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"NOT A SINGLE WHITE PERSON SHOULD BE ALLOWED TO GO UNDER": SWARTGEVAAR AND THE ORIGINS OF SOUTH AFRICA'S WELFARE STATE, 1924-1929

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“Not a Single White person should be allowed to go under”: *Swartgevaar* and the Origins of South Africa’s Welfare State, 1924-1929

Abstract

South Africa developed, during the course of the twentieth century, an exceptional welfare system based on social assistance rather than social insurance, and focused especially on old-age pensions. The origins of South Africa’s welfare state lay in the 1920s, not in the 1930s as has generally been suggested. This paper examines the process leading to the 1928 Old Age Pensions Act, paying particular attention to the 1926-28 Pienaar Commission on Old Age Pensions and National Insurance. The introduction of old age pensions enjoyed the support of all parties representing white and coloured voters in Parliament, but for diverse reasons. For the National Party and Labour Party – partners in the coalition Pact Government of 1924-29 – non-contributory old-age pensions were a crucial pillar in the ‘civilised labour’ policies designed to lift ‘poor whites’ out of poverty and re-establish a clear racial hierarchy. Welfare reform was thus, in significant part, a response to the ‘swartgevaar’ or menace of black physical, occupational and social mobility. The choice of a system of tax-financed social assistance, in preference to a system of social insurance financed out of contributions by employers and workers, was due to a combination of factors: the perceived need to provide immediate redress against poverty and unemployment (motivating the National Party); the powerful influence of left and liberal thinking from Britain, Australia and New Zealand (on both bureaucrats and the Labour Party); a concern that contributory schemes would add to much to the costs of production (among employers and workers alike); and a worry about the racial coverage of contributory schemes.

Introduction

The origins of the welfare state are a rich and vibrant area of scholarship in both history and comparative political economy. Research on how and why states expanded the public provision of welfare in Western Europe, North America and Australasia continues to boom (recent notable contributions including Huber and Stephens, 2001; Swenson, 2002; and Mares, 2003), giving rise to a vibrant debate over the relative importance of economic growth and social change, working-class mobilisation, left parties, state institutions, and reformist elites (including employers) (see the overview in Hicks and Esping-Andersen, 2005). This boom has spread to embrace welfare state formation in late industrialising countries, including most notably East Asia (see, e.g. Kwon, 1999; Wong, 2004).

South Africa is one of the remaining countries whose history of welfare policy has been neglected. This is especially striking given the exceptionalism of the South African case: Unusually in the world, and exceptionally in the global 'South', South Africa developed in the course of the twentieth century a system based around social assistance rather than social insurance, i.e. a system in which support for the elderly or infirm and for low-income families with children was non-contributory, financed out of tax revenues, rather than being limited to the members of contributory, employment-linked schemes. By the beginning of the twenty-first century, South Africa spent 3 percent of its Gross Domestic Product on social assistance, which is substantially more than any other country in the 'South' and more than most countries in the North; one in five South Africans of all ages received a monthly grant of some kind.

The making of South Africa's system of public welfare entailed two key phases. The second phase of extension has received some attention: In the mid-1940s, welfare policies that provided for people who, in South Africa's racialised environment, were considered to be white (or 'European') or 'coloured', were extended to people considered to be African (or 'native') or Indian (or 'Asiatic') (Sagner, 1998, 2000; Seekings, 2000, 2005). But almost no attention has been paid to the preceding phase, when welfare policies were initially introduced for white and coloured people.

There is a large literature on the relationships between state, capital and labour in the early twentieth century, but this literature uniformly focuses on the workplace and policies affecting it, whilst ignoring entirely social policy (Davies, 1979; Davies *et al*., 1976; Lacey, 1981; Yudelman, 1983). These studies pay particular attention to the election of a coalition ('Pact') government in 1924 that included the small, socialist Labour Party alongside the much larger, Afrikaner republican National Party. This literature is deeply divided as to how to interpret the 'Pact' Government: was it acting in the interests of nascent 'national' capital, in manufacturing industry (as the Poulantzian-inspired Davies *et al*. and Lacey argued), or was the state still bound too intricately to 'imperial' capital, in the mining industry especially (as Yudelman argued)? But there is broad consensus that it did *not* mark a political triumph for the white working-class. Noting that white workers' wages did not rise under the Pact Government, Davies *et al*. (1976: 11) concluded that 'the workers' state (even the white workers' state) was a myth'. White workers were co-opted politically, but – the consensus held – without evident economic gain. Two studies dissented in part from this consensus. Lewis (1984) distinguished between skilled and unskilled white workers, showing that their interests differed, with important implications for how trade unions organised. The policies of the Pact Government benefited unskilled, mostly Afrikaans, white workers especially. Morrell (1987) showed that there were real shifts in 1924 with respect to agricultural policies, with 'poor whites' in rural areas benefiting from the Pact Government's policies.

These studies' neglect of social policy is more understandable when one recalls that they predated the major shift that took place in the mid-1980s in the analysis of the role of social policy in the political economy of capitalist societies. Post-Poulantzian scholars such as Korpi (1983), Esping-Andersen (1985), Castles (1985) and Przeworski (1985) emphasised the role of social policy – and the 'social wage' – in the class compromise of social democracy: labour gave up revolutionary socialism (i.e. the struggle over ownership of the means of production) in return for redistribution through the budget as well as the regulation of wages and conditions of employment.[1] Analysis of the role of the social wage and social policy only entered into the study of the political economy of South Africa in the early 2000s, in the very different circumstances of post-apartheid South Africa (Nattrass and Seekings, 2001; Seekings, 2004).

The few existing studies that refer to the pre-1940 origins of South Africa's welfare policies concur that these lay in the 1930s, not the 1920s. Historians have concentrated on the work of the Carnegie Poor White Commission of 1929-32 (e.g. Iliffe, 1987: 117-122) and the subsequent politicisation of the

[1] But South African scholars ignored recent work on similar countries in Brazil, Argentina and Chile that emphasised precisely the role of social policy in co-opting labour (Mesa-Lago, 1978; Malloy, 1979).

‘poor white problem’ by the Afrikaner nationalist movement (e.g. O’Meara, 1983; Tayler, 1992). Duncan, in a paper on the origins of the welfare state, writes that ‘In the 1930s and 1940s, South Africa took the first faltering steps towards the establishment of a “welfare state”’ (1993: 72). Fleisch (1995: 357) describes the Carnegie Commission as ‘a turning point for state involvement in white “social problems”’. Posel refers to the ‘new form of the state’ envisioned in the 1930s (2005: 65). Berger (1983) suggests that there were no major changes in policy toward ‘poor whites’ between 1918 and the mid-1930s. Implicitly, at least, many other studies suggest that welfare policies followed the Carnegie Commission and the depression and drought that coincided with it (Giliomee, 2003: 353; Davie, 2005: 82-5).

This consensus is mistaken. South Africa’s welfare state dates from the 1920s under the first Pact Government of 1924-29, not the 1930s; the key debates preceded even the appointment of the Carnegie Commission in 1929, and were long before that Commission reported in 1932. The legislative foundations of South Africa’s welfare state were laid with the 1928 Old Age Pensions Act, which introduced non-contributory old age pensions from 1st January, 1929. The Act was a response to the First Report, in 1927, of the multi-party Pienaar Commission on Old Age Pensions and National Insurance. The Pienaar Commission had been appointed in early 1926 ‘to examine and report upon:

> (a) The payment of pensions by the State to necessitous aged and permanently incapacitated persons who are unable to maintain themselves and for whom no provision at present exists.
>
> (b) A system of National Insurance as a means of making provision for the risks of sickness, accident, premature death, invalidity, old age, unemployment and maternity.’

In its First Report, the Commission recommended that the state (at national not provincial level) greatly expand its responsibility for the poor through non-contributory old age pensions (which were provided for under the 1928 Act) and disability (or ‘invalidity’) grants (which were introduced, after some delay, in 1936-37). In its Second and Third Reports, the Commission proposed a system of social insurance to cover sickness and unemployment. Whilst disability grants and unemployment insurance were not actually provided until 1936-7, the foundations were laid by the Pienaar Commission. The Pienaar Commission is, however, not even mentioned in the existing literature on both the Pact

Government and on ‘poor whites’ or social policy.[2] Pienaar himself is not included in the South African Dictionary of National Biography.

