the productive sector)

Financialisation and unemployment

From the mid-1990s onwards, the South African economy experienced even more profound changes that not only did not alleviate high unemployment rates, but entrenched them even further.

While elements of trade and financial liberalisation were experimented with by the apartheid government, full trade and investment liberalisation was only implemented post-1994, in particular with the neoliberal Growth, Employment and Redistribution (GEAR) program of the ANC-led state in 1996.

Trade liberalisation had a negative impact on light industry, such as the footwear and textile sectors, resulting in huge job losses. In the textile industry alone, more than 38,000 jobs were lost between 1995–2001. With import tariffs being halved over this period, local manufacturers simply could not compete with cheap imports. Many closed their doors and retrenched their entire workforces.

The biggest changes, nonetheless, occurred in the late 1990s and early 2000s, when the conglomerates relisted in Britain or Australia, unbundled and financialised. By the late 1990s, Anglo-American had shifted its primary listing to the London Stock Exchange, while Gencor purchased Billiton and shifted its listing to Australia. In the process vast amounts of capital were withdrawn from South Africa by these corporations rather than being reinvested in production, thereby adding to unemployment.

Simultaneously, these conglomerates unbundled. Part of this saw these corporations focusing on sectors they saw as core to their business and selling or simply closing subsidiaries in sectors they identified as non-core.

Anglo-American sold its subsidiaries in the retail, industrial, financial, agricultural, food processing and service sectors to focus on the mining sector. Coupled with this, it transformed its London head office into a holding company and broke its mining operations into specific companies, such as Anglo-Gold, Anglo-Platinum and Anglo-Coal.

This was aimed at increasing shareholder value — as a conglomerate the assets of Anglo-American were larger than its share value up until 2000; unbundling the conglomerate was intended to reverse this situation to the benefit of shareholders. Financial institutions and hedge funds increasingly became the dominant shareholders from the late 1990s onwards.

By the mid-2000s, most conglomerates in South Africa had unbundled and used the funds to focus on core sectors, including importantly on expanding globally. Sectors including gold mining, platinum mining, chemicals, explosives and banking remained highly centralised and monopolised, centred around the new companies created from unbundling.

Linked to the process, high share prices and regular, large dividend payouts became the key goals of restructured companies. To assist in achieving this, barriers to foreign speculators purchasing shares on the JSE were eased. Foreign ownership of shares rose dramatically, from almost zero in the late 1980s to more than 38% by 1999 and a high of 52% in the years before the COVID-19 pandemic (this has now declined to about 32%).

This influx of foreign shareholding was of a short-term and speculative nature. Linked to boosting share prices, since 2000 all companies listed on the JSE have undertaken frequent bouts of share buybacks to inflate the prices, which is at the heart of financialisation.

Increasingly financialised companies have spent vast sums of capital on buying their own shares to inflate prices, at the expense of investing in production or greenfield projects. This has contributed to weak job creation and high unemployment.

Adding to the process of financialisation has been the deregulation of insurance companies, pension fund companies and mutual societies since the 2000s. Up until this point, a portion of the investments of these corporations, such as Sanlam, Old Mutual and Liberty Life, had to be made in productive sectors and greenfield projects. This helped to ensure at least some new employment.

However, after requirements were dropped, these companies almost solely focused on speculating on financial instruments, such shares, bonds and derivatives, or at best property. This reduction in investments in productive sectors contributed to high unemployment.

Another feature of financialisation is the changes to the way management is remunerated. Prior to financialisation, managers in most corporations were paid mainly via cash; few owned shares in the companies they managed. Today, in financialised companies, a significant portion of managers' remuneration is paid via share options to incentivise management to focus on high share-prices and regular dividend payouts.

One way to ensure high share prices is to hire as few workers as possible: in a financialised economy, company share prices tend to rise when they retrench workers. Lean workforces are a feature of financialised companies, even in the manufacturing sector. Via payment through share options, managers are incentivised to maintain lean workforces.

For example, in 1999 the largest explosives and chemicals company in South Africa, AECI, had a workforce of 9850. After financialisation, the number of workers employed dropped to 7186 in 2024.

The legacy of land dispossession, an extremely centralised and monopolised economy, along with financialisation and slow or stagnant growth, has marked the liberalisation of the economy, which led to an expanded unemployment rate of 42.1%.

Impact of unemployment on working-class communities

High levels of unemployment have had devastating consequences for sections of the working class, especially youth, Blacks and women. Due to huge unemployment, South Africa continues to be among the most unequal countries: while the wealthiest 10% own an estimated 85% of the wealth, more than 55% of the population lives in poverty (using the upper-bound poverty line) and 17.6% live in extreme poverty.

