



Employment-intensive land reform in South Africa

Presenting key policy recommendations from a CBPEP research study

The Capacity Building Programme for Employment Promotion (CBPEP) is an EU-funded initiative aimed at assisting the Government of South Africa to attain its goal of reducing unemployment, by building state and institutional capacity. The CBPEP seeks to build state capability for employment promotion, as well as support strategic dialogue, shared problem-solving and practical collaboration between the social partners. It also aims to strengthen the knowledge and evidence base for effective policy, planning and implementation. This policy brief focuses on the potential contribution of redistributive land reform to employment creation.

Examining policy questions

The CBPEP research study set out to address seven linked policy questions:

1. Are there promising commodities and farming systems which could create sustained livelihood and employment opportunities for small-scale producers?
2. What are the key opportunities and constraints that policies must address?
3. How will farming units of appropriate sizes be constituted, under what kinds of land tenure systems?
4. What kinds of support services will land redistribution beneficiaries need to be provided with, in relation to extension and advice, market access and finances?
5. What kinds of institutional frameworks are required to support employment-intensive land redistribution, and how can the required capacities be built?
6. What complementary reforms are required, in relation to water allocation reform, local government policies, environmental management, state procurement and data collection?
7. How can government approach strategic trade-offs, such as costs versus employment intensity, and jobs versus wages?

The scope of the research.

The CBPEP research study has been led by Prof Ben Cousins from the Institute for Poverty, Land and Agrarian Studies (PLAAS) and has involved a team of researchers who have produced:

- Five commodity studies (livestock, wool, fresh vegetables, sub-tropical fruit and sugar cane).
- Seven thematic studies (International perspectives, climate change, socio-cultural dimensions, value chains, finance, support services, land tenure and administration).
- Four local municipality studies (Greater Tzaneen in Limpopo, Inkosi Langalibalele in KwaZulu-Natal, Sakhisizwe in the Eastern Cape and Matzikama in the Western Cape).



The context

Currently the agricultural sector, together with forestry and fisheries, contributes 2% to GDP and 5% to employment, with a total of around 757 658 workers.

Around 15 000 small, medium and large scale commercial farmers contribute the bulk of produce to formal markets, employ close to 90% of all agricultural workers and earn 95% of total income.

Only a small number of these commercial farmers are black. Of the total of 40 122 farms registered for VAT, nearly 25 000 are deemed to be 'micro-farms', and contribute little in the way of income or employment. Most black farmers are small-scale, either subsistence-oriented (around 2 million) or market-

oriented (around 200 000). The latter often supply informal markets as well as formal markets.

The National Development Plan of 2012 argues that a million new jobs could be created in agriculture, two-thirds of them in primary production and one-third in secondary jobs, in linked industries such as the manufacture of inputs and agro-processing. Key to this expansion is adding 500 000 hectares to the area presently under irrigation, estimated at around 1.5 million hectares, through better use of existing water and the development of new schemes. The NDP also advocates improved access to finance, value chains, and higher levels of support for black farmers (NPC 2012).



What sort of jobs can be created?

Many of the jobs created by small-scale farmers will not be full-time jobs, including those of the farmer. For most people involved in small-scale agriculture, farming will be one component of a wider household livelihood strategy.

How can jobs be sustained and multiplied?

Jobs created in the small-scale agricultural sector can be boosted through local area planning, securing access to land and water, improving access to finance, alignment of appropriate support services, recognizing and supporting informal value chains and markets, improving market intelligence and preferential procurement.

What do we mean by small-scale agriculture?

We distinguish between the following categories of small-scale, black farmers in South Africa:

- Smallholder farmers who rely mainly (but not exclusively) on household-labour in their production systems producing for household consumption (subsistence oriented) and local informal markets (market-oriented).
- Small-scale black commercial farmers who rely mainly on hired labour in their production systems and who produce both for informal markets and sell into formal value chains.

Our research focus is on both of these kinds of small-scale farmers. The differences between them are often blurred in practice.

How can small-scale agriculture be more employment intensive ?

There are three ways to create more employment-intensive farming systems

1. Reducing the size of farming units to increase their total number which creates opportunities and incentives to hire more labour and rely less on mechanization.
2. Changing the mix and scale of different commodities for which there are ready markets and making more labour-intensive commodity choices.
3. Changing farming systems to create more employment opportunities such as weeding by hand or using herders to manage livestock rather than fences.