This paper examines how and why the state began to assume substantial responsibility for the ‘deserving’ poor in the 1920s, and why it chose to do so through social assistance rather than social insurance. Social assistance was supported by a broad coalition of white political actors. South African policy-makers were very aware of policy innovations in a wide range of other countries; the diffusion of ideas from Britain as well as Australia and New Zealand (both British dominions, like South Africa) was especially important in South Africa. For the organised working-class, and their parliamentary allies, social assistance represented a stage in the struggle against capitalist exploitation, providing benefits that they deserved but for which they would not pay through contributions. For employers, a tax-financed system was less awful than a contributory one, because it did not raise the costs of production. But the most important factor was the imperative – for the National Party – of raising its ‘poor white’ supporters out of poverty and the attendant risks of becoming subordinate to or intermingling with African people. Old-age pensions constituted one cornerstone of the ‘civilised labour’ policies by which the Pact Government sought to raise all white people to ‘civilised’ standards of living, above rather than below or alongside the ‘native’ (African) population. South Africa’s welfare state thus has its origins above all in the NP (and Pact Government’s) general strategy of racial segregation (and discrimination) in response to the *swartgevaar* (‘black danger’).

Politics and Poverty in the Early 1920s

The establishment in 1910 of the Union of South Africa, comprising the two British colonies of the Cape and Natal and the two formerly independent Boer (or Afrikaner) Republics of the Transvaal and Orange Free State, was followed by a period of considerable political ferment. The new country was governed initially by the South African Party, which comprised a broad Anglo-Afrikaner coalition led by former Boer general Louis Botha as Prime Minister. In 1913, Barry Hertzog led an Afrikaner republican split away from the South African Party. The following year he formed the National Party, which rapidly secured the Orange Free State and steadily gained support in the Transavaal. With the

[2] Two exceptions, that note the Pienaar Commission in passing, are Sagner (1998) and Meth and Piper (1984).

National Party opposing South African participation in the First World War, Botha turned for support to the opposition Unionist Party, which was backed by the country's capitalist elites. In 1921 the Unionists were absorbed into the South African Party, now led by another former Boer general, Jan Smuts. This left, as the opposition in parliament, Hertzog's National Party, whose support was concentrated in poorer rural areas, together with the smaller, socialist Labour Party, whose support-base was among white workers in the gold-mining towns of the Witwatersrand.

This was also a period of recurrent class conflict between capital and the state, on the one hand, and labour, on the other, as it was in much of Europe. Employers sought to take more advantage of the fact that state policies helped to ensure a supply of cheap, un- or semi-skilled African labour. White mineworkers opposed this by demanding the reservation of more skilled jobs for white workers. Protests by white miners in 1913 were followed by a general strike in 1914, which the government suppressed by calling on armed citizen 'commandos' from country districts. Later in 1914, some of the very same commandos rose in a short-lived republican revolt against the government and participation in the Great War. Then, in 1922, white mineworkers went on strike against their employers' attempt to relax the colour bar in employment, i.e. to use more African workers in semi-skilled occupations previously reserved for white workers. Negotiations failed, and the white miners and state clashed violently in the Rand Revolt. The rebellious and racist white workers brutally attacked black workers, but were in turn the victims of severe state repression (Krikler, 2005). In sectors other than mining, the lines of conflict were somewhat different: skilled white workers – almost all English-speaking immigrants – sought to prevent employers substituting semi-skilled for skilled jobs, but their opposition to deskilling did not require racial discrimination (Lewis, 1984).

'African politics' was also in ferment, with direct implications for 'white politics'. The African National Congress had been established in 1913 as the voice of relatively conservative African elites. But in the immediate aftermath of the Great War, African workers engaged in a wave of demonstrations, boycotts, strikes and riots, in towns and rural areas. African political leadership was radicalised. A new Industrial and Commercial Workers Union (ICU) rose to prominence, facilitating further diffusion of dissent. By 1927 the ICU claimed 100,000 members. All of this caused considerable panic among white people in many parts of the country (Bradford, 1987).

This was a period of political and social ferment in large part because of the rapidity of social and economic change. Gold-mining fuelled massive migration into the Witwatersrand towns, not only among relatively skilled workers from Britain (many of whom looked towards the Labour Party) and African workers from across Southern Africa, but also among poorer and unskilled Afrikaners from rural South Africa. The Afrikaans urban population rose from almost nothing at the end of the nineteenth century to about 391,000 in 1926 and 535,000 in 1935. New arrivals in towns suffered multiple disadvantages: they spoke Afrikaans, but English was the language of urban employment; they were poorly educated and lacked skills; they lacked contacts in the labour market; and they lacked experience in trade union organisation. They were squeezed between the high wages secured by trade unions for skilled white workers and the low wages demanded by African workers. For them, as Giliomee has emphasised, urbanisation was a *traumatic* experience (Giliomee, 2003: 323). In rural areas, poorer Afrikaners provided support for the 1914 rebellion and, thereafter, for Hertzog's new National Party. In town, they were an obvious constituency for both the Labour Party, except that its leadership was entirely English-speaking (and pro-British), and the NP, except that it emphasised Afrikaner nationalist concerns more than those of workers (*ibid*: 331-2).

Poverty among white people was due to the sub-division of small farms into unsustainably smaller and uncompetitive units, urban unemployment among the unskilled, and the erosion of support by kin for those who were unable to work on grounds of age, infirmity or ill health, domestic workload or unemployment. This was well understood at the time, even before the Carnegie Commission documented it fully in 1932. Indeed, even before Union, government commissions already recognised that rural-born white workers were unable to compete with African workers for unskilled employment, and because they could not secure unskilled employment they were unable to gain the experience and skill that might led to upward mobility into better-paid, more skilled work. This was, moreover, viewed by white political elites as a political problem. The Transvaal Indigency Commission reported in 1908 that white people could not maintain their position as a 'dominant race' if too many sank into 'apathetic indigency', living with or, even worse, below the 'non-European majority' (quoted in Lewis, 1984: 25). The causes of poverty among white people – and the failings of existing responses – were identified again in 1916 by the Transvaal Relief and Grants-in-Aid Commission and in 1920-22 by the Unemployment Commission (see, generally, Berger, 1983; also Davies, 1979). Whilst there is considerable confusion over estimates of the numbers of 'poor whites', it is likely that they comprised just under 10 percent of the white population at this time.[3] Most were Afrikaners. Afrikaners comprised less than one-quarter of all white male urban workers in 1926, but more than half of the specific categories of unskilled labourer and mineworker (Lewis, 1984: 69). The nature and causes of poverty among whites were documented repeatedly through the mid- and late 1920s. The Economic and Wages Commission reported in detail on the structural causes of 'poor whiteism' (South Africa, 1926: 105-20, 334-50). In August 1924, the new Parliament engaged in a lengthy debate on 'poor whites'.[4] Academics such as the great liberal historian W.M. Macmillan also wrote on the subject (Macmillan, 1930).

Prior to the 1920s, poor white people relied primarily on kin or the churches, with only a small minority of workers contributing to insurance schemes and state provision limited to poor relief on the British model (Bottomley, 1990; Iliffe, 1987: 115-23). Workers – generally the more skilled workers – in some sectors had secured industry- or employer-specific insurance against disability or poor health. Approximately 10 percent of the white population were eligible for benefits in the event of ill health through membership of voluntary 'friendly societies' and medical benefit funds, the most important of which by far was the South African Railways and Harbour Sick Fund (South Africa, 1928: 28). It is unclear how many workers contributed to occupational retirement funds, but the proportion was very low. The government paid pensions to retired civil servants, but it would appear that the total number of such pensioners was less than 2,000. The state also paid war pensions to veterans of the Anglo-Boer and Great Wars. The common law made children responsible for maintaining aged and indigent parents. Elderly people without children or other indigent people were dependent on charity or poor relief provided by the provincial administrations, and often administered by churches. But charity and poor relief were stigmatising. Poor (white) people were turned into 'callous and hardened professional beggars', in the words of the Pienaar Commission (Union of S.A., 1927: 10).

The challenge of poverty among white South Africans was addressed only indirectly prior to 1924. The 1919 Public Health Act provided for a Department

[3] The 1921-22 Unemployment Commission suggested that the number was about 120,000 (see Berger, 1982: 21-3). Giliomee interprets this as meaning that there were 120,000 *unemployed* white people out of an economically active white population of just 540,000, giving a high unemployment rate (Giliomee, 2003: 336). As early as 1929, the Pienaar Commission had clarified that this was a mistaken interpretation, that the figure of 120,000 referred included children, women, the infirm and the elderly (South Africa, 1929: 27).

[4] *Hansard*, House of Assembly, 12th August 1924.

of Public Health. The 1920 Housing Act provided limited public funds to build, but not subsidise, houses for white (as well as coloured and Indian) people. The 1923 Native Urban Areas Act put into practice the recommendations of the infamous Stallard Commission, limiting African people in urban areas to racially-segregated locations and requiring them to have valid 'passes'. The purpose was to push down African people, or to push them out of urban areas altogether, so as to re-establish the racial hierarchy. As Colonel Stallard himself said, it was especially important to impose passes on 'skilled and educated natives' because to do otherwise would be 'to expose the white population to the most deadly competition which the black race is capable of offering, and to ensure the ultimate subordination of the most hopeless portion of the white race to the most competent portion of the black race' (quoted in Parnell and Hart, 1999: 372). The only action to uplift poor white people was some limited training initiatives and the temporary expedient of employment on public works programmes for unskilled white workers (Berger, 1982: 214-30, 267-82; Lewis, 1984: 25-7).