More than 2 million households do not have formal housing and are either homeless or live in shacks. It is also estimated that the poorest 40% spends at least half their income on food and non-alcoholic beverages, and cannot afford even the most basic basket of foodstuffs.

We are now in a situation where more than 50% of all South Africans experience hunger or are at risk of going hungry. There is no greater confirmation of a country in crisis than when a majority do not have enough to eat.

The fact that such a large portion of people are unemployed and live in desperate and deprived circumstances poses dangers and leads to fragmentation in society. Under intense pressure to survive in a neoliberal system that values a person according to their wealth and blames unemployment on the individual, many communities, including in rural areas, are increasingly suffering from mental health issues.

Other problems such as alcohol and drug abuse, especially among youth seeking some escape from the dire reality, have become increasing problems in communities. Many youth are becoming involved in gangsterism, which is one of the few routes that offers instant wealth.

Along with substance abuse, gender-based violence has become prevalent: South Africa now has one of the highest rates of violence against women, rivaling some war zones.

The rise of xenophobia and ethno-nationalism

While individuals are blamed as lazy or unskilled for being unemployed, there is a growing number of politicians and local capitalists attempting to attract the support of unemployed people by using xenophobia and tribalism to scapegoat “others” for the unemployment crisis.

Politicians are trying to use national and ethno-nationalism/tribalism — which was central to the apartheid system — to gain support for reactionary and divisive agendas. Politicians and business people avoid discussions about the real cause of unemployment (government policies, the centralisation of the economy and financialisation) by blaming people they identify as foreign or from other ethnic groups for taking jobs or receiving benefits from the state at other’s expense.

One of the saddest ironies is that, in a country where the majority of people fought apartheid and received support from neighbouring countries, working people seeking employment from Zimbabwe, Mozambique and Lesotho are loathed as “others” by a significant section of the population, while they see South African capitalists as kindred.

Such scapegoating is a local form of the extreme right wing that has emerged internationally, with movements such as Make America Great Again, and poses a real danger that could lead to violence and the balkanisation of the country.

Understanding, addressing and organising to alleviate the worst material, emotional and mental impacts of unemployment on working class youth and women is key. It is also vital to stem growing xenophobia and tribalism, through which “others” are blamed for the unemployment crisis.

Communes address unemployment and more

While several NGOs and social movements have lobbied the state and protested against unemployment, the state has not taken decisive measures to address unemployment, beyond employing people in work such as cleaning streets, cutting grass on road verges and picking up litter at below minimum wage and on three-month contracts.

The state has instead implemented austerity for the working class (while assisting capitalists), which has exacerbated aspects of the unemployment crisis.

While not letting the state and capital off the hook for the high levels of unemployment, some community-based organisations, such as Abahlali baseMjondolo, have formed communes to address the poverty associated with unemployment and grow and sustain their organisation.

Without addressing the material conditions people face, including hunger and unemployment, it is very difficult for movements to retain and expand membership. Unless you can show that people can improve their lives by being a member, it is extremely difficult to keep members.

The experiments that Abahlali baseMjondolo have conducted in establishing and building communes in Gauteng and KwaZulu-Natal have seen community members in settlements coming together to establish food gardens, community centres, libraries and even communal kitchens. These are democratically run, and while they cannot in and of themselves end hunger and totally end unemployment, they can and do alleviate it.

Linked to the political education that is run in the community centres, they also help to build communal living and provide a sense of community that directly addresses working class fragmentation. They provide a sense of belonging to something bigger than oneself that is progressive and offers hope.

This can be used to concretely combat xenophobia and tribalism, and the unemployment and hopelessness that is feeding it. Throughout its history, Abahlali baseMjondolo has been successful in addressing xenophobia and tribalism in the settlements it organises. Its members deeply identify with their movement, creating a sense of unity.

Abahlali baseMjondolo's communes offer an example for other community organisations. While demands must be made for the state and capital to address unemployment, organisations need to materially address poverty if they are to grow. Communes can do this.

Communes can also provide a progressive sense of belonging and hope, and generate resources to help sustain organisations in a context of high unemployment.

Communes also show that a communal life based on solidarity is possible. They show — even if in a limited way — that the working class is capable of self-governing and producing with a focus on need. In this, they offer a glimpse of what building blocks of working-class self-governance could look like beyond capitalism and the state.

As such, they can be used as springboards to extend working class self-governance against the state, and hopefully one day be part of the structures that the working class use to take over and co-ordinate the means of production — and put a permanent end to unemployment.

To paraphrase the Industrial Workers of the World (IWW), by organising through communes we can alleviate poverty, build unity and combat nationalism, but we can also form the structures of the new society within the shell of the old.

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