Identifying potential for employment creation through land redistribution to small-scale farmers

The study's findings suggest that significant increases in the employment-intensity of agriculture can be achieved if land is redistributed to small-scale farmers. In the four local municipalities studied, net job creation amounts to 23 691 jobs. Both jobs and costs vary considerably across these different contexts, given major variations in agro-ecological conditions and in the types of commodities and farming systems they can sustain.

In *Inkosi Langalibalele* in KwaZulu-Natal, the main farming system suitable for land reform beneficiaries is extensive livestock production, together with a small area under vegetables. These have the potential to generate 2 222 net jobs at an overall cost of R325 425 per job.

In *Greater Tzaneen* in Limpopo, where conditions are suitable for the production of labour-intensive, high-value subtropical fruit and nuts, as well as vegetables, these account for the majority of potential new employment. These amount to 17 202 net jobs at R418 776 per job.

In *Matzikama* in the Western Cape, high value crops such as grapes, vegetables and Lucerne can be produced on irrigated land along the Olifants River. A total of 3 198 potential net jobs could be generated, at a cost of R685 311 per job.

In *Sakhisizwe* in the Eastern Cape, vegetables, maize and wool production are suited to beneficiaries. Overall, for a total of 1 069 new jobs, the cost is R426 653 per job.

Key socio-economic realities

Local municipality studies reveal a considerable and unmet demand for land from both smallholders and small-scale commercial farmers. However, targeting and selection of the right kinds of beneficiaries and commodities and farming systems are indispensable in a successful land redistribution programme aimed at increasing employment in agriculture.

It must be noted that 'farmers' are not necessarily full-time farmers and agriculture is not necessarily their only source of income. Multiple livelihood strategies are pursued by many. Rural households are not simply

units of co-production, co-residence or co-consumption; many are best characterized as a unit within which resources are transferred to members from a variety of sources. Many unmarried women are establishing homesteads of their own and some engage in small-scale agriculture, but their access to capital is often very constrained.

The ceremonial livestock economy remains important to many members of modern South African society, despite high levels of urbanisation. Even though most participants in 'traditional' ceremonies are not owners of livestock, these events continue to anchor kinship relations, marriage processes and the formation of households.



Change in the countryside

Rural settlement patterns are changing, influenced by the availability of water, electricity, schools and health services, the provision of all of which has been considerably expanded in rural areas over the past two decades.

Access to such services is vitally important for social reproduction, and for the majority of the rural population they are probably more important than access to land for agricultural production.

Access to services is also important for land redistribution beneficiaries, and finding ways to meet these needs must be factored into planning.

Outgrowers and JV's

In relation to some commodities, such as sugar cane and wool, significant numbers of small-scale producers operate as out-growers supplying processing plants or operations.

A small number of small-scale farmers supply tomatoes under contract to Tiger Brands in northern Limpopo and in Matzikama. There may be potential for such arrangements to be expanded more widely.

Joint ventures have been problematic to date, but if appropriately structured may address the challenges facing small-scale producers entering fruit, nut, grape and berry sub-sectors and pro-poor land reform projects.



Key opportunities for employment creation

Extensive livestock production

Extensive livestock production, including wool production in some areas, offers opportunities to increase the employment intensity of agriculture. The bulk of the land surface of South Africa is suitable only for livestock production, and it is likely to be the dominant form of land use on redistributed farms. Net gains in its employment intensity are thus significant at the national scale, if modest at farm level, and would be enhanced if new value chains are invested in.

Fresh vegetables

Given expanding domestic-market demand for fresh vegetables, these crops offer important opportunities for small-scale black producers, and their potential for employment creation is particularly significant. Key challenges include improved access to irrigation water, markets and extension and advisory services.

Sub tropical fruit

The production of high-value subtropical fruit and nuts, as well as grapes by small-scale producers has the potential to enhance employment-intensity, but this must be balanced against their high capital and running costs, technically demanding character, and long waiting periods before profits can be earned.