Unsurprisingly, the opposition National and Labour Parties used the threats of unemployment and poverty, winning a series of parliamentary by-elections against the incumbent South African Party. In 1923, the National and Labour parties concluded an electoral pact. The economy had been in recession for three years, and reports that one half of all white school-leavers were unable to find jobs precipitated a sharp panic around unemployment in 1924 (Berger, 1983: 193-7). The terms of the Pact denounced the government for promoting 'big financial' interests and jeopardising the future of South Africans 'as a civilised people' (quoted in Hancock, 1968: 155). The terms of the Pact reportedly included also an explicit commitment to social and economic betterment, including old age pensions (Creswell, 1956: 93-4). In the election campaign, both Pact parties denounced the governing South African Party as the party of big business, or the 'big interests' as Labour Party leader Colonel Creswell called them; the Pact parties accused the government of implementing policies that provided employers with every-cheaper labour, caused poverty among white people, and threatened the survival of white supremacy.[5] At a meeting in Potchefstroom, Hertzog emphasised the threat to South Africa remaining 'a white man's country'. He attacked the franchise in the Cape Province, which gave the vote to the African middle class, on the basis that African voters would come to comprise a majority there. The NP leader in the Transvaal, Tielman Roos, told voters in Johannesburg that 'the native is not an

[5] Davies (1979) and Yudelman (1983) agree that this allegation was valid, in that mining capital exerted huge influence over the government in the early 1920s.

asset to the white man in this country; he is a curse'. African workers, he said, should be prohibited from doing any semi-skilled or skilled work.[6] Hertzog himself was only marginally more restrained: 'The native can be used to advantage; but I say that native labour must not be used where the services of the white man can and ought to be used, that is, where the white man in South Africa can make a living'.[7]

For both Pact parties, the forthcoming elections were about the survival of the 'civilised races' and protecting 'civilised labour'. Hancock describes 'civilised labour' as 'a powerful incantation', its 'magic' uniting the Pact parties whilst exposing disagreements within the South African Party (Hancock, 1968: 160). For the Labour Party, this was part of the ideology of the imperial working-class, an ideology shared by workers in Australia and elsewhere. White workers should vote against the South African Party because 'it is the tradition of the people of every British Dominion to insist that their country shall be the home of an ever-increasing civilised and contented people', and 'because South Africa shall be no exception and shall not be permitted to degenerate into a big, cheap-labour compound, in which the people will find it harder to earn a civilised livelihood.'[8] Much more systematic racial segregation and discriminatory policies were needed to ensure 'civilised' lifestyles for white and coloured people.

The Pact parties made a strong appeal to coloured voters, who were still a significant force in the Cape Province. Hertzog himself declared that coloured people should be treated on an equal basis with the 'European' in employment and education, and even that he favoured extending the vote to coloured people in the Transvaal and Free State (which Afrikaner republicans had opposed successfully at the formation of the Union). Coloured people, Hertzog said, would help maintain the white man's position against the 'native'.[9] The term 'civilised labour' (as opposed to 'white labour'), probably borrowed from Australian trade unions, may have been used first by the Labour Party in the 1924 campaign specifically so as to appeal to *coloured* workers. The appeal may have enjoyed some success, with a strong swing to the NP in several Cape constituencies where there were concentrations of coloured voters (Giliomee, 2003: 391-3).[10]

[6] *Cape Times*, 4th June, 9th June, 14th June, 1924.
[7] *Hansard*, House of Assembly, quoted by Hancock (1968: 159).
[8] *Cape Times*, 13th June, 1924.
[9] *Cape Times*, 19th May, 4th June, 1924.
[10] But press reports suggested that the National Party was critical of the Labour Party for not

The elections of June 1924 were a triumph for the Pact parties. The National Party won 63 seats and the Labour Party 18, against the 53 won by the South African Party (and one seat by an independent). After some discussion, the National and Labour Parties agreed to form a coalition government. The new cabinet was headed by Hertzog and included seven other National Party ministers and three Labour Party ministers. These included veterans of both the 1914 mineworkers strike (the Labour Party's Creswell and Boydell) and republican revolt (Kemp of the National Party). The Pact Government quickly moved to re-establish a racial hierarchy through the two dimensions of segregation: lifting up white (and, more ambiguously, coloured) people at the same time as keeping African people down or out. Welfare reform was to be a central element in this racial project.

Swartgevaar: The Pact Government and the Restoration of Racial Privilege

Economic change and the workings of the 'market' had eroded the racial hierarchy, by impoverishing some rural white people and enriching some urban black people (despite the many legislative and social restrictions on the latter). The Pact Government sought to use the state to counter the 'market' and restore a clear racial hierarchy. Prior to the election Hertzog has spoken of the need for a '*skeidsmuur*', i.e. fence or dividing line, between civilised and uncivilised labour (Hancock, 1968: 159). In November 1925, Prime Minister Hertzog spelt out for the first time, in a speech in his parliamentary constituency of Smithfield in the Orange Free State, his general plans for 'segregation' in South Africa. The two elements of segregation which have attracted most attention in recent literature have been further 'influx control' (i.e. restrictions on urban residence for African people) and the removal of African voters in the Cape from the common voters roll, i.e. the precursors of policies central to *apartheid* after 1948. But racial segregation was not simply a matter of shutting African people out; it was also a matter of keeping them down, and of raising up white people above them. Segregation was, as Cell (1982) writes, a stage in the maintenance of white supremacy. In South Africa, it was a response to the '*swartgevaar*'

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accepting equality between white and coloured workers. Hertzog reportedly said that the Labour Party did not distinguish between coloured and African labour; the Labour Party, he said, would have to abandon 'some of their preconceived ideas as to coloured labour' if they were to join the National Party in government (*Cape Times)*, 19th May, 1924. Hancock points out that there was some ambiguity even within the National Party as to whether coloured workers were on 'the civilized side of the fence' (Hancock, 1968: 162-3).

(literally 'black peril') – a phrase used by Hertzog in his Smithfield speech – which embraced a whole set of threats including the demographic threat posed by the fast-growing African population, the political threat posed by a growing African electorate in the Cape as well as the ICU in the countryside and industrial militancy in the cities, a sexual threat, the social threat of miscegenation, and a very real economic threat posed by the upward mobile of African people into more and more skilled employment (as was evident in the events leading to the 1922 Rand Revolt).

Segregation thus meant uplifting poor whites through a combination of 'civilised labour policies', land settlement policies in the countryside, and welfare reform. The political imperative was explained by the newly-elected National Party MP for Hopetown, Dr Stals (who had won his seat from the South African Party). The 'poor white' problem, he said:

> … is a question which not only concerns the poor; it affects the whole white civilisation of this country. It confronts us with the question whether we, the descendents of the staunch old pioneers, will maintain their civilisation and hand it over to our children. … It may be asked whether there is poverty only in South Africa and whether other countries do not suffer from the same thing. There are poor people everywhere, but the circumstances in South Africa are unique. In Europe poverty has proved a great breeding place for Socialism and Bolshevism. If grievances arise there it is simply an economic matter. In this country, however, there is a small number of whites against the natives, a few civilised people against uncivilised hordes, and for that reason it is so important that not a single white person should be allowed to go under. … There is no greater problem than this, because the existence of the European civilisation in this country hinges on it.[11]

The discourse of 'civilisation' was crucial to Pact Government's policies. Labour market policies were explicitly referred to as 'civilised labour policies', but the underlying principles informed other policies also. 'Civilised labour' was defined in a circular sent out by Hertzog:

[11] *Hansard*, House of Assembly, 12th August 1924, col.429-32. Stals did not mention the elderly in particular. The debate was prompted by Rev. Fick, MP, presenting a petition on the poor white problem, reportedly with 60,000 signatories (see *ibid*, col.427).

> The Prime Minister desires it to be understood by all Departments of State that it has been decided as a matter of definite policy that, wherever practicable, civilized labour should be substituted in all employment by the Government for that which may be classified as uncivilized. Civilized labour is to be considered as the labour rendered by persons, whose standard of living conforms to the standard of living generally recognised as tolerable from the usual European standpoint. Uncivilised labour is to be regarded as the labour rendered by persons whose aim is restricted to the bare requirements of the necessities of life as understood among barbarous and undeveloped peoples.[12]

Whilst the formulation was clearly intended to include coloured as well as white people, it was white people who really mattered. Evidence of what constituted a civilised standard was heard by the 1925 Economic and Wage Commission (appointed by the Pact Government):

> The term "civilised" would appear to be a variant of "living" or "reasonable" as applied to a European in South Africa. So far as we were able to follow the witnesses who used the term, they meant by it the standard represented by the highest wage earned by a skilled artisan in one of the higher wage centres of the country. If this be its meaning, it is obviously a misnomer; for the level of real wages in such countries as Belgium, Germany, and Italy is only half that of the white artisan in South Africa.

The question facing the commission, it seemed, was: "Is a Native servant essential to a civilised existence?" (South Africa, 1926: 178-9, para 332-3).

The 'civilised labour policy' did not require raising the wages paid to semi-skilled or skilled workers, because poverty among white people was rarely due to low wages. Rather, it entailed excluding African workers from such jobs and providing employment for mostly unskilled white workers at the 'civilised' wages generally paid to semi-skilled or skilled workers. Yudelman points out that the mines were exempted from the civilised labour policies; the Pact Government looked elsewhere to raise employment (Yudelman, 1983: 232-3). A Department of Labour was established, with Creswell as the first Minister of

[12] Circular no.5, 31st October, 1924, quoted in *Year Book of the Union of South Africa*, volume 9: 203. The circular predated the establishment of the new Department of Labour.

Labour, to look after ‘races which subscribe to a civilised standard of life’. The state-owned South African Railways and Harbours were the primary focus for job creation, with poor white workers appointed as ‘skilled labourers’. By 1929, the Railways and Harbours could claim to have found ‘employment and often housing for approximately 25,000 workless men who were regarded as “poor whites”, without any prospect of hope’ (quoted in Lewis, 1984: 76). When the Pact Government introduced tariffs to protect local industries, it offered preferential tariffs – and government contracts – to reward firms that employed a high proportion of ‘civilised’ to ‘uncivilised’ labour. And when it established the parastatal Iron and Steel Industrial Corporation (ISCOR), it required that it did likewise (*ibid*: 80). In both the public and private sectors, African workers were replaced by better-paid white workers. Finally, the 1926 Mines and Works Act entrenched the colour bar in gold-mining, which was the one industry in which Afrikaans-speaking migrants were in a majority among white workers.

The Pact Government also sought to keep more white people in the countryside. It moved to subsidise production, support domestic prices, and protect farmers from international competition with tariffs. Farmers were provided with cheap credit, export subsidies, and preferential railway tariffs. A massive parastatal system for marketing produce was used to maintain high producer prices, with the cost passed onto consumers. As a result, consumers paid local prices that were higher than world prices. State interventions, especially those affecting the marketing system, served not only to boost farmers’ incomes but also to protect them against risk. In sharp contrast with the pre-1924 South African Party government, the Pact Government favoured struggling small farmers over the larger producers (Morrell, 1987; Jeeves and Crush, 1997; Schirmer, 2003).

Civilised labour policies together with agricultural policies served to ensure that working white and coloured people enjoyed civilised living standards, but they could only be of secondary importance in addressing the ‘poor white’ problem. This was because unemployment was not, in the 1920s, the sole cause of ‘white’ poverty. This was made clear by, first, the 1925 Economic and Wage Commission (South Africa, 1926), and then by the Pienaar Commission. In its Third Report, on unemployment insurance, the Pienaar Commission found that the unemployment rate was about 4 percent within both the white and coloured populations; this was lower than in most ‘other countries’, and due to the inability of ‘a certain proportion of them … to compete with the coloured people and the natives’ (South Africa, 1929: 23-4, 26).[13] Most of the 100,000 to

[13] Unemployment within the African population was not considered to be a major problem because, it was thought or imagined, most ‘native’ workers could return to rural areas in the

150,000 ‘poor whites’ were not fit to work. The policy challenge posed by ‘poor whites’ would need to be addressed primarily through old-age and disability pensions (*ibid*: 27, 29). The Pact Government did not need to wait for the Carnegie Commission before acting to uplift ‘poor whites’, whether of rural or urban origin.

The Acceptance of State Responsibility for the Deserving Poor

The most pressing category of ‘deserving’ poor were the elderly and invalid. Under pressure from MPs, the previous South African Party Government had, just prior to the election, appointed a civil servant (James Collie) to investigate old-age pension schemes. The resulting memorandum was presented to Parliament almost immediately after the election (South Africa, 1924). It distinguished between voluntary insurance schemes (as in France), compulsory insurance schemes (as in Germany) and non-contributory schemes (as in Britain or New Zealand). It concluded by setting out, briefly, eight possible non-contributory schemes for South Africa. These varied according to the age of eligibility (sixty-five or seventy), the level of the pensions, and whether or not they were means-tested. The most expensive was ‘Scheme A’, which would provide universal old-age pensions (without any means-test) for elderly white, coloured and Indian people from the age of sixty-five, and invalidity grants for ‘native’ people. African people would get invalidity grants because of the practical difficulties in determining their age. District surgeons or magistrates could certify invalidity, and this would (Collie suggested) catch most elderly African people. The total cost would be £3.85 million per year (i.e. more than 10 percent of total public expenditure). All of the schemes covered African people, but all also discriminated in benefit levels, with the proposed benefits for coloured people being two-thirds those for white people, and those for African people being just one-third the white level.

Whilst some MPs clamoured for immediate action, the Government urged further reflection, especially given the cost. The new Minister of Labour appointed a committee to examine unemployment and poor relief. The committee, *inter alia*, seems to have expected that a national old-age pension

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event of retrenchment. In addition, it was frequently pointed out that the Chamber of Mines ‘had’ to bring in labour from outside the Union, implying that there was a scarcity of labour inside the country.

and disability scheme would be enacted.[14] The Government then referred the Collie Memorandum to a parliamentary Select Committee in April 1925. The Select Committee handed the matter back. In August 1925, the Government appointed an Economic and Wage Commission to examine the impact of policies on 'opportunities for employment at a wage compatible with a civilized standard of life'. The members of the Commission submitted two separate reports in January 1926, disagreeing on wage-setting. But they agreed that the provision for the elderly and disabled was inadequate, and perhaps there was a need also for unemployment insurance (South Africa, 1926: 112 and 319). In February 1926, the Government appointed a five-man Commission on Old Age Pensions and National Insurance, with a brief to consider not only old-age and invalidity pensions but also provision against the risks of sickness, premature death, unemployment and maternity. The Commission was being asked, in effect, to consider a comprehensive social insurance and assistance system for South Africa. The combination of fiscal concerns and party politics probably explains why the Commission was appointed by the National Party Minister of Finance, Nicolaas Havenga, rather than by the Labour Party Minister of Labour.

The Commission was to be chaired by B.J. ('Pen') Pienaar, a senior National Party MP for Wonderboom and chairman of the parliamentary public accounts committee. Its other members – all MPs – were Patrick Duncan (South African Party MP for the Johannesburg constituency of Yeoville, a former cabinet minister, and a future deputy-leader of his party and later still Governor-General of South Africa), Henry Sampson (Labour Party MP for the Johannesburg constituency of Jeppe), J.W.J. Wessel Roux (National Party MP for the rural constituency of Ceres in the Western Cape) and Dr Nicolaas van der Merwe (a church minister and newly-elected MP for Winburg in the Orange Free State, and about to become one of the leading member of the Malanite wing of the National Party and critic of Hertzog). Three of the five members – i.e. a majority – were from the National Party. Collie served as the secretary to the Commission (until 1928). The Commission held hearings in Cape Town and the Boland whilst Parliament was in session (up to early June 1926), and then across the length and breadth of the Union between July and December. It also solicited written submissions from employers, unions, churches and other interested parties.

[14] The Hancock Committee was a committee of the Advisory Council of Labour. I have not been able to find any record of the committee except for a brief summary in the *Yearbook of the Union of South Africa*, volume 9: 201.

In recognition of the urgency of assisting the elderly, the Commission produced in April 1927 a first report recommending non-contributory, means-tested old-age and invalidity pensions. The Report adopted the discourse of 'civilisation' that dominated the Pact Government: 'Many aged and infirm people are living under conditions which are unworthy of a civilised community as the assistance provided from the existing sources is quite inadequate' (South Africa, 1927: 10).

> The law provides that children are responsible for the maintenance of their parents when they are no longer able to earn enough and are without means sufficient for their maintenance. It has been recognised for some time that in many cases children are unable to give the necessary assistance to aged parents even if they lowered the standard of living of their own families to do so. Nor could they share with their parents the small quantity of the food they are able to provide, which is already less than is required by their own growing children. Another fact that is generally admitted is that there are in every community many aged persons who have no children or near relations to whom they can look for assistance, and who are, therefore, almost entirely dependent on the goodwill and charity of their fellow citizens. … In far too many cases, [people] are not earning enough to bring up their own families properly and are quite unable to make any provision for their own old age and are not in a position to do anything towards assisting their parents. (*ibid*: 9-10)

When children have the means to care for the elderly, four of the commissioners decided (with Sampson dissenting), they should be compelled to do so. In other cases, the commissioners agreed, the state should assume responsibility.