Linked agro-processing

For some of these commodities, there is also potential for job creation in agro-processing, (e.g. grading and packing subtropical fruit and nuts for export markets). But the markets that small-scale farmers supply are often 'informal', in that they are only loosely regulated by the state. Local government policies and Local Economic Development programmes could do much more to both support and oversee these markets.



Rethinking farm size

The allocation of farm production units of appropriate sizes for land reform beneficiaries has been overlooked by planners to date, who have often taken 'whole farms' as they currently exist as their point of departure. Appropriate units of production for small-scale farmers include shared grazing areas held in common, subdivided crop farming units located on large farms held in common (often with shared grazing areas), or small individual farms.

Supply of land in appropriate units should aim to match as closely as possible the nature of the demand for land. Area-based planning will be required to ensure a good fit with local realities.

Mixed farming systems which include both cropping and livestock are probably more resilient to climate change. They offer greater flexibility to farmers as they respond to variable rainfall, droughts, increased temperatures and other shocks.

Promoting flexible land tenure options

Land tenure is a key variable in land redistribution. The study suggests that no one land tenure system can meet the needs of all land redistribution beneficiaries, and that beneficiaries should be offered a choice of options. Choice amongst systems was a founding principle of tenure reform in the White Paper on SA Land Policy of 1997.

Options include:

- Land **held in common**, with the rights of members clearly delineated. Land could be seen as an extension of neighbouring communal areas and governed by customary norms; it could be a variant of the former, with agreement that market-oriented producers be beneficiaries; or ownership could be held by a Communal Property Association or trust.
- A **variant of group ownership** involves land being transferred to a group of market-oriented farmers, with portions allocated to individual farmers. Individual allocations could take place through unofficial or official subdivisions.
- For small-scale farmers who seek individualized forms of land right, one option is to **transfer redistributed land in individual title**, following the official subdivision of large farms into smaller units. Policies should make transfer of redistributed land in private ownership subject to the state having the right of first refusal in the event of a subsequent sale of the land.
- Another option for individualized rights is a **state leasehold agreement**. These should be administered by government in an efficient, transparent and accountable manner.

Customising support services

Key support services for small-scale farmers benefitting from land redistribution include extension, training and advice, enabling their access to markets, and financial support for both capital investment and running costs. It is vital that support services be tailored to suit the circumstances, opportunities and constraints of beneficiaries. Extension, training and advisory services should be provided by a mix of state and non-state agencies.

Planning for climate change

It is critically important that extension and advisory services become able to inform and support farmers to develop strategies to respond to the threats posed by climate change.

Understanding value chains

Enabling farmer access to a variety of markets and value chains including those that are informal, less formal and 'loose' in character, is key.

Enabling access to finance by combining grants and loans

Providing financial support to land redistribution beneficiaries for purposes of both capital investment and meeting their running costs is vital. Suitable financing arrangements should include a mix of grants and loans.



Challenging tenure insecurity

Tenure reform to date has not removed key obstacles to tenure security in communal tenure systems, or addressed it adequately in new forms of group ownership such as Communal Property Associations and trusts.

Problems include dysfunctional governance and elite capture.

Problems in the administration of state leasehold are also cause for concern.

Rights should be clearly defined in law and supported in practice by effective and efficient land administration systems.

Incentivising appropriate private sector support

For specialised products such as subtropical fruit and nuts, grapes, sugar and wool, the services of private sector agencies such as commodity associations and processing companies will be key.

They could assist in advising small-scale black commercial producers, and in providing specialised training to government extension staff who are in contact with farmers on a regular basis.

Incentives to commodity associations to provide such services must be provided by government. However, the state must take steps to ensure that the advice and training on offer is appropriate to the needs and constraints of small-scale producers, and not merely generic in character.

Know the farmer methodology

This collects and shares data on those already involved in agricultural production, based on an agreed typology of producers, and allows for much clearer understanding of the needs and aspirations of the people seeking to acquire land for different purposes.

It also identifies and profiles existing local organisations and associations representing small-scale black producers, as well as local commodity associations and other state and non-state support organisations.

The methodology includes mapping commodity value chains and assessing informal and formal market opportunities, and developing risk profiles of beneficiaries.

Identifying land need and availability

One of the core functions of a District Land Committee (DLC) must be to conduct an audit of land within each local municipality. This could also help identify land suitable for purchase, development and subdivision, and assist in matching supply and demand for land at local level.