The Report summarised Collie's survey of old-age provision elsewhere in the ('civilised') world and discussed in detail the evidence elsewhere on age of eligibility, other conditions affecting eligibility, and benefit rates. The age of eligibility was set at sixty-five for both men and women, ignoring widespread calls and a dissenting opinion from Sampson that women should be eligible from the age of sixty. There would not be any specific grounds for excluding 'undeserving' elderly (although 'provision should be made that where a pensioner is leading a riotous life or cannot be trusted to expend his pension wisely the Magistrate may direct that the pension may be paid to some other person or body to be expended on the maintenance of the pensioner' – *ibid*: 32). The final recommendation had two conspicuous changes in comparison to any of Collie's schemes. First, it made no provision of any kind for African people.

Secondly, it set the pension at a lower level than Collie's minimum, at 10 shillings per week. Sampson dissented from this also, recommending instead a pension of £1 per week; the lower rate, he said, was 'quite inadequate for the maintenance in South Africa of an individual on a civilised basis':

> My colleagues contemplate that the amount by which the pension is inadequate will be made good by the pensioners' children or by charitable agencies. I am unable to agree with them. In my opinion the pensions should be fixed at such a sum as is sufficient to maintain an individual in such a manner that he is adequately fed, clothed and housed as a civilised being, without other assistance. (*ibid*: 34)

The sum of £2 per month was certainly very low in comparison with the wage rates considered as 'civilised' by the Government. A wage of £1 per *day*, i.e. about £30 per month, was common among semi-skilled or skilled white workers and artisans (see South Africa, 1926), although wages were understood to support a family whilst a pension was to support a single individual. But £2 per month was less than the wages paid to many African workers.[15]

There would also be a means test. This was necessary because universal pensions (as in Collie's Scheme A) would be too expensive and accorded with public opinion:

> We are satisfied that the country cannot afford and does not desire to see a system of universal Old Age Pensions. The alternatives are a system of pensions which is subject to a means limit and which has proved so popular in Australia and New Zealand or the abandonment of the idea of doing anything for those who are already aged and necessitous. (*ibid*: 24)

The Commission estimated that the means test would result in only one quarter of the elderly white population receiving old-age pensions, together with two-thirds of coloured and Indian elderly. In total, they estimated, old-age pensions would be paid to 15,500 white and 14,000 coloured and Indian people, and invalidity pensions would be paid to another 8,000 white and 9,000 coloured and Indian people. The total cost of old-age pensions would be £771,000 per year, and the cost of old-age and invalidity pensions together would be just over £1.2

[15] The sum of £2 per month was calculated on the basis of minimal living costs which clearly did not include provision for a domestic worker.

million per year, or less than 4 percent of total public expenditure. This was less than one-third of the cost of Collie's Scheme A, and reflected the fiscal conservatism of Havenga and the Pact Government.

MPs from both the opposition and the Labour Party's backbenches accused the Government of prevarication, in both 1925[16] (before the Pienaar Commission was appointed) and early 1928 (between the publication of its first Report and the tabling of a Bill). The Labour Party's G.A. Hay (who had defeated the incumbent Prime Minister, Smuts, in the Pretoria West constituency in 1924) criticised the fiscal conservatism of the (National Party) Minister of Finance, Havenga:

> I am all the more anxious because recently the Minister of Finance, in a speech, heralded his intention to practice what is called economy, and pointed to the necessity of reduction in taxation. That may be hailed by the financial pundits as another proof of the wonderful success of a wonderful Minister of Finance. But there are other questions besides pounds, shillings and pennies. There are questions of humanity standing far above all questions of whether rich men should become richer and governments should spend less.[17]

Three years of delay, Hay said, did not reflect well on 'a rich country like South Africa'. Hay spoke of 'rights' and 'moral obligation', and called on South Africa to do what many other countries had done. 'This country lags behind', he added, concluding that 'the way in which a country treats its old people is a criterion of its civilisation'. The Opposition MP for Dundee, Sir Thomas Watt, took up the issue:

> In view of the splendid position the Treasury is in this financial year, the intention of the Government to let this opportunity pass seems all the more regrettable, because we have apparently a good deal of money to spare, so far as one can judge, and it will not be necessary for the Government to raise taxation beyond its present limit to deal with this pressing matter.[18]

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[16] *Hansard*, House of Assembly, 1925, col.1,987-992 (Richards and Ballantine).
[17] *Hansard*, House of Assembly, 1928, col.1,250.
[18] *Hansard*, House of Assembly, 1928, col.1,252. See also the speech by Blackwell.

It seems that the National Party's prevarication reflected two concerns. First, at least some of its MPs were opposed in principle. Lourens Steytler, MP for Albert, said in an earlier debate that he belonged 'to the simple farmers who believe that one must work hard when you are young and to save something for your old age, if it is granted to you to become old'. Pensions would simply encourage people to spend all they earn, living in luxury rather than saving, and furthermore farmers like him could not afford to pay higher taxes.[19] More importantly, the Minister of Finance and other National Party MPs expressed concern about the cost[20] - as did the Pienaar Commission itself.

The Government finally tabled an Old Age Pensions Bill (Bill no. 26 of 1928) in 1928. The Bill substantially accepted the recommendations of the Pienaar Commission. Benefits for white pensioners would be set at £30 per year, which was marginally higher than the £26 per year recommended by the Commission. Coloured pensioners would receive £18 per year. The age of eligibility would be sixty-five for both men and women. There would be a means-test. The only major difference between the Commission's recommendations and the Bill was the exclusion of Indian people.

The Bill enjoyed support in all three parties, just as members of all three parties had supported the prior recommendation as members of the Pienaar Commission. Indeed, the Labour Party MP and member of the Commission, Harry Sampson, told Parliament in 1929 that the Chamber of Mines was the only organisation opposed to pensions, adding: 'But, of course, their people never grow old, they do not live long enough'.[21] The Bill was criticised for doing too little, notably by Sampson, who criticised the Bill for its inadequate benefits and discrimination against coloured pensioners.[22] But most MPs clamoured to share the views articulated by Havenga, who introduced the Bill into Parliament. First, quoting the preamble to the 1898 New Zealand legislation, he described the elderly as 'unfortunate' but 'not always

[19] *Hansard*, House of Assembly, 1925, col.1,992-3.
[20] *Hansard*, House of Assembly, 1925, col.1,993 (Havenga), 1,995 (Commandant J.J. van Rensburg).
[21] *Hansard*, House of Assembly, 1928, col.4,181. But I have not corroborated this claim, made by an MP with deep antipathy to the mine-owners. Given the Chamber of Mines' concerns over costs, they would probably have preferred a non-contributory old-age pension system than a contributory one.
[22] *Hansard*, House of Assembly, 1928, col.4,182. Labour Party MP Morris Kentridge also criticised the discrimination against coloured pensioners. He was to leave the Labour Party soon after, joining the South African Party and then becoming a left-liberal voice in the United Party.

undeserving'. Secondly, he proclaimed boldly and unambiguously that 'it is the duty of the state to come to the assistance of our aged poor'.[23]

Providing old age pensions meant acknowledging the inability or unwillingness of families to support adequately elderly dependents. But shifting responsibility to the state did not entail a complete retreat from the principle of familial responsibility. Policy-makers wrestled with the problem of reconciling state and family responsibilities in the new legislation. MPs disagreed over clause 18 of the Bill, which required the state to recover funds from children who had the means to support their parents but were not doing so (as the Pienaar Commission had recommended, with Sampson dissenting). Opponents of the clause argued that it could result in tensions between parents and children, and children might be pushed to kicking out parents (who had hitherto enjoyed free accommodation with their children). The Clause was passed, but with significant opposition.[24]

After being passed by Parliament, the Old Age Pensions Act was signed by the Governor-General in June, 1928. Old-age pensions would be paid from 1st January. Collie was appointed as the first Commissioner of Pensions. The swift passage of the Bill, after a period of procrastination, reflected the prospect of a new election (June 1929) but the absence of strong, organised extra-parliamentary pressures.

The Choice of Social Assistance

In designing these new schemes, successive governments exercised *choice*. The Pienaar Commission (and the Pact Government) recognised that poverty among the elderly and the disabled not only *might* be addressed in a variety of ways, but actually *was* addressed in different ways elsewhere in the world. South Africans were not isolated from international debates and developments, but rather assessed policy reform with extensive knowledge of alternative models. They *chose* the option of social assistance in preference to alternatives.

Alternatives were acknowledged in both Collie's 1924 Memorandum and (more fully) the Pienaar Commission's first Report.[25] Havenga acknowledged the

[23] *Hansard*, House of Assembly, 1928, col.3,982, 3,993-4.
[24] *Hansard*, House of Assembly, 1928, 4,305-12, 4,351-2.
[25] The choice was also acknowledged in Parliament, prior to the Pienaar Commission. See

range when he told Parliament, when introducing the Old Age Pensions Bill, that 'thirty years ago old age pensions were a novelty. … [But] today there are about forty such schemes in operation in various parts of the world'.[26] Non-contributory social assistance was the approach adopted in the United Kingdom (until 1925), New Zealand, Australia, and a few other countries. The major alternative – social insurance, whether voluntary or compulsory – was adopted in most of continental Europe (with the United Kingdom adopting social insurance for health and unemployment). The insurance option was, quite explicitly, rejected in South Africa between 1924 and 1928 for old-age pensions.

Whilst the Commission and Government chose non-contributory old-age pensions, their reasons for doing so were not recorded in detail. The Collie Memorandum acknowledged social insurance schemes elsewhere in the world but only put forward a set of social assistance options for South Africa. Collie's reasons for favouring social assistance were '(a) the increasing stress of modern industrialism and the competitive system throwing, as it does, men out of employment at an ever earlier age; (b) the lowness of wages leaving no margin for making adequate provision for declining years' (South Africa, 1924: 3). Arguments against included the cost, possible discouragement of thrift, and possible deterioration of character. The Commission's First Report is even sketchier in its reasoning. It provides a mass of detail on the details of benefits, eligibility rules and means-tests in other countries, but focuses on social assistance schemes and does not consider the merits of contributory ones. Introducing the Old Age Pensions Bill, Havenga said that there was still uncertainty about a national insurance system, but even if national insurance was introduced it would be no use to those who were already old or who would reach pensionable age before making sufficient contributions. Patrick Duncan (the leading opposition MP on the Commission) reiterated that the country could not wait for people to accumulate the right to pensions through prior contributions, and added that South Africa was not fully industrialised, so there were many poor people who could not be brought into a contributory system based on deductions from wages.[27]

If this represented the sum of thinking about the choice between social insurance and social assistance, then it would be difficult to avoid the conclusion that each of Collie, the Commission and the Government rushed into choosing social

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Hansard, House of Assembly, 4th September 1924, col.1,352 (Robinson) and 7th April 1925, col.1,990 (Richards).

[26] *Hansard*, House of Assembly, 1928, col.3,982.

[27] *Hansard*, 1928, col.3,998.

assistance so as to be able to deliver old-age pensions quickly, for the immediate relief of poverty among elderly white and coloured people. Indeed, Collie's Memorandum set out options only for social assistance, and the Pienaar Commission's first Report reads like an investigation into what kind of a social assistance scheme (what level of benefits? should it be means-tested? what eligibility rules?), not an inquiry into the choice between social assistance and social insurance. In its appeal for submissions in 1926, the Commission appeared to be asking for comments on non-contributory schemes, not asking for views on contributory schemes (South Africa, 1927: 7). Furthermore, the first Report refers to 'further enquiries' into insurance schemes: 'Pending further enquiries into the institution of a contributory scheme which will provide for old age and invalidity pensions for certain classes of the community, we recommend that for those who have already attained the pensionable age, or who will attain it before such a Contributory Scheme is instituted, and whose means are inadequate for their maintenance, a system of non-contributory pensions should be introduced without delay, as the need for such assistance is very great' (*ibid*: 15; see also 32). There is no evidence of either the Commission or anyone else formulating or costing options for a contributory pension scheme.

But even in its first Report, the Pienaar Commission acknowledged that a contributory pensions scheme has recently been introduced in the U.K., in part as a way of overcoming the problem of financing pensions (South Africa, 1927: 22). The British Government had introduced means-tested, non-contributory old-age pensions in 1908, for people aged seventy and older. The benefits had been raised in 1919, but there continued to be considerable pressure for more generous coverage and for people to be eligible from a younger age. In 1925, the Conservative Party government passed new legislation providing for a contributory pension scheme, for working people and their dependents, to supplement and gradually replace the existing non-contributory scheme (Thane, 1996; Macnicol, 1998). The Pienaar Commission also noted that the Royal Commission on National Insurance in Australia had recently recommended a contributory scheme to supplement the existing non-contributory old-age pensions (South Africa, 1927: 40).

More importantly, by the time that the Bill was debated in Parliament in mid-1928, the Commission itself had moved beyond the thinking set out in its First Report. Having submitted that First Report in April 1927, Pienaar and Sampson – who were the senior members of Commission from the parties forming the Pact Government – travelled to Europe, accompanied by Collie. First, they attended the 10th Session of the International Labour Conference in Geneva in mid-1927. After the conference they spent six weeks in Europe, visiting Berne, Berlin, Copenhagen, The Hague, Amsterdam, London and Edinburgh learning about insurance policies (South Africa, 1928: 7-8). The Commission's Second Report – completed in 1928 – includes, as an appendix, a list of provisions in different countries, updated by the ILO on the basis of the recent Australian Royal Commission on National Insurance. The Report is full of praise for the ILO's efforts in collecting and disseminating information on welfare programmes. The Commission's Third Report (1929) similarly details provisions for unemployment insurance in Europe and Australasia. When Havenga, in May 1928, emphasised uncertainty about national insurance, the uncertainty reflected complexity rather than ignorance.

In none of its three reports did the Pienaar Commission directly and fully compare the merits of social insurance and social assistance, but three related themes stand out in the careful discussion of insurance against the risks of ill-health and unemployment. The pertinent flaws of contributory schemes concerned their coverage and costs in countries with limited industrial development and a multi-racial population, as in South Africa. Although the Commission recommended a system of compulsory insurance 'providing for sickness, medical, funeral, and maternity benefits' (South Africa, 1928: 48) and unemployment (South Africa, 1929), this should be limited to workers in industrial areas.[28] The scheme would be funded by employers and employees, with the employer's share rising from a minimum of one half to a maximum of 100 percent in the case of low-waged workers. The state should bear the administrative costs.

The Commission recommended against introducing a contributory system to provide for old-age or permanent invalidity. The stated reason was that time was needed to learn the lessons of the non-contributory old-age pension scheme already proposed, given the 'peculiar conditions prevailing in South Africa' and the incidence of the costs of a comprehensive insurance scheme. The 'peculiar conditions' were rather cryptically listed as concerning the country's 'industrial development' and 'the wide differences existing in regard to wage levels and standards of living as between various sections' (South Africa, 1928: 62). The significance of 'industrial development' becomes clear when the problems of cost are explained: 'Industrial development in South Africa outside the gold-mining industry is at present only in its beginnings, and it would not be reasonable to impose upon it at once the whole scheme of social legislation

[28] Workers with very high earnings would be exempted; workers with very low earnings could be exempted if the employer was making adequate provision outside of the scheme.

indicated in our terms of reference' (*ibid*: 62; see also 41) (although it was reasonable to impose on new industries the costs of medical and other insurance).

> We realise that there is much to be said in favour of Social Insurance as a means of reducing human suffering and increasing the earning capacity of the insured; it is only natural, however, that the cost has become a matter of great concern in many countries, more especially as the burden of maintaining the funds is an addition to the costs of production and does not fall on profits or the accumulated wealth of the community. (*ibid*: 42)

Funding all welfare payments out of contributions would have placed heavy pressure on industry, which was either facing a fixed price (in the case of gold) or was in its infancy (in the case of secondary industry); in either case, additional costs were, indeed, a potentially serious burden. It made much more sense for the state to transfer a large part of the responsibility for the poor to tax-payers, which did not let business off the hook – as corporate taxation made up a large part of total taxation – but was at least a tax on profits rather than a tax on employment.

The significance of the 'wide differences' between 'sections' is not explained, but is clearly a reference to the racial issue. There were real costs to establishing insurance schemes that were racially-exclusive: excluding African workers would raise the relative costs to employers of employing white workers and would deter them from so doing (*ibid*: 26); similarly, excluding low-wage workers (of any race) from the scheme would provide an incentive to employers to keep wages low (*ibid*: 26). Whilst the Commission decreed that it would be 'impracticable' to cover 'Native areas', because 'natives' there were unwaged agriculturalists, 'it would be undesirable to make any distinction on the grounds of colour' in urban or industrial areas (*ibid*: 22-4, 63). The same problem did not arise with respect to social assistance. Non-contributory pensions thus made it easier to establish a clear and unambiguous racial hierarchy – although doing so was opposed by some MPs, as we shall see further below.

One reason why the choice of social assistance might have reflected more the urgency of re-establishing a clear racial hierarchy than relieving quickly poverty among elderly white people is that the government could have introduced a social insurance scheme with initial subsidisation. This is in part what the Conservative Party government in Britain did in 1925, when it introduced contributory old-age pensions to supplement – and, in its mind, eventually replace – the existing non-contributory system. The Conservative government ‘sweetened’ the move by subsidising heavily the payment of pensions to retiring workers in the short-term even though those retirees had not contributed for very long, i.e. the period of contributions was not actuarially sound. Without such a sweetener, the legislation would have been deeply unpopular. Such a sweetener in the South African situation would have entailed a larger drain on the Treasury to begin with, but a smaller drain in the longer term. There is no evidence that the Pienaar Commission or the South African Government considered or costed such a proposal, so it is possible that it simply did not occur to them. But the choice of a non-contributory system over a subsidised insurance system is consistent with the primacy of re-establishing the racial hierarchy.