Localising planning

DLCs should also oversee the development of District and Local Municipality Land Reform Plans that are area based, and prepared and implemented in direct and intensive consultation with relevant actors.

A programme of pilots in selected local municipalities, which seek to produce and implement a set of practical, multi-year plans and budgets is recommended.

Decentralising land reform

A continued emphasis on the decentralisation of land reform, is recommended. District Land Committees (DLCs) should be at the centre of these efforts, working closely with teams based in local municipalities. They should aim to create alliances and partnerships between small-scale producers, commercial farmers, commodity organisations, NGOs, researchers and tertiary institutions.

Planning must be guided by a clear set of national policies. Providing front-end support services to land reform beneficiaries should be premised on a 'know the farmer' methodology. (See sidebar).

Building capacity

Policies and programmes to build government capacity for small-scale farmer support are crucially important, through revised curricula for basic and in-service training, the use of field methods that involve co-learning, and building relationships with other agencies able to assist with relevant knowledge and skills.

Over the *medium- to long-term*, capacity building can be undertaken using a mix of approaches, including improving the quality of the basic training received by agriculturalists, with particular emphasis on understanding small-scale farmers. Government should create an effective system of in-service training of government officials, in partnership with higher education institutions. Field methods that emphasize action-research and co-learning with beneficiaries will be key.

Government officials can benefit from working closely with NGOs, commodity associations and other non-state actors with relevant knowledge and experience. Training of the officials who are to implement land reform in the basics of agriculture will be important.

Building capacity to assist farmers to adapt to climate change and engage in strategies to mitigate risk is an urgent priority, and both basic and in-service training must incorporate emerging knowledge and approaches.

These programmes require time, while interventions are needed to help secure the success of land reform beneficiaries in the short-term. The study recommends a two-year 'crash programme' to build capacity and pilot the implementation of the policies proposed. This could include producing 'Practical Guides to Small-scale Farming Systems in South Africa'. These would form the basis of a training curriculum. Training around 40 to 50 land reform extension officers should aim to provide them with the required skills and knowledge to support small-scale farmers receiving land via land redistribution.



Complementary policy reforms



Some constraints on small-scale farming arise from problems in the policies and practices of other sectors and government departments. Addressing these is vital to the success of an employment-intensive programme of land redistribution.

Supporting municipal markets

Currently local government bodies such as district and local municipalities provide little support to informal agricultural markets and those participating in loose value chains. Some are actively hostile and discourage their use of open space in urban areas, preferring to prioritise investment in large retail chains and shopping malls. Local government could do much more to support, promote and oversee small, medium and micro enterprises.

Municipalities have a constitutional mandate to support local economic development, promote market access and regulate markets in an appropriate manner. Their legislative competencies include provisions for the regulation of markets, including street trading. They can facilitate food trade activities in informal settlements and support local food producers and traders through municipal markets. Support for the informal sector must be balanced by appropriate regulation, e.g. in relation to health and safety.

Providing water rights through water allocation reform

Given that access to water for irrigation is essential for many high-value crops, im-

provements in water provision are a key enabling condition for employment-intensive land redistribution. Maintaining existing dams that supply water to farmers, or increasing the capacity of such dams, is critically important for crops such as subtropical fruit, nuts and grapes, as well as fresh vegetables.

The fact that water allocation reform continues to be disconnected from land reform is a major constraint on employment-intensive land redistribution. At present the water allocation process is slow and cumbersome, involving long drawn-out processes of 'verification and validation', that often result in land reform beneficiaries being unable to access irrigation water.

Managing the environment and planning for climate change

In order to address the consequences of climate change, interventions that address policies, technologies, knowledge management and financial instruments are key.

An employment-intensive land reform can form part of the sustainability agenda adopted by South Africa. It can support farming systems which contribute to natural resources and landscape management through improved agricultural practices, and thus provide key environmental services.

Implementation would benefit from closer relations between government departments, developing synergies between land reform and improved environmental management.

Adapting farming systems

Policies: national and sub-national policies should be developed that enable the adaptation of farming systems to climate change impacts such as long-term droughts. These include the improvement of access and rights to water through water allocation reform, farmer-led and community-managed irrigation systems and rain-water harvesting, and improved food system infrastructure (e.g. cold chain and transport facilities).