The goal of providing for the ‘civilised’ sections of the South African population was an important factor in the careful attention paid to models used elsewhere in the ‘civilised’ world. ‘Civilised’ South Africans should, of course, be protected against the risks that European and other civilised governments covered. But the Commission and Government were insistent that they were not simply aping foreign models. After a careful study of the British and German models of health insurance, the Commission concluded ‘that for a scheme to be successful it must be designed specially to meet the conditions which are peculiar to the country, and that it would be inadvisable to take over a scheme from another country where it has been a success and expect it to succeed in another where the conditions are altogether different.’ The Commission had endeavoured, it continued, ‘to ascertain … what portions of the various schemes can be assimilated in a scheme devised to meet South African conditions, and what the experience of other countries has shown should not be incorporated in a South African scheme’ (*ibid*: 36).

Some models were therefore more relevant, and more influential, than others. Australia and New Zealand stood out.[29] Collie paid special attention to New Zealand in his 1924 Memorandum, in part because New Zealand also confronted questions of race. Collie reported that ‘Asiatics’ were excluded from pensions in New Zealand, but Maoris not, perhaps because it was easier to ascertain their age than it was the age of African people in South Africa (South Africa, 1924). Havenga introduced the Old Age Pensions Bill in Parliament by quoting from the preamble to the New Zealand 1989 legislation. The Pienaar Commission reported that its members had ‘availed themselves’ of the opportunity to discuss

[29] Hyslop (1999) reminds us that racism was integral to the egalitarian welfarism of the ‘imperial’ working class in Australia as much as South Africa.

health insurance at the ILO with delegates from other countries, 'more particularly with those who came from overseas countries where the conditions were similar to those of the Union, such as large areas sparsely populated and difficult to access' (South Africa, 1928: 7). The work of the recent Australian Royal Commission on National Insurance informed strongly the Pienaar Commission's 2nd Report. Australian precedent also informed the 3rd Report, given – as the Commissioners wrote – 'the special racial and economic conditions which exist here' (South Africa, 1929: 33-4).

Table 1: Comparisons of contributory and non-contributory pensions, UK, New Zealand, Australia and SA.

	Non-contributory				*Contributory*
	United Kingdom	*New Zealand*	*Australia*	*South Africa*	*United Kingdom*
Date of legislation	1908	1898	1908	1928	1925
Dates of imple-mentation (i.e. of pensions first being paid)	1st Jan, 1909	n/a	n/a	1st Jan, 1929	July 1928
Age of eligibility	70	65 (men) 60 (women)	65 (men) 60 (women)	65 (men and women)	65
Means test	Yes, for incomes above £26 10s per year	Yes, for incomes above £52 per year	Yes: total income not to exceed £84 10s per year	Yes, for incomes above £24 (£18 if coloured),	No: contributory scheme
Maximum benefits	£26 per year	£45 10s per year	£52 per year	£30 per year (£18 if coloured)	£26 per year
Proportion of elderly covered	58% (men) 75% (women)	25%	33%	26% (white) 67%* (coloured)* 15% (total population)**	n/a

Note: Data for Australia and New Zealand reflect changes made during 1925. *Coverage in South Africa is the expected coverage, as predicted by the Pienaar Commission. **Using Collie's estimates of the elderly African population. n/a: not available.
Source: South Africa, 1927.

The South African pensions compared favourably with the non-contributory pensions in Britain in terms of benefits, but not coverage (especially when the entire population is taken into account); they compared less favourably with those in Australia and New Zealand (see Table 1). The Pienaar Commission had explicitly rejected recommending an age of sixty for women to be eligible for pensions, as in New Zealand and Australia, but without giving reasons. Fiscal conservatism is the obvious probable cause. The Commission also based its calculations on an appropriate benefit on detailed evidence on the cost of living in South Africa. It noted that benefits were more generous in Australia and New Zealand, but observed also that 'it has been reported that they are finding the cost somewhat onerous' (South Africa, 1927: 21).

Conditions in South Africa were not dissimilar to conditions in parts of Latin America. But whilst South African policy-makers had a general understanding of policy developments in Latin America, probably through the International Labour Organisation, they do not seem to have taken them into account. The contrast between the first steps in the public provision of welfare in South Africa and Latin America serves to highlight some distinctive features of the South African case. In each of Brazil, Chile and Argentina, the welfare state developed along Bismarckian lines, with contributory insurance schemes for different occupations or sectors, providing for old-age, illness or disability, and sometimes unemployment (Mesa-Lago, 1978; Malloy, 1979). The insurance option made political sense in a context where the pressures for change came from the organised working class alone, and there was little or no concern among policy-makers with the truly poor, who did not have the vote. Indeed, workers and employers alike generally opposed national insurance schemes that were too wide in their coverage, because these would entail employers and less vulnerable, better-paid workers subsidising the more vulnerable workers in low-wage employment. In addition, the costs of contributions could be passed onto consumers in economies with high levels of protection against imports. This was much less true in South Africa, where the mining industry faced a fixed gold price and other industries were still struggling to establish themselves.

Partisan Politics and the Permeability of the Racial Hierarchy

All parties in Parliament supported non-contributory old-age pensions on the grounds that the state had a responsibility to provide for at least some of its elderly poor, but MPs (and others) disagreed over the extent of coverage, especially in terms of race. Everyone used the discourse of 'civilisation', but this was an ambiguous discourse that was open to different interpretations.

Collie's 1924 proposals were all racially inclusive, covering African people throughout the country, but benefits would be discriminatory. In his Scheme F, which was in other respects closest to the eventual provisions of the Old Age Pensions Act, white pensioners would receive 15 shillings/week, coloured and Indian pensioners would receive 10 shillings, and African pensioners just 5 shillings. But the much larger number of poorer African people in South Africa would mean that 40 percent of the total expenditure would have been spent on African pensioners, compared to 36 percent for white pensioners, and 22 percent and 3 percent for coloured and Indian pensioners respectively (South Africa, 1924). This would have been a highly redistributive scheme, in racial as well as class terms. The Pienaar Commission included Indian people but excluded African people from its recommendation:

> The conditions in which the vast majority of the native population of the Union are at present living makes it impossible in our opinion to bring them within the scope of any scheme of old age or invalidity pensions. There is, no doubt, a section of the native population living in towns and industrial centres under conditions very similar to those of coloured workers, but the difficulty of applying any statutory distinction between them and other natives for the purposes of this report seems to us at present insuperable. (South Africa, 1929: 15)

The Commission, however, did not recommend discriminatory benefits, suggesting that all pensioners be paid up to the same 10 shillings per week. The Old Age Pensions Bill (and Act) excluded African and Indian people, and discriminated against coloured pensioners in terms of benefits.

The Pact Government's inclusion of coloured pensioners reflected their attempt to build support among coloured voters and enlist coloured people in the bigger struggle against the African majority. In the 1924 election campaign, as we have seen, the National Party made a strong pitch to coloured voters (see also Giliomee, 1999). Hertzog promised the political incorporation of coloured people at the same time as the political exclusion of African people. Indian people, on the other hand, were the target of comprehensive legislative attacks from the Pact Government. The National Party sought to disfranchise them, prohibit them from competing with white traders, restrict their land ownership and even, ultimately, to return them to India. Excluding them from access to old-age pensions was unsurprising. It is just curious that the Pienaar Commission, with its Nationalist majority, had not recommended this already.

It was the blanket exclusion of African people that prompted most criticism and division, however. Hertzog rightly criticised some of his opponents in the South African Party for being too 'liberal' and wanting a less racialised society (although this criticism hardly applied to the entire party). Patrick Duncan opposed discriminatory benefit levels and the exclusion of Indian people from the Old Age Pensions Bill, but went along with the exclusion of African people for the moment, supposedly because of practical difficulties: 'I do not see how you can possibly apply the machinery of an old age pension system to natives at their present stage of development. Later on it may be different, but I certainly do not think you can do it now…'[30] Some of his colleagues broadly agreed with him. Sir Drummond Chaplin (a former director of the British South Africa Company, and MP for South Peninsula in the Cape) agreed that it was 'wise' to exclude natives for the time being, whilst the administration was being sorted out.

> If all the natives were what one might call civilised natives, or the class who have the franchise in this part of the world [Cape Town], there would be no great diff-iculty. Some of those natives, I know, feel rather sore that they are left out of this Bill. … [But] I do not see how you can distinguish between educated natives who may have got the franchise down here [in the Cape Province] and other natives. If you give the benefits of this Bill to any natives, you must give it to all natives, and it seems to me the difficulties in regard to that are at present, at any rate, insuperable.[31]

But other opposition MPs did not agree:

> I strongly object to the absence of any provision for the payment of old age pensions to the poor native. I do not represent a native constituency, but I do not see how in the name of common fairness we can tax the natives and then turn round and say to them "you shall not share in the benefits of old age pensions." South Africa will be the first country to adopt an old age pension scheme from which the poorest section of the community will be excluded. … Such a policy is no credit either to us as a civilised community, or to the Government which introduces it.[32]

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[30] *Hansard*, 1928, col.4,000-1.
[31] *Hansard*, House of Assembly, 1928, col.4,188-9.
[32] *Hansard*, House of Assembly, 1928, col.2,990 (Blackwell).

Alone among MPs in the Pact parties, Morris Kentridge (Labour Party) spoke out against the exclusion of 'industrialised natives' who had nowhere to return to in the reserves when they retired.[33]

The Pact Government's reasons for excluding African people were partly financial. As Dr van der Merwe, one of the NP members on the Pienaar Commission, told Parliament: 'It is mainly a question of finance. With our small white population and our huge native population, the burden of paying pensions to the latter would be an impossible one.' In addition there was the practical problem of ascertaining the age of elderly African people. But underlying these concerns were more fundamental concerns about segregation. Van der Merwe acknowledged that 'the provision of pensions would encourage the tendency of natives to de-tribalize themselves', in that they would not return to their '*kraals*'.[34] It was the better-paid African person in town, whom some of the more liberal opposition MPs considered 'civilised', that posed the greatest threat to 'poor whites' and the 'white race', as Stallard had put it earlier in the decade. If pensions were to raise up 'poor whites', they should not raise up also the more skilled African workers and small middle-class African elite.

Later, in the 1930s, a fuller argument would be developed as to why African people should not be covered by welfare policies. The Native Economic Commission, appointed by Hertzog in 1930, elaborated segregationist thinking, linking white poverty to black urbanisation, and emphasising the physical deterioration of 'anti-progressive social system' in the reserves. The overall conclusion was that African people needed to adapt, but they should not be turned into black Europeans – meaning that they should not be included in the category of 'civilised labour'. With regard to poverty, the Commission found that:

> The poverty of individuals which occurs among Europeans is not common among Natives. Their communal system cares for all its people. Broadly speaking there is no starvation because each man will share his food with others. … Such poverty as exists, therefore, applies to the whole of the community among which it occurs, but urban conditions are beginning to break down the communal traditions, and instances were quoted to us of Natives who found it necessary to hide what food they have, because sharing would tend to

[33] *Hansard*, House of Assembly, 1928, col.4,202.
[34] *Hansard*, House of Assembly, 1928, col.4,194.

> leave them without the necessaries for their own subsistence. (South Africa, 1932: para 998-9)

This argument – which belied the actual evidence observed by magistrates as well as academic researchers – was to be made in the 1930s to justify the exclusion of African people from other welfare policies, but it does not seem to have been made in the debates over old-age pensions in the 1920s.

Conclusion

Old-age pensions were introduced on 1st January, 1929, which was nicely timed, an opposition MP noted,[35] given the general election to be held in June 1929. In the elections, the National Party gained additional seats, as did the opposition South African Party, both at the expense of the irreperably-divided Labour Party. In providing unskilled white workers with employment on the railways and harbours, in ISCOR and in private enterprise, the Pact Government had made a significant dent on 'white' unemployment. By providing old-age pensions, it made a dent on a second dimension of 'poor whiteism'. In so doing, it also began to re-establish the clear racial hierarchy.

In Europe, the growth of the welfare state meant the expansion of rights for the poor. In Marshall's classic formulation, the welfare state in the twentieth century conferred social rights or 'citizenship', following on the achievement of civil rights in the eighteenth and political rights in the nineteenth centuries. Social rights, explained Marshall, ranged 'from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilised being according to the standards prevailing in the society' (Marshall, 1992 [1948]: 8). In South Africa, also, the right to income security in old-age through non-contributory old-age pensions was an integral component allowing for life as a 'civilised being', but this civilised life was reserved for white (as well as, ambiguously, coloured) men and women. Indeed, the old age pension was part of the panoply of measures designed to raise 'poor whites' up out of poverty and the dangers of mixing with African people. For the National Party, old-age pensions were part of the segregationist strategy to establish a clear racial hierarchy.

[35] *Hansard*, House of Assembly, col.3,997 (Henderson).

In South Africa, in contrast to most of Europe and Latin America, this first pillar of the welfare state was not built as a result of the struggles of organised workers or elites' concern to co-opt them. In South Africa, in the 1920s, white workers were a heterogeneous group, and white working-class politics was complex. Skilled workers, organised into craft unions, opposed the 'deskilling' in the workplace that opened up opportunities for unskilled 'poor white' Afrikaners. The craft unions sought to protect existing working practices, and were not opposed to non-racial unions as long as these did likewise (Lewis, 1984: 29). The Pact Government's 'civilised labour' policies favoured unskilled workers, and were sometimes opposed by skilled workers, who complained that they were paying for the civilised labour policies (*ibid*: 33-8). Skilled workers benefited little from the introduction of old-age pensions: they were unlikely to be so poor in retirement that they were eligible for the means-tested pensions. An entirely contributory scheme, as in Latin America, would have served them better. But, in the highly racialised political environment of the mid-1920s, some skilled white workers would certainly have supported racist policies that made little obvious economic sense to them. More over, Labour Party and trade union leaders were part of the Imperial intellectual world that saw non-contributory pensions as part of a socialist ideology.

The key factor behind the old-age pensions was the concern to uplift 'poor whites', who were not organised in trade unions and whose only extra-parliamentary voice was the Dutch Reformed Church and associated organisations. The National Party was ideologically and electorally committed to ending poverty among white people, and old-age pensions were an appropriate way of doing this. By the time of the elections in June 1929, Hertzog was able to proclaim that civilised labour policies had solved the unemployment problem[36] (although the Depression was soon to prove him wrong). Old-age pensions were the primary mechanism for solving the problem of poverty among non-working age white people. Employment and social policies were parts of the same package. Many years later D.F. Malan wrote in praise of the coalition of Labour and National parties in the Pact Government. The coalition, he said, had 'introduced a Government Labour Department, initiated the system of Old Age Pensions, and generally assisted in the protection of the European worker by the introduction of the so-called "Civilized Labour" policy' (Malan, 1956).

[36] See the exchange between Lawrence and Hertzog in *Hansard*, House of Assembly, 14th August 1929, col.890-2.

The importance of electoral politics has generally been under-emphasised by recent South African historians, but at the time social policy reforms were attributed to electoral politics by their critics. When, in 1932, the Carnegie Commission launched its critique of the old age pensions and other programmes that put cash in the pockets of the poor, they blamed these programmes on ‘voting power’ (Carnegie Commission, 1932: para 112; see also para 122). One member of the Commission wrote that competitive party politics had had ‘more and more harmful results’:

> Practically all the white indigents have the vote, and in several constituencies they hold the balance. Public men who do not realize their responsibility or only consider election chances, have increasingly created wrong ideas and foolish expectations in the minds of the poor. (Grosskopf, 1932: 229)

The poor, lacking ‘a healthy sense of civic duty’, used their vote ‘for personal interests’; political leaders made irresponsible election promises. Charity rapidly came to be seen as a right, and provision as the duty of the state (*ibid*: 229-30). Another member of the Commission agreed that ‘the influence of the poor man’s vote on the charitable policy of the State is strong. The poor are tempted to use the vote as a weapon to make unfair demands …’ (Albertyn *et al*., 1932: 141).

The perceived duty of the state to provide for the poor was expanded over the following fifteen years to cover further categories of ‘deserving’ poor: the blind, people suffering from other disabilities, families with poor children, and workers (through workmen’s compensation and unemployment insurance). Most of the new policies could be traced back to the recommendations of the Pienaar Commission. The delay in implementing them reflected fiscal conservatism, changes within the Pact Government, and especially a backlash against the old-age pensions – a backlash in which the Carnegie Commission played an important part (see Seekings, 2006). It took other changes – drought, the Great Depression, improved public finances and changing party politics – to put them back on the agenda in the 1930s. By the late 1930s, South Africa had a well-developed welfare state for its white and coloured citizens. As the newly appointed Professor of Sociology at the University of the Witwatersrand proclaimed, exaggerating somewhat, in his inaugural lecture in 1937: ‘Today the provision for [the] European population … is scarcely less complete than that of Great Britain’ (Gray, 1937: 270). Old-age pensions were the most important pillar of the welfare state, in simple financial terms. By 1938, more than £2.2

million was being spent on the almost 60,000 white and 22,000 coloured pensioners (South Africa, 1941). Like its Latin American counterparts and unlike those in Britain, Australia and New Zealand, however, this was a welfare state that provided almost nothing to the truly poor. It was only in the mid-1940s that tentative deracialisation began to transform the South African welfare state into the major tool for redistribution that it is today.

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