Technologies: climate-resilient technologies and practices should be identified and developed for small-scale farmers, including water-efficient irrigation technologies and strategies, deficit irrigation and solar micro-irrigation. Stress tolerance in crops and livestock should become a key focus of research, with the promotion of improved breeding stock, especially for goats and sheep.

Knowledge management and networks: strengthening resilience through promoting knowledge management includes both macro-level practices (e.g. practical training for farmers and extension officers) and micro-level practices (e.g. the use of decision support systems and seasonal climate forecasts).

Providing financial protection

Financial instruments: index insurance products deliver compensation pay-outs to insured farmers for losses to a crop or asset, based on a predetermined index, e.g. for rainfall levels and livestock mortality rates.

These should be investigated for small-scale commercial farmers engaged in production of high-value produce.

Payment for environmental services would benefit small-scale farmers as well as rural communities more generally.

Key strategic choices and policy trade-offs to promote employment intensive land reform

Capital intensity versus employment intensity

Expanding employment-intensive, small-scale systems of farming can involve high levels of capital investment, as in the case of subtropical fruit and nuts, and grapes. These include the costs of acquiring high potential agricultural land, investments in trees and other forms of planting material, and the purchase of equipment and infrastructure. Input costs are also high, and pumping water requires electricity, the costs of which are rising.

Low-cost and much less capital-intensive farming systems such as extensive livestock are feasible on a large scale, given that much of South Africa is suitable only for grazing, but are also less employment-intensive. Some systems of vegetable production are also less capital intensive than others, for example, using hand tools and small, low-cost pumps and gravity-fed irrigation technologies.

Between these two extremes lie intermediate systems, with medium levels of capital intensity but relatively high employment-generation potential, such as small-scale commercial vegetable production using pumped water, and labour, rather than machinery and equipment. Given the severe fiscal constraints experienced by government at present, key trade-offs between options will have to be considered.

A strong focus on two farming systems of relatively low capital intensity is warranted, in our view: extensive livestock and small-holder vegetable production.

A strategic focus in land redistribution on extensive livestock production makes sense. Climate change, increasing droughts and bush encroachment mean that indigenous breeds of goats and sheep are likely to increase in importance over time. Goat and sheep production would result in the more efficient utilisation of

low-value land, and create important new opportunities for black farmers, whether land reform beneficiaries or not. Relatively low barriers to entry into extensive livestock production by black farmers is another key factor, along with the lucrative new value chains that could come into being.

In relation to fresh vegetable production by smallholder farmers, relatively low levels of capital investment required make it an attractive option. Markets are key but if demand for fresh vegetables continues to increase, then this may not prove to be a major constraint. A real constraint, however, is the availability of water for irrigation. Alternatives to expensive large-scale irrigation schemes, including farmer-led systems, should be explored.

Jobs vs wages

Another trade-off that must be considered by policy makers is that between jobs and wages. Labour legislation in South Africa regulates the labour conditions of employees and specifies a minimum wage. Enforcing these provisions on large-scale commercial farms often proves difficult, and would be even more difficult if attempted on small-scale farms.

Adapting existing legislation to the reality of highly differentiated types of farming is recommended. The political necessity of land reform, combined with the feasibility of net job creation through a focus on small-scale agriculture, in a context where levels of unemployment are extraordinarily high, suggests that labour policies must take these realities into account. They could include adopting legal definitions of small-scale farming that allow more flexible labour conditions than on large-scale farms. The goal of creating 'decent work' in agriculture must be retained, and its feasibility enhanced through implementing effective support policies for small-scale farmers that enhance their profitability.

Conclusions

Despite its limitations, this study has broken new ground by investigating the potential of small-scale farming for employment generation in specific locations across the country. The extent to which the findings can be generalised to other localities with similar agro-ecological characteristics is clearly debateable.

However, the projected gains in employment-intensity that result from the creation of a much large number of more labour-intensive and small-scale farms means that this option is worth exploring in more detail.

We strongly recommend that government, perhaps with donor support, launch a small number of pilot programmes to practically test and assess the costs and benefits of the policies recommended here